

Bartronics India Limited

21st
ANNUAL
REPORT

2011-2012



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CORPORATE INFORMATION

Board of Directors	:	Mr. Sudhir Rao , Managing Director Mr. A.B. Satyavas Reddy , Director Mr. Y. Raghavendra Rao , Independent Director Mr. R.V. Panchapakesan , Independent Director Mr. M.M. Yesaw , Independent Director Mr. A. Subrahmanyam , Nominee Director (EXIM Bank)
Management Committee	:	Mr. Sudhir Rao , Chairman Mr. R.V. Panchapakesan , Member
Audit Committee	:	Mr. R.V. Panchapakesan , Chairman Mr. Y. Raghavendra Rao , Member Mr. A.B. Satyavas Reddy , Member Mr. M.M. Yesaw , Member
Remuneration/ Compensation Committee	:	Mr. R. V. Panchapakesan , Chairman Mr. Y. Raghavendra Rao , Member Mr. A.B. Satyavas Reddy , Member
Share Transfer Committee	:	Mr. A.B. Satyavas Reddy , Chairman Mr. Sudhir Rao , Member Mr. R.V. Panchapakesan , Member
Company Secretary	:	Mr. A. Chand Basha

Registered Office

Survey No. 351, Raj Bollaram village,
 Medchal Mandal, R.R. Dist.,
 Andhra Pradesh - 501 401

Internal Auditors

M/s. BDO Consulting Pvt. Ltd.

Statutory Auditors

M/s. T. Raghavendra & Associates
 Chartered Accountants

M/s. Deloitte Haskins & Sells
 Chartered Accountants

Listing

Bombay Stock Exchange Limited (BSE)
 National Stock Exchange of India Limited (NSE)

Bankers

Andhra Bank
 Bank of Baroda
 Bank of India
 Barclays Bank Plc
 Exim Bank
 HSBC Bank Limited
 Indian Bank
 IDBI Bank Limited

Registrars and Share Transfer Agents

M/s. Bighshare Services Private Limited
 E – 23, Ansa Industrial Estate,
 Sakivihar Road, Sakinaka,
 Andheri (E) , Mumbai -400072
 Tel: 022-2847 0652, Fax : 022-28475207

NOTICE OF 21st ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of the members of the Company will be held on Monday, December 24, 2012 at 11 A.M. at the Registered Office of the Company situated at Survey No. 351, Raj Bollaram Village, Medchal Mandal, Ranga Reddy Dist. Andhra Pradesh – 501 401 to transact the following business:

ORDINARY BUSINESS

- To receive, consider and adopt the audited balance sheet as at September 30, 2012 and the profit and loss account for the period ended on that date along with the reports of the directors and auditors thereon.
- To appoint a Director in place of Mr. A.B. Satyavas Reddy who retires by rotation and being eligible offers himself for re-appointment.
- To appoint a Director in place of Mr. Y. Raghavendra Rao who retires by rotation and being eligible offers himself for re-appointment.
- To appoint M/s T. Raghavendra & Associates, Chartered Accountants, Hyderabad as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.
- Corporate members are requested to send a duly certified copy of the board resolution, pursuant to Section 187 of the Companies Act, 1956 authorizing their representative to attend and vote at the Annual General Meeting.
- Members/proxies should bring their duly filled attendance slips sent herewith for attending the Annual General Meeting.
- Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification and attendance at the meeting.
- The Register of Members and Share Transfer books of the Company will remain closed during the period from December 20, 2012 to December 24, 2012 (both days inclusive).
- 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.
- The Ministry of Corporate Affairs (MCA) has taken an initiative in respect of 'Green Initiative in the Corporate Governance' by allowing the Companies to send the notices/documents including annual reports to the members through electronic mode by giving an advance opportunity to the members for registering their e-mail addresses with the Company/ Depository from time to time for receiving the same. In this connection, the members are requested to register their e-mail addresses by sending an e-mail with the following details to 'shareholders@bartronicsindia.com' or by visiting our website 'bartronics.com'

BY ORDER OF THE BOARD

For **BARTRONICS INDIA LIMITED**

Place: Hyderabad **SUDHIR RAO**
Date: November 24, 2012 **MANAGING DIRECTOR**

Notes:

- A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company.

Proxies in order to be effective must be received at the registered office of the company, not less than 48 hours before the commencement of the Annual General Meeting.

Name of the member	Son of/ Daughter of/ Wife of	Client ID/ Ledger Folio No.	No. of Shares held	Pan No. (mandatory in case of Demat holders)	E-mail address

Additional Information

Details of Directors seeking appointment/re-appointment at the 21st Annual General Meeting (Pursuant to clause 49 of the listing agreement)

1. Mr. A.B. Satyavas Reddy

Mr. A.B. Satyavas Reddy aged about 49 years is a Mechanical Engineer from Osmania University and has rich experience in the engineering industry. Mr. Satyavas Reddy is the Promoter Director of Bartronics India Limited.

2. Mr. Y. Raghavendra Rao

Mr. Y. Raghavendra Rao aged about 64 years is an Engineer from USA having rich experience in IT and Telecommunication Networking. Mr. Raghavendra Rao has over 35 years of vast experience with various Government departments in areas like Project Development, Planning, Marketing and Project Implementation. He is at present serving as Advisor for Ministry of Shipping, government of India on implementation of software and automation of ports.

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the 21st Annual Report together with the Audited Accounts for the Financial Year ended on September 30, 2012 comprising of eighteen (18) months from 01.04.2011 to 30.09.2012.

Company Performance

Your Directors hereby report that the Company has achieved a turnover of Rs. 116,320.33 lakhs upto September 30, 2012 consisting of eighteen months, as against Rs. 88,818.88 lakhs for the previous year ended March 31, 2011 consisting of twelve months. The highlights of the financial results are given below:

CONSOLIDATED FINANCIAL RESULTS

Rupees in Lakhs

Particulars	Year 2011-12	Year 2010-11
Net Sales	116,320.33	88,818.88
Other Income	3,375.57	943.12
Total Income	119,695.90	89,762.00
Total Expenditure	111,726.83	68,374.36
EBIDTA	7,969.07	21,387.64
Interest	7,345.90	6,016.18
PBDT	623.17	15,371.46
Depreciation & Amortization	734.37	5,361.02
PBT	(6,718.20)	10,010.44
Tax Expense	(418.91)	(988.17)
PAT	(7,137.11)	10,998.61
Appropriation as under:		
Transfer to General Reserve	—	—
Proposed Dividend	—	340.49
Tax on Dividend	—	56.55
Balance C/F to next year	—	21965.10

CAPITAL STRUCTURE

Foreign Currency Convertible Bonds

Your Company, during 2007-08 has successfully issued Foreign Currency Convertible Bonds (FCCBs) as under:

Particulars	Year of Issue	Size of Issue (In Million US\$)
FCCB 2013	2007-08	50

Conversion Period	Conversion Price per Equity Shares (Rs)
FCCB 2013 (January 09, 2008 and January 23, 2013)	191.25
Number of shares converted till September 30, 2012 out of FCCB 2013 issue	Outstanding FCCBs as on September 30, 2012 (In Millions US\$)
Nil	50

The Foreign Currency Convertible Bonds (FCCB's) are listed on the Singapore Stock Exchange.

CHANGES TO SHARE CAPITAL

At present the Authorized Share Capital of the Company stands at Rs. 110 crores and the paid up capital stands at Rs. 34.04 crores there has been no change in the share capital during the year ended September 30, 2012.

EXTENSION OF FINANCIAL YEAR

The Company had extended the financial year upto September 30, 2012 with the permission of the Registrar of Companies, to complete the internal re-organization of the Company. The financial period consists of eighteen months (i.e April 1, 2011 to September 30, 2012).

SUBSIDIARY COMPANIES

Your Company has two subsidiary companies viz., Bartronics Asia Pte. Limited and Bartronics Middle East FZE and five step down subsidiary companies viz., Bartronics America Inc, Bartronics Hongkong Ltd, Bartronics Global Solutions Limited, Veneta Holding Ltd and Burbank Holdings Ltd.

Bartronics Asia Pte Limited

The Company was incorporated as a wholly owned subsidiary of Bartronics India Limited on 14th June 2007, in the Republic of Singapore with a Share Capital of US\$ 769500. Bartronics Asia Pte Limited (BAPL) acquired the only issued share of Cason Limited on December 21, 2007; subsequently the name of the Company was changed to Bartronics Hong Kong Limited with effect from 15th October 2008. In the month of April 2011, BAPL acquired the entire share capital of Veneta Holdings Limited,

Mauritius making it its wholly owned subsidiary. BAPL had during the financial period incorporated another subsidiary in Mauritius named Burbank Holding Limited, the operations of which are yet to be commenced.

Bartronics Middle East FZE

Bartronics Middle East FZE, Sharjah, UAE was incorporated on June 22, 2010 as a wholly owned subsidiary of Bartronics India Limited with a share capital of AED 1,50,000 Shares.

Bartronics America Inc.

Bartronics America Inc, which was earlier a wholly owned subsidiary of the Company, has become a subsidiary of BAPL w.e.f April 1, 2011, after BAPL issued 150,000 equity shares to Bartronics America Inc. Bartronics America Inc has two subsidiaries namely Quality E People and Performica Software Private Limited.

Roi Public Relation Pvt Ltd

The Company had earlier written off an advance of Rs. 6.50 lakhs given to ROI, and has written off the investment of Rs. 3,12,500/- during the financial period. ROI has been closed down under the Easy Exit scheme of the MCA.

CONSOLIDATED ACCOUNTS

Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of AS-21, Consolidated Financial Statements, notified by the Companies (Accounting Standards) Rules, 2006.

Your Company has availed the general exemption from attaching a copy of the Balance Sheet, Profit & Loss Account, Director's Report and Auditor's Report of the Subsidiaries Companies and other documents required to be attached under Section 212(1) of the Companies Act, 1956 to the Balance Sheet of your Company.

The said exemption is granted vide circular issued by MCA dated February 8, 2011. Accordingly, the said documents of the subsidiaries are not being attached with the Balance Sheet of the Company. A gist of the financial performance of the subsidiaries is contained in the report. The Annual Accounts of the subsidiaries are open for inspection by any member at the Company's Corporate Office and the Company will make available these documents and the related detailed information upon request by any investor of the Company or any investor of the Subsidiary Company who may be interested in obtaining the same.

Statement pursuant to Section 212 of the Companies Act, 1956 is given in **Annexure - A** of this report.

COMPANY OVERVIEW

Presently your Company offers the following business activities:

- Providing solutions using umbrella of AIDC technologies and smart card manufacturing.
- Financial Inclusion Division for implementing the FI projects as per the guidelines of RBI.
- Providing solutions in Radio Frequency Identification and Data Capture (RFID) Technology.

Your Company continues to see strong growth traction across existing business and expects the momentum to continue in future also.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. A.B. Satyavas Reddy and Mr. Y. Raghavendra Rao are liable to retire by rotation and being eligible, offer themselves for reappointment. During the year Mr. A. Subrahmanyam has been appointed as a nominee director of Export Import Bank of India w.e.f. May 5, 2012.

HUMAN RESOURCE MANAGEMENT

The Company believes and considers its human resources as the most valuable asset. The Management is committed to providing an empowered, performance oriented and stimulating work environment to its employees to enable them realize their full potential. Robust HR processes and initiatives adopted by the Company helped in containing the attrition of executives. Industrial Relations remained cordial and harmonious during the year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

Information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo required to be made pursuant to section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is set out as **Annexure - B** and forms part of this Report.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956, and the rules framed there under, the names and other particulars of employees are set out in the Annexure to the Director's Report. In terms of the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Director's Report is being sent excluding the aforesaid annexure. The annexure is available for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

MANAGEMENT DISCUSSION & ANALYSIS

Notes on Management Discussion & Analysis of the financial position of the Company have been given separately and form part of this Report.

AUDITORS

One of the Joint Statutory Auditors, M/s. Deloitte Haskins & Sells have resigned w.e.f November 21, 2012. The other Joint Statutory Auditors, M/s. T. Raghavendra & Associates, Chartered Accountants, Hyderabad (being joint statutory auditors with M/s. Deloitte Haskins & Sells till November 21, 2012) continued as the Statutory Auditors of the Company for the year 2011-12 (basing on the resolution passed by the members through postal ballot on October 16, 2012) and will retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE

A separate section on Corporate Governance is attached to this Report as **Annexure - C**.

A certificate from Mr. Y. Ravi Prasada Reddy, Practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreements with Stock Exchanges is enclosed as **Annexure - D**.

The Board has laid down a code of conduct for all Board and Senior Managerial Personnel's of the Company. The code of conduct has been posted on the Company's website. Board Members and Senior Managerial Personnel's have affirmed compliance with the code for the financial year 2011-12.

A certificate from the Managing Director that all Board members and senior management personnel have affirmed compliance with the Code of Conduct for the period ended September 30, 2012 is attached as **Annexure - E**.

CEO/CFO Certificate is enclosed as **Annexure - F**.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA), of the Companies Act, 1956, the Directors, based on representations received from the operating management confirms that:

- a. in the preparation of Annual Accounts, the applicable accounting standards have been made form the same.
- b. they have selected such accounting policies and applied them consistently and 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. they have taken proper and sufficient care for the maintenance of adequate accounting Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d. they have prepared the annual accounts on a going concern basis.

LISTING OF COMPANY'S SECURITIES

Your Company's Shares are presently listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

DEMATERIALIZATION OF SHARES

Your Company's shares have been made available for dematerialization through the National Security Depository Limited (NSDL) and Central Depository Services (India) Limited, (CDSIL).

FIXED DEPOSITS

There were no fixed deposits at the end of the year.

EXPLANATION TO MATTERS ON WHICH ATTENTION WAS DRAWN IN THE AUDITORS' REPORT

The Statutory Auditor's of the Company have made the

following comments in their report for the period ended September 30, 2012.

1. Auditors Comments:

Paragraph 3 of the Auditor Report, "*Note 17 forming part of the financial statements regarding the Trade Receivables balance aggregating to Rs.80,188.92 Lakhs (including Rs.58,534.39 Lakhs relating to the period prior to April 1st, 2011) and in respect of which no provision has been made. In the absence of the required information, we are unable to form an opinion on the extent to which the debts may be irrecoverable.*"

Company explanation:

As stated in Note 17 forming part of the financial statements, on account of the economic slowdown and consequent recessionary conditions in the global market there have been delays in realization of debtors. These sundry debtors confirmed the year end balances and Company has realized some of the dues subsequently. The Company has long standing relationship with these customers and they are helping the Company in promoting new products. Management is confident of realizing the amounts due and no provisions are required on these accounts at this stage.

ACKNOWLEDGEMENT

The Board of Directors of the Company extends their sincere appreciation to the Government, Bankers, Financial Institutions and others for their kind support. On behalf of the Company, the Board of Directors thanks the Employees for their valuable efforts and the shareholders for their undaunted faith in the Company.

By Order of the Board

For Bartronics India Limited

Place: Hyderabad	Sudhir Rao	A.B. Satyavvas Reddy
Date: 24.11.2012	Managing Director	Director

MANAGEMENT DISCUSSION AND ANALYSIS

Overview: Incorporated in Hyderabad, India in 1990, Your Company started with providing solutions based on Bar Coding, one of the oldest Automated Identification and Data Capture (AIDC) technologies. Since then, in the past two decades, it has been pioneering in introducing newer technologies and solutions in India based on Biometrics, RFID, POS, EAS, and Smart Cards etc. Today it has global presence through subsidiaries in USA, Singapore, and Middle East. It is headquartered in Hyderabad, India.

Your company has always been at the forefront in most of the technologies under the AIDC umbrella and will strive to continue this for delivering improved value to the customers. This has been achieved by establishing strong relationship with technology giants who have given us access to futuristic technologies thereby giving us the competitive edge of introducing any new technology which is available for commercial use.

Our ability to keep ourselves abreast with the technological advances and provide innovative solutions to our clients; coupled with the experience and implementation skills, makes us our client's ideal partner in their growth story; which truly defines our success.

The management team has effectively leveraged the existing strengths and since 2001 the focus has moved from being a mere systems integrator to offering end to end solutions. Today, Bartronics is spreading its wings across the globe to serve the growing demand for the quality services and reach out for the newer opportunities and markets.

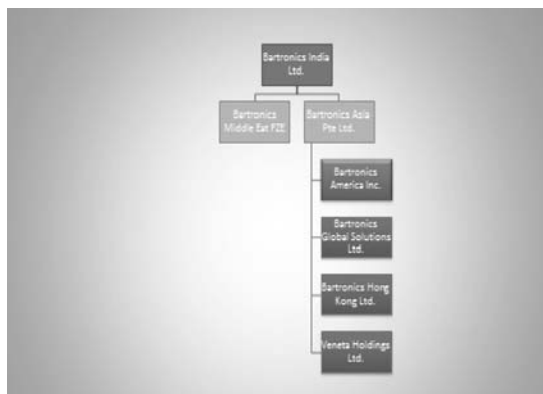
Key Developments

Reorganization of Global Operations: Last year your company had initiated the process of reorganization under the guidance of KPMG. In order to achieve this during the current year, your company had requested to extend the current financial year to end of September 2012 which was granted by Registrar of Companies (ROC). Subsequently, this year the exercise was concluded and during the process following developments had taken place

- ❖ Bartronics America Inc. (BAI) which was earlier a subsidiary to Bartronics India Inc. (BIL) was made as a subsidiary of Bartronics Asia Pte Ltd. (BAPL)
- ❖ BAPL was made Headquarters for global operations
- ❖ A separate entity Bartronics Global Solutions Ltd. (BGSJ) was established as a subsidiary to BAPL

- ❖ BAPL acquired Veneta Holdings Ltd. (VHL). VHL is a subsidiary to BAPL
- ❖ Both VHL and BGSJ will focus on providing support services to global operations

Following chart is a graphical representation of new organization:



Reorganization of Domestic Operations: During the process of reorganization; following developments had taken place

- ❖ Domestic operations now have two divisions – Identification Solutions Division (ISD) and Financial Inclusion (FI) Division as against four divisions earlier.
- ❖ ISD will have its focus on providing solutions using umbrella of AIDC technologies and manufacturing of Smart Cards.
- ❖ FI Division will focus on winning and implementing Financial Inclusion projects as per the guidelines laid by Reserve Bank of India (RBI)
- ❖ ISD is subdivided on the basis of function/ technology/ production which is represented by respective Profit Centre Head (PCH) who will report to CEO
- ❖ The FI Division is subdivided into regions/ banks which is represented by respective PCH who will report to President – financial Inclusion

The year that was: The year posed a challenging business atmosphere both domestic and globally. However, the management believes that your company was able to face these challenges successfully and tide over difficult times keeping worst behind us. The year also made the management, in congruence with Board of Directors, take

a conscious decision of consolidating its business and have its focus on quality customers in order to have high rate of organic growth. This made the Company accept fewer orders in comparison to the previous years, bringing down the sales during last few quarters. Management thoroughly believes having a strong base of quality clients is most essential in order to achieve high rate of organic growth again.

Future Growth: Management has identified the following growth drivers

- A) **Identification Solutions:** The AIDC industry is witnessing tremendous growth rate fuelled by faster adoption of the technologies by various industries. Bartronics India being the only company in India to provide end-to-end solutions is very well placed to capitalize on this.
- B) **eGovernance & Smart Card Manufacturing:** The company has emerged as a market leader in the Financial Inclusion space by winning projects covering close to 60,000 villages. Clearly, this gives the company with clear earnings visibility for next five years coupled with higher growth rate. Also, the strategy to move up the value chain in the production of smart cards will help us realize more revenues without investing anything in the existing capacity.
- C) **International Operations:** There is a huge demand for quality end-to-end solutions provider in international markets. Although the company has presence in USA, Middle East and Singapore, these operations have not much penetrated. While concentrating on market penetration in the markets mentioned, the company is also looking to have a foothold in newer geographies so as to have wider coverage and deeper penetration across the globe.

Human Capital

Your company believes that the value of any enterprise is only as good as its Human Capital. It is very important to have your human capital updated with the latest technologies. During the year, as the company faced challenging business atmosphere and fewer growth opportunities, the period, the management thought was apt to have its human capital undergo technology advancement training, process improvement training and general management training. Management is aware that these initiatives do not yield results immediately however these activities will surely help the company stay ahead of the curve.

Research and Development: It was a year when the company concentrated even more on its Research and Development activities and has applied for patents for various implementation processes/ technologies. These appeals are currently under considerations and the management is hopeful that some of these applications will result into increase in the number of patents the company holds which currently stands at 14.

SWOT Analysis:

Strengths and Opportunities: Your Company's strength lies thoroughly in providing end to end solutions using most of the AIDC technologies. Apart from in-house Research and Development Center; your company has strong relationship with technology majors which help your company gain access to the latest of the technology which is available for commercial use. Your company being India's only and one of few companies in the world to provide End to End solutions has resulted in lions share for the company in the domestic market. Even in the Financial Inclusion space; your company has come out as a dominant player with the prestigious project getting implemented in 60000 villages through your company. However, technologies under AIDC are still in acceptance stage in the country which has lot of room for deeper penetration of existing markets and also expansion into newer markets/ geographies. These provide huge potential for your company. Financial Inclusion as an initiative of the Government of Indian and Reserve Bank of India are still in the early stages of the implementation in the country. It still needs to reach wider spectrum of citizens of India. Your company, already being a dominant player in this space identifies this as a potential growth opportunity. The projects won by the company are currently under implementation. Implementation cycle was divided into various stages and currently these have successfully entered transaction stage – the last phase after crossing testing stage successfully. Having entered this stage, the revenues generated by the company will be directly proportional to the number of transactions done by the citizen of respective villages. Management is aware that this is still early times and citizen may take some more time to be comfortable with the services offered. However, with time, as the volume of transactions increase, company will surely see healthy rise in its revenues.

Risks and Concerns:

1. Technology Obsolescence

Products and solutions offered by the AIDC industry are likely to be affected by technology