

VITAL COMMUNICATIONS LIMITED



10th Annual Report
2004-2005



VITAL COMMUNICATIONS LIMITED

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Rajesh Kumar Keshry

AUDITORS

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

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BANKERS

1.Oriental Bank of Commerce
"H" Block
Connaught Place,
New Delhi 110001

2.UTI Bank

Statesman House
Barakhamba, Connaught Place
New Delhi 110001

SHARE TRANSFER AGENTS

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



VITAL COMMUNICATIONS LTD.

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

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NOTICE

NOTICE is hereby given that the 10th ANNUAL GENERAL MEETING of the Members of Vital Communications Ltd. will be held on Friday, the 30th day of September 2005 at 9.30. A.M. at Richi Rich Banquet, E-44/14 Okhla-II, Lal Chowk, Near kalkaji Depot, 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 2005 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 Mr. S.S.Sabharwal, who retires by rotation and being eligible offer himself 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.

By order of the Board of Directors

Place: New Delhi
Dated: 5th September, 2005

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, 2005 (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 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 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).

By order of the Board of Directors

Place: New Delhi
Dated: 5th September, 2005

Rajesh Keshry
Company Secretary



REPORT OF THE DIRECTORS & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Members,

Your Directors are pleased to present their Tenth Annual Report and Audited Accounts for the Year ended 31st March, 2005.

FINANCIAL RESULTS

	Year ended 31 st March, 2005 (Rs. In Lac)	Year ended 31 st March, 2004 (Rs. In Lac)
Sales and allied Income	410.36	503.12
Profit after Interest but before Depreciation & Taxation	152.34	234.85
Net Profit before Tax	1.27	1.20
Provision for Tax	0.10	0.12
Deferred Income Tax	(-) 2.37	0.68
Profit after Tax	3.55	0.40

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The overall trend in the Indian Information Technology Industry remains the same, directionally, in the fiscal 2005 as compared to fiscal 2004. The industry has been charting sustaining growth and has achieved critical mass. Indian IT companies and Service providers are achieving leadership positions in the Global IT Industry. The Government of India and the skilled and the dedicated manpower have made this enviable achievement possible due to sustained support available in India.

The IT industry has been a witness to changing customer demands and customer profile. Service providers who are able to anticipate these changes have managed to survive the recent IT Industry meltdown. Vital Communications Ltd. is one of the few who adapted and survived.

According to a statement issued by NASCOM, "The Indian IT Companies do not want to merely match worldwide standards in security. They want to set the very highest standards." The Company is striving to achieve that.

Internal Control Systems

The Company emphasizes the robustness of its internal Control system. The Internal Control Process were regularly monitored with changes made whenever considered necessary. The Systems were multi layered and not restrictive. On the finance and administrative side, checks and balances were reinforced by an internal audit process and a quarterly statutory audit cum review.



INDUSTRY STRUCTURE AND DEVELOPMENT

In recent years, technology has become increasingly important to the success of organizations worldwide and has transformed businesses, driven productivity gains enhanced operational efficiencies and created new business models. In this context, organizations have increased their spending on IT Services, which enable them to realize greater value from their technology infrastructure and achieve productivity gains.

The Company has organized its operations in a structure focused on developing products using edge technologies.

PERFORMANCE

Your Directors are pleased to inform you that in spite of the overall recessionary trend and the meltdown in the Information Technology sector, your company has achieved growth in its net profit.

FINANCIAL PERFORMANCE

Due to continued efforts and stress on reduction of operating costs and improving efficiencies, the company has achieved a turnover of Rs. 410.36 Lacs during the year 2004-05 as against Rs. 503.12 in the previous year with net profit increasing from Rs.0.40 Lacs to Rs. 3.54 Lacs.

SOFTWARE SERVICES & ENTERTAINMENT/ MEDIA

With India emerging as a global hub for offshore outsourcing, your company continues to focus on offshore and domestic software development based on the following optimism:

1. The market for outsourced R&D ranged between 800 million dollar and one billion dollar during 2004; it is estimated to grow to 11 billion dollar by 2008.
2. During 2004 the financial services sector accounted for the largest share of Indian software and services exports. IDC studies indicate that IT spending by US banks will touch 60 billion dollar by 2007
3. India continued to expand its presence in two of the 10 major IT Services lines. Custom application development and maintenance and applications outsourcing accounted for nearly 88% of its total software exports in 2004.

With the overall economy conducive to industrial growth along with a strong IT environment, your company chalked out an ambitious plan to increase capacities and product offerings leading to an increase in revenues.

HUMAN RESOURCES

The Company's HR Policy revolves around motivating its personnel by encouraging friendly work culture and environment aimed at continuous improvement in productivity.

The HR policies ensure that the company attracts the best available talent. The HR strategy and practice helps the personnel to integrate with and support the corporate business strategies of the company.



DIVIDEND

Yours Directors regrets their inability to propose any dividend in view of the in -appropriate profit in this year also.

RESERVES

The Reserves at the end of the year 31st March 2005 is at Rs. 554.14 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, 2005.

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.

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 'A'** which forms part of this report.

DIRECTOR'S RESPONSIBILITY STATEMENT

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

FOREIGN EXCHANGE EARNINGS AND OUTGO — Nil

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 of Section 58A of the Companies Act, 1956 are not applicable to the Company.

DIRECTORS

In accordance with the provisions of the Articles of Association of the Company Sh. S.S.Sabharwal is due to retire by rotation and being eligible, offer himself for re-appointment.



AUDITORS

The Auditors M/s Rakesh Raj & Associates, Chartered Accountants, New Delhi, retire at the conclusion of the forthcoming 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 is no qualification in Auditor's Report, need for clarification for the same does not arise.

STOCK EXCHANGES

The shares of your company are the listed on The Bombay Stock Exchange Ltd. and National Stock Exchange. The Annual Listing fees of the The Bombay Stock Exchange Ltd. for the year 2005-06 has been paid.

ACKNOWLEDGEMENT

The Directors thank the members, clients, The Securities and Exchange Board of India, The Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. Company's bankers for their continued support to the company. Your directors wish to place on record their appreciation for the dedicated and sincere services rendered by the staff and officers of the company without whom the steady growth of the company would have not been possible.

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

Report



Junction

By order of the Board of Director

Place: New Delhi

J.P.Madaan

Date: 5th September 2005

Director



Annexure-A

Auditors' Certificate on compliance of conditions of Corporate Governance under Clause 49 of the Listing Agreement

TO THE MEMBERS OF VITAL-COMMUNICATIONS LIMITED

We have examined the compliance of conditions of Corporate Governance by Vital Communications Ltd., for the year ended 31st March 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance; it is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2005, the Registrars of the Company have certified that as at 31st March, 2005, there were no investor grievances remaining unattended/ pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency with which the management has conducted the affairs of the Company.

For Rakesh Raj Associates
Chartered Accountants

Place: New Delhi
Dated: September 5th, 2005

Ashwani Taneja
Partner