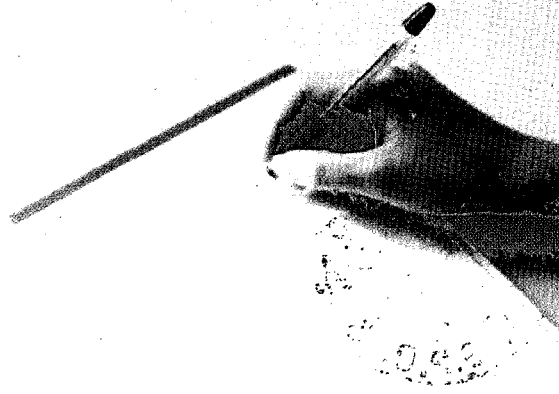


VIRINCHI

Technologies Limited
n minds, n! knowledge



18th Annual Report 2006-2007

Causing Systems Perform Business

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Annual General meeting on Friday, September 28, 2007 at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad 500 026. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies to the Meeting.

Board of Directors

Viswanath Kompella

-Chairman & Managing Director

Datuk Santha Kumar S.

-Director

Datuk Kunasingam V. Sittampalam

-Director

Jagadish K.Rao

-Director

K. Jagan Mohan Rao

-Director & CRO

Sreenivasa Sreekanth Uppuluri

-Director & CTO

Anil Kumar Pinapala

-Director & CEO

Steve Clevenger

-Director

Samad A.Momin

-Director

Dr. Venugopal

-Director

Company Secretary

Ravindranath Tagore Kolli

Bankers:

M/s. Canara Bank

Overseas Branch,

Adarsh Nagar

Hyderabad

Auditors:

M/s. P. Murali & Co.,

Chartered Accountants

6-3-655/2/3, Somajiguda

Hyderabad-500 082

Phone# (040)-23326666, 23312554

Registered Office and Development Centre:

10, SRK Colony,

West Marredpally

Secunderabad-500026

Ph Nos: 27803608, 27803610

Fax No: 27803612

Website: www.virinchi.com

Corporate Office:

A-1, 3rd Floor, Surabhi Plaza

Vikrampur Colony, Kharkana

Secunderbad-500009

Ph Nos: 27890662-65

Fax No: 27890669

E-mail: info@virinchi.com

Registrar and Share Transfer Agents:

M/s. Aarthi Consultants Private Ltd

1-2-285, Domalguda,

Hyderabad-500029

Phone# 27634445, 27638111

Fax: 27632184

Wholly Owned Subsidiary Company

M/s. KSoft Systems Inc.,

850, US Highway 1N,

2nd Floor, North Brunswick, Nj08902

Phone# 732 729 9600

Website: www.ksoftglobal.com

LETTER TO SHAREHOLDERS:

Dear Investor,

2006 - 07, is a momentous year for Virinchi.

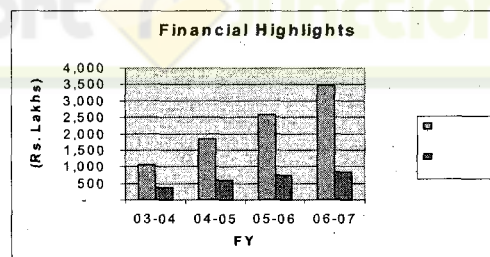
A disciplined focus on our core business in the worldwide markets, combined with aligned and committed execution is proving effective. We are delivering on our promise of making the future, safe and friendly for our many stakeholders. In 2006 - 07, we continued to deliver on the benefits of the clear and consistent strategy; we developed and put into action, 16 years ago.

Our relentless execution of this strategy has provided a strong foundation for our current achievements and has positioned us for continued success in 2006 - 07 and beyond.

Performance

Consistent performance pays dividends and Virinchi has gained the reputation as a straight-talking, no hype firm that delivers consistent financial performance.

We have achieved a tremendous growth of 33 % in annual revenues, recording Rs.34.49 Crores for the year 2006-07 as against Rs 25.70 Crores in the previous financial year 2005-06. The company's net profit before tax stood at Rs. 8.81 Crores in 2006-07.



With considerable cash reserves, no debt, and revenues in excess, Virinchi has the financial stability to reinvest and grow with our customers.

Industry Focus

It gives me great pleasure to state that Virinchi is now one of the largest providers of IT Solutions to the 'Retail Micro Lending Industry' in the world. Virinchi now caters to 3 of the top 5 players in this industry, firmly establishing itself as the global leader for providing IT and Business solutions

The micro lending industry is classified as unsecured loans under USD 1000, provided as one-time loan advanced for a period of 45 days or an installment loan for a period less than 12 months, primarily aimed at sub-prime borrowers. The US Retail Micro Lending Industry, with more than 25,000 retail outlets, offers a business potential for IT services in excess of \$60 million per annum. The industry is growing annually at 25 per cent on YoY terms in North America.

In the Retail Micro Lending Industry, the company has evolved an annuity-based ASP delivery model

that provides our customers immense value and ensures continuous and sustainable revenue.

Balanced Growth

The company has now built a slew of products for the Retail Micro lending Industry that can provide sustainable revenues both from Licensing and Service.

In order to de-risk dependence on product revenues, the company has evolved matured service practices in Custom Application Development, Product Support and Maintenance, Customization Services, Data Warehousing, Data Migration, among others.

The company is expanding its domain knowledge in further service domains. After the completion of K-Soft acquisition, the company has expanded its service offerings and domain expertise giving it even more breadth to offer more value to its customers.

Worldwide Presence & Delivery

Over a period of years, Virinchi has systematically expanded its network of offices worldwide and invested in resources to the point where we are uniquely able to provide consistent quality and effectiveness in our delivery.

With offices in USA, UK, Middle East and Asia Pacific, Virinchi has positioned itself close to the client geography. Virinchi supports its clients via an integrated network of branches in North America, Europe, and South-East Asia & Offshore Development Centers in India. The company's North American sales have strengthened substantially, entrenching our presence in the world's largest software market

Virinchi is proud to render services to big companies like Allied Cash America, Compucredit, Check N Go, Saudi Telecom Company, Saudi Electric Company and many more.

Virinchi's success in marketing is evident from the new and large customers we have acquired this year. Further, we have expanded our marketing initiatives from a primarily Network or Channel-based to more active and direct marketing. As part of the marketing initiative your company continuously attends relevant trade exhibitions worldwide to promote our products and undertaking some mass communication in the niche industry media.

Virinchi offers out-of-the-box software solutions in the domains of Supply Chain, Micro-Lending, and Market Research. Your company has added new products in the Domains of Service Level Management, Insurance Investigation, to the existing product portfolio. The new products have good potential in the US and the European markets

The acquisition of KSoft Systems Inc gave us additional clients and also enhanced service lines, and we will be able to cross-sell Virinchi's products to KSoft's clients

People

Virinchi people are some of the best in the world. With a shared desire to learn and stretch beyond their limits, our people make Virinchi an exciting place to work.

To cater to the needs of ever-growing list of clients and in order to ensure adequate manpower for expansion in development, Virinchi, in the year 2006 - 07 has added more than 50 employees to its team.

We will be continuing this rapid growth phase and add more resources to match our requirements for delivery. As the company grows, employees who have grown with the company will play a more important and critical role in shaping the organizations' future. We will be implementing organizational changes and other management reforms to make the company rapid-growth capable and dynamic

Infrastructure

Virinchi has developed its infrastructure, considerably in the year 2006 - 07. Office space currently has grown to 30,000 Sq ft floor area, split among two facilities in India. The facilities are equipped with advanced technologies, processes, and equipment - complying with international standards. While cutting-edge technologies form the network backbone of our infrastructure, stringent security and backup systems ensure high levels of safety & security. The robust and reliable infrastructure can be customized and scaled up within a short period of time as per the requirements of a project.

Quality

Virinchi is ISO 9001:2000 certified for its well defined processes for software development & delivery methodology.

Quality Planning in Virinchi is under the aegis of the Quality Management System. Virinchi is presently CMMi Level 3 Company and is on the way to achieve CMMi Level 5 quality processes.

Virinchi has established and put in place 'Capture' a project planning, QA Monitoring and Tracking tool. Capture enables bi-directional traceability, which presents a great value to the client company by involving them to a large extent on the development & deployment of the software application.

Value

Virinchi is focused on providing Customer Delight, Continuous Product & Process Innovation, Employee Welfare and Shareholder Wealth Maximization. The company has tremendous potential for growth and with Intellectual Property of various products there is already a lot of value to be unlocked in the company. The strong sales team and the efficient delivery team should ensure sustenance of the current revenue and profit growth.

It's your company's stated objective to look at both organic and in-organic growth strategies and is actively evaluating various acquisition targets operating in complementary technology and industry domains. This will further enhance the value of your organization. I certainly hope 2007-08 will be a far more exciting year and we indeed take that quantum leap to reach the next level.

I thank you for all the support you have given and assure you that your company will continue to march ahead with the objective of attaining new levels of achievement putting us on par or above the best in the industry.



Viswanath Kompella
Chairman and Managing Director

NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of the Members of the Company will be held on Friday, the 28th day of September, 2007, at 2.00 P.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, 2007; 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 2006-07
3. To appoint a Director in place of Datuk Santha Kumar, who retires by rotation, and being eligible, offers him for re-appointment.
4. To appoint a Director in place of Datuk Kunasingam V. Sittampalam, who retires by rotation, and being eligible, offer 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 Ordinary 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. 18,00,00,000(Rupees Eighteen Crores) divided into 1,80,00,000(One Crore Eighty Lacs) Equity Shares of Rs.10/- each to Rs.25,00,00,000(Rupees Twenty Five Crores) divided into 2,50,00,000(Two Crore Fifty 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.25,00,00,000(Rupees Twenty Five Crores Only) divided into 2,50,00,000 (Two Crore Fifty 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.

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 appointment of Mr. Sreenivasa Sreekanth Uppuluri, as

Director - Chief Technology Officer, of the Company, for a period of 3(Three) years with effect from 26th October, 2006 liable to retire by rotation on the terms and conditions as mentioned in the explanatory statement.

“RESOLVED FURTHER that the remuneration as set out in this resolution including benefits, amenities and perquisites, shall be allowed and paid to Mr. Sreenivasa Sreekanth Uppuluri as minimum remuneration during the currency of his tenure, notwithstanding the absence or inadequacy of profits for any financial year, but shall not, in any such financial year, exceed the ceiling laid down in this behalf in Schedule XIII to the Act, including amendments made thereto”

“RESOLVED FURTHER THAT subject to the provisions of the Companies Act, 1956 and subject to the accordance of the requisite approvals, the board be and is here by authorized to revise the gross salary of the appointee by a maximum of 50% per annum”.

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 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 appointment of Mr. Jagan Mohan Rao Karpey, as Director-Chief Resource Officer of the Company, for a period of 3(Three) years with effect from 26th October, 2006 liable to retire by rotation on the terms and conditions as mentioned in the explanatory statement.

RESOLVED FURTHER that the remuneration as set out in this resolution including benefits, amenities and perquisites, shall be allowed and paid to Mr. Jagan Mohan Rao Karpey as minimum remuneration during the currency of his tenure, notwithstanding the absence or inadequacy of profits for any financial year, but shall not, in any such financial year, exceed the ceiling laid down in this behalf in Schedule XIII to the Act, including amendments made thereto

“RESOLVED FURTHER THAT subject to the provisions of the Companies Act, 1956 and subject to the accordance of the requisite approvals, the board be and is here by authorized to revise the gross salary of the appointee by a maximum of 50% per annum”.

9. 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 appointment of Mr. Anil Kumar Pinapala, as Director-Chief Executive Officer of the Company, for a period of 3(Three) years with effect from 26th October, 2006 on the terms and conditions as mentioned in the explanatory statement.

RESOLVED FURTHER that the remuneration as set out in this resolution including benefits, amenities and perquisites, shall be allowed and paid to Mr. Anil Kumar Pinapala as minimum remuneration during the currency of his tenure, notwithstanding the absence or inadequacy of profits for any financial year, but shall not, in any such financial year, exceed the ceiling laid down in this behalf in Schedule XIII to the Act, including amendments made thereto

“RESOLVED FURTHER THAT subject to the provisions of the Companies Act, 1956 and subject to the accordance of the requisite approvals, the board be and is here by authorized to revise the gross salary of the appointee by a maximum of 50% per annum”.

10. To Consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956(Act) (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provisions of Articles of Association of the Company, the Listing Agreement entered into between the Company and the Various stock exchanges, the Guidelines for Preferential Issues contained in the Securities and Exchange Board of India(Disclosure and Investor Protection) Guidelines,2000 (SEBI Guidelines), rules and regulations framed by Reserve Bank of India(RBI) and other statutory/regulatory authorities, and subject to all applicable norms, guidelines, regulations in force, and statutory approvals, consents, permissions or sanctions as may be necessary, of appropriate authorities, institutions or bodies and subject to such conditions as the authorities may impose at the time grating their approvals/consents/permissions/sanctions and which may be agreed to by the Board of Directors of the Company (the “Board”, which expression shall include any committee thereof constituted/to be constituted by the Board for exercising the powers conferred on the Board by this Resolution) if it thinks fit in the interest of the Company, consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot 7,25,000 (Seven Lacs Twenty Five Thousand Only) equity shares of Rs.10/- each at a Price to be decided as per the SEBI guidelines, to promoters of the company, the details of which are mentioned in the Explanatory Statement annexed hereto, on preferential allotment basis,, on such terms and conditions and in such manner as the Board may think fit, whether or not they are members of the Company

“RESOLVED FURTHER THAT

- a) The relevant date for the purpose of pricing of the Equity Shares as above, in accordance with the SEBI Guidelines is 29th August, 2007 being the 30th day prior to 28th September, 2007 (i.e. the 30th day prior to the date on which the meeting of the general body of shareholders is held, in terms of Section 81(1A) of the Companies Act, 1956 to consider the proposed issue.)
- b) The equity shares to be issued and allotted in pursuance of this resolution shall rank pair passu with the then existing equity shares of the company in all respects.
- c) The equity shares to be offered and allotted shall be subject to the provisions of the Memorandum and Articles of association of the Company.

“RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the equity shares and the utilization of the issue proceeds thereof, to effect any modification (s) to the foregoing (including any modifications to the terms of the issue) in the best interests of the Company and its shareholders and to execute all such writings and instrument(s) as the Board may in its absolute discretion deem necessary or desirable.

“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of its powers to any committee of Directors of the Company to give effect to the aforesaid resolution”.

11. To Consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956(Act) (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provisions of Articles of Association of the Company, the Listing Agreement entered into between the Company and the Various stock exchanges, the Guidelines for Preferential Issues contained in the Securities and Exchange Board of India(Disclosure and Investor Protection) Guidelines,2000 (SEBI Guidelines), rules and regulations framed by Reserve Bank of India(RBI) and other statutory/regulatory authorities, and subject to all applicable norms, guidelines, regulations in force, and statutory approvals, consents, permissions or sanctions as may be necessary, of appropriate authorities, institutions or bodies and subject to such conditions as the authorities may impose at the time grating their approvals/consents/permissions/sanctions and which may be agreed to by the Board of Directors of the Company (the “Board”, which expression shall include any committee thereof constituted/to be constituted by the Board for exercising the powers conferred on the Board by this Resolution) if it thinks fit in the interest of the Company, consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot 22,00,000 Lakhs warrants(Twenty Two Lacs) ("warrants for brevity) to the promoters at a price to be decided as per the SEBI (DIP)Guidelines, 2000 the details of which are mentioned in the Explanatory Statement annexed hereto, on preferential allotment basis, in one or more tranches, on such terms and conditions and in such manner as the Board may think fit, whether or not they are members of the Company each warrant entitling the holder thereof to apply for and be allotted one equity share per warrant and which conversion shall be made within a period not exceeding 18(Eighteen) months from the date of allotment of the warrants in accordance with the SEBI(Disclosure & Investor Protection)Guidelines, 2000 and other applicable guidelines.

“RESOLVED FURTHER THAT

- a) The relevant date for the purpose of pricing of the warrants as above, in accordance with the SEBI Guidelines is 29th August, 2007 being the 30th day prior to 28th September, 2007 (i.e. the 30th day prior to the date on which the meeting of the general body of shareholders is held, in terms of Section 81(1A) of the Companies Act, 1956 to consider the proposed issue.)
- b) The equity shares to be issued on conversion of the warrants in pursuance of this resolution shall rank pair passu with the then existing equity shares of he company in all respects.
- c) The warrants to be offered and allotted shall be subject to the provisions of the Memorandum and Articles of association of the Company.
- d) For the purpose of giving effect to this resolution, the Board is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of Warrants, as may be necessary in accordance with the terms of the offer and subject to the provisions of the Company's Articles of Association”

“RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the warrants and the utilization of the issue proceeds thereof, to effect any modification (s) to the foregoing (including any modifications to the terms of the issue) in the best interests of the Company and its shareholders and to execute all such writings and instrument(s) as the Board may in its absolute discretion deem necessary or desirable.