

Virinchi
Consultants Limited

Virinchi Consultants Limited



13th
Annual Report
2001-2002

Board of Directors**Managing Director**

Shri K.Viswanath

Directors

Datuk Santha Kumar S.
 Shri Kunasingam Sittampalam
 Shri KVS.N.Kumar
 Shri A.P.Srinivas
 Shri C.Rajasekhar Reddy
 Shri. K S K Prasad
 Shri Jagadish K.Rao
 Shri Ermanno Traverso
 Shri V. Premchand Krishna Rao

Bankers

Canara Bank, Overseas Branch, Hyderabad
 Global Trust Bank Limited, Secunderabad
 ICICI Bank Limited, Hyderabad
 Indian Overseas Bank, Secunderabad
 Bank of Baroda, Hyderabad

Auditors

M/s. Mogili Sridhar & Co.,
 Chartered Accountants
 6-3-655/2/3, 1st Floor,
 Somajiguda,
 Hyderabad - 500 082.

Registrars & Share Transfer Agents

M/s Aarthi Consultants Pvt.Ltd.,
 1-2-285, Domalguda,
 Hyderabad - 500 029

Shareholder's Information**Registered Office and Development Centre:**

10, SRK Colony,
 West Maredpally,
 Secunderabad - 500 026

Corporate Office :

A-1, 3rd Floor, Surabhi Plaza,
 Vikrampur Colony,
 Secunderabad - 500 009

Listing

The Hyderabad Stock Exchange Ltd., Hyd.
 The Stock Exchange , Mumbai

Book Closure

26.09.2002 to 30.09.2002 (both days
 inclusive)

Date, Time and Venue of AGM

30.09.2002 , 11 a.m.
 at Padmashali Kalyana Mandapam,
 2-12-66, Nehru Nagar,
 West Maredpally, Secunderabad - 26.
 Andhra Pradesh

NOTICE

NOTICE is hereby given that the 13th Annual General Meeting of the Members of the Company will be held on Monday the 30th day of September, 2002, at 11 a.m. at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Mardepally, Secunderabad - 500 026, A.P. to transact the following Business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002, Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Datuk Santha Kumar S who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr.C.Rajasekhar Reddy who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr.Jagadish K.Rao who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditor and fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Sri.V. Premchand Krishna Rao who was appointed as an Additional Director of the company by the Board, who ceases to hold office under section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company".

7. To consider and if thought fit to pass with or without modification, the following Resolution as an Special Resolution:

"RESOLVED that pursuant to the provisions of Section 31 of the Companies Act, 1956 the following Article shall be inserted in the Articles of Association of the Company as Article No.76A

"76A: The Company shall have the power to hold Board or Committee meetings through the means of video or tele-conferencing, and also allow Directors to participate in the Board of Committee meetings through the means of video or tele-conferencing, subject to the applicable provisions, if any, of the Act and other regulatory provisions, if any, and all relevant articles dealing with Board or committee meetings shall be read mutatis mutandis".

8. To consider and if thought fit to pass with or without modification(s) the following resolution as Ordinary resolution :

"RESOLVED THAT pursuant to the provisions of Section 198,269,309,310,311 and read with Schedule XIII and other applicable provisions if any of the Companies Act 1956 as amended, consent of the company be and is hereby accorded to modify/alter the managerial remuneration of Sri .K.Viswanath, Managing Director, with effect from 1st April, 2002, for the remaining tenure of his appointment i.e from 1st April, 2002 to 31st March, 2005, as detailed below :

- a. Salary of Rs. 60,000/- per month which is inclusive of Dearness Allowance and all other allowances not otherwise specified herein.
- b. In addition, the Managing Director will be entitled to the following:

Perquisites as under:

1. Rent free accommodation :

Rent-free accommodation will be provided. In case no accommodation is provided by the company, house rent allowance @ 60% of the salary shall be paid. In addition, the appointee shall be allowed free use of the company owned furniture and other consumable durables, if required.

2. Conveyance : A fixed conveyance allowance of Rs. 5,000/- p.m.
3. Provision of telephone at residence for official purpose.
4. Encashment of leave at the end of the tenure.
5. Gratuity not exceeding half a month's salary for each completed year of service.

"RESOLVED FURTHER that in pursuance of the provisions of Section 198 (4) read with Schedule XIII to the Companies Act, 1956 where in any financial year the company incurs loss or its profits are inadequate, the salary, perquisites and allowances as specified above be paid as minimum remuneration to Sri.K.Viswanath, Managing Director."

BY ORDER OF THE BOARD OF DIRECTORS
for **VIRINCHI CONSULTANTS LIMITED**

(K.VISWANATH)
MANAGING DIRECTOR

PLACE : HYDERABAD

DATE : 17th AUGUST, 2002

NOTES

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER.
- b) PROXIES IN ORDER TO BE EFFECTIVE MUST BE FILED WITH THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
- c) THE RELATIVE EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS SET OUT ABOVE, AS REQUIRED BY SEC.173 (2) OF THE COMPANIES ACT, 1956 IS ANNEXED HERETO.
- d) THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 26TH SEPTEMBER, 2002 TO 30TH SEPTEMBER, 2002 (BOTH DAYS INCLUSIVE) IN CONNECTION WITH THE ANNUAL GENERAL MEETING.
- e) THE MEMBERS ARE REQUESTED TO INTIMATE PROMPTLY ANY CHANGE IN THEIR ADDRESS TO THE SHARE TRANSFER AGENTS OF THE COMPANY M/S.AARTHI CONSULTANTS PRIVATE LIMITED, 1-2-285, DOMALGUDA, HYDERABAD - 500 029.

**ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENT**

Pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 6

Sri.Premchand Krishna Rao was co-opted as Additional Director. As per the provisions of Section 260 of the Companies Act, 1956, he ceases to be Director at the ensuing Annual General Meeting. As required by Section 257 of the said Act, Notice along with a Deposit of Rs.500/- has been received from Members signifying intention to propose the appointment of Sri.Premchand Krishna Rao as Director of the company.

The Board considers it desirable that the company should continue to avail itself of his services.

None of the Directors except Sri.Premchand Krishna Rao is interested in the Resolution.

Item No.7.

The Information Technology (IT) Act,2000 recognizes Communications in digital or electronic form and holding of Board or Committee meetings through electronic means are permissible under the IT Act. It is contemplated that necessary amendments to the Companies Act,1956 and regulatory provisions may be introduced to facilitate conduct of Board or Committee Meetings through electronic means i.e., video or tele-conferencing. Your Directors felt that conduct of Board or Committee meetings through video or tele-conferencing will facilitate increase in frequency of meetings and participation of Directors from any where. This amendment to Articles of Association shall come into force upon notification of necessary amendments to the Companies Act,1956 and/or necessary clarifications from the Government of India.

None of the Directors is interested or concerned in the proposed Resolution.

ITEM NO:8

Sri.K.Viswanath was appointed as Managing Director on 1st April,2000 on terms and conditions which were approved by the members in the Extra-Ordinary General meeting held on 27th April, 2000. Thereafter, the Board of Directors in their meeting held on 29.04.2002 have decided to modify the structure of the remuneration and also provide for payment of minimum remuneration to him, with effect from 1st April, 2002, for the remaining tenure of his appointment i.e from 1st April, 2002 to 31st March, 2005.

The approval of the members is required for the change in the structure of the managerial remuneration and for payment of minimum remuneration to Sri. K. Viswanath, Managing Director, since it amounts to modification in the terms of remuneration payable to him.

The Board recommends the resolution to shareholders for approval.

The Explanatory statement together with the accompanying notice may be treated as an abstract of the terms of remuneration payable to Sri K.Viswanath pursuant to section 302 of the Companies Act 1956.

No other Director is directly or indirectly concerned or interested in the resolution except Sri.K.Viswanath.

ADDITIONAL INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:

As required under the Listing Agreement, the particulars of Directors who are proposed to be appointed/re-appointed are given below:

1. Datuk Santha Kumar S.

Datuk S. Santhakumar, aged 46 years is the Executive Director of HSS Integrated Sdn Bhd. He holds a Bachelor of Science (Hons), Civil from Brighton Polytechnic, (1978), and a Master of Science, Highway and Traffic, Engineering, University of Birmingham (1979). In addition, he has attended Road Conferences overseas. He is also a Fellow of the Institution of Engineers, Malaysia, a registered Professional Engineer, Malaysia and member of the Malaysia Institution of Directors. Presently, he also sits on the Board of Feedback Ventures Private Limited, India and Feedback HSS-Integrated Private Limited, India. He is also the director of HSS Intesys Sdn. Bhd, the IT subsidiary of HSS Integrated Group, providing value added services in engineering software, planning and scheduling work. At HSS Integrated, Datuk S. Santhakumar has been Project Director involved in overall project planning and implementation of projects, which include among others, improvements to Federal Highway Route II from Subang to Shah Alam for PLUS, LRT 2 System for PUTRA Sdn Bhd, Expenses Rail Link from Kuala Lumpur to KLIA for ERL Sdn Bhd, West Coast Highway for Talam-Larut Construction, Dedicated Highway Project for Konsortium Lapangan Terjaya Sdn Bhd, Sewerage projects implemented by Indah Water Sdn Bhd and the Central Link Expressway for ELITE Sdn Bhd.

2. Sri. C.Rajasekhar Reddy

Mr. Reddy aged 36 years is a Civil Engineer with double Masters degrees in Town and Country Planning and in Management. He had earlier worked with Roads & Buildings Dept., Govt. of A.P. He has considerable experience in Planning and Project Management activities. Mr. Reddy looks after the Quality and Human Resources Divisions of Virinchi.

3. Sri. Jagadish K.Rao

Mr. Jagadish K. Rao aged 41 years has earned his Masters degree in Electrical Engineering from University of North Carolina, USA. He founded Future Integrated Systems (FIS) in June 1994, Located in San Jose, CA, USA. Mr. Rao served as the Board of Director of FIS. He was instrumental in building the Company, its excellent technical and business team. FIS was acquired by National Semiconductor Corporation, USA and in this Mr. Rao was managing a group involved in the architecture and development of 'PC on Chip'. Mr. Rao was also managing a design group at Cirrus Logic, a leader in providing single chip disk controller for the Hard Disk Industry. He was also responsible for multiple business relations with various international and US Companies, like NEC Japan, OKI Japan, Fujitsu Japan, ITE Taiwan, Elpine Systems USA, Number Nine USA, NEC USA. Overall Mr. Rao's 17 years of US experience in high technology industry covers both business and project management experience.

4. Sri.V.Premchand Krishna Rao

Mr.V.K.Premchand, aged 56 holds a Master's Degree in Computer Science from University of California, Berkeley, USA. He is the founder Chairman and Managing Director of Frontier Information Technologies Limited (FITL), one of the pioneers in Software Development in India. Mr.V.K.Premchand has rich experience of over 30 years of experience in the IT industry both in India and abroad.

DIRECTOR'S REPORT

To,
The Members,

The Directors have pleasure in presenting you the 13th Annual Report together with the Audited Accounts of the company for the year ended 31st March, 2002.

PERFORMANCE / FINANCIAL RESULTS OF THE COMPANY

	(Amount in Lakhs)	
	2001-2002	2000-2001
Total Income	425.37	548.34
Profit before interest, depreciation and tax	162.46	174.02
Interest	3.64	12.24
Depreciation	90.38	54.59
Provision for Taxation	—	—
Profit after tax & depreciation	68.44	107.19
Balance brought forward	166.99	59.79
Balance carried to Balance Sheet	235.43	166.99

Virinchi is committed to quality and has obtained ISO 9001 certificate of approval from Lloyd's Register Quality Assurance to the Quality Management System Standards : BS EN ISO 9001:1994 IS/ISO 9001:1994 for Designing and Developing B2B Collaboration Solutions for Digital Commerce.

Apart from the Registered office of the Company, Virinchi has set up state of art development center at Secunderabad and a Corporate Office at Secunderabad. Virinchi has set up international branch offices at Fremont, California, USA and Kuala Lumpur, Malaysia.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT :

Pursuant to Clause 49 of the Listing Agreement, a Management Analysis Report is given below:

A. INDUSTRY BACKDROP AND COMPANY OUTLOOK

During the entire financial year of 2001, there has been a considerable slow down in the World Economy in general and Information Technology sector in the particular. Several incidents that occurred in the US have had a direct negative impact on the world economy and the IT spend was on the decline considerably. The IT budgets have been cut down drastically in many of the sectors and are under close scrutiny. Despite these depressing conditions your company managed to survive the recessionary on-slaught and was able to strike business with new clients in Europe and the South-East Asia.

The scenario in the E-Commerce segment in which your company has presence as an IT products and services vendor, had remained very dynamic throughout the year with the emphasis shifting rapidly from one area to the other and requiring companies to adopt suitable business strategies to survive. While CRM products, private exchanges and e-

procurement solutions have moved to the forefront during the course of the year, Public market places took the back burner.

However, the potential of your company is quite large as it has developed products to build "Private Exchange" which enables migration of Business Processes of large companies on to Internet and these products have huge demand in the International market.

Your company is uniquely positioned as both "Products and Services" company thus having the potential to leverage the strengths of Products sales and services revenue

Your company had successfully implemented a private exchange for a European client this year and is now all set to make a license sale. The response from Europe has been very encouraging and it is expected to be the main focus area in the coming fiscal year too. Your company has also made good in roads in India and Malaysia with respect to its product implementations and these initial implementations would lead to several openings in the near future as is true for any products company.

A report released by Aberdeen, an IT market analysis and positioning services firm, strongly confirms the interest of the fortune 100 companies besides a lot of other large companies in Private Exchanges in Europe. The increasing tendency of various organizations for cutting process costs and holding costs is likely to generate good demand for your company's products.

During the year your company earned an ISO 9001 certification from Lloyd's register which distinction helped in striking business relationships with the clients. Plans are being chalked out for higher levels of quality certification in the near future.

On the services side your company is well positioned to cater to the needs of IT industry to deliver custom made solutions. Your company has added few customers during the financial year 2001 in Europe and Asia Pacific and hopes to add several more in the future from the same markets as well as the US market.

Further, there is a strong belief that India will emerge as the IT out-sourcing destination for the world. It is our belief that we as an Indian company with qualified professionals, high quality and service levels could deliver the same products and services and could offer proposition of value for money to the customers.

B. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The company has adequate internal control systems commensurate with the size of its operations and for the purpose of exercising adequate controls on the day-to-day operations. Systems are regularly reviewed to ensure effectiveness.

C. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS:

Human resource development is a primary area of focus for the Company. The company recruited senior level and other functional specialists during the year. The Human relations in the organisation have been cordial. The total number of persons employed in the company as on 31st March 2002 were 62.

DEMATERIALISATION OF EQUITY SHARES

Your company has signed agreements with Central Depository Services (India) Limited and National Security Depository Limited for the dematerialisation of its equity shares in accordance with the provisions of listing agreement with stock exchanges. With this, the members have the option / discretion to hold their shares in the dematerialisation format.

COMPLIANCE OF CODE OF CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given as Annexure 'A' to this Report.

PROJECTIONS VS.PERFORMANCE

(pursuant to Clause 43 of the Listing Agreement)

Particulars	Rupees in Lakhs	
	Projections (as per the Prospectus)	Performance As on 31.3.2002
Income	3025.00	425.37
Net Profit	1084.00	68.44
EPS	9.03	(0.16) (after deferred tax)

ADDITIONAL INFORMATION AS REQUIRED U/S 217(1)(e) OF THE COMPANIES ACT, 1956

(a) Conservation of Energy

Company's operation require electrical energy for its use in air conditioning the premises, for power supply to computer systems and lighting which are not energy intensive. However, adequate measures have been taken to reduce energy consumption, wherever possible. As energy cost forms a small part of total costs, the impact on costs is not material

(b) (i) Technology Absorption, adaptation and innovation:

Your company will continue to focus and invest in its R & D activities in software engineering, technologies and products. Your company leverages its excellence in technology for producing World Class Products and solutions. The continual exposure to new technologies has helped maintain high motivation levels in employees and to generate higher levels of productivity, efficiency and quality.

(ii) Research and Development (R & D):

Your company continues to give due importance to research and development to maintain its leadership in the field of leading edge technologies.

(c) Foreign exchange earnings:

Rs.413.72 Lakhs towards Export of Software

(d) Foreign exchange out go:

Rs. 56.97 lakhs towards Foreign Travel , Rs.6.56 Lakhs towards Import of Equipment's and Rs. 5.00 Lakhs towards advances