

MEGASOFT LIMITED

No.85, Kutchery Road, Mylapore, Chennai 600004


Unaudited Consolidated Financial Results for the 3rd Quarter and 9-month period ended 30 September 2006
Rs lakhs

	Particulars	Unaudited				Audited
		Quarter ended		9-month period ended		Year ended
		30/09/2006	30/09/2005	30/09/2006	30/09/2005	31/12/2005
1	Revenues	4,292	2,976	11,653	8,263	11,543
2	Personnel costs	2,213	1,777	6,737	4,985	6,689
3	Operating Expenses	1,053	514	2,058	1,553	2,153
4	(Increase) / Decrease in Inventories	--	(63)	109	(183)	(10)
5	Total Expenditure (2+3+4)	3,266	2,228	8,904	6,355	8,832
6	Operating Profit before Interest, Depreciation and Amortisation (1-5)	1,026	748	2,749	1,908	2,711
7	Financial expenses	60	60	134	130	199
8	Depreciation and Amortisation	129	93	333	284	448
9	Operating Profit after Interest, Depreciation and Amortisation (6-7-8)	837	595	2,282	1,494	2,064
10	Other Income / (Expenses)	112	18	220	(35)	24
11	Profit before tax (9+10)	949	613	2,502	1,459	2,088
12	Provision for taxation					
	Current Tax	--	--	--	--	93
	Fringe benefit Tax	8	--	8	10	16
	Deferred Tax benefit / (expense)	--	--	--	--	(33)
13	Profit after Tax before extra ordinary items (11-12)	941	613	2,494	1,449	2,012
14	Less: Provision for diminution in value of Investments	--	--	--	--	--
14	Less: Minority Interest	(21)	--	(25)	--	1
15	Profit after Tax after extra ordinary items (13-14)	962	613	2,519	1,449	2,011
16	Paid-up Equity Share Capital (Rs.10 per share)	3,168	2,545	3,168	2,545	2,545
17	Paid-up Preference Share Capital (Rs 100 per share)	--	900	--	900	900
18	Reserves excluding revaluation reserves					2,203
19	Earnings per Share (Rs) (not annualised)					
	Basic	2.97	2.41	7.87	5.70	7.57
	Diluted	2.94	2.32	7.81	5.48	6.94
20	Aggregate of public shareholding					
	Number of Shares	24,966,483	18,465,472	24,966,483	18,465,472	18,791,326
	Percentage of holding (to total holding)	78.8%	72.6%	78.8%	72.6%	73.8%

Segment-wise revenue, results and capital employed

Segment Revenue						
	Consulting	2,241	1,878	6,413	5,657	7,585
	Life Sciences	62	36	609	189	431
	Telecom	1,989	1,062	4,631	2,417	3,527
	Total	4,292	2,976	11,653	8,263	11,543
	Less: Inter-segment revenue	--	--	--	--	--
	Net Sales Income from Operations	4,292	2,976	11,653	8,263	11,543
Segment Results						
	Profit before Tax & Interest from each segment					
	Consulting	237	278	730	840	1,047
	Life Sciences	6	8	66	34	73
	Telecom	784	443	1,909	975	1,528
	Total	1,027	729	2,705	1,849	2,648
	Less: Financial expenses	60	60	134	130	199
	Less: Other unallocable expenditure net-off unallocable income	18	56	69	260	361
	Total Profit before Tax	949	613	2,502	1,459	2,088
Capital Employed						
	(Segment Assets - Segment Liabilities)					
	Consulting	5,211	4,978	5,211	4,978	4,377
	Life Sciences	395	557	395	557	161
	Telecom	5,830	1,693	5,830	1,693	3,177
	Others-Unallocable	1,359	3,080	1,359	3,080	1,672
	Total	12,795	10,308	12,795	10,308	9,387

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	Particulars	Unaudited				Audited
		Quarter ended		9-month period ended		Year ended
		30/09/2006	30/09/2005	30/09/2006	30/09/2005	31/12/2005
1	Revenues	2,298	1,351	4,885	3,459	5,531
2	Personnel costs	634	425	1,826	1,301	1,699
3	Operating Expenses	613	412	1,193	1,188	1,553
4	(Increase) / Decrease in Inventories	--	(63)	109	(183)	(11)
5	Total Expenditure (2+3+4)	1,247	774	3,128	2,306	3,241
6	Operating Profit before Interest, Depreciation and Amortisation (1-5)	1,051	577	1,757	1,153	2,290
7	Financial expenses	25	27	77	69	104
8	Depreciation and Amortisation	102	89	260	272	354
9	Operating Profit after Interest, Depreciation and Amortisation (6-7-8)	924	461	1,420	812	1,832
10	Other Income / (Expenses)	106	22	210	(31)	(6)
11	Profit before tax (9+10)	1,030	483	1,630	781	1,826
12	Provision for taxation					
	Current Tax	--	--	--	--	57
	Fringe benefit Tax	8	--	8	10	16
	Deferred Tax benefit / (expense)	--	--	--	--	(33)
13	Profit after Tax before extra ordinary items (11-12)	1,022	483	1,622	771	1,786
14	Less: Provision for diminution in value of Investments	--	--	--	--	1
15	Profit after Tax after extra ordinary items (13-14)	1,022	483	1,622	771	1,785
16	Paid-up Equity Share Capital (Rs.10 per share)	3,168	2,545	3,168	2,545	2,545
17	Paid-up Preference Share Capital (Rs 100 per share)	--	900	--	900	900
18	Reserves excluding revaluation reserves					1,979
19	Earnings per Share (Rs) (not annualised)					
	Basic	3.22	1.90	5.12	3.03	6.68
	Diluted	3.19	1.83	5.11	2.92	6.17
20	Aggregate of public shareholding					
	Number of Shares	24,966,483	18,465,472	24,966,483	18,465,472	18,791,326
	Percentage of holding (to total holding)	78.8%	72.6%	78.8%	72.6%	73.8%

Segment-wise revenue, results and capital employed

Segment Revenue					
Consulting	460	276	1,015	1,067	2,166
Life Sciences	--	13	31	13	18
Telecom	1,838	1,062	3,839	2,379	3,347
Total	2,298	1,351	4,885	3,459	5,531
Less: Inter-segment revenue	--	--	--	--	--
Net Sales Income from Operations	2,298	1,351	4,885	3,459	5,531
Segment Results					
Profit before Tax & Interest from each segment					
Consulting	139	83	111	12	656
Life Sciences	--	4	12	4	6
Telecom	855	447	1,502	970	1,504
Total	994	534	1,625	986	2,166
Less: Financial expenses	25	27	77	69	104
Less: Other unallocable expenditure net-off unallocable income	(61)	24	(82)	136	236
Total Profit before Tax	1,030	483	1,630	781	1,826
Capital Employed (Segment Assets - Segment Liabilities)					
Consulting	3,219	2,770	3,219	2,770	2,717
Life Sciences	31	--	31	--	5
Telecom	5,309	2,967	5,309	2,967	3,177
Others-Unallocable	1,359	3,080	1,359	3,080	1,672
Total	9,918	8,817	9,918	8,817	7,571

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**Notes :**

- 1 The Board of Directors at their Meeting held on 31 October 2006, approved the amalgamation of VisualSoft Technologies Limited with the Company at a stock swap Ratio of 5:8 i.e. five equity shares of Rs 10 each of the Company for every eight equity shares of Rs 10 each of VisualSoft, based on the recommendations of M/s Price Waterhouse and M/s Keynote, subject to necessary statutory approvals.
- 2 In accordance with Accounting Standard 21 "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India, the consolidated financial statements of Megasoft Limited include the financial statements of all subsidiaries which are more than 50% owned and controlled. All material inter-company transactions and accounts are eliminated on consolidation.
- 3 Deferred tax in accordance with AS-22 (Accounting for Taxes on Income) and Provision for taxation, if any, shall be made at the end of the current financial year.
- 4 No investor complaints were pending either at the beginning or at the end of the quarter. None were received during the quarter.
- 5 The Company issued equity shares of Rs 10 each during the current financial year on various dates as detailed below:

	Issued on	No of equity shares
On conversion of FCCB aggregating to USD 2 million	23/01/2006	776,869
On conversion of 900,000 10% Convertible Redeemable Preference Shares of Rs 100 each	27/02/2006	1,800,000
On exercise of stock options under ESOP (XIUS) 2004	08/03/2006	1,328,125
On conversion of FCCB aggregating to USD 2 million	30/03/2006	773,391
On exercise of stock options under ESOP 2001	26/04/2006	56,000
On conversion of 700,000 warrants of Rs 50 each	16/05/2006	700,000
On conversion of FCCB aggregating to USD 2 million	14/07/2006	798,608
On exercise of stock options under ESOP (XIUS) 2004	31/10/2006	87,500
		6,320,493
Outstanding equity shares at the beginning of the year	01/01/2006	25,448,400
Total equity shares outstanding		31,768,893

- 6 The Company issued / allotted 8,000 1.5% Foreign Currency Convertible Bonds ("FCCB") of USD 1,000 each on 16 September 2005 aggregating to USD 8 million and are convertible into equity shares on or before 17 September 2008 at conversion price of Rs 115 per equity share. The FCCB have been listed on Luxembourg Stock Exchange on 22 September 2005. The proceeds from the issue of FCCB have been utilised in the manner following:

	USD 000s
Strategic investment in subsidiary companies	3,307
Loan to subsidiary companies	1,239
Capital Expenditure	108
FCCB Interest	60
FCCB issue expenses	346
	5,060
Balance in short term deposit accounts with Banks overseas	2,940
	8,000

- 7 The Company issued / allotted 7,00,000 Equity Warrants of Rs 50 each to a Promoter Director (amount received Rs 35 lakhs, being 10% of the face value of warrants), where each equity warrant is convertible into one Equity Share of the face value of Rs 10 each at a price of Rs 50 per share (including premium of Rs 40 per share) within a period of eighteen months, on preferential basis on 28 February 2005. The balance of Rs 315 lakhs was received during May 2006 on conversion of warrants into equity shares. These proceeds have been utilised for business development / working capital.
- 8 Previous years' figures have been regrouped, reclassified / rearranged wherever necessary.
- 9 The Statutory Auditors have carried out a 'Limited Review' of the Company's results in terms of clause 41 of the Listing Agreement with the Stock Exchanges.
- 10 These results were taken on record by the Board of Directors at their Meeting held on 31 October 2006 after a review by the Audit Committee of the Company.

By Order of the Board
for **MEGASOFT LIMITED**

Place: Chennai
Date: 31 October 2006

GV Kumar
Managing Director