

**MEGASOFT LIMITED**

No.85, Kutchery Road, Mylapore, Chennai 600004


**Consolidated Financial Results for the quarter and year ended 31 December 2008**
**Rs lakhs**

	Particulars	3 months ended	Corresponding 3 months ended in the previous year	Current accounting year ended	Previous accounting year ended
		31-Dec-2008	31-Dec-2007	31-Dec-2008	31-Dec-2007
		Unaudited	Unaudited	Audited	Audited
<b>1</b>	<b>Income</b>				
a	Net Sales / Income from Operations	8,025	9,520	32,616	29,717
b	Other Operating income / (expense)	1,808	(404)	3,693	(1,314)
	<b>Total Income</b>	<b>9,833</b>	<b>9,116</b>	<b>36,309</b>	<b>28,403</b>
<b>2</b>	<b>Expenditure</b>				
a	Personnel costs	5,892	3,851	19,727	14,779
b	Operating Expenses	1,977	2,412	8,189	5,140
	<b>Total Expenditure</b>	<b>7,869</b>	<b>6,263</b>	<b>27,916</b>	<b>19,919</b>
<b>3</b>	<b>Operating Profit before Interest and Depreciation (1-2)</b>	<b>1,964</b>	<b>2,853</b>	<b>8,393</b>	<b>8,484</b>
4	Depreciation and Amortisation	650	706	2,604	2,240
<b>5</b>	<b>Operating Profit before Interest (3-4)</b>	<b>1,314</b>	<b>2,147</b>	<b>5,789</b>	<b>6,244</b>
6	Finance cost	904	395	2,194	667
<b>7</b>	<b>Operating Profit after Interest and Depreciation (5-6)</b>	<b>410</b>	<b>1,752</b>	<b>3,595</b>	<b>5,577</b>
8	Other Income / (Expense)	59	33	81	101
9	Exceptional items	--	--	--	--
<b>10</b>	<b>Profit before tax (7+8-9)</b>	<b>469</b>	<b>1,785</b>	<b>3,676</b>	<b>5,678</b>
11	Taxes	149	(33)	419	77
<b>12</b>	<b>Profit after tax (10-11)</b>	<b>320</b>	<b>1,818</b>	<b>3,257</b>	<b>5,601</b>
13	Paid-up Equity Share Capital (Rs.10 per share)	4,427	4,427	4,427	4,427
14	Reserve excluding Revaluation Reserves as per balance sheet of previous accounting year			32,099	29,269
15	Earnings per Share before extraordinary items for the period, for the year to date and for the previous year (Rs) (not annualised)				
	Basic	0.72	4.10	7.36	12.65
	Diluted	0.73	4.05	7.33	12.52
16	Public Shareholding				
	Number of Shares	37,255,117	37,233,925	37,255,117	37,233,925
	Percentage of shareholding	84.16%	84.11%	84.16%	84.11%

**Segment-wise revenue, results and capital employed**

<b>Segment Revenue</b>					
IT Services	3,370	3,824	13,396	15,233	
Telecom	4,655	5,696	19,220	14,484	
<b>Total</b>	<b>8,025</b>	<b>9,520</b>	<b>32,616</b>	<b>29,717</b>	
Less: Inter-segment revenue	--	--	--	--	
<b>Net Sales Income from Operations</b>	<b>8,025</b>	<b>9,520</b>	<b>32,616</b>	<b>29,717</b>	
<b>Segment Results</b>					
Profit before Tax & Interest from each segment					
IT Services	490	629	2,244	2,859	
Telecom	1,548	3,703	6,917	8,347	
<b>Total</b>	<b>2,038</b>	<b>4,332</b>	<b>9,161</b>	<b>11,206</b>	
Less: Finance cost	904	395	2,194	667	
Less: Other unallocable expenditure					
net-off unallocable income	665	2,152	3,291	4,861	
<b>Total Profit before Tax</b>	<b>469</b>	<b>1,785</b>	<b>3,676</b>	<b>5,678</b>	

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**Financial Results for the quarter and year ended 31 December 2008**
**Rs lakhs**

	Particulars	3 months ended	Corresponding 3 months ended in the previous year	Current accounting year ended	Previous accounting year ended
		31-Dec-2008	31-Dec-2007	31-Dec-2008	31-Dec-2007
		Unaudited	Unaudited	Audited	Audited
<b>1</b>	<b>Income</b>				
a	Net Sales / Income from Operations	4,156	4,379	12,383	15,303
b	Other Operating income / (expense)	1,223	(429)	3,148	(1,336)
	<b>Total Income</b>	<b>5,379</b>	<b>3,950</b>	<b>15,531</b>	<b>13,967</b>
<b>2</b>	<b>Expenditure</b>				
a	Personnel costs	5,022	2,532	9,809	7,151
b	Operating Expenses	685	828	1,468	2,133
	<b>Total Expenditure</b>	<b>5,707</b>	<b>3,360</b>	<b>11,277</b>	<b>9,284</b>
<b>3</b>	<b>Operating Profit before Interest and Depreciation (1-2)</b>	<b>(328)</b>	<b>590</b>	<b>4,254</b>	<b>4,683</b>
4	Depreciation and Amortisation	396	497	1,644	1,911
<b>5</b>	<b>Operating Profit before Interest (3-4)</b>	<b>(724)</b>	<b>93</b>	<b>2,610</b>	<b>2,772</b>
6	Finance cost	292	103	837	333
<b>7</b>	<b>Operating Profit after Interest and Depreciation (5-6)</b>	<b>(1,016)</b>	<b>(10)</b>	<b>1,773</b>	<b>2,439</b>
8	Other Income / (Expenses)	3	17	8	64
9	Exceptional items	--	--	--	--
<b>10</b>	<b>Profit before tax (7+8-9)</b>	<b>(1,013)</b>	<b>7</b>	<b>1,781</b>	<b>2,503</b>
11	Taxes	147	(43)	417	67
<b>12</b>	<b>Profit after tax (10-11)</b>	<b>(1,160)</b>	<b>50</b>	<b>1,364</b>	<b>2,436</b>
13	Less: Provision for diminution in value of Investments	121	294	121	294
<b>14</b>	<b>Profit for the period (12-13)</b>	<b>(1,281)</b>	<b>(244)</b>	<b>1,243</b>	<b>2,142</b>
15	Paid-up Equity Share Capital (Rs.10 per share)	4,427	4,427	4,427	4,427
16	Reserve excluding Revaluation Reserves as per balance sheet of previous accounting year			27,311	25,738
17	Earnings per Share before extraordinary items for the period, for the year to date and for the previous year (Rs) (not annualised)				
	Basic	(2.62)	0.11	3.08	5.51
	Diluted	(2.58)	0.12	3.10	5.48
18	Aggregate of public shareholding				
	Number of Shares	37,255,117	37,233,925	37,255,117	37,233,925
	Percentage of holding (to total holding)	84.16%	84.11%	84.16%	84.11%

**Segment-wise revenue, results and capital employed**

<b>Segment Revenue</b>				
IT Services	2,942	1,811	3,911	7,379
Telecom	1,214	2,568	8,472	7,924
<b>Total</b>	<b>4,156</b>	<b>4,379</b>	<b>12,383</b>	<b>15,303</b>
Less: Inter-segment revenue	--	--	--	--
<b>Net Sales Income from Operations</b>	<b>4,156</b>	<b>4,379</b>	<b>12,383</b>	<b>15,303</b>
<b>Segment Results</b>				
Profit before Tax & Interest from each segment				
IT Services	(4)	647	147	2,765
Telecom	1	733	4,565	3,747
<b>Total</b>	<b>(3)</b>	<b>1,380</b>	<b>4,712</b>	<b>6,512</b>
Less: Finance cost	292	103	837	333
Less: Other unallocable expenditure				
net-off unallocable income	718	1,270	2,094	3,676
<b>Total Profit before Tax</b>	<b>(1,013)</b>	<b>7</b>	<b>1,781</b>	<b>2,503</b>

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### Notes :

- 1 The financial results of the Group for the previous year ended 31 December 2007, include the financials of **bcgi** and its subsidiaries w.e.f. 30 August 2007, subsequent to the acquisition. Hence, the consolidated financial results for the financial year ended 31 December 2008 are not comparable with the previous year.
- 2 The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as set out in the Accounting Standard on Consolidated Financial Statements of the Companies (Accounting Standards) Rules, 2006, of the provisions of the Companies Act, 1956. All material inter-company accounts are eliminated on consolidation.
- 3 Fixed assets used in the Company's business or liabilities contracted have not been identified to any of the primary reportable segments, as they are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities have been made.
- 4 The personnel cost include one-time severance cost of around Rs 24 crores paid to the employees on the integration of the acquired operations.
- 5 In the year 2008, the company faced cash flow constraints due to the global liquidity crisis, difficulty in collecting payments from customers and incurrance of higher than expected integration and financing cost relating to the acquisition of bcgi. This resulted in delayed statutory payments, extension of FCCB redemption, etc. To improve the cash flows, the company has initiated several cost cutting measures and sale of some of the assets. The company is also putting additional focus on receivable collections and has restructured itself into a cash flow centric organisation.
- 6 Provision for taxation include current tax, deferred tax and fringe benefit tax.
- 7 Provision for taxation has been made in accordance with Section 115JB of the Income Tax Act, 1961.
- 8 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. FCCB have been listed on Luxembourg Stock Exchange on 22 September 2005. FCCB aggregating to USD 6 million have been converted into equity shares during 2006 on exercise of the conversion option. The proceeds from the issue of FCCB have been utilised in the manner following:

	USD 000s
Strategic investment in subsidiary / other companies	6,247
Loan to subsidiary companies	1,239
Capital Expenditure	108
FCCB Interest	60
FCCB issue expenses	346
	<u>8,000</u>

FCCB aggregating to USD 2 million due for redemption on 17 September 2008 is being negotiated for extension of time for a period of up to one year with the lender with revised terms, subject to statutory approvals.

- 9 The Company issued 2,250,000 warrants of Rs 128 each (including premium of Rs 118) to a promoter on preferential basis on 22 June 2007. The warrants are convertible into equivalent number of equity shares of the face value of Rs 10 each within a period of eighteen months. The amount of Rs 288 lakhs, being 10% of the face value of warrants, received in terms of the issue is used as margin money for long term working capital requirements of the company. As the option for conversion of warrants was not exercised the 10% of the money paid by the said promoter in terms of the said issue of warrants has been forfeited.
- 10 No investor complaints were pending either at the beginning or at the end of the quarter. Three complaints were received and resolved during the quarter.
- 11 Auditors' observation in their Report:  
*In respect of provident fund and tax-deducted at source, instances were noticed where there were delayed remittances.*  
Management Response:  
This has been explained in point no.5 and there is no impact on the profit of the company for the year on account of the auditors' observation.
- 12 Previous years' figures have been regrouped, reclassified / rearranged wherever necessary to conform to current period's presentation.
- 13 These results were taken on record by the Board of Directors at their Meeting held on 31 March 2009 after a review by the Audit Committee of the Company.
- 14 The standalone financial results are available with the Stock Exchanges where the company's securities are listed and are also posted on the company's website [www.megasoft.com](http://www.megasoft.com).

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

Place: Chennai  
Date: 31 March 2009

**GV Kumar**  
Managing Director