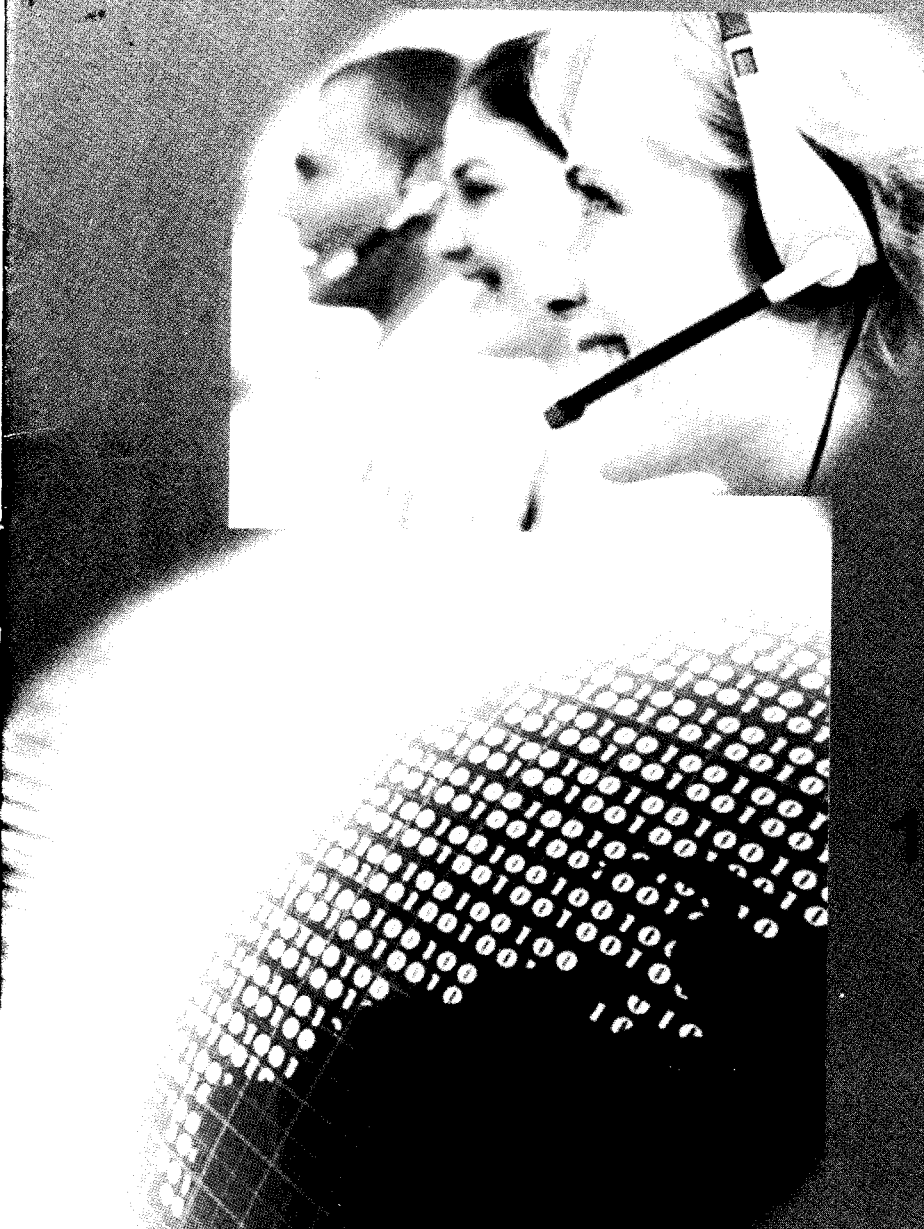




# V & K SOFTECH LIMITED

*Powered by Technology, Driven by Passion*



11<sup>th</sup> Annual Report

2009 - 2010

**CORPORATE INFORMATION**

**Board of Directors**

Mr. Prem Gupta - Managing Director  
Mr. D. Uday Kiran  
Mr. Umesh Govind Bhat  
Mr. Rajesh Kumar Gupta

**Company Secretary**

Mr. S. B. Garg

**Registered Office**

I - 405, 4th Floor,  
Divyashakti Apartments,  
Ameerpet, Hyderabad- 500 016.

**Registrar and Transfer Agent**

M/s Bigshare Services Private Limited,  
E-2/3, Ansa Industrial Estate,  
Sakivihar Road, Sakinaka,  
Andheri (East), Mumbai - 400 072

**Auditors**

M/s Venkata Srinivas & Associates,  
Chartered Accountants

**Bankers**

HDFC Bank, New Delhi  
IDBI Bank, New Delhi  
Axis Bank, Kolkata

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**NOTICE**

Notice is hereby given that the Eleventh Annual General Meeting of the Members of V & K Softech Limited is scheduled to be held on Wednesday, the 29th day of September, 2010 at 16:00 Hrs at the Registered Office of the Company at I-405, 4th Floor, Divyashakti Apartments, Ameerpet, Hyderabad- 500 016, to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2010 and Profit and Loss Account for the year ended on that date together with the Reports of the Auditors' and Directors' thereon.
2. To appoint a Director in place of Mr. Rajesh Kumar Gupta, who retires by rotation and being eligible, seeks re-appointment.
3. To appoint Statutory Auditors of the Company, to hold the office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**"RESOLVED THAT M/s Venkata Srinivas & Associates, Chartered Accountants,** retiring Auditors of the Company, be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the date of conclusion of the ensuing Annual General Meeting till the date of conclusion of the next Annual General Meeting of the Company on such remuneration as may be mutually agreed upon among themselves."

**SPECIAL BUSINESS.**

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

**"RESOLVED THAT** pursuant to Section 269, 198, 309, 310, 311 and Schedule-XIII of the Companies Act, 1956 and other applicable provisions, if any,

consent of the Members, be and is hereby accorded for the appointment of Mr. Prem Gupta, Director of the Company as Managing Director of the Company for a period of three years w.e.f. 30th July, 2010 at a monthly remuneration of Rs. 25000/- (Rupees Twenty Five Thousand Only) by way of salary including allowances/commission and excluding the reimbursement of out of pocket expenses as may be decided by the Board from time to time.

**RESOLVED FURTHER THAT** Mr. S. B. Garg, Company Secretary of the Company, be and is hereby authorized to sign and file necessary forms, documents, papers on behalf of the Company with the Registrar of Companies, Andhra Pradesh, Hyderabad, or to do all other acts, deeds, things necessary to give effect to the aforesaid appointment."

By Order of the Board  
**V & K Softech Limited**

Sd/-  
**S. B. Garg**  
Company Secretary

Hyderabad, 3rd September, 2010

**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/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing the proxy in order to be effective must be deposited with the Company not less than 48 hours before the time fixed for the commencement of the meeting.
3. The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, related to special business under item no. 4, annexed hereto.
4. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of Board Resolution authorizing the representatives to attend and vote in the General Meeting.

5. Pursuant to Section 154 of the Companies Act, 1956, the Register of the Members and the Share Transfer Books of the Company will remain closed from Monday the 27th day of September, 2010 to Wednesday, the 29th day of September, 2010 (both days inclusive).
6. Queries proposed to be raised at the Annual General Meeting may be sent to the Company at its registered office at least seven days prior to the date of Annual General Meeting to enable the Management to compile the relevant information to reply the same in the meeting.
7. Members are requested to notify any change in their address, to the Registrar & Share Transfer Agent of the Company - M/s Bigshare Pvt. Limited, E-2/3Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (East), Mumbai - 400 072 in respect of the Physical Shares and to the Depository Participant in respect of the shares held in Demat form.
8. The Copies of Memorandum and Articles of Association of the Company, and all other documents referred in the Notice etc., shall be available for the inspection at the Registered Office of the Company on any working day between 11:00 Hrs to 14: 00 Hrs up to the date of Annual General Meeting and also at the venue of Meeting.
9. 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. Pursuant to provisions of Section 109A of the Companies Act, 1956 every member or Joint holder (s) may nominate in the prescribed manner, a person to whom all the rights in the shares shall vest in the event of death of the sole holder or all the Joint holders.
10. Members/Proxies are requested to bring their copy of Annual Report and Attendance Slips duly filled in and signed for attending the Meeting.
11. Brief resume of the Directors proposed to be re-appointed, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/ chairmanships of Board Committees and number of shares, as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchange(s) are enclosed as annexure to Directors' Report.

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

**Item no. 4:**

Mr. D. Uday Kiran on completion of his term, ceased to be the Managing Director of the Company w.e.f. 1st June, 2010 and is continuing as Non – Executive Director on the Board of the Company. Pursuant to the provisions of Section 269 of the Companies Act, 1956, a Company having a paid-up capital of Rs. 5 Crore or more is required to appoint a Whole Time Director/Manager or Managing Director to look after the day to day affairs and Management of the Company. Therefore, the Board of Directors of the Company in their meeting held on 30th July, 2010, subject to the approval of the Members, appointed Mr. Prem Gupta as the Managing Director for a period of three years w.e.f. 30th, July, 2010. The present proposal requires Members' approval for the appointment of Mr. Prem Gupta, on the terms and conditions as set out in the resolution in terms of the provisions of the Companies Act, 1956.

A brief profile of Mr. Prem Gupta as stipulated under Clause 49 of the Listing Agreement is annexed herewith. His continuation on the Board as Managing Director will benefit the Company as he possesses in depth knowledge and expertise in the field of Finance and Business Management, in relation to the Company's business operations.

The Board recommends the resolution for member's approval by way of Special Resolution.

None of the Director except Mr. Prem Gupta himself is interested and concerned in proposed resolution.

By Order of the Board  
**V & K Softech Limited**

Sd/-  
**S. B. Garg**  
Company Secretary

Hyderabad, 3rd September, 2010

**DIRECTORS' REPORT**

Dear Members,

Your Directors are delighted to present the Eleventh Annual Report on the business and operations for the year ended 31st March, 2010.

**FINANCIAL & OPERATIONAL HIGHLIGHTS:**

(Rs. In Lacs)

PARTICULARS	Year ended 31st March 2010	Year ended 31st March 2009
Income	2341.75	2458.54
Expenditure	2290.86	2416.06
Profit Before Tax	50.89	42.48
Provision For Tax	22.38	17.99
Profit Before Deferred Tax	28.51	24.49
Provision For Deferred Tax	(9.04)	(4.41)
Net Profit After Taxation	37.55	28.90
Equity Share Capital (F.V Rs.10 each)	975.39	975.39
Reserve & Surplus	118.74	81.19
Earning per Share	0.38	0.30

During the year under review, the Company's turnover was Rs 2341.75 Lacs and has posted a profit of Rs. 37.55 Lacs as compared to Rs. 2458.54 Lacs and Rs. Rs.28.90 Lacs respectively in previous year. Despite the current recession in IT and Software Projects Development sector, your Directors are hopeful that in the coming years, the Company will definitely perform up to the mark and retain the stakeholders' value.

**DIVIDEND**

In order to strengthen the fundamentals of the Company, your Directors decided that it would be prudent to plough back the profits of the Company and accordingly the Board does not propose and declare any dividend for the year under review.

**CORPORATE GOVERNANCE**

The Company is committed to adopt the best practices in Corporate Governance, which is guided by the principles of conducting the business in a responsible, transparent and ethical manner so as to protect the interest of all stakeholders. As per Clause 49 of the Listing Agreement, a separate Section on Corporate Governance forms part of the Annual Report. A certificate from Statutory Auditors with regard to the compliance of the Corporate Governance, as stipulated under Clause 49 of the Listing Agreement, is also annexed to this Report.

**PUBLIC DEPOSITS**

The Company has neither invited nor accepted any public deposits within the meaning of Section 58A & 58AA of the Companies Act, 1956 and Section 45-I(bb) of the Reserve Bank of India Act, 1934 during the year under review.

**CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION**

Your Company is conscious about energy consumption and environmental issues related with it. It is continuously making sincere efforts towards conservation of energy and optimizing its usage in all aspects of operations. The Company contemplates to take advantage of the latest developments and advancements in the Industry. However, no technology/know how was purchased by the Company during the year. **There was no foreign exchange earnings and outgo during the year under review.**

**DIRECTORS**

Mr. D. Uday Kiran, stepped down from the post of Managing Director w.e.f. 01-06-2010 and continues to be Non-Executive Director on the Board. Mr. Prem Gupta was appointed as Managing Director of the Company in the Board meeting held on 30th July, 2010, subject to approval of the Members in the ensuing Annual General Meeting. In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Rajesh Kumar Gupta, Director of the Company, retires by rotation and being eligible, seeks re-appointment.

Brief details of the Directors seeking appointment/re-appointment as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is enclosed as annexure to Directors' Report.

**AUDITORS**

M/s. Venkata Srinivas & Associates, Chartered Accountants, Statutory Auditors of the Company shall



hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received declaration under Section 224(1B) of the Companies Act, 1956, regarding their eligibility for the proposed re-appointment. Your Directors recommend their re-appointment.

#### **AUDITORS' REPORT**

The comments made by the Statutory Auditors in the Auditors' Report together with the Notes on Accounts are self-explanatory and hence, do not require any further explanation/clarification.

#### **PARTICULARS OF EMPLOYEES**

None of the Company's employees is in receipt of remuneration as prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and hence, no particulars are required to be disclosed.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, and to the best of their knowledge and as per the information and explanations furnished to them and save as mentioned elsewhere in this Report, the attached Annual Accounts and the Auditors' Report thereon, your Directors confirm:

- a) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, wherever applicable;
- b) That the Directors have 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 as at March 31, 2010 and of profits for the year ended on that date.
- c) 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; and
- d) That the Directors had prepared the Annual Accounts for the year ended March 31, 2010 on a going concern basis.

#### **FORFEITURE/RE-ISSUE OF SHARES**

The Board of Directors of your Company in their meeting held on 17th January, 2006, had forfeited 8,96,882 (Eight Lacs Ninety Six Thousand Eight Hundred and Eighty Two Only) Equity Shares, due to non-payment of call money and the same are pending for Re-issue.

#### **IN PRINCIPLE APPROVAL FROM BSE**

The Members of the Company accorded their approval in the 10th Annual General Meeting of the Company held on 30th September, 2009 for Reduction of Capital under section 100 to 104 of the Companies Act, 1956, from Rs.975,39,180 i.e. 97,53,918 Equity Shares of Rs. 10/- each to Rs. 9,15,39,180 i.e. 91,53,918 Equity Shares by cancelling the 600000 Equity Shares of Rs.10/- each, which were allotted to M/s. Sibar Software Services (India) Limited, due to pendency of In - principle approval of the said shares at the Exchange. The BSE granted "In Principle Approval" for listing of 6,00,000 Equity Shares issued at par bearing distinctive numbers 10050801 to 10650800 to M/s Sibar Software Services (India) Limited, for consideration other than cash on preferential basis. Therefore, the approval so granted in the 10th Annual General Meeting for Reduction of Capital by the Shareholders, has become infructuous. The aforesaid Equity Share Capital shall be listed on Bombay Stock Exchange, after the suspension is being revoked for which necessary steps are being taken.

#### **LISTING**

The Equity Shares of the Company are listed at the Bombay Stock Exchange Limited and The Calcutta Stock Exchange Association Ltd. These shares were not traded during the year at the said Stock Exchange(s). The Trading of Equity Shares has been suspended by the BSE. The Company has made an application for revocation of trading to the BSE and regular follow up is being done for the same. Your Directors hope that the trading of the Company's shares will soon be revoked by the esteemed bourse BSE.

#### **ACKNOWLEDGEMENT**

The Board records its appreciation for the continued support and co-operation received from all its associates, the shareholders, customers, suppliers, banks and Government Departments. The Board of Directors recognized and placed on records their gratitude and appreciation for the commitment displayed by the employees at all levels of the Company.

By Order of the Board  
**V & K Softech Limited**

Sd/-  
Chairman

Hyderabad, 3rd September, 2010

**DETAILS OF THE DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT**  
(Pursuant to clause 49 of the Listing Agreement)

<b>Name of the Director</b>	Mr. Rajesh Kumar Gupta	Mr. Prem Gupta
<b>DIN</b>	00988790	00180250
<b>Father's Name</b>	Mr. Sohan Lal Gupta	Lt. Tulsi Ram Gupta
<b>Date of Birth</b>	04.12.1968	01.06.1966
<b>Address</b>	A-3/22-A, Green Apartments, Paschim Vihar, New Delhi-110063	C-4/151, Sector 6, Rohini, Delhi-110085
<b>Designation</b>	Non Executive, Independent Director	Managing Director (Executive)
<b>Education</b>	He is an Associate Member of The Institute of Company Secretaries of India and The Institute of Cost and Works Accountants of India.	He is a Commerce Graduate and completed his graduation from Rajasthan University.
<b>Experience</b>	17 years post qualification experience in the field of Law, Finance and Accounts.	20 years experience in the field of Management, Finance and Business Operations.
<b>Other Directorships</b>	1. Raghuvanshi Investment Pvt. Ltd. 2. Sealand Investment Pvt. Ltd. 3. DRSK Management Services Pvt. Ltd. 4. Urja Global Ltd.	1. BLS Global Education Limited
<b>Membership in Committee</b>	1. Chairman - Audit Committee 2. Member-Remuneration Committee 3. Member-Shareholders'/Investors' Grievances Committee.	1. Chairman - Audit Committee - till July, 2010 2. Member - Remuneration Committee till July, 2010. 3. Member-Shareholders' / Investors' Grievances Committee till July, 2010.
<b>Shareholding in the Company (No. &amp; %)</b>	Nil	Nil



## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management of V & K presents the analysis for the Company for the year 2009-2010 and its outlook for future. This outlook is based on assessment of the current business environment.

### **Overview and brief Background**

The IT division of the Company has witnessed a phenomenal growth since the inception of the Company comprising a major chunk of its turnover which will further increase by manifolds in the coming years reaping rich results for the Company and its stakeholders.

The Company is engaged in BPO/ Software development activities at Kolkatta, Shillong, Chennai, Noida and Hyderabad. The Company has been successfully providing services to its clients, both nationally and internationally like Vodafone. The Company is spreading its network by making acquisitions and entering into strategic alliances with the strategic partners.

V & K at its best provides innovative IT solutions and complex software projects development that helps to keep it one step ahead of its competitors by continuously improving its IT-based business solutions.

### **Industry Structure and Developments**

Over the last ten years, Business Process Outsourcing (BPO) has proven to be a sunrise industry in India due to its talented, skilled personnel and its geographically strategic location. India has drawn attention and investment from multiple international stakeholders who are looking to hive off their business processes. The Indian BPO industry is constantly growing and a lot of Fortune 500 companies are outsourcing services to India. There are several reasons for India's emergence as one of leading outsourcing destinations. India is very rich in educated and talented human resource. India is one of the pioneers in software development. India has a mature industrial set up with world class systems. India has excellent technical facilities and infrastructure for setting up call centers.

Recent times have witnessed a dramatic change in the country's economic environment owing to the presence of fierce competitors like Vietnam and the Philippines, as well as factors such as recession and hike in salaries. Despite this, the BPO industry appears to be churning out "better-than-expected" performances, all the same growing at the steady pace.

BPO is the delegation of one or more IT-intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria. It is a broad term referring to outsourcing in all fields. It is one of the fastest growing segments of the Information Technology Enabled Services (ITES) industry.

Few of the motivation factors as to why BPO is gaining ground are the Factor Cost Advantage, Economies of Scale, Business Risk Mitigation, the superior Competency and Utilization Improvement.

### **Asia will be the Bright Star**

With the economic growth, a surging services sector, proliferation of technology in various sectors and increasing number of companies going through a global facelift, Asia is witnessing a rise in IT spend.

Asian companies (excluding Japan) have been relatively slow in adopting technology as compared to other developed markets. However, Governments of India and China are gradually relaxing the regulations. With privatization and increasing competition, companies in India and China are now undertaking massive computerization and investments in technology to compete with global players.

Aggressive adoption of IT and centralization of operations will serve as a key enabler to IT outsourcing followed by BPO. Indian companies from high-growth sectors like telecom, retail, banking and financial services are amongst the leading buyers of IT services. The last one year has already seen several deals in the Indian market alone.

## PERFORMANCE OF THE INDIAN IT-BPO INDUSTRY DURING THE YEAR 2009-10

### Revenue

As per a recent survey conducted by the National Association of Software and Service Companies (NASSCOM), which has estimated a 4-7% rise in IT-BPO export revenues for Financial Year 2009-10, thereby reaching US\$ 50 billion, approximately. Other factors contributing to sustained growth include continued domestic demand, recessionary trends in the West and the inevitable cost savings that BPO still gives enterprises. Moreover, some BPOs in India have expanded to other countries in order to leverage cost savings. The domestic BPO segment in India is estimated to increase to 65 billion US dollars by 2010. India hosts around 200 call centres that have a turnover of 2 billion USD and a workforce of 150,000 skilled personnel. The Industry has reinvented itself by increasing its cost efficiencies, utilization rates, diversification into new verticals and markets and new business and pricing models. In the process, it was also able to turn itself into a business transformation enabler for its clients.

### Key highlights of the Industry performance in FY 2009-10

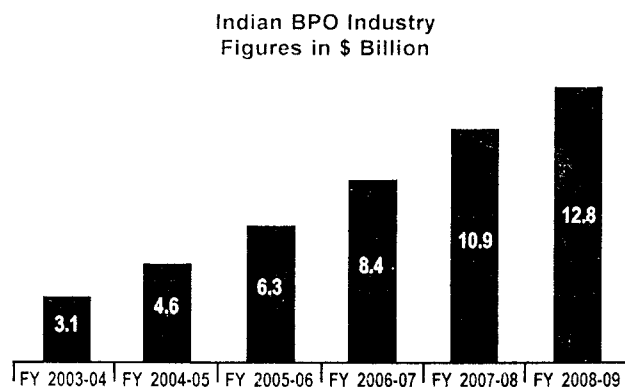
Financial year	Exports (USD bn)	Domestic (INR bn)
FY 08-09	47.1	590
FY 09-10	49.7	662
FY 10-11 (outlook)	56-57	761-775

Over the last decade, the BPO industry has grown at a frenetic pace. However, the last two years have been challenging for several service providers due to the uncertain economic conditions. The Indian BPO industry that was growing at a rapid pace (CAGR of 30 +%) from 2004-2008, experienced a slowdown for the year 2008-09 (with a growth rate of 17% per annum). Revenues from the Indian BPO industry were \$12.8 b in FY 2008-09.

### Domestic Market

The domestic India BPO services market grew by 7.3 per cent year-on-year in 2009 primarily due to the global economic uncertainty which led to some price and volume pressures. For the current fiscal the domestic market is expected to witness 12% growth in FY09-10 to reach Rs 66,200 crore. While global demand is improving at a slow pace, the outlook for the domestic industry is getting better and seen growing at 15-17% during the next fiscal, buoyed by telecom, banking and e-governance. The business opportunity in e-governance alone is estimated to be \$9 billion. Even as the industry grows bigger, the coming years will see a significant shift in business models, services lines, customers and talent structure. Increased focus is expected on lucrative offerings such as consulting, business intelligence and knowledge services. Small and medium businesses are also seen spending more, helped by business models that allow pay-per-use.

### Exhibit: The BPO industry revenues



### Employment Opportunities

Next fiscal, the IT and BPO Export revenue are projected to rise 13-15 per cent, and Domestic revenue by 15-17 per cent. With the double digit growth outlook blinking on its radar, the hiring for the IT-BPO industry is expected to be almost 1.5 lakh professionals in fiscal 2011, compared with 90,000 this fiscal. IT and back office industry currently employs 2.29 million workers — an estimated 7.68 lakh in the BPO exports; 5.25 lakh in IT

and BPO domestic market; and 9.93 lakh engaged in IT services exports.

There is an increasing need for highly skilled technology professionals in the market in which we operate. At the same time, corporations are reluctant to expand their internal IT departments and increase costs. These factors have increased corporations' reliance on their outsourced to drive future growth for technology services.

#### **Expected Growth in 2010-11**

NASSCOM flagged the risk of protectionism in Western economies as its most pressing concern and forecast that the rate of export growth for information technology and business services would more than double from current levels during the fiscal to March 2011. Export revenues of Indian IT and BPO companies were expected to rise by 5.5% to cross \$50 billion in the current 2009-10 fiscal and accelerate by 13-15% to \$56-\$57 billion in 2010-11.

The BPO industry in India will grow to \$1.8 billion by 2013 says a study by Gartner. The market grew by 7.3% in 2009. Gartner estimates the Indian domestic BPO market will grow into a \$1.2 billion market by 2011 and grow to \$1.8 billion by 2013.

#### **Financial Performance**

The Financial Statements are prepared in compliance with the requirements of the Companies Act and the Accounting Standards prescribed by the Institute of Chartered Accountants of India and Generally Accepted Accounting Principles in India. During the year, the Company has earned an operating Profit of Rs. 10.57 millions as compared to Rs. 12.81 millions in previous year. Though there is a slight decline in the operating profit as compared to the last fiscal, but the Company has sustained its operations and created a niche for itself in the market.

As there is a substantial growth in IT Sector and Software Projects development, Your Directors are hopeful that in

forthcoming years, Company will definitely perform up to the mark, achieve good profitability and Earning per share will be increased. On a generic note, given the current economic and industry environment, prospects in our business segments look attractive and we look forward to 2010-11 with sustained growth and excitement.

#### **Internal control Systems and their adequacy**

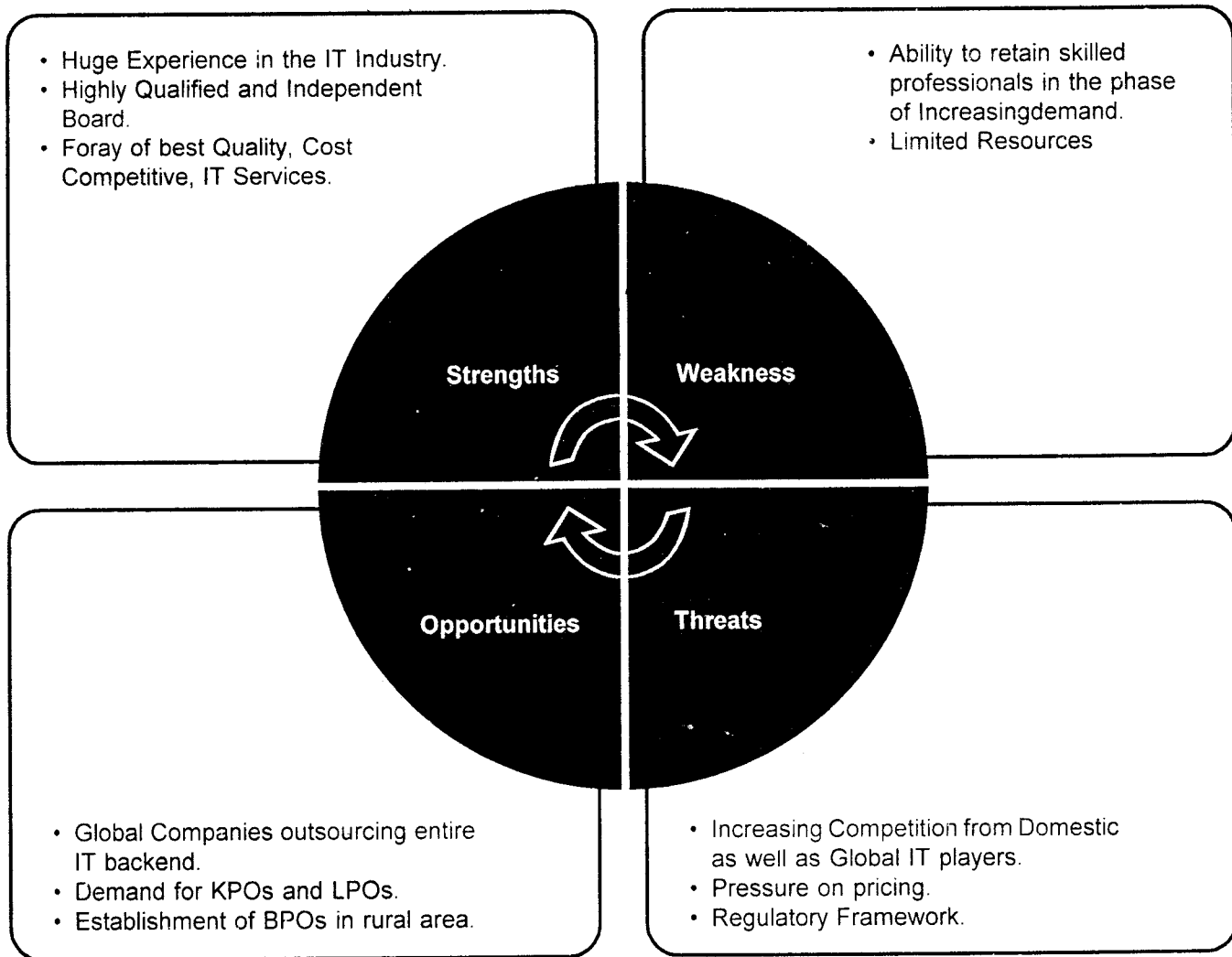
Internal control systems are implemented to safeguard the Company's assets from loss or damage, keep constant check on the cost structure, prevent revenue leakages and to provide adequate financial and accounting controls and implement accounting standards.

The Internal Audit department together with an independent firm of Chartered Accountants reviews the effectiveness of the systems and procedures. The Internal Auditors evaluate the adequacy of the Internal control systems by analyzing and testing controls and make their recommendations to the Management to improve controls wherever necessary. The system is improved and modified continuously to meet the changes in business conditions, statutory and accounting requirements.

#### **Human Resources**

A major strength for your Company has been its employees and your Company's relationship with its employees continues to be excellent. Over the years the Company has taken several initiatives to attract and retain best talent. Being in the service industry, the Company places foremost thrust on the continuous up gradation of human resource. A detailed performance evaluation system is in place and remuneration and rewards are strongly linked to performance indicators. To keep the employee excellence at high altitudes, your Company continues to maintain its commitment towards providing training to its employees at all levels. Your Company's Staff turnover is very low as compared with the industry levels. Best HR Practices and continuous work environment ensures high motivational levels of the employees.

SWOT ANALYSIS



**Cautionary Forward Looking Statements**

This report contains forward looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations and projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results, are forward looking statements. Forward looking statements are based on certain assumptions and expectations of future events.

The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, Information or events.

By Order of the Board  
**V & K Softech Limited**

Sd/-  
 Chairman

Hyderabad, 3rd September, 2010

**CORPORATE GOVERNANCE REPORT**

*"Corporate Governance is an integral part of the philosophy of the Company in its pursuit of excellence, growth and value creation by focusing a balance between individual interests and corporate goals."*

**1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company has always been guided by a strong conviction of adhering to transparency, accountability and integrity. The Company believes that all its operations and actions must serve the underlying goals of enhancing overall enterprise value and retain shareholders trust over a sustained period of time. This belief is the foundation on which the Company builds ethical business, maintains reputation and gains investors' confidence and customer's goodwill.

**2. BOARD OF DIRECTORS**

- 2.1** The Board of Directors along with its Committees provides leadership and guidance to the Company's Management and directs, supervises and controls the performance of the Company. As on 31st March, 2010 the Board of Directors of the Company comprises of 4 Directors, out of which 2(50%) are Independent Directors. The composition of Board is in conformity with the provisions of Clause 49 of the Listing Agreement.
- 2.2** None of the Directors on the Company's Board is a member in more than 10 committees or acting as Chairman of more than 5 committees (Committees being Audit Committee and Shareholders/Investors' Grievance Committee) across all companies in which he is a Director. The Non-Executive Independent Directors does not have any pecuniary relation with the Company during the year under review. No Director is related to any other Director on the Board in terms of the definition "relative" given under the Companies Act, 1956.
- 2.3** The required information as enumerated in Annexure IA to Clause 49 of the Listing Agreement is made available to the Board of Directors for discussions and consideration at Board Meetings. The Managing Director has submitted Certificate to the Board, attached hereto, in accordance with Clause 49 (V) of the Listing Agreement for the year ended 31st March, 2010.
- 2.4** During the year under review, 6 Board Meetings were held on 27-04-2009, 30-06-2009, 30-07-2009, 05-09-2009, 30-11-2009 and 28-01-2010. The maximum time - gap between two consecutive meetings did not exceed 4 months. The composition of the Board, attendance at Board Meetings held during the financial year under review and at the Last Annual General Meeting held on 30th September, 2009, number of other directorships, memberships/chairmanships in public companies Company are as follows:

Name of the Director	Category	Attendance at the Last AGM	No. of Board Meetings Attended	Number of Other		
				Director-ships*	Committee Membership	Committee Chairmanship
Mr. Prem Gupta	Managing Director (Executive)	Yes	6	1	NIL	2
Mr. D. Uday Kiran	Director (Non-Executive)	Yes	5	NIL	NIL	NIL
Mr. Umesh Govind Bhat	Independent Director (Non Executive)	Yes	4	NIL	NIL	NIL
Mr. Rajesh Kumar Gupta	Independent Director (Non Executive)	No	5	1	2	NIL

*\*Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956 are excluded for the above purpose.*

**3. COMMITTEES OF THE BOARD:**

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board has constituted a set of committees with specific terms of reference/scope. The Committees as empowered agents of the Board as per their charter/terms of reference. Targets set by them as agreed with the management are reviewed periodically and mid – course corrections are also carried out. The minutes of the meetings of all committees of the Board are placed before the Board for discussions/ noting.

**4. AUDIT COMMITTEE:**

**4.1** The Audit Committee functions according to its charter that defines its Composition, Authority, Responsibility and Reporting functions in accordance with the Companies Act, 1956, listing requirements as applicable to the Company and is reviewed from time to time. The brief terms of reference for the audit committee as laid down by the Board are laid as under:

- a) Overseeing the Company's financial reporting process and the disclosure of the financial information to ensure that the financial statements are correct, sufficient and credible.
- b) Recommending the appointment/re-appointment and replacement/ removal of statutory auditors, fixation of audit fee and also approval for payment for any other services.
- c) Reviewing with Management, the quarterly, half yearly and annual financial statements before submission to the Board.
- d) Reviewing with the Management, performance of Statutory and Internal auditors, the adequacy of internal control system and ensuring compliance therewith.
- e) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f) Discussion with internal auditors any significant findings and follow up thereon.
- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h) Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- i) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- j) To review report on Management Discussion & Analysis of Financial Condition and Results of operation, to be included in the Company's Annual Report to its Shareholders.

**4.2** The Chairman of the Audit Committee briefs the Board members about the significant discussions at Audit Committee Meetings.

- 4.3 The Committee comprises of 3 Directors out of which 2 are Independent Directors, all of whom are financially literate and have relevant finance and/or audit exposure. Mr. Rajesh Kumar Gupta is the financial expert. The quorum of the Committee is two members or one – third of its members, whichever is higher.
- 4.4 The Chairman of the Audit Committee also attended the last Annual General Meeting of the Company. During the period under review, the Audit Committee met 5 times. The Composition of the Audit Committee and attendance at its meetings are as follows:

Composition	Rajesh Kumar Gupta* (Chairman)	Prem Gupta	Mr. D. Uday Kiran	Umesh Govind Bhat
Meetings Attended	5	4	2	3

\* Mr. Prem Gupta resigned from the Chairmanship and Mr. Rajesh Kumar Gupta was inducted as Chairman of the Audit Committee, during the year.

- 4.5 The Committee meetings are held at Company's Corporate Head quarters and are usually attended by the Chief Internal Auditor and the Statutory Auditor. The Business and operations heads are invited to the meetings, as required. The Company Secretary acts as the Secretary to the Audit Committee.
- 4.6 The Committee relies on the expertise and Knowledge of Management, the internal Auditors and the Independent Statutory Auditors in carrying out its oversight responsibilities. It also uses external expertise if required.
- 4.7 M/s. Venkata Srinivas & Associates, the Company's Independent Statutory Auditor, is responsible for performing an Independent Audit of the Financial Statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in India.

## 5. REMUNERATION COMMITTEE:

- 5.1 The Remuneration Committee of the Company is empowered to review the remuneration of the Managing Director and the Executive Directors, approved by the Board and deal with matters relating thereto.
- 5.2 The Remuneration Committee comprises of Two Independent Directors as on 31st March, 2010. During the year under review, one Remuneration Committee meeting was held on 27th July, 2010. The Composition of the Remuneration Committee and attendance at its meeting is as follows:

Composition	Rajesh Kumar Gupta* (Chairman)	Prem Gupta	Umesh Govind Bhat
Meetings Attended	1	—	1

\* Mr. Prem Gupta resigned from the membership of the Committee

- 5.3 The Chairman of the Remuneration Committee was not present at the Last Annual General Meeting due to some prior urgent commitments.
- 5.4 During the year 2009-2010, the Company has not paid any remuneration to the Managing Director.
- 5.5 The Remuneration of the Managing and Executive Directors is recommended by the Remuneration Committee based on criteria such as industry benchmarks, the Company's performance vis - a - vis the industry, the responsibility shouldered, performance/track record and is decided by the Board of Directors.



## 6. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

6.1 The Investors' Grievance Committee comprises of Mr. Umesh Govind Bhat, Independent Director as the Chairman, Mr. R.K. Gupta, Independent Director and Mr. D. Uday Kiran, Non Executive Director as members. The Composition of the Committee was changed by inducting Mr. D. Uday Kiran as the Member thereby accepting the resignation of Mr. Prem Gupta from the committee. The Investors Grievance Committee of the Board is empowered to oversee the redressal of investors' complaints pertaining to share/debenture transfers, non – receipt of annual reports, issue of duplicate share certificates, transmission (with and without legal representation) of shares and debentures and other miscellaneous complaints. During the year under review, two Investors' Grievance Committee meetings were held, which were duly convened.

### 6.2 Compliance Officer

Mr. S. B. Garg, Company Secretary, who is the Compliance Officer of the Company can be contacted at : V & K Softech Limited, 6/7/11, Mini Market, Nanakpura, Moti Bagh, New Delhi - 110 021 / e-mail : [yksoftech123@rediffmail.com](mailto:yksoftech123@rediffmail.com). Complaints or queries relating to the shares can be forwarded to the Company's Registrar and Transfer Agents – **M/s Bigshare Services Pvt. Ltd.** at [info@bigshareonline.com](mailto:info@bigshareonline.com).

During the year all the complaints received from the shareholders, were replied / resolved promptly to the satisfaction of the shareholders. As on date, there are no complaints pending. The Secretarial Department of the Company and Registrar and Transfer Agents attends expeditiously to all grievances/correspondences of the shareholders and investors.

## 7. GENERAL BODY MEETINGS:

Location and time of the General Body Meetings of the Company in the past three years:

YEAR	VENUE	DATE	TIME
2006-2007	Chiran Fort Club, Begumpet, Secundrabad-500003	24th September, 2007	11:00 Hrs
2007-2008	I-405, 4th Floor, Divyashakti Apartments, Ameerpet, Hyderabad-500 016	25th September, 2008	11:00 Hrs
2008-2009	I-405, 4th Floor, Divyashakti Apartments, Ameerpet, Hyderabad-500 016	30th September, 2009	16:00 Hrs

No resolution was put through postal ballot during the financial Year 2009-2010

## 8. DISCLOSURES

- 8.1 Besides the transactions mentioned elsewhere in the Annual Report, there were no other materially significant related party transactions that may have potential conflict with the interests of the Company at large.
- 8.2 The Company has complied with various rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to capital markets during the last three years. No penalties have been imposed by them on the Company. The Company's trading is being suspended by the BSE, and revocation of trading of shares of the Company is being applied for.

- 8.3 The Company has laid down procedure to inform Board Members about the risk assessment and minimization procedures. These procedures are being periodically reviewed to ensure that management controls risk through the means of properly defined framework.

## 9. MEANS OF COMMUNICATION

The Company regularly intimates unaudited as well as audited financial results to the Stock Exchanges immediately after these were taken on record by the Board.

The quarterly/half-yearly/annual financial results are generally published in the English and Telgu Newspapers i.e. Financial Express/Financial Chronicle (English) and Prajashakthi (Telgu). The Annual Report, Quarterly Results and Shareholding Patterns of the Company are regularly filed with the Stock Exchanges in hard copies within the stipulated time.

## 10. GENERAL INFORMATION FOR MEMBERS:

### 10.1 Annual General Meeting:

<b>Date and Time</b>	Wednesday, 29th September, 2010 at 16:00 Hrs
<b>Venue</b>	I-405, 4th Floor, Divyashakti Apartments, Hyderabad-500 016

### 10.2. Book Closure Period:

Monday, 27th September, 2010 to Wednesday, 29th September, 2010(both days inclusive.)

### 10.3 Listing Details:

The Equity Shares of the Company are listed with Bombay Stock Exchange Limited & The Calcutta Stock Exchange Association Ltd. [Scrip Code: BSE LTD -532402]

### 10.4 Market price data:

The last traded price on 31.01.2003 at BSE was Rs. 0.65/-. The trading of the shares of the Company is presently suspended at BSE and the Company has applied for Revocation of suspension in trading of Equity Shares of the Company.

### 10.5 Registrar and Transfer Agent:

For share related matters and other matters relating to change of address, Members are requested to correspond with the Company 's Registrar and Transfer Agents quoting their folio no. at the following address:

#### **M/s. Bigshare Services Pvt. Ltd.**

Contact Person: Mr.Ashok Shetty  
Address: E/2, Ansa Industrial Estate,  
Sakivihar Road, Sakinaka  
Andheri (East), Mumbai-400072.  
Tel: 91 22 2847 0652 / 4043 0200  
Fax: 91 22 2847 5207  
Email:info@bigshareonline.com  
Website: www.bigshareonline.com

**10.6 Share Transfer System:**

Securities Lodged for transfer at the Registrar's address are normally processed within 30 days from the date of lodgment, if the documents are clear in all respects. All requests for dematerialization of securities are processed and the confirmation is given to the depositories within 15 days. The Company's Share being in Compulsory demat list are transferable through the depository system. However shares in the physical form are processed by the Registrar and Transfer Agent and approved by the Shareholders'/investors' grievance committee. Grievances received from investors and other miscellaneous correspondence on change of address, mandates etc. are processed with the Registrars within 30 days.

**10.7 Secretarial Audit:**

Pursuant to Clause 47 (c) of the Listing Agreement with the Stock Exchanges, Certificates on half yearly basis have been issued by a Company Secretary in practice for due Compliance of Share Transfer formalities of the Company.

A Company Secretary in practice carried out a Secretarial Audit to reconcile the Total Admitted Capital with NSDL and CDSL and the Total Issued and Listed Capital. The Audit confirms that the Total issued/paid-up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialized form (held with NSDL and CDSL)

**10.8 Distribution of Shareholding:**

Distribution of shareholding as on 31.03.2010 is given below:

Range in (Rs.)	Number of shareholders	% of total shareholders	Total Holding in Rupees	% of total capital
1 - 5000	454	40.94	1299060.00	1.33
5001 - 10000	265	23.90	2503490.00	2.57
10001 - 20000	94	8.48	1652190.00	1.69
20001 - 30000	48	4.33	1297250.00	1.33
30001 - 40000	26	2.34	974290.00	1.00
40001 - 50000	43	3.87	2089810.00	2.14
50001 - 100000	69	6.22	5866750.00	6.02
100001 and above	112	9.92	81856340.00	83.92
<b>Total</b>	<b>1,111</b>	<b>100%</b>	<b>97539180.00</b>	<b>100.00%</b>

**10.9 Shareholding Pattern of Shares as on 31st March, 2010**

Category	No. of Shares	% of Shares
<b>Promoters</b>		
Indian	1225200	12.56
Foreign:Body Corporate	200000	2.05
<b>Non - Promoters</b>		
Mutual Funds	369950	3.79
Fin Inst.	240398	2.47
Corporate Bodies	2091937	21.45
Individuals	5621433	57.63
NRIs/OCBs	5000	0.05
<b>Total</b>	<b>9753918</b>	<b>100.00</b>

**10.10 ISIN for Dematerialization: INE718B01017**

**10.11 Dematerialization of Shares as on 31st March, 2010:**

The electronic holding of shares as on 31st March, 2010 through NSDL and CDSL are as follows:

Particulars	NSDL		CDSL	
	2010	2009	2010	2009
<b>Equity Shares</b>	<b>6042463</b>	<b>6078563</b>	<b>696144</b>	<b>659844</b>

The Company has entered into an agreement with both National Securities Depository Limited (NSDL) & Central Depository Services (India) Limited (CDSL), whereby the shareholders have an option to dematerialize with either of the depositories.

**10.12 Address for correspondence**

**V & K Softech Limited**

**Corporate Office:**

6/7/11, Mini Market,

Moti Bagh,

New Delhi-110 021

**Declaration by the CEO under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct**

In accordance with Clause 49 sub Clause I (D) of the Listing Agreement with the Stock Exchanges, I, Prem Gupta, Managing Director of the Company do hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective code of conduct, as applicable to them for the financial year ended 31st March, 2010.

By Order of the Board  
**V & K Softech Limited**

Sd/-  
**Prem Gupta**  
Managing Director

Hyderabad, 3rd September, 2010

**Chief Executive Officer (CEO) Certification**

The Board of Directors,  
M/s. V & K Softech Limited

I, the undersigned Prem Gupta, Managing Director of V & K Softech Limited, inter alia certify that:

- (a) I have reviewed the Financial Statements and the Cash Flow Statement of the Company for the year 2009-10 and to the best of my knowledge, information and belief I state that:
- these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - these statements together present a true and fair view of the Company's affairs and are in compliance with current Accounting Standards, applicable Laws and Regulations.
- (b) To the best of my knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or in violation of the Company's Code of Conduct.
- (c) The Company's other certifying officers and I, are responsible for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and I have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation such internal controls, if any, of which I am aware and steps I have taken or propose to take to rectify these deficiencies.
- (d) I have indicated to the Auditors and the Audit Committee that:
- there are no significant changes in internal control over financial reporting during the year;
  - there are no significant changes in accounting policies during the year, and that the same have been disclosed in the notes to the financial statements; and
  - there are no instances of significant fraud of which I have become aware the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting during the year.

Sd/-  
Prem Gupta  
Managing Director

Hyderabad, 3rd September, 2010

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

The Board of Directors  
V & K Softech Limited  
New Delhi

We have reviewed the records concerning the Company's compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement, entered into by the Company with the Stock Exchanges of India, for the financial year ended on 31st March 2010.

The compliance 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 the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for the review, and the information and explanations given to us by the Company.

Based on such a review to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the said Listing Agreement.

On the basis of Certificate issued by the Registrar and Share Transfer Agent of the Company and the Minutes of Meetings of the Shareholders/ Investors Grievance Committee of the Company, we state that, there were no investor grievances pending against the Company for a period exceeding one month.

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

**For Venkata Srinivas & Associates**  
**Chartered Accountants**

Sd/-  
C. V. M. Srinivas  
Prop.  
M. No. 202765  
PAN No: ABJPC6667P

Hyderabad, 29th May, 2010

**AUDITOR'S REPORT**

To  
The Members of  
V & K Softech Limited  
Hyderabad

1. We have audited the attached balance sheet of **V & K Softech Limited** as at 31st March 2010 and also the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides the reasonable basis for our opinion.
3. We report that :
  - a. As required by the Companies (Auditors' Report) Order, 2003, issued by the Government of India in terms of sub – Section 4A of Section 227 of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

- b. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- c. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

- d. The balance sheet, profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account.
- e. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub – Section (3C) of Section 211 of the Companies act, 1956, in so far as they are applicable to the Company.
- f. On the basis of the written representations received from the directors as on 31st March 2010 and taken on record by the Board of Directors we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a Director in terms of Clause (g) of sub Section (1) of Section 274 of the Companies Act 1956.
- g. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give in conjunction with the Schedules annexed therewith, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
  1. In the case of balance sheet, of the state of affairs of the companies as at 31st March 2010.
  2. In the case of the profit and loss account of the profit for the period ended on that date.
  3. In the case of the cash flow statement of the cash flows for the year ended on that date.

**For Venkata Srinivas Associates,  
Chartered Accountants,**

**Sd/-  
C. V. M. Srinivas  
Prop.  
M. No. 202765  
Firm Registration No. 007441S**

**Hyderabad, 29th May, 2010**

**ANNEXURE TO THE AUDITORS REPORT**

(V &amp; K Softech Limited)

[Referred to in paragraph 3 (a) thereof]

1. a) The Company has maintaining proper records showing full particulars, including quantitative details and situation of the fixed assets.
- b) As explained to us, the management has physically verified the fixed assets during the year and there is a regular programme of verification which, in our opinion is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed.
- c) The Company has disposed off a substantial part of its Fixed Assets during the year. According to the information and explanations given to us the management is under the process of making plans to replace the fixed assets that have been sold during the year. Hence such disposal, in our opinion, does not effect the going concern status of the Company.
2. The Company is engaged in the business of Business Process Outsourcing (BPO) and development of Software Products. According to the information and explanations given to us by the management the Company does not hold any inventory and hence in our opinion paragraph 2 of the order is not applicable.
3. a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act 1956.
- b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services.
5. In our opinion and according to the information and explanations given to us there are no contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
6. In our opinion and according to information and explanations given to us, the Company has not accepted deposits from public.
7. The Company is having internal audit system.
8. To the best of our knowledge and belief the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
9. a) According to the information and explanations given to us the particulars of undisputed statutory dues of provident fund, employees state insurance and income tax were in arrears as at 31st March 2010 for a period of more than six months from the date they became payable and which have not been deposited are as follows :

Name of the statute	Nature of dues	Amount (Rs.)	Period
ESIC – Employees contribution	ESI	51,005	2009-2010
ESIC – Employees Contribution	ESI	1,47,612	2009-2010
Provident Fund Act Employees Contribution	PF	49,936	2009-2010
Provident Fund Act Employers Contribution	PF	59,992	2009-2010



- b) The Company does not have any disputed dues of sales tax / income tax / customs / wealth tax / excise duty /cess etc. which have not been deposited except the Income Tax Demand of Rs. 23,10,837/- for the assessment year 2005 – 2006 against which the Company has failed an appeal with ITAT.
10. The Company has no accumulated losses at the end of the financial year. The Company has not incurred any cash losses during the financial year and the immediately preceding financial year.
11. According to the information and explanations given to us the Company has no dues to any financial institutions, bank or to debenture holders during the year.
12. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of securities by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or nidhi / mutual benefit fund / society and therefore the provisions of special statute under paragraph (13) of the order are not applicable to the Company.
14. In our opinion and the information and explanations given to us the Company is not dealing or trading in shares, securities, debentures and other investments
15. According to the information and explanations given to us the Company has not given the guarantee for loans taken by others from banks or financial institutions.
16. According to the information and explanation given to us the Company has not raised any term loans.
17. Based on information and explanations given to us and on an overall examination of the balance sheet of the Company in our opinion there are no funds raised on a short term basis which have been used for long term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.
19. According to the information and explanations given to us the Company has not issued any debentures during the year under consideration.
20. According to the information and explanations given to us the Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us, during the year no material fraud on or by the Company has been noticed or reported.

**For Venkata Srinivas Associates,  
Chartered Accountants,**

**Sd/-**

**C. V. M. Srinivas**

**Prop.**

**M. No. 202765**

**Firm Registration No. 007441S**

**Hyderabad, 29th May, 2010**

## BALANCE SHEET AS AT 31ST MARCH 2010

PARTICULARS	SCHEDULES	AS AT 31/03/2010	AS AT 31/03/2009
<b>I. SOURCES OF FUNDS:</b>			
<b>1. Shareholders Funds</b>			
Equity Share Capital	1	97,539,180.00	97,539,180.00
Reserves & Surplus	2	11,873,857.12	8,118,756.47
<b>2. Deferred Tax Liability</b>		1,262,391.00	2,166,600.00
		<b>110,675,428.12</b>	<b>107,824,536.47</b>
<b>II. APPLICATION OF FUNDS:</b>			
<b>1. Fixed Assets</b>			
Gross Block	3	43,855,968.00	60,913,312.00
Less :- Depreciation		37,175,045.08	44,806,374.46
Net Block		6,680,922.92	16,106,937.54
<b>2. Investments</b>			
	4	71,970,000.00	65,470,000.00
<b>3. (A) Current Assets, Loans &amp; Advances</b>			
(i) Sundry Debtors		812,814,200.25	704,034,170.80
(ii) Cash & Bank Balances		82,579.88	1,671,489.98
(iii) Loans & Advances		81,998,503.19	54,997,202.39
		894,895,283.32	760,702,863.17
<b>(B) Current Liabilities &amp; Provisions</b>			
	6	862,870,778.12	734,455,264.24
<b>Net Current Assets (A) – (B)</b>		32,024,505.20	26,247,598.93
		<b>110,675,428.12</b>	<b>107,824,536.47</b>
NOTES ON ACCOUNTS	10		

The Schedules, Accounting Policies and Notes on Accounts from an integral part of the Balance Sheet.

As per our report of even date

For Venkata Srinivas & Associates  
Chartered Accountants

For and on behalf of the Board

Sd/-  
C.V.M. Srinivas  
Prop.

Sd/-  
D. Uday Kiran  
Managing Director

Sd/-  
Prem Gupta  
Director

Sd/-  
S. B. Garg  
Company Secretary

Hyderabad, 29th May, 2010

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

PARTICULARS	SCHEDULES	YEAR ENDED 31/03/2010 Rs.	YEAR ENDED 31/03/2009 Rs.
<b>1. INCOME</b>			
Income From Operation		234,018,856.92	245,683,603.81
Other income		155,800.17	170,235.00
<b>Total</b>		<b>234,174657.09</b>	<b>245,853,838.81</b>
<b>2. EXPENDITURE</b>			
Cost of Services	7	214,516,496.00	225,069,902.96
Administrative & other Expenditure	8	9,083,450.00	7,944,564.57
Financial Expenses	9	1,865.44	20,606.90
Depreciation		5,483,870.00	8,570,433.56
<b>Total</b>		<b>229,085,681.44</b>	<b>241,605,507.99</b>
3. Profit Before Tax		5,088,975.65	4,248,330.82
4. Less: Provision for Tax		2,238,084.00	1,754,166.00
Deferred Tax Liability		(904,209.00)	(441,432.00)
FBT		—	45,455.00
5. Profit & Loss after Tax		<b>3,755,100.65</b>	<b>2,890,141.82</b>
NOTES OF ACCOUNTS	10		

The Schedules, Accounting Policies and Notes on Accounts from an integral part of the Balance Sheet.

As per our report of even date

For Venkata Srinivas & Associates  
Chartered Accountants

For and on behalf of the Board

Sd/-  
C.V.M. Srinivas  
Prop.

Sd/-  
D. Uday Kiran  
Managing Director

Sd/-  
Prem Gupta  
Director

Sd/-  
S. B. Garg  
Company Secretary

Hyderabad, 29th May, 2010

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
1,06,60,000 Equity Share of Rs 10/- each	106,600,000.00	106,600,000.00
<b>Issued Share Capital</b>		
9753918 Equity shares of Rs 10/- each	97,539,180.00	97,539,180.00
<b>Subscribed and Paid up capital</b>		
9753918 Equity Shares of Rs 10/- each	97,539,180.00	97,539,180.00
<b>SCHEDULE - 2</b>		
<b>RESERVE &amp; SURPLUS</b>		
Profit & Loss after Tax	3,755,100.65	2,890,141.82
Add: balance b/f	8,118,756.47	5,228,614.65
	<b>11,873,857.12</b>	<b>8,118,756.47</b>

**SCHEDULE - 3**  
**FIXED ASSETS**

Particulars	Gross Block				Depreciation				Net Block	
	As at 1.4.2009	Addition	(Deletion)	Up to 31.03.2010	Up to 31.03.2009	During the year	Adjust- ments	Up to 31.03.2010	As on 31.03.2010	As on 31.03.2009
Computer Hardware	9,059,955.00	-	(3,700,581.00)	5,359,374.00	22,543,145.16	2,606,732.92	2,415,090.36	22,734,778.72	2,624,595.28	6,516,809.84
Computer Software	15,279,905.00	-	-	15,279,905.00	10,323,362.00	1,982,617.20	-	12,305,979.20	2,973,925.80	4,956,543.00
Vehicles	2,316,689.00	900,000.00	-	3,216,689.00	1,900,259.60	234,027.56	-	2,134,287.16	1,082,401.84	416,429.40
Furniture & Fixture	9,086,565.00	-	(9,086,565.00)	-	7,322,968.00	319,211.04	7,642,179.04	-	-	1,763,597.00
Office Equipment	5,170,198.00	-	(5,170,198.00)	-	2,716,639.70	341,290.28	3,057,929.98	-	-	2,453,558.30
<b>Total</b>	<b>60,913,312.00</b>	<b>900,000.00</b>	<b>(17,957,344.00)</b>	<b>43,855,968.00</b>	<b>44,806,374.46</b>	<b>5,483,870.00</b>	<b>13,115,199.38</b>	<b>37,175,045.08</b>	<b>6,680,922.92</b>	<b>16,106,937.54</b>

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 (Contd.)

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
<b>SCHEDULE - 4</b>		
<b><u>INVESTMENTS</u></b>		
Investment	44,930,000.00	44,930,000.00
Share Application Money	27,040,000.00	20,540,000.00
	<b>71,970,000.00</b>	<b>65,470,000.00</b>
<b>SCHEDULE- 5</b>		
<b><u>CURRENT ASSETS LOANS &amp; ADVANCES</u></b>		
<b>(I) <u>Sundry Debtors</u></b>		
(a) Debts outstanding for the period exceeding six months	730,151,188.15	608,117,107.40
(b) Others Debtors	82,663,012.10	95,917,063.40
<b>Sub Total (I)</b>	<b>812,814,200.25</b>	<b>704,034,170.80</b>
<b>(II) <u>Cash &amp; Bank Balances</u></b>		
Cash in Hand	58,861.49	169,297.49
Balance in Current account with Schedule Banks	23718.39	1,502,192.49
<b>Sub Total (II)</b>	<b>82,579.88</b>	<b>1,671,489.98</b>
<b>(III) <u>Loans &amp; Advances</u></b>		
Advances recoverable in cash or kind for value to be received		
Advances	76,575,650.00	52,075,764.00
TDS Receivable	5,422,853.19	2,921,438.39
<b>Sub Total (III)</b>	<b>81,998,503.19</b>	<b>54,997,202.39</b>
<b>Grand Total: (I)+(II)+(III)</b>	<b>894,895,283.32</b>	<b>760,702,863.17</b>
<b>SCHEDULE - 6</b>		
<b><u>CURRENT LIABILITIES &amp; PROVISIONS</u></b>		
Sundry Creditors	835,529,385.40	725,858,082.02
Audit Fee Payable	22,500.00	22,425.00
Balance of Schedule Commercial Bank	1,154,487.56	—
TDS Payable	144,012.00	106,832.00
Outstanding Exp.	21,182,309.16	4,068,304.22
Provision For Tax	2,238,084.00	1,754,166.00
Provision for FBT	—	45,455.00
Advances for Re-issue of Forfeited Shares	2,600,000.00	2,600,000.00
	<b>862,870,778.12</b>	<b>734,455,264.24</b>

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 (Contd.)

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
<b>SCHEDULE - 7</b>		
<b><u>COST OF SERVICES</u></b>		
Salaries to Staff	10,344,716.00	9,310,653.00
Software – Purchase & Development	204,171,780.00	215,759,249.96
	<b>214,516,496.00</b>	<b>225,069,902.96</b>
<b>SCHEDULE - 8</b>		
<b><u>ADMINISTRATIVE &amp; OTHER EXPENSES</u></b>		
Electricity charges & maintenance	1,245,414.00	1,560,322.00
Internal Audit Fee	18,000.00	18,000.00
Printing & Stationary	146,776.00	111,250.00
Postage & Courier	195,243.00	9,795.00
Equipment & System Maintenance	426,822.00	24,840.00
Custodian Fee	49,635.00	32,809.00
Office Maintenance & Miscellaneous Exp.	2,621,880.00	1,999,819.00
Professional charges	352,000.00	408,000.00
Recruitment & Training	799,076.00	517,375.00
Register & Share Transfer Expenses	45,006.00	69,037.00
Fee & Subscription	1,500.00	3,500.00
Rent	—	2,134,100.00
Security Services	216,744.00	240,144.00
Staff Welfare	1,401,299.00	407,100.00
Subscriptions	13,212.00	3,045.00
Repairs & Maintenance	143,963.00	85,659.00
Telephone, Fax Charges & Internal Charges	126,364.00	80,476.00
Travelling & Conveyance expenses	846,956.00	77,213.00
Vehicle Maintenance	242,087.00	50,893.00
Audit Fee	25,000.00	25,000.00
AGM Exepenses	13,400.00	35,590.00
Listing Fee	18,170.00	1,625.00
General Expenses	134,903.00	48,972.57
	<b>9,083,450.00</b>	<b>7,944,564.57</b>
<b>SCHEDULE - 9</b>		
<b><u>FINANCIAL EXPENSES</u></b>		
Bank Charges	1865.44	20,606.90
	<b>1865.44</b>	<b>20606.90</b>

As per our report of even date

For Venkata Srinivas & Associates  
Chartered AccountantsSd/-  
C.V.M. Srinivas  
Prop.

Hyderabad, 29th May, 2010

For and on behalf of the Board of Directors

Sd/-  
D. Uday Kiran  
Managing DirectorSd/-  
Prem Gupta  
DirectorSd/-  
S. B. Garg  
Company Secretary

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 (Contd.)****SCHEDULE - 10****NOTES ON ACCOUNTS****a. Significant Accounting Policies**

1. The financial statements have been prepared under the historical cost convention on accrual basis and comply with the generally accepted accounting policies.
2. Fixed assets are stated at cost of acquisition less accumulated depreciation. Depreciation is provided on written down value method in accordance with the rates prescribed under Schedule XIV to the Companies Act, 1956.
3. Investments unless otherwise stated are considered as long term in nature and are valued at acquisition cost less provision for diminution, if any.
4. The Company derives its income from BPO Services, Software Services and Software Products. Income is recognized on the date on which the invoice for services is raised on the customers.  
All incomes and expenditures are accounted for on accrual basis and provision is made for all known losses and liabilities.
5. Provision for current tax for the year is based on computations after considering rebates, relief and exemptions under the Income Tax Act, 1961.
6. Earnings in foreign exchange – Nil. Foreign exchange outgoing – Nil.
7. Contributions payable to recognized provident fund and employees state insurance have been charged to profit and loss account. Provision for gratuity, retirement benefits, leave encashment etc. have not been made in the accounts.

**b. Notes On Accounts**

1. The Company is engaged in the business of providing BPO services, Software Services and Development of Software Products. Such services are not capable of being expressed in any generic unit. Hence the quantitative details as required under the Companies Act 1956 have not been furnished.
2. Contingent liabilities: Income Tax demand for Rs. 23,10,837 /- for the Assessment Year 2005 – 2006. The Company has filed an appeal with the ITAT against the orders of CIT (Appeal).
3. Auditors remuneration for the year: Rs. 25,000/- (Previous year: Rs 25,000/-).
4. Previous years figures have been regrouped and rearranged wherever necessary.
5. In the opinion of the Management all the current assets including loans and advances would in the normal course of business be realized at the value stated.
6. Sundry Debtors, Creditors and Loans and advances are subject to confirmation and consequential adjustment, if any.
7. A sum of Rs. 20,41,71,780/- has been charged to Profit and Loss account as revenue expenditure the components of which are as under :

<b>Expenditure on account of</b>	<b>Amount Expended (in Rs.)</b>
Software Development and Purchase Exp.	11,82,25,216.00
Project Site survey expenses	4,02,87,264.00
Data Collection Charges	4,56,59,300.00
<b>Total</b>	<b>20,41,71,780.00</b>

8. Rs. 98,00,000/- was received from M/S Urja Global Limited as advance for development of certain software. The said amount was returned back to Urja Global Limited without interest as the Company could not execute the work for which Company has received the payment. Mr. R. K. Gupta is the director of both the Companies i. e. Urja Global Limited and V & K Softech Limited.

As per our report of even date

For Venkata Srinivas & Associates  
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-  
C.V.M. Srinivas  
Prop.Sd/-  
D. Uday Kiran  
Managing DirectorSd/-  
Prem Gupta  
DirectorSd/-  
S. B. Garg  
Company Secretary

Hyderabad, 29th May, 2010



**CASH FLOW STATEMENT AS AT 31ST MARCH, 2010**

Particulars		Amount (Rs.)	Amount (Rs.)
<b>Cash Flows from operating activities</b>			
Net Profit before Taxation			5,088,975.65
Adjustment for :			
Depreciation	(+)	5,483,870.00	
Interest	(-)	75,406.00	5,408,464.00
<b>Operating profit before working capital changes</b>			
<b>Add:</b>			
Increase in Current Liabilities	(+)	127,977,050.88	
Increase in Sundry Debtors	(-)	108,780,029.45	
Increase in Loans & Advances	(-)	27,001,300.80	(7,804,279.37)
<b>Cash Generated from operations</b>			
Less : Income Tax & FBT paid	(-)	1,799,621.00	
Deferred Tax Liability	(+)	904,209.00	(895,412.00)
<b>Net Cash Generated from operations</b>			
<b>Cash Flow from Investing Activities</b>			
Purchase of Fixed Assets	(-)	900,000.00	
Sale of Fixed Assets	(+)	4,842,144.62	
Share Application Money	(-)	6,500,000.00	
<b>Net cash used in Investing Activities</b>			
<b>Cash Flow from Financing Activities</b>			
Decrease in Deferred Tax Liability	(-)	904,209.00	
Interest	(+)	75,406.00	
<b>Net cash generated in Financing Activities</b>			
<b>Net increase in cash/cash equivalent during the year</b>			
<b>Cash and Cash equivalent at beginning</b>			
<b>Cash and Cash equivalent at the end</b>			
<b>Breakup of Cash &amp; Cash Equivalent as at 31st March 2010</b>			
<b>Cash in Hand</b>			
<b>Cash at Bank</b>			

For Venkata Srinivas & Associates  
Chartered Accountants

Sd/-  
C.V.M. Srinivas  
Prop.

Hyderabad, 29th May, 2010

For and on behalf of the Board of Directors

Sd/-  
D. Uday Kiran  
Managing Director

Sd/-  
Prem Gupta  
Director

Sd/-  
S. B. Garg  
Company Secretary

**AUDITORS CERTIFICATE**

We have examined the attached Cash Flow Statement of M/s. V & K Softech Limited for the year ended 31st March, 2010. The statement has been prepared by the Company in accordance with the requirements of Accounting Standards-3 "Cash Flow Statements" and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report dated 29th May, 2010.

For Venkata Srinivas & Associates  
Chartered Accountants

Sd/-  
(C.V.M. Srinivas)  
Prop.

Hyderabad, 29th May, 2010

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**

REGISTRATION NO.	:	32129
STATE CODE	:	01
BALANCE SHEET DATE	:	31-03-2010

**II. Capital Raised during the Year (Amount in Rs.)**

PUBLIC ISSUE	:	— NIL —	RIGHT ISSUE	:	— NIL —
BONUS TSSUE	:	— NIL —	PRIVATE PLACEMENT	:	— NIL —

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs.)**

TOTAL LIABILITIES	:	110675428.12	TOTAL ASSETS	:	110675428.12
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**Sources of Funds**

PAID-UP CAPITAL	:	97539180.00	RESERVES AND SURPLUS	:	11873857.12
SECURED LOANS	:	— NIL —	UNSECURED LOANS	:	— NIL —
DEFERRED TAX LIAB.	:	1262391.00	(INCLUDING S.A.M.)		

**Application of Funds**

NET FIXED ASSETS	:	6680922.92	INVESTMENTS	:	71970000.00
NET CURRENT ASSETS	:	32024505.20	MISC. EXPENDITURE	:	— NIL —
ACCUMULATED LOSSES	:	— NIL —			

**IV. Performance of Company (Amount in Rs.)**

TURNOVER	:	234174657.09	TOTAL EXPENDITURE	:	229085681.44
PROFIT/(LOSS) BEFORE TAX	:	5088975.65	PROFIT/(LOSS) AFTER TAX	:	850891.65
EARNING PER SHARE IN Rs.	:	0.38	DIVIDEND	:	— NIL —

**V. Generic Names of three Principal Products / Services of Company**

ITEM CODE NO. (ITC CODE)	:	— NIL —
PRODUCT DESCRIPTION	:	Software Development
ITEM CODE NO. (ITC CODE)	:	— NIL —
PRODUCT DESCRIPTION	:	— NIL —
ITEM CODE NO. (ITC CODE)	:	— NIL —
PRODUCT DESCRIPTION	:	— NIL —

For and on behalf of the Board of Directors

D. Uday Kiran  
Managing DirectorPrem Gupta  
DirectorS. B. Garg  
Company Secretary

Hyderabad, 29th May, 2010

V & K SOFTECH LIMITED

I-405, 4th Floor Divyashakti Apartments, Ameerpet, Hyderabad-500016

ATTENDANCE SLIP

Please complete this Attendance Slip and hand it over at the entrance of the hall.

Only members or their proxies are entitled to be present at the meeting.

NAME & ADDRESS :	FOLIO/DPID NO :
	NO. OF SHARES :

I hereby record my presence at the 11th Annual General Meeting of the Company at Registered office on Wednesday, the 29th September, 2009 at 16:00 Hrs.

SIGNATURE OF THE SHAREHOLDER / PROXY.....

Note : Members are requested to carry the copy of the Annual Report.

V & K SOFTECH LIMITED

I-405, 4th Floor Divyashakti Apartments, Ameerpet, Hyderabad-500016

PROXY FORM

FOLIO/DPID NO. : .....

I/We..... being a Member / Members of V & K Softech Limited hereby appoint..... of..... or failing him..... him..... of..... as my/our proxy to attend and vote for me/us and on my/our behalf at Registered Office on Wednesday, the 29th day of September, 2009 at 16:00 Hrs.

Dated this..... day of..... 2010.

Signed by the said.....



NOTE : The proxy form duly signed by the Member(s) across Re. 1/- revenue stamp should reach the Company's share department at Registered Office of the Company atleast 48 hours before the time fixed for the Meeting.