



**VIRTUALSOFT**  
Get The Digital Edge

# Catalyzing Innovative Broadband Services & Solutions



**VIRTUALSOFT SYSTEMS LTD.**  
**ANNUAL REPORT 2004-05**



Virtualsoft Systems Limited

**BOARD OF DIRECTORS**

Mr. Gokul Tandan  
Mr. Rajendra V. Kulkarni  
Mr. Ashok K. Anand  
Mr. Suresh Rajpal  
Mr. Gurmukh Singh  
Mr. Nalluru C Murthy

Managing Director  
Whole time Director  
Director  
Director  
Director  
Additional Director

**COMPANY SECRETARY**

Mr. Atul Kumar

**BANKERS**

Standard Chartered Bank  
B-68, Greater Kailash-I  
New Delhi-110 048.

**STATUTORY AUDITORS**

I.M. Puri & Co.  
Chartered Accountants  
C-30, Chirag Enclave  
New Delhi-110 048

**REGISTERED OFFICE**

S-101, Panchsheel Park,,  
New Delhi-110 017

**SHARE TRANSFER AGENT**

Mas Services Pvt. Ltd.  
AB-4, Safdarjung Enclave  
New Delhi – 110 029

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Virtualsoft Systems Limited

## Notice

Notice is hereby given that the Fourteenth Annual General Meeting of the Members of the Company will be held on Friday, September 30, 2005 at 9:00 a.m. at **Rama Krishna Banquets Hall, Near Main Market, Bhajanpura, Main Wazirabad Road, Delhi -110 053**, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2005 and the Profit & Loss Account for the year ended as on that date and the Reports of Auditors and Directors thereon.
2. To re-appoint Mr. Ashok Anand, Director who retires by rotation and being eligible, has offered himself for re-appointment.
3. To re-appoint Mr. Gurmukh Singh, Director who retires by rotation and being eligible, has offered himself for re-appointment.
4. M/s I. M Puri & Co. Auditors of the Company, tenure from the office expires on conclusion of this Meeting. They have expressed their unwillingness to be re-appointed as Auditors of the Company from the conclusion of this Meeting. M/s. Nath Ahuja & Co. chartered Accountants have expressed their willingness to be appointed as Auditors of the Company from the conclusion of this Meeting to the conclusion of the next Annual General Meeting at a mutually agreed remuneration. They have also confirmed that their appointment if made, would be within the limits laid down under Section 224 (IB) of the Companies Act, 1956.

To consider and if thought fit to pass with or without modification, the following Resolution which will be proposed as an ordinary Resolution.

"RESOLVED THAT pursuant to provision of Section 224 of the Companies Act, 1956, M/s. Nath Ahuja & Co. Chartered Accountants, New Delhi are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting at a remuneration to be decided mutually.

### SPECIAL BUSINESS:AT

5. To consider and if fit, to pass with or without modification/s the following resolution as a Special Resolution.

"RESOLVED THAT Mr. Nalluru C Murthy, who was appointed as an Additional Director of the Board who ceases to hold office under Section 260 of the Companies Act, 1956 at ensuing AGM and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company on such terms and conditions as may be decided by the Board.

6. 'RESOLVED THAT in accordance with the provisions of Section 269, 309 and other applicable provisions of the Companies Act 1956, if any, the company hereby approves the term of re-appointment of Mr. Gokul Tandan as the Managing Director of the Company with effect from 31 July 2005, for 5 years up to July 30, 2010 on all existing terms and conditions & remuneration subject to the approvals of the share holders in the AGM be and is hereby approved and ratified.
7. 'RESOLVED THAT in accordance with the provisions of Section 269, 309 and other applicable provisions of the Companies Act 1956, if any, the company hereby approves the term of re-appointment of Mr. Rajendra V Kulkarni who was re- appointed by The Boards of Director of the company, as a Wholtime Director with effect from 1 July 2005, subject to the approvals of the share holders in the AGM for a period of Three Years up to June 30, 2008

Registered Office:  
S-101, Panchsheel Park,  
New Delhi-110 017.

By Order of the  
Board of Directors

Dated: August 13, 2005

Atul Kumar  
Company Secretary

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.  
  
The instrument of proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.
2. An explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of the items under special business is annexed hereto.



## Virtualsoft Systems Limited

3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday September 26, 2005 to Friday 30, 2005 (both days inclusive).

4. Member are requested:

- i. to kindly notify the change of address, if any to the Company/ the Registrar / Depository Participant.
- ii. To bring their copy of the Annual Report,
- iii. to deposit to duly completed attendance slip at the meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

**Item no. 5**

The Board of Directors of the Company appointed Mr. Nalluru C Murthy as the Additional Director of the Company on 31<sup>st</sup> May 2005. According to the Provision of the Section 260 of the Companies Act, 1956, he can hold office of Additional Director only up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Act, a notice has been received from member signifying his intention on propose his appointment a Director along with the deposit of Rupees 500/- The Board considers it desirable at the Company should continue to avail itself of his service.

Your Director, recommend the resolution for approval of the members.

None of the Director except Mr. Nalluru C Murthy is concerned or interested in the resolution.

**Item no. 6.**

The Board of Directors of the Company re-appointed Mr. Gokul Tandan as a Managing Director of the Company on its meeting held on 30<sup>th</sup> July, 2005. Under section 269 of the companies Act, 1956, with effect from 31, July 2005, for 5 years up to 30, July 2010 on all existing terms and conditions & remuneration subject to the approval of the members in the ensuing Annual General Meeting of the company.

**Item no. 7**

The Board of Directors of the Company re-appointed Mr. Rajendra V Kulkarni as a Whole time Director of the Company on its meeting held on 30<sup>th</sup> June 2005, under section 269 of the companies Act, 1956, with effect from 1, July 2005, for 3 years up to 30, June 2008, on all existing terms and conditions & remuneration subject to the approval of the members in the ensuing Annual General Meeting of the company.

Registered Office:  
S-101, Panchsheel Park,  
New Delhi-110 017.

By Order of the  
Board of Directors

Dated: August 13, 2005

Atul Kumar  
Company Secretary



Virtualsoft Systems Limited

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting for your consideration and approval the Fourteenth Annual Report of your Company for the financial year ended March 31, 2005.

### 1. FINANCIAL RESULTS

		(Rs. In Lakhs)	
Particulars	Year Ended 31.03.2005	Year Ended 31.03.2004	
1 Income			
Net Sales/Income from operations			
Export Income			-
Domestic Income	441.91	483.63	
2 Other Income	1.09	0.94	
3 Expenditure:			
Software Purchased	410.93	459.95	
Staff Cost	42.78	39.67	
Legal & Professional	13.06	13.97	
Hire/Rental Charges	7.02	9.59	
Communication Costs	2.99	2.50	
Other Costs	113.85	120.42	
4 Interest	2.10	3.34	
5 Depreciation	69.56	25.62	
6 Profit/(Loss) before tax	(219.29)	(190.49)	
7 Provision for Tax	1.60	0.00-	
8 Net Profit/(Loss)	(220.89)	(190.49)	
9 Paid up Share Capital (Face Value of the share Rs. 10/-)	754.76	754.76	
10 Reserves & Surplus	20.00	20.00	
Excluding Profit & Loss Accumulated Balance of	(898.26)	(677.37)	
11 Basic and diluted EPS for the year end	(2.93)	(2.52)	
12 Aggregate of Non-Promoter Shareholding			
- No. of Shares	2,164,140	1,571,110	
- % of Shareholding	28.67%	20.82%	





## 2. BUSINESS AND OPERATIONS OF THE COMPANY

### VIRTUALSOFT PIONEERING BROADBAND SERVICES & SOLUTIONS

Broad band networks are revolutionizing the way we do business. Virtual Soft and its v Reach division offer outstanding digital broadband solutions. They use technology to the advantage of your organization. Broadband network solutions offer you a convergence of voice, data and video that can be used on-demand for your business need.

Virtual Soft transforms conventional business, learning, entertainment and media enterprises into rich media digital corporations. It uses the technologies of the day to set up the infrastructure needed for streaming interactive rich media content over the internet, intranet or extranet.

A proprietary system called v Code guarantees clarity and seamless delivery of audio, video and multimedia files across both narrowband and broadband networks.

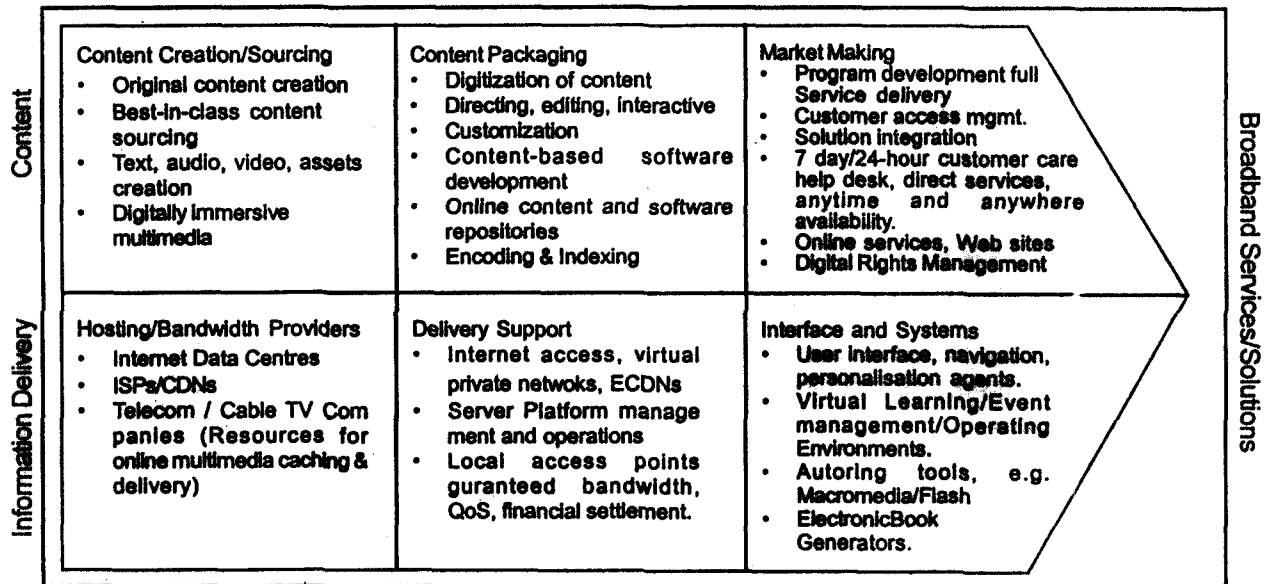
Virtual Soft has developed a world-class Enterprise Communication Platform called vReach that utilizes existing corporate computing infrastructure to make realtime business meeting and events more

cost-effective and convenient by reducing travel and extending reach to globally dispersed customers, partners, and co-workers over low-bandwidth network connections through a simple browser interface.

VirtualSoft's Reach division also offers Rich Media content creation and migration services using proprietary technology and business methods. It creates near video on-demand content synchronized with Power point slides and other interactive mechanisms for leading conference organizers like CII, FICCI, The Federation of Asian Advertising Associations, Business Today; and for leading enterprises such as The World Bank and the Tata Group.

It has created over 800 hours of such content for 80 different conferences and training events. This content is available in CD/DVD form as well as on a knowledge on-demand intranet/internet mode.

#### VirtualSoft's Unique Broadband Services/Solutions Business Model





### 3. DIVIDEND

Your Directors do not recommend a Dividend.

### 4. AUDITORS

M/s. I. M. Puri & Co., Auditors of the Company, tenure from the office of the Auditors of the Company expires on conclusion of this meeting. They have expressed their unwillingness to be re-appointed as Auditors of the Company from the conclusion of this Meeting. M/s. Nath Ahuja & Co. Chartered Accountants, have expressed their willingness to be appointed as Auditors of the Company from the conclusion of this Meeting to the conclusion of the next Annual General Meeting at a mutually agreed remuneration. They have also confirmed that their appointment if made, would be within the limits laid under Section 224 (IB) of the Companies Act, 1956.

### 5. DIRECTORS

Mr. Ashok K. Anand and Mr. Gurmukh Singh retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment.

Mr. Nalluru C Murthy who was appointed as an Additional Director in the Meeting of the Board of Directors of the Company held on May 31, 2005 and who hold office up to the date of the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment.

### 6. DEPOSITS

The Company has not accepted deposits from the public for the year under consideration.

### 7. UNPAID DIVIDEND WITH THE BANK SINCE

The Board approved to credit of Rs. 43,850 lying in Oriental Bank of Commerce in Connaught Place as unclaimed Dividend for a period of seven year have expired in October 2005, transfer to Central Government A/c Investor's Education and Protection Fund.

### 8. PARTICULARS OF EMPLOYEES

There is no employee of the Company who has received remuneration in excess of such sum as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### 9. CAPITAL MARKET DEVELOPMENTS

As on date, 77.42% of Shares are in Demat form and are listed on various stock exchanges. The Company has, from time to time, reminded the shareholders/investor, holding the Shares in Physical form to convert their Shareholding to dematerialized form.

### 10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

#### (a) Details of Conservation of Energy

The Company uses electric energy for its equipment such as air-conditioners, terminals, lighting and utilities in the work premises.

All possible measures have been taken to conserve energy:

- By identifying potential areas for saving;
- By incorporating energy efficient equipment;
- By automation.

#### (b) Technology Absorption

#### Research & Development

Specific areas in which Research & Development work has been done in the Company- Intranet Content Delivery Network (ICDN) solution. This solution helps Companies slash costs and raise intellectual capital.

#### © Foreign Exchange Earnings

There had been no foreign exchanges earnings, during the year.



Virtualsoft Systems Limited

**11. DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors wish to state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) that they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- (c) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for

safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (d) that they had prepared the annual accounts on a going concern basis.

**12. CORPORATE GOVERNANCE**

A Separate statement on Corporate Governance along with the Company Secretary in practice Certificate on its compliance is given as part of the Annual Reports.

**13. ACKNOWLEDGEMENTS**

Your Directors acknowledge with a deep sense of gratitude the continued support extended by investors, customers, business associates, bankers and vendors. Your Directors take this opportunity to thank the regulatory and governmental authorities.

**For and on behalf of the Board of Directors**

Report Junction.com

Place : New Delhi

**Mr. Gokul Tandan**

**Mr. R.V.Kulkarni**

Date : August 13, 2005

Managing Director

Wholtime Director





## Corporate Governance Report

Corporate Governance is about commitment to values and about ethical business conduct. Its about how an organization is managed. This includes its Corporate Structure, its culture, policies and manner in which it deals with various stakeholders. Accordingly timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the Company is an important part of Corporate Governance. This improves public understanding of the structure, activities and policies of the Organization. Consequently the Organization is able to attract investors, and to enhance the trust and confidence of the stakeholders.

Your Company believes that sound Corporate Governance is critical to enhance and retain investor trust. Accordingly, your Company always seeks to attain its performance rules with integrity. The Board extends its fiduciary responsibilities in the widest sense of the term. Your Company's endeavors to enhance long – term shareholder value and respect minority rights in all our business decisions.

### 1. VSL Philosophy on Corporate Governance

1. Satisfy the spirit of law and not just the letter of the law. Corporate Governance standards should go beyond the law.
2. Be transparent and maintain high degree of disclosures levels. When in doubt, disclose.
3. Make a clear distinction between personal conveniences and corporate resources.

4. Communicate externally, in a truthful manner, about how the Company is run internally.
5. Have a simple and transparent corporate structure driven solely by the business needs.
6. Management is the trustee of the shareholder's capital and not the owner.

### 2. Board of Directors

At the core of its Corporate Governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Company. Your Company believes that an active, well – informed and independent Board is necessary to ensure the highest standards of Corporate Governance. Majority of the Board, 4 out of 6, are independent Directors.

During the Financial Year ended 31<sup>st</sup> March 2005, Six Board meetings were held on 30.04.04, 30.06.04, 31.07.04, 31.10.04, 31.01.05 & 31.03.05

The Last Annual General Meeting was held on 28<sup>th</sup> September 2004 and the last Extra – ordinary General Meeting was held on 17<sup>th</sup>, January 2001.

The Composition of the Board, attendance of Directors at the Board Meetings held during the year under review as well as in the last Annual General Meeting and the number of other Directorships / Committee positions held by them are as under: -

S. No.	Name & Designation	Category	No. Of other Directorships held	No of Board meetings Held Attended		Attended last AGM (28 . 09.04)
1.	Mr. Gokul Tandan	MD	3	6	6	YES
2.	Mr. Rajendra V. Kulkarni	WTD	6	6	6	YES
3.	Mr. Suresh Rajpal	NEID	3	6	3	No
4.	Mr. Ashok Anand	NEID	1	6	4	Yes
5.	Mr. Gurmukh Singh	NEID	1	6	4	Yes
6.	Mr. Nallur C Murthy from 31.05.05	NEID	1	6	0	No

(MD- Managing Director, WTD – Whole Time Director, NEID – Non-Executive Independent Director)