

**Bent back  
to LEAP high!...**



**19<sup>th</sup> Annual Report  
2010-11**



## ***The Board of Directors***

Mr. Venkata S Meenavalli  
Mr. P. Srinivasu  
Mr. P. Parthasarathi  
Mr. T. Naresh Kumar  
Mr. Y. Ramesh

Chairman and Managing Director  
Executive Director  
Independent Director  
Independent Director  
Independent Director

Mr. Anil Kumar Singh  
Mr. Lincoln A. Babu

Chief Financial Officer  
Company Secretary & Compliance Officer

### ***Registered office***

SDE Serene Chambers,  
8-2-334, 1<sup>st</sup> Floor,  
South Eastern Wing,  
Road No.7, Banjara Hills,  
Hyderabad – 500034  
Andhra Pradesh, India  
Tel: +91-40-23548353/8536  
Fax:+91-40-23548537  
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 Italia & Associates  
Chartered Accountants  
1-2-372/A &1-8-373/A  
Chiran Fort Lane,  
Begumpet, Hyderabad - 500003  
Tel: +91-40-40031959

### ***Share Transfer Agent***

CIL Securities Limited  
214, Raghava Ratna Towers,  
Chirag Ali Lane  
Hyderabad - 500001

### ***Bankers***

Axis Bank Limited  
HSBC Limited  
Bank of Baroda

## ***TABLE OF CONTENTS***

Notice of Annual General Meeting . . . . .	05
Directors' Report. . . . .	10
Report on Corporate Governance . . . . .	16
Management Discussion and Analysis. . . . .	23
Consolidated Auditors' Report. . . . .	27
Consolidated Balance Sheet . . . . .	28
Consolidated Profit and Loss Account. . . . .	29
Consolidated Cash Flow Statement . . . . .	30
Schedules . . . . .	32
Section 212 Statement . . . . .	54
Auditors' Report . . . . .	55
Balance Sheet . . . . .	58
Profit and Loss Account . . . . .	59
Cash Flow Statement . . . . .	60
Schedules . . . . .	61
Balance Sheet abstract and Company's general business profile . . . . .	81
Attendance Slip / Proxy Form . . . . .	85

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of the Members of Northgate Technologies Limited will be held on **Friday the 30<sup>th</sup> day of September 2011 at 10.30 a.m. at Kalinga Cultural Trust, Plot No. 1269, Road No.12, Banjara Hills, Hyderabad – 500 034** to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2011 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. P. Parthasarathi, Director who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Y. Ramesh, 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 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 re-appointment of Mr. Venkata S. Meenavalli as Chairman and Managing Director of the company, for a period of three years with effect from September 01, 2011 to discharges 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, Act, Regulations, at a remuneration as set out below:

- (a) Salary: Rs. 60 Lakhs (Rupees Sixty Lakhs only); per annum with an annual increment subject to 20% of salary every year, effective from such month as may be decided by the board;
- (b) Commission: Not more than one percent of the net profits of the company computed in accordance with Section 349 of the Companies Act, 1956.
- (c) Statutory Contributions, if any;
- (d) Benefits, Perquisites and Allowances:
  - i. Contributions to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961
  - ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
  - iii. Encashment of leave at the end of the tenure as per company's policy;
  - iv. Leave Travel Concession for self and family as per actual per year;
  - v. Medical reimbursement as per actual including medical insurance cost;
  - vi. Rent Free Furnished Residential Accommodation with free use of all the facilities and amenities or house rent allowance, in lieu thereof together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishing, repairs, servants' salaries;
  - vii. Provision of company owned cars and telephone for official and personal purposes;
  - viii. Club fees (maximum of two clubs).”

“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. Venkata S. Meenavalli.”

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

**6. To consider and if thought fit, to pass with or without modification 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 September 01, 2011 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. 30 Lakhs per annum with an annual increment subject to a maximum of 20% of salary every year, effective from such month as may be decided by the Board.
- b) Statutory contributions, if any;
- c) Benefits Benefits, Perquisites and Allowances:
  - i. Contributions to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961
  - ii. Gratuity payable at a rate not exceeding half a month’s salary for each completed year of service.
  - iii. Encashment of leave at the end of the tenure as per company’s policy;
  - iv. Leave Travel Concession for self and family as per actual per year;
  - v. Medical reimbursement as per actual including medical insurance cost;
  - vi. Rent Free Furnished Residential Accommodation with free use of all the facilities and amenities or house rent allowance, in lieu thereof together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishing, repairs, servants’ salaries;
  - vii. Provision of company owned cars and telephone for official and personal purposes;
  - viii. Club fees (maximum of two clubs).”

“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, the Executive Director shall be paid remuneration as per Section II of Part II to the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) as may be applicable from time to time.”

By order of the Board

Place : Hyderabad  
Date : September 02, 2011

Lincoln A. Babu  
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, 2011 to September 30, 2011, inclusive of both dates.
5. Members desiring any information on financial statements 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.

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

### Mr. P. Parthasarathi

Mr. P. Parthasarathi, aged 64 years, is a Commerce Graduate and CAIIB. He retired as Assistant Chief Officer from UCO Bank Limited, heading inspection and Vigilance Department at State Level. He has over 20 years of experience in various industries.

### Mr. Y. Ramesh

Mr. Y. Ramesh, aged 50 years, is a Commerce Graduate and has over 12 years of entrepreneurial experience.

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

### Item No.5:

The Board of Directors on September 02, 2011 has re-appointed Mr. Venkata S. Meenavalli as Chairman and Managing Director of the Company with a remuneration on the same terms and conditions.

The remuneration committee has approved the remuneration of Mr. Venkata S. Meenavalli as Chairman and Managing Director.

The Board in its meeting held on September 02, 2011 reappointed him as per the provisions of the Companies Act, 1956. The re-appointment and remuneration requires the approval of members in General Meeting and the Central Government approval as the company has no profits/inadequate profits during the year 2010-11.

The Profile of Mr. Venkata S. Meenavalli is given below:

Mr. Venkata S. Meenavalli, aged 41 years is M.S in Computer Science from Suffield University Australia and having Certificate of Proficiency in radiotelephony from Spectrum Management Agency, Australia, Certification of Novell Certified Engineer (CNE), Microsoft Certified Engineer (MCSE), Microsoft Certified Systems Engineer + Internet (MCSE+!). He joined Northgate Technologies Limited, in 2002 as a Managing Director. He has over 18 years of experience in various fields of Information Technology, Marketing and Administration.

### 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, 2011 Company had Net Loss of Rs. 175.31 Lakhs and as of March 31, 2011 Networth was Rs. 7,272.73 Lakhs as per Standalone financial statements.**
- (5) Export performance and net foreign exchange collaborations: **Export performance of Rs. 430.24 Lakhs for the FY ended March 31, 2011.**
- (6) Foreign investments or collaborators, if any. **Foreign investment of Rs. 6,952.09 Lakhs as of March 31, 2011.**

## **II. Information about the appointee:**

- (1) Background details: **M.S. in Computer Science from Suffield University, Australia and 13 years of experience in various fields of information technology, Commodity Trading and Administration.**
- (2) Past remuneration: **Rs.60 Lakhs per annum with an annual increment of 20% of Salary.**
- (3) Recognition or awards: **NIL**
- (4) Job profile and his suitability: **Chairman and Managing Director of the Company.**
- (5) Remuneration proposed: **Rs. 60 Lakhs per annum with an annual increment of 20% of Salary.**
- (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): **Rs. 1 Crore to 2 Crores**
- (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: **Previous year operations were significantly scaled down and are yet to reach scale of efficiency.**
- (2) Steps taken or proposed to be taken for improvement: **Restructuring of operations to optimise cost, expenses and improvement in revenues is in progress.**
- (3) Expected increase in productivity and profits in measurable terms. **Through ongoing restructuring process the productivity and profits are expected to improve significantly.**

## **IV. Disclosures:**

- (1) The shareholders of the company shall be informed of the remuneration package of the managerial person: **Details are provided in the Annual Report 2010-11 for shareholders information.**
- (2) The following disclosures are mentioned in the Board of director's report under the heading "Corporate governance", attached to the annual report:-
  - (i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc. of all the directors;
  - (ii) Details of fixed component and performance linked incentives along with the performance criteria;
  - (iii) Service contracts, notice period, severance fees.

The Board of Directors recommends the resolutions setout at Item No. 5 for the approval of the members. Except Mr. Venkata S. Meenavalli none of the Directors of the Company is, in any way, concerned or interested in the proposed resolution.

### **Item No.6:**

The Board of Directors on September 02, 2011 has appointed Mr. P. Srinivasu as Executive Director of the Company with a remuneration on revised terms and conditions. The remuneration committee has approved the remuneration of Mr. P. Srinivasu.

The Board in its meeting held on September 02, 2011 appointed 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 45 years is an Engineering Graduate and has over 18 years of experience in various fields. He has more than 10 years of experience in online advertising Industry.

## **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, 2011 Company had Net Loss of Rs. 175.31 Lakhs and as of March 31, 2011 Networth was Rs. 7,272.73 Lakhs as per Standalone financial statements.**
- (5) Export performance and net foreign exchange collaborations: **Export performance of Rs. 430.24 Lakhs for the FY ended March 31, 2011.**
- (6) Foreign investments or collaborators, if any. **Foreign investment of Rs. 6,952.09 Lakhs as of March 31, 2011.**



## **II. Information about the appointee:**

- (1) Background details: **B.E. from Nagpur University, India; 18 years of experience in various fields including 10 years of experience in Online Advertising industry.**
- (2) Past remuneration: **Rs.24 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 18 years of experience in various fields including 10 years of Experience in Online Advertising Industry.**
- (5) Remuneration proposed: **Rs. 30 Lakhs per annum with an annual increment of 20% of Salary.**
- (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): **Rs. 25 Lakhs to 75 Lakhs.**
- (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: **Previous year operations were significantly scaled down and are yet to reach scale of efficiency.**
- (2) Steps taken or proposed to be taken for improvement: **Restructuring of operations to optimise cost, expenses and improvement in revenues is in progress.**
- (3) Expected increase in productivity and profits in measurable terms. **Through ongoing restructuring process the productivity and profits are expected to improve significantly.**

## **IV. Disclosures:**

- (1) The shareholders of the company shall be informed of the remuneration package of the managerial person: **Details are provided in the Annual Report 2010-11 for shareholders information.**
- (2) The following disclosures are 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;
  - (ii) Details of fixed component and performance linked incentives along with the performance criteria;
  - (iii) Service contracts, notice period, severance fees.

The Board of Directors recommends the resolutions set out at Item No. 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.

By order of the Board

Place : Hyderabad  
Date : September 02, 2011

Lincoln A. Babu  
Company Secretary

## DIRECTORS' REPORT

**Dear Members,**

The Board of Directors take pleasure in presenting their report for the financial year ended March 31, 2011.

### Financial Highlights

Particulars	(Amount Rs. In lakhs)			
	<u>Consolidated</u>		<u>Standalone</u>	
	<u>For the Year ended March 31</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues . . . . .	12,967.26	7,446.34	430.25	795.64
Cost of Revenues . . . . .	11,733.88	8,410.85	212.22	394.12
Gross Profit . . . . .	1,233.38	(964.51)	218.03	401.52
Selling and Marketing Expenses. . . . .	102.75	2,205.49	5.88	8.98
General and Administrative Expenses . . . . .	570.15	1,089.60	124.69	263.98
Bad and doubtful debts written off . . . . .	101.64	1,873.41	-	-
Advances written off. . . . .	-	75.44	158.04	34.66
Impairment loss . . . . .	-	6,136.99	-	-
Fixed assets discarded, net. . . . .	0.61	81.94	0.47	81.93
Provision for bad and doubtful debts . . . . .	91.93	151.85	-	-
Provision for decline in the value of long term investments . . . . .	-	-	-	9,433.11
Operating Profit/(Loss) before interest, depreciation and amortization. . . . .	366.30	(12,579.23)	(71.05)	(9,421.14)
Financial Expenses. . . . .	84.81	24.38	101.65	87.89
Depreciation and Amortization . . . . .	353.48	2,940.83	54.51	112.12
Operating Profit / (Loss) before tax . . . . .	(71.99)	(15,544.44)	(227.21)	(9,621.15)
Gain on Disposal of Subsidiary . . . . .	16.31	-	-	-
Other Income, Net . . . . .	215.91	1,190.97	52.24	0.84
Profit/(Loss) before Tax . . . . .	160.23	(14,353.47)	(174.97)	(9,620.31)
Provision for taxes . . . . .	18.68	278.56	0.33	256.65
Deferred . . . . .	0.36	-	-	-
Profit/(Loss) after Tax before prior period expenses . . . . .	141.19	(14,632.03)	(175.30)	(9,876.96)
Prior period expenses . . . . .	-	66.41	-	-
Profit/(Loss) after prior period expenses. . . . .	141.19	(14,698.44)	-	(9,876.96)
Share of Minority Interest . . . . .	(36.07)	-	-	-
Net Profit. . . . .	105.12	(14,698.44)	-	(9,876.96)
Earnings per share (Rs.) . . . . .				
- Basic . . . . .	0.26	(41.97)	(0.44)	(28.20)
- Diluted . . . . .	0.26	(41.97)	(0.44)	(28.20)
Dividend Rate . . . . .	-	-	-	-
Paid up Equity Share Capital . . . . .	4,914.71	3,514.71	4,914.71	3,514.71

### Financial Overview

During the financial year (FY) under review, the Company achieved revenues of Rs.12,967 Lakhs as against Rs.7,446 Lakhs in the previous year on consolidated basis. The Company's consolidated Net Profit for the year was Rs.105 Lakhs as against Rs.(14,698) Lakhs 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 increased to Rs.4,875 Lakhs during the FY, as compared to Rs.3,305 Lakhs in the previous year. Further, the group has commenced new business segment of Commodity Trading from September 20, 2010 by acquiring 51% shareholding of Green Fire Agri Commodities Private Limited. The revenues from commodities trading segment was Rs. 8,041 Lakhs for the FY ended March 31, 2011. The Securities and Derivatives Trading segment has been discontinued effective from November, 2010 by sale of 100% equity share of VAR Quant Tech Securities Private Limited. The Revenues from Securities and Derivatives segment for the year ended March 31, 2011 was Rs. 50 Lakhs.