

Virinchi
Technologies Limited

Virinchi Technologies Limited
(Formerly Virinchi Consultants Limited)

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15th
Annual Report
2003-2004

Virinchi

Technologies Limited

15th Annual Report

Board of Directors**Chairman & Managing Director**

Mr. K. Viswanath

Directors

Datuk Santha Kumar S.

Datuk Kunasingam Sittampalam

Mr. KVS.N.Kumar

Mr. K S K Prasad

Mr. Jagadeish K.Rao

Mr. Premchand, Krishna Rao

Mr. K. Jagan Mohan Rao

Shareholders' 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,
Vikrampur Colony,
Secunderabad - 500 009
Ph Nos.27890662-65
Fax No.27890669

Canara Bank, Overseas Branch, Hyderabad

Oriental Bank of Commerce

(previously Global Trust Bank Limited, Secunderabad)

ICICI Bank Limited, Hyderabad

Indian Overseas Bank, Secunderabad

Bank of Baroda, Hyderabad

The Hyderabad Stock Exchange Limited

The Stock Exchange, Mumbai

Auditors

M/s. P. Murali & Co.,
Chartered Accountants
6-3-655/2/3,
Somajiguda,
Hyderabad - 500 082.

Book Closure

24.09.2004 to 29.09.2004 (both days
inclusive)

Registrars & Share Transfer Agents

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

Date, Time and Venue of AGM

29.09.2004, 11.00 A.M.
at Padmaswathi Kalyana Mandapam,
2-12-88, Nehru Nagar, West
Marredpally, Secunderabad - 26

NOTICE

NOTICE is hereby given that the 15th Annual General Meeting of the Members of the Company will be held on Wednesday, the 29th day of September, 2004, at 11.00 A.M. at Padmashali Kalyana Mandapam, 2-12-86, Nehru Nagar, West Marredpally, Secunderabad - 500 026 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004, Profit and Loss Account for the financial year ended as on that date and the Report of the Directors and of the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Datuk Santha Kumar who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Datuk Kunasingam Sittampalam who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad 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 and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Sri K. Jagan Mohan Rao who was appointed as an Additional Director of the Company, who holds office under Section 260 of the Companies Act, 1956, up to the date of the ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered as follows:

After Article 7 of the Articles of Association the following new Article 7A shall be inserted, namely:-

Issue/grant of shares/options to employees under Employees Stock Option Schemes:

"7A. Subject to the provisions of these Articles and in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 for the time being in force and any modifications thereof from time to time and Section 79A or other applicable provisions, if any, of the Companies Act, 1956 and of various other laws governing the issue, the company may issue equity shares, and/or equity linked instruments and/or any other instrument or securities or grant options convertible into equity shares under a Scheme or Plan as may be framed in this regard or through a trust set up for this purpose or otherwise to the employees of the company or such other persons entitled thereto".

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

"RESOLVED THAT in accordance with the provisions contained in the Articles of Association of the Company and the provisions of Section 81 (1A) and such other provisions of the Companies Act, 1956 ("the Act") as may be applicable, in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines"), for the time being in force and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee including ESOS Compensation Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution), consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot at any time to or for the benefit of such person (s) who are in permanent employment of the Company, including Directors of the Company, whether whole time or not, whether working in India or out of India under a Scheme titled "VIRINCHI EMPLOYEE STOCK OPTION SCHEME" (hereinafter referred to as the "VESOS") or such other name as may deem proper, such number of equity shares and/or equity linked instruments (including Options) and/or any other instrument or securities (hereinafter collectively referred to as "Securities") of the Company which may result into the issue of equity shares not exceeding 10% of the paid-up capital of the company of the face value of Rs. 10/- each, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the applicable provisions of the law or guidelines as may be prevailing at that time.

RESOLVED FURTHER THAT the said Securities may be allotted directly to such employees/directors or in accordance with a Scheme framed in that behalf or through a trust which may be setup in any permissible manner and that the scheme may also envisage for providing any financial assistance to the employees or to the trust to enable the employee/trust to acquire, purchase or subscribe to the securities of the Company.

RESOLVED FURTHER THAT the new Equity Shares to be issued and allotted by the Company in the manner aforesaid shall rank pari passu in all respects with the then existing Equity Shares of the Company, except that they shall be entitled for dividend on pro-rata basis from the date of allotment till the end of the relevant financial year in which the new Equity Shares are allotted.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Securities, the Board be and is hereby authorised on behalf of the Company to evolve, decide upon and bring into effect the Scheme and make any modifications, changes, variations, alterations or revisions in the said Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company."

BY ORDER OF THE BOARD

PLACE : HYDERABAD
DATE : 25-08-2004

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 of the company. Proxies in order to be effective must be filed with the company not later than 48 hours before the commencement of the meeting.
- b) The relevant 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.
- c) The Register of Members / Register of Beneficiaries and Share Transfer books of the Company will remain closed from 24th September, 2004 to 29th September, 2004 (both days inclusive).
- d) Dividend, if declared, will be paid to those shareholders, whose names appear on the Company's Register of Members as on 29th September, 2004. Dividend Warrants are scheduled to be posted on or after 4th October, 2004. Dividend Warrant is valid for payment by the Company's Bankers for Three Months from the date of issue. Thereafter, please contact our share registrars, M/s. Aarthi Consultants Pvt Ltd, 1-2-285, Domalguda, Hyderabad -500029 for revalidation of the warrants.

You are advised to encash your dividend warrants immediately as the dividend amount remaining unclaimed / unpaid at the expiry of 7 years from the date that becomes due for payment are required to be transferred by the company to the investor education and protection fund established under section 205C in terms of section 205A of the Companies Act, 1956.

It may be noted that no claim will lie against the company or the investor education and protection fund in respect of the said unclaimed dividend amount transferred to the fund.

- e) **Payment of Dividend through Electronic Clearing Service (ECS)**
The Securities and Exchange Board of India (SEBI) has advised the Companies to mandatorily use ECS facility, wherever available, for distributing dividends or other cash benefits, etc, to the investors. This facility provides instant credit of dividend amount to your Bank account electronically at no extra cost. ECS also eliminates the delay in postal transit and fraudulent encashment of warrants.

Under this facility the amount of dividend payable to you would be directly credited to your bank account. Your bank's branch will credit your account and indicate the credit entry as 'ECS' in your pass book/statement account. We would be issuing an advice to you directly after the transaction is effected.

In case you wish to have your dividends paid through ECS, and are holding the Company's shares in electronic form, you may kindly fill in the enclosed ECS mandate form and submit it to your Depository Participant. However, in case you are holding the company's shares in physical form and wish to have your future dividends paid through ECS, you may kindly return the said ECS mandate form duly completed and signed by you at our registered office mentioned elsewhere in this report.

If you do not wish to opt for ECS facility, we strongly recommend that you provide the details of your Bank's Name, Branch, Type of Account, and Account Number to your depository participant, in cases where shares are held in electronic form, and to us in cases where shares are held in physical form for printing the same on the dividend warrants which will be dispatched to you. In the event of any change or correction in the details that might have been provided by you earlier, kindly send revised particulars to your depository participant or to us, as the case may be, at an early date.

We request you to kindly submit the ECS/Bank details latest by 25th September, 2004 to enable us to include the same for the payment of the current year's dividend.

- f) Members holding shares in physical form are requested to notify/send any change in their address to the Company's Share Transfer Agents, or to the Company at its Registered Office.
- g) Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the Company. Therefore, the shareholders willing to avail this facility may make nomination in Form 2B.

**ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENT**

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

ITEM # 6 :

Mr. K. Jagan Mohan Rao was appointed as an Additional Director of the Company as per the provisions of section 260 of the Companies Act, 1956 ("the Act") in the Board Meeting held on 7th July, 2004. Pursuant to Section 260 of the Companies Act, 1956, Mr. K. Jagan Mohan Rao holds office of Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing under Section 267 of the Companies Act, 1956, along with a deposit of Rs. 500/- from a member signifying his intention to propose the name of Mr. K. Jagan Mohan Rao as a candidate for the office of Director. The profile of the Director is given hereto under the head 'additional information'.

The Board recommends the resolution for the members' approval in the Annual General Meeting. None of the Directors except Mr K. Jagan Mohan Rao is concerned or interested in the resolution.

ITEM # 7:

It is proposed to issue shares or grant options to the employees of the company. In order to provide enabling provisions in the Articles of Association of the company empowering the company and/or Board of Directors of the company to offer/issue equity shares, and/ or equity linked instruments or any other instruments or securities or grant options to the employees of the company or such other persons under a Scheme or Plan to be framed in this regard, it is required to alter the Articles of Association of the company by inserting the necessary provisions relating thereto.

The Board commends the above resolution at item # 7 for the approval of the members. None of the Directors is interested or concerned, either directly or indirectly, in the proposed resolution.

ITEM # 8:

The success of any company, IT companies in particular, depends on the strength of the human resources capital. Ability to attract, retain and motivate its human resources is the key to success of any company in IT sector. Offering stock options to employees not only allows them to participate in the long term growth and financial success of the company but also works as an impetus for creativity, innovation and excellence. To fulfill the above objectives, The Board of Directors proposed to grant stock options to employees of the company by framing an Employees Stock Option Scheme, subject to the eligible employees of the company under such scheme.

The salient features of the Employees Stock Option Scheme are set out below:

1. Total Options to be allocated:

Such number of Options, each entitling the holder on exercise to 1 share, which would result in issue of shares not more than 10% of the paid-up share capital of the Company of face value of Rs 10/- per share at the price as stated herein below.

2. Identification of classes of employees entitled to participate in ESOS:

Persons who are "employees" of the Company, including Directors, as defined in the ESOS Guidelines (including any statutory modification(s) or enactment of the Act or the Guidelines for the time being in force), and as may be decided by the ESOS Compensation Committee, from time to time.

3. Requirements of vesting and period of vesting:

Vesting of options will commence after a period of 1 year from the date of grant, and may extend up to 5 years from the date of grant. The vesting may occur in tranches, subject to the terms and conditions of vesting, as may be stipulated by the ESOS Compensation Committee, in its discretion, and which will include performance appraisal of the employee and achievement of other performance milestones.

4. Exercise Price of Options:

The exercise price for the purpose of the grant of options shall be computed (a) either at a discount of upto 75% on the average closing prices for the Company's Equity Shares quoted on the Stock Exchange having the maximum volume of transactions during the two weeks preceding the date of the Grant, or (b) closing price on the date of grant for the company's Equity Shares quoted on the Stock Exchange.

5. Exercise Period and the Process of Exercise:

The exercise period commences from the date of vesting, and will expire not later than 7 years from the date of grant of options, or such other period as may be decided by the ESOS Compensation Committee, from time to time.

The Options will be exercisable by the Employees by a written application to the Company to exercise the options, in such manner, on execution of such documents, as may be prescribed by the ESOS Compensation Committee from time to time.

The Options will lapse if not exercised within the specified exercise period.

6. Appraisal Process for determining the eligibility of employees to ESOS:

The appraisal process for determining the eligibility of the employees will be specified by the ESOS Compensation Committee, and will be based on criteria such as the seniority of the employee, length of service, performance record, merit of the employee, and/or any such other criteria that may be determined by the ESOS Compensation Committee at its sole discretion.

7. Maximum number of Options to be issued per employee in aggregate:

The maximum number of Options granted per employee will not exceed 1% of the paid-up shares of the Company or 1,00,000 whichever is less. The aggregate of all such Options granted shall not exceed 10% of paid-up shares of the Company.

8. The method which the company shall use to value its options is either fair value or intrinsic value, as decided by the Compensation Committee to be constituted in this connection.

In case the company calculates 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 in the Directors' report and also the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' report.

The Company shall confirm to the accounting policies specified in Clause 13.1 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and / or such other guidelines as may be Applicable, from time to time.

Subject to the approval of the Stock Exchange, the relevant Equity Shares on exercise of the Options shall be listed on the Stock Exchanges.

The Board of Directors commends this resolution for the approval of the members.

None of the Directors of the Company are interested or concerned in the passing of the Resolutions except to the extent of any options, which may be granted to them pursuant to this Scheme or plan.

Additional Information :

(As per the Clause 49 of the listing agreement)

Brief Profile of Directors who retire by rotation and are eligible for reelection :

Name of the Director	Datuk Santha Kumar	Datuk Kunasingam Sittampalam
Age	48 years	51 years
Qualifications	Bachelor of Science (Hons), Civil from Brighton Polytechnic, Master of Science, Highway and Traffic Engineering, University of Birmingham.	Bachelor of Engineering (Hons) and Master of Engineering, Sheffield University, United Kingdom.
Expertise	He has been project director and 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., Express Rail Link from Kuala Lumpur to KLIA for ERL Sdn Bhd., West Coast Highway for Talam-Larut Construction.	As a director to HSS Inteays Sdn.Bhd., the IT subsidiary of HSS Integrated Group, providing value added services in engineering software, planning and scheduling work. At HSS Integrated, he has been the Project Director involved in overall project.
Other Directorships held	4	6
Chairman / Member of the Committees of the Board of Directors of other Companies in which he is Director	Nil	Nil

Brief Profile of Mr. K. Jagan Mohan Rao, whose appointment is stated vide Item 6:

Mr. Jagan Mohan Rao Karpey, aged about 46 years, has more than 20 years of experience in the industry with focus on Marketing and Finance. Mr. Jagan Mohan Rao holds dual masters degree one in sciences and one in business administration from Osmania University, Hyderabad. He has a vast network in the US that can add immense value to the company. He doesnot hold directorships in any other Companies.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting you the Fifteenth Annual Report of your company together with the Audited Accounts for the year ended 31st March, 2004.

Financial Results

	(Amount in Rs. Lakhs)	
	2003-2004	2002-2003
Total Income	1064.71	559.47
Profit before interest, depreciation and tax	468.67	170.14
Interest	1.87	5.18
Depreciation	93.08	91.15
Provision for Taxation	14.04	2.96
Profit after interest, Tax and depreciation	359.68	70.85
Deferred Tax Provision	63.58	55.48
Dividend	60.01	—
Provision for Dividend Tax	6.60	—
Balance brought forward	114.39	99.02
Balance Carried to Balance Sheet	343.88	114.39

Financial Highlights

The total income of your company for the year 2003-04 was Rs. 1064.71 Lakhs as against Rs. 559.47 Lakhs in 2002-03, showing an impressive growth of 90 per cent. Profit before tax (PBT) recorded a massive jump of 406% per cent to Rs.373.72 Lakhs in 2003-04 from Rs.73.80 Lakhs in 2002-03. Profit after tax (PAT) increased by 407% per cent to Rs.359.68 Lakhs in 2003-04 from Rs.70.85 Lakhs in 2002-03.

Dividend

The Board of Directors of your company has recommended a dividend of 5% (i.e. Rs 0.50 per equity share of the face value of Rs. 10/- each) for the year ended 31st March, 2004 amounting to Rs. 60,01,000/-.

Change of Name of the Company

Your Company's name has been changed from M/s VIRINCHI CONSULTANTS LIMITED to M/s VIRINCHI TECHNOLOGIES LIMITED u/s 21 of the Companies Act, 1956 w.e.f. 8th October, 2003.

Directors

In accordance with the provisions of the Companies Act, 1956, Datuk Santha Kumar and Datuk Kunasingam Sittampalam retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. K. Jagan Mohan Rao, was appointed as an Additional Director of the Company in the Board Meeting held on 1st March, 2004. He ceases to be a director on commencement of ensuing Annual General Meeting. The company has received a notice from a member under section 257 of the Companies Act, 1956 proposing his appointment as Director liable to retire by rotation.

A brief resume / details relating to the Directors to be appointed / reappointed as stipulated under Clause 49 (VI)(A) of the listing agreement executed with the stock exchanges are furnished in the Explanatory Statement of the Notice of the ensuing Annual General Meeting.

Mr. A.P. Srinivas resigned from the Board of Directors with effect from 22nd July, 2004. Mr. Ermanno Traverso resigned from the Board with effect from 1st March, 2004. The Board places on record its sincere appreciation for the invaluable contribution made by them during their tenure.

Directors' Responsibility Statement :

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- i) In the preparation of the annual accounts for the year ended 31st March, 2004, the applicable accounting standards have been followed and there are no material departures.
- ii) We have selected appropriate accounting policies and applied them consistently and have 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 as on 31st March 2004 and of the profit of the company for the financial year ended 31st March 2004.
- iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) We have prepared the annual accounts for the financial year ended 31st March, 2004 on a going concern basis.

Auditors

M/s. P. Murali & Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Deposits

The Company has not accepted fixed deposits as on 31st March, 2004 so as to attract the provisions of Section 58A of the Companies Act, 1956 read with the Companies Act (Acceptance of the Deposits) Rules, 1975 as amended from time to time.

Information required under Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

a) Conservation of Energy:

Company's operations 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.

b) Research and Development and Technology Absorption:

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. 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 and Outgo:

Earnings: Rs.509.14 Lakhs towards Export of Software.

Outgo: Rs. 43.80 Lakhs towards Foreign Travel and Rs.59.60 Lakhs towards expenses.