



VITAL

COMMUNICATIONS LTD.

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11th Annual Report 2005-2006



BOARD OF DIRECTORS

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

Executive Director
Non Executive Director
Non Executive Director and
Non Executive Director

COMPANY SECRETARY

Sh. Rajesh Kumar Keshary

AUDITORS

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

REGISTERED OFFICE

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

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,
Naraina Industrial Area, Phase-I
New Delhi 110 028



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

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NOTICE

NOTICE is hereby given that the 11th ANNUAL GENERAL MEETING of the Members of Vital Communications Ltd. will be held on Saturday, the 30th day of September 2006 at 9.30. A.M. at 606 Kailash, 26 Kasturba Gandhi Marg, New Delhi 110 001 to transact the following business:

ORDINARY BUSINESS:

Adoption of Director's Report and Annual Accounts

1. To consider and adopt the audited Balance Sheet as at 31.3.2006 and the Profit & Loss Account the for the year ended on 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.

By order of the Board of Directors

Place: New Delhi
Dated: 5th September, 2006

Rajesh Keshry
Company Secretary

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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 INSTRUMENT 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, 2006 (both days inclusive) for AGM purpose.
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.

By order of the Board of Directors

Place: New Delhi
Dated: 5th September, 2006

Rajesh Keshry
Company Secretary



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**REPORT OF THE DIRECTORS & MANAGEMENT DISCUSSION
AND ANALYSIS**

Dear Members,

Your Directors are pleased to present their Eleventh Annual Report and Audited Accounts for the Year ended 31st March, 2006.

FINANCIAL RESULTS

	Year ended 31 st March, 2006 (Rs. In Lac)	Year ended 31 st March, 2005 (Rs. In Lac)
Sales and allied Income	195.08	410.36
Profit after Interest but before Depreciation & Taxation	83.10	152.34
Net Profit before Tax	-2.43	1.27
Provision for FBT	0.61	0.10
Deferred Income Tax	-0.31	-2.37
Profit after Tax	-2.73	3.55

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

INDUSTRY STRUCTURE AND DEVELOPMENT

NASSCOM has announced the revenue statistics for the IT software and services industry for the period 2005-06, based on its own internal survey. According to the analysis, the Indian IT Software and Services sector grew by 31.4 percent during 2005-06, notching up an aggregate revenue of US\$ 29.6 billion, up from US\$ 22.5 billion in 2004-05. Encouraged by the 2005-06 performance, the IT-ITES sector is confident of achieving the US\$ 60 billion milestone in exports by 2010, projected by the NASSCOM-McKinsey study 2005.

INTERNAL CONTROL SYSTEMS

Your company's internal control systems and procedures are commensurate with the size of operations and adequate enough to meet the following objectives:

Efficient use and safeguarding of resources
Compliances with statutes, policies and procedure
Transactions being accurately recorded and promptly reported.

FINANCIAL PERFORMANCE

The company has a turnover of Rs.195.08 lac during the year 2005-06 as against Rs. 410.36 in the previous year. The net loss of Rs. 2.73 lac during the year as against a profit of Rs. 3.55 lac in previous year.



HUMAN RESOURCES

Human resource development continues to be a core organizational objectives of the company. The company recognizes that its human resources is its greatest strength in realizing its goals and objectives.

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.

DIVIDEND

Yours Directors regrets their inability to propose any dividend in view of the loss during year.

RESERVES

The Reserves at the end of the year 31st March 2006 is at Rs.551.41 Lacs as against the total Reserves of Rs. 554.14 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, 2006.

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 Mrs. Shubha is due to retire by rotation and being eligible, offer herself 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 listed on BSE and NSE. The Annual Listing fees of the Bombay Stock Exchange Ltd. for the year 2006-07 has been paid. The process of delisting from Ahmedabad Stock Exchange and Jaipur Stock Exchange is going on. Revocation of suspension of trading of shares of the company from NSE is still under process.

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.

By order of the Board of Director

Place: New Delhi

Date: 5th September 2006

**J.P.Madaan
Chairman**



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 2006, 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, 2006, the Registrars of the Company have certified that as at 31st March, 2006, 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, 2006

Ashwani Taneja
Partner



Annexure to the Directors' Report

Annexure-B

Directors Responsibility Statement

Pursuant to provisions of Section 217 (2AA) of the companies Act, 1956, the Board of Directors of Vital Communications Ltd. having its registered office at 606, Kailash Building, Kasturba Gandhi Marg, New Delhi-110001, 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 annual accounts on a going concern basis.

For and behalf of the Board

Place: New Delhi
Dated: 5th September, 2006

J.P.Madaan
Director

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