# Virinchi
Technologies Limited

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# 2011 22nd Annual Report

CAUSING SYSTEMS PERFORM BUSINESS

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Annual General meeting on Thursday, September 29, 2011 at 12.00 noon 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.

**Registered office:**
10, SRK Colony, West Marredpally
Secunderabad-500 026
Andhra Pradesh
Phone# 040-27083608/10

**Corporate Office:**
A-1 3rd Floor, Surabhi Plaza
Vikrampuri, Karkhana
Secunderabad-500 009
Phone# 040-27890664/5

**Auditors**
M/s. P. Murali & Co.,
6-3-655/2/3, Somajiguda
Hyderabad-500 082
Phone# 040-2332 6666

**Main Bankers**
M/s. Canara Bank
Overseas branch
Adarsh Nagar
Hyderabad

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

**Wholly Owned Subsidiary Company in USA**
M/s. KSoft Systems Inc.,
1000, Route# 34 Ste# 203
Matawan, NJ-07747
Phone# 1-732- 696-2555
www.ksoftglobal.com

**G. Santi Priya**
Chairperson & Whole Time Director

**Viswanath Kompella**
Executive Director

**K. Srinath**
Executive Director & COO

**Datuk Kunasingam Sittampalam**
Independent and Non Executive Director

**Dr. Samad A. Momin**
Independent and Non Executive Director

**K. Krishna**
Independent and Non Executive Director

**M. Ramam**
Independent and Non Executive Director

**K. Ravindranath Tagore**
Company Secretary

*Message From Chairperson*

Dear Shareholders,

I am happy to present to you the performance of your company for FY 2011.

Recovering from the challenges of recession & downturns, the year that went by brought back the promise of growth for your company. The initiatives of your management team over the past couple of years to cope with the hardships of failing economic conditions in key markets of USA and UK are paying off dividends.

Your company has continued to grow both in terms of overall business and profits. Your company has achieved a total consolidated income of Rs 637 million during the year 2010-11 as against Rs 561.90 million during the same period last year showing a growth of 11% per cent. The net profit also continued to grow at about 4.60% per cent to Rs. 44.59 million as against Rs 42.54 million in the same period the previous year.

I am happy to inform you that in the previous financial year 2010-11, your company added some new clients for your flagship product, QFund, including the largest company in the industry in USA amongst others. All engagements are multi-year contracts with an unique annuity model for sustained revenues. Your company is one of the only Indian Point-of-Sale software products companies that charges for services in an annuity model called “Application Service Provisioning”. In this model, clients engage your company to host & maintain its software that is used by the client resources who access and connect the software over the Internet. In this model your company charges the client an access & usage fee per store location each month or a per-transaction fee while owing the complete IT infrastructure including Software and the Hardware servers at IDC. To protect your company’s interests, we insist our clients on minimum guaranteed commitment for each year of engagement. This ensures that your company is protected on the downside but has the provision to gain with the client, in a favorable business environment.

Considering the robust nature of the products that your company has built over the last decade and the concentric software services offered to clients for continuous enhancements and upgrades that are made available to the product and owing to the unique engagement model, your company has been and continues to be acknowledged as the “Premium software for deferred presentment financial services Industry in United States”. This is further substantiated by the fact that your company is serving the top 10 of the 15 companies in this Industry.

To be active in the industry and stay ahead of the game continuously, your company makes all efforts to participate & be active in all industry events, major conferences and trade shows organized semi-annually. Some of the main events where your company showcases its products include: The Community Financial Services Association of America, Financial Service Centers of America, Online Lenders Association, and National Pawn Brokers’ Association, among others. This enables your company to have high visibility in the industries it operates.

Your company organizes “QFund User Group” meetings annually in United States to bring together all of its clients under one roof to build customer loyalty and understand their needs and challenges better. This helps build a significant competitive advantage and provides an understanding of the needs to better service the current and potential clients.

With growth on mind and in step with our vision to build products operating in niche verticals where robust solutions are critical but unavailable, during 2010-11 your company invested significant time & effort aimed at expanding product portfolio where your management foresees significant growth in the near future. These new product initiatives will help establish your company’s footprint in these niche areas where we believe these solutions will add significant value and help us thrive in these niche markets.We will shortly be ready to unveil these products.

Investment in human capital has been the one of the most critical factors of your company’s success over the years. During the past year, your company has continued this investment and the employee strength has grown by about 10 percent. As a result of this human capital, your company remains well-positioned to capitalize on growth that we have been witnessing with the addition of new clients and will continue to benefit from the broad business trends that hold promise for the future. Owing in large part to the dedication and hard work of talented Virinchi team, your company is confident about the prospects and ability to deliver significant value to customers and investors in the years ahead.

At a moment when the global economy is looking at a turnaround from recession, the S&P downgrade of US debt has cast significant shadows uncertainty about the near-term prospects of the US economy. Your company is well positioned to navigate through such difficult times and is geared up to face any challenge that may come out of these uncertain times.

In addition to the uncertain economic conditions, your company operates in a highly regulated & closely scrutinized financial services sector in North America & UK. We are constantly on the watch of the changing regulatory and macro-economic environment and are working to align ourselves to manage the change with low impact.

To all who share our commitment and our passion for providing reliable, scalable, available and robust solutions for mission critical needs, we on behalf of our board of directors, say thanks for your continuing support.

On behalf of the Virinchi Team

**G.Santi Priya**
**Chairperson & Whole Time Director**
**Virinchi Technologies Limited**

**NOTICE**

NOTICE is hereby given that the 22nd Annual General Meeting of the Members of the Company will be held on Thursday, the 29th day of September, 2011, at 12.00 noon 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, 2011; 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 2010-11

3. To appoint a Director in place of Mr. K. Krishna, who retires by rotation, and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of G. Santi Priya who retires by rotation, and being eligible, offers herself for re-appointment.

5. To appoint M/s. P. Murali & Co., Chartered Accountants, (ICAI Reg.No 007257S) 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 an Ordinary Resolution:

"RESOLVED THAT Shri M.Ramam, Who was appointed as an Additional Director of the company with effect from 11th May, 2011, 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 Director, be and is hereby appointed as a Director of the Company."

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

PLACE : HYDERABAD
DATE : 02-09-2011

**K. Ravindranath Tagore**
Company Secretary

**Important Communiqué to Members - Green Initiative in Corporate Governance**

The Ministry of Corporate Affairs (MCA) has taken a Green Initiative in Corporate Governance by allowing paperless compliances by the companies and has issued a Circular stating that service of all documents including Annual Reports can be sent by e-mail to its Members. Your Company believes that this is a remarkable and environment friendly initiative by MCA and requests all Members to support in this noble cause.

The Company has already embarked on this initiative and proposes to send documents including Annual Reports in electronic form to the Members on the email address provided by them to the R&T Agent/the Depositories.

The Members who hold shares in physical form are requested to intimate/update their email address to the Company/R&T Agent while Members holding shares in demat form can intimate/update their email address to their respective Depository Participants.

Members are requested to further note that they will be entitled to be furnished, free of cost, the physical copy of the documents sent by e-mail, upon receipt of a requisition from them, any time, as a Member of the Company.

**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 23rd September, 2011 to 29th September 2011 (both days inclusive)

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 29th September, 2011. Dividend Warrants are scheduled to be posted on or after 3rd October, 2011. Dividend Warrant is valid for payment by the Company's Bankers for six 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.

e) Members are encouraged to utilize the Electronic Clearing System (ECS) for receiving dividends.

f) Members holding shares in physical form may write to the Company/Company's R&T agents for any change in their address and bank mandates. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updates of savings bank account details to their respective depository participants.

g) Members are requested to send all communication relating to shares to the Company's R&T Agents (Physical and Electronic) at the following address:

M/s. Aarthi Consultants Private Ltd, Unit: Virinchi Technologies Ltd, 1-2-285, Domalguda, Hyderabad-500 029

h) Members who wish to claim dividends, which remain unclaimed, are requested to correspond with the

Company Secretary at the Company's registered office. Members are requested to note that dividends not encashed or claimed within 7 years from the date of transfer to the Company's Unpaid Dividend Account, will as per the provisions of Section 205A of the Companies Act, 1956, be transferred to the IEPF.

i) The Certificate from the Auditors of the Company certifying that the Company's Stock Option Schemes are being implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended, and in accordance with the resolutions of the members passed at the general meetings will be available for inspection by the members at the AGM.

j) SEBI has made it mandatory for every participant in the securities/capital market to furnish details of Income Tax Permanent Account Number (PAN). Accordingly, all members holding shares in physical form are requested to submit their details of PAN, along with a photocopy of the PAN Card, to the R&T Agent of the Company, M/s. Aarthi Consultants Private Limited.

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**Annexure to the Notice**

Explanatory statement pursuant to Section 173(2) of The Companies Act, 1956

Item #6

Shri. M. Ramam 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 11$^{th}$ May, 2011. Pursuant to Section 260 of the Companies Act, 1956 Shri M.Ramam holds office of Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing under section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- from a member signifying his intention to propose the name of Shri. M.Ramam 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 Shri M.Ramam is concerned or interested in the resolution.

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

PLACE : HYDERABAD
DATE : 02-09-2011

K. Ravindranath Tagore
Company Secretary

**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 | : | M. Ramam |
| | Age | : | 50 years |
| | Qualifications | : | B.com, LLB |
| | Expertise | : | He has around 25 years of experience in the administration field . He is a practicing lawyer registered with bar council of High Court of Andhra Pradesh. |
| | Other Directorships | : | NIL |
| | Membership of Committee | : | NIL |
| | Shareholding | : | 250 Shares |
| 2. | Name | : | Krishna Kanaparthy |
| | Age | : | 44 years |
| | Qualifications | : | B.A,B.L |
| | Expertise | : | Mr. Kanaparthy has over 16 years of experience in the Corporate Law, Taxation, Civil Matters. He is presently working as a partner in M/s. Sunder & Krishna, Advocates, Hyderabad. He is presently practising in civil courts and High Court of Andhra Pradesh. |
| | Membership of committee | : | NIL |
| | Shareholding | : | NIL |
| | Other Directorships | : | NIL |
| 3. | Name | : | G. Santi Priya |
| | Age | : | 37 years |
| | Qualifications | : | B.com, ACA, Grad CWA, DISA |
| | Expertise | : | She has 14 years of experience in the areas of auditing, cor porate finance and taxation |
| | Membership of committee | : | NIL |
| | Shareholding | : | NIL |
| | Other Directorships | : | NIL |

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting you the 22nd Directors' Report **on the business and operations** of your company **on standalone basis,** for the financial year ended 31st March, 2011.

**Financial Highlights on standalone basis**

| | Consolidated | | Standalone | |
|---|---|---|---|---|
| **Particulars** | **2010-11** | **2009-10** | **2010-11** | **2009-10** |
| Total Income | 6469.94 | 5744.24 | 3808.15 | 4333.17 |
| Profit before interest, Depreciation and Tax | 1644.12 | 1463.41 | 1308.76 | 1374.40 |
| Interest | 230.87 | 161.20 | 187.30 | 131.05 |
| Depreciation | 839.31 | 841.72 | 819.04 | 825.78 |
| Provision for Taxation | 171.61 | 78.67 | 82.32 | 68.18 |
| Profit after interest, Tax and depreciation | 402.33 | 373.83 | 220.10 | 349.38 |
| Deferred Tax provision | (43.64) | (51.61) | (50.19) | (51.61) |
| Balance brought forward | 2038.71 | 1700.17 | 3541.04 | 3226.96 |
| Balance Carried to Balance Sheet | 2397.31 | 2038.71 | 3723.95 | 3541.04 |

**RESULTS OF OPERATIONS:**

Following are the results of operations for the financial year 2010-11

**BUSINESS PERFORMANCE**

**Consolidated Revenues:** The total Consolidated income of the Company for the FY 2010-11 comprises operating revenues of Rs. 6370 Lacs as against Rs. 5619.08 Lacs in FY 2009-10 and other income of Rs. 99.80 Lacs for the current year as against Rs.125.15 lacs in the previous year.

**Standalone Revenues:** The total income of the Company for the FY 2010-11 comprises operating revenues of Rs. 3708 Lacs as against Rs.4208 Lacs in FY 2009-10 and other income of Rs.99.80 Lacs for the current year as against Rs.125.07 lacs in the previous year.

**Consolidated Profits**: Profit before Tax (PBT) stood at Rs.573.94 Lacs as against Rs.452.50 Lacs for the previous year. Profit after Tax (PAT) stood at Rs.445.97 lacs as against Rs.425.44Lacs for the previous year.

**Standalone Profits**: Profit before Tax (PBT) stood at Rs.302.42 Lacs as against Rs.417.56 for the previous year. Profit after Tax (PAT) stood at Rs.270.29 Lacs as against Rs.400.98 Lacs for the previous year.

Your Company is primarily engaged in the business of providing IT Products & Services to its customers in US, Europe, and Middle East. The financial results of the Company on consolidated basis have been encouraging despite the challenges faced in terms of unfavorable currency movements and depressed business conditions in our primary markets of US and Europe.

**Reserves and Surplus**

During the year the Company has not transferred any amount to Reserves and Surplus.