

Virinchi
Technologies Limited
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Virinchi Technologies Limited

(Formerly Virinchi Consultants Limited)

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16th
Annual Report
2004-2005

Board of Directors

Sri. Viswanath Kompella- Chairman & Managing Director
Datuk Santha Kumar S.

Datuk Kunasingam Sittampalam

Sri. KVS.N.Kumar

Sri. Jagadish K.Rao

Sri. K. Jagan Mohan Rao

Sri K.S.K. Prasad

Sri. Premchand Krishna Rao*

(Resigned With effect from: 14.08.2005)

Shareholders' Information**Registered Office and Development Centre:**

10, SRK Colony,

West Marredpally.

Secunderabad - 500 026

Ph Nos.27803608, 27803610

Fax No.27803612

Company Secretary

K. Ravindranath Tagore

Chief Operating Officer

Sreenivasa Sreekanth Uppuluri

Anil Kumar Pinapala- Sr.Vice President (Marketing)

Corporate Office:

A-1, 3rd Floor, Surabhi Plaza,

Vikramপুরi Colony,

Secunderabad - 500 009

Ph Nos.27890662-65

Fax No.27890669

Bankers

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

Listing

The Hyderabad Stock Exchange Limited

Bombay Stock Exchange Limited

Auditors

M/s. P. Murali & Co.,

Chartered Accountants

6-3-655/2/3,

Somajiguda,

Hyderabad - 500 082.

Phone#23326666, 23312554

Book Closure

19.09.2005 to 23.09.2005 (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

23.09.2005, 11.00 A.M.

at Padmashali Kalyana Mandapam,

2-12-66, Nehru Nagar,

West Marredpally, Secunderabad - 26

NOTICE

NOTICE is hereby given that the 16th Annual General Meeting of the Members of the Company will be held on Friday, the 23rd day of September, 2005 at 11.00 A.M. at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad - 500 026 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended March 31, 2005; Balance Sheet as on that date along with the Schedules forming part of it, notes to accounts and the Reports of the Directors' and Auditors' thereon.
2. To declare dividend for the financial year 2004-05.
3. To appoint a Director in place of Sri Jagadish K.Rao, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri K.S.K.Prasad, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company to hold office from the conclusion of this 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 a Special Resolution**

"RESOLVED THAT Pursuant to the provisions of Section 94(1)(a) and 16 and other applicable provisions, if any, of the Companies Act, 1956 the Authorised Share Capital of the Company be and is hereby increased from Rs. 13,00,00,000(Rupees Thirteen Crores) divided into 1,30,00,000(One Crore Thirty Lacs) Equity Shares of Rs.10/- each to Rs.18,00,00,000(Rupees Eighteen Crores) divided into 1,80,00,000(One Crore Eighty Lacs Only) Equity shares of Rs.10/- each, ranking pari passu with the existing Equity Shares".

RESOLVED FURTHER THAT the existing Clause V of the Memorandum of Association of the Company is replaced by the following.

- V. The Authorised Share capital of the company is Rs.18,00,00,000(Rupees Eighteen Crores Only) divided into 1,80,00,000 (One Crore Eighty Lacs Only) Equity Shares of Rs.10/- (Rupees Ten Only) each with power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and attach thereto respectively such preferential, qualified or special rights, privilege or conditions as may be determined by or in accordance with the articles of the company for the time being and to vary, modify or abrogate such rights, privileges or conditions in such manner as be permitted by the Act or provided by the Articles of the Company for the time being.

RESOLVED THAT pursuant to the provisions of Section 31(1) of the Companies Act, 1956 the existing Clause No. 3 of the Articles of Association of the company be and is hereby deleted and in its place the following Article be substituted therefor.

3. "The Authorised Share Capital of the Company shall be as specified under Clause V of the Memorandum of Association of the Company."

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 198,269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956(hereinafter referred to as the "Act" which includes any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the company be and is hereby accorded to the reappointment of Mr. Viswanath Kompella, as Managing Director of the Company, for a further period of 5(Five) years with effect from 1st April, 2005 to 31st March 2010 on the terms and conditions as mentioned in the explanatory statement".

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year(s) during the tenure of his service as Managing Director, Mr. Viswanath Kompella shall be paid the remuneration as set out in the Explanatory Statement as Minimum remuneration".

8. 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 Clause 49 of the Listing Agreement with the Stock Exchanges, the consent of the Company be and is hereby accorded for payment of Rs.2500/- (Rupees Two Thousand Five Hundred Only) or such other amount as may be approved by the Board of Directors from time to time subject to the ceiling prescribed under the Companies Act, 1956 (including any statutory modifications or re-enactment for the time being in force) or under Rules framed there under, as amended from time to time, as sitting fees for each meeting of the Board of Directors and/or any Committee(s) thereof, attended by the Non-Executive Directors of the Company".

9. To Consider, and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution.**Raising of Funds through Equity and Equity Linked Securities**

"RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956(including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the company are listed and subject to any approval, consent, permission and /or sanction of the Central Government, Reserve Bank of India and any other appropriate authorities, institutions, Bodies(hereinafter collectively referred to as 'the appropriate authorities') and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, and/or sanction(hereinafter referred to as the requisite approvals.) and which may be agreed to by the Board of Directors of the Company (hereinafter called 'The Board' which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution) the Board be and is hereby authorized to create, offer, issue and allot, from time to time in one or more tranches 22,00,000 Equity shares of which 9,50,000 (Nine Lacs Fifty Thousand) equity shares are to be allotted to Mr. Praveen Kondai, for consideration other than cash, towards part payment of the Purchase consideration for acquiring his 100% stake in KSoft Systems Inc., USA and 12,00,000 (Twelve Lacs) warrants to Mr. Viswanath Kompella, entitling to apply for equity shares or other securities convertible into or exchangeable with equity shares(hereinafter referred to as the 'Securities') to promoters or any other individual, domestic /foreign institutions, institutional investors, banks, mutual funds, companies, bodies corporate or other entities, whether or not such investors are members of the Company, under a preferential issue through offer letter and /or circular and /or information memorandum and/or such other documents /writings, in such a manner and on such terms and conditions as may be determined by the Board in its absolute discretion; provided that the price of the equity shares so issued, shall not be less than Rs.67/- (including a premium of Rs.57) per equity share of Rs.10 each being the price with respect to the Relevant date i.e August 24, 2005, (as prescribed under guidelines for preferential issues contained in Chapter XIII of the Securities and Exchange Board of India (Disclosure and investor Protection) Guidelines, 2000".

"RESOLVED FURTHER THAT the equity shares allotted in terms of this resolution shall rank paripassu in all respects with the then existing equity shares of the Company".

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized to take all actions and do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient to effect to the issue or allotment of aforesaid securities and listing thereof with the stock exchange(s) as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue and allotment of any of said securities and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion deem fit, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution. The Warrants shall be issued subject to the following conditions;

- i. In Consideration of the warrants being offered to the offerees, the offerees shall be required to pay 10% of the amount of Warrants allotted to them, which amount shall be adjusted against the issue price at the time of allotment of the equity shares. The amount paid by them shall not bear any interest and the Board shall forfeit such deposit in the event the offerees do not exercise their option.
- ii. The holder of each warrant shall be entitled to apply for and obtain at his sole discretion one equity share of Rs.10/- each at a premium of Rs.57/- Per share which option shall be exercised by the holder on a date or dates during the period commencing from six months after the date of issue of Warrants and ending on the expiry of 18 months of such issue as may be mutually agreed by the Board and the holder.
- iii. The offeree is entitled to exercise its option in full or in part or may decline to exercise the option in which case offer shall be deemed to have lapsed.
- iv. The new equity shares issued on conversion of the warrants shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the existing issued and subscribed equity shares of the Company, save and except that they shall qualify for dividends, if any, that may be declared for the financial year in which such equity shares are issued, and allotted pro rata for the period during which such capital is paid up".

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors, or the Chairman & Managing Director or officers of the Company to give effect to the aforesaid resolution".

10. 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 372A and other applicable provisions if any, of the Companies Act, 1956 (hereinafter referred to as the "Act" which includes any statutory modification(s) or re-enactment thereof, for the time being in force) the consent of the Company be and is hereby given to the Board of Directors to acquire by way of subscription, purchase or otherwise the securities of any other body corporate upto a limit of Rs. 100 Crores".

BY ORDER OF THE BOARD
For **VIRINCHI TECHNOLOGIES LIMITED**

VISWANATH KOMPELLA
CHAIRMAN & MANAGING DIRECTOR

PLACE : HYDERABAD
DATE : 27.08.2005

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/herself and the proxy need not be a member of the company. The instrument of proxy in order to be effective, must be deposited at the registered office of the Company, duly completed and signed not less than 48 hours before 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 September 19, 2005 to September 23, 2005 (both days inclusive) in connection with the payment of dividend for the financial year 2004-05.
- d) Dividend, if declared, at the Annual General Meeting, will be payable to those members whose names appear on the Company's Register of Members as on 23rd September, 2005. Dividend Warrants are scheduled to be posted on or after 28th September, 2005. Dividend Warrant is valid for payment by the Company's Bankers for Three Months from the date of issue. Thereafter, please contact our Registrars and Share Transfer Agents, 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' 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 19th September, 2005 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 Registrars and Share Transfer Agents.
- g) For the Convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by attendance slip, which is appended in this annual report. Members are requested to sign at the place provided on the attendance slip and hand over the first part of it at the entrance to the venue.
- h) 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

In order to provide cushioning in respect of total paid up capital of the company it is proposed to increase the Authorised share capital of the Company. The present Authorised Share Capital of the Company i.e. Rs. 13,00,00,000/- (Rupees Thirteen Crores Only) and the Paid up Capital is Rs.11,82,48,756 (Rupees Eleven Crores Eighty Two Lakhs Forty Eight Thousand Seven Hundred and Fifty Six Only). To facilitate issue of further shares, the Authorised Share capital is to be increased to Rs.18,00,00,000(Rupees Eighteen Crores Only) by creation of 50,00,000(Fifty Lakh) further equity shares of Rs. 10/- each which will rank paripassu in all respects with the existing shares of the Company. The proposed increase requires approval of the Members in general meeting. Consequent to the increase in the Authorised Share Capital, the Company's Memorandum of Association will also require alteration so as to reflect the increase. Consequent to the increase in the Authorised Share Capital the Company's Memorandum and Articles of Association will also require alteration so as to reflect the increase.

The Board recommends passing of the Special Resolution.

None of the Director is interested or concerned in the Resolution except to the extent of their shareholding in the Company.

Item# 7

The Term of appointment of Sri. Viswanath Kompella as Chairman & Managing Director of the Company completed on 31st March, 2005. The Board of Directors in their meeting held on 12th February, 2005, reappointed Mr. Viswanath Kompella as Managing Director for a period of 5 years with effect from 1st April, 2005 at a revised remuneration and as per the terms and conditions mentioned below subject to the approval of members.

Considering his competence, experience and also the envisaged growth in the activities of the company and as compared to remuneration presently being paid to persons in similar situations in the country, the terms of his reappointment and remuneration as set out below are viewed to be just, fair and reasonable.

As per the provisions of Schedule XIII of the Companies Act, 1956 reappointment of Mr. Viswanath Kompella, Managing Director requires the approval of the members in General Meeting. Hence, the above resolution at item# 7 is submitted to the meeting for ratification by the members of the company by passing a Special Resolution.

The Board of Directors commends the above resolution at Item# 7 for your approval.

None of the Director of the Company except Mr. Viswanath Kompella to the extent of his appointment as director is concerned or interested in this resolution.

The Particulars of remuneration payable to Mr. Viswanath Kompella

a) Salary:

Rs. 2,00,000/- p.m. which is inclusive of Dearness Allowance and all other allowances not otherwise specified herein.

b) Commission;

Such percentage of the net profits of the Company or such amount as may be decided by the Board of Directors (which includes any Committee thereof) for each Financial Year or part thereof within overall ceiling of 5% of the net profits of the Company.

c) Perquisites:**i) Housing**

1) Residential accommodation or house rent allowance not exceeding 60% of the Salary. The appointee shall be allowed free use of the company owned furniture and other consumer durables, if required.

2) Expenses pertaining to electricity will be borne/ reimbursed by the Company.

ii) Medical Expenses

Domiciliary Treatment- At actuals subject to a ceiling of Rs. 15,000 p.a for Mr. Viswanath Kompella and his family

Hospitalisation- Mr. Viswanath Kompella and his dependents will be covered by the Company's Medical Insurance Scheme.

iii) Club Fees

Reimbursement of membership fee for upto 2 Clubs in India including admission and life membership fee

iv) Personal Accident Insurance

Personal Accident Insurance Policy of such amount, the premium of which shall not exceed Rs. 10,000/- per annum.

v) Phone rental and call charges will be paid by the Company at actuals for telephone at the residence/ mobile phone. Charges for personal STD/Trunk Calls would be borne by Mr. Viswanath Kompella

vi) Company's contribution to Provident Fund, Gratuity and encashment of leave at the end of his tenure, payable as per rules of the Company. These shall not be included in the Computation of limits for the remuneration or perquisites aforesaid.

vii) Leave with full pay or encashment thereof as per the Rules of the Company.

viii) He will be covered with the Key man Insurance Policy, the premium of which will be borne by the Company.

viii) Mr. Viswanath Kompella will further be entitled to reimbursement of actual entertainment and traveling expenses incurred by him for business purposes.

Item# 8

One of the requirements of the revised Clause 49 of the Listing Agreement with the stock exchanges on Corporate Governance is that all fees/compensation paid to the Non- Executive Directors shall be fixed by the Board of Directors and require prior approval of shareholders at the General Meeting.

Presently, the Company is paying Rs.2500/- (Rupees Two thousand Five Hundred Only) as Sitting Fees to the Non- Executive Directors for each Board Meeting attended by them.

The approval of the members is therefore sought for the payment of sitting fees to the Non-Executive Directors of the Company. The Board recommends passing of the Resolution as set out at item No.8 of the accompanying Notice.

All the Non- Executive directors are considered to be interested in the aforesaid Resolution.

Item#9

The Shareholders are aware that the company came for public issue in the year of 2000 for about Rs. 5.70 Crores to provide part of the finance required to meet the cost of Project.

Your directors found that it will be cheaper for the company to arrange for the additional amount required privately by allotting shares of the company to promoters of the company and body corporates, who are willing to extend financial assistance against allotment of the shares/warrants of the company. The said allotment of shares/warrants proposed would be deemed to be preferential allotment and therefore the price at which the shares would be allotted will be fixed in accordance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

The information as required in terms of Clause 13.1B of the SEBI Disclosure and Investor Protection Guidelines issued by the Securities and Exchange Board of India (SEBI) on preferential issues are as under;

a) Reasons & Purpose of the issue:

To further strengthen the company's financial position and to generate resources, interalia for investing in the business of the company the Board of Directors proposed to issue the shares on preferential allotment in accordance with the guidelines issued by SEBI.

b) Intention of the Promoters to subscribe to the equity shares:

The intention and primary objective of the Promoters to subscribe to the equity shares through this Preferential Issue is to make available scarce funds readily to finance the expansion of the Company's operations.

There is no change in control of the company subsequent to the issue of shares by way of preferential issue.

c) Proposed time within which the allotment shall be completed:

The allotment shall be completed within 15 days from the date of passing of the resolutions in the AGM.

d) Issue Price:

The price of the shares shall be fixed as on the relevant date as per the Preferential Issue guidelines issued by the Securities and Exchange Board of India.

e) **Shareholding pattern before and after the issue:**

The information on shareholding pattern before and after the preferential issue is given hereunder.

CATEGORY	Pre-Issue		Post-Issue	
	No. of Shares	% of Shareholding	No. of shares/warrants	% of Shareholding
1. Promoters Holding				
A. Indian Promoters	27,05,188	22.54	39,05,188	25.36
B. Foreign Promoters	28,43,700	23.69	28,73,700	18.66
SUB TOTAL	55,48,888	46.23	6778888	44.01
2. Non Promoters Holding				
A. Institutional Investors				
a. Mutual Funds	—	—	—	—
b. Indian Financial Institutions / Banks	—	—	—	—
c. FIs	—	—	—	—
B. Others				
a. Private Corporate Bodies	13,94,293	11.62	16,14,293	10.48
a. NRIs / OCB's	1,13,134	0.94	20,63,134	13.40
b. Indian Public	49,42,885	41.18	49,42,885	32.09
c. any other - Trust	2,800	0.02	2,800	0.0002
SUB TOTAL (A+B)	64,53,112	53.77	86,23,112	55.99
GRAND TOTAL	12002000	100.00	15402000	100.00

f) **Identity of the proposed allottees and percentage of pre and post preferential issue is as under:**

Name of the Allottee	Pre issue		Further Allotment	Post issue	
	No Of Shares	% of share-holding		No Of Shares/warrants	% of share-holding
Viswanath Kompella	14,74,900	12.29%	12,00,000 (warrants)	26,74,900*	17.37
Rite Equity Sdn Bhd	Nil	-	5,00,000	5,00,000	3.25
Praveen Kondai	Nil	-	9,50,000	9,50,000	6.17
SN Techno Value Holdings					
Private Ltd	Nil	-	2,20,000	2,20,000	1.43
Swift Optimum Sdn. Bhd	Nil	-	5,00,000	5,00,000	3.25
A. Siva Shanmugham	1,73,200	1.44%	30,000	2,03,200	1.32
Total	16,48,100	13.73%	34,00,000	50,48,100	32.79

* Includes 12,00,000 Warrants with an option to convert into equity shares at a later date.