

Virinchi

Technologies Limited

n minds, n! knowledge

19th Annual Report 2007-2008

Report Junction

Causing Systems Perform Business

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Annual General meeting on Tuesday, September 30, 2008 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
Srinivas Mahankali
Datuk Santha Kumar S.
Datuk Kunasingam Sittampalam
Jagadish K.Rao
Anil Kumar Pinapala
Samad A.Momin
Dr. Venugopal

-Chairman & Director
-Managing Director
-Director
-Director
-Director
-Director & CEO
-Director
-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: 91-40-27803608, 27803610
Fax No: 91-40-27803612
Website: www.virinchi.com

Registrar and Share Transfer Agents:

M/s. Aarthi Consultants Private Ltd
1-2-285, Domalguda,
Hyderabad-500029
Phone# 91-40-27634445, 27638111
Fax: 91-40-27632184

Corporate Office:

A-1, 3rd Floor, Surabhi Plaza
Vikrampur Colony, Kharkana
Secunderbad-500009
Ph Nos: 27890662-65
E-mail: info@virinchi.com

Wholly Owned Subsidiary Company

M/s. KSoft Systems Inc.,
1520, US Highway 130N,
North Brunswick, NJ-08902
Phone# 1-732- 821-7828
Website: www.ksoftglobal.com

MESSAGE FROM MANAGING DIRECTOR:

Dear Shareholder,

It gives me great pleasure to welcome you to the 19th Annual General Meeting of your Company to be held on September 30, 2008 in Hyderabad. I am sure you share my sense of pride as your Company has witnessed yet another year of robust performance, thanks to our capability to sustain superior performance over the years and emerge as a leader across industry vertical for software products and services. The focus on nurturing niche capability is rapidly positioning each business to garner a growing share of the exciting market opportunities unfolding in the world.

Coming to the strategic perspective, today's Virinchi is a different company than it was about two decades ago, when we started. Over the years we have realigned our offerings, taken risks, built *entrenched customer relations and made a mark in the E-Business products & solutions space*, thereby building a company focused on success and performances. In the course of FY 07-08, Virinchi took many steps to drive the organization towards success. While we are proud of our achievements, we are also mindful of the challenging environment we face today. We believe that continuing on the path of innovation, quality, customer commitment and overall growth; Virinchi is uniquely positioned to take advantage of the various opportunities presented by the changes in the industry.

Virinchi continues to provide quality Technology Products and concentric services to the large and medium clients in the industry verticals of Banking and Financial Services, Chemicals, Pharmaceuticals, Construction, Retail, Electronics, Mobile, Food & Agriculture, and Automobiles. The flagship products of your company are now market leaders in their respective industry verticals across geographies of operations. In addition to product customization and implementation, Virinchi has been providing product concentric services like customization, technical support, roll out support, data migration etc to its clients to become an end-to-end service provider.

Virinchi has developed strength in providing technology outsourcing services including custom applications development in web technologies, data warehousing & Business Intelligence, EAI & ERP services etc to the global clients, at a reduced total cost of ownership for the client. Virinchi also offers out-of-the-box software solutions in the domains of Short-term Financial Solutions, Supply Chain, Market Research., Service Level Management & Insurance Investigation etc. These solutions have good potential in the global markets

I would like to take this opportunity to let you know that Virinchi has taken over the complete operations of its North American subsidiary, KSoft Systems Inc and has streamlined and stabilized the internal processes of the organization. Virinchi also has brought in a new Organizational structure for KSoft that is expected to enable high growth and performance in providing Information Technology Consulting services to clients in USA. The new Organizational structure reflects the company's close strategic and operational alignment with its parent, Virinchi Technologies Ltd.

Virinchi has been consistent in financial performance since its inception and continuing this trend this year too. The following highlights summarize the strong financial performance of your company

- Virinchi has achieved a revenue growth of 15% over the previous financial year, posting INR 396.30 Million in annual revenues as compared to INR 344.95 Millions in the previous fiscal, despite a challenging economic environment.
- The consolidated annual revenues stand at Rs. 565.81 Million. This reflects a growth of 24% compared to the previous fiscal's consolidated annual revenues of 456.68 Million.

- The standalone net profit posted for the year 2007-08 is Rs. 53.00 Million.
- Owing to the appreciation of the Indian Rupee, the cash profit margin decreased marginally however the cash profits have increased by 10% compared to the previous fiscal.
- The cash profit for the year 2007-08 stands at Rs 142.80 Million as compared to Rs 130.76 Million in 2006-07.
- Year on Year Revenue growth has been consistent for the past 6 years.

A comparative analysis of your company with the industry leaders in some of the key financial ratios shows that your company has fared equally well, if not better than many of them in cash profit margin, operating profit margin, revenues to market cap ratio, book value to market price ratio etc.

We believe that a company is known by its people and at Virinchi, we have some of the best. During the last year Virinchi has added 100 of such talented resources to its team taking the Global Human Resource strength to above 300 at the end of 2007-08. Skilled in cutting-edge technologies & knowledgeable in multiple domains, our team works together to create customer delight. Spread across our three development centers— 24 per cent of our employees have more than 6 years of experience with Virinchi alone; 35 per cent have postgraduate degrees and 48 per cent are engineers.

We have aligned our HR policies with our strategy of sustaining a high-technology & global business. These policies have been designed to enable scalability of our business and processes, while achieving a high level of ownership and involvement in our employees. Across the world and particularly in India, the Information Technology industry has emerged as one of the largest employers, creating thousands new breed of skilled employees.

It should be noted that even with the continuing slowdown in the U.S. Economy and the volatility in currency markets is showing a signs of impact on the Indian IT Industry, we are geographically spread & fairly diversified organization and the impact of the slowdown on our business is not considerable. Over and above these constraints in operations, finding the right talent to support our growing business needs is a major challenge. We are taking essential steps to mitigate this challenge through various innovative practices of hiring, training, re-training & retaining talent.

Virinchi is focused on providing Customer Delight, Continuous Product & Process Innovation, Employee Welfare and Shareholder Wealth Maximization. The products and solutions of the company have tremendous potential for growth and with Intellectual Property of various products there is already a lot of value to be unlocked in the company. I hope that the strong sales team and the efficient delivery team will ensure increased revenues and profit growth.

I believe that our strong foundation and our present strategy will enable us to capitalize on the significant potential in the booming global software industry, and bring in substantial revenues for your Company. Our integrated Sales, Marketing and Delivery functions, coupled with aggressive marketing strategies and execution excellence will enable us to achieve our growth objectives and generate significant value for all stakeholders.

I thank you all for your continued trust, encouragement and support to the Company.

Sincerely

Srinivas Mahankali
Managing Director

NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the Members of the Company will be held on Tuesday, the 30th day of September, 2008, 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, 2008; 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 consider retirement of Mr. Jagadish K Rao, who retires by mandatory retirement by rotation of Directors.
3. To consider retirement of Dr. Venugopal, who retires by mandatory retirement by rotation of Directors, and being eligible, who offers himself for re-appointment.
4. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company to hold office from the conclusion of this meeting to till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. 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. Srinivas Mahankali, as Managing Director, of the Company, for a period of 5 (Five) years with effect from 28th January, 2008 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. Srinivas Mahankali 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 hereby authorized to revise the gross salary of the appointee by a maximum of 50% per annum".

BY ORDER OF THE BOARD

For VIRINCHI TECHNOLOGIES LIMITED

PLACE : HYDERABAD

DATE : 29.08.2008

K. Ravindranath Tagore
Company Secretary

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 26th September, 2008 to 30th September 2008 (both days inclusive)

Annexure to the Notice**Explanatory statement pursuant to Section 173(2) of The Companies Act, 1956****Item #5**

The Board of Directors of the Company in its meeting held on 28th January, 2008, appointed Mr. Srinivas Mahankali as Managing Director for a period of 5 years with effect from 28th January, 2008 at such remuneration and as per the terms and conditions mentioned below subject to the approval of members,

Considering his competence, experience as 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 promotion and remuneration as set out below are viewed to be just, fair and reasonable. He is having one directorship in other company and also not a member in the committees of any other company.

Mr Srinivas Mahankali, a Management Graduate from IIM Bangalore and Alumni of IIT Chennai, has over 16 years of experience in varying capacities in senior management roles. His experience of working with the Indian conglomerates as well as multinationals such as HCL Infosystems, BPL, Godrej, Bausch and Lomb (I) and United Telecoms will enable Virinchi benefit from his widespread experience in business development in the fields of Telecom, consumer durables, Industrial marketing, retail and distribution management in India and overseas. Mr Mahankali's key focus will be to help Virinchi to introduce new products in India that were very successful in overseas markets

The remuneration has been approved by the remuneration committee.

As per the provisions of Schedule XIII of the Companies Act, 1956 appointment of Mr. Srinivas Mahankali as Managing Director requires the approval of the members in General Meeting. Hence, the above resolution at item# 5 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# 5 for your approval.

None of the Directors of the Company except Mr. Srinivas Mahankali to the extent of his appointment as director is concerned or interested in this resolution.

The Particulars of remuneration payable to Mr. Srinivas Mahankali

a) Salary:

Rs. 24,00,000 p.a. which is inclusive of Dearness Allowance and all other allowances not otherwise specified herein.

b) Perquisites:

i) Housing

- 1) Residential accommodation or house rent allowance not exceeding 50% of the Salary. The appointee shall be allowed free use of the company owned furniture and other consumable durables, if required.

ii) Medical Expenses

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

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

iii) Phone rental and call charges will be paid by the Company at actuals for mobile phone.

- iv) Company's contribution to Provident Fund, Gratuity and encashment of leave at the end of his tenure, payable as per rules of the Company.

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

- vi) He will further be entitled to reimbursement of actual entertainment and traveling expenses incurred by him for business purposes.

Additional Information required to be furnished under the Listing Agreement**The particulars of directors who are proposed to be re-appointed are given below:**

1. Name : Dr.VenuGopal

Age : 61

Qualifications : Graduation in medicine

Expertise : He has vast experience as a medical doctor since 30 years; during this time he happened to work in different capacities in several countries like Algeria, Libya, Maldives and U.K etc. Toured extensively in Europe (East & West). After graduating in Medicine, he submitted a paper in "Pulmonary amboesis" for which he was awarded FCCP [Fellow of College of Chest Physicians, India]. He was awarded Visishit Chikischa Seva Medal along with citation for his meritorious services rendered to the rural people of India. He was involved in surveys and preventive programs concerning Blindness eradication, Vitamin A deficiencies, Guinea worm eradication, Nutritional surveys, Family Welfare programs, HIV and AIDS awareness programs for the rural people in and around the borders of Andhra and Karnataka.

Other Directorships : 2

2. Name : Srinivas Mahankali

Age : 40 years

Qualifications : B.Tech from IIT (Chennai), MBA from IIM (Bangalore)

Expertise : Mr Srinivas Mahankali, a Management Graduate from IIM Bangalore and Alumni of IIT Chennai, has over 16 years of experience in varying capacities in senior management roles. His experience of working with the Indian conglomerates as well as multinationals such as HCL Info systems, BPL, Godrej, Bausch and Lomb (I) and United Telecoms will enable Virinchi benefit from his widespread experience in business development in the fields of Telecom, consumer durables, Industrial marketing, retail and distribution management in India and overseas. Mr Mahankali's key focus will be to help Virinchi to introduce new products in India that were very successful in overseas markets

Other Directorships : 1

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting you the Nineteenth **Annual Report** of your company together with the Audited Accounts for the year ended 31st March, 2008.

Financial Results**(Amount in Rs. Lakhs)**

Particulars	2007-08	2006-07
Total Income	3,981.97	3,449.57
Profit before interest, depreciation and tax	1,309.31	1,346.89
Interest	82.30	39.27
Depreciation	534.29	426.07
Provision for Taxation	112.20	9.15
Profit after interest, Tax and depreciation	580.51	872.39
Deferred Tax Provision	40.64	45.30
Dividend	-	70.69
Provision for Dividend Tax	-	12.01
Balance brought forward	2,310.48	1,566.09
Balance Carried to Balance Sheet	2,850.35	2,310.48

Financial Highlights & Company Affairs

Virinchi recorded Rs.39.8 Crores revenues for the year 2007-08 as against Rs 34.49 Crores in the previous financial year 2006-07. We have achieved good growth of 15 % in annual revenues even though the most of the revenues are in USD and there is huge depletion in the value of USD., The Company's net profit before tax stood at Rs. 5.8 Crores in 2007-08.

The Consolidated Revenues rose to 56.87 crores as against Rs. 46 crores for the Year 2006-07.

Reserves and Surplus:

During the year the Company has transferred Rs. 5,39,87,001 to Reserves and Surplus.

Material changes and commitments:

There are no material changes and commitments occurred between the end of the financial year of the company and the date of the report affecting the financial position of the company

Directors:

In accordance with the provisions of the Companies Act, 1956 Jagadish K Rao & Dr.Venugopal retire by rotation at the forthcoming Annual General Meeting. Sri Srinivas Mahankali appointed as Managing director w.e.f 28th January, 2008.

Mr. Jaganmohan Rao, Mr. Sreenivasa Sreekanth Uppuluri , Mr. Steve Clevenger resigned from their directorships.

Issue of Equity Shares and Warrants:

The Company has passed a special resolution in the 18th Annual General meeting of the Company to allot Equity shares and warrants to promoters under preferential allotment guidelines. . The Company has allotted 4,00,000 Equity Shares at a price of Rs. 32/- per share and 21,00,000 Warrants at a price of Rs.32/- per warrant.