



**CHALLENGES**  
MADE US  
**EMINENT**



## ***Board of Directors***

Mr. Venkat S Meenavalli	Chairman and Managing Director
Mr. K. Bhaskara Reddy	Executive Director
Mr. P. Srinivasu	Executive Director
Mr. P. Parthasarathi	Independent Director
Mr. T. Naresh Kumar	Independent Director
Mr. Y. Ramesh	Independent Director
Mr. Anil K. Singh	Chief Financial Officer
Mr. Y. Sreekanth Reddy	Company Secretary & Compliance Officer

### ***Registered office***

3rd Floor, Block 'B'  
Laxmi Cyber City  
Kondapur, Hi-tech City  
Madhapur,  
Hyderabad-500084, India  
Tel: +91-40-6653 4444  
Fax:+91-40-6653 4455  
URL: [www.northgatetech.com](http://www.northgatetech.com)

### ***Statutory Auditors***

M/s B S R and Company  
Chartered Accountants  
Reliance Humsafar, IV Floor,  
Road No.11, Banjara Hills,  
Hyderabad-500034  
Tel: +91-40-6630 5000  
Fax:+91-40-6630 5299

### ***Internal Auditors***

M/s Agarwal & Italia  
Chartered Accountants  
Suite 'H', 5th Floor  
Surya Towers, S.P. Road  
Secunderabad  
Tel: +91-40-2784 8700  
Fax:+91-40-2781 8165

### ***Bankers***

Axis Bank Limited  
HSBC Limited

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of the Members of Northgate Technologies Limited will be held **on Thursday, the 30th day of September 2010 at 04.30 p.m. at Bhaskara Auditorium, BM Birla Museum, Adarsh Nagar, Hyderabad – 500 063** to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2010 and the audited Profit and Loss Account for the year ended as on that date together with the Report of the Auditors and the Board of Directors thereon.
2. To appoint a Director in place of Mr. Y.Ramesh, Director who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. T. Naresh Kumar, Director who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s B S R and Company, Chartered Accountants, Hyderabad be and are, hereby appointed as Statutory Auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, on such remuneration as may be mutually agreed upon between the Board of Directors and Auditors.”

### SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act, 1956, Mr. P.Srinivasu, who was appointed as an Additional Director during the year be and is hereby appointed as a Director liable to retire by rotation”.

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

“RESOLVED THAT pursuant to the provisions of Sections 198,269,309,310,311 read with Schedule XIII to the Act, and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification, amendment or re-enactment thereof) and subject to such approvals as may be necessary, the consent, permission, and approval of the members of the company be and is hereby accorded to the appointment of Mr.P.Srinivasu as an Executive Director of the company, for a period of three years with effect from January 29, 2010 to discharge the functions, duties, responsibilities delegated by the Board of Directors from time to time and such other acts as may be required as per applicable Laws, Acts, Regulations, at a remuneration as set out below:

- a) Salary: Rs. 24,00,000 per annum
- b) Statutory contributions, if any

“RESOLVED FURTHER THAT Mr. P.Srinivasu, is also be entitled for reimbursement of actual entertainment, traveling, boarding and lodging expenses incurred by him in connection with the Company’s business and such other benefits/ amenities and other privileges, as any from time to time, be available to other Executives of the Company.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to vary, alter or modify the different components of the above remuneration as may be agreed to by the Board of Directors and Mr. P.Srinivasu.”

“RESOLVED FURTHER THAT in case of absence or inadequacy of profits for any financial year, Mr. P.Srinivasu shall be paid remuneration as per Section II of Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) as may be applicable from time to time.”

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

“RESOLVED THAT pursuant to, the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) (including any statutory modification(s) or re-enactment thereof, for the time being in force), the applicable rules, regulations and guidelines of the Securities and Exchange Board of India Guidelines, 2000 (“Guidelines”), the applicable provisions of Foreign Exchange Management Act, 1999 (“FEMA”), Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) scheme, 1993, the enabling provisions of the Memorandum and Articles of Association of the company and the Listing Agreements entered into by the company with the Stock Exchanges where the shares of the company are listed, and subject to requisite approvals, consents, permissions, and/or sanctions, if any, of Ministry of Finance (Department of Economic Affairs), Ministry of Industry (Foreign Investment Promotion Board/Secretariat for Industrial Assistance), SEBI, the Stock Exchanges, Reserve Bank of India (“RBI”), and all other authorities as may be required, whether in India or outside India, (hereinafter collectively referred to as “Requisite Approvals”), which may be agreed to by the Board of Directors of the company (hereinafter referred to as the ‘Board’ which term shall be deemed to include any committee thereof which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), the consent, permission, authority and approval of the Members of the company be and is hereby accorded to the Board at their absolute discretion to create, offer, issue and allot, from time to time in one or more tranches, whether rupee denominated or denominated in foreign currency, in consultation with the Lead Manager(s) and/or Underwriter(s) and/or Advisor(s), wherever required, (a) Foreign Currency Convertible Bonds (FCCBs)/ Foreign Currency Exchangeable Bonds (FCEBs) and/or other securities convertible, at the option of the company and/or entitling holder thereof to apply and convert at his option into equity shares with or without voting/special rights and/or (b) other securities convertible into or exchangeable with or linked to equity shares, and/or (c) Non convertible securities with or without detachable warrants, and/or (d) Warrants with a right exercisable by the warrant holder to convert or subscribe to the equity shares and/or (e) any shares, instruments or securities of the company through Global Depository Receipts (GDRs), American Depository Receipts (ADRs) or equity shares through depository receipt mechanism, participatory notes or otherwise (all hereinafter collectively referred to as “Securities”) and/or any combination of securities, secured or unsecured, whether listed on any stock exchange in India or any international stock exchange outside India, to any person including Qualified Institutional Buyers, Foreign Institutional Investors, Foreign, non resident, domestic institutions, institutional investors, banks, mutual funds, companies, bodies corporate or other entities, individuals or other persons (collectively referred to as “Investors”), whether or not such investors are members of the company for an aggregate amount not exceeding Rs.50 Crores (Rupees Fifty Crores only) or equivalent thereof in one or more foreign currency, inclusive of such premium as may be fixed on such Securities by offering the securities in one or more countries through public offer and/or offer letter and/or placement document and/or circular and/or information memorandum and/or such other document writings, and/or private placement basis and/or combination thereof in such manner, on such terms and conditions and at such time(s) as may be determined by the Board in its absolute discretion, with power to settle details as to the form and terms of issue of the Securities and all other terms, conditions and matters connected therewith including to accept any modification thereto or therein as may be required by concerned authorities and/or persons involved with any such issue of securities subject, however, to all applicable laws and regulations.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot equity shares pursuant hereto and/or as may be required to be issued and allotted upon conversion of any of the securities referred to above or as may be necessary in accordance with the terms of offering thereof and all equity shares so issued and allotted shall be subject to the Memorandum and Articles of Association of the company and shall rank pari passu in all respects with the existing equity shares of the company.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions and any offer, issue and allotment of Securities, the Board be and is hereby authorized to take all such actions, give such directions and to do all such acts, deeds and things as may be necessary, desirable or incidental thereto and matters connected therewith including without limitation entering into of arrangements for underwriting, marketing, listing, trading, appointment of Lead Manager(s), Advisor(s), Registrar(s), paying and conversion agent(s) and to issue and sign all deeds, documents, instruments and writings and to pay any fees, commission, costs, charges and other outgoings in relation thereto and to settle all questions, and to give such direction that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of securities and utilization of the issue proceeds, as it may, in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all members.”

“RESOLVED FURTHER THAT the Board or a Committee thereof be and is hereby authorized to finalize and approve the preliminary as well as the final offer document for the proposed issue and to authorize any one or more Directors of the company to sign all documents, together with the authority to amend, vary, modify the same as such authorized persons may consider necessary, desirable, or expedient for the purpose aforesaid to give such declarations, affidavits, certificates, consents, authorities as may be required from time to time.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps and do all such other acts, deeds and things as may be necessary or desirable to give effect to this resolution.”

By order of the Board

Place: Hyderabad  
Date: 01 September 2010

Y. Sreekanth Reddy  
Company Secretary

#### NOTES:

- 1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy (whether member or not) to attend and vote instead of him or her. A proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person if he or she so wishes.**
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
3. Members / Proxies should bring the attendance slips filled in for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will be closed from September 28, 2010 to September 30, 2010, inclusive of both dates.
5. Members desiring any additional information about the company are requested to inform to the Company at least seven days before the date of the meeting to keep the information available at the meeting.
6. The certificate of the Auditors of the Company certifying the implementation of the Company's Stock Option Plans in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and in accordance with the resolution passed by the members in the General Meetings, will be available at the venue of the Annual General Meeting for inspection by members.

**Additional Information in respect of Directors Recommended for Appointment / Seeking Re-election at the ensuing Annual General Meeting.**

**Mr. T. Naresh Kumar**

Mr. T.Naresh Kumar, aged 49 years, is an Engineering Graduate and has over 12 years of experience in various industries.

**Mr. Y. Ramesh**

Mr. Y. Ramesh, aged 49 years, is a Commerce Graduate and has over 11 years of entrepreneurial experience.

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

**Item No.(s) 5 and 6:**

Mr.P.Srinivasu was appointed as Director (Operations) of the Company in the Board Meeting held on January 29, 2010.

Pursuant to Section 257 of the Companies Act, 1956, the Company has received notice from the member along with the requisite deposit signifying his intention to propose the appointment of Mr.P.Srinivasu as a Director of the Company, liable to retire by rotation.

The Board of Directors on January 29, 2010 has appointed Mr.P.Srinivasu as Director (Operations) of the company. The Remuneration committee has approved the remuneration of Mr.P.Srinivasu which is within the limits of Part II of Schedule XIII of the Companies Act, 1956. The Board in its meeting held on June 21, 2010 designated him as Executive Director. As per the provisions of the Companies Act, 1956 the appointment and remuneration requires the approval of members in General Meeting. The Profile of Mr.P.Srinivasu is given below:

Mr. P. Srinivasu, aged 44 is an Engineering Graduate and has over 17 years of experience in various fields. He has more than 10 years of experience in Online Advertising Industry. Before joining the Board, he worked as Vice President (Operations) of the company.

**I. General Information:**

- (1) Nature of industry: **IT and ITES**
- (2) Date or expected date of commencement of commercial production: **11.06.1991**
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. **Not Applicable**
- (4) Financial performance based on given indicators: **For the FY ended March 31, 2010 Company had Net Loss of Rs.9,876.96 Lakhs and as of March 31, 2010 Networth was Rs.216.02 Lakhs as per Standalone financial statements**
- (5) Export performance and net foreign exchange collaborations: **For the FY ended March 31, 2010 Rs.795.64 Lakhs**
- (6) Foreign investments or collaborators, if any. **As of March 31, 2010 Rs.4,478.36 Lakhs**

**II. Information about the appointee:**

- (1) Background details: **B.E. from Nagpur University, India; 17 years of experience in various fields including 10 years of experience in Online Advertising industry**
- (2) Past remuneration: **Rs.18 Lakhs per annum**
- (3) Recognition or awards: **NIL**
- (4) Job profile and his suitability: **Appointee holds a B.E. Degree from Nagpur University and has over 17 years of experience in various fields including 10 years of Experience in Online Advertising Industry**
- (5) Remuneration proposed: **Rs.24 Lakhs per annum**
- (6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin): **Mr. R. Srinivasan, Managing Director of Redington (India) Limited drawing a remuneration of Rs.43.08 lakhs per annum in the comparative industry**
- (7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. **Not Applicable**



### III. Other information:

- (1) Reasons of loss or inadequate profits: **Significant scaling down of operations including closure of operation at different locations**
- (2) Steps taken or proposed to be taken for improvement: **Restructuring of operations to optimise cost, expenses and improve revenues was undertaken during the previous and current FY**
- (3) Expected increase in productivity and profits in measurable terms. **Expecting revenues to improve in the current FY and minimise losses**

### IV. Disclosures:

- (1) The shareholders of the company shall be informed of the remuneration package of the managerial person: **Given in the Annual Report 2009-10**
- (2) The following disclosures shall be mentioned in the Board of director's report under the heading "Corporate Governance", if any, attached to the annual report:-
  - (i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc. of all the directors; **Company provides all the required information in its Annual Reports**
  - (ii) Details of fixed component and performance linked incentives along with the performance criteria; **Only fixed component and no performance linked incentive proposed**
  - (iii) Service contracts, notice period, severance fees; **Company not entered service agreement with the appointee, One Month, Nil**

The Board of Directors recommends the resolutions setout at Item No. 5 & 6 for the approval of the members.

Except Mr.P.Srinivasu none of the Directors of the company is, in any way, concerned or interested in the proposed Resolution.

#### **Item No.7**

For the purpose of (i) Capital Expenditure (ii) New Product development (iii) Setting up of owned facilities (iv) Acquisition of businesses and (v) Working Capital and general corporate requirements, your Company is proposing to issue Equity Shares, GDRs, FCCBs, and such other securities convertible into equity shares or a combination thereof.

For the above purposes, your company plans to raise upto Rs.50 Crores (Rupees Fifty Crores only) through a combination of equity/quasi equity instruments and therefore proposes issue of Equity Shares/ADRs/ GDRs/FCCBs/ ECBs/FCEBs and such other securities convertible into equity shares or a combination thereof. The actual composition of various instruments will be decided by the company in consultation with the Merchant Bankers/Investment Bankers and as per the requirements of the funds from time to time and such offer shall be made to any person including Domestic/Foreign Investors/Foreign Institutional Investors, Qualified Institutional Buyers, Trusts, Mutual Funds, Banks, Insurance Companies, Pension Funds, retail public, whether shareholders of the company or not, at a price which shall not be lower than the price as prescribed under applicable SEBI guidelines, if any.

Accordingly, the consent of the members is being sought, pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956, and SEBI (Disclosure and Investor Protection) Guidelines, 2000, and in terms of the provisions of the Listing Agreements, to issue and allot equity shares as stated in the Special Resolution.

The Board of Directors recommends the resolution for the approval of the members.

None of the Directors of the Company is, in any way, concerned or interested in the proposed Resolution.

By order of the Board

Place : Hyderabad  
Date : 01 September 2010

Y.Sreekanth Reddy  
Company Secretary

## DIRECTORS' REPORT

**Dear Members,**

The Board of Directors take pleasure in presenting their report for the financial year ended March 31, 2010.

### Financial Highlights

Particulars	(Amount Rs. In lakhs)			
	<u>Consolidated</u>		<u>Standalone</u>	
	<u>For the Year ended March 31</u>			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues. . . . .	7,446.34	56,034.27	795.64	1,299.71
Less: Cost of Revenues . . . . .	8,410.85	35,681.56	394.12	517.33
Gross Profit . . . . .	(964.51)	20,352.71	401.52	782.38
Selling and Marketing Expenses. . . . .	2,205.49	9,184.16	8.98	6.66
General and Administrative Expenses . . . . .	1,090.82	1,163.21	263.46	271.85
Bad and doubtful debts written off . . . . .	1,873.42	15,734.02	-	-
Advances written off. . . . .	75.44	527.94	34.66	-
Impairment loss . . . . .	6,136.99	15,986.09	-	-
Fixed assets discarded, net. . . . .	81.93	471.78	-	-
Loss on abandonment of assets . . . . .	-	-	81.93	290.89
Provision for bad and doubtful debts . . . . .	151.85	2,056.07	-	-
Provision for doubtful deposits . . . . .	-	102.00	-	-
Provision for decline in the value of long term investments . . . . .	-	-	9,433.11	26,277.37
Operating Profit / (Loss) before interest, depreciation and amortization. . . . .	(12,580.45)	(24,872.56)	(9,420.62)	(26,064.39)
Financial Expenses. . . . .	24.38	99.41	87.89	4.15
Depreciation and Amortization . . . . .	2,940.83	7,157.57	112.12	161.20
Operating Profit / (Loss) before tax . . . . .	(15,545.66)	(32,129.54)	(9,620.63)	(26,229.74)
Other Income . . . . .	1,192.19	1,809.67	0.32	1,025.10
Net Profit / (Loss) before Taxation . . . . .	(14,353.47)	(30,319.87)	(9,620.31)	(25,204.64)
Provision for Taxation . . . . .	278.56	(772.20)	256.65	102.49
Net Profit / (Loss) after Tax before prior period expenses . . . . .	(14,632.03)	(29,547.67)	(9,876.96)	
Prior period expenses . . . . .	66.41	-	-	
Net Profit / (Loss) after prior period expenses. . . . .	(14,698.44)	(29,547.67)	(9,876.96)	(25,307.13)
Share of Minority Interest . . . . .	-	3.87	-	-
Net Profit / (Loss) for the year. . . . .	(14,698.44)	(29,543.80)	(9,876.96)	(25,307.13)
Transfer to General Reserve . . . . .	-	-	-	-
Earnings per share (Rs.) . . . . .				
- Basic - par value Rs. 10 per share . . . . .	(41.97)	(84.54)	(28.20)	(72.42)
- Diluted - par value Rs. 10 per share . . . . .	(41.97)	(84.54)	(28.20)	(72.42)
Dividend Rate (%) . . . . .	-	-	-	-
Paid up Equity Share Capital . . . . .	3,514.71	3,514.71	3,514.71	3,514.71

### Financial Overview

During the financial year (FY) under review, the company incurred Net loss of Rs.14,698.44 Lakhs as against net loss of Rs.29,547.67 Lakhs in the previous year on consolidated basis. The Company's consolidated EPS for the year was Rs.(41.97) as against Rs.(84.54) for the previous financial year. Management Discussion and Analysis forming part of this director's report includes detailed review of the financial performance of the Company.

The revenues of the Group derived from its Online Advertising segment has declined to Rs.3,305.94 lakhs during the FY, as compared to Rs.56,034.27 lakhs in the previous year. Further, the Group has incurred losses of Rs.14,673.92 lakhs during the FY and its net-worth as at 31st March, 2010 reduced to Rs.1,748.85 lakhs as compared to Rs.16,511.49 lakhs as at 31st March, 2009. During the FY, the Group initiated the sale of certain internet-based intellectual properties. There has been no closure of the transaction so far.