

# CONTENTS

Board of Directors .....	02
Message from Chairperson.....	03
Notice.....	04
Directors Report .....	10
Corporate Governance Report .....	16
Management Discussion and Analysis Report.....	23
Auditors Report.....	27
Balance Sheet .....	31
Statement of Profit and Loss .....	32
Cash Flow Statement .....	33
Significant accounting policies .....	34
Notes forming part of the Balance Sheet and Statement of Profit and Loss .....	36
Balance Sheet Abstract and Company's General Business profile .....	44
Consolidated Financial Statements .....	47

Annual General meeting on Saturday, September 28, 2013 at 11.30 AM 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](http://www.ksoftglobal.com)

**G. Santi Priya**

Chairperson & Whole Time Director

**Viswanath Kompella**

Non-Executive Director

**Srinath Kompella**

Non-Executive Director  
(Resigned w.e.f. 12-08-2013)

**K. Sri Kalyan**

Whole Time Director

**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 Valued Shareholders,

Virinchi had another strong year in FY 2013. I'm pleased to announce the highlights of your company's performance during last financial year. Despite fluctuating market conditions, your company fared well and improved on overall business and profits.

Your company's revenues grew significantly with addition of one of the largest clients in the short term lending industry in North America. Adding to that, additional product offerings to existing clients also grew to strengthen your company's market position. Though Indian IT market was still struggling with down turn, our exceptional client focus and unique service model steered your company to a remarkable success with increased and sustainable revenues resulting out of new multi-year client contracts with unique annuity model.

Your company has achieved a total consolidated income of Rs.787 million during the year 2012-13 as against Rs. 680 million during the same period last year showing a growth of 15.74 %.

Your flagship Software product Qfund went through continuous improvement across last year to provide better services for your clients in North America with improved underwriting processes and Lead integrations from third party counter parts from short term lending industry, thus resulting in better risk management capabilities and increased revenues for your clients. Qfund also started foraying in to portable application integrations using Tablet and Mobile platforms.

Your company's investments from last year towards improving hosting infrastructure by upgrading the hardware in International Data Centre is paying rewards by achieving 99% of uptime to your client's business and ensuring their business continuity with a Disaster Recovery facility. To complement that, our newly setup state-of-the-art Offshore Data Centre at your new Hakimpet campus came in to operation during last year. By adapting cutting edge Virtualisation technologies, your company is also able to provide easy scalability for your client applications with varying and dynamic hardware configurations according to changing business needs.

One of our key focus areas for last year has been to fine tune your company's business operations by streamlining the same with continuous process improvement to achieve better work efficiency and increased productivity. We also revamped our internal metrics management systems to provide better visibility to management, thus empowering them to take effective business decisions.

Your senior management team extended serious commitment to significantly ramp up investment in Human Capital and strengthen resource capabilities to matchup to increased client base and to support increased business operations. As a result, employee strength was increased by around 25% at offshore. Your company made a significant leap with regards to onsite presence of resources at client site, which was highest ever. By leveraging their product knowledge and technical expertise, onsite resources will help your clients by providing customised & tailored deliverables while generating higher revenues for your company. Your company continue to take pride in providing better work environment and facilities in the form of sports and recreation at its self-contained Hakimpet campus along with other employee benefits & welfare programs to make it one of the most desired companies to work for.

Looking ahead to 2014, your management team is looking forward for your continued trust and support to overcome difficult market and economic challenges ahead and to achieve your business goals and to satisfy all stake holders objectives. We are confident that we will succeed as we are a learning organisation and we'll leave no stone unturned in our efforts. On behalf of every one from Virinchi Management team, I'd like to thank our clients, employees and all the stakeholders for your continued support.

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

# NOTICE

NOTICE is hereby given that the 24th Annual General Meeting of the Members of the Company will be held on Saturday, the 28th day of September, 2013, at 11.30 AM 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, 2013; 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 appoint a Director in place of Ms. G. Santi Priya who retires by rotation, and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of K. Krishna who retires by rotation, and being eligible, offers himself for re-appointment.
4. To consider and if thought fit to pass with or without modifications(s), the following resolution as an ordinary resolution

"RESOLVED that M/s. P.Murali& Co, Chartered Accountants (ICAI Reg. No. 007257S), who retire at the conclusion of this Annual General Meeting, be and are hereby appointed as statutory auditors of the company till the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors on the recommendation of the Audit Committee.

## Special Business:

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

"RESOLVED THAT Mr. K. Sri Kalyan, Who was appointed as an Additional Director of the company with effect from 12th August, 2013, 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 under section 257 and other applicable provisions, if any, of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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 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 re-appointment of Ms.G.Santi Priya, as Chairperson & Whole Time Director, of the Company, for a period of 3(Three) years with effect from 22nd July, 2013 on a monthly remuneration of Rs.1,25,000 Per month.

"RESOLVED FURTHER that the remuneration as set out in this resolution including benefits, amenities and perquisites, shall be allowed and paid to Ms. G. Santi Priya 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".

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. K. Sri Kalyan, as Whole Time Director , of the Company, for a period of 3(Three) years with effect from 12th August, 2013 on a monthly remuneration of Rs.60,000 Per Month.

“RESOLVED FURTHER that the remuneration as set out in this resolution including benefits, amenities and perquisites, shall be allowed and paid to Mr. K. Sri Kalyan as minimum remuneration during the currency of her 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”.

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

PLACE : HYDERABAD  
DATE : 12-08-201

**K. Ravindranath Tagore**  
3 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. The relevant details as required by Clause 49 of the Listing Agreements entered with the Stock Exchanges, of persons seeking appointment/re-appointment as Directors under Item Nos. 2, 3, 5 and 6 above are also annexed.
- c) The Register of Members / Register of Beneficiaries and Share Transfer books of the Company will remain closed from 23rd September, 2013 to 28th September 2013 (both days inclusive).
- d) 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.
- e) 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. Aarathi Consultants Private Ltd, Unit: Virinchi Technologies Ltd, 1-2-285, Domalguda, Hyderabad-500 029
- f) 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. The company has transferred the unpaid dividend for the year 2004-05 to the Investor education fund.

Year	Type of Dividend	Dividend Per share Rs.	Date of Declaration	Due Date of Transfer	Amount in Rs.
2005-06	Final	0.50	29/09/2006	28/10/2013	1,36,988
2006-07	Final	0.50	28/09/2007	27/10/2014	1,19,875
2009-10	Final	0.50	29/09/2010	28/10/2017	2,58,016
2010-11	Final	0.50	29/09/2011	28/10/2018	1,03,963
2011-12	Final	0.50	29/09/2012	28/10/2019	3,21,751

- g) 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.
- h) 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.

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

PLACE : HYDERABAD  
DATE : 12-08-2013

**K. Ravindranath Tagore**  
Company Secretary

## **Explanatory Statement Pursuant to section 173(2) of the Companies Act, 1956**

### **Item #5**

Mr. K. Sri Kalyan 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 12th August, 2013. Pursuant to Section 260 of the Companies Act, 1956 K. Sri Kalyan 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 K. Sri Kalyan 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 K. Sri Kalyan is concerned or interested in the resolution

### **Item#6**

The Board of Directors of the company in its meeting held on 18th July, 2013 reappointed Ms. G. Santi Priya as Chairperson & Whole Time Director for a period of 3 years with effect from 22nd July, 2013 at a gross salary of Rs.1,25,000 per month

Considering her 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 her remuneration as set out below are viewed to be just, fair and reasonable

The remuneration has been approved by the remuneration committee.

As per the provisions of Schedule XIII of the Companies Act, 1956 appointment of Ms. G.Santi Priya as Chairperson & Whole Time Director requires the approval of the members in General Meeting. Hence, the above resolution at item# 6 is submitted to the meeting for ratification by the members of the company by passing a Special Resolution. She is also having directorship in Qfund Technologies Private Ltd only.

The Board of Directors commends the above resolution at Item# 6 for your approval.

None of the Directors of the Company except Ms. Santi Priya to the extent of her re-appointment as director is concerned or interested in this resolution

### **Item#7**

The Board of Directors of the Company in its meeting held on 12th August, 2013, appointed Mr. K. Sri Kalyan as Whole Time Director for a period of 3 years with effect from 12th August, 2013 at a gross remuneration of Rs. 60,000 P.M. 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 no other directorships and also not a member in the committees of any other companies.

The remuneration has been approved by the remuneration committee.

As per the provisions of Schedule XIII of the Companies Act, 1956 appointment of Mr. K. Sri Kalyan as Whole Time 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 Directors of the Company except Mr. K. Sri Kalyan to the extent of his appointment as director is concerned or interested in this resolution.



## 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 : G.Santi Priya  
Age : 39 years  
Qualifications : B.com.,ACA,Grad CWA,DISA  
Expertise : She has 16 years of experience in the areas of Auditing, Corporate Finance and Taxation  
  
Other Directorships : NIL  
Membership of Committee : NIL  
Shareholding : NIL
  
2. Name : K. Krishna  
Age : 46 years  
Qualifications : BA.BL  
Expertise : Mr. Kanaparthi 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 : K. Sri Kalyan  
Age : 34 years  
Qualifications : B.E (Mech. Engg.), MBA (SCM)  
Expertise : He has worked for seven years in Tecumseh Products India Private Limited in Quality Assurance, Production and Project Management and has Four years of Administration and Operations experience. He is a certified ISO 9001 internal auditor, ISO 14001 Lead Auditor and an in-house trainer for Lean Manufacturing and Six Sigma. As the head of the Manufacturing unit, he has worked on several cost saving and quality improvement projects involving TPM and SPC and Quality Circle Techniques. He is a post graduate from SP Jain Centre of Management, a leading B- School in Asia and has specialized in Global Logistics and Supply Chain Management.  
  
Membership of committee : NIL  
Shareholding : NIL  
Other Directorships : NIL

# DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting you the 24th Directors' Report on the business and operations of your company, for the financial year ended 31st March, 2013.

## Financial Highlights:

(Rs. in Lacs)

Particulars	Consolidated		Standalone	
	2012-13	2011-12	2012-13	2011-12
Total Income	8,035.36	6,987.91	4,395.77	3,708.21
Profit before interest, Depreciation and Tax	1,571.98	1,866.77	1,196.86	1,292.04
Interest	274.16	281.01	232.34	245.74
Depreciation	735.54	854.13	641.87	810.56
Provision for Taxation	137.69	159.74	64.38	56.98
Profit after interest, Tax and depreciation	424.59	571.88	258.27	178.76
Deferred Tax provision	61.37	32.88	52.22	19.48
Balance brought forward	4,585.05	4,153.49	4,111.75	4,039.55
Balance Carried to Balance Sheet	4,758.63	4,585.05	4,317.80	4,111.75

## RESULTS OF OPERATIONS:

Following are the results of operations for the financial year 2012-13

### BUSINESS PERFORMANCE

**Consolidated Revenues:** The total Consolidated income of the Company for the FY 2012-13 comprises operating revenues of Rs. 7868 Lacs as against Rs. 6804 Lacs in FY 2011-12 and other income of Rs. 167 Lacs for the current year as against Rs. 183 lacs in FY 2011-12.

**Standalone Revenues:** The total income of the Company for the FY 2012-13 comprises operating revenues of Rs. 4554 Lacs as against Rs. 3525 Lacs in FY 2011-12 and other income of Rs. 142 Lacs for the current year as against Rs. 183 lacs in FY 2011-12.

**Consolidated Profits:** Profit before Tax (PBT) stood at Rs. 562.28 Lacs as against Rs. 731.63 Lacs for the previous year. Profit after Tax (PAT) stood at Rs. 363.22 lacs as against Rs. 538.99 Lacs for the previous year.

**Standalone Profits:** Profit before Tax (PBT) stood at Rs. 322.65 Lacs as against Rs. 235.74 Lacs for the previous year. Profit after Tax (PAT) stood at Rs. 206.05 Lacs as against Rs. 159.28 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 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.

## **Dividend**

Your directors did not recommend any dividend on shares for this year.

## **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**

None of the directors of the company is disqualified under the provisions of the act or under the Listing agreement with the stock exchanges.

## **Appointments:**

In accordance with the provisions of the Companies Act, 1956 G.Santi Priya and K. Krishna retire by rotation at the Annual General Meeting and being eligible offer themselves for reappointment at the ensuing Annual General Meeting.

Ms. G. Santi Priya reappointed as Chairperson& Whole Time Director w.e.f 22nd July, 2013 and Sri Kalyan Kompella appointed as Additional Director and Whole Time Director on 12th August, 2013

Brief resume of the Directors proposed to be reappointed, nature of their expertise in specific functional areas, directorships in other companies as stipulated under clause 49 of the listing agreement with the stock exchanges in India are provided in the report on corporate governance.

## **Cessations:**

Srinath Kompella resigned to be a director of the company w.e.f 12th August, 2013. Your directors place on record the appreciation and gratitude to him for his valuable contributions during his tenure as director.

## **Allotment of Shares:**

The company has allotted 30,00,000 Equity shares on preferential basis to promoter and strategic investors during the year.

## **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, 2013, the applicable accounting standards had 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 2013 and of the profit of the company for the financial year ended 31st March, 2013
- 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, 2013 on a going concern basis.

## **Auditors and Audit Report**

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.

The company has received letter from the Statutory auditors to this effect that their reappointment, if made would be within the prescribed limits under section 224 (1B) of the Companies Act, 1956 and they are not disqualified for such reappointment within the meaning of section 226 of the said act.

#### **PARTICULARS PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956**

Pursuant to the provisions of Section 212 of the Companies Act, 1956 (Act), documents in respect of the various subsidiaries Viz., Director's Report, Auditor's Report, Balance Sheet and Profit and Loss Account, are required to be attached to the Balance Sheet of the holding company. However, in terms of the provisions of Section 212(8) of the Act, the Government of India, Ministry of Corporate Affairs, has vide Circular No. 2/2011 dated 8th February, 2011 granted exemption from the provisions of Section 212(1) of the Act. Accordingly, the Annual Report does not contain the financial statements of the subsidiaries of the Company. However, the Company will make available the audited annual accounts and related detailed information of the subsidiaries to the shareholders upon request in accordance with the applicable law. These documents are also available for inspection at the Registered Office of the Company during business hours.

A statement pursuant to the provisions of Section 212(1)(e) of the Act appears elsewhere in the Annual Report.

#### **Fixed Deposits**

The Company has not accepted any fixed deposits as on 31st March, 2013 so as to attract the provisions of Section 58A and 58AA of the Companies Act, 1956 read with Companies (Acceptance of the Deposits) Rules, 1975 as amended from time to time.

#### **Subsidiary Companies**

The company has incorporated two subsidiaries namely M/s. Tyohar Foods Private Ltd and M/s. Virinchi Infra and Realty Private Ltd during the year.

The details pertaining to financials of Subsidiary Companies have been given elsewhere in this report.

#### **Consolidated Financial Statements**

In accordance with the Accounting Standards AS-21 and AS-27 on Consolidated financial Statements read with the Accounting Standard AS-23 on Accounting for investments in Associates, the Audited consolidated financial statements are provided in the annual report.

#### **Particulars of Employees**

In pursuance of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Directors are to report that there are no employees who are in receipt of remuneration of Rs.60,00,000/- or more per annum or Rs.5,00,000/- or more per month where employed for a part of the year.

#### **Details about Virinchi Employees Stock Option Scheme, 2004 (VESOS, 2004)**

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee stock purchase Scheme), Guidelines, 1999, the details of stock options as on 31st March, 2013 under the Virinchi Employee Stock Options Scheme, 2004 are as under:

<b>Sl. No</b>	<b>Description</b>	<b>Details</b>
1.	Options Granted during 2012-13	NIL
2.	Pricing formula	N.A.
3.	Options Vested	N.A.

4.	Options exercised	N.A.
5.	The total number of shares arising as a result of exercise of option	N.A.
6.	Options lapsed	N.A.
7.	Variation of terms of options	N.A.
8.	Money realized by exercise of options	N.A.
9.	Total number of options in force	Total options reserved under the scheme: 11,67,000 and Total options granted: 9,00,000
10.	Employee wise details of options granted to i) Senior Management personnel ii) Any other employee who receives a grant in any one year of option amounting to 5% of or more of option granted during that year iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	N.A.
11.	Diluted Earning Per share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS)20 Earning Per share	N.A.
12.	The difference between the employee compensation costs computed under intrinsic value method and the employee compensation cost that shall have been recognized if the Company had used the Fair Value methods and its impact on profits and EPS of the Company.	N.A.
13.	Weighted Average exercise prices and weighted average fair values of options for options whose exercise price either equals or exceeds or is less than the market price of the stock	NIL
14.	Description of the method and significant assumptions used during the year to estimate the fair value of options. i. Risk-free interest rate ii. Expected life iii. Expected Volatility iv. Expected dividends v. The price of the underlying share in market at the time of option grant	The Company has opted intrinsic Value method for accounting of Compensation Cost arising out of ESOP. The Company has not made any assumptions.

**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.

To decrease the carbon footprint, company transportation is extended to associates from different parts of the city; the occupation is 100% in all the buses on all the working days. Also, to conserve the natural resources, STP plan is installed and the waste water and solid material emitted out, after processing is being used for landscaping. The company has adopted laudable practices like reducing the carbon foot prints, maximizing the utilization of natural light and reducing the electric light fittings, reduction of size of work station partitions. use of recycled material for the work stations' wood boards, provision of task lights for every work station to minimize the power consumption, central control switch for entire work station and automated water control taps in the rest rooms. As part of energy conservation, LED lighting is being use for the new areas, which are undergoing interior renovation works.

**b) Research and Development**

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:**

Most of your Company's earnings are from the export of Computer Software and Services. In order to promote product sales and services, your Company participated in various exhibitions and carried product promotion activities.

**Details of foreign exchange earnings and outgo during the year as follows :**

Particulars	(Rs. in Lacs)	
	FY 2012-13	FY 2011-12
Foreign Exchange Earnings:	<b>4,537.97</b>	3,393.45
Foreign Exchange Outgo	<b>2,109.93</b>	58.98

**d) Technology Absorption, Adaptation and Innovation**

Your company continues to use state-of-the-art technology for improving the productivity and quality of its products and services. To create adequate infrastructure, your Company continues to invest in the latest hardware and software.

To support its growth plans, the company continues to invest in global solutions that are configured consistently for its core business processes.

## **Report on Corporate Governance**

Corporate Governance Report is set out as separate Annexure to this Report.

## **Management Discussion and Analysis**

Management's Discussion and Analysis report for the year under review as stipulated under Clause 49 of the Listing Agreement with the stock exchanges is presented in a separate section forming part of the Annual report.

## **Acknowledgments**

Your directors would like to place on record their appreciation of support, co-operation and assistance received from the company's clients, Central Government authorities, bankers, shareholders and suppliers. The board wishes to convey its appreciation for hard work, solidarity, cooperation and support put in by the company's employees at all levels in enabling such growth.

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

PLACE : HYDERABAD  
DATE : 12-08-2013

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

# Annexure to Directors' Report

## Report on Corporate Governance

### 1. Company's Philosophy:

The Company believes that corporate governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for the effective management and distribution of wealth and discharge of social responsibility for the sustainable development of all stakeholders. Through its processes and independence of functioning, the Board of Directors of the Company provides effective leadership to the Company and its management for achieving sustained prosperity for all the stakeholders.

The Company is in compliance with the requirements of revised guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, and with the adoption this year, of a code of conduct for Non-Executive Directors also, which has been put on in the website of the company at [www.virinchi.com](http://www.virinchi.com)

### 2. Board of Directors:

#### a) Composition and Category of Directors:

❖ The Company has an Executive Chairperson and Whole Time Director, and to have a more professional outlook your company is having 4 Independent Non- Executive directors and 2 Non-Independent Non-Executive Directors which composition is in compliance with the clause 49 of the Listing Agreement

❖ 7 Board Meetings were held during the Financial Year 2012-13 and the gap between two Meetings did not exceed four months. The dates on which the said meetings were held are as follows:

14th May, 2012, 28th July, 2012, 29th August, 2012, 24th September, 2012, 10th October, 2012, 10th November, 2012, 12th February, 2013

❖ The necessary quorum was present for all meetings.

❖ During the year, information as mentioned in Annexure 1A to clause 49 of the Listing

❖ Agreement has been placed before the board for its consideration.

#### b) Attendance of each Director at the Board Meetings and the last AGM and their Category

Name of the Director	Category	No. of Board Meetings attended	Whether attended last AGM	No. of other Director-ships #	Committee Member-ships	Committee Chairmanship
Viswanath Kompella*	Promoter and Non-Executive Director	7	Yes	-	-	-
G.Santi Priya	Chairperson and Whole Time Director	7	Yes	-	-	-
K.Srinath**	Non-Executive Director	-	No	-	-	-
K.Krishna	Independent Non-Executive Director	7	Yes	-	-	-
M.Ramam	Independent Non-Executive Director	7	Yes	-	-	-
K.V.Sittampalam	Independent Non-Executive Director	-	No	1	-	-
Samad A.Momin	Independent Non-Executive Director	-	No	-	-	-



Changed to Non-Executive Director W.e.f 1st April, 2013

\*\*Resigned w.e.f 12th August, 2013

# The Directorships held by Directors as mentioned above do not include alternate directorships and directorships of foreign companies, section 25 companies and private limited companies.

- ❖ In accordance with clause 49, memberships/chairmanships of only the Audit Committee and shareholders/ investors grievance committees all Public Limited Companies (Excluding Virinchi Technologies Ltd) have been considered.
- ❖ Apart from receiving sitting fee for attending meetings, the independent directors do not have any material pecuniary relationships or transactions with the company, promoters, directors, senior management or its holding company, subsidiaries and associates which may affect independence of the director;
- ❖ The Independent director is not related to promoters or persons occupying management positions at the board level or at one level below the board;
- ❖ The independent directors have not been executives of the company in the immediately preceding three financial years;
- ❖ They are not partners or executives or were not so during the preceding three years of the -statutory audit firm or the internal audit firm that is associated with the company -Legal Firm(s) and consulting firm(s) that have a material association with the company
- ❖ The Independent Directors are not material suppliers, service providers or customer or a lessors or lessees of the company, which may affect their independence
- ❖ They are not substantial shareholders of the company i.e. don't own 2 percent or more of the block of voting shares.

### 3. AUDIT COMMITTEE:

During the year under review Five (5) meetings were held for approval of Unaudited Financial Results and Audited results. The constitution of the Committee and the attendance of each member of the Committee are given below:

Name of the Director	Designation	Nature of Directorship	Committee Meetings attended
M.Ramam	Chairman	Independent Non-Executive Director	5
Viswanath Kompella	Member	Non-Executive and Non-Independent Director	5
K.Krishna	Member	Independent Non-Executive Director	5

The Meetings of Audit Committee were also attended by the representatives of Statutory Auditor as Invitees. The Un-audited financial results for each quarter are recommended by the Audit Committee before passed on to the Board of Directors for approval and adoption.

Mr.Ravindranath Tagore Kolli is the Secretary of the Committee.

- ❖ Financial reporting process
- ❖ Draft financial statements and auditor's report (before submission to the Board)
- ❖ Accounting policies and practices
- ❖ Internal controls and internal audit systems
- ❖ Risk management policies and practices
- ❖ Internal audit reports and adequacy of internal audit function.

The role of the audit committee includes recommending the appointment and removal of the external auditor, discussion of the audit, plan and fixation of audit fee and also approval of payment of fees for any other services.

#### 4. REMUNERATION COMMITTEE:

The Remuneration Committee is constituted as follows.

Name of the Director	Designation	Nature of Directorship
M.Ramam	Chairman	Independent
K.V.Sittampalam	Member	Independent
Krishna Kanaparthi	Member	Independent

#### The terms of reference of the remuneration committee are as follows:

- ❖ The Remuneration committee recommends to the board, the compensation terms of the Executive Directors
- ❖ Framing and implementing on behalf of the Board and on behalf of the shareholders, a credible and transparent policy on remuneration of executive directors including ESOPs, Pension Rights and any Compensation Payment.
- ❖ Considering approving and recommending to the board the changes in the designation and increase in salary of the executive directors
- ❖ Ensuring the remuneration policy is good enough to attract, retain and motivate directors.
- ❖ Bringing about objectivity in determining the remuneration package while striking a balance between the interest of our company and the shareholders.

#### Details of remuneration to the directors for the Year:

Name of the Director	Remuneration paid during the year 2012-13 (in Rs.)		
	Sitting Fees	Salary	Total
Viswanath Kompella	-	18,00,000	18,00,000
G. Santi Priya	-	15,00,000	15,00,000
M. Ramam	30,000	-	30,000
K. Krishna	30,000	-	30,000

Shares held by Non-Executive Directors as on 31st March, 2013 are as follows:

S.No.	Name of the Director	No. of shares held as on the Date
1	Ramam Madu	250
2	Samad A Momin	NIL
3	K.V.Sittampalam	NIL

#### 5. INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE:

The Board constituted an investors' grievance committee which looks into shareholders and investors grievances under the Chairmanship of M. Ramam who is an Independent and Non-Executive director. The Committee inter alia approves issue of duplicate certificates and oversees and reviews all matters connected with the transfer of securities. The committee looks into shareholders complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividends etc. The committee oversees the performance of the Registrar and Transfer Agents and recommends measures for overall improvement in the quality of investor services.

The Board of Directors has delegated the power of approving transfer of securities to M/s. Aarthi Consultants Private Limited.

**Composition of the Committee:**

Name	Designation	Category
M. Ramam	Chairman	Independent Non-Executive Director
Viswanath Kompella	Member	Executive and Non-Independent Director
K. Krishna	Member	Independent Non-Executive Director

Name & Designation of the Compliance officer: Mr.K.Ravindranath Tagore, Company Secretary

The total No. of Complaints received and complied during the year were; Opening: 1 Complaints Received: 11 Complied:- 12 Pending: 0

The Complaints had been attended to within seven days from the date of receipt of the complaint, as communicated by our Registrars and Share Transfer Agents M/s. Aarthi Consultants Pvt. Ltd.

The outstanding complaints as on 31st March, 2013 were: NIL

**6. Details of Annual General Meetings: Location and time of the last three AGM's.**

Financial Year	Date & Time	Venue	Nature of Special Resolutions if any, passed
2011-12	29/09/2012 11.00 AM	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredapally, Secunderabad- 500026	NIL
2010-11	29/09/2011 12.00 Noon	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredapally, Secunderabad- 500026	NIL
2009-10	29/09/2010 11.00AM	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredapally, Secunderabad- 500026	1. Appointment of Ms. Santi Priya as Chairperson & Whole Time Director 2. Re-appointment of Mr. Viswanath Kompella as Executive Director 3. Issue of Warrants to Promoters and Strategic Investors

None of the Resolutions were put through postal ballot in the last year.

**7. Disclosures**

- A. Disclosure on materially significant related party transactions i.e. transactions of the company of material nature with its promoters, the directors or the management's, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large:

**Details are given elsewhere in this report.**

- B. Details of non-compliance by the company, penalties, Strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years: **None**

## 8. Means of Communications:

As per the listing requirements, the company published periodical financial results in Business Standard, Andhra Bhoomi, Financial Express and leading English and regional newspapers. The Company has also posted its Quarterly results, shareholding pattern, Code of Conduct etc on the website of the company at [www.virinchi.com](http://www.virinchi.com)

## 9. General Shareholder information

- a) AGM: Date, Time and Venue : 28th September, 2013 at 11:30 AM, at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Maredpally, Secunderabad-500026. A.P.
- b) Financial Year : 1st April to 31st March
- Financial Reporting for :**
- Quarter ending June 30, 2013 : Before end of August, 2013
- Quarter ending September 30, 2013 : Before end of November, 2013
- Quarter ending December 31, 2013 : Before end of February, 2014
- Quarter ending March 31, 2014 : Before end of May, 2014
- c) Date of Book Closure : 23.09.2013 to 28.09.2013 (both days inclusive)
- d) Listing on Stock Exchanges Bombay : The Company's Equity shares are listed on the Stock Exchange (BSE)
- e) Payment of Listing Fee : The Company has paid the listing fees to the BSE for the financial year 2013-14
- f) Stock Code : BSE: VIRINCHIIQ code: 532372  
Demat ISIN in NSDL and CDSL: INE539B01017
- g) Market Price Data :

The Monthly high and low quotation and the volume of shares traded on The Stock exchange, Mumbai are as under:

Month	Highest (Rs.)	Lowest (Rs.)	Volume of Sharestradedres traded
April, 2012	9.56	7.15	254,360
May, 2012	12.65	7.64	453,782
June, 2012	9.75	8.00	139,871
July, 2012	11.95	8.30	129,034
August, 2012	9.63	7.15	134,025
September, 2012	10.40	8.60	137,722
October, 2012	11.00	9.50	84,965
November, 2012	10.49	9.00	89,849
December, 2012	10.38	9.00	109,578
January, 2013	10.00	9.00	63,141
February, 2013	10.00	8.15	99,430
March, 2013	9.08	6.25	387,571

Source: [www.bseindia.com](http://www.bseindia.com)

- g) Registrar and Share transfer agents : Aarthi Consultants Pvt Ltd.  
1-2-285, Domalguda, Hyderabad -500 029.  
Ph: 27634445, 27638111 Fax: 27632184
- h) Share Transfer System : The Share transfers are being effected physically by the Company's share transfer agents, M/s. Aarthi Consultants Pvt. Ltd, Hyderabad.
- i) Distribution of Shareholding as on 31st March, 2013

	Shareholding of Nominal Value	Shareholders		Shares held	
	Rs.	Numbers	% of total	No.	% of total
	(1)	(2)	(3)	(4)	(5)
1	5000	6004	72.62	1,249,429	6.95
5001	10000	1086	13.13	924,791	5.14
10001	20000	521	6.30	834,805	4.64
20001	30000	210	2.54	545,663	3.03
30001	40000	106	1.28	384,936	2.14
40001	50000	80	0.97	380,335	2.11
50001	100000	104	1.26	791,832	4.40
100001	And above	157	1.90	12,874,259	71.58
TOTAL		8268	100	17,986,050	100

- j) Share holding pattern as on 31st March 2013

	Category	No. of Shares held	% Age of Shareholding
A	PROMOTER'S HOLDING:		
1.	Promoters*		
	- Indian Promoters	40,11,076	22.30
	- Foreign Promoters	8,68,458	4.83
2.	Persons acting in Concert #	Nil	Nil
B.	NON-PROMOTERS HOLDING		
1.	Institutional Investors	Nil	Nil
2.	Mutual Funds	Nil	Nil
3.	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/ Non-government Institutions)	Nil	Nil
4.	FII's	Nil	Nil
C.	OTHERS		
1.	Private Corporate Bodies	31,76,894	17.66
2.	Indian Public	86,07,757	47.86
3.	NRI's / OCB's	10,44,700	5.81
4.	Employees	1,825	0.01
5.	Clearing Members	2,75,340	1.53
	TOTAL	1,79,86,050	100.00

**k) Dematerialization of Shares and liquidity:**

Since the Company has entered into an arrangement with both the depositories, namely NSDL and CSDL for dematerialization of its shares, the shareholders of the Company are free to dematerialize their shares and keep them in dematerialized form with any depository Participant. The Company shares are regularly traded on The Stock Exchange, Mumbai. 78.06% of the Company's share capital is dematerialized as on 31.03.2013.

**l) Outstanding GDRs./ADRs./Warrants/Convertible instruments, Conversion date and likely Impact on equity:- NIL**

**m) Address for Correspondence :** Virinchi Technologies Limited, 10, SRK Colony, West Maredpally, Secunderabad – 500 026

**Non –Mandatory Requirements :**

The Chairperson is entitled to reimbursement of expenses incurred in performance of her duties. The Company has already set up a Remuneration Committee. The Company shall adopt postal ballot system, where compulsory, under the Companies Act, 1956. The other suggestions have not yet been adopted.

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

PLACE : HYDERABAD  
DATE : 12-08-2013

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

## ANNEXURE TO THE DIRECTORS' REPORT

Pursuant to Clause 49 of the Listing Agreement, a report on Management Discussion and Analysis Report is given below:

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

#### I. Industry structure and developments

Changing economic and business conditions, evolving consumer preferences, rapid technological innovation and adoption and globalization are creating an increasingly competitive market environment that is driving corporations to transform the manner in which they operate. Companies in this environment are now focusing even more on their core business objectives, such as revenue growth, profitability and asset efficiency.

Technology has evolved from merely driving cost efficiency. It is now also driving tangible business value. The ability to define, design, develop, implement and maintain advanced technology platforms and business solutions to address business needs has become a competitive advantage and a priority for corporations worldwide.

As a result, there is an increasing need for highly-skilled professionals in the market to help corporations transform their business, optimize operations and drive innovation by leveraging technology.

#### Increasing trend towards offshore technology services

Corporations are increasingly turning to offshore service providers to meet their need for higher quality and cost-competitive technology solutions. As a result, offshore service providers have become critical to the operations of many enterprises and these service providers continue to grow in recognition and sophistication. In view of this, the addressable market for offshore technology services has expanded.

#### The India advantage

India is widely recognized as the premier destination for offshore technology services. According to the NASSCOM Performance Review 2013, IT-BPM exports (IT services and Business Process Management) from India are estimated to grow in fiscal 2014 by 12-14%, to US \$85-87 billion. There are several key factors contributing to the growth of IT and IT-enabled services (ITES) in India and by Indian companies.

#### Opportunities:

The company, on a continuous basis, scans the market for scalable opportunities and has over the past twelve months identified some key areas of growth opportunities. These opportunities are in the areas of product engineering, utilities, telecom & content. The company is making concerted efforts and investments to move up the value chain in its chosen markets and acquiring new competencies and services. It includes strengthening of domain knowledge, hiring highly talented sales and marketing managers, restructuring of businesses, project management and investments in new geographies. The company is experiencing significant traction from its existing customers and is receiving several enquiries from potential customers in its chosen markets. The company continues to strengthen and build relationships with its current and prospective customers as well as its global delivery model to ensure a low total cost of ownership for the customer.

#### Threats

Our revenues from this business are derived in major currencies of the world while a significant portion of its costs are in Indian rupees. The exchange rate between the rupee and major currencies of the world has fluctuated significantly in recent years and may continue to fluctuate in the future. Currency fluctuations can adversely affect our revenues and gross margins. In an economic slowdown, our clients

may reduce or postpone their technology spending significantly. Reduction in spending on IT services may lower the demand for our services and negatively affect our revenues and profitability.

At an organizational level, we have a well-defined business contingency plan and disaster recovery plan to address these unforeseen events and minimize the impact on services delivered from our development centers based in India or abroad. Your company has perfect understanding of the amount of risks and extent of risks involved while delivering the project to client and knows well how to tackle them effectively. Your company is also trying to explore and find other opportunities that might prove to be beneficial in increasing our revenues and gain market share. Threat continues to be competition among companies within India and from emerging low cost destinations.

#### **Segment wise or product wise performance:**

This does not applicable to the company as the company is operating in only one segment.

#### **Risks and concerns:**

Following are some of the major risks, which the management believes form a part of the company's business and the company seriously engaged itself to mitigate them.

Financial Risks - foreign currency rate fluctuations

Business Portfolio Risks - include vertical domain concentration, service concentration, client concentrations and geographical concentration.

Legal and Statutory Risks - include contractual liabilities & statutory compliances Competition Risks - New competitors may enter the markets in which the company operates

#### **Internal Control Systems & their adequacy:**

The Management Information Systems is the back bone of our internal control mechanism. The Company has adequate internal control systems and procedures in all operational areas and at all levels equipment procurement, finance and administration marketing and personnel departments. The Company also has internal Audit system commensurate with its size and nature of business. The Audit Committee reviews the internal audit reports and the adequacy of internal controls from time to time.

#### **Discussion on Financial Performance with respect to Operational Performance**

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles in India. The Management of the Company accepts responsibility for the integrity and objectivity of the financial statements as well as for the various estimates used therein. The financial statements have been prepared on a prudent basis to reflect an accurate picture of the Company's state of affairs.

#### **Financial Highlights:**

**Consolidated Revenues:** The total Consolidated income of the Company for the FY 2012-13 comprises operating revenues of Rs. 7868 Lacs as against Rs. 6804 Lacs in FY 2011-12 and other income of Rs. 167 Lacs for the current year as against Rs.183 lacs in the previous year.

**Standalone Revenues:** The total income of the Company for the FY 2012-13 comprises operating revenues of Rs. 4554 Lacs as against Rs. 3525 Lacs in FY 2011-12 and other income of Rs. 142 Lacs for the current year as against Rs. 183 lacs in the previous year.

**Consolidated Profits:** Profit before Tax (PBT) stood at Rs. 562.28 Lacs as against Rs. 731.63 Lacs for the previous year. Profit after Tax (PAT) stood at Rs. 363.22 lacs as against Rs. 538.99 Lacs for the previous year.

**Standalone Profits:** Profit before Tax (PBT) stood at Rs. 322.65 Lacs as against Rs. 235.74 Lacs for the previous year. Profit after Tax (PAT) stood at Rs. 206.05 Lacs as against Rs. 159.28 Lacs for the previous year.



## Material Developments in Human Resources

Your company believes that successful organizations emanate from successful people who achieve that success from within the organization. Hence it's the organization's responsibility to define the growth & success blue print of every member working for it. Based on some of the successful industry practices, a comprehensive career management model has been devised for your company, primarily driven by parameters such as group and individual performance, to determine the growth & success path for each employee.

Your company works continuously towards adopting the best human resource practices in the industry and firmly believes in coming out with creative ideas for promoting customer satisfaction of the highest order. To ensure that employees grow with technology, training programs are conducted by your Company at regular intervals to enable all technical & functional resources be abreast with the latest technologies.

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### Declaration regarding compliance with the code of conduct and ethics policy of the company by Board Members and senior management personnel

This is to confirm that the company has adopted code of conduct and Ethics policy for the Board of Directors and Associates of the Company, which is available at [www.virinchi.com](http://www.virinchi.com)

**I G. Santi Priya, Chair person & Whole Time Director** declare that the Board of directors and senior management personnel have affirmed compliance with the Code of Conduct and Ethics Policy of the Company.

PLACE : HYDERABAD

DATE : 12-08-2013

**G. Santi Priya**

Chairperson & Whole Time Director

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## Compliance Certificate on Corporate Governance

To

The Members,

VIRINCHI TECHNOLOGIES LIMITED

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance condition of corporate governance of M/s. Virinchi Technologies Limited, ("the company") for the year ended 31st March, 2013 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges.

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination, conducted in the manner described in the Guidance note on Certification of Corporate Governance" issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of Corporate Governance as stipulated in clause 49 the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For P. MURALI & CO.,**  
CHARTERED ACCOUNTANTS  
Firm Regn. No. 007257S

**P.MURALI MOHANA RAO**  
PARTNER.  
Membership No. 23412

PLACE : HYDERABAD

DATE : 12-08-2013

## Certification as required under Revised Clause 49 of the Listing Agreement

We, G. Santi Priya, Chairperson & Whole Time Director, Viswanath Kompella, Non-Executive Director of Virinchi Technologies Limited to the best of our knowledge and belief, certify that:

1. We have reviewed the Balance Sheet and Profit and Loss Account, and its Schedules and Notes on Accounts, as well as the Cash Flow statement and the Directors Report.
2. Based on our knowledge and information, these statements do not contain any un true statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and/or applicable laws and regulations.
4. To the best of our knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violative of the Company's code of conduct.
5. The Company's other certifying officers and we, are responsible for establishing and maintaining disclosure controls and procedures for the company, and we have:
  - a) Designed such disclosure controls and procedures to ensure that material information relating to the company is made known to us particularly during the period in which this report is being prepared. and
  - b) Evaluated the effectiveness of the Company's disclosure, controls and procedures.
6. We have disclosed to the Company's auditors and the audit committee
  - a) all significant changes in internal control during the year;
  - b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements and
  - c) any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls.

**Viswanath Kompella**  
Non - Executive Director

PLACE : HYDERABAD  
DATE : 12-08-2013

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

# INDEPENDENT AUDITORS' REPORT

To the Members of **Virinchi Technologies Ltd**

## Report on the Financial Statements

We have audited the accompanying financial statements of M/s.Virinchi Technologies Limited ('the Company') which comprise the Balance Sheet as at 31 March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2013;
- (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
- e. on the basis of written representations received from the directors as on 31 March, 2013, and taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2013, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

**For P. MURALI & CO.,**  
CHARTERED ACCOUNTANTS  
Firm Regn. No. 007257S

**P. MURALI MOHANA RAO**  
PARTNER  
Membership No. 23412

PLACE : HYDERABAD

DATE : 30-05-2013

## ANNEXURE TO AUDITOR'S REPORT

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.  
(b) As explained to us, fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies were noticed on such verification.  
(c) During the year the company has not disposed of any major fixed assets.
2. The company has no inventory. Hence this clause is not applicable.
3. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clauses iii (b), iii(c) and iii (d) of the order are not applicable to the Company.  
(b) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not taken loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Thus sub clauses (f) & (g) are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of fixed assets and payment for expenses and sale of services. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
5. a) In our opinion and according to the information and explanations given to us, necessary entries are made in their register referred to in Sec. 301 of the companies Act, 1956 in respect of lease agreement for an area of 12500 sft. at Hakimpet, Secunderabad to M/s. Vivo Bio tech Limited.  
b) As per information & explanations given to us, as no such contracts or arrangements made by the company, the applicability of the clause of charging the reasonable price having regards to the prevailing market prices at the relevant time does not arise.
6. The Company has not accepted any deposits from the public covered under section 58A and 58AA of the Companies Act, 1956.
7. As per information & explanations given by the management, the Company has an internal audit system commensurate with its size and the nature of its business.
8. In respect of the company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (1) of section 209 of the Companies Act, 1956.
9. (a) The company is regular in depositing statutory dues including PF, ESI, Income Tax and any other statutory dues with the appropriate authorities and at the last of financial year there were no amounts outstanding which were due for more than six months from the date they became payable.  
(b) According to the information given to us, no undisputed amounts are payable in respect of PF, ESI, Income Tax and any other statutory dues as at the end of the period, for a period more than six months from the date they are disputed.
10. The Company does not have any accumulated loss and has not incurred cash loss during the financial year covered by our audit and in the immediately preceding financial year.

11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to a financial institution.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
14. According to information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments and hence the provisions of clause 4(XIV) of the Companies (Auditor's Report) order 2003, are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.
16. Based on our audit procedures and on the information given by the management, we report that the company has not raised any term loans during the year.
17. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31st March, 2013, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
18. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has allotted 30,00,000 Equity Shares of Rs.10/- each on preferential allotment with a premium of Rs. 10/- each during the year.

Details of Allottees

1. Mr. Viswanath Kompella : 8,50,000 Shares
2. M/s. Salokhya Infrastructure Pvt. Ltd. : 11,50,000 shares
3. M/s. Agrade Exim Pvt. Ltd. : 10,00,000 Shares

19. According the information and explanations given to us, the Company has not issued debentures and hence the applicability of the clause regarding the creation of security are charge in respect of debentures issued does not arise.
20. The Company has not raised any money by public issue during the year.
21. Based on the audit procedures performed and the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.

**For P. MURALI & CO.,**  
 CHARTERED ACCOUNTANTS  
 Firm Regn. No. 007257S

**P. MURALI MOHANA RAO**  
 PARTNER  
 Membership No. 23412

PLACE : HYDERABAD  
 DATE : 30-05-2013

# M/S. VIRINCHI TECHNOLOGIES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2013

Particulars	Note No	As on 31/03/2013 Rs	As on 31/03/2012 Rs
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	179,610,102	149,610,102
(b) Reserves and Surplus	2	694,610,707	644,005,380
(c) Money received against share warrants		-	15,000,000
<b>(2) Non-Current Liabilities</b>			
(a) Long-term borrowings	3	52,585,695	58,666,558
(b) Defferred tax liabilities (Net)	4	33,889,388	28,667,414
(c) Long term provisions	5	4,699,628	2,499,854
<b>(3) Current Liabilities</b>			
(a) Short-term borrowings	6	47,652,383	78,347,757
(b) Trade payables	7	2,283,969	2,284,290
(c) Short-term provisions	8	15,886,110	24,975,666
<b>TOTAL</b>		<b>1,031,217,982</b>	<b>1,004,057,021</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
<b>(a) Fixed assets</b>			
(i) Tangible assets	9	459,792,475	330,768,082
(ii) Intangible assets	9	179,001,950	196,483,446
(iii) Capital work-in-progress		-	14,108,983
(b) Non-current investments	10	85,759,216	80,104,278
(c) Long term loans and advances	11	79,793,717	143,748,716
<b>(2) Current assets</b>			
(a) Trade receivables	12	154,419,254	172,357,783
(b) Cash and cash equivalents	13	67,126,762	53,657,589
(c) Other current assets	14	5,324,608	12,828,144
<b>TOTAL</b>		<b>1,031,217,982</b>	<b>1,004,057,021</b>

## NOTES TO FINANCIAL STATEMENTS & SIGNIFICANT ACCOUNTING POLICIES

Notes referred to above form an integral part of the account

AS PER OUR REPORT OF EVEN DATE

**For P. Murali & Co.**  
Chartered Accountants  
Firm Regn. No. 007257S

FOR AND ON BEHALF OF THE BOARD  
For **Virinchi Technologies Limited**

**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

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

**Viswanath Kompella**  
Director

Place : Hyderabad  
Date : 30-05-2013

**K. Ravindranath Tagore**  
Company Secretary

**M/s. VIRINCHI TECHNOLOGIES LIMITED**  
**Profit and Loss statement for the year ended 31st March 2013**

Particulars	Note No	As on 31/03/2013 Rs	As on 31/03/2012 Rs
<b>I. Revenue from operations</b>	15	425,385,297	352,510,025
II. Other Income	16	14,192,036	18,311,347
<b>III. Total Revenue (I +II)</b>		<b>439,577,333</b>	<b>370,821,372</b>
<b>IV. Expenses:</b>			
Employee benefit expense	17	80,339,426	73,870,631
Other operating expenses	18	9,706,953	7,152,923
Administrative Expenses	19	206,326,547	132,667,360
Financial costs	20	23,234,238	24,573,705
Depreciation and amortization expense	9	64,186,836	81,055,596
Other expenses	21	23,518,308	27,926,895
<b>Total Expenses</b>		<b>407,312,308</b>	<b>347,247,110</b>
<b>V. Profit before exceptional and extraordinary items and tax (III - IV)</b>		<b>32,265,025</b>	23,574,262
<b>VI. Exceptional Items</b>		-	-
<b>VII. Profit before extraordinary items and tax (V - VI)</b>		<b>32,265,025</b>	23,574,262
<b>VIII. Extraordinary Items</b>		-	-
<b>IX. Profit before tax (VII - VIII)</b>		<b>32,265,025</b>	<b>23,574,262</b>
<b>X. Tax expense:</b>			
(a) Current tax		5,684,976	4,319,716
(b) Prior Period		752,748	1,378,749
(c) Deferred tax		5,221,974	1,947,587
<b>XI. Profit(Loss) from the period from continuing operations (IX - X)</b>		<b>20,605,327</b>	15,928,210
<b>XII. Profit/(Loss) for the period</b>		<b>20,605,327</b>	<b>15,928,210</b>
<b>XIII. Earning per equity share:</b>			
(1) Basic		1.15	1.06
(2) Diluted		1.15	0.89

**NOTES TO FINANCIAL STATEMENTS & SIGNIFICANT ACCOUNTING POLICIES**

Notes referred to above form an integral part of the account

AS PER OUR REPORT OF EVEN DATE

**For P. Murali & Co.**  
Chartered Accountants  
Firm Regn. No. 007257S

FOR AND ON BEHALF OF THE BOARD  
For **Virinchi Technologies Limited**

**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

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

**Viswanath Kompella**  
Director

Place : Hyderabad  
Date : 30-05-2013

**K. Ravindranath Tagore**  
Company Secretary



# M/s. VIRINCHI TECHNOLOGIES LIMITED

## Cash Flow Statement for the Year Ended 31-03-2013

Particulars	Current Year (Rs. In Lacs)	Previous Year (Rs. In Lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit/(Loss) before taxation and extraordinary items	322.65	235.74
Adjustments for:		
Depreciation	641.87	609.60
W/o expenses	-	200.95
Interest expenses	232.34	245.74
Operating Profit before Working Capital Changes	1196.86	1292.04
<b>WORKING CAPITAL CHANGES</b>		
Trade and other receivables	893.97	-202.42
Trade payables	-375.85	11.64
<b>CASH GENERATED FROM OPERATIONS</b>	1714.98	1101.25
Interest paid	-232.34	-245.74
Taxation for the year	-64.38	-56.98
Dividend for the year	-	-74.93
Dividend Tax for the year	-	-12.16
<b>Net Cash from Operating Activities</b>	1418.26	711.45
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets	-1616.21	-733.68
Investment	-56.55	-132.72
<b>Net Cash used in Investing Activities</b>	-1672.76	-866.41
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from Equity Shares	450.00	-
Net Proceeds from Long Term Borrowings	-60.81	-121.42
<b>Net Cash used in Financing Activities</b>	389.19	-121.42
Net increase in cash and cash equivalents	134.69	-276.37
Cash and Cash equivalents as at 01.04.2012	536.58	812.95
Cash and Cash equivalents as at 31.03.2013	671.27	536.58

### NOTES TO FINANCIAL STATEMENTS & SIGNIFICANT ACCOUNTING POLICIES

Notes referred to above form an integral part of the account

AS PER OUR REPORT OF EVEN DATE

**For P. Murali & Co.**  
Chartered Accountants  
Firm Regn. No. 007257S

FOR AND ON BEHALF OF THE BOARD  
For **Virinchi Technologies Limited**

**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

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

**Viswanath Kompella**  
Director

Place : Hyderabad  
Date : 30-05-2013

**K. Ravindranath Tagore**  
Company Secretary

## SIGNIFICANT ACCOUNTING POLICIES.

### General:

- (I) The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Indian Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an ongoing basis
- (ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

### Revenue Recognition:

- (i) Income from Software development is accounted for on the basis of Software developed and billed to clients on acceptance and/or on the basis of man days/man hours as per the terms of contract.
- (ii) Revenue from professional services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognized as and when the services are performed.
- (iii) Revenue from Software development services includes revenue from time and material and fixed price contracts recognized as related services are performed.
- (iv) Revenue on Fixed price contracts is recognized in accordance with percentage of completion and method of account
- (v) Revenue is not recognized on the grounds of prudence, until realized in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

### Foreign Exchange Transactions:

- (i) Realized gains & loss in foreign exchange transactions are recognized in Profit & loss Account.
- (ii) Transactions in Foreign currency will be recorded at the rates of exchange prevailing on the date of transaction. Current assets and liabilities denominated in foreign currency will be translated at the rate of exchange as at Balance Sheet date.

### Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight duties, taxes and incidental expenses thereto.

The cost and the accumulated depreciation for fixed assets retired from active use are removed from the stated values. Assets fully depreciated are removed from the Gross Block and accumulated depreciation.

Product development Expenditure is written off over a period of 10 years. Products which are considered as redundant due to Technological advancement would be written off immediately.

During the year, building is capitalized to the extent completed and usable for business operations.

**Depreciation and Amortization:**

Depreciation is provided on straight line method on pro-rata basis and at the rates and manner specified in the Schedule XIV of the Companies Act, 1956

**Deferred Tax :**

Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between profit offered for Income tax and the profit as per the financial statements. Deferred Tax Asset & Liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred Tax Assets are not recognised unless there is a virtual certainty that there will be sufficient future taxable income to realise such assets.

**Gratuity:**

The Company has made a provision for gratuity to its employees. Company has created separate Gratuity Trust for employees. Gratuity is a defined benefit retirement plan covering eligible employees. In accordance with the Payment of Gratuity Act, 1972, the gratuity plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment.

**Employee Stock Option Policy:**

Stock Option Grants to the employees who accepted the grant under the Company's Stock Option Plan are accounted in accordance with Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999. Accordingly the excess, if any of the market Price of the underlying Equity Shares as of the date of the grant of the option over the exercise price of the option, is recognized as employee compensation cost and amortised over the vesting period on Straight Line basis.

**Impairment of Assets:**

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. Reversal of impairment loss is recognized as income in the profit and loss account.

**M/s. VIRINCHI TECHNOLOGIES LIMITED**  
**Notes to Financial Statements for the year ended 31st March, 2013**

Particulars	As on 31/03/2013 Rs	As on 31/03/2012 Rs
<b>NOTE NO. 1 : SHARE CAPITAL</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED:</b>		
25,000,000 Equity Share of Rs.10/- each	250,000,000	250,000,000
<b>ISSUED, SUBSCRIBED &amp; PAID UP SHARE CAPITAL:</b>		
(a) Subscribed & Fully Paid up:		
17958228 equity shares of Rs. 10/- each	179,582,280	149,582,280
(b) Subscribed & not fully paid up	27,822	27,822
27822 equity shares of Rs. 10/- each and realised Rs. 1/- each		
<b>Total Equity Share capital</b>	<b>179,610,102</b>	<b>149,610,102</b>
The Company has only one class of shares referred to as Equity shares having a par value of Rs.10/- each		
<b>The Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period.</b>		
Equity Shares at the beginning	14,986,050	14,986,050
Add : Issued during the year	30,00,000	-
<b>Equity Shares at the end of the year</b>	<b>17,986,050</b>	<b>14,986,050</b>
<b>Details of Shareholder holding more than 5% shares as at March 31st 2013 and March 31st 2012 is set out below:</b>		
1. Name of the Shareholder : Mr. Viswanath Kompella		
No. of Shares: 23,24,900 (Previous Year : 14,74,900/-)		
% held : 12.93 (Previous Year : 9.84)		
2. Name of the Shareholder : Salokhya Infrastructure Pvt Ltd		
No. of Shares: 11,50,000 (Previous Year : -Nil-)		
% held : 6.39 (Previous Year : -Nil-)		
3. Name of the Shareholder : Agrade Exim Pvt Ltd		
No. of Shares: 10,00,000 (Previous Year : -Nil-)		
% held : 5.56 (Previous Year : -Nil-)		
<b>NOTE NO. 2 : RESERVES AND SURPLUS</b>		
<b>RESERVES AND SURPLUS</b>		
a) Securities Premium Reserve		
As at the commencement of the year	223,718,978	223,718,978
Add: Additions during the year	30,000,000	-
Less: Utilisation for during the year	-	-
	<b>253,718,978</b>	<b>223,718,978</b>
b) Share options outstanding account	9,111,286	9,111,286
c) Surplus :		
i) Opening Balance - Profit and Loss Account	411,175,116	403,955,487
Add: Transfer from Profit & Loss Account	20,605,327	15,928,210
Less: Dividend	-	8,708,581
	<b>431,780,443</b>	<b>411,175,116</b>
<b>Total Reserves and Surplus</b>	<b>694,610,707</b>	<b>644,005,380</b>

# M/s. VIRINCHI TECHNOLOGIES LIMITED

Particulars	As on 31/03/2013 Rs	As on 31/03/2012 Rs
<b>NOTE NO. 3 : LONG TERM BORROWINGS</b>		
<b>Long Term borrowings</b>		
a) Term loans:		
From banks:		
Secured	52,585,695	58,666,558
(Hypothecation of Machinery such as Computers, Furniture and Fixtures, Office Equipment and Airconditioners and personal guarantee of the Director of the Company)		
<b>Total long term borrowings</b>	<b>52,585,695</b>	<b>58,666,558</b>
<b>NOTE NO. 4 : DEFERRED TAX LIABILITY ( NET )</b>		
<b>Opening Deferred tax Liability</b>	<b>28,667,414</b>	26,719,827
Add:		
Deferred Tax Liability for the year ( Due to SLM and WDV Difference)	4,960,941	2,999,706
Deferred Tax Liability for the year ( Due to Others )	261,033	
<b>Gross Deferred tax Liability</b>	<b>33,889,388</b>	<b>29,719,533</b>
Opening Deferred tax Asset	-	-
Provision for Gratuity and Compensated Absences and doubtful debts	-	(1,052,119)
<b>Gross Deferred tax Asset</b>	<b>-</b>	<b>(1,052,119)</b>
Deferred Tax Liability/ ( Asset ) - Net	<b>33,889,388</b>	<b>28,667,414</b>
<b>NOTE NO. 5 : LONG TERM PROVISIONS</b>		
a) Provisions for employee benefits		
- Provision for Gratuity	4,699,628	2,499,854
<b>Total Long Term Provisions</b>	<b>4,699,628</b>	<b>2,499,854</b>
<b>NOTE NO. 6 : SHORT TERM BORROWINGS.</b>		
<b>Short term borrowings</b>		
a) Loans repayable on demand:		
From banks		
Secured	47,652,383	78,347,757
(Hypothecation of Machinery such as Computers, Furniture and Fixtures, Office Equipment and Airconditioners and personal guarantee of the Director of the Company)		
<b>Total short term borrowings</b>	<b>47,652,383</b>	<b>78,347,757</b>
<b>NOTE NO. 7 : TRADE PAYABLES</b>		
a) Trade Payables	2,283,969	2,284,290
<b>Total Trade Payables</b>	<b>2,283,969</b>	<b>2,284,290</b>

## M/s. VIRINCHI TECHNOLOGIES LIMITED

Particulars	As on 31/03/2013 Rs	As on 31/03/2012 Rs
<b>NOTE NO. 8 : SHORT TERM PROVISIONS</b>		
<b>a) Provisions for employee benefits</b>		
PF Payable	445,662	394,118
Salaries Payable	5,676,780	5,733,087
Gratuity payable	-	742,922
<b>b) Others ( Specify the nature )</b>		
<b>Statutory Liabilities</b>		
Income Tax	5,684,976	4,319,716
TDS	1,340,501	1,216,823
Provision for Dividend	-	7,493,025
Dividend Tax	-	2,460,147
ESI	66,367	30,024
<b>Provision for Expenses</b>		
Rent	5,196	250,488
Bonus Payable	1,971,266	1,977,446
Audit Fee	182,490	333,990
Professional Tax	18,800	23,880
Electricity Charges	494,072	-
<b>Total short term provisions</b>	<b>15,886,110</b>	<b>24,975,666</b>
<b>NOTE NO. 10 : NON- CURRENT INVESTMENTS</b>		
<b>1) Investment in Subsidiaries</b>		
a) Equity Shares		
100% holding in Ksoft Systems Inc	4,591,087	4,591,087
100% Holding in Qfund Technologies Pvt. Ltd.	46,099,220	46,099,220
100% Holding in Virinchi Learning Private Limited	13,083,770	13,083,770
100% Holding in Virinchi Media & Entertainment Pvt Ltd	15,716,201	15,816,201
100% Holding in Tyohar Foods Pvt Ltd	5,504,938	-
100% Holding in Virinchi Infra & Realty Pvt Ltd	1,00,000	-
	<b>85,095,216</b>	<b>79,590,278</b>
<b>2) Trade Investments</b>		
a) <b>Investment in Equity Instrument</b>		
Quoted (400 Shares of Canara Bank)	14,000	14,000
b) <b>Investment in Mutual funds</b>		
Canara Robeco Mutual Funds	650,000	500,000
	<b>664,000</b>	<b>514,000</b>
<b>Total Non Current Investments</b>	<b>85,759,216</b>	<b>80,104,278</b>

# M/S. VIRINCHI TECHNOLOGIES LIMITED

Note Number : 9

## FIXED ASSETS AND DEPRECIATION

Sl. No.	Particulars	Gross Block					Depreciation/Amortization				Net Block as on 31.03.2013	Net Block as on 31.03.2012	
		As on 01.04.2012	Additions during the year	Sale / Deletions during the year	As on 31.03.2013	Dep. As on 01.04.2012	Dep. For the year 2012-2013	Impairment Loss / Reversal of Impairment Loss for the Year	Total Depreciation				
<b>I.</b>	<b>Tangible Assets</b>												
1	Land	29,583,756	13,793,018	-	43,376,774	-	-	-	-	-	-	43,376,774	29,583,756
2	Building	164,175,538	85,398,426	-	249,573,964	9,336,758	5,483,463		14,820,221			234,753,743	154,838,780
3	Plant & Machinery	11,794,001	5,516,815	-	17,310,816	2,507,340	684,874		3,192,214			14,118,602	9,286,661
4	Electrical Equipment	31,767,779	678,141	-	32,445,920	3,402,834	1,524,921		4,927,755			27,518,165	28,364,945
6	Office Equipment	20,007,328	2,400,613	-	22,407,941	4,826,286	991,929	3,507,486	5,818,215			16,589,726	15,181,042
7	Computers	41,680,305	26,533,751	3,507,486	64,706,570	3,023,993	8,044,474		7,560,981			57,145,589	38,656,312
8	Furniture	74,669,793	14,475,750	-	89,145,543	28,583,091	4,780,559		33,363,650			55,781,893	46,086,702
9	Vehicles	20,189,580	4,323,499	859,874	23,653,205	11,419,696	2,153,341	427,815	13,145,222			10,507,983	8,769,884
	<b>Sub Total (A)</b>	<b>393,868,080</b>	<b>153,120,013</b>	<b>4,367,360</b>	<b>542,620,733</b>	<b>63,099,998</b>	<b>23,663,561</b>	<b>3,935,301</b>	<b>82,828,258</b>			<b>459,792,475</b>	<b>330,768,082</b>
<b>II.</b>	<b>Intangible Assets</b>												
1	Software	65,152,469	7,333,140	5,634,768	66,850,841	16,891,779	10,988,847	5,634,768	22,245,858			44,604,983	48,260,691
2	Product Development	288,722,419	15,708,640	15,471,500	288,959,559	140,499,664	29,534,428	15,471,500	154,562,592			134,396,967	148,222,755
	<b>Sub Total (B)</b>	<b>353,874,888</b>	<b>23,041,780</b>	<b>21,106,268</b>	<b>355,810,400</b>	<b>157,391,443</b>	<b>40,523,275</b>	<b>21,106,268</b>	<b>176,808,450</b>			<b>179,001,950</b>	<b>196,483,446</b>
<b>III.</b>	<b>Capital Work in Progress</b>	<b>14,108,983</b>	-	-	-	-	-	-	-			-	<b>14,108,983</b>
	<b>Sub Total (C)</b>	<b>14,108,983</b>											<b>14,108,983</b>
	<b>Grand Total (A+B+C)</b>	<b>761,851,951</b>	<b>176,161,793</b>	<b>25,473,628</b>	<b>898,431,133</b>	<b>220,491,441</b>	<b>64,186,836</b>	<b>25,041,569</b>	<b>259,636,708</b>			<b>638,794,425</b>	<b>541,360,511</b>
	As at 31.03.2012	738,141,488	77,008,292	67,406,812	747,742,968	226,310,761	60,960,213	66,779,533	220,491,441			541,360,511	528,952,479

## M/s. VIRINCHI TECHNOLOGIES LIMITED

Particulars	As on 31/03/2013 Rs	As on 31/03/2012 Rs
<b>NOTE NO. 11 : LONG TERM LOANS AND ADVANCES</b>		
<b>a) Security Deposit</b>		
Secured	747,882	2,030,657
Unsecured	2,727,967	1,620,692
<b>b) Loans and advances to related parties</b>		
Unsecured		
K Soft Systems Inc - 100%	54,137,901	42,621,506
Qfund Technologies Pvt Ltd	13,901,937	39,444,583
Virinchi Employees Welfare Trust	12,650,000	12,900,000
Virinchi Learning Pvt Ltd	5,516,511	-
<b>c) Other loans And advances</b>		
Unsecured - Capital Assets	(9,888,481)	45,131,278
<b>Total Long term loans &amp; advances</b>	<b>79,793,717</b>	<b>143,748,716</b>
<b>NOTE NO. 12 : TRADE RECEIVABLES</b>		
Outstanding for a period exceeding six months from the date they are due for payment unsecured, considered Good	-	6,230,369
<b>Other Receivables:</b>		
Unsecured, Considered Good	154,419,254	166,127,414
<b>Total Trade Receivables</b>	<b>154,419,254</b>	<b>172,357,783</b>
<b>NOTE NO. 13 : CASH AND BANK BALANCES</b>		
<b>a) Balances with banks :</b>		
Current Accounts	10,416,015	994,882
<b>b) Cash on hand</b>	303,479	872,518
<b>Sub Total</b>	<b>10,719,494</b>	<b>1,867,400</b>
Other Bank Balances		
<b>On Deposit Accounts</b>		
Having maturity more than 12 Months from date of deposit	56,407,268	51,790,189
<b>Total Cash and Cash Equivalents</b>	<b>67,126,762</b>	<b>53,657,589</b>
<b>NOTE NO.14 : OTHER CURRENT ASSETS</b>		
Salary and Other Advances	823,608	9,488,529
Advance Tax	4,500,000	3,339,615
IT Refund FY 2011-12	1,000	-
	<b>5,324,608</b>	<b>12,828,144</b>



**M/s. VIRINCHI TECHNOLOGIES LIMITED**  
**Notes to Profit & Loss for the year ended 31st March, 2013**

Particulars	As on 31/03/2013 Rs	As on 31/03/2012 Rs
<b>NOTE NO. 15 : REVENUE FROM OPERATIONS</b>		
<b>Revenue from operations in respect of non-finance company</b>		
(a) Sale of Services	424,875,062	352,062,185
(b) Other Operating Revenues	510,235	447,840
<b>Total Revenue from Operations</b>	<b>425,385,297</b>	<b>352,510,025</b>
<b>NOTE NO. 16 : OTHER INCOME</b>		
(a) Interest income	3,897,340	5,297,263
(b) Other non-operating income	3,000,000	2,719,856
(c) Net gain/loss on foreign currency translation and transaction	7,294,696	10,294,228
<b>Total Other Income</b>	<b>14,192,036</b>	<b>18,311,347</b>
<b>NOTE NO. 17 : EMPLOYEE BENEFIT EXPENSES</b>		
(a) Salaries & Wages	69,352,882	64,662,906
(b) Contribution to Provident & Other Funds	3,886,410	-
(c) Staff Welfare Expenses	7,100,134	9,207,725
<b>Total Employee Benefit Expenses</b>	<b>80,339,426</b>	<b>73,870,631</b>
<b>NOTE NO. 18 : OTHER OPERATING EXPENSES</b>		
(a) Power & Fuel	6,303,952	4,136,154
(b) Rent	1,539,637	1,803,287
(c) Repairs & Maintenance	587,253	-
(d) Insurance	591,846	919,911
(e) Rates & Taxes (excluding Income Tax)	24,265	114,731
(f) Payment to Auditors:		
(i) As Auditor	168,540	168,540
(ii) For Taxation Matters	491,460	-
(iii) For Reimbursement of expenses	-	10,300
<b>Total Other Expenses</b>	<b>9,706,953</b>	<b>7,152,923</b>
<b>NOTE NO. 19 : ADMINISTRATIVE EXPENSES</b>		
(a) Telephone, Postage and Others	1,498,065	1,434,233
(b) Business Promotion Expenses	73,879,195	119,849,124
(c) Conveyance	840,733	1,022,715
(d) Office Maintenance	2,760,875	837,180
(e) Printing & Stationery Expenses	1,071,999	482,365
(f) Managerial Remuneration	6,360,000	6,360,000
(g) Consultancy Charges	119,764,398	2,659,232
(h) Interest on taxes Payable	151,282	22,511
<b>Total Administrative Expenses</b>	<b>206,326,547</b>	<b>132,667,360</b>

**M/s. VIRINCHI TECHNOLOGIES LIMITED**  
**Notes to Profit & Loss for the year ended 31st March, 2013**

Particulars	As on 31/03/2013 Rs	As on 31/03/2012 Rs
<b>NOTE NO. 20 : FINANCE COST</b>		
(a) Interest Expenses :		
- Interest on Cash Credit	22,493,868	23,892,968
- Interest on Car Loan	297,436	181,566
- Loan processing Charges & Bank Charges	442,934	317,113
(b) Applicable net gain/loss on foreign currency translations & transactions	-	182,058
<b>Total Finance Cost</b>	<b>23,234,238</b>	<b>24,573,705</b>
<b>NOTE NO. 21 : OTHER EXPENSES</b>		
Travelling and Conveyance	12,331,761	18,908,125
Vehicle Maintenance	4,200,314	2,508,324
Internet Charges	1,966,671	1,523,070
Other Administrative Expenses	5,019,562	4,987,376
<b>Total Other expenses</b>	<b>23,518,308</b>	<b>27,926,895</b>

**NOTE 22**

Particulars of Employees in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975: NIL

**NOTE 23**

Directors Remuneration

Current Year Rs. 33,00,000/- Previous Year Rs. 63,60,000/-

**NOTE 24**

Auditors Remuneration (Incl. Service Tax for Statutory and tax matters)

Current Year (Rs.) 6,60,000/- Previous Year (Rs) 1,68,540/-

**NOTE 25**

The Company is engaged in the development of Computer Software and Services. The Production and sale of such software and services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI to the Companies Act, 1956.

**NOTE 26 : Investments**

Investments are stated at cost i.e. cost of acquisition, inclusive of expenses incidental to acquisition wherever applicable. Provision for diminution in the value of investments is not created as it is not a permanent decline.

## Details of Investment in Wholly Owned Subsidiaries

S No.	Name of the Subsidiary	Amount (Rs)
1	Qfund Technologies Pvt. Ltd.	4,60,99,220
2	KSoft Systems Inc	45,91,087
3	Virinchi Media & Entertainment Pvt. Ltd	1,57,16,201
4	Virinchi Learning Pvt. Ltd.	1,30,83,770
5	Tyohar Foods Pvt Ltd	5,504,938
6	Virinchi Infra & Realty Pvt Ltd	1,00,000

### NOTE 27: Earning per Share:

The earning considered in ascertaining the companies earning per share comprise net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year.

Particulars	2012-2013	2011-2012
Profit available for the equity share holders	2,06,05,327	1,59,28,210
No. of equity shares outstanding for EPS-Basic	1,79,86,050	1,49,86,050
No. of equity shares outstanding of EPS-Diluted	1,79,86,050	1,79,86,050
Basic	1.15	1.06
Diluted	1.15	0.89

### NOTE 28:

Foreign Currency Outflow during the year of Rs. 69.80 Lacs spent towards foreign travel of office executives.

### NOTE 29:

Operational revenue received in foreign currency during the year is Rs. 4537.96 Lacs.

### NOTE 30:

There are no dues to SSI Units outstanding for more than 30 days.

### NOTE 31:

Confirmations were not obtained from debtors/creditors as to the balances receivable from/payable to them as at year end.

### NOTE 32:

Previous year's figures have been regrouped wherever necessary.

### NOTE 33:

The figures have been rounded off to the nearest rupee.

## NOTES TO FINANCIAL STATEMENTS & SIGNIFICANT ACCOUNTING POLICIES

### Notes referred to above form an integral part of the account

AS PER OUR REPORT OF EVEN DATE

**For P. Murali & Co.**  
Chartered Accountants  
Firm Regn. No. 007257S

FOR AND ON BEHALF OF THE BOARD  
For **Virinchi Technologies Limited**

**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

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

**Viswanath Kompella**  
Director

Place : Hyderabad  
Date : 30-05-2013

**K. Ravindranath Tagore**  
Company Secretary

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Amount in Rs. Thousands)

<b>1. Registration details</b>	
Registration number	L72200AP1990PLC011104
State Code	01
Balance Sheet Date	31.03.2013
<b>2. Capital raised during the year</b>	
Public issue	NIL
Rights issue	NIL
Bonus issue	NIL
Conversion of bonds	NIL
Private placement	60000
<b>3. Position of Mobilisation and deployment of funds</b>	
Total Liabilities	1031217.98
Total Assets	1031217.98
<b>Source of funds</b>	
Paid-up Capital	179610.10
Reserves & Surpluses	694610.71
Secured Loans	100238.08
Unsecured Loans	NIL
Deferred Tax liability	33889.39
<b>Application of Funds</b>	
Net fixed assets	638794.93
Investments	85759.22
Net Current Assets	283794.63
<b>4. Performance of Company</b>	
Total Income	4395.77
Total Expenditure	4073.12
Profit before tax	322.65
Profit after tax	206.05
Earning per share	1.15
Dividend Rate %	NIL
<b>5. Generic names of three principal products/services of company</b>	
Item code no	85249009.1
Product Description	Computer Software

# Auditors' Certificate

To  
THE BOARD OF DIRECTORS  
**VIRINCHI TECHNOLOGIES LIMITED**  
HYDERABAD

We have examined the attached cash flow statement of M/s. Virinchi Technologies Limited, for the year ended 31st March, 2013. The statement has been prepared by the company in accordance with the requirements of Clause 32 of listing agreement with stock exchange and is based on and in agreement with the corresponding profit and loss Account and Balance Sheet of the Company covered by our report of 30th May, 2013 to the Members of the Company.

AS PER OUR REPORT OF EVEN DATE

**For P. MURALI & CO.,**  
CHARTERED ACCOUNTANTS  
Firm Regn. No. 007257S

**P. MURALI MOHANA RAO**  
PARTNER  
Membership No. 23412

PLACE : HYDERABAD  
DATE : 30-05-2013

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANY**

1	Name of the Subsidiary	Ksoft Systems Inc	Virinchi Learning Pvt. Ltd.,	Virinchi Media and Entertainment Pvt. Ltd.,	Qfund Technologies Pvt. Ltd.,	Tyohar Foods Pvt. Ltd.	Virinchi Infra & Realty Pvt. Ltd.
2	Financial year end	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013
3	Holding Company's Interest	100% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital
4	Share held by the holding company in the subsidiary	100,100 Shares of USD 1 each	10,000 equity Shares of Rs. 10/- each	10,000 equity Shares of Rs. 10/- each	10,000 equity Shares of Rs. 10/- each	10,000 equity Shares of Rs. 10/- each	10,000 equity Shares of Rs. 10/- each
5	The net aggregate of profits or losses for the above financial year of the subsidiary so far as it concerns the members of the holding company a. Dealt with or provided for in the accounts of the holding Company b. Not dealt with or provided for in the accounts of the holding company	165.77 lacs	Rs. (31.81) lacs	NIL	Rs. 19 Lacs	RS. 9.87 Lacs	NIL
		N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6	The net aggregate of profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company a. Dealt with or provided for in the accounts of the holding company b. Not dealt with or provided for in the accounts of the holding Company	Rs. 289,20 Lacs	NIL	NIL	Rs. 33.65 Lacs	NIL	NIL
		N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

# Consolidated Financial Statements

INTENTIONALLY KEPT BLANK



# Independent Auditors' report on consolidated financial statements

To the Board of Directors of Virinchi Technologies Limited

We have audited the accompanying consolidated financial statements of Virinchi Technologies Limited ('the Company') and its subsidiaries, which comprise the consolidated Balance Sheet as at 31 March, 2013, the consolidated Statement of Profit and Loss and consolidated Cash Flows Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at 31 March, 2013;
- (ii) in the case of the consolidated Statement of Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of consolidated Cash Flow Statement, of the consolidated Cash Flow for the year ended on that date.

AS PER OUR REPORT OF EVEN DATE

**For P. MURALI & CO.,**  
CHARTERED ACCOUNTANTS  
Firm Regn. No. 007257S

**P. MURALI MOHANA RAO**  
PARTNER  
Membership No. 23412

PLACE : HYDERABAD

DATE : 30-05-2013

**M/s. VIRINCHI TECHNOLOGIES LIMITED**  
**Consolidated Balance Sheet as at 31st March, 2013**

Particulars	Note No	As on 31/03/2013 Rs.	As on 31/03/2012 Rs.
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	179,610,102	149,610,102
(b) Reserves and Surplus	2	738,693,756	691,334,980
(c) Money received against share warrants		-	15,000,000
<b>(2) Non-Current Liabilities</b>			
(a) Long-term borrowings	3	221,064,501	97,984,841
(b) Deffered tax liabilities (Net)	4	36,800,568	30,663,186
(c) Other Long term liabilities	5	314,082	-
(d) Long term provisions	6	4,699,628	2,499,854
<b>(3) Current Liabilities</b>			
(a) Short-term borrowings	7	(3,394,207)	94,218,759
(b) Trade payables	8	23,773,876	3,149,119
(c) Other current liabilities	9	8,734,363	-
(d) Short-term provisions	10	43,338,282	68,827,206
<b>Total</b>		<b>1,253,634,951</b>	<b>1,153,288,047</b>
<b>II. Assets</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	11	568,554,609	383,696,051
(ii) Intangible assets	12	198,170,076	268,587,983
(iii) Capital work-in-progress		5,283,521	14,108,983
(b) Non-current investments	13	664,000	514,000
(c) Long term loans and advances	14	24,764,062	100,174,819
(d) Other non-current assets	15	82,866,155	-
<b>(2) Current assets</b>			
(a) Inventories	16	78,014	-
(b) Trade receivables	17	226,527,746	309,292,110
(c) Cash and cash equivalents	18	72,565,864	63,616,389
(d) Other current assets	19	74,160,904	13,297,712
<b>Total</b>		<b>1,253,634,951</b>	<b>1,153,288,047</b>

**NOTES TO FINANCIAL STATEMENTS & SIGNIFICANT ACCOUNTING POLICIES**

Notes referred to above form an integral part of the account

AS PER OUR REPORT OF EVEN DATE

**For P. Murali & Co.**  
Chartered Accountants  
Firm Regn. No. 007257S

FOR AND ON BEHALF OF THE BOARD  
For **Virinchi Technologies Limited**

**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

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

**Viswanath Kompella**  
Director

Place : Hyderabad  
Date : 30-05-2013

**K. Ravindranath Tagore**  
Company Secretary

# M/s. VIRINCHI TECHNOLOGIES LIMITED

## Consolidated statement of Profit and Loss for the year ended 31st March, 2013

Particulars	Note No	As on 31/03/2013 Rs.	As on 31/03/2012 Rs.
I. Revenue from operations	20	786,832,879	680,479,907
II. Other Income	21	16,703,479	18,311,347
<b>III. Total Revenue (I +II)</b>		<b>803,536,358</b>	<b>698,791,254</b>
<b>IV. Expenses:</b>			
Employee benefit expense	22	238,500,387	280,247,566
Other operating expenses	23	44,122,333	18,890,533
Administrative Expenses	24	340,196,750	171,029,995
Financial costs	25	27,415,828	28,100,852
Depreciation and amortization expense	11 & 12	73,554,260	85,413,194
Other expenses	26	23,518,308	41,946,490
<b>Total Expenses</b>		<b>747,307,866</b>	<b>625,628,630</b>
<b>V. Profit before tax (VII - VIII)</b>		<b>56,228,492</b>	<b>73,162,624</b>
<b>VI. Tax expense:</b>			
(1) Current tax		13,768,754	15,974,492
(2) Deferred tax		6,137,382	3,288,572
<b>VII. Profit(Loss) from the period from continuing operations ( V - VI)</b>		<b>36,322,356</b>	<b>53,899,560</b>
<b>VIII. Profit/(Loss) for the period</b>		<b>36,322,356</b>	<b>53,899,560</b>
<b>IX. Earning per equity share:</b>			
(1) Basic		2.02	3.60
(2) Diluted		2.02	3.00

### NOTES TO FINANCIAL STATEMENTS & SIGNIFICANT ACCOUNTING POLICIES

Notes referred to above form an integral part of the account

AS PER OUR REPORT OF EVEN DATE

**For P. Murali & Co.**  
Chartered Accountants  
Firm Regn. No. 007257S

FOR AND ON BEHALF OF THE BOARD  
For **Virinchi Technologies Limited**

**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

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

**Viswanath Kompella**  
Director

Place : Hyderabad  
Date : 30-05-2013

**K. Ravindranath Tagore**  
Company Secretary

**M/s. VIRINCHI TECHNOLOGIES LIMITED**  
**Consolidated Cash Flow Statement for the Year Ended 31-03-2013**

Particulars	Current Year (Rs. In Lacs)	Previous Year (Rs. In Lacs)
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit/ (Loss) before taxation and extraordinary items	562.28	731.63
Adjustments for:		
Depreciation	735.54	653.11
W/o expenses	-	201.02
Interest expenses	274.16	281.01
Operating Profit before Working Capital Changes	1571.98	1866.77
<b>Working Capital Changes</b>		
Trade and other receivables	143.68	-1894.88
Trade payables and Other Current Liabilities	125.21	1494.73
<b>Cash generated from operations</b>	1840.87	1466.61
Interest paid	-274.16	-281.01
Taxation for the year	-159.74	-216.61
Dividend for the year	-	-74.93
Dividend Tax for the year	-	-12.16
Foreign Exchange Diff	-	36.51
<b>Cash flow before extraordinary items</b>	1406.97	853.53
Extraordinary items	-	-
<b>Net Cash from Operating Activities</b>	1406.97	853.53
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets	-2020.64	-1030.49
Investment	-1.50	-
<b>Net Cash used in Investing Activities</b>	-2022.14	-1030.49
<b>C. Cash Flow From Financial Activities:</b>		
Proceeds from Equity Shares	450.00	-
Net Proceeds from Long Term Borrowings	254.67	-56.15
<b>Net Cash used in Financing Activities</b>	704.67	-56.15
Net increase in cash and cash equivalents	89.50	-201.11
Cash and Cash equivalents as at 01.04.2012	636.16	837.38
Cash and Cash equivalents as at 31.03.2013	725.66	636.16

AS PER OUR REPORT OF EVEN DATE

**For P. Murali & Co.**  
Chartered Accountants  
Firm Regn. No. 007257S

FOR AND ON BEHALF OF THE BOARD  
For **Virinchi Technologies Limited**

**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

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

**Viswanath Kompella**  
Director

Place : Hyderabad  
Date : 30-05-2013

**K. Ravindranath Tagore**  
Company Secretary

# SIGNIFICANT ACCOUNTING POLICIES

## 1. Description of the Business

- a. Virinchi Technologies Ltd has made a strategic investment in the company engaged in the business of software consultancy /IT Solution providers through wholly owned subsidiary K SOFT SYSTEMS Inc.
- b. Qfund Technologies Private Limited, a wholly owned Indian Subsidiary of Virinchi Technologies Ltd., is engaged in software development and consulting services.
- c. M/s. Virinchi Learning Private Limited is a wholly owned Indian subsidiary of M/s. Virinchi Technologies Limited which is formed to promote technology based, for profit, quality education services to different student categories in India, both by creation of new content and infra-structure and also by partnering with existing content providers by leveraging the strength of information technology.
- d. M/s. Virinchi Media and Entertainment Private Limited is a wholly owned subsidiary of M/s. Virinchi Technologies Limited is formed to launch internet portals to serve the growing demands of the Indian Entertainment industry to enable Creation, Buying, Selling and Delivery of high definition entertainment through internet to customers across globe.
- e. M/s. Tyohar Foods Private Ltd is a wholly owned Indian Subsidiary of Virinchi Technologies Ltd engaged in the business of Food and catering services.
- f. M/s. Virinchi Infra and Realty Private Ltd is a wholly owned Indian Subsidiary of Virinchi Technologies Ltd engaged in the business of Infrastructure and real estate development.

## 2. Principles of Consolidation :

The consolidated financial statements have been prepared on the basis of going concern, under the historical cost convention on accrual basis, to comply in all material aspects with the applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act,1956.

These financial statements have been prepared in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India.

All inter company transactions, balances and unrealized surpluses and deficits are eliminated.

The exchange rates adopted for converting 1 USD into Indian rupees of the foreign subsidiaries with respect to:

**March 31, 2013**

Balance Sheet items	54.29
Revenue items	54.18

## 3. Revenue Recognition :

- (i) Income from Software development is accounted for on the basis of Software developed and billed to clients on acceptance and/or on the basis of man days/man hours as per the terms of contract.
- (ii) Revenue from professional services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognized as and when the services are performed.
- (iii) Revenue is not recognized on the grounds of prudence, until realized in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

#### 4. Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight duties, taxes and incidental expenses thereto.

All the fixed assets are assessed for any indication of impairment, at the end of each financial year. On such indication, the impairment loss, being excess of carrying value over the recoverable value of the assets, is charged to Profit and Loss account in the respective financial years. The impairment loss recognized in the prior years is reversed in cases where recoverable value exceeds the carrying value, upon reassessment in the subsequent years.

#### 5. Deferred Tax

In case of subsidiary company current tax is determined on the amount of tax payable in respect of taxable income for the year as per their laws.

Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between profit offered for Income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are not recognised unless there is a virtual certainty that there will be sufficient future taxable income to realise such assets.

#### 6. Earning per Share:

The earning considered in ascertaining the companies earning per share comprise net profit after tax. The number of shares used in computing basic earning per share is the weighted average number of shares outstanding during the year.

Particulars	2012-13	2011-12
Profit available for the equity share holders	36,322,356	53,899,560
No. of equity shares outstanding for EPS-Basic	1,79,86,050	1,49,86,050
No. of equity shares outstanding of EPS-Diluted	1,79,86,050	1,79,86,050
Basic	2.02	3.60
Diluted	2.02	3.00

#### 7. Gratuity:

The Company has made a provision for gratuity to its employees. Company has created separate Gratuity Trust for employees. Gratuity is a defined benefit retirement plan covering eligible employees. In accordance with the Payment of Gratuity Act, 1972, the gratuity plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment.

#### 8. Foreign Currency Transaction:

K SOFT SYSTEMS Inc is in the nature of non-integral operations in terms of Companies Accounting Standard 11, "The Effects of changes in foreign Exchange Rates", All monetary and non-monetary assets and liabilities are translated at the rate prevailing on the balance sheet date. All revenue and expenditure transactions during the year are reported at average rate. The resultant transaction adjustment is reflected as a separate component of shareholders' funds as a "Foreign Currency Translation Reserve".

# M/s. VIRINCHI TECHNOLOGIES LIMITED

## Consolidated Notes to Financial Statements for the Year Ended 31st March, 2013

Particulars	As on 31/03/2013		As on 31/03/2012	
	No. of Shares	Rs	No. of Shares	Rs
<b>NOTE NO. 1 : SHARE CAPITAL</b>				
<b>a Share Capital</b>				
<b>AUTHORIZED</b>	<b>25,000,000</b>	<b>250,000,000</b>	25,000,000	250,000,000
250,00,000 Equity Shares of Rs. 10/- each ISUSED, SUBSCRIBED, PAID UP SHARE CAPITAL :		<u>250,000,000</u>		<u>250,000,000</u>
a) Subscribed & Fully paid up: 17958228 equity shares of Rs. 10/- each	<b>17,958,228</b>	<b>179,582,280</b>	14,958,228	149,582,280
(b) Subscribed & not fully paid up 27,822 equity shares of Rs. 10/- each and relized Rs. 1 each	<b>27,822</b>	<b>27,822</b>	27,822	27,822
The company has only one class of shares referred to as Equity shares having a par value of Rs.10/- each		-		-
<b>Total Equity Share capital</b>		<b>179,610,102</b>		<b>149,610,102</b>
<b>b The reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period:</b>				
Equity Shares at the beginning		<b>14,986,050</b>		14,986,050
Add : Issued during the year		<b>30,00,000</b>		-
<b>Equity Shares at the end of the year</b>		<b>17,986,050</b>		<b>14,986,050</b>
<b>c Details of Shareholder holding more than 5% shares as at March 31st 2013 and March 31, 2012 is set out below :</b>				
Equity Shares of Rs. 10 each Held By	<b>% of Share Holding</b>			
	<b>No. of Shares</b>	<b>% of Holding</b>	No. of Shares	% of Holding
Name of the Share holder : Mr. Viswanath Kompella	<b>2,324,900</b>	<b>12.93%</b>	1,474,900	9.84%
Name of the Share holder : Salokhya Infrastructure Pvt Ltd	<b>1,150,000</b>	<b>6.39%</b>	-	-
Name of the Share holder : Agrade EXIM Pvt Ltd	<b>1,000,000</b>	<b>5.56%</b>	-	-

## M/s. VIRINCHI TECHNOLOGIES LIMITED

Particulars	As on 31/03/2013 Rs.	As on 31/03/2012 Rs.
<b>NOTE NO. 2 : RESERVES AND SURPLUS</b>		
<b>RESERVES AND SURPLUS</b>		
<b>a) Securities Premium Reserve</b>		
As at the commencement of the year	223,718,978	223,718,978
Add: Additions during the year	30,000,000	-
	<b>253,718,978</b>	<b>223,718,978</b>
<b>b) Share options outstanding account</b>	<b>9,111,286</b>	<b>9,111,286</b>
<b>c) Surplus :</b>		
i) Opening Balance - Profit and Loss Account	458,504,716	415,348,920
Add: Transfer from Profit & Loss Account	36,322,356	48,213,032
Add : Reserves - results to Integral model of Consolidation	(18,368,726)	3,651,345
Less: Dividend	-	(8,708,581)
Less: Transfer to/from reservs.	(594,854)	-
<b>Total (c)</b>	<b>475,863,492</b>	<b>458,504,716</b>
<b>Total Reserves and Surplus</b>	<b>738,693,756</b>	<b>691,334,980</b>
<b>NOTE NO. 3 : LONG TERM BORROWINGS</b>		
<b>Long Term borrowings</b>		
From banks:		
Secured	145,363,344	97,984,841
(Hypothecation of Machinery such as Computers, Furniture and Fixtures, Office Equipment and Airconditioners and personal guarantee of the Director of the Company)		
From Others	75,701,157	-
<b>Total long term borrowings</b>	<b>221,064,501</b>	<b>97,984,841</b>
<b>NOTE NO. 4 : DEFERRED TAX LIABILITY ( NET )</b>		
<b>Opening Deferred tax Liability</b>	<b>30,663,186</b>	<b>27,374,614</b>
Add:		
Deferred Tax Liability for the year ( Due to SLM and WDV Difference )	5,876,349	4,340,691
Deferred Tax Liability for the year ( Due to Others )	261,033	-
Gross Deferred tax Liability	36,800,568	31,715,305
Opening Deferred tax Asset	-	-
Provision for Gratuity and Compensated Absences and doubtful debte	-	(1,052,119)
Gross Deferred tax Asset	-	(1,052,119)
<b>Deferred Tax Liability</b>	<b>36,800,568</b>	<b>30,663,186</b>
<b>NOTE NO. 5 : OTHER LONG TERM LIABILITES</b>		
Other Liabilities	314,082	-
<b>Total other long term liabilites</b>	<b>314,082</b>	<b>-</b>



## M/s. VIRINCHI TECHNOLOGIES LIMITED

Particulars	As on 31/03/2013 Rs.	As on 31/03/2012 Rs.
<b>NOTE NO. 6 : LONG TERM PROVISIONS</b>		
a) Provisions for employee benefits		
- Provision for Gratuity	4,699,628	2,499,854
b) Others		
<b>Total Long Term Provisions</b>	<b>4,699,628</b>	<b>2,499,854</b>
<b>NOTE NO. 7 : SHORT TERM BORROWINGS.</b>		
<b>Short term borrowings</b>		
a) Loans repayable on demand:		
From banks		
Secured	-	94,218,759
(Hypothecation of Machinery such as Computers, Furniture and Fixtures, Office Equipment and Airconditioners and personal guarantee of the Director of the Company)		
From Others	(3,394,207)	-
<b>Total short term borrowings</b>	<b>(3,394,207)</b>	<b>94,218,759</b>
<b>NOTE NO. 8 : TRADE PAYABLES</b>		
a) Trade Payables	23,773,876	3,149,119
<b>Total Trade Payables</b>	<b>23,773,876</b>	<b>3,149,119</b>
<b>NOTE NO. 9 : OTHER CURRENT LIABILITES</b>		
a) Other Payables	8,734,363	-
<b>Total other current liabilities</b>	<b>8,734,363</b>	<b>-</b>
<b>NOTE NO. 10 : SHORT TERM PROVISIONS</b>		
a) Provisions for employee benefits		
PF Payable	445,662	394,118
Salaries Payable	33,103,584	32,899,741
Gratuity Payable		742,292
b) Others		
i) Statutory Liabilities	-	
Income Tax	5,684,976	20,282,270
TDS	1,341,514	1,939,155
Vat	14,355	
Provision for Dividend	-	7,493,025
Dividend Tax	-	2,460,147
ESI	66,367	30,024
ii) Provision for Expenses		
Rent	5,196	250,488
Bonus Payable	1,971,266	1,977,446
Audit Fee	192,490	333,990
Professional Tax	18,800	23,880
Electricity Charges	494,072	-
<b>Total short term provisions</b>	<b>43,338,282</b>	<b>68,827,206</b>
<b>NOTE NO. 13 : NON- CURRENT INVESTMENTS</b>		
<b>Non- Current Assets</b>		
1) Investment in Equity Instruments		
Quoted	14,000	14,000
400 Shares of Canara Bank		
2) Investment in Mutual funds		
Canara Robeco	650,000	500,000
<b>Total Non - Current Investment</b>	<b>664,000</b>	<b>514,000</b>

# M/s. VIRINCHI TECHNOLOGIES LIMITED

Note Number : 11 & 12  
FIXED ASSETS AS ON 31st MARCH, 2013

Sl. No.	Particulars	Gross Block					Depreciation/Amortization				Net Block as on 31.03.2012	
		As on 01.04.2012	Additions during the year	Capitalised during the year	Sale / Deletions during the year	As on 31.03.2013	Dep. As on 01.04.2012	During the Year	Depreciation Deletions	As At 31.03.13		Net Block as on 31.03.2013
<b>I</b>	<b>TANGIBLE FIXED ASSETS</b>											
1	LAND	29,583,756	13,793,018	-	-	43,376,774	-	-	-	-	43,376,774	29,583,756
2	BUILDING	219,716,399	85,398,426	-	-	305,114,825	15,451,805	7,338,528	-	22,790,333	282,324,492	201,159,712
3	PLANT & MACHINERY	11,794,001	9,814,885	-	-	21,608,886	2,507,339	735,017	-	3,242,356	18,366,530	9,286,662
4	ELECTRICAL EQUIPMENT	32,887,491	739,203	-	-	33,426,694	4,082,568	1,569,261	-	5,651,829	27,774,864	28,364,945
5	OFFICE EQUIPMENT	20,051,644	2,400,613	-	-	22,452,257	4,829,588	994,034	-	5,823,622	16,628,635	15,454,096
6	COMPUTERS	48,038,782	51,905,358	-	3,507,486	96,436,654	3,790,216	12,565,351	3,507,486	12,848,081	83,588,573	44,219,708
7	FURNITURE	75,740,639	16,834,867	-	-	92,575,506	28,842,744	4,941,326	-	33,784,070	58,791,436	46,857,288
8	VEHICLES	20,189,580	4,323,499	-	859,874	23,653,205	11,419,696	2,153,341	427,815	13,145,222	10,507,983	8,769,884
<b>II</b>	<b>INTANGIBLE FIXED ASSETS</b>											
	Computer Software	70,279,721	7,333,140	-	5,634,768	71,978,093	17,168,027	11,819,975	5,634,768	23,353,234	48,624,859	53,116,417
	Product Development	331,502,390	19,163,990	-	15,471,500	335,184,880	142,478,414	31,437,428	15,471,500	158,444,342	170,740,538	189,023,976
	Goodwill						-	-	-	-	-	26,447,589
<b>III</b>	<b>CAPITAL WORK IN PROGRESS</b>	<b>14,108,983</b>	<b>5,283,521</b>	<b>14,108,983</b>	<b>-</b>	<b>5,283,521</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,283,521</b>	<b>14,108,983</b>
	<b>Grand Total</b>	<b>873,693,386</b>	<b>210,980,520</b>	<b>14,108,983</b>	<b>25,473,628</b>	<b>1,051,091,295</b>	<b>230,570,398</b>	<b>73,554,261</b>	<b>25,041,569</b>	<b>279,083,089</b>	<b>772,008,206</b>	<b>666,393,016</b>
	Previous figures	864,075,243	99,832,603	-	67,406,812	896,501,034	231,576,232	65,311,320	66,779,533	230,108,018	666,393,016	623,779,434

# M/s. VIRINCHI TECHNOLOGIES LIMITED

Particulars	As on 31/03/2013 Rs.	As on 31/03/2012 Rs.
<b>NOTE NO. 14 : LONG TERM LOANS AND ADVANCES</b>		
<b>Long - term loans and advances:</b>		
a) Security Deposit		
Secured	269,000	2,030,657
Unsecured		4,035,500
c) Loans and advances to related parties		
Unsecured		
Virinchi Employees Welfare Trust		12,900,000
d) Other loans And advances		
Unsecured	24,495,062	81,208,662
<b>Total Long term loans &amp; advances</b>	<b>24,764,062</b>	<b>100,174,819</b>
<b>NOTE NO.15 : OTHER NON - CURRENT ASSETS</b>		
<b>Long term receivable</b>		
Unsecured considered good	82,866,155	-
<b>Total non - current assets</b>	<b>82,866,155</b>	<b>-</b>
<b>NOTE NO. 16 : INVENTORIES</b>		
<b>Inventories :</b>		
a) Raw materials	78,014	-
<b>Total Inventories</b>	<b>78,014</b>	<b>-</b>
<b>NOTE NO. 17 : TRADE RECEIVABLES</b>		
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured, Considered Good	-	6,230,369
Other Receivables:		
Unsecured, Considered Good	226,527,746	303,061,714
<b>Total Trade Receivables(net)</b>	<b>226,527,746</b>	<b>309,292,110</b>
<b>NOTE NO. 18 : CASH AND BANK BALANCES</b>		
<b>Cash and cash equivalents :</b>		
a) Balances with banks :		
Current Accounts	15,409,250	10,561,928
b) Cash on hand	749,346	1,264,272
<b>Sub Total</b>	<b>16,158,596</b>	<b>11,826,200</b>
<b>On Deposit Accounts</b>		
Having Maturity more than 12 Months from date of deposit	56,407,268	51,790,189
<b>Sub Total</b>	<b>56,407,268</b>	<b>51,790,189</b>
<b>Total Cash and Cash Equivalents</b>	<b>72,565,864</b>	<b>63,616,389</b>
<b>NOTE NO.19 : OTHER CURRENT ASSETS</b>		
Salary Advances	5,324,374	5,681,503
Tour Advances	64,335,530	3,807,026
Advance Tax	4,500,000	3,809,183
IT Refund FY 2011-12	1,000	-
	<b>74,160,904</b>	<b>13,297,712</b>

# M/s. VIRINCHI TECHNOLOGIES LIMITED

## Consolidated Notes to Statement of Profit & Loss for the Year Ended 31st March, 2013

Particulars	As on 31/03/2013 Rs	As on 31/03/2012 Rs
<b>NOTE NO. 20 : REVENUE FROM OPERATIONS</b>		
<b>Revenue from operations in respect of non-finance company</b>		
(a) Revenue from Services	786,322,644	680,032,067
(b) Other Operating Revenues	510,235	447,840
<b>Total Revenue from Operations</b>	<b>786,832,879</b>	<b>680,479,907</b>
<b>NOTE NO. 21 : OTHER INCOME</b>		
(a) Interest income	3,897,340	5,297,263
(b) Rental Income	3,000,000	2,719,856
(c) Net gain/loss on foreign currency translation and transaction	9,806,139	10,294,228
<b>Total Other Income</b>	<b>16,703,479</b>	<b>18,311,347</b>
<b>NOTE NO. 22 : EMPLOYEE BENEFIT EXPENSES</b>		
(a) Salaries & Wages	222,120,311	261,161,928
(b) Contribution to Provident & Other Funds	4,760,684	-
(c) Staff Welfare Expenses	11,619,392	19,085,638
<b>Total Employee Benefit Expenses</b>	<b>238,500,387</b>	<b>280,247,566</b>
<b>NOTE NO. 23 : OTHER OPERATING EXPENSES</b>		
(a) Power & Fuel	8,852,647	4,333,748
(b) Rent	11,579,574	13,315,213
(c) Repairs to Building	228,059	-
(d) Repairs to Machinery	587,253	-
(e) Insurance	8,633,904	919,911
(f) Rates & Taxes	13,542,806	114,731
(g) Payment to Auditors:		
(i) As Auditor	188,090	196,630
(ii) For Taxation Matters	510,000	-
(ii) For Reimbursement of Expenses	-	10,300
<b>Total Other Expenses</b>	<b>44,122,333</b>	<b>18,890,533</b>
<b>NOTE NO. 24 : ADMINISTRATIVE EXPENSES</b>		
(a) Telephone, Postage and Others	4,708,923	2,981,931
(b) Business Promotion Expenses	79,111,728	122,333,340
(c) Conveyance	6,062,634	1,022,714
(d) Office Maintenance	9,040,458	1,743,908
(e) Printing & Stationery Expenses	2,008,931	482,365
(f) Hosting services	-	12,944,722
(g) Rates & Taxes	14,390	-
(h) Managerial Remuneration	6,360,000	6,360,000
(i) Consultancy Charges	232,564,292	23,033,665
(j) Seminar Fee	-	88,361
(k) Interest on taxes Payable	325,394	38,989
<b>Total Administrative Expenses</b>	<b>340,196,750</b>	<b>171,029,995</b>

# M/s. VIRINCHI TECHNOLOGIES LIMITED

## Consolidated Notes to Statement of Profit & Loss for the Year Ended 31st March, 2013

Particulars	As on 31/03/2013 Rs	As on 31/03/2012 Rs
<b>NOTE NO. 25 : FINANCE COST</b>		
(a) Interest Expenses :		
- Interest on Cash Credit	26,558,690	27,107,120
- Interest on Car Loan	297,436	377,501
- Loan processing Charges & Bank Charges	559,702	434,173
(b) Applicable net gain/loss on foreign currency translations & transactions	-	182,058
<b>Total Finance Cost</b>	<b>27,415,828</b>	<b>28,100,852</b>
<b>NOTE NO. 26 : OTHER EXPENSES</b>		
Travelling and Conveyance	12,331,761	26,839,806
Vehicle Maintenance	4,200,314	5,458,328
Internet Charges	1,966,671	2,098,273
Other Administrative Expenses	5,019,562	7,550,083
<b>Total Other expenses</b>	<b>23,518,308</b>	<b>41,946,490</b>

### NOTES TO FINANCIAL STATEMENTS & SIGNIFICANT ACCOUNTING POLICIES

Notes referred to above form an integral part of the account

AS PER OUR REPORT OF EVEN DATE

**For P. Murali & Co.**  
Chartered Accountants  
Firm Regn. No. 007257S

FOR AND ON BEHALF OF THE BOARD  
For **Virinchi Technologies Limited**

**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

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

**Viswanath Kompella**  
Director

Place : Hyderabad  
Date : 30-05-2013

**K. Ravindranath Tagore**  
Company Secretary

Details pertaining to Subsidiary companies as per the requirement of Para (IV) of the directions under Section 212(8) of the Companies Act, 1956, issued by the Ministry of Corporate Affairs vide General Circular No. 2/2011 Dated February 8, 2011

SL. No	Particulars	Ksoft Systems Inc	Qfund Technologies Pvt Ltd	Virinchi Media and Entertainment Pvt. Ltd.	Virinchi Learning Pvt. Ltd.	Tyohar Foods Pvt Ltd	Virinchi Infra & Realty Pvt Ltd
1	Share Capital	5,434,429	100,000	100,000	100,000	100,000	100,000
2	Share Capital pending Allotment	-	-	-	-	-	-
3	Reserves and Surplus (Including Debit balance of P & L)	37,056,659	5,492,289	-	(3,313,112)	(987,215)	-
4	Total Assets	152,898,065	87,860,940	14,916,201	16,727,260	35,109,722	1,00,000
5	Total Liabilities	110,406,977	82,268,651	14,816,201	19,940,372	35,996,937	-
6	Investments (Excluding subsidiaries)	-	-	-	-	-	-
7	Turnover	316,091,976	44,918,566	NIL	NIL	437,040	NIL
8	Profit/Loss before tax	24,021,530	3,356,103	NIL	(3,313,112)	(888,770)	NIL
9	Provision for tax (Including deferred Tax)	7,444,272	1,456,469	NIL	NIL	98,445	NIL
10	Profit/ Loss after tax	16,577,258	1,899,635	NIL	(3,313,112)	(987,215)	NIL
11	Proposed Dividend	NIL	NIL	NIL	NIL	NIL	NIL

# VIRINCHI TECHNOLOGIES LIMITED

Regd. Office: 10, SRK Colony, West Maredpally, Secunderabad - 500 026

## ATTENDANCE SLIP

I hereby record my presence at the 24th Annual General Meeting of the Company being held on Saturday, the 28th day of September, 2013 at 11.30 AM at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Maredpally, Secunderabad - 500 026

Name of the Shareholder:

Name of Proxy:

Signature of Member / Proxy:

Regd. Folio No. / \*Client id:

\*Applicable for members holding shares in Electronic Form.

Note: PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE



# VIRINCHI TECHNOLOGIES LIMITED

Regd. Office: 10, SRK Colony, West Maredpally, Secunderabad - 500 026

## PROXY FORM

Regd. Folio No/

No. of Shares held .....

Client ID

I/ We ..... of .....

..... in the district of ..... being

a member(s) of the above named company hereby appoint ..... of

..... in the district of ..... or failing

him ..... Of ..... in the district of

..... as my/our proxy to vote for me/us on my/our behalf at the 24th Annual General Meeting of the Company to be held on Saturday, the 28th September, 2013 at 11.30 AM or at any adjournment thereof.

Signed this .....day of ..... 2013

Signature .....

Affix  
Re. 1/-  
Revenue  
Stamp

**Note:** The proxy form duly completed should be deposited at the Registered Office of the Company not less than Forty Eight Hours before the time fixed for holding the meeting.