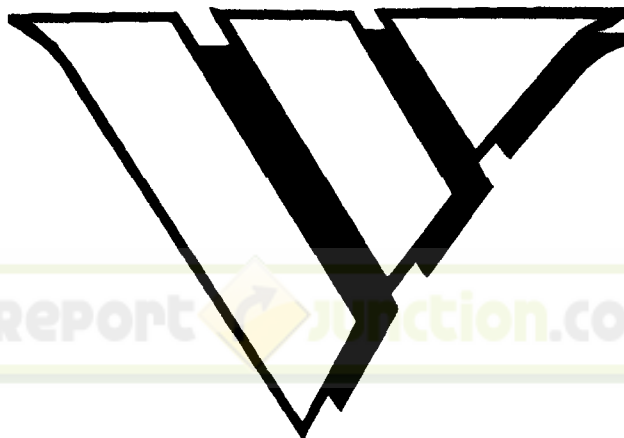


VITAL COMMUNICATIONS LIMITED



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VITAL

COMMUNICATIONS LTD.

**9TH ANNUAL REPORT
2003-2004**



VITAL COMMUNICATIONS LIMITED

BOARD OF DIRECTORS

Sh. J P Madaan
Sh. R.K.Garg
Mrs. Shubha
Sh. S.S.Sabharwal

COMPANY SECRETARY

Sh.Rajesh Keshry

AUDITORS

M/s Rakesh Raj & Associates
Chartered Accountants
C - 8, East of Kailash,
New Delhi 110 065

REGISTERED OFFICE

606, Kailash Building,
Kasturba Gandhi Marg,
New Delhi 110 001

BANKERS

Oriental Bank of Commerce

SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.
A-31, 3rd Floor, Community Centre,
Nariana Industrial Area, Phase II
New Delhi 110 028



VITAL COMMUNICATIONS LTD.
Regd. Office: 606, Kailash Building,
Kasturba Gandhi Marg, New Delhi – 110 001

NOTICE

NOTICE is hereby given that the 9th ANNUAL GENERAL MEETING of the Members of Vital Communications Ltd. will be held on Thursday, the 30th September, 2004 at 9.30 A.M. at Richi Rich Banquet, E-44/14 Okhla Industrial Area, New Delhi 110 020 to transact the following business:

ORDINARY BUSINESS:

Adoption of Director's Report and Annual Accounts

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March 2004 and the Balance Sheet at that date together with the reports of the Board of Directors and Auditors thereon.

Appointment of Directors retiring by rotation

2. To Appoint a Director in place of Mrs. Shubha, who retires by rotation and being eligible offer herself for re-appointment.

Appointment of Auditors

3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the company and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the all applicable provisions of the Companies Act, 1956 and subject to the provisions of any other statutes consent of the members of the company be and is hereby accorded to cancel the allotment of the 1,50,00,000 equity shares of the company (which were allotted by way of conversion of loan into equity) as and when Directors may deem fit."

By order of the Board of Directors

Place: New Delhi
Dated: 4th September, 2004

Rajesh Keshry
Company Secretary



NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY TO VALID SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the company will remain closed from 29th September to 30th September, 2004 (both days inclusive).
3. Members are requested to notify any change in their addresses, at its Registered Office or to its Share Transfer Agents.
4. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of the Annual Report to the Meeting.
5. Members/Proxies should bring the Attendance Slip, duly filled in, for attending the Meeting.
6. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Members who hold shares in dematerialized form, are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
8. All documents referred to in the accompanying Notice and Explanatory Statement shall be open for public inspection at the Registered Office of the Company on all working days, except Saturdays between 11.00 a.m. to 1.00 p.m. up to and inclusive of the date of the Annual General Meeting.
9. Pursuant to the provisions of Section 109A of the Companies Act, 1956 Shareholders are urged to file nomination Forms in respect of their holdings. Any shareholder wishing to avail of this facility may submit to the Investors Service Division (Registrar) the prescribed Form 2B. Should any assistance be desired, shareholders should get in touch with the Investor Service Division (Registrar).

ANNEXURE TO THE NOTICE

Explanatory Statement

The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 for Item no. 4 accompanying the notice is as under:

The 1,50,00,000 equity shares were allotted by way of conversion of loan into equity to various body corporate & individuals u/s 81(1A) of the Companies Act, 1956. The company has not been able to get them listed on the Stock Exchanges due to certain reasons. Thus the company has negotiated with allottees of aforesaid 1,50,00,000 shares, who have shown their willingness for cancellation. Your approval is required for passing this resolution.

None of the Directors other than Mrs. Shubha is interested in this resolution.

By order of the Board of Directors

Place: New Delhi
Dated: 4th September, 2004

Rajesh Keshry
Company Secretary



VITAL COMMUNICATIONS LTD.
Regd. Office : 606, Kailash Building,
Kasturba Gandhi Marg, New Delhi – 110 001

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REPORT OF THE DIRECTORS & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Members,

Your Directors are pleased to present their Ninth Annual Report and Audited Accounts for the Year ended 31st March, 2004.

FINANCIAL RESULTS

	Year ended 31st March, 2004 (Rs. In Lac)	Year ended 31st March, 2003 (Rs. In Lac)
Sales and allied Income	503.12	527.37
Profit after Interest but before Depreciation & Taxation	234.85	192.46
Net Profit before Tax	1.20	1.10
Provision for Tax	0.12	0.12
Deferred Income Tax	0.68	0.40
Profit after Tax	0.40	0.58

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Business Climate

The period under review saw:

- Increased hiring
- Pressure in HR departments of user industry to recruit industry ready people in order to put them on the jobs faster
- Positive sentiment for IT coming back

From the industry side, the period experienced increase having rapid growth in exports to the tune of 60% of revenue of over of IT software and services market.

Off shore delivery market became the preferred business model for Indian Software and Services Industry in 2003-04 with off shore revenue as a proportion of the total revenues jumping to 24.1%.

Future Trends

According to leading global business intelligence analysts, the offshore outsourcing market, still in a nascent stage, is expected to witness substantial growth over the next few years.

More of the Fortune 500 companies having mammoth IT projects offered a vast untapped potential in Indian Software and service vendors.



The company has operated in the segments of Software services, Hardware and Media/Entertainment.

Risk Management

The company constantly endeavors to broaden the charter of risk management to include opportunities as well as threats. Risk Management is an important part of decision making at all levels of the company.

Internal Control Systems

The company has adopted bench marked practices for internal controls followed elsewhere based on the extensive operational experience.

PERFORMANCE

The Year 2003-2004 was an extremely challenging year for the India IT/Software sector. Margins came under increased pressure for most companies and large installed capacities went unutilized. The inevitable shake out was the resultant outcome. The bigger names in the IT/Software firmament rode the storm because of their deep pockets, the smaller ones simply ceased to exist unless they focused on specific market niches. There were several mergers among mid-tier companies as they sought to consolidate and offer a broad portfolio of services of their clients without attendant investments.

The impact of these changes was several promising breakthrough towards the end of 2003-2004, which hold out significant business potential in 2004-2005.

FINANCIAL PERFORMANCE

Your company has already put into motion several plans, which should augur well for 2004-2005.

The total income of the company is Rs. 503.12 lacs during the year as compared to Rs. 527.37 Lac during the previous year.

SOFTWARE SERVICES & ENTERTAINMENT/MEDIA

In the area of software services, your company has already moved to reduce its dependence on the recessionary economy. The focus has been to build a strong platform on technology - enabled business process improvement at the front-end with a back -end geared towards delivery of these Services. In the Entertainment/Media sector your company has entered into this field and expect make further in roads in the present year.

HUMAN RESOURCES

Your company believes that employees/professionals play a strong role in growth. By providing challenging projects and client experiences coupled with a rewarding work environment, your company helps attract and retain the best talent. Your company's training facilities have been further strengthened to cope with the fast changing needs of the Industry.

DIVIDEND

Your directors recommends no dividend in this year also.

RESERVES

The reserves at the end of the year 31st March 2004 is at Rs.550.59 Lacs as against the total reserves of Rs. 550.19 Lacs in previous year.



MATERIAL CHANGES AFTER THE DATE OF BALANCE SHEET

There has been no material change in the performance of the Company during the current year commencing from 1st April, 2004.

FOREIGN EXCHANGE EARNINGS AND OUTGO - Nil

PARTICULARS OF EMPLOYEES:

None of the employee's particulars are covered under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule 1975.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is given in **Annexure-A**, which forms part of this report.

CORPORATE GOVERNANCE

A report on the Corporate Governance Code along with a Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is given in **Annexure -B** which forms part of this report.

PARTICULARS REGARDING ENERGY CONSERVATION

The particulars as described under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, are not applicable to the company.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The company's business demands constant absorption and adaptation of changing technologies to stay competitive in the rapidly changing world. The software development centers are constantly absorbing, adapting and deploying new technologies. Significant efforts have gone towards migration of professionals to the new technology.

FIXED DEPOSITS

The company has not accepted any fixed deposits during the year therefore the provisions relating to fixed deposit are not applicable to the Company.

DIRECTORS

In accordance with the provisions of the Articles of Association of the Company Smt. Shubha is due to retire by rotation and being eligible, offer herself for re-appointment.

AUDITORS

M/s Rakesh Raj & Associates, Chartered Accountants, New Delhi, the Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible u/s 224(1) of the Companies Act, 1956 offer themselves for re-appointment.

CLARIFICATION OF QUALIFICATION IN AUDITOR'S REPORT

As there are no qualifications in Auditors Report need for clarification for the same does not arise.



STOCK EXCHANGES

The shares of your company are listed on Stock Exchange, Mumbai and National Stock Exchange. The shares of the company got delisted from the Delhi Stock Exchange during the year. The Annual Listing fees of Stock Exchange, Mumbai for the year 2004-05 have been paid.

ACKNOWLEDGEMENT

Your directors take this opportunity to thank all investors, clients, stockholders, banks, regulatory & governmental authorities, media & Stock Exchanges for their continued support during the year.

The Directors thank you for your support and cooperation to the company.

For and on behalf of the Board of Director

Place: New Delhi
Date : 4th September 2004

J.P. Madaan
Chairman





Annexure to the Directors' Report

Annexure-A

Directors Responsibility Statement

Pursuant to provisions of Section 217 (2AA) of the companies Act, 1956, the Board of Directors of Vital Communications Ltd. do hereby confirm -

- i. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgement 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 financial year and of the profit and loss of the company for that period;
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. that the directors had prepared the accrual accounts on a going concern basis.

For and on behalf of the Board

Place: New Delhi
Date : 4th September, 2004

J.P. Madaan
Chairman