



Quintegra Solutions Limited

**17TH
ANNUAL REPORT
2010 - 11**



www.quintegrasolutions.com

LOCATIONS

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Malaysia

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Wisma Lim Foo Young
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55200, Kuala Lumpur, Malaysia

Ireland

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UK

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Tel : (+44) 20 8966 9296
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Germany

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55545 Bad Kreuznach Germany
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USA

8433 N Black Canyon Highway,
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Tel : 620-595-3800, 408-260-7342
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CORPORATE INFORMATION 2010-11

BOARD OF DIRECTORS

| | |
|------------------------------|-----------------------------|
| Mr Shankarraman Vaidyanathan | – <i>Chairman & MD</i> |
| Mr V Sriraman | – <i>Wholetime Director</i> |
| Mr Meleveetil Padmanabhan | – <i>Director</i> |
| Mr R Kalyanaraman | – <i>Director</i> |
| Mr G Venkatarajulu | – <i>Director</i> |

COMPANY SECRETARY

Mr V Sankar

REGISTERED OFFICE

Quintegra Towers,
168, Eldams Road, Teynampet
Chennai 600 018
Ph: + 91 44 4391 7100,
Fax: + 91 44 2432 8399
Email: investors@quintegrasolutions.com
URL: <http://www.quintegrasolutions.com>

DEVELOPMENT CENTRES

Eldams Road, Chennai, India.
Phoenix USA

SUBSIDIARIES

Quintegra Solutions Limited, UK
Quintegra Solutions (M) Sdn. Bhd, Malaysia
Quintegra Solutions GmbH, Germany
Quintegra Solutions Ireland Limited, Ireland

AUDITORS

M/s Gopikumar Associates
Chartered Accountants, Chennai

BANKERS

State Bank of India
Bank of America

REGISTRARS & SHARE TRANSFER AGENTS

Integrated Enterprises (India) Limited
Kences Towers, 2nd Floor, North Usman Road,
T.Nagar, Chennai - 600 017
Tel: +91 44 2814 0801, Fax: +91 44 2814 2479.
E-mail: sureshbabu@iepindia.com

GRIEVANCE CELL/COMPLIANCE OFFICER

e-mail ID: investors@quintegrasolutions.com

PROFILE – BOARD OF DIRECTORS

| | |
|--|---|
| Shankarraman Vaidyanathan <i>Chairman and Managing Director</i> | <ul style="list-style-type: none"> • Post Graduate in Commerce. • About 21 years extensive experience in finance, project management, marketing and IT. • Wide exposure in development of various businesses, a pioneer in IT sector. • A leading business man and represents the Board of several Companies. |
| Mr V Sriraman <i>Wholetime Director</i> | <ul style="list-style-type: none"> • Graduate in Commerce and a Post Graduate in Business Administration. • More than 23 years experience in sales & marketing and business development / administration. |
| Mr Meleveetil Padmanabhan <i>Director- Non Executive</i> | <ul style="list-style-type: none"> • Graduate in Commerce and a Member of the Institute of Chartered Accountants of India. • 38 years experience in Accounts, Auditing and Corporate Consultancy. • Represents the board of few other companies. |
| Mr R Kalyanaraman <i>Director- Non Executive</i> | <ul style="list-style-type: none"> • Graduate in Electrical and Electronics Engineering. • Worked in BHEL from 1975 to 1993 in various fields including research and development, project management and ancillary development. • Presented several technical papers in various national conferences. • Managing a company developing projects and providing technical and financial consultancy. • Represents the board of few other companies. |
| Mr G Venkatarajulu <i>Director- Non Executive</i> | <ul style="list-style-type: none"> • Diploma in Civil Engineering. • Has experience in various fields like civil engineering, printing and computer technology. • About 20 years experience in training and imparting computer skills to students and professionals. |

QUINTEGRA SOLUTIONS LIMITED

Regd. Office : 168, Eldams Road, Teynampet, Chennai 600 018

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Company will be held on Friday, the 30th September 2011 at 10.00 AM at Russian Cultural Centre, 74, Kasthuri Ranga Road, Chennai 600 018 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Directors' Report, the audited Profit and Loss Account for the financial year ended 31 March 2011 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To elect a Director in place of Mr Meleveetil Padmanabhan who retires by rotation and being eligible offers himself for reelection.
3. To appoint Statutory Auditors and fix their remuneration and in this regard to consider and if deemed fit to pass with or without modification the following as an **Ordinary Resolution**.

RESOLVED THAT M/s Gopikumar Associates, Chartered Accountants, Chennai, the retiring Auditors be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors.

Special Business

4. To consider and if deemed fit to pass with or without modification the following as a **Special Resolution**:

RESOLVED THAT subject to the provisions of Sections 269, 198, 309, 310, Schedule XIII and all other applicable provisions of the Companies Act, 1956, Mr V Sriraman be and is hereby re-appointed as a Wholtime Director of the Company for a period of 3 years with effect from 18th May 2011.

| Description | Rs. per Month |
|----------------------------|---------------|
| Salary | 40,000/- |
| Allowances and perquisites | 60,000/- |
| Total | 1,00,000/- |

- i. Allowances/Perquisites
Allowances payable to Mr V Sriraman shall include Special Allowance and/or any other allowances and perquisites shall include furnished/unfurnished accommodation or house rent allowance in lieu thereof, Leave Travel Assistance (for self and family including dependents), personal accident insurance, reimbursement of medical expenses incurred (for self and family), club fees, provision of car, telephone at residence and any other perquisites, benefits, amenities as may be applicable, as per the rules of the Company upto the amounts specified above.
- ii. Retirement Benefits
Company's contribution to Provident Fund to the extent not taxable under the Income Tax Act, 1961, Gratuity payable and encashment of leave as per the rules of the Company shall not be included in the computation of limits for remuneration or perquisites aforesaid.
- iii. General
 - a) Provision of telephone at residence and expenses on account of car for official use shall not be reckoned as perquisites.
 - b) Perquisites shall be valued in terms of actual expenditure incurred by the Company in providing benefit to the

employee. However, in cases where the actual amount of expenditure cannot be ascertained with reasonable accuracy (including car provided for official and personal purposes) the perquisites shall be valued as per Income Tax Act, 1961 and the rules made thereunder.

- c) Mr V Sriraman will not be entitled to any sitting fees for attending meetings of the Board or of any Committee thereof.
- d) Mr V Sriraman will be subject to all other service conditions as applicable to any other employee of the Company.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, the remuneration payable to Mr V Sriraman shall not exceed with the approval of the Central Government exceed the limits prescribed under the Companies Act, 1956 and rules made thereunder or any statutory modification or re-enactment thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters or things as may be considered necessary, appropriate, expedient or desirable to give effect to this resolution.

By order of the Board

Place : Chennai
Date : 02.09.2011

Shankarraman Vaidyanathan
Chairman & 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. **A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The instrument appointing the Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the time scheduled for the meeting. A proxy form is enclosed.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 23rd September 2011 to Friday, the 30th September 2011 (both days inclusive)
4. Members are requested to bring their Attendance Slip along with the copy of the Annual Report to the meeting.
5. Members/Proxies are requested to fill in the Attendance Slip and hand it over at the meeting hall before attending the meeting. In case of demat holding, Client ID and DP ID numbers and in case of physical holding respective folio numbers along with the number of shares held have to be clearly mentioned.
6. Corporate Members intending to send their authorised representatives are requested to send a certified copy of the Board resolution authorising their representatives to attend and vote at the meeting on behalf of the Company.
7. All the documents referred to in the Notice are available at the Registered Office of the Company for inspection on all working days, during office hours upto the date of Annual General Meeting.
8. Members holding shares in physical form, in multiple folios under the same name/s are requested to send the Share Certificates to the Company's Registrars and Share Transfer Agents, Integrated Enterprises (India) Ltd. Kences Towers, 2nd Floor, North Usman Road, T.Nagar, Chennai 600 017 for consolidation into a single folio.
9. In case of joint holders, where more than one person attend the meeting, only the first holder will be entitled to vote.
10. Information pursuant to Clause 49 IV (G) of the Listing Agreement about the directors proposed to be appointed/ reappointed is annexed.

ANNEXURE TO THE NOTICE

A. INFORMATION PURSUANT TO CLAUSE 49 IV (G) OF THE LISTING AGREEMENT ABOUT THE DIRECTORS PROPOSED TO BE APPOINTED/REAPPOINTED

Item No 2:

Mr Meleveetil Padmanabhan (Non-Executive Director) - Brief Resume

| | |
|--|--|
| Academic Background | A Graduate in Commerce and a Member of the Institute of Chartered Accountants of India. |
| Nature of expertise | About 38 years experience in Accounts, Auditing and Corporate Consultancy. |
| Directorship in other Companies | 1. Gandhimathi Appliances Ltd. 2. Gangadharam Appliances Ltd. |
| Committee Membership | In the Company: 1. Audit Committee(Chairman) 2. Remuneration Committee(Member) 3. Shareholders/ Investors Grievance Committee (Chairman) |
| | In other Companies: a. Gandhimathi Appliances Ltd.: Audit Committee - Member Remuneration Committee - Member b. Gangadharam Appliances Ltd.: Audit Committee - Member Remuneration Committee - Member |
| Shareholding of the Director in the Company | Nil |

Item No 4:

Mr V Sriraman (Wholetime Director) - Brief Resume

| | |
|--|--|
| Academic Background | A Graduate in Commerce and a Post Graduate in Business Administration. |
| Nature of expertise | more than 23 years experience in marketing and overall business development and has experience in reputed companies. |
| Directorship in other Companies | 1. Trusted Aerospace Engineering Ltd. 2. Quintegra Solutions Ltd. UK. 3. Quintegra Solutions (M) Sdn. Bhd, Malaysia 4. Quintegra Solutions Ltd. Ireland |
| Committee Membership | In the Company: 1. Audit Committee (Member) 2. Shareholders/ Investors Grievance Committee (Member) In other Companies: Nil |
| Shareholding of the Director in the Company | 52000 equity shares of Rs 10/- each. |

B. EXPLANATORY STATEMENT

(Pursuant to Section 173 of the Companies Act, 1956)

Item No 4:

Mr V Sriraman's term as a Wholetime Director expired on 17th May 2011 and the Board based on the recommendation of the Remuneration Committee, renewed his appointment for a further term of 3 years with effect from 18th May 2011 on the same terms and conditions briefly set out below:

| Description | Rs. per Month |
|----------------------------|---------------|
| Salary | 40,000/- |
| Allowances and perquisites | 60,000/- |
| Total | 1,00,000/- |

The re appointment of Mr V Sriraman as a Wholetime Director and the revision in the terms of remuneration payable to him require the approval of the members. Accordingly, a Special Resolution as set out under Item No.4 of the notice is submitted for the approval of the members.

This explanatory statement together with the accompanying notice may be treated as an abstract of the terms and conditions of appointment of Mr V Sriraman and memorandum of concern or interest under Section 302 of the Companies Act, 1956 and the requirements of the said act deemed to have been sufficiently complied with.

Interest of Directors

Mr V Sriraman is interested in the resolution relating to his appointment and the remuneration payable to him as a Wholetime Director. Mr Shankarraman Vaidyanathan, Chairman & Managing Director being a relative of Mr V Sriraman is deemed to be concerned or interested in the resolution. No other Director is concerned or interested in the resolution.

Interest of Directors

None of the Directors is concerned or interested in the resolution.

By order of the Board

Place : Chennai
Date : 02.09.2011

Shankarraman Vaidyanathan
Chairman & Managing Director

Quintegra Solutions Limited

DIRECTORS REPORT

Your Directors have pleasure in presenting the Seventeenth Annual Report together with the Audited Financial Statements for the year ended 31st March 2011.

FINANCIAL HIGHLIGHTS

(Rs. In lacs)

| Particulars | For the year ended 31.03.2011 | For the year ended 31.03.2010 |
|--|-------------------------------|-------------------------------|
| Total income | 1,708.93 | 3,739.04 |
| Expenditure | 3,472.77 | 3,495.93 |
| Interest | 1,241.15 | 1,188.92 |
| Depreciation & Exceptional Items | 7,882.73 | 632.06 |
| Profit/(Loss) before tax | (10,887.71) | (1,577.87) |
| Provision for tax | – | 0.52 |
| Profit after tax | (10,887.71) | (1,578.39) |
| Balance brought forward from previous year | (1,412.73) | 165.66 |
| Amount available for appropriation | | – |
| Balance carried over | (12,300.44) | (1,412.73) |

REVIEW OF OPERATIONS AND OUTLOOK

OPERATIONS

The Company continues to bear the burden of few takeovers made in the previous years. Subsidiaries had not shown the expected results. These have an adverse impact on the workings of the company.

OUTLOOK

The Company continues make all possible efforts to come out of the set back. The efforts include reduction of overheads, postponement/ shelving of expansion programmes etc., Your Company is hoping to get over the crisis in the years to come.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard AS-21 your Directors provide the audited Consolidated Financial Statements in the Annual Report.

FIXED DEPOSITS

The Company had not accepted any fixed deposits during the year.

DIVIDEND

In view of the loss incurred the Board does not recommend any dividend for the financial year ended 31st March 2011.

DIRECTORS

Mr Meleveetil Padmanabhan, Director will retire by rotation at the ensuing Annual General Meeting and being eligible he offers himself for re-election.

Mr V Sriraman was reappointed by the Board as Wholtime Director for a further term of three years with effect from 18.5.2011.

Brief resume of Directors, nature of expertise and names of Companies in which they hold directorship and membership/ chairmanship in Board/Committees as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are provided in the Annexure to the Notice convening the Annual General Meeting.

AUDITORS

The Board recommends the reappointment of M/s. Gopikumar Associates, Chartered Accountants, Chennai, the retiring Auditors of the Company who being eligible offer themselves for re-appointment.

SUBSIDIARIES

Quintegra Solutions Limited, UK

This subsidiary has incurred a loss of GBP 17,121 for the year ended 31 March 2011 as against the loss of GBP 20,857 for the previous year.

Quintegra Solutions (M) Sdn. Bhd, Malaysia

The subsidiary had posted a net profit of RM 1,794 during the financial year as against the loss of RM 376,206 for the previous financial year.

Quintegra Solutions GmbH, Germany

The subsidiary had posted a net loss of Euro 5,594 as against the net loss of Euro 7,028 for the previous financial year.

Quintegra Solutions Ireland Limited

During the year, the subsidiary had incurred a loss of Euro 1,750 as against the loss of Euro 8,167 for the previous year.

HUMAN RESOURCES

The HR had planned and systematically addressed the needs of the Organization with reference to the current industrial scenario. The Company is trying to maintain the productivity without compromising on employee morale or work quality. Training initiatives are aptly designed and executed.

EMPLOYEES STOCK OPTION SCHEME

Neither the Company had granted nor the employees had exercised any options during the current financial year. Disclosure as required under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is annexed and forms part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A Management Discussion and Analysis Report as required under Clause 49 of the Listing Agreement forms part of the Annual Report.

CORPORATE GOVERNANCE REPORTS

The Report on Corporate Governance along with a compliance certificate from the Auditors and a declaration affirming the compliance of Code of Conduct are annexed as required by the Listing Agreement with Stock Exchanges.

CEO/CFO CERTIFICATION

The Managing Director and Finance In-charge have submitted a certificate to the Board regarding financial statements and other matters as required under clause 49(V) of the Listing Agreement.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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 of the company for that period;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors had prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

Particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 217(1)(e) are annexed to and form part of this report.

PARTICULARS OF EMPLOYEES

There are no employees posted in India who are covered under Section 217(2A) read with Companies (Particulars of Employees) Rules 1975. However, the particulars of employees of the Company posted and working outside India are not reported pursuant to the Notification G.S.R. 212(E) dated 24 March 2004 issued by the Department of Company Affairs, Ministry of Finance, Government of India.

ACKNOWLEDGEMENT

The Board records its appreciation for the continued support and co-operation received from all its associates - the shareholders, customers, suppliers, banks and Government Departments. Our special thanks to State Bank of India, our bankers for their continued support and encouragement. The Directors also place their special appreciation to all the employees.

By order of the Board

Place : Chennai
Date : 02.09.2011

Shankarraman Vaidyanathan
Chairman & Managing Director

ANNEXURE TO DIRECTORS REPORT

Annexure 1

Information 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

1. Conservation of Energy

Eventhough the operations of your Company require a low level of energy consumption, measures like installation of energy saving systems, switching off the power when not in use are being followed regularly in order to save energy. However, the financial impact of these measures is not material.

2. Research and Development (R&D)

Research and Development is being carried out on need basis to upgrade existing quality, reduce lead time, enhance customer

satisfaction and capture new clients. However, no expenditure was incurred on R&D during the year.

Annexure 2

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

There are no employees posted in India who are covered under Section 217(2A) read with Companies (Particulars of Employees) Rules 1975.

For and on behalf of the Board

Place : Chennai
Date : 02.09.2011

Shankarraman Vaidyanathan
Chairman & Managing Director

Annexure 3

ESOP Disclosures to be made under Clause 12.1 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

| | | |
|--------|--|--|
| 1. | Number of Options granted | 968,020 |
| 2. | Pricing Formula | Latest available closing price on the date of grant on a stock exchange where there is highest trading volume |
| 3. | Number of Options vested and Exercisable | 54,770 |
| 4. | Number of Options exercised | 13,730 |
| 5. | Total number of shares arising out of exercise of Options | 13,730 |
| 6. | Number of Options lapsed | 913,250 |
| 7. | Variation in the terms of the Options | Not Applicable |
| 8. | Money realized by exercise of Options | Rs.1,098,400 |
| 9. | Total number of Options in force | 41040 |
| 10. | Employee wise details of options granted | The Company has not grated any options during the current financial year. |
| 11. | Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS - 20) Earnings Per Share | (40.21) |
| 12. a. | Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. | <div>The Company has used the intrinsic value method of accounting. had it used the Fair Value Method following would be the impact.</div> <div><div>Rs.</div><div>(1,088,771,492)</div><div>Net Income as reported</div><div>Add Intrinsic value compensation cost</div><div>Less Fair value compensation cost</div><div>Adjusted proforma Net Income</div><div>(1,088,771,492)</div></div> |
| 12. b. | The impact of this difference on profits and on EPS of the company shall also be disclosed. | Nil |
| 13. a. | Weighted average exercise prices for options whose exercise price - <div>i. equals market price</div> <div>ii. exceeds market price</div> <div>iii. is less than market price</div> | The Company has not granted any options during the current Financial year |

Quintegra Solutions Limited

| | | |
|--------|---|---|
| 13. b. | Weighted fair values for options whose exercise price - i. equals market price ii. exceeds market price iii. is less than market price | The Company has not granted any options during the current Financial year |
| 14. | A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: i. risk free rate ii. expected life iii. expected volatility iv. expected dividends and v. the price of the underlying share in the market at the time of option grant. | The Company has not granted any options during the current Financial year |

By order of the Board

Place : Chennai
Date : 02.09.2011

Shankarraman Vaidyanathan
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(Pursuant to Clause 49 of the Listing Agreement)

1. OVERVIEW

Quintegra Solutions Limited (Quintegra) is an IT services and consulting company delivering services through innovative and customized solutions. With over 17 years of experience, Quintegra provides a wide range of IT services to industries like financial services, manufacturing, education, healthcare and hi-technology. It delivers a range of service offerings covering the software services spectrum of application development and maintenance, product services, testing and professional services. Quintegra has earned a track record of best value services provider. With headquarters in Chennai - India, Quintegra operates across the globe. The Company is ISO 9001:2008 certified.

2. INDUSTRY STRUCTURE AND DEVELOPMENTS

NASSCOM, the premier trade body and 'voice' of the Indian IT-BPO industry, has released the findings of 'NASSCOM Software Product Study: Outlook for Indian Software Product Businesses'. Some of highlights of the report are :

- Indian software product businesses are now approaching an inflection point in their evolution. The next decade will be a period of disruptive growth for this segment, with the annual revenue aggregate of Indian software product businesses forecast to grow from USD 1.4 billion in FY2008 to USD 9.5 to 12 billion by FY2015.
- Market: over the past two decades, India has emerged as a global hub for product research and development (R&D) activity, especially in the technology industry. Today, there are over 600 multinational companies (MNCs) undertaking product R&D in their subsidiaries in India
- Accelerating growth: over the past 3 years, the annual revenue aggregate of Indian software product businesses has grown at around 44 per cent. Leading Indian software product firms have strengthened their product portfolio through steady investments in organic growth as well as through overseas acquisitions, and have reached credible business scale
- Broadening industry base: Of the existing 371 software product start-ups since 2001, over two-thirds have been formed in the past three years - of which ~100 companies have started their operations in 2007 alone. As a result, while the top 10 companies still dominate, accounting for 84 per cent of the segment revenues, there are over 200 mid-sized companies and start-ups that have started generating revenues and are contributing to its growth

- Growing market - India is forecast to be the world's fastest growing IT market over the next few years, with its share of the global software market growing threefold by 2015. Increasing IT penetration across small and medium businesses (SMBs) and the government/public sector are likely to be the key drivers of this growth. Estimated SMB share of domestic IT spending is forecast to grow from 38 per cent, currently, to over 50 per cent by 2015

Quintegra, being a part of this industry, is trying to adopt new strategies to provide improved and simplified solutions with increased process capabilities and additional value to its clients. Quintegra is also focusing on customer satisfaction by closely interacting with the customers and narrowing the gaps between them.

3. OPPORTUNITIES AND THREATS

The competitive advantages of the Indian software industry are i) availability of a large number of professionals who speak English, hopefully reasonably understandable ii) the second largest manpower or talent pool available after the United States, iii) average wage structure for Indian software professionals which is only 20-25% of the corresponding wages in US. Indian software companies have also been very proactive in accepting, embracing, and practising state of the art methodologies and processes; in investing heavily in tools, technology, and infrastructure; in reducing time to market as well as cost; and in improving quality, productivity, and response time. These qualities certainly have been recognised by several countries today including the US, the UK, and Germany. Other countries have also started recognising Indian talents.

While each organisation is unique, any organisation, in its day-to-day operations, is likely to encounter a limited subset of threat agents responsible for nearly all successful and attempted intrusions against the organisation's infrastructures. These threat agents include insiders, industrial espionage and organised crime and structured and unstructured hackers. Threats are not limited to financial fraud alone and there could be cases of intellectual property theft too.

Quintegra is no exception to the threats faced by IT sectors in general. The investments in acquisitions had not yielded expected results. However, the Company takes steps to re-evaluate and re-align the Company's policies and work patterns and thereby make a sincere and productive attempt to make use of the opportunities available, mitigate the threats and revive the Company.

4. SEGMENT WISE OR PRODUCT WISE PERFORMANCE

In 2010-11, the break-up of revenues among Quintegra's domains were as follows:

(Rs. lacs)

| | 2010-11 | |
|--------------------------|--------------|------------|
| | Consolidated | Standalone |
| BFSI | 516.15 | 516.15 |
| QASS | 471.67 | 409.93 |
| Other emerging verticals | 780.60 | 780.60 |
| Total | 1768.42 | 1706.68 |

5. OUTLOOK

Over the years, the Indian IT-BPO industry has matured from offering non-core activities. However, there is a huge global market that is yet untapped. In the future, the industry is expected to generate an increasing share of revenues from the emerging segments such as Small Medium Business (SMB), engineering and infrastructure management by offering cost-effective delivery options such as pay-per-use and outcome based pricing models, said Dun & Bradstreet. Following is the Indian IT-BPO industry outlook for 2011 from Dun & Bradstreet:

Consolidation activity is likely to pick up: The Indian IT-BPO industry is expected to adopt the inorganic growth route in order to widen their service offerings and enter new geographical markets

Cloud computing will be the next big wave for Indian IT-BPO industry: Cloud computing is expected to reshape the Indian IT market by generating new opportunities for the IT vendors and driving changes in traditional IT offerings.

Remote Infrastructure Management Services (RIMS) is set to emerge as a promising opportunity: RIMS is touted to be a big market for Indian IT companies in the near future. The IMS segment is progressively moving towards a remote delivery model where services are delivered by vendors and captives from low-cost locations

Small and Medium Business's (SMB) are expected to emerge as a significant market: Indian SMB's have realised the long-term benefits of IT implementation in terms of increased productivity and are increasingly adopting IT solutions

Increased government IT spending will spur growth in the domestic market: Service providers are also expected to sharpen their focus on the domestic market to tap the imminent growth opportunities offered by the booming Indian economy. The rapid growth in the domestic market is likely to be driven by major government initiatives such as increased spending on e-Governance and increased thrust on technology adoption/up-gradation across various government departments to bridge the gap of digital divide.

Shift in focus from BFSI vertical to other emerging verticals: The BFSI vertical has been the mainstay of the Indian IT-BPO industry. However, it was one of the worst hit segments due to the impact of global financial crisis.

Diversifying from core geographic markets: Indian IT-BPO companies are expected to diversify their business from core markets such as the US and UK as these markets were adversely affected by the global financial crisis leading to a decline in their overall IT spends.

Ceasing of tax benefits for STPI (Software Technology Parks of India) impacts small players: STPI have played a vital role in fostering growth of the Indian IT-BPO industry. The uncertainty ruling over continuation of tax holiday after Mar 2011 could slow down future expansion proposals. Large companies would be able to alleviate the tax burden arising from the expiry of tax holiday by moving into SEZs. However, small companies, which form the bulk of the companies registered with STPI, will find it hard to survive, as they are still struggling post-global recession and do not have the financial resources to face this challenge.

Quintegra is set to develop domain expertise, improve efficiency and productivity and customise the product to enhance client satisfaction. To achieve this the company attempts to follow cost reduction and cost effective methods and evolve India-centric pricing models and demonstrate greater flexibility in retaining existing business ventures.

6. RISKS AND CONCERNS

Presently Cloud computing is a new dimension added to other risks like, security threats from insiders, employees attrition, competitors, data security etc. Cloud computing is a model for enabling omnipresent, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction. Because of cost savings through Capex, cloud adoption rate is increasing slowly, but companies should be preparing their IT risk management programs to support the technology when it is implemented. Data security should be receiving the most attention. Currently, cloud adoption revolves mainly around Software-as-a-Service. The need for improved data loss prevention will be most important once more organizations utilize hosted infrastructures and platforms. Companies that take the necessary steps now will be better prepared for when that day comes. It is also stated that data security should be the top consideration when migrating company data to a cloud-based solution. Security professionals must take data encryption, data segregation and access control, among other measures, into account.

The Company believes in risk management processes and adopt positive steps to mitigate risks related to various segments. Various measures - such as risk identification, assessment of its impact, use of appropriate measures- are employed.

7. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Quintegra has an effective internal control mechanism and processes comprising of budgetary control, policies and procedures in place for the smooth conduct of its businesses. The auditors have access to all records and information about the Company. This ensures adequacy of internal control systems and their adherence to management policies & statutory requirements. The Company has an Audit Committee which follows up corrective actions and interacts with statutory auditors. The Board oversees the effective governance through competent management, implementation of standard policies and processes, maintenance of an appropriate audit program & internal control environment, effective risk monitoring; and management information systems.

8. FINANCIAL PERFORMANCE

The financial statements are prepared in compliance with the requirements of Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) followed in India. The management of Quintegra accepts the responsibility for the integrity and objectivity of these financial statements and the basis for various estimates and the judgment used in preparing the financial statements.

9. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

Company strongly believes that human resources are the key to its success. Quintegra's HR strategy is designed and updated from time to time to adapt the changes in the environment. Company's philosophy is to hire best talents and impart necessary training not only to cater the needs of the clients but also to handle new trends in technology. Our priority is to ensure uncompromising quality, service levels and productivity of our employees. Continuous performance reviews result in retaining the right person for the right job. Recognition of Performers through rewards / promotion is a continuous process. This adds immense value by enhancing the overall adaptive capacity of the organisation.

Quintegra Solutions Limited

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Quintegra Solutions Limited (Quintegra) has been committed to the highest standards of quality and business integrity. The Company strongly believes in adhering to sound principles of corporate governance through corporate fairness, transparency, accountability and professionalism. Quintegra follows best corporate governance practices with regard to composition of the board, constitution of committees, code of ethics, disclosures, accounting & auditing, information review, risk management, internal controls, compensation packages and statutory compliance. Quintegra is also committed to promote the interests of all stakeholders - customers, shareholders, employees, lenders, vendors and the Government. The Board empowers responsible professionals to act freely within its broad policies and guidelines and has set up adequate review processes.

2. BOARD OF DIRECTORS

a) Composition

The present Board comprises of optimum combination of Executive and Non Executive Directors as follows:

Promoter and Executive Director (incl. Chairman) - 2

Non executive independent director - 3

| S. No. | Name of the Director | Category | *Other directorship | Other Committee membership | No of Shares held in the Company |
|--------|--|-------------------------------------|---------------------|----------------------------|----------------------------------|
| 1. | Mr Shankarraman Vaidyanathan (Chairman & MD) | Promoter/ Executive Director | 6 | – | 2707322 |
| 2. | Mr V Sriraman (Wholetime Director) | Promoter/ Executive Director | 1 | – | 52000 |
| 3. | Mr Meleveetil Padmanabhan | Non Executive/ Independent Director | 2 | 2 | – |
| 4. | Mr R Kalyanaraman | Non Executive/ Independent Director | 1 | – | – |
| 5. | Mr G Venkatarajulu | Non Executive/ Independent Director | 2 | – | – |

**does not include companies incorporated outside India. Mr Shankarraman Vaidyanathan and Mr V Sriraman are brothers. No other inter-se relationship among directors.*

Brief resume, nature of expertise, other directorship and committee membership of the Director who is being reappointed at the ensuing Annual General Meeting are given in the Annexure to AGM Notice.

b) Board Procedure

The Board Meetings are pre-planned. Minimum one board meeting per quarter is held. Additional meetings are convened depending on the requirements. Board Notice with agenda together with necessary papers are circulated to the Directors in advance for study and active participation. In case of business exigencies or urgency of matters resolutions are passed by circulation.

c) Board Meetings

The Board met 5 times during the financial year on 28.4.2010, 30.7.2010, 2.9.2010, 29.10.2010 and 31.1.2011. The attendance of the Directors at the Board Meeting and the last AGM are given below:

| S. No | Name of the Director | Attendance | | |
|-------|------------------------------|----------------|----------|--------------|
| | | Board Meetings | | Last |
| | | Held | Attended | AGM Attended |
| 1. | Mr Shankarraman Vaidyanathan | 5 | 5 | Yes |
| 2. | Mr V Sriraman | 5 | 5 | Yes |
| 3. | Mr Meleveetil Padmanabhan | 5 | 5 | Yes |
| 4. | Mr R Kalyanaraman | 5 | 5 | Yes |
| 5. | Mr G Venkatarajulu | 5 | 5 | No |

3. BOARD COMMITTEES

The Board has set up following Committees as per the requirement of the Corporate Governance.

i) Audit Committee

a) Composition

The Company has a qualified and Independent Audit Committee. The present Committee consists of 3 members, out of which two being non-executive/ independent Directors.

| S. No | Name of the Member | Category | Present Position |
|-------|---------------------------|----------------------------|------------------|
| 1. | Mr Meleveetil Padmanabhan | Non Executive/ Independent | Chairman |
| 2. | Mr R Kalyanaraman | Non Executive/ Independent | Member |
| 3. | Mr V Sriraman | Executive/Non Independent | Member |

All the members have financial and accounting knowledge and two of them have specialized in finance.

b) Role

The role of the Audit Committee, in brief, includes a review of financial reporting process and quarterly financial statements, internal controls and internal audit system, accounting policies and practices, management