

CONNECT COMMUNICATE & ENGAGE EXPERIENTIALLY



VIRTUALSOFT SYSTEMS LIMITED
ANNUAL REPORT 2013-2014



Virtualsoft Systems Limited

BOARD OF DIRECTORS

| | |
|--------------------------|---------------------|
| Mr. Gokul Tandan | Managing Director |
| Mr. Rajendra V. Kulkarni | Director |
| Mr. Ashok K. Anand | Director |
| Mr. Suresh Rajpal | Director |
| Mrs. Ritu Tandan | Additional Director |

COMPANY SECRETARY

Mr. Atul Kumar

CHIEF FINANCIAL OFFICER(CFO)

Mr. Athar Ahmad

BANKERS

HDFC BANK LIMITED
S-355, Panchsheel Park, New Delhi-110017

STATUTORY AUDITORS

Nath Ahuja & Co. Chartered Accountants S-400,
Graater Kailash -II 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-110029

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting for your consideration and approval the Twentieth Annual Report of Your Company for the financial year ended March 31, 2014.

1 Financial Result

PARTICULARS

| | Year Ended 31.03.2014 | (Rupees in Lacs) Year Ended 31.03.2013 |
|---|--------------------------|--|
| 1. (a) Net Sales/Income from Operations | 616.44 | 283.84 |
| (b) Other Operating Income | 11.23 | 0.00 |
| 2. Expenditure | | |
| a. Increase/decrease in stock in trade and work in progress | -22.64 | 6.08 |
| b. Consumption of raw materials | 0.00 | 0.00 |
| c. Purchase of traded goods | 353.64 | 194.87 |
| d. Employees cost | 322.06 | 200.56 |
| e. Depreciation | 10.74 | 9.26 |
| f. Other expenditure | 265.28 | 205.76 |
| g. Total | 929.06 | 616.53 |
| (Any item exceeding 10% of the total expenditure to be shown separately) | 0.00 | 0.00 |
| 3. Profit from Operations before Other Income, Interest and Exceptional Items (1-2) | (301.39) | (332.70) |
| 4. Other Income | 0.00 | 19.82 |
| 5. Profit before Interest and Exceptional Items (3+4) | (301.39) | (312.87) |
| 6. Interest | | 0.43 |
| 7. Profit after Interest but before Exceptional Items (5-6) | (301.39) | (312.87) |
| 8. Exceptional items | 471.41 | 0.00 |
| 9. Profit (+)/ Loss (-) from Ordinary Activities before tax (7+8) | 170.02 | (312.87) |
| 10. Tax expense | 0.00 | 0.00 |
| 11. Net Profit (+)/ Loss (-) from Ordinary Activities after tax (9-10) | 170.02 | (312.87) |
| 12. Extraordinary Item (net of tax expense Rs. | 0.00 | 0.00 |
| 13. Net Profit(+)/ Loss(-) for the period (11-12) | 170.02 | (312.87) |
| 14. Paid-up equity share capital (Face Value of the Share shall be indicated) | 1029.76 | 1029.76 |
| 15. Reserve excluding Revaluation | 20.00 | 20.00 |

16. Earnings Per Share (EPS)

| | | |
|--|------|--------|
| a) Basic and diluted EPS before Extraordinary items for the period, | 1.65 | (3.04) |
| for the year to date and for the previous year (not to be annualized) | | |
| b) Basic and diluted EPS after Extraordinary items for the period, | 1.65 | (3.04) |
| for the year to date and for the previous year (not to be annualized) | | |

17. Public Shareholding

| | | |
|------------------------------|-----------|-----------|
| - No. of shares | 2,677,517 | 2,677,517 |
| - Percentage of shareholding | 26.00% | 26.00% |

18. Promoters and promoter group Shareholding **

| | | |
|--|-----------|-----------|
| a) Pledged/Encumbered | | |
| - Number of shares | 0.00 | 0.00 |
| - Percentage of shares (as a % of the total shareholding of promoter and promoter group) | 0.00 | 0.00 |
| - Percentage of shares (as a % of the total share capital of the company) | 0.00 | 0.00 |
| b) Non-encumbered | | |
| - Number of Shares | 7,620,083 | 7,620,083 |
| - Percentage of shares (as a % of the total shareholding of promoter and promoter group) | 74.00% | 74.00% |
| - Percentage of shares (as a % of the total share capital of the company) | 74.00% | 74.00% |



1. BUSINESS AND OPERATIONS OF THE COMPANY

VIRTUAL SOFT- LEVERAGING

ROAMING, TELECOM, VIRTUAL EVENT & VIRTUAL EXPERIENCE TECHNOLOGIES TO PROVIDE UNIQUE & EXCEPTIONAL "CONNECT ,COMMUNICATE & ENGAGE, EXPERIENTIALLY & COST - EFFECTIVELY (C2E3)" PRODUCTS, PLATFORMS , PROGRAMS AND SOLUTIONS TO LARGE BUSINESS CUSTOMERS AND CONSUMERS

Video Rich Broadband & 3G / 4G mobile networks - with LTE/ 5G coming soon - are revolutionizing the way we do business and run our lives. Virtual Soft and its v Reach division offer outstanding digital broadband solutions. They use technology developed inhouse and by our best-of -breed global partners to the advantage of large enterprises, associations and media companies as well as their customers and consumers. Broadband network & application solutions offer you a convergence of voice, data and video that can be used for your business - by creating and leveraging business function specific virtual events - both live & on-demand, ideally through an annual engagement contract with VirtualSoft.

VirtualSoft develops, integrates and deploys the technologies of the day to set up the infrastructure & application platforms needed for streaming interactive rich media content - as well as creating and managing virtual events - 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 and communications infrastructure to make real-time 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 and high bandwidth connections through a simple browser interface.

VirtualSoft's vReach 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 Times of India Group, The Federation of Asian Advertising Associations, India Today;

and for leading enterprises such as SAP, IBM, The World Bank and the Tata Group.

It has created over 10,000 hours of such content for over 500 different conferences and training events. This content is available in CD/DVD form as well as on knowledge on-demand servers accessible over the intranet and/or internet.

In the year under Review, we continued making progress on both the Digital Demand Generation and Telecom initiatives that were launched in the past few years

In Demand Generation, we continued to strengthen the strategic partnership for India and APAC with 6Connex Inc. (www.6Connex.com) - a California based global leader in Virtual Experience & Virtual Destination based business solutions. Supplementing 6Connex's latest Version 7 Technology/ Platform with our own domain competence, technology, processes and goto market ecosystem, Virtual Soft is poised launched a range of next generation Virtual Experience based events for demand generation, customer engagement, collaboration, learning and knowledge management. This will build on the work done in the past few years for brands like CNBC/ Web 18, Cisco, Oracle, and Intel - both at the India & APAC level.

The Telecom Division that launched global roaming solutions and services under the "Roam1" brand (www.roam1.com), in FY 2010-11 continued to make significant progress in terms of innovative and unique product introductions and plans as well gaining market share and acceptance - from end -customers and channel partners.

Our flagship product here is the Global Single Sim Product, that contains 3 Telephone Numbers or Profiles (UK -Italy- USA) that provides low cost telephony in international roaming. This SIM provides Free Incoming in over 90 countries and provides low cost Call Back to India. This is offered through both a prepaid and post-paid plans, with real-time billing that allows the Indian Customer to control his international telephony expenses. The billing is in real time and is visible instantly on the net which ensures that there is no room for over billing. The customer gets to retain the card and can publish the number as his permanent International Number on his business card and stationary etc. This way every time the customer goes abroad, he adds talk time on his card which makes repeat business very easy for us. The Global Single SIM Product is supported by a wide array of country and continent specific products and plans for voice, data and Blackberry Messaging.

During the year under review, your Company, completed the proposal for selling the Roam 1 Division's running and operating business on a Slump Sale Basis, to Roam 1 Telecom Ltd, New Delhi wef close of Business Hours of 30th June 2014 for Part Cash and Part Stock - that has lead to Roam1 Telecom becoming a Majority held subsidiary of your Compoany. This development will allow dedicated focus and build out of the Roaming / Telecom Business as a stand alone Business which should be beneficial both to the Roam 1 business venture as well as your Company.

In the year under Review, with an intent to synergise the two divisions at a corporate level, the C2E3 Initiative was strengthened. C2E3 stands for Connect Communicate Engage Experientially and Cost - Effectively and provides a bridge for the Telecom & Roam 1 Division to collaborate with the Virtual Events and Demand Gen Division in technology & product development, marketing and large partner and account development. This will lead to unique cross developed product offerings (e.g mobile sales, mobile learning and mobile marketing & couponing tools and platforms), cost rationalisation as well as more sales yield from our goto market partners and large enterprise accounts.

With the foundation in Enterprise Broadband solutions, Telecom and Roaming Solutions and now the C2E3 Initiative - all of which are scaling up well, the Company now expects significant growth in both revenues and profitability in the current year and the years to come.

2 DIVIDEND

Your Directors do not recommend a dividend.

3. AUDITORS

M/s. Nath Ahuja & Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

4. DIRECTORS

Mr. Suresh Rajpal and Mr. Ashok Kumar Anand retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment.

Mrs. Ritu Tandan who was appointed as an Additional Director in the Meeting of the Board of Directors of the Company held on May 30, 2014 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.

5. DEPOSITS

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

6. 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.

7. CAPITAL MARKET DEVELOPMENTS

As on date, 94.66% 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.

8. 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, computer 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.

(c) Foreign Exchange Earnings

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

9. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors wish to state that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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.

10. CORPORATE GOVERNANCE

A Separate statement on Corporate Governance along with the Auditor's Certificate on its compliance is given as part of the Annual Reports.

11. 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

Place : New Delhi
Date : August 14, 2014

Mr. Gokul Tandan
Managing Director

Mr. R.V.Kulkarni
Wholetime Director

Corporate Governance Report

Corporate Governance is about commitment to values and about ethical business conduct. It is 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

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

- 1 Communicate externally, in a truthful manner, about how the Company is run internally.
- 2 Have a simple and transparent corporate structure driven solely by the business needs.
- 3 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, 3 out of 5, are independent Directors.

During the Financial Year ended 31st March 2014, Five Board Meetings were held on 30.05.13, 08.08.2013, 14.08.13 & 14.11.13 & 14.03.14,

The Last Annual General Meeting was held on 30th September 2013 and the last Extra - ordinary General Meeting was held on 12th, September 2013.

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 | | Attended last AGM (30.09.13) |
|--------|--------------------------|----------|---------------------------------|----------------------|----------|------------------------------|
| | | | | Held | Attended | |
| 1. | Mr. Gokul Tandan | MD | 7 | 5 | 5 | Yes |
| 2. | Mr. Rajendra V. Kulkarni | WTD | 13 | 5 | 5 | Yes |
| 3. | Mr. Suresh Rajpal | NEID | 9 | 5 | 2 | No |
| 4. | Mr. Ashok Anand | NEID | 6 | 5 | 3 | No |

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

Directorship / Committee Positions

| S. No. | Name of the Director | Directorships | Committees Positions Name of the Company | Committee | Position |
|--------|-------------------------|---------------|--|-----------|--|
| 1. | Mr. Gokul Tandan | 7 | 1. M/s. Goto Customers Services Pvt. Ltd. 2. M/s. Virtual Software & Training Pvt.Ltd. 3. CPM India Sales & Marketing Pvt. Ltd 4. M/s. Foundation Technologies (Pvt.) Ltd. 5. M/s. Digitivate Solutions Pvt. Ltd. 6. M/s. Vreach Solutions Pvt. Ltd. 7. M/s. Roam 1 Telecom Ltd. | | Director Director Director Director Director Director Director |
| 2. | Mr.Rajendra V. Kulkarni | 13 | 1. M R Capital Pvt. Ltd. 2. M/s. Vijay Stampings Pvt. Ltd. 3. M/s. Prime Valves India Ltd. 4. M/s. Marble Arch Estate Pvt. Ltd 5. M/s. Verna Estate Pvt. Ltd. 6. M/s. Mountain Valley Springs Pvt. Ltd. 7. M/s. Multiple Zones India Pvt. Ltd. 8. M/s. Foundation Technologies (Pvt.) Ltd. 9. M/s. Virtual Software & Training (P). Ltd. 10. M/s. MZI Services India Pvt. Ltd. 11. M/s.SME Business Services Ltd. 12. M/s. Office Zone Products Pvt. Ltd. 13. Roam 1 Telecom Ltd. | | Director Director Director Director Director Director Director Director Director Director Director Director Director |
| 3. | Mr. Suresh Rajpal | 9 | 1. M/s. Vishnova Solution Pvt. Ltd. 2. M/s Gisil Design Pvt.Ltd. 3. M/s. Electronic Tender.Com(India) Pvt.Ltd 4. M/s. Inde Pay networksPvt.Ltd. 5. M/s. Navis EximPvt.Ltd 6. M/s. Cosmo Films Ltd. 7. M/s. Visnova InteractivePvt.Ltd. 8. M/s. Inde Livelihood Foundation 9. M/s. Mobi Rel Technology Services (I) Pvt. Ltd. | | Director Director Director Director Director Director Director Director Director |

| | | | | |
|----|-----------------|---|--|--|
| 4. | Mr. Ashok Anand | 6 | 1. M/s.Inprint Marketing Pvt.Ltd. 2. M/s.First Choice Graphics Pvt.Ltd. 3. M/s. Inprint Expotech Pvt Ltd. 4. M/s. Inprint Exclusives India Pvt.Ltd. 5. M/s.SourceGraphics India Pvt.Ltd. 6. M R Towers Pvt.Ltd. | Director Director Director Director Director Director |
| 5. | Ms. Ritu Tandan | 3 | 1. M/s. Foundation Technologies Pvt. Ltd. 2. M/s. Vreach Solutions Pvt. Ltd. 3. M/s. Vemanya Design Worx Pvt. Ltd. | Director Director Director |

None of the Directors on the Board hold Directorships in more than fifteen Companies and hold memberships in more than ten Committees and they do not act as Chairman of more than five Committees across all the Companies in which they are Directors.

2.1 Information Placed before the Board

In addition to the matters which statutorily require Board's approval, as required by Corporate Governance, the following matters are regularly placed before the Board :

- Minutes of Audit Committee Meetings, Share Transfer & Investors Grievance Committee Meetings.
- Recruitment and Remuneration of senior executives below the board level.
- Details of Joint Ventures / Collaboration Agreement.
- Disclosure of material related party transaction, if any
- Compliance with Regulatory and statutory requirements including listing requirements & Shareholders services.
- Details of show cause, demand, prosecution and penalty notices which are materially important
- Transactions involving substantial payments towards goodwill, brand equity or intellectual Property.
- Sale of material nature of investments, subsidiaries and assets, which are outside the normal course of business.

3. Committees of the Board

In terms of the SEBI code, the Board of the Company has constituted the Following Committees:

3.1 Audit Committee

Share Transfer and Investors Grievance Committee.

3.1 Audit Committee

The following are the members and their attendance at the committee meetings:-

| S.No. | Name of Directors | Status | No. of meetings | |
|-------|-------------------------|----------|-----------------|----------|
| | | | Held | Attended |
| 1. | Mr. Ashok Kumar Anand | Chairman | 4 | 2 |
| 2. | Mr. Suresh Rajpal | Member | 4 | 2 |
| 3. | Mr. Rajendra V Kulkarni | Member | 4 | 4 |

During the period 01.04.13 to 31.03.14, the Audit Committee met 4 times on 30.05.13, 14.08.13, 14.11.13 & 14.2.14

The broad terms of references of Audit Committee are as follows:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment / re- appointment of external and internal auditors, tax auditors, fixation of statutory audit fees, internal audit fees and tax audit fees and also approval for payment of any other services.
- Review and management the annual financial statements before submission to the Board.
- Review quarterly UN - audited /audited financial results, half yearly review report.
- Review with Management, external and internal auditors the adequacy of internal control system.

- Review the adequacy of internal audit programme, internal audit reports; follow up reports and guidelines prepared for internal audit.
- To do any internal investigations either departmentally or with the help of internal auditors or any other outside agency into matters where they are suspected fraud or irregularities.
- Discussion with external Auditors before the Audit commences about nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
- Review the Company's financial and Risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders and creditors.

3.2 Share Transfer and Investors Grievance Committee

The Committee consists of two Directors and Company Secretary including whole time Director and is chaired by managing Director.

This Committee looks into transfer and transmission of Shares, issue of duplicate share certificates, consolidation and sub - division of shares and investors' grievance. This Committee particularly looks into Investors Grievances and oversees the performance of the in- house Share Department/ Share Transfer Agents and to ensure prompt and

efficient investors' services. The Committee met Four times during the year 2013 - 2014. The following are the members and their attendance at the Committee Meetings:-

| Name of Member | No. of meetings | |
|-----------------------------|-----------------|----------|
| | Held | Attended |
| 1. Mr. Gokul Tandan | 4 | 4 |
| 2. Mr. Rajendra V. Kulkarni | 4 | 4 |
| 3. Mr. Atul Kumar | 4 | 4 |

4. General Body Meetings

Location and time where General Meetings held in the last 3 years is given below:

| Year | AGM / EGM | LOCATION | DATE | TIME |
|-------------|-----------|--|------------|---------------|
| 2012 - 2013 | AGM | Rama Krishna Banquets Hall, Near Main Market, Bhajanpura, Main Wazirabad Road, Delhi - 110 053 | 30 09.2013 | 9:00 A.M. |
| 2012 - 2013 | EGM | S-101, Panchsheel Park, New Delhi-17 | 12 09.2013 | Postal Ballot |
| 2011 - 2012 | AGM | Rama Krishna Banquets Hall, Near Main Market, Bhajanpura, Main Wazirabad Road, Delhi - 110 053 | 30 09.2012 | 9:00 A.M. |
| 2010 - 2011 | AGM | Rama Krishna Banquets Hall, Near Main Market, Bhajanpura, Main Wazirabad Road, Delhi - 110 053 | 28 09.2011 | 9:00 A.M. |
| 2009 - 2010 | AGM | Rama Krishna Banquets Hall, Near Main Market, Bhajanpura, Main Wazirabad Road, Delhi - 110 053 | 30 09.2010 | 9:00 A.M. |

No special resolution was put through postal ballot in the last AGM. At the ensuing AGM also there is no such resolution to be passed through Postal Ballot.

8. Disclosures on materially significant related party transactions with Promoters, Directors, Management, their Subsidiaries or Relatives etc., which may have potential conflict with the interest of the Company at large.

None of the materially significant transactions with any of the related parties were in conflict with the interest of the Company.

6. Non - compliance by Company, penalties, strictures imposed on the Company by Stock Exchanges / Securities and Exchange Board of India (SEBI) etc.

During the last three years, there were no strictures or penalties or penalties imposed by either SEBI or the Stock Exchanges or any Statutory Authority for non - compliance of any matter related to the Capital Markets.