

BARTRONICS INDIA LIMITED

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| BOARD OF DIRECTORS | : | Shri Sudhir Rao, Managing Director Shri A.B.S. Reddy, Director* Shri R.Satish Reddy, Director* Shri B.Narayanaswamy, Director** Shri T.Venkateswara Rao, Director** Shri K.N.Dupare, Director (IDBI Nominee)** |
| * Promoter Non Executive Directors | | |
| ** Independent Non-Executive Directors | | |
| AUDIT COMMITTEE | : | Shri T.Venkateswara Rao Shri A.B.S.Reddy Shri B.Narayanswamy Shri K.N.Dupare |
| REMUNERATION COMMITTEE | : | Shri T.Venkateswara Rao Shri B.Narayanswamy Shri K.N.Dupare |
| SHAREHOLDERS/INVESTOR GRIEVANCES COMMITTEE | : | Shri A.B.S.Reddy Shri Sudhir Rao Shri R.Satish Reddy Shri K.N.Dupare |
| SHARE TRANSFER COMMITTEE | : | Shri Sudhir Rao Shri R.Satish Reddy Shri K.N.Dupare |
| COMPANY SECRETARY | : | Shri H.Arun Shourie |
| REGISTERED OFFICE | : | BARTRONICS INDIA LIMITED, 5-9-22/B/404, My Home Sarovar, Near Mediciti Hospital, Secretariat Road, Hyderabad-500 004 Tel : 040-23298073/8074 |
| AUDITORS | : | M/s Yaji Associates Chartered Accountants, 10-3-281/1/301 Humayun Nagar, Mehidipatnam Hyderabad – 500 028 Tel : 040-23532597/98 |
| BANKERS | : | Bank of Baroda, Basheerbagh Branch, Hyderabad. |
| LISTING | : | Bombay Stock Exchange Limited National Stock Exchange of India Limited |
| REGISTRAR AND TRANSFER AGENTS | : | Bigshare Services Private Limited E-2/3, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai- 400072 Tel: 022-2847 0652, Fax: 022-2847 5207 |

BARTRONICS INDIA LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of the members of the company will be held on Friday, 28th July 2006 at 11.00 A.M at Naina Gardens, Kukatpally, Hyderabad to transact the following business

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2006 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To re-appoint a Director in place of Shri R.Satish Reddy who retires by rotation and who being eligible offers himself for reappointment.
3. To re-appoint Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the company on a remuneration to be fixed by the Board of Directors of the company on a later date. The retiring Auditor, M/s YAJI Associates, Chartered Accountants, Hyderabad, being eligible, offers themselves for reappointment.

Special Business:

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

“RESOLVED THAT in Super session of the earlier resolution passed by the member of the Company at the Extraordinary General Meeting held on 17th July 1999, the consent of the members of the Company be and is hereby accorded under Section 293(1)(d) of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) up to a limit not exceeding in the aggregate of Rs.250 Crores including Foreign borrowings like Foreign Currency Convertible Bonds, Foreign Currency Bonds etc. notwithstanding that moneys to be borrowed, together with the moneys already borrowed by the Company apart from temporary loans obtained from the Company's Bankers in the ordinary course of business will exceed the aggregate of the paid up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.”

5. To consider and if thought fit to pass with or without modification the following resolution as Special Resolution:

“RESOLVED THAT in modification of the resolution passed in the Extraordinary General Meeting of the Company held on 20th September 2004 and pursuant to the provisions of Sections 198, 269, 309 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, for the time being in force), the relevant provisions of the Articles of Association of the Company and all applicable guidelines

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for managerial remuneration issued by the Central Government from time to time, the Company hereby approves increase in the remuneration payable to Managing Director w.e.f. 1st April, 2006 as set out hereafter and with further liberty to the Board (which term shall be deemed to include the Remuneration Committee, constituted by the Board) from time to time to alter the said terms and conditions in such manner as may be agreed to between the Board and Shri Sudhir Rao, in the best interests of the Company, but subject to the restrictions, if any, contained in the Companies Act, 1956 and Schedule XIII to the said act as amended up to date or otherwise as may be permissible at law:-

- a) Salary: Rs.1, 70,000/- (Rupees One Lakh Seventy Thousand) per month.
- b) Perquisites: Rs.30, 000/- (Rupees Thirty Five Thousand Only) per month.
- c) The Basic Salary and perquisites shall be restricted to 5% of the Net Profits.

“RESOLVED FURTHER THAT Subject as aforesaid, the Managing Director shall be governed by such other rules as are applicable to the Senior Executives of the Company from time to time”

“RESOLVED FURTHER THAT So long as Shri Sudhir Rao, functions as Managing Director of the Company, he shall not be paid any sitting fees for attending the meetings of the Board or any Committee thereof.”

“RESOLVED FURTHER THAT Where in any financial year comprised by the period of appointment, the Company has no profits or its profits are inadequate, the aforesaid remuneration and perquisites shall be paid to the Managing Director in accordance with the applicable provisions of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if any required.”

**BY ORDER OF THE BOARD
For BARTRONICS INDIA LIMITED**

**PLACE: HYDERABAD
DATE: 10.06.2006**

Sd/-
**SUDHIR RAO
MANAGING DIRECTOR**

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 AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES DULY HELD AND SIGNED MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
2. Members/Proxies are requested to bring along with them Annual Reports being sent to them.
3. The Share Transfer books and Register of Members of the Company will remain closed during the period from 27.07.2006 to 28.07.2006 (both days inclusive).
4. The Register of Directors' Shareholding maintained under Section 307 of the Companies Act, 1956 would be available for inspection at the venue of the Annual General Meeting of the Company during the Annual General Meeting. The Register of Directors' Shareholding is also available for inspection of the members at the Registered Office of the Company, Fourteen days before and Three days after, the date of the Annual General Meeting of the Company.

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5. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956:

Item No: 4

The Board of Directors were authorized by a resolution passed at the Extra-ordinary General Meeting held on 17th July 1999, to borrow monies up to a limit of Rs.50 Crores under Section 293(1)(d) of the Companies Act, 1956. In order to meet the increasing financial requirements of the Company it is felt necessary that the borrowing powers of the Board of Directors be increased from Rs.50 Crores to Rs. 250 Crores. A fresh resolution under Section 293(1)(d) of the Companies Act, 1956 is therefore proposed as item No. 4 of the accompanying notice. The Board commends the Resolution set out at Item No. 4 of the Notice for your approval.

None of the Directors are interested in the above resolution.

Item No: 5

Considering the Background, competence and experience of Shri Sudhir Rao, Managing Director of the Company under whose management the Company could successfully complete the Public Issue of the Company thereby getting the Equity Shares of the Company Listed on BSE and NSE and comparing the remuneration packages of similarly placed personnel of corporate bodies in the country, the Board of Directors at its meeting held on 10th June 2006, revised the remuneration of the Managing Director of the Company, as set out in the resolutions of the accompanying notice for the remaining period of their appointment with effect from April 1, 2006.

Since the increase in the remuneration payable to Shri Sudhir Rao, Managing Director requires the approval of the members of the Company in General Meeting pursuant to Section 198, 309, 311 read with Schedule XIII to the Companies Act, 1956, the resolutions as set out in the accompanying notice are recommended for the approval of the members.

Shri Sudhir Rao is interested in the above resolutions to the extent of the remuneration payable to him. None of the other Directors are interested in the above resolutions.

The terms and conditions of the increase in the remuneration as stated in the resolutions of the Notice in respect of Shri Sudhir Rao, may be regarded as an abstract under Section 302 of the Companies Act, 1956.

**BY ORDER OF THE BOARD
For BARTRONICS INDIA LIMITED**

Sd/-

**SUDHIR RAO
MANAGING DIRECTOR**

PLACE : HYDERABAD

DATE : 10.06.2006

BARTRONICS INDIA LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fifteenth Annual Report together with the Audited Accounts for the Financial Year ended 31st March 2006 comprising of twelve (12) months from 01.04.2005 to 31.03.2006.

COMPANY'S FINANCIAL PERFORMANCE:

Your Directors do hereby report that your Company has achieved the total income of Rs.29, 47,39,960/- during the financial year under review as against the total income of Rs.18, 17,18,106 during the previous financial year.

The highlights of the financial results are as follows:

(Rs. in Lakhs)

| Particulars | 2005-2006 | 2004-2005 |
|------------------------------------|------------------|------------------|
| Total Income | 2947.40 | 1817.18 |
| Total Expenses other than Interest | 2260.02 | 1434.04 |
| Interest | 76.52 | 107.92 |
| Total Expenses | 2336.54 | 1541.96 |
| Profit Before Tax | 610.86 | 275.22 |
| Provision for Tax | 77.00 | 35.50 |
| Profit After Tax | 533.85 | 239.72 |
| Amount Brought Forward | 194.60 | 173.85 |
| Balance Carried forward | 728.46 | 413.57 |

INITIAL PUBLIC OFFER (IPO) :

During the period under review your Company has come out with a Public Issue of 65,00,000 Equity Shares of Rs.10/- each through 100% Book-Building Process at a Premium of Rs.65/- Per Share and mobilized funds aggregating to Rs.48.75 Crores. The issue was opened on 20th December 2005 and closed on 24th December 2005 and the issue has received an overwhelming response with an over subscription of 29 times. The Shares were allotted on 5th January 2006 and the Equity Shares of the Company were listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) from 12th January 2006.

PUBLIC ISSUE FUND UTILIZATION:

The Company has mobilized funds of Rs.48.75 Crores from IPO and out of the proceeds of the said IPO a sum of Rs.20.29 Crores was utilized towards objects of the Issue and the balance amount of Rs.28.46 Crores remains unutilized which is to be spent in due course towards the issue objects.

OUTLOOK FOR THE CURRENT YEAR:

The Company during the year 2005-2006 has achieved a turnover of Rs.29 Crores with a 60% growth over the previous year's turnover and during the current year the Company is expected to achieve better results with an increased growth rate in comparison to previous year, as the funds raised through public issue of the Company have been deployed in to the operations of the company.

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During the Year, the Company is to set up manufacturing facility for the purpose of manufacturing of Smart Card and the R& D Technology Center as proposed in the objects of the Public Issue is also to be set up for the purpose of exploring the emerging technologies in various fields in which the Company is operating.

The Company is at a stage of rapid expansion and the Company is exploring its opportunities in the international and domestic markets for making domestic and overseas acquisitions and with the advantages to be reaped out of reduced financial burden by repayment of term loan of IDBI and extensive marketing strategies, the company is expected to achieve a top line of about Rs.50 Crores during the year 06-07.

SHARE CAPITAL:

During the year under review the Authorized Share Capital of the Company was increased from Rs.12 Crores to Rs.17 Crores on 2nd May 2005

BONUS ISSUE AND PREFERENTIAL ISSUE:

During the year under review the Company has also made Bonus Issue of 21,89,650 Equity Shares of Rs. 10/- each by way of capitalization of reserves, in the ratio of One Equity Share of Rs.10/- Each for every Two Equity Shares of Rs.10/- Each held by the members as on record date being 29th April 2005 and the allotment of such shares was made on 2nd May 2005 and the Company has also made Preferential Allotment of 15,00,000 Equity Shares of Rs.10/- Each at a Premium of Rs.40/- Per Share on 5th September 2005.

DEMATERIALIZATION OF SHARES:

During the year under review the Company has entered in to tripartite agreement with Central Depository Services India Limited (CDSIL) for providing the facility to the Shareholders of the Company to hold share in dematerialized form with Depository Participants registered with CDSIL. The Company has also Changed its Registrar and Transfer Agents (RTA) from Aarthi Consultants Private Limited to Bigshare Services Private Limited.

DIVIDEND

As the Company intends to plough back the profits for the ultimate benefit of shareholders, no dividend is proposed.

HUMAN RESOURCE MANAGEMENT

It is your Company's belief that Competent Human Resources are the driving force for any organization, with which the Company grows step by step. The Company has been able to create a favorable work environment that encourages continuous learning and thereby leading to innovation. With vibrant work atmosphere, the Company provides an opportunity to employees to work with New Technologies. Your Company has put in place a Scalable Recruitment and Human Resources Plan, devised to attract and retain high caliber personnel.

DIRECTORS:

Shri R.Satish Reddy, Director of your Company, is liable to retire by rotation in this forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

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DIRECTORS' RESPONSIBILITY STATEMENT

The 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.
- b. that the directors had 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 at the end of the financial year and of the profit or loss of the company for that period.
- c. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d. that the directors had prepared the annual accounts on a going concern basis.

AUDITORS :

The Auditors of the Company M/s. YAJI Associates, Chartered Accountants, Hyderabad, retire at the conclusion of the forthcoming Annual General Meeting of the Company and being eligible, offers themselves for re-appointment.

EMPLOYEE PARTICULARS :

Employee particulars as required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are not applicable being no employee of your Company falls within the purview of the aforesaid provisions.

FIXED DEPOSITS:

Your Company has not accepted any deposits from the public for the year under review within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information relating to conservation of energy, technology absorption, foreign exchange earnings and outgo forming part of directors' report in terms of section 217(1)(e) of the companies act, 1956, and Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is as follows:

CONSERVATION OF ENERGY

The Operations of your Company are not Energy Intensive. Your Company takes various measures to reduce the Energy Consumption by using energy efficient Computer Systems and with minimal energy consumption it is ensured to have optimal use of energy, avoid wastage and conserve energy as far as possible. As an ongoing process the Company continuously evaluates new technologies and techniques to make infrastructure more energy efficient.

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TECHNOLOGY ABSORPTION

Your Company has, in its endeavor to obtain and deliver the best technology in its field, upgraded itself in line with the latest technology in the world. At the same time, your Company has also attached tremendous significance to indigenous development and upgradation of technology.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

(Rs. in Lakhs)

| Particulars | 2005-2006 (Rs.) | 2004-2005 (Rs.) |
|---------------------------|----------------------------|----------------------------|
| Foreign Exchange Earnings | 1260.90 | 271.38 |
| Foreign Exchange Outgo | 793.15 | 152.44 |

EXPLANATIONS TO AUDITORS' REPORT :

There are no adverse remarks or qualifications made in the Auditor's Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Management Discussion and Analysis Report is provided as Annexure-I to Director's Report.

CORPORATE GOVERNANCE :

A report on Corporate Governance is annexed separately as Annexure-II along with a Certificate of Compliance from the Auditors of the Company.

ACKNOWLEDGEMENTS:

Your directors place on record their sincere appreciation for the Support and help extended by Company's clients, vendors, investors, customers, its Financial Institution IDBI Limited and the Company's Bankers, Bank of Baroda for the continued support provided during the year and appreciate the contributions made by the employees at all levels, who, through their competence, hard work, solidarity, cooperation and support, have enabled the Company to achieve consistent growth.

**BY ORDER OF THE BOARD
For BARTRONICS INDIA LIMITED**

PLACE: HYDERABAD
DATE: 10.06.2006

Sd/-
**SUDHIR RAO
CHAIRMAN**

ANNEXURE-I TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and Developments

Bartronics is in the Automatic Identification and Data Capture (AIDC) business. AIDC is the industry term used to describe the identification, and/or direct collection of data into a microprocessor controlled device such as a computer system or a programmable logic controller (PLC), without the use of a keyboard. The technology supports two fundamental requirements viz. eliminating errors associated with identification and/or data collection and accelerating the throughput process. The key application of the technologies is in tracking and traceability of products/articles, product and item identification and sortation, information and data processing, security and access control and inventory management. The AIDC technology covers six distinct groups of technologies and services. They are: Card Technologies, Data Communications Technologies, Bar Code Technologies, Radio Frequency Identification Technologies, Emerging Technologies, and the Support and Supplies which serve the industry.

The Indian market for AIDC and RFID business is estimated to be about Rs.100 Crores in FY 2005. The market has been growing at an estimated CAGR of over 50% over the past few years and is poised to grow rapidly due to the retail and manufacturing growth in the country. The AIDC potential is expected to develop strongly in the emerging markets as mentioned above.

Bartronics India Limited has an enviable track record, having served some of the leading manufacturing companies in India, over the past 15 years. Apart from a large client-base, the Company has the advantage of profound understanding and a sound knowledge-base acquired over the years. This assists in providing the best After-Sales Service to the customer, building customer confidence, which would take years for a competitor to develop, in this industry. The Company expects the traditional technology area of AIDC to grow at a rate of 20-30% per annum (also substantiated by one of the recent reports by Frost & Sullivan). Biometrics, as a technology zone, will see rapid increase in demand in the coming couple of years backed by implementation opportunities on a large scale, on account of heightened security concerns. However, it is difficult to establish a growth-rate estimate since the technology is fairly new to the country.

Based on Bartronics' experience over the past two years in the RFID segment, the Company decrees that this is a sunrise domain, awaiting exploitation. The first-mover advantage that Bartronics enjoys is being supplemented with focused field-level efforts, whereby customers are given awareness of RFID technology through road shows, demonstrations and presentations. Further, every pilot assignment that the Company has implemented in the last two years is maturing, and this itself presents a huge opportunity in terms of top and bottom line performance of the Company. The Industry itself is at a growing stage yet; costs are cutting down every year, and many big consumers, like WalMart and US military, are adopting the technology at a swift pace. These are significant growth indicators for the near future. In addition, development of standards for implementation of RFID is another advancement, which has far-reaching implications.

2. Opportunities and Threats**Opportunities**

The Company is in the business of providing Barcode Solutions since 1990 and the Company is an acknowledged expert in system integration for Barcode solutions, which has applications in areas such as inventory management, attendance recording, dispatch management etc. The Company has also successfully expanded into Biometrics and RFID solutions and is in a position to successfully leverage its expertise in these core areas and with wide local presence with branches spread across the country and with impressive clientele and with strong international alliances for sourcing of necessary products and technology the Company is considered as dominant player in the country for these kind of solutions.

The Company's activities also have added advantages such as, the Bar coded cargo gets faster clearance worldwide by Customs, freight forwarders etc., thereby enhancing the prospects for the bar coding technology and the company can enjoy enhanced product / exporter's image by virtue of compliance with International standards and the benefits of using the technology in the retail sector and the availability of service providers across the country makes it easy for the client to adopt and implement the bar coding technology. The Biometric technologies will be used for verifying or recognizing the identity of a living person based on a physiological characteristic through fingerprint identification, voice identification, facial feature identification, etc. This could open up new avenues wherein the technology can be applied.

Following the successes of Enterprise Resource Planning, Customer Relationship Management and Supply Chain Management across industries over the past few years, AIDC is receiving a good amount of attention as it can leverage past IT investments better through automated data collection and input. The RFID is also considered as one of the best applications for handling the process of supply chain investment. The RFID market is expected to jump from \$1.4 billion annually this year to as much as \$6.1 billion in 2010.

The Overall Indian market, largely comprising of smart cards, bar code solutions, RFID and Biometrics is experiencing an annual growth rate of 40%. With RFID and biometric solutions making their presence felt in the current year the market has been growing at an estimated CAGR of over 50% over the past few years and is poised to grow rapidly due to the retail and manufacturing growth in the country.

Threats

Technology obsolescence is perceived as a threat to the industry as well as to the company and entry of global players into the Indian Market is also perceived as a threat to the Company. The market demand assessed by the Company to be existent for its services may not be appropriate, there being absence of specific Industry Reports and guidelines.

3. Segment-wise or Product-wise Performance

The Company's business fall under a single Product Segment, i.e. of providing solutions using AIDC technologies. However the revenue generated by the company can be