

Virinchi
Consultants Limited

Virinchi Consultants Limited

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14th
Annual Report
2002-2003

Board of Directors**Chairman & Managing Director**

Shri K.Viswanath

Directors

Datuk Santha Kumar S.
 Shri Kunasingam Sittampalam
 Shri KVS.N.Kumar
 Shri A.P.Srinivas
 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,
 Somajiguda,
 Hyderabad - 500 082.

Registrars & Share Transfer Agents

M/s Aarthi Consultants Pvt.Ltd.,
 1-2-285, Domalguda,
 Hyderabad - 500 029
 Ph Nos. 27634445,27638111
 Fax No.27632184

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

10, SRK Colony,
 West Marredpally,
 Secunderabad - 500 026
 Ph Nos.27803608, 27803610
 Fax No.27803612

Corporate Office :

A-1, 3rd Floor, Surabhi Plaza,
 Virkrampuri Colony,
 Secunderabad - 500 009
 Ph Nos. 27890662-65
 Fax No.27890669

Listing

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

Book Closure

23.09.2003 to 26.09.2003 (both days
 inclusive)

Date, Time and Venue of AGM

26.09.2003 , 11.00 A.M.
 at Padmashali Kalyana Mandapam,
 2-12-66,Nehru Nagar, West
 Mardepally, Secunderabad - 26

NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of the Members of the Company will be held on Friday, the 26th day of September, 2003, at 11.00 A.M. at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Mardepally, Secunderabad - 500 026 to transact the following Business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003, 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 Mr. K.S.K.Prasad who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. KVS.N. Kumar who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Ermano Traverso who retires by rotation and being eligible offers himself for reappointment.
5. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

"WHEREAS a Special Notice has been received pursuant to Section 225(1) of the Companies Act, 1956 from Shareholder for the appointment of M/s P.Murali & Co., Chartered Accountants, in place of the retiring Auditors, namely M/s Mogili Sridhar & Co., Chartered Accountants.

NOW THEREFORE IT IS RESOLVED that M/s P.Murali & Co., Chartered Accountants, Hyderabad be and are hereby appointed as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at remuneration as may be decided by the Board of Directors of the Company."

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification the following Resolution as a Special Resolution:
"RESOLVED that pursuant to Section 17 (1) of the Companies Act, 1956 and other applicable provisions of the Act, if any, the Objects Clause IIIA (Main Objects) of the Memorandum of Association of the Company be and is hereby altered by inserting the following New Objects 3 and 4 renumbered accordingly:
3. To carry on the business of research and development, design, production, creation, manufacturing, marketing, trading, providing, transferring exporting, importing, buying and selling all types of Computer Software Technology including, applications software, development software, computer programs, algorithms, statements, source codes, packages etc., in areas like e-commerce, web page design and development, web enabled applications, Internet services, Intranet, Enterprise Wide Resource Planning (ERP), Data Base Management Systems, Operating Systems, Distributed Computing, Open Systems, Multi Media, Computer Aided Designing (CAD), Computer Aided Manufacturing (CAM, Computer Graphics, Computer Animation, Document Management Systems, Management Information Systems, Bio informatics, Mobile Communication, Mobile Commerce and all such areas relevant to Scientific, Financial, Industrial, Telecommunications, Satellite Communications, Domestic, Administrative, Agricultural, Medical and all other Software Technology applications.
4. To establish and run business of electronic data processing, Remote Processing including Call Centers, Medical Transcription, Content Development, Insurance Claims Processing, Data Conversion, Back Office Operations, Depositing Summary Geographical Information, Systems, and to provide Software Technology Consultancy, training placement, design and development of management information systems and to carry out techno economic feasibility studies of projects.

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

"RESOLVED that subject to the approval of Central Government Under Section 21 of the Companies Act, 1956 the name of the company be changed from M/s VIRINCHI CONSULTANTS LIMITED to M/s VIRINCHI TECHNOLOGIES LIMITED and accordingly the name M/s VIRINCHI CONSULTANTS LIMITED wherever it appears in the Memorandum and Articles of Association of the Company be substituted by the name M/s VIRINCHI TECHNOLOGIES LIMITED."

BY ORDER OF THE BOARD OF DIRECTORS
for VIRINCHI CONSULTANTS LIMITED

PLACE : HYDERABAD
DATE : 22nd AUGUST, 2003

K.VISWANATH
CHAIRMAN & MANAGING DIRECTOR

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 23RD SEPTEMBER, 2003 TO 26TH SEPTEMBER, 2003 (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.
- f) MEMBERS DESIROUS OF OBTAINING ANY INFORMATION ON THE ANNUAL ACCOUNTS OF THE COMPANY ARE REQUESTED TO WRITE TO THE COMPANY AT LEAST 7 WORKING DAYS BEFORE THE DATE OF THE MEETING TO ENABLE THE COMPANY FOR COMPILATION OF THE REQUIRED INFORMATION. MEMBERS ARE REQUESTED TO BRING THEIR COPY OF THE ANNUAL REPORT AT THE ENSUING ANNUAL GENERAL MEETING.
- g) ITEM NOS., 6, & 7 I.E., RESOLUTIONS REGARDING a) ALTERATION OF OBJECT CLAUSE OF MEMORANDUM OF ASSOCIATION AND b) CHANGE OF NAME REQUIRES THE CONSENT OF THE SHAREHOLDERS THROUGH POSTAL BALLOT. A POSTAL BALLOT FORM TOGETHER WITH A SELF-ADDRESSED DULY STAMPS AFFIXED ENVELOPE IS ENCLOSED FOR THIS PURPOSE. DULY COMPLETED POSTAL BALLOT FORM SHOULD REACH THE COMPANY NOT LATER THAN THE CLOSE OF WORKING HOURS ON WEDNESDAY, THE 24th SEPTEMBER, 2003. POSTAL BALLOT FORM RECEIVED AFTER THIS DATE WILL BE STRICTLY TREATED AS IF THE REPLY FROM THE MEMBER HAS NOT BEEN RECEIVED.

**ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENT**

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

ITEM NO. 5

The retiring auditors, namely, M/s Mogili Sridhar & Co., have given notice in writing of their unwillingness to be re-appointed and that a Special Notice in terms of Section 190 of the Companies Act, 1956 read with Section 225 of the Act has also been received from Shareholders of the Company for the appointment of new Auditors in place of the retiring auditors M/s Mogili Sridhar & Co., Chartered Accountants. The Company has forthwith communicated to the retiring auditors of the Special Notice and that the retiring auditors have made no representation against the said special notice. A written certificate has been obtained from M/s P.Murali & Co., Chartered Accountants to the effect that in case of their appointment as Auditors of the Company, the appointment will be in accordance with the limits prescribed under Section 224 (1B) of the Act.

Your Directors recommend the Resolution for your approval.

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

ITEM NO.6

In view of encouraging measures taken by the Central Government to liberalize the Economy and in order to diversify into certain new business ventures, Your Directors have been considering various proposals for diversifying the Company's activities into other activities like Software Technology and related activities etc.,. The alteration in the Objects Clause of the Memorandum of Association as set out in the Resolution is to facilitate diversification. This will enable the company to carry on its business economically and efficiently and the proposed activities can be, under the existing circumstances, conveniently and advantageously combined with the present activities of the Company. This will also enlarge the area of operations of the company.

As per the Companies (Amendment) Act, 1996 and as per the Central Government Notification No.GSR 78 (E) dated 15-02-1997 and pursuant Section 17(1) of the Act, the above said proposal requires only the consent of the Members by way of Special Resolution.

The Directors recommend this Resolution for approval of the Shareholders by Postal Ballot.

None of the Directors of your Company is concerned or interested in this Resolution.

ITEM NO. 7

The company is planning to enter into new Technology business ventures like Software Technology and related activities. To reflect the objects in the name of the Company the Board of Directors have decided to change the name of the Company as M/s.VIRINCHI TECHNOLOGIES LIMITED. The Directors trust that this change of name will have the members support and approval.

The Registrar of Companies, Andhra Pradesh has confirmed that the new name is available for registration under section 21 of the Companies Act, 1956 and subject to the resolution being passed, an application will be made to the Central Government for approval to the change of name under section 21 of the Act.

If the change of name is approved, Share Certificates already issued will not be called in only for the purpose of exchange into certificates bearing the new name, but will be so exchanged as and when the existing Certificates come into the possession of the Company and in the meantime the existing Certificates will continue to be accepted for all purposes, as indicating entitlement to shares or debentures stock of the Company.

The Directors recommends that the proposed Special Resolution be passed by the Shareholders by Postal Ballot.

None of the Directors are interested in this Resolution

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 re-appointed are given below:

- | | |
|---------------------|---|
| 1. Name | : Sri. K.S.K. Prasad |
| Age | : 57 years |
| Qualifications | : M. Tech from JNTU, Hyderabad |
| Expertise | : 25 years of work experience with A.P.Dairy Development Corporation Ltd. |
| Other Directorships | : Nil |
| 2. Name | : Sri. K.V.S.N. Kumar |
| Age | : 48 years |
| Qualifications | : Management degree from New Zealand |
| Expertise | : Heading Project Management two Independent Power Projects of Tenaga Nasional Berhad (A Govt. of Malaysia owned Utility) |
| Other Directorships | : 4 (Four) |
| 3. Name | : Sri.Ermanno Traverso |
| Age | : 47 years |
| Qualifications | : Bachelor of Science |
| Expertise | : Over two decades of experience in Project Technical Co-ordination, Contractual Negotiation with Buyer's, Local and International Banks to arrange financial packages. |
| Other Directorships | : Nil |

DIRECTOR'S REPORT

To,
The Members,

The Directors have pleasure in presenting you the 14th Annual Report together with the Audited Accounts of the company for the year ended 31st March, 2003.

PERFORMANCE / FINANCIAL RESULTS OF THE COMPANY

	(Amount in Lakhs)	
	2002-2003	2001-2002
Total Income	559.47	425.37
Profit before interest, depreciation and tax	170.14	162.46
Interest	5.18	3.64
Depreciation	91.15	90.38
Provision for Taxation	2.96	—
Profit after tax & depreciation	70.85	68.44
Deferred Tax Provision	55.48	87.77
Balance brought forward	99.02	166.99
Transitional Provision for Deferred Tax	—	48.64
Balance carried to Balance Sheet	114.39	99.02

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 financial year of 2002-03, despite the slow down in economy, your company has shown top line growth of 31.53% and increase in profit before tax of 7.84%.

The continued on going slow down in the world economy has had direct effect on the IT budgets of all the large companies. There has been a virtual freeze on IT spend which has effected the IT industry. The un-certainty raised by Iraq war and the out break of SARS epidemic added to the slow down in International business in general and Information and Technology industry in particular. Despite these depressing conditions, your company managed to survive the recessionary on-slaught and was able to strike business with new clients in the USA, Europe and the South-East Asia.

There have been few milestones achieved by your company during the financial year 2002-03. Your company made sale of License of its E-business suite of products in Europe and thus has made strides towards becoming an IT Products company from India. It has also added a large American client in its portfolio and is currently a multi client company. It has multiple streams of revenue from product sales, product maintenance and other IT services for balanced future growth. Your company has multiple products in its portfolio comprising E-business suite of products, Mobile Applications and web based project management tools.

The potential of your company is quite large as it has developed valuable Intellectual property of its own over the last few years and the same would leveraged through multiple sales by way of offering licenses of the software to large companies. The software products of your company are ready to use, comply with open standards and enable large Multinational companies to migrate their Busi-

ness Processes on to Internet, while integrating with their Enterprise Applications. These E-business products have huge demand in the International market as all the companies in world, at some point in time must embrace these types of products and your company has the functionality, technology and price advantage compared to its competitors.

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

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, focused on high quality and service levels could deliver our products and services while offering best value for money to our 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 2003 were 84.

DEMATERIALISATION OF EQUITY SHARES

Your company has signed agreements with Central Depository Services (India) Limited and National Security Depository Limited for the dematerialization 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 dematerialization 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)

(Rupees in Lakhs)

Particulars	Projections (as per the Prospectus)	Performance As on 31.3.2003
Income	7020.50	559.47
Net Profit	3106.00	70.85
EPS	25.89	0.59

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.460.03 Lakhs towards Export of Software.
- (d) Foreign exchange out go : Rs.35.56 lakhs towards Foreign Travel and Rs.. 43.90 Lakhs towards expenses.

PARTICULARS OF EMPLOYEES

In pursuance of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Directors are to report that no employee was in receipt of remuneration of Rs.24,00,000/- or more per annum or Rs.2,00,000/- or more per month where employed for a part of the year.

DIRECTORS

In accordance with the provisions of Companies Act,1956, Mr. K.S.K.Prasad, Mr.KVSN Kumar and Mr.Ermanno Traverso retire by rotation at the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment.

Mr. C. Rajasekhara Reddy ceased as Director w.e.f. 30/09/2002.

DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) which was introduced by the Companies (Amendment) Act, 2000 your Directors' confirm that:

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

AUDITORS

M/s. P. Murali & Co., Chartered Accountants, are appointed as Auditors of the company in place of M/s. Mogli Sridhar & Co., Chartered Accountants the retiring Auditors, who expressed their inability to continue as Auditors of the Company.

DEPOSITS

The Company has not accepted any fixed deposits as on 31st March, 2003 so as to attract the provisions of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits Rules) 1975 as amended from time to time.

ACKNOWLEDGEMENTS

The Board wishes to place on record their appreciation of support, co-operation and assistance received from the customers, Central Government authorities, Bankers, shareholders and suppliers. The Board wishes to convey its appreciation of the efforts put in by the company's employees.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
for VIRINCHI CONSULTANTS LIMITED

PLACE : HYDERABAD
DATE : 22nd AUGUST, 2003

K.VISWANATH
CHAIRMAN & MANAGING DIRECTOR

K.S.K. PRASAD
DIRECTOR