



28<sup>th</sup>  
ANNUAL REPORT  
2017

"If at first, the idea is not absurd,  
then there is no hope for it"

Albert Einstien




**26**  
(years) in  
operation

**30**  
(%) CAGR in revenue  
in the last five years  
leading to 2016-17



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**The Chinese Bamboo.  
Virinchi Limited.  
And business sustainability.**

The story of Virinchi Limited could well be the story of the Chinese Bamboo Tree.

This tree variety requires patient nurturing. Water, fertile soil and sunshine.

In the first year, it shows no sign of activity; in the second year too, no visible growth above the soil; in the third year, nothing again. In the fourth year, absolutely nothing.

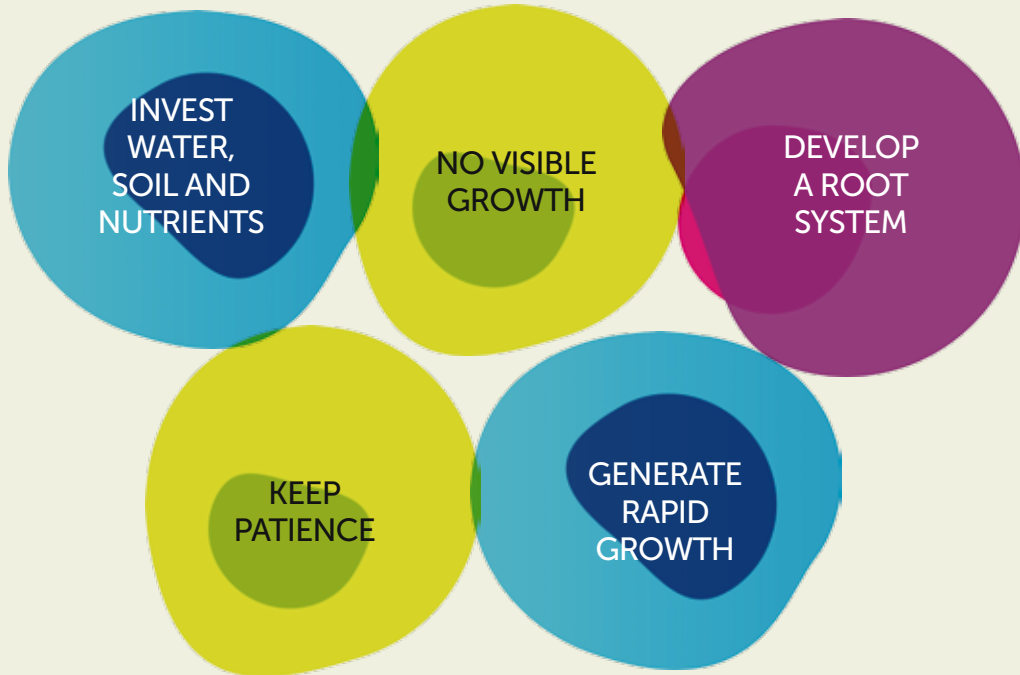
And just when the grower may lose hope, something remarkable unfolds.

In the fifth year, the Chinese Bamboo Tree grows 80 feet - in just six weeks.

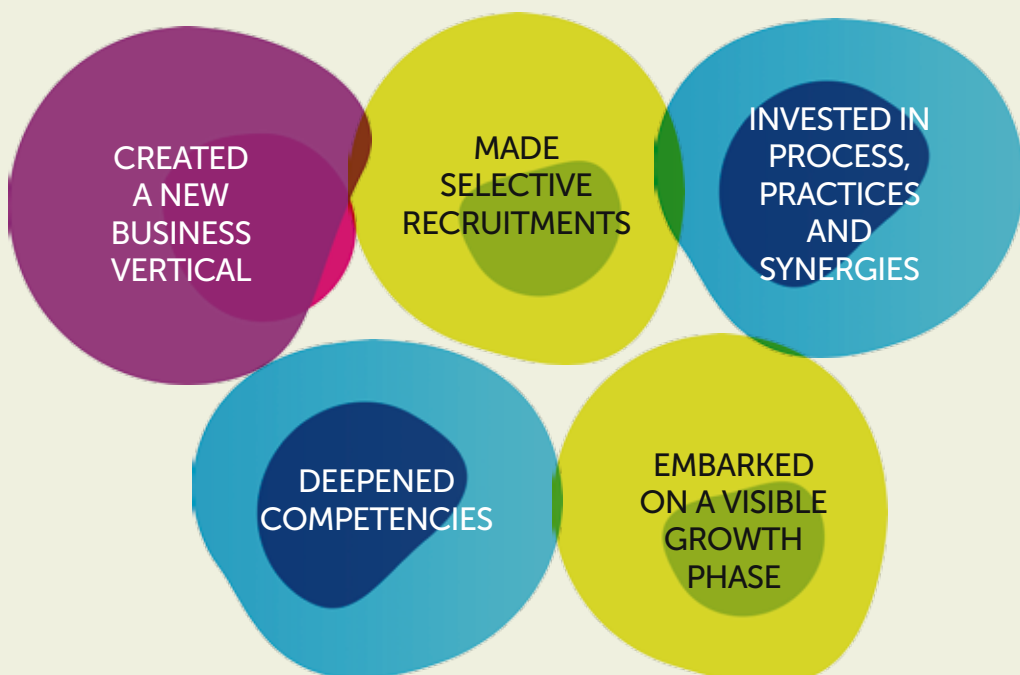
And too is our story at Virinchi Limited.

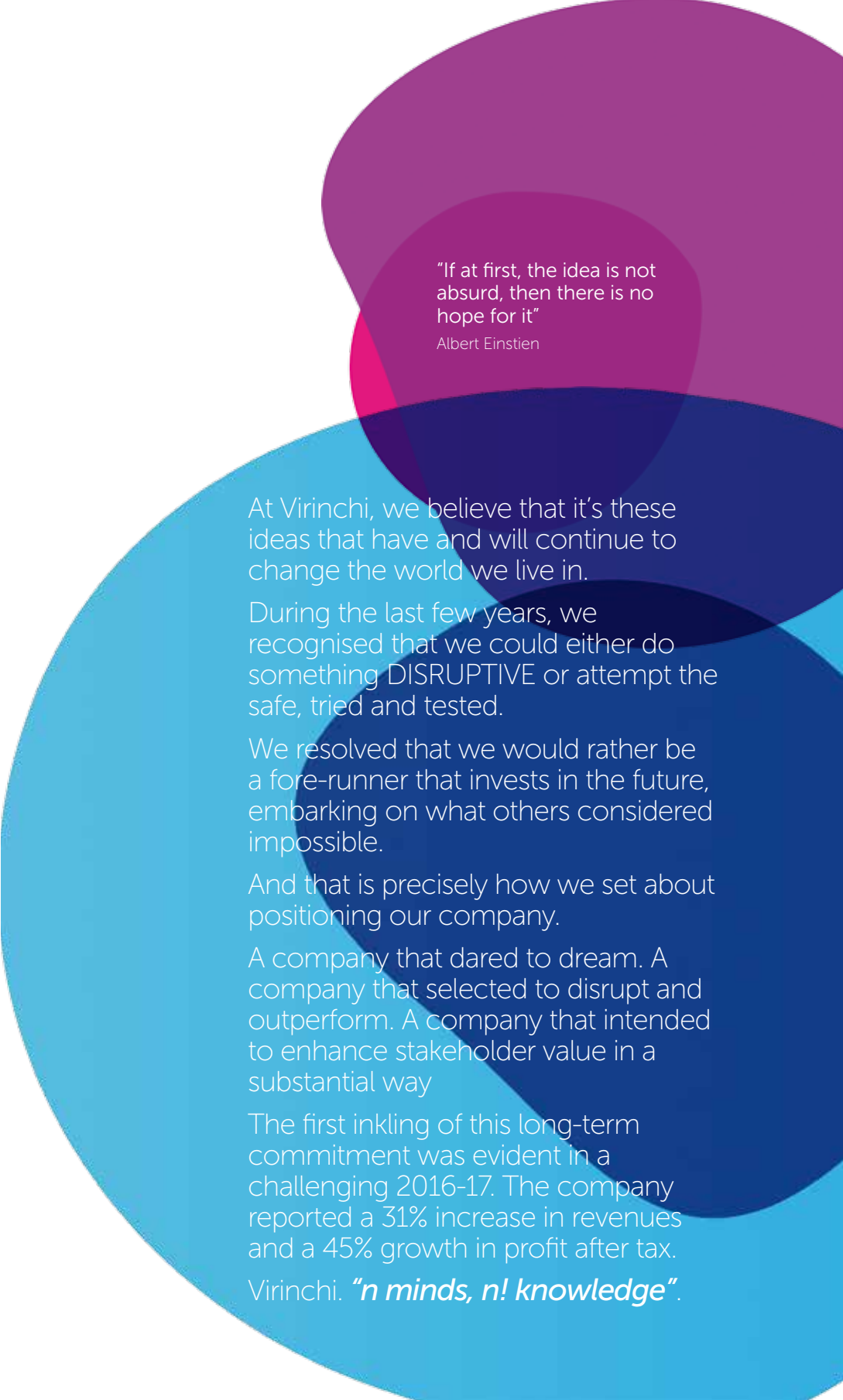
# The Chinese Bamboo and Virinchi Limited

## The Chinese Bamboo



## Virinchi Limited





"If at first, the idea is not absurd, then there is no hope for it"

Albert Einstien

At Virinchi, we believe that it's these ideas that have and will continue to change the world we live in.

During the last few years, we recognised that we could either do something DISRUPTIVE or attempt the safe, tried and tested.

We resolved that we would rather be a fore-runner that invests in the future, embarking on what others considered impossible.

And that is precisely how we set about positioning our company.

A company that dared to dream. A company that selected to disrupt and outperform. A company that intended to enhance stakeholder value in a substantial way

The first inkling of this long-term commitment was evident in a challenging 2016-17. The company reported a 31% increase in revenues and a 45% growth in profit after tax.

Virinchi. ***"n minds, n! knowledge"***.

## Virinchi Limited.



### Parentage

- Established in 1991
- Led by Mr Viswanath Kompella IITM (Founder), Mr Satyajeet Prasad IIT KGP C& IIM L (CEO), Mr M. V. Srinivasa Rao IIM A(Group President), Ms. Santhi Priya M FCA (Group CFO & Whole Time Director), Mr Vishal Ranjan IIT D & IIM C (President Strategy), Mr Amar Sivaji Pendyala (Chief Operating Officer), Mr Neeraj Kumar IIT D & IIM L (Head of Sales and Services – North America), Mr. Srinivas Myana CS (Chief Marketing Officer – Healthcare), Dr. Murty NSW (Medical Director for Healthcare), Sri Kalyan Kompella MBA (Executive Director- Operations), Mr K. Ravindranath Tagore (Company Secretary) along with a team of dedicated and experienced professionals

### Presence

- Headquartered in Hyderabad, India
- Two development centers in the IT Vertical. One in Banjara Hills, Hyderabad, and the second, a global delivery centre, at Hakimpet, Hyderabad
- A chain of 550-bed hospitals across three locations in Hyderabad expanding to 700 beds
- Listed and traded actively on Bombay Stock Exchange in India.

## Vision

To be the best in what we do through a combination of vision, service, technology and competence

## Mission

To achieve global benchmarks through adoption of ongoing innovation in the Healthcare & Technology domains

### Technology goal

#### "To build Globally Inclusive Solutions"

- Build a suite of fintech products to reach the unserved
- Develop deep specialised technology solutions for the Healthcare and Finance domains
- Develop delivery capability and client footprint for next-generation technology services including SMAC domains, particularly machine learning and big data analytics

### Healthcare goal

#### "To serve a Billion Patients"

- Have a presence in some of the medically underserved markets in India
- Deliver personalised medicine through data analytics and combinatorics on a single healthcare mobility platform

## Product profile

### Annuity-based IT Products & IT-Enabled Business Services

**QFund™** is a technology leader in the short term lending industry, managing around 5000+ POS and large online installations in the U.S.

**KSoft Systems Inc.** is a 100+ person, consulting and technology services company, serving clients in the Life Sciences, Healthcare, Financial, Telecom, Logistics, and Insurance Industries.

### Healthcare Delivery & IT Enabled Business Services

**Virinchi Hospitals** owns and runs state of art multispecialty hospitals in India. The hospitals are unique delivering advanced medical technology & sophisticated in-house IT / mobility based systems driven patient care

**Virinchi Learning** is a leading Healthcare skill development organisation working together with NSDC, Govt. of India to upskill up to 80,000 Healthcare Workers across hospitals & biotechnology services

**Virinchi Combinatorics and Systems Biology** aims at developing a comprehensive program for population health management through aggregated analytics on biomarkers and clinical outcome

## Recent awards

The Times Health Care 2017 Award for Telugu speaking States

- Emerging Hospital of the year in Multi-Specialty Hospital category
- Best Hospital – Radiology, Best Hospital – Nephrology 7 Individual Doctor Recognitions

State of Telengana Award 2016-17

Best in Revenue among the IT SMEs for 2015-16

HYSEA 2017

Best Indian IT SME for 2015-16 by Hyderabad Software Exporters Association

# The Virinchi culture is about decisive transformation





When Virinchi embarked on commissioning a modern multi-speciality hospital at Hyderabad in one of the shortest sectoral tenures in India, the first reaction was predictably dismissive.

The reasons were many.

"It has never been done before!" said a few.

"But the company possesses no construction experience ..." indicated many.

At Virinchi, we embarked on shrinking the project commissioning tenure with a singular focus.

One, we would not build a hospital from scratch; we would buy existing

urban infrastructure (mall) and rebuild / refurbish .

Two, we would not design after we had moved in; we began to design the property even before we had acquired.

Three, we empowered our team with adequate authority to seek alternative strategies to implement faster.

The result is in the numbers. Most modern multi-speciality hospitals in India are commissioned in 30 months from zero date . Virinchi's Banjara Hills hospital was commissioned in around 15 months, arguably one of the fastest commissioning tenures anywhere in India.

*Virinchi. "n minds, n! knowledge".*

550

Number of beds in hospitals operational across three locations

50

Number of apps in our Healthcare Mobility Ecosystem Platform



# The Virinchi culture is about providing a futuristic experiential service *today*

When Virinchi resolved to provide a futuristic hospital experience in a legacy sector, most treated this intent with disregard.

The reasons were varied.

"The company has no experience in managing a large hospital facility," indicated some.

"The healthcare sector is a complex and rapidly evolving space requiring specialised bandwidth," emphasised others.

At Virinchi, we responded positively to this reality .

We believed that it would be possible to deliver enhanced care riding a robust technology backbone. This robust backbone at the disposal of some of the best doctors would translate into superior service and positive patient outcomes.

The result is that Virinchi's multi-speciality hospital in Hyderabad is virtually paperless; the extent of technology integration makes it possible to access a large number of reports on the smartphone, facilitating informed-decision making by doctors; the configuration and quality of medical equipment is benchmarked with the best in the world.

The result of this differentiated approach is a growing opinion pool: that the high Virinchi benchmark quality is not matched by most hospitals in the country; that through this approach, the company has leapfrogged an entire generation of service delivery – from local to global.

And all this within only the first year of commissioning.

*Virinchi. "n minds, n! knowledge".*

**1+**  
(mn) Clinical data of  
hospital patients

**80+**  
Doctors employed  
full-time with  
referral partnerships  
of 3,000+ doctors



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The Virinchi culture  
is about enhancing  
the customer's  
peace of mind



When Virinchi launched IT products in a challenging financial technology (fintech) space in the world's most demanding market, there were no precedents of that scale and competition was watching.

At Virinchi, we responded with a differentiated business model.

One, we would speak the fintech language.

Two, we would position our technologists as business solution providers.

Three, we would converge diverse customer systems into a common platform.

Besides, we strengthened our offering around an application availability of 99.9999% and maximum contracted response time of 3 seconds per transaction.

The result is that the customer can now fully concentrate on building the business, leaving the back-end to a specialist.

*Virinchi. "n minds, n! knowledge".*

1250+

Employee base  
(450+ in IT and  
800+ in healthcare  
as on 31st March  
2017)

100+

Installations of end-  
to-end hospital  
information system



The Virinchi culture.  
Focusing on razor-  
sharp execution.



The brownfield conversion of a mall into a full-fledged multi-speciality hospital is itself something that would be challenging in ordinary circumstances.

That this needed to be achieved within a year warranted a commissioning speed largely unheard of within India's health care sector.

Because commissioning a hospital on schedule needed hundred things to be synchronised.

Because commissioning a hospital quicker than usual required a differentiated mindset.

Because commissioning a hospital with urgency made it imperative to concurrently train people in care and cure.

At Virinchi, we were competently placed to commission a large health care facility in record time for some good reasons.

We always prided in executing complex projects.

We obsessed about precise planning.

We brought to the health care space - marked by time and cost overruns - a professional approach.

The result is that after the successful commissioning of the multi-speciality facility in Banjara Hills, Hyderabad, the city's mature health care sector is talking of a Virinchi way of executing projects.

*Virinchi. "n minds, n! knowledge".*

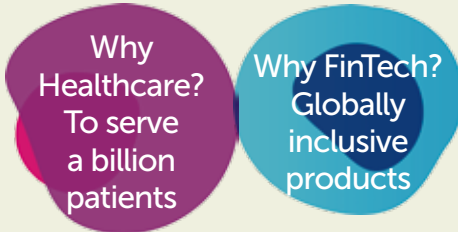
5

(%) of all short term US lending is made through the Company's QFund™

16

(years) the flagship QFund™ in operation

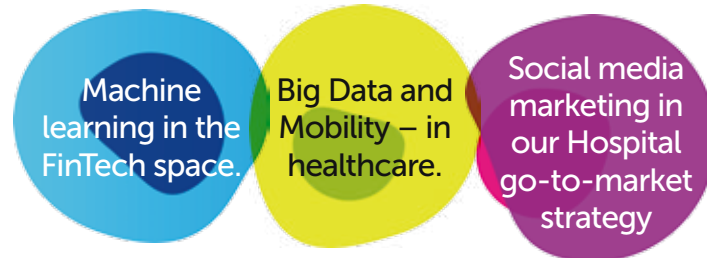




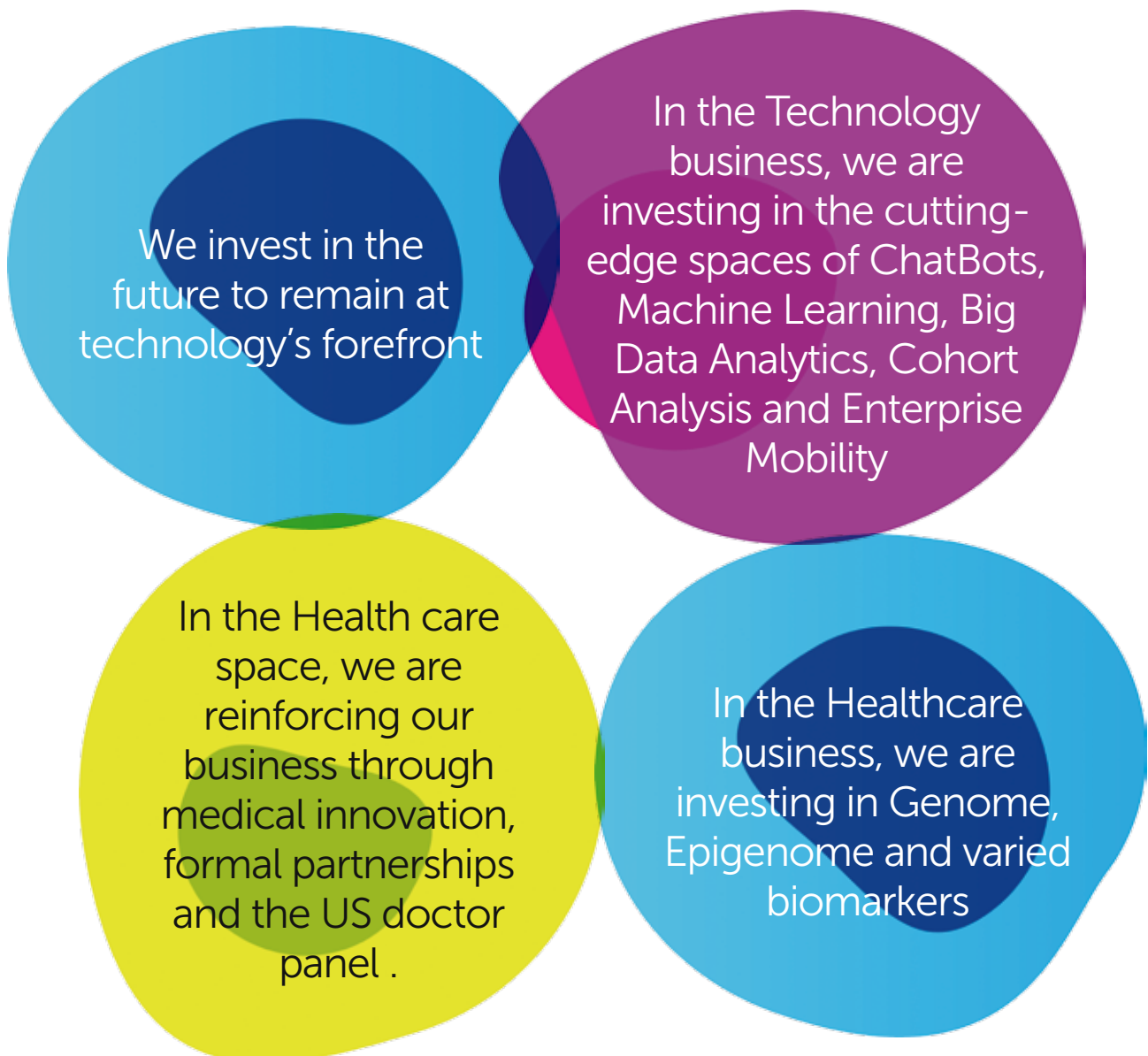


## Virinchi. Distinctive competence

Strong 26-year IT identity visibly manifested in business solutions for the FinTech and healthcare spaces.



## Virinchi. Futuristic



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## Chairperson's strategic overview

Through our symbiotic approach – across our IT and health care businesses – we are optimistic of accelerating growth and emerging as one of the fastest growing companies within our respective spaces over the foreseeable future.”

The principal message that I intend to communicate on behalf of the founder is that Virinchi Limited represents the coming together of two areas of expertise with enduring relevance – IT products & services coupled with health care delivery through the brick and click mode.

The founder believes that these spaces are not only synergic but represent a compelling model of scalable and profitable sustainability.

The subtle Virinchi differentiation from most competing business models is that our IT products and services business, largely operating in US, is front-ended by the business solutions expertise in India. The result is that our technology competence finds a visible and dynamic manifestation in business solutions (hospital) – an integrated solution.

### Integration

The question that a number of people have asked is whether this integration is at all advisable. My answer is that the integration is not only advisable but necessary.

This integration has been necessitated by global technology developments that promise to transform the face of virtually every business across the foreseeable future.

This is because information technology is no longer a corporate support function; it is completely integral to the existence of companies to the point that every company is virtually an information technology company in addition to its core personality. The result is that stronger the technology component of industrial and service companies, the stronger their competitiveness and profitability.

Over the last decade, a concurrent increase in computing power, coupled with a decline in computing costs, has created the foundation of the data mining sector. The result is that companies that collected information but could not mine them competently enough to derive specialised insights are now doing



so more competently. The result is that data has emerged as 'the new oil', indicating that competitive companies are more likely ones that mine information effectively and successively.

This evolution has transformed the IT services sector as well. An increasing number of companies do not merely need vendors to address technology challenges; they need partners to provide business solutions. As an extension, companies do not need partners who merely promise a high uptime; they need partners who can assure an increase in business profitability.

I am pleased to communicate on behalf of the board that Virinchi has been positioned around this dynamic environment through its focus on the extensive potential in two verticals – financial technologies and healthcare delivery.

#### **The fintech opportunity**

We are aware that the financial sector has been in existence for decades and the role of technology with fintech has been established for long. Interestingly, the scope of IT within the sector continues to widen, largely the result of evolving regulations

and competitive action in developed markets. Companies need to perform better; in turn, they need IT products and services that can raise their bar. Besides, with Big Data making it possible to address specific challenges (as opposed to the generic), the role of IT has only increased; IT products and services are making it possible for companies to reach wider, deeper and weave solutions around the last customer.

As a future-facing company, Virinchi has done precisely this. The company works closely with marquee US clients, provides business solutions, strengthens their competitiveness and makes it possible for them to win in challenging market spaces. The result is that our IT products and services segments have been marked by enduring customer engagement, growing revenues from existing products and a growing share of their wallet

#### **The hospital scope**

The hospital space, we see a similar reality. Over the last decade-and-a-half, there has been a ten-fold increase in the number of bio-markers; a reasonably-sized hospital can now provide more than 25,000 medical

services; of the 5000-odd parameters that can be potentially checked per patient, even the interplay of 500 variables can place a premium on the need for data interpretation that can only be addressed by advanced equipment.

At Virinchi, we are bringing to this space the next generation in concept, infrastructure, equipment and service. For one, we have commissioned a technology-driven hospital, the one area where we perceive extensive operating leverage. We believe that in a space where the diagnostic landscape is widening and deepening, the need of the hour is to be able to service the entire range without ever having to turn any patient away on account of a dearth of service capability.

At Virinchi, we believe that with India's insurance sector maturing, the consumer will become increasingly demanding when it comes to the quality of health care services being offered. The service requirement will not only comprise care and empathy; it will extend to convenience and anytime-information availability. At our company, we have addressed this growing need with a singular focus: provide a consistently world-



class service in a market where even national standards are erratic.

Besides, an alternative to the age of professional-promoted hospitals is emerging ; professionals with specific competencies (say cardiac or oncology) engaged in promoting hospitals are yielding ground to multi-speciality hospitals: in the former case, the professional needs to address the entire health care eco-system – comprising real estate ownership, equipment negotiation, housekeeping, capital mobilisation etc. – at the expense of a focus on his or her core competence. The result is that the country needs multi-competence entrepreneurs to commission multi-speciality hospitals at a lower cost and quicker speed.

As a business professional -promoted hospital, Virinchi's modern hospital showpiece is in the right country at the right time with the right business model. We are optimistic of our prospects due to the sheer vastness of the opportunity on the one hand and the prevailing extensive under-penetration on the other.

#### **The Virinchi disruption**

At Virinchi, we believe that the vast opportunity can either be addressed incrementally or radically.

We have selected the latter approach through a decision to identify the right location to commission hospitals, identify existing infrastructure that needs to be benchmarked round hospital standards, commission the hospital with speed, engage in modestly-priced long-term lease agreements, build a scalable business around a low break-even point, provide multi-speciality services, enhance patient transparency through technology-enabled smartphone services, create the foundation of a scalable business around a low capital cost per bed and robust Balance Sheet.

The result of this disruptive approach may not be completely visible in our financials as yet. However, we are optimistic that our showpiece 350-bed hospital in Banjara Hills that was commissioned in July 2016 should break-even at the operating level within 18 months of commissioning, one of the shortest tenures within

the modern niche of India's hospital sector. Besides, the hospital possesses a revenue potential that is four times our prevailing monthly revenues based on the prevailing services mix excluding oncology), which should progressively translate into enhanced value.

#### **The Indian opportunity**

I, on behalf of the board, am pleased to indicate that each of our businesses in India addresses an upbeat future for good reasons.

The IT products and services business is attractively poised with India at an inflection point in its digital journey. The electronic reconciliation of Aadhar and KYC is a development with seminal implications in a country where [780] mn people have bank accounts including Jan Dhan accounts on the one hand while the number of credit cards issued in the country is only [28 mn], i.e., 3.59% of the population with access to banking facilities or 2.33% of the country's population.

The demonetisation, the creation of a national payments backbone and various incentives to accelerate the growth of digital currency indicates that as far as large currency transactions are concerned, the decline of physical money has perhaps transpired and more cash transfers will only transpire in the digital domain from this point onwards.

India has only 3 beds per 1000 of the population, which is estimated at a mere quarter of its actual requirement. This indicates that even as India needs to catch up with a retrospective average, the sustained market growth could possibly make the gap wider.

**How Virinchi's health care business is addressing sectoral opportunities**

*The Virinchi response*

Hospitals priced 15% lower than the prevailing Hyderabad benchmark

Average length of stay below the national average

Invested in multi-specialty competence

Doctors available 24x7



Virinchi is attractively placed in this regard; the company has worked in precisely the products and services niche of the digital domain in advanced geographies like US and Europe, enhancing its exposure to cutting-edge technologies and companies. With India likely to turn increasingly digital, Virinchi is attractively placed to provide business solutions to relevant digital players, its first-mover advantage likely to translate into attractive market presence.

From a hospital sector perspective, the picture continues to be as optimistic.

The Indian hospitals market is considerably under-penetrated; Private spending on health care spending is a high 84% which indicates a low role for insurance companies, a scenario that will soon correct as healthcare serviced are priced higher on account of growing service sophistication and the danger of private spenders tripping into debt following medical emergencies.

India has only 3 beds per 1000 of the population, which is estimated at a mere quarter of its actual requirement. This indicates that even as India needs to catch up with a retrospective average, the sustained market growth could possibly make the gap wider.

Besides, Indian healthcare infrastructure companies are marked by standalone hospitals needing continuous improvement, an extensive reliance on legacy practices

and the sheer inadequacy of beds to address a growing incidence of disease and population. In view of these realities, we believe that there is a large scope to keep growing one's pan-India presence without remotely satiating the sector's deep potential (quantitatively and qualitatively).

**Overview**

At Virinchi, we intend to graduate to Tier 2 and 3 urban clusters in India that provide attractive long-term lease options; we will seek to grow through partnerships and a prudent exercise of the REIT option; we will continue to exercise asset-light options with the objective to build assets that break-even faster than the sectoral standard, strengthening our overall sustainability.

Through this synergic approach, we are optimistic of accelerating growth and emerging as one of the fastest growing companies within our respective spaces across the foreseeable future.

**M. Santhi Priya**  
*Chairperson & Whole Time Director*

**Our differentiated Health care approach**

**Forward integration of our IT business**

Technology-intensive; human complement

**Integrated cash-light approach**

Cost visibility; moderate long-term lease

**Accelerated break-even**

Low operating break-even

**Aggressive data mining**

Consistently high global benchmarks

**Growing revenues from existing products**

Provide multi-specialty services

**Smartphone-enabled patient information**

Low capital cost per bed

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# The Chief Executive Officer's operational review, 2016-17

**Q: Was the management happy with the company's performance in 2016-17?**

A: The year 2016-17 was a decisive year at Virinchi for a number of reasons: the company reported a 31% growth in revenues corresponded by a 45% increase in profit after tax. This indicates two things: one, a record increase in revenues and profits and two, profitable growth that indicates that we did not compromise our business health in reporting record topline numbers.

**Q: What are the some of the reasons that translated into a sizable increase in revenues and profits?**

A: From an IT product and services perspective, the company diversified from a US-focused, single-product IT company to a broad-based IT product and services company in the US with a robust healthcare delivery engine in India. We maintained our leadership in our existing business and added a large new healthcare vertical. The result is that our cash generation increased by 65% even as we believe we could have done better in pre-poning investments in Healthcare and FinTech, in managing our organisational bandwidth better to rapidly grow our FinTech and Healthcare mobility businesses and accelerate our go-to-market plan for products by two quarters.

**Q: What were some challenges that the company successfully addressed?**

A: There were two principal challenges that we faced when we entered the health care (hospital) segment. One, the hospital capital expenditure could result in large debt mobilisation that could in turn become a long-term handicap. Two, the extended construction tenure could affect resource productivity.

I am pleased to state that the company selected a relatively capital-light model; it moved into a mall that was redone internally to create a modern hospital; besides, the company engaged in a long-term lease around a moderate rental that promises to secure long-term viability.



Q&A



Besides, the company executed a 350,000 sq. ft., 350-bed super premium hospital in 15 months flat, one of the fastest commissioning tenures anywhere in India, which moderated the project risk for investors.

On the IT products and services side, the QFund business engaged with an industry leader in US Midwest, which augurs well for our visibility, revenues and margins. The products team strengthened medium-term viability through the development of two key FinTech and Healthcare mobility products, empowering it to compete with the largest players.

We believe that both our businesses are now at an inflection point that promises profitable growth across the foreseeable future.

**Q: What are the principal opportunities on the horizon?**

A: The team is seized with a culture of urgency. It intends to expand the hospital footprint from 550 beds to 700 beds in this financial year.

**Q: What are the biggest changes transpiring in the external marketplace?**

A: The US services market is slowing with a commoditisation of services and a smaller number of mid-sized contracts largely due to an uncertainty in the visa regime. At Virinchi, we are responding to this reality with an increased focus on product-based solutions. Besides, it is imperative for our KSoft business to deepen its market presence and focus high-value

service deliveries around analytics, cloud services and enterprise mobility.

The hospital market in Hyderabad has also turned competitive, marked by multiple M&A/ PE-backed healthcare companies with deep pockets chasing market share. Virinchi Hospitals will need to consistently articulate its technology leadership and science-based innovation to outperform in this environment.

We believe we are attractively placed: as an IT company we possess a significant healthcare pedigree (and vice versa), which is a unique positioning in both sectors of our presence. Further, the FinTech products and US product sales will benefit through our installed healthcare base, healthcare mobility and healthcare big data predictive analytics competence. The result is that our businesses are synergic, making it possible for each to feed off the other across the foreseeable future.

**Q: How does the company intend to enhance shareholder value?**

A: The company is rapidly evolving into a cash-generating retail player in the healthcare and financial technology spaces. QFund, our flagship product, has reinforced its market leadership in the short term lending segment industry, creating visible transaction-based revenues for five years. The capex risks around the flagship hospital are over, following the property's commissioning, strengthening cash flows and enhancing our credit respect among bankers.

The mobility and analytics-backed IT products in India and US enjoy a large installation base with per-transaction revenue models, resulting in the creation of robust revenue engines. A strong asset backed by a 26-year-old group with stable IIT/IIM-pedigree management and 30% CAGR 5-year revenue growth track record, provides Virinchi a solid foundation to report sustainable growth.

The company generated 81% of its revenues in 2016-17 from IT Products and Services and the proportion of the company's EBITDA from this business was 86% of what the company earned in 2016-17. As the hospital enhances its capacity utilisation during the current financial year, we expect the proportion of hospital revenues to increase to 25% of our overall revenues, with a proportionate increase in profits generated.

Satyajeet Prasad  
CEO

## Financial review by the Chief Financial Officer

**Q: What were the principal financial achievements of the company during 2016-17?**

A: The big financial achievement was the financial closure and commissioning of the flagship hospital at Banjara Hills, Hyderabad implemented through the 100% subsidiary, Virinchi Healthcare Private Limited

**Q: What is the principal driver of the hospital's sustainability?**

A: One of the biggest drivers of the ongoing sustainability of the project is its reasonable project cost compared with the prevailing sectoral benchmark: as against a prevailing cost per bed in a hospital of ₹100 lacs, we were able to commission a new bed for just ₹45 lacs. As an extension of this reality, the debt per bed of ₹20 lacs is reasonable and will make it possible for the company to moderate its break-even point and enhance shareholder value. The company was able to outperform projections made to bankers, setting the foundation for enhanced credibility and consequent competitive cost of debt that we may intend to raise across the foreseeable future.

**Q: The big question that shareholders are asking is how the company intends to mobilise resources to fund its aggressive expansion to 5000 beds in five years – and whether there is a possibility that its Balance Sheet may be stretched while doing so?**

A: One of the points that we wish to communicate is that the company will continue to focus on enhancing shareholder value. We believe that the foundation of shareholder value creation will always be a relatively under-borrowed Balance Sheet



coupled with high profitability. At Virinchi, we believe this de-risking is likely to come from quicker project commissioning, lower break-even point, high profitability and a larger proportion of our investments being derived from accruals. We will also make the fullest use of innovative operating and financial structures that moderate the load on our Balance Sheet, enhancing our accruals. The result is that our approach towards getting to 5000 beds will be relatively asset-light, making it possible to enhance shareholder value during the course of our business-building journey.

**Q: What are the prospects of the company during the current financial year?**

A: The IT Products and Services business will continue to remain cash-accretive, providing growth capital for

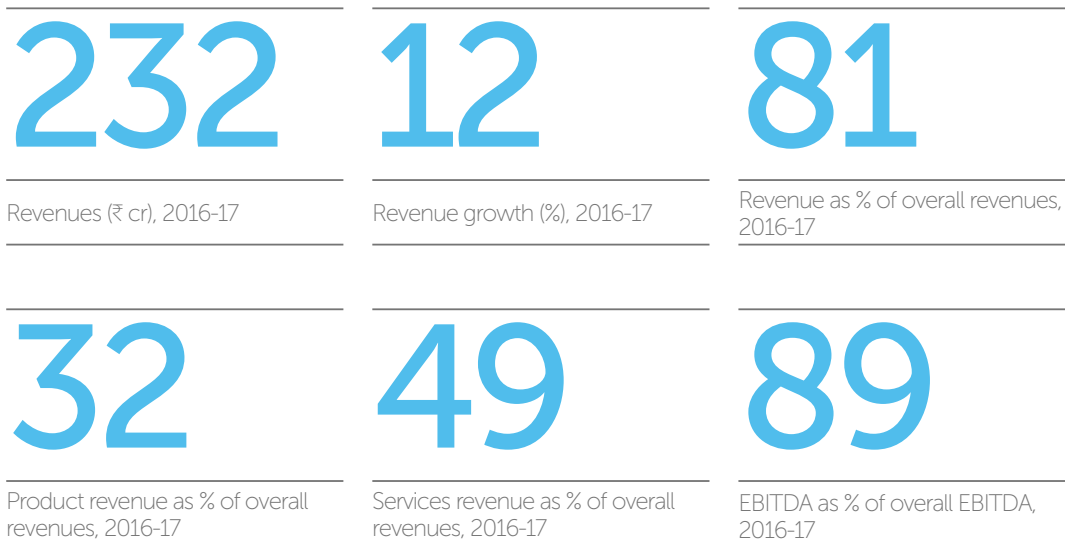
our hospitals business. In the case of healthcare, much of our focus during the current financial year will therefore shift towards effective marketing, translating into revenues – before we embark on the next round of brownfield expansion to an aggregate 700 beds during the current financial year.

*M. Santhi Priya  
Group CFO & Whole Time Director*



Business overview

## IT products business



### Overview

Over the last decade, the US fintech space has evolved, with customers, who earlier sought technology interventions, now seeking margin-strengthening business solutions.

The result is that service providers are increasingly needed to graduate from vendorship to partnership and from business-peripheral offerings to business-critical solutions.

**KSoft IT Services:** At Virinchi, we provide consulting and technology services through KSoft Systems Inc., a 100+ consulting and technology services company servicing clients in the Life Sciences, Healthcare, Financial, Telecom, Logistics and Insurance verticals. The competence is built around quality onshore and offshore personnel. Services revenues grew six-fold in 24 months. The client mix is diversified across technology, telecom and

banking sectors who account for more than 50% of revenues. The focus is on six competencies: Social, Mobility, Analytics, Cloud, Package Product Services and Application Services. Goals comprise the development of products, building

scale and working with anchor customers.

The client mix is diversified across technology, telecom and banking sectors who account for more than 50% of revenues.

### Strengths of the business

- Focus on Products and Services, de-risking the business from a complete dependence on either; the company possesses the flexibility of extending Product sales to enduring Services engagement, strengthening annuity revenues
- Technologists are positioned as domain experts capable of providing business solutions
- Presence in complex technology spaces insulated from commoditised competition
- Product offerings comprise flagship QFund™, Mobile apps and VHealth (acquisition, 2013)
- Evolved QFund™ from a product into a long-term property, periodically upgraded to enhance relevance
- High retention of knowledge pool (especially senior managers) on both the product as well as the IT services business
- Mission-critical cloud infrastructure supporting distributed operations

### Business strategy

The Technology business will continue to address the growing business scope emerging from Products in the fintech and hospital spaces.

The company intends to leverage and expand its product suite to offer select digital and mobility services across the entire lending value chain for the mainstream consumer lending industry.

The company will build multiple products with global reach; it is engaged in building teams on next generation technologies; it is working in the space of technology solutions for under-served customer groups; it intends to build scale through volumes, client mix and geographies.

The company will continue to launch non-commoditised products and services that can potentially substantially enhance the customer's competitiveness

The business is also seeking small companies with potential with the objective of partnering their long-term growth

On the IT Services front the Company through Ksoft is building capabilities in SMAC domains, with particular emphasis on machine learning, big data analytics and offerings on cloud.

### Business highlights, 2016-17

- IT business revenues grew 12% to ₹232 cr; Products business increased 5% to ₹92 cr; Services business increased 18% to ₹139 cr
- The Company continued to reinforce its positioning around business solutions and enhanced customer profitability

### Outlook

The company intends to strengthen revenues during the current financial year by addressing the vast opportunity in both business spaces:

**Fintech:** Servicing growing fintech needs marked by under-penetration, increased digitisation and the

emergence of a national (Indian) payments backbone

**QFund:** Increase wallet share and address increased customer spending

**Healthcare:** Strengthen positioning as one with a familiarity across the knowledge and business spaces; as one extending from technology interventions to comprehensive business solutions



**Was the management happy with the company's performance in 2016-17?**

The management team across each IT vertical (QFund™ and KSoft) delivered attractive YoY revenue growth with client additions. The win of a large account for QFund™, significantly strengthened market leadership. Through these achievements, the challenges around IT services in the US on account of the new visa rules were largely mitigated. The result is that deeper competencies mobility and analytics make it a strong launch pad for 2017-18.

It would be relevant to indicate that a large account acquired for QFund™ goes into

procurement mode once in only a decade. Therefore, it was important to win these accounts to establish leadership. The necessary movement of KSoft from a pure-play IT services vertical with strong mobility product portfolio represents a strong transformation focus for the US market.

**What are the biggest changes in the external marketplace? What are the principal opportunities on the horizon?**

The IT services business in the US cannot take a pure-play custom application outsourcing approach. New client addition is becoming increasingly difficult owing to uncertainties in regulation and outsourcing to India. The increased

focus on product-based 'solution' sales to the US, in particular, in Fintech, has created strong revenue base. Rapid growth in the mobility installation in India makes product development credibility relevant. As a robust product development company in the mobility and analytics spaces, several custom product development opportunities are now appearing. Virinchi is open to acquiring relevant firms with strong US clients.

**Through what initiatives does the company intend to enhance shareholder value in this business segment?**

Virinchi aims to build a niche thought-leadership position in the international

markets within the fintech and healthcare domains. The Indian product roll-outs significantly augment that pursuit. Like QFund, Virinchi aims to consolidate leadership in select segments while expanding through service deliveries in 'adjacent' industries. We believe that such an approach protects us from 'anti-outsourcing' US sentiment while maintaining a 10-15% PAT margin across IT segments. Besides, Virinchi intends to compete against large IT services providers in the fintech and health care domains across geographies – by developing product-backed service deliveries. Through this approach, Virinchi should be able to sustain current revenue growth.

**Annuity-based products and IT-enabled business services**

**QFund™:** Technology leader in the short-term mortgage industry. Managing around 5000+ point of sale and online installations. Addresses Loan Lead Integration, Loan Processing, Banking Integration, Loan Underwriting and Integration, Settlement & Collections and Customer Relationship Management. Around 5% of all short-

term US lending is through QFund. Processes ~450,000 loans monthly (~US\$225 mn). Market size indicated by US\$50bn new loans per annum; 12 mn borrowers growing @ 7%; market defined by 20,000 lender stores including multi-billion dollar listed companies.

The company is planning to launch an adjacent product in the form of a digital line of credit in the US market aimed at the sub-prime customers and is planning

to launch a downloadable credit card/digital line of credit in the Indian market.

**KSoft IT Services:** At Virinchi, we provide consulting and technology services through KSoft Systems Inc., a 100+ consulting and technology services company servicing clients in the Life Sciences, Healthcare, Financial, Telecom, Logistics and Insurance verticals. The competence is built

around quality onshore and offshore personnel. Services revenues grew six-fold in 24 months. The client mix is diversified across technology, telecom and banking sectors who account for more than 50% of revenues. Focus on six competencies: Social, Mobility, Analytics, Cloud, Package Product Services and Application Services. Goals are to develop products, build scale and work with anchor customers.



## Health care delivery and IT-enabled business services



The Company has a Unique mobility platform with more than 50 health care apps connecting patients and providers across the outpatient ecosystem.

**Virinchi Learning:** Leading health care skill development organisation working with NSDC (Government of India) to upskill up to 80,000 health workers across hospitals and biotechnology services (1000 in 12 months). Project is funded by government and Curriculum is designed by Virinchi Learning. Range

of courses (OT nurses, phlebotomist, general duty assistant, diabetes technicians etc.). Advanced learning management solution for self-learning and monitoring is also developed inhouse.

**Virinchi Combinatorics and Systems Biology:** Aims to develop a comprehensive program for population health management through aggregated analytics on bio-markers and clinical outcome. Patient tensor-based research approach (redefining EBM in India).

# 1 bn

The number of patients that the company's hospital-focused IT Products and Services business intends to address

One of Virinchi's Product clients accounts for close to 80% of the alternate lending market share within one of the states of US

# 4 ways in which we intend to strengthen this business

1. Harvest stronger from existing geographies, customers and domain footprint

2. Extend into contiguous sectoral spaces

3. Accelerate product launches

4. Differentiate products; position products around addressable value

## Business overview

# Health care

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# 53

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Revenues (₹ cr), 2016-17

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# 100

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Revenue growth (%), 2016-17

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# 18

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Revenue as % of overall revenues, 2016-17

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# 20

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Healthcare EBITDA as % of overall EBITDA, 2016-17

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### Strengths

The company's Hospitals business comprises the following strengths:

**Location:** The location of the multi-speciality hospital in Banjara Hills provides enhanced accessibility for the middle-class and affluent, its target segments

**State-of-the-art:** The company has invested in equipment considered among the best in the world (scan, ventilators etc.), establishing tomorrow's standards today

**Specialities:** The company provides the following specialities – cardiology, orthopaedics, neurology, nephrology, emergency, cancer care and transplants

**Attention:** The company engaged full-time consultants for each speciality, a rare industry practice

**Throughput:** The company concurrently commissioned 350 beds with no work-in-progress

**Brick and click:** The company positioned itself as a futuristic experiential health care facility marked by a convergence of technology-driven data leading to informed

decision making in the best interests of the patient

**Culture:** The company engaged professionals from the best medical institutes and provided them with extensive empowerment to take decisions in the best patient welfare

**Average length of stay:** The ALOS of 3.85 during the first year (below the sectoral standard) is an index of the company's short learning curve

**Network:** The company established a robust referral network of 3000 practising consultants, 200 nursing homes and 5000 rural medical practitioners

**Affordable:** The company priced services 10-20% lower than peer Hyderabad players, enhancing affordability, brand and market share

**Standard:** The hospital is benchmarked in line with the globally-respected Joint Commission Institute standard, extending beyond local regulatory requirements

**Knowledge pool:** The hospital employed a staff of 800, comprising 100+ doctors

**Verticalisation:** The company established different verticals – Emergency, Anaesthesia and Critical Care - on the lines of Centres of Excellence to enhance specialisation

**Quality:** The company established a six-member audit-driven Quality team even before the hospital had been commissioned to establish an overarching quality culture

**Asset-light:** The company entered into a 30-year lease rental agreement with the property owner coupled with a moderate periodic rental escalation clause

**Digital:** The company invested in core digital architecture to create a modern technology-driven hospital

**Training agenda:** The company commissioned the DNB Program for consultants, starting courses, training in fellowship across genres, enhancing intellectual renewal, talent access and talent retention

**Inorganic:** The company acquired two functional hospitals (200 beds aggregated) at a relatively low cost, turned around with speed



### Strategy

The company selected to differentiate its positioning through a number of features.

The company is responding to sectoral realities through the interplay of the four I's – innovation in health care delivery; investment in health care talent necessary for distributed deliveries; infrastructure that is light, ideal for replication; integrated approach comprising a crowd-sourced health care delivery model that leapfrogs access

The company intends to leverage an asset-light physical model hospital infrastructure to scale from existing 700 beds in the near future.

The company intends to build 'the widest healthcare mobility ecosystem'; this will help create a quality transaction data and electronic medical records eco-system

The company intends to provide free cloud-based Clinic management, Lab management and Hospital Information System

The app-driven hospital has brought information transparency to the smartphone, enhancing informed and timely decision-making through the health care mobility eco-system

The company intends to develop machine learning predictive tools to build a data-backed health care analytics vertical

### Highlights, 2016-17

- The flagship hospital at Banjara Hills, Hyderabad, was commissioned in 15 months, one of the shortest commissioning tenures
- The healthcare vertical reported ₹53 cr in revenues
- The company established infrastructural sophistication with its flagship greenfield hospital, underlining its positioning and recall
- The hospital has emerged as a multi-speciality destination and among the three leading Hyderabad hospitals across multiple specialties
- Completed merger with Bristlecone Hospital (200 beds),

enhancing healthcare revenues by 100%. (see below)

- The digital rollout of the healthcare mobility app ecosystem enhanced the hospital's distinctive positioning
- The company engaged doctors with a clinical background to market the hospital's services, making it possible to highlight procedures, processes and practices over price
- The company marketed services in international geographies with similar demographics (Africa); revenues from medical tourism were 12% against the 5% sectoral average

### Outlook

The company intends to enter the medically under served markets, emerging as a large serious and national player in India's corporate hospitals sector

In 2017-18, the company intends to turn the business around to profitability; it intends to increase the number of beds at its multi-speciality hospital facility by 200 (increasing to 550 at the location); it expects to increase international medical tourism throughput to 20% of revenues; it intends to increase recruitment of clinical and paramedical professionals

The company intends to widen its geographic footprint to Eastern and Central India in the foreseeable future.

## Bristlecone Hospitals

200 beds (cumulative)



State-of-the-art medical infrastructure



50,000 satisfied patient base



Serviced by 100 doctor panel



400 trained employees



Strategic locations in old Hyderabad city and busy highway to Vijaywada and Chennai



\*Merged with Virinchi Limited, 2016-17

# Technology and Virinchi Hospitals

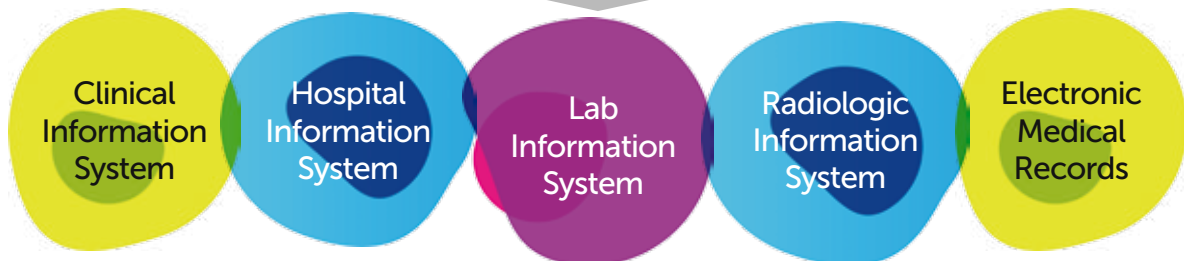
## Operating theatres and ICU



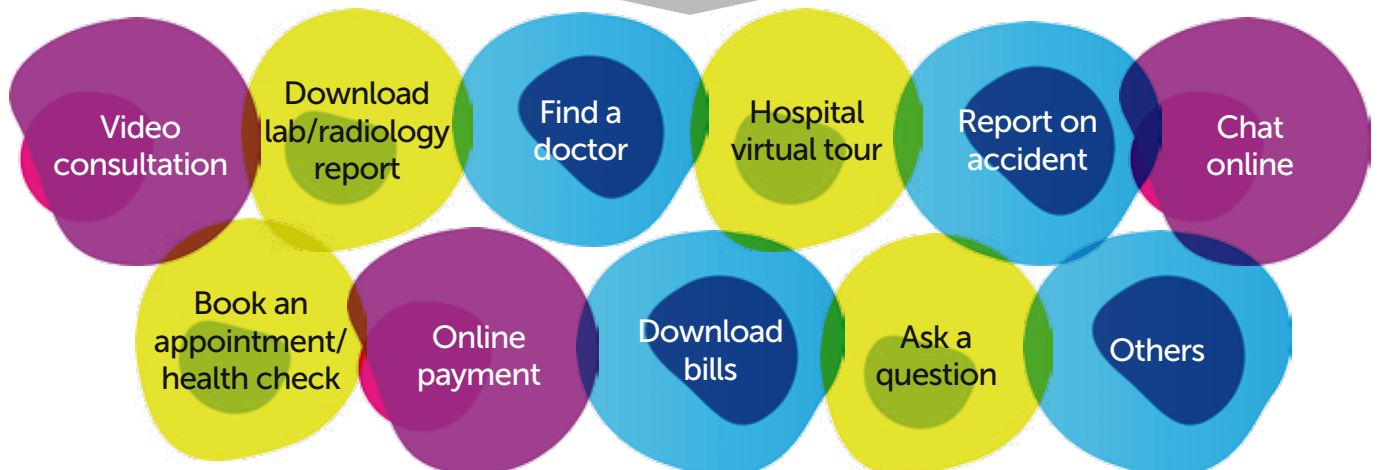
## Diagnostics



## Hospital Information System



## Delivery through IT



# Business review

## What is the long-term scope in the business?

At Virinchi, we believe that India represents one of the most attractive health care markets in the world – the world's third largest economy (purchasing parity) and the world's fastest growing economy is marked by a high 84% of personal health care spending, which often trips patients into a sequence of debt and exploitation. India's availability of 3 beds per 1000 of the population compares weakly with its requirement of 12 beds per 1000 of the population. Besides, there is a dearth of public health care education, as a result of which the country has a throughput of only 20% of its actual requirement of doctors. We believe that each of these realities represents a foundation for long-term sectoral presence and growth.

## What is the immediate attractiveness of the business?

India is at the cusp of major growth in its hospitals sector for some good reasons: the growth of the insurance sector is creating a larger need for professional and corporatised hospital services; increased incomes are strengthening the traction for better health care; the expansion and extension of corporate hospitals into Tier 2,3 and 4 cities in India has enhanced accessibility; the increased international image of India (from a hospital sophistication perspective) is increasing medical tourism.

## How is the company addressing these realities?

The company has increased access, affordability and analysability to formal health care systems with

the objective to drive sustained growth. In a scenario where the need for quality healthcare is outpacing delivery capacity addition – leading to significant demand-supply gap in quality healthcare - Virinchi is possibly the only healthcare group responding with a brick-and-click approach to healthcare delivery, creating a scalable ecosystem of quality delivery across India.

## How will this approach translate into stakeholder value?

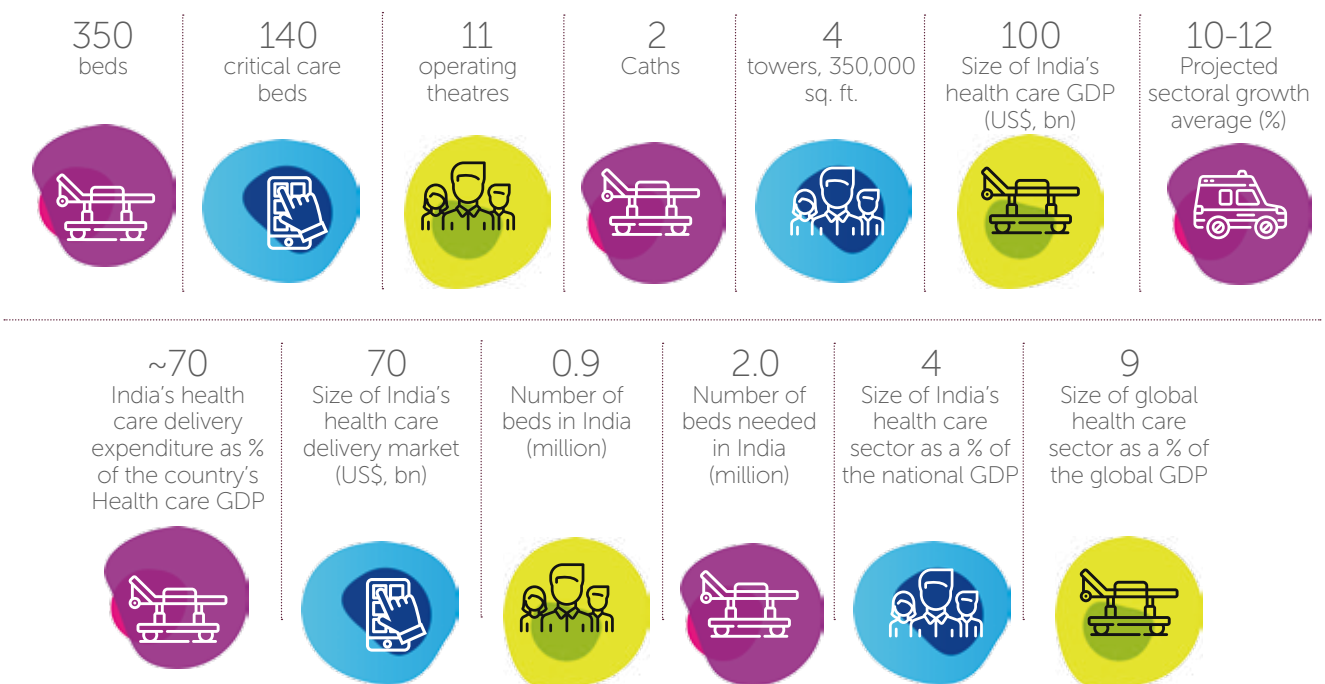
Virinchi Hospitals will continue to generate significant cash, more than breaking even by the end of this year. The revenue growth would be spear-headed by IT-backed health care solutions – particularly mobility-driven healthcare ecosystem - leading to a fast-growing cash-generating business model.

## What is the company's vision?

Virinchi aims to serve a billion patients through a model that will be delivered through a mix of physical beds and healthcare app installs by healthcare ecosystem partners. The first 700 bed footprint is target for 2017-18.

Typically, a ₹50-60 lac per bed annual revenue is feasible for a multispecialty facility in Tier-I/II and metro cities in India. The revenue potential of an app-based ecosystem delivery model has a larger scalability with better margins. Through the synergies of these models, we believe that we are attractively placed to create a billion dollar healthcare vertical across the foreseeable future.

## Virinchi Hospital, Banjara Hills, Hyderabad





# Economic and industry perspective

## Global economic overview

The pace of global economic activity was mixed in 2016 as a number of crosswinds affected re-acceleration. The year was marked by the United Kingdom's decision to exit the European Union and the election of Donald Trump as the American President. Global growth was 3.1% in 2016, the forecast revised downwards by 10 bps for 2017 compared to the April 2016 projections. Long-

term prospects of emerging market economies improved following a decline in interest rates in advanced economies and firming commodity prices. Asia and India demonstrated robust growth. The currencies of advanced commodity exporters have also strengthened, reflecting the firming of commodity prices; however, several emerging market currencies depreciated substantially.

## Outlook

World growth is expected to rise from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018, driven by stronger economic activity, expectations of robust global demand, reduced deflationary pressures and optimistic financial markets. (Source: IMF).



## Indian economic overview

The Indian economy slowed in 2016-17 to 7.1% from 8% in FY2015-16, largely owing to the currency demonetisation in the third quarter of the financial year under review. However, the general undercurrent continued to be optimistic; India's consumer confidence index stood at 136 in Q4 2016, the highest in the world.

India retained its position as the fastest growing major economy catalysed by strong consumption growth and enhanced government spending. Inflation declined on account of a decline in food inflation. This facilitated a 50 basis point rate cut by the RBI in 2016-17. A declining vulnerability on the external and fiscal front and fiscal consolidation by the government enhanced investor confidence that translated into record net foreign exchange inflows.

## Outlook

India's growth is projected to be the fastest among growing global economies between 2016 and 2020; the country is projected to emerge as the third largest economy in the world by 2030, its GDP

approximately trebling to US\$7 trillion by 2030 (Source: Oliver Wyman). The adoption of the Goods and Service Tax promises to create a unified taxation regime. This could enhance the efficiency of production and movement of goods and services across India.

Normal 2017 monsoons and reduced commodity prices are expected to catalyse economic growth. Finally, the Central Government's policies towards achieving fiscal consolidation, reforming the agricultural sector and the labour market and moderating inflation are expected to accelerate India's economic growth over the medium-term.

The Asian Development Bank expects the Indian economy to grow at an accelerated 7.4% in 2017-18 and 7.6% in 2018-19, retaining its position as the world's fastest-growing major economy. (Source: IMF, World Bank, RBI, IBEF)

## Indian information technology sector overview

The Indian information technology industry has progressed from being a

provider of cost-effective technology talent for global enterprises to emerging as a strategic partner facilitating technology-enabled business transformation. The Global Delivery Model approach, pioneered by the Indian IT services industry, comprises complex technology projects broken into sub-systems and modules delivered by a mix of consultants working onsite, close to customers, and in near-shore/offshore locations, one of the most impactful business model innovations in decades, setting the benchmark for the knowledge industry value chain across the world. Organisations across industries such as Aerospace, Automotive, Energy, Pharma, Bio tech, Semiconductors, etc. leveraged this phenomenon and established global research and development (R&D) and product development networks to access local talent and market opportunities, thereby building a network of global knowledge value chain through a mix of in-house centres and partnership networks.

Growth	2016	2017(E)	2018 (P)
Global economy	3.1%	3.4%	3.6%
Advanced economies	1.6%	1.9%	2.0%
Emerging market and developing economies	4.1%	4.5%	4.8%

(Source: IMF)



### Market segments

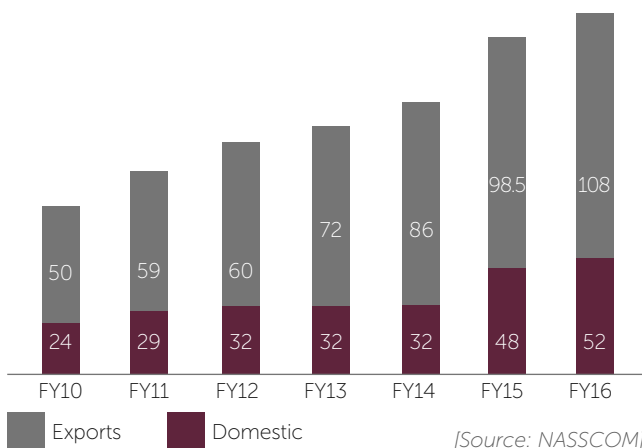
IT Services	Business process management	Software product and engineering	Hardware	e-Commerce
<b>Market size:</b> US\$75 bn	<b>Market size:</b> US\$28 bn	<b>Market size:</b> US\$26 bn	<b>Market size:</b> US\$13.5 bn	<b>Market size:</b> US\$ 17 bn
<b>Exports:</b> US\$61 bn	<b>*Exports:</b> US\$24 bn	<b>Exports:</b> US\$22 bn	<b>Exports:</b> US\$0.5 bn	<b>Major market:</b> Domestic
<b>Domestic market:</b> US\$14 bn	<b>Domestic:</b> US\$4 bn	<b>Domestic:</b> US\$4 bn	<b>Domestic:</b> US\$13 bn	
<b>Major market:</b> Global	<b>Major market:</b> Global	<b>Major market:</b> Global	<b>Major market:</b> Domestic	
<b>Export revenues:</b> 81%	<b>Exports revenue:</b> 85%	<b>Exports revenue:</b> 83%		

The IT-BPM sector generated revenue of US\$143 billion in 2016 with exports of US\$108 billion and the domestic contribution was US\$35 billion. The domestic IT-ITeS market is US\$52 billion, which includes US\$17 billion e-commerce sector along with domestic IT sector revenue. Notwithstanding the global headwinds and changing geo-political discourse on globalisation, the sector enjoys attractive medium-term prospects, expected to touch US\$1 trillion by

2023 driven by domestic and global growth. The GDP contribution has changed dramatically in the last two decades and currently the sector contributes 9.5% to the Indian GDP (FY15) in comparison to 1.2% in FY98 and also plays a significant role in generating employment for almost 3.7 million people. The sector comprises four major sub-segments and majority revenues are derived from export.

The export market is growing at a CAGR 13.5%. North America is the major destination for IT exports and generates 60% of the export revenue. Europe contributes 25% of export revenue out of which almost 50% comes from UK. Dollar is the invoice currency constituting 75% of the exports followed by pound and euro. There has been significant growth in the domestic market since FY14 driven by government initiatives like Digital India, Smart City etc.

Domestic and Export IT and ITeS revenue in US\$ billion



Major IT exports market



**Digital transformation:** Increasing adoption of digital technologies like cloud, mobility, and IoT across industries and the requirement for robust cyber security infrastructure provides an interesting growth opportunity for the service providers as the demand for traditional services becomes stagnant.

Some of the key trends driving digital disruption across the Banking and Financial Services segment comprise increasing investments in digital banking and fin-tech solutions as India moves towards a cashless economy.

The digitisation of health records also represents an emerging opportunity.

**Domestic and other emerging markets:** The domestic market in India has a high potential of growth driven by digital economy initiatives of the government, along with digitisation and automation. The digital transformation drive by the government such as Digital India, Skill India, e-KYC, JAM Trinity etc., creates huge demand for IT and ITeS services in the country and provides new opportunity for the vendors.



### The growing need for healthcare spending

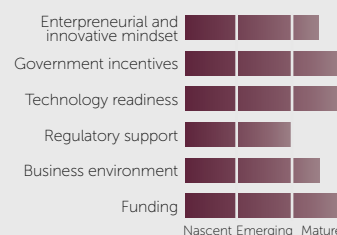
- Out of pocket expenditure (OOPE) constitutes more than 80% of all health expenses, a major drawback in a country like India where a large segment of the population is poor
- Approximately 63 million people fall into poverty each year due to lack of financial protection for their healthcare needs
- Average cost of hospital treatment has gone up by a CAGR of 10.4% between 1996 and 2014, higher than the consumer price index (CPI) inflation of 7.2% during the same period
- With a 22% shortage of primary health centres (PHCs) and 32% shortage of community health centres (CHCs), it is estimated that 50% of beneficiaries travel more than 100 km to access quality care
- India has only 3 beds per 1,000 population in India compared a requirement of 12 beds per 1,000
- 70% of India's healthcare infrastructure is in the top 20 cities

## The United States

The U.S. is the gravitation centre of entrepreneurs as well as hi-tech talent, which has attracted the highest fintech investment and built the largest network of start-up firms.

The U.S. dominates the fintech industry with major hubs in Silicon Valley and New York. It has access to the highest fintech investment from the government, corporates, large banks and venture capitalists along with significant support from universities and research institutes to set up innovation labs, develop fintech courses and launch accelerator programmes to build innovative and creative products, services and companies.

The U.S. has more than 25 unicorn fintech start-ups with value worth US\$1 billion. The Silicon Valley has more than 15,000 start-up firms, about two million hi-tech workers and the most experienced start-up employees.



## Healthcare delivery sector in India

India's healthcare delivery landscape has historically been dominated by government hospitals, one-off hospitals or nursing homes (owned and run either by charitable trusts, or self-owned by doctor-promoters). It is only in the last two decades that India has seen a surge of large healthcare players, often corporate houses, enter the healthcare delivery space and setup large, tertiary/quaternary care hospitals, which compare with world-class hospitals in other parts of the globe. Overall, the healthcare delivery market still remains fragmented, with the five largest hospital players together covering around 35,000 beds, which is 1% of the total hospital beds in India. Over 85% of the hospital beds in India are present in facilities with less than 25 beds.



### Demand drivers

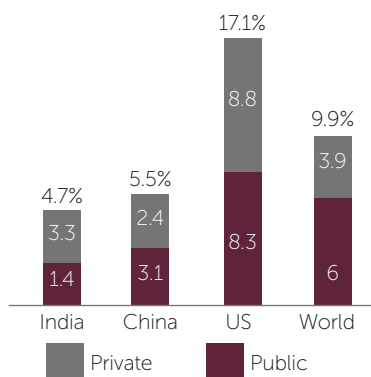
- Large, ageing population: Increasing life expectancy is causing an ever-increasing population of aged people. Elderly population, currently classified as those aged 80 and over, are set to rise from the current 98.9 million to about 168 million by 2026.
- High incidence of non-communicable diseases: There has been a growing incidence of obesity, diabetes, cardiovascular, chronic obstructive pulmonary disease (COPD), etc. on the back of -Sedentary lifestyle (lack of physical exercise), increased stress, Poor dietary habits (junk food) and Pollution
- Increase in disposable incomes: This has enhanced affordability. During 2015-19, per capita income is expected to increase at a CAGR of 8.09%.
- Awareness: This has led to a focus on diagnostics and preventive health check-ups, led by access to internet and other media such as television and radio.
- Medical Value Travel: Increase

- in foreign citizens traveling to India to avail medical services. Presence of world-class hospitals and skilled medical professionals has strengthened India's position as a preferred destination for medical tourism. Treatment for major surgeries in India costs only a fraction— as low as 10% in some cases—of that in developed countries.
- Availability of capital: Keen interest among investors (Indian and foreign) in Indian healthcare market, leading to entry of more and more players.
- Different business models: The rising popularity of single-specialty clinics, day-care centres, etc.
- Rising interest of corporate houses to enter the healthcare space: This was hitherto considered a social service, but now many corporate houses have entered the healthcare arena.
- Innovations in medical technology: This has made it possible for more people/ conditions to be treated.

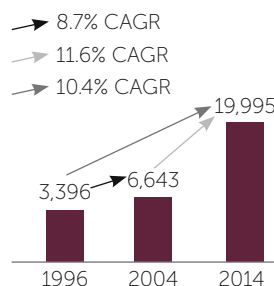
### India emerging as a medical tourism hub

India is rapidly becoming an important hub for medical treatment among the under-developed and developing markets with its growing share of best-in-class corporate hospitals, will a large number of foreign nationals availing of health services in India. Medical tourism in India is currently estimated at US\$3.9 billion in 2016, is expected to touch US\$8 billion by 2020, having grown at a CAGR of 27% over 2013-16. The majority of the patients coming to India for treatment are from the Middle East, Africa, Bangladesh, Afghanistan, Maldives, Pakistan, Bhutan and Sri Lanka. India's cost advantage will significantly open doors to US and Europe, due to lower costs than the US and almost half that of Europe. There is also a growing demand for Indian medical talent and know-how in geographies that are lacking in advanced medical infrastructure; several players in African countries are approaching Indian players to help them set up and run hospitals, both as advisors as well as O&M partners. This is widening the 'exports' bucket.

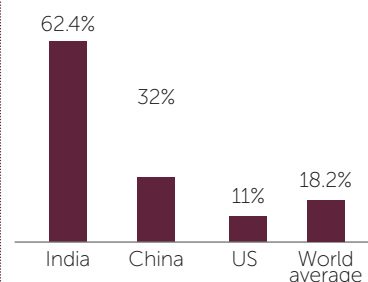
### Healthcare spending as percentage of GDP



### Average total medical expenditure for treatment per medical case (₹)



### Out-of-pocket expenditure as a percentage of health expenditure (2014)



# Financial analysis

## Profit and loss account analysis

### Gross revenues

Gross revenues increased by 30.90% to ₹2886.01 million in 2016-17, compared with ₹2204.66 million reported in 2015-16.

### Operating profit

Operating profit (EBITDA) increased by 97.84% to ₹657.84 million in during 2016-17 from ₹332.50 million in 2015-16, largely because of improvement in operational efficiencies.

### Depreciation

Depreciation for the year under review stood at ₹247.61 million, compared with ₹120.70 million recorded in the previous year, up by 105.14% on a y-o-y basis, primarily on account of addition of assets in healthcare business and amortisation of goodwill on account of merger of Bristlecone Hospitals and Virinchi Limited.

### Finance costs

Finance cost for the year under review increased by 280.05% from ₹30.29 million to ₹115.12 million because

of increase in borrowings for the healthcare business.

### Total tax expenses

Total tax expenses for the year stood at ₹59.14 million, which included current tax of ₹22.10 million and deferred tax charges of ₹37.03 million.

### Net profit

Consolidated net profit for the year under review stood at ₹235.95 million, a 45.60% increase over the previous financial year.

## Balance Sheet analysis

### Net worth

The Company's net worth stood at ₹2067.76 million as on 31st March, 2017, increasing by 67.23%, compared with ₹1236.44 million as on 31st March, 2016. The net worth comprised paid-up equity share capital amounting to ₹266.74 million as on March 31, 2017 (26684550 equity shares of ₹10 each (fully paid up) and minority interest of ₹1801.01 million).

### Loan profile

The total loan funds stood at ₹1584.54 million while long-term borrowings stood at ₹1182.31 million and short-term borrowings amounting to ₹402.22 million).

### Total assets

The Company's total assets increased to ₹4178.05 million in 2016-17 from ₹2644.67 million in 2015-16, representing an increase of 57.98%.

Capital work-in-progress (WIP) for the year increased by 81.27% to ₹32.74 million in 2016-17, compared with ₹174.92 million in 2015-16 on account of commissioning of a large part of the flagship hospital at Banjara Hills, Hyderabad and the merger of Bristlecone Hospitals Private Limited.

### Non-current investments

The Company's long-term non-current investments during the year under review increased to ₹7.24 million from ₹5.72 million in the previous year.

### Inventories

Inventories increased by 100% to ₹79.45 million during the year under review from zero.

### Sundry debtors

Sundry debtors of the Company stood at ₹419.45 million in FY17, a decrease of 22.44% over the previous year.

### Loans and advances

Total loans and advances amounted to ₹322.33 million, comprising 7.71% of the Company's total assets. Short-term loans and advances for the year stood at ₹239.47 million (an increase of 70.07% from the last year), primarily on account of advances given to newly set up healtcard subsidiary.

### Cash and cash equivalents

The Company had on its books cash and cash equivalents worth ₹112.48 million as on 31st March, 2017 as compared to ₹271.60 million in 31st March, 2016.

### Current liabilities

Current liabilities stood at ₹828.85 million, comprising short term borrowings of ₹402.22 million, trade payables of ₹272.23 million and short term provisions of ₹154.39 million.



### Internal control

The Management Information Systems is the backbone of our internal control mechanism. The Company has adequate internal control systems and procedures in all operational areas and at all levels of equipment procurement, finance and administration marketing and personnel departments.

The Company also has an 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.

### Human resources

Total employee strength of the Company stood at 1250+ (450+ in IT and 800+ in healthcare) as on 31st March 2017. The Company values the importance of its human capital as its business is primarily dependent on the intellectual capital. Significant effort of the management is put to create a stronger career growth path of the employees in the Company. The Company takes continuous

efforts in honing the skills of the employees through continuous training programs. Virinchi offers a world of learning opportunities, including those aimed at up-skilling, cross-skilling or re-skilling employees through training programs technical, domain, soft skills and leadership aspects. Through tie-ups with premier institutions, we offer higher education/certification programs. 'The Integrated Talent Management System' provides anytime, anywhere learning.

# Notice

NOTICE is hereby given that the 28th Annual General Meeting of the Members of the Company will be held on Thursday, the 28th day of September, 2017, at 12.30 PM at 8-2-672/5&6, 3rd Floor, Ilyas Mohammed Khan Estate Road no.1, Banjara Hills Hyderabad, Telangana – 500 034 to transact the following business:

## ORDINARY BUSINESS:

### 1. To receive, consider and adopt:

(a) the Audited Financial Statements of the Company for the financial year ended March 31, 2017, together with the Reports of the Board of Directors and Auditors thereon; and

(b) the Audited Consolidated Financial statements of the Company for the financial year ended March 31, 2017, together with the Report of the Auditors thereon.

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

### 3. Appointment of Statutory Auditors of the Company

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

**"RESOLVED THAT,** pursuant to Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies(Audit and Auditors) Rules, 2014 as amended from time to time, pursuant to the recommendations of the audit committee of the Board of Directors, M/s. Chandra Babu Naidu & Co Chartered Accountants (Firm Reg. No. 016016S) be and is hereby appointed as statutory auditors of the company in place of the retiring auditors M/s. P.Murali & Co., Chartered Accountants (Firm Registration No. 007257S ) to hold office from the conclusion of this Annual General Meeting ("AGM") till the conclusion of the 33rd AGM to be held in the year 2022 (subject to ratification of their appointment at every AGM if so required under the Act ) at such remuneration and out of pocket expenses as may be decided by the Board of Directors of the company."

## SPECIAL BUSINESS:

### ITEM #4

To Approve Grant of options to the employees of the company under Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016)

**In suppression of the resolution No.5 passed on 27th May, 2016 vide postal ballot notice dated 12th February, 2016 and to pass following resolution as Special Resolution:**

**"RESOLVED THAT** pursuant to the provisions of Section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013 (which deems to include the provisions the Companies Act, 1956 applicable, if any, for the time being in force), the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchanges, Regulation 6 of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the approval and consent of the Shareholders of the Company be and is hereby accorded respectively to the 'Virinchi Employee Stock Options Scheme, 2016'(VESOS, 2016) (hereinafter referred to as the "VESOS,2016"/ "Scheme") and to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include Compensation Committee already constituted by the Board under Section 178 of the Companies Act, 2013 nomenclature as the Nomination & Remuneration Committee to exercise its powers, including the powers, conferred by this Resolution) to create, offer and grant from time to time up to 50,00,000 (Fifty Lacs only) Options to the permanent employees, existing and future Directors including Whole-time directors but excluding the Independent Director of the Company and its existing and future subsidiary companies whether in or outside India as may be decided solely by the Board under the Scheme, exercisable into 50,00,000(Fifty Lacs only) Equity

Shares of face value of Rs. 10/- each fully paid up, at such price in one or more tranches, on such terms and in such manner as the Board may decide in accordance with the provisions of the law or regulations issued by the relevant authorities, SEBI Regulations and in due compliance with other applicable laws and regulations.

**RESOLVED FURTHER THAT** the Virinchi Employees Stock Option Scheme, 2016(VESOS, 2016) will be implemented by the company.

**RESOLVED FURTHER THAT** in the event of expansion of share capital of the Company arising due to any corporate action(s), including by way of preferential allotment of shares or qualified institutions placement, the limits set hereunder prescribed for secondary acquisition shall accordingly apply to such increased capital, in proportion of such expanded share capital, subject however that, the Company shall adhere to the cap prescribed under sub-regulation (11) of regulation 3 of the SEBI (Share Based Employee Benefits) Regulations,2014.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to issue and allot Equity Shares to the eligible employees and Directors of the Company upon exercise of Options from time to time in accordance with VESOS, 2016 for the implementation of the Scheme as per applicable laws and regulations.

**RESOLVED FURTHER THAT** the number of Options that may be granted to any employee and director of the Company, during any one year under the VESOS, 2016 shall not exceed 1% of the Issued Capital of the Company.

**RESOLVED FURTHER THAT** the Equity Shares to be allotted and issued by the Company in the manner aforesaid shall rank paripassu in all respects with the then existing Equity Shares of the Company.

**RESOLVED FURTHER THAT** in case of any corporate action(s) such as rights issues, bonus issues, change in capital structure, merger and sale of division/undertaking or other re-organisation, change in capital and others, if

any additional Equity Shares are required to be issued by the Company to the Option grantees for the purpose of making a fair and reasonable adjustment to the Options granted earlier, the above ceiling of 50,00,000 (Fifty Lacs only) Equity Shares shall be deemed to be increased to the extent of such additional Equity Shares issued.

**RESOLVED FURTHER THAT** the grant of Option shall be in accordance with the terms and conditions as regards price, payment, application, allotment etc. as decided by the Committee from time to time in accordance with the SEBI (Shares Based Employee Benefits) Regulations, 2014.

**RESOLVED FURTHER THAT** the total ESOPs to be created, offered and granted and further conversion in shares on exercise of ESOPs, shall not exceed 50,00,000(Fifty Lacs only) ESOPs/shares or such expanded number of ESOPs/shares, which has been revised due to any corporate action(s)

**RESOLVED FURTHER THAT** in case of any change in capital structure such as Rights issue/bonus issue, subdivision or consolidation, then the number of Shares to be allotted and the exercise price payable by the Option grantees under the Scheme shall automatically stand reduced or augmented, as the case may be, in the same proportion as the present face value of Rs.10 per Equity Share shall bear to the revised face value of the Equity Shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take necessary steps for listing of the Equity Shares allotted under the VESOS, 2016 on the Stock Exchanges, where the Shares of the Company are listed and to determine all other terms which for the purpose of giving effect to any offer, issue or allotment of Equity Shares or securities or instruments representing the same, as described above under VESOS, 2016 and to do all such acts, deeds and things and to execute all such deeds, documents, instruments and writings as it may at its sole and absolute discretion deem necessary or expedient and

to settle any questions, difficulty or doubt that may arise in this behalf without being required to seek further consent or approval of the members.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the terms and conditions of the Employee Stock Options or of the Scheme from time to time including but not limited to suspend, withdraw, terminate or revise the VESOS 2016 as it may deem fit, from time to time at its sole and absolute discretion in conformity with the provisions of the Companies Act, 2013, the Memorandum and Articles of Association of the Company, SEBI (Share Based Employee Benefit) Regulations, 2014 and any other applicable laws.”

**RESOLVED FURTHER THAT** the Board be and is hereby further authorized to do all such acts, deeds and things, as it may in its absolute discretion, deem necessary to appoint Merchant Bankers, Brokers, Solicitors, Registrars, Advertisement Agency, Compliance Officer, Investors Service Centre and other Advisors, Consultants or Representatives, being incidental to the effective implementation and administration of VESOS, 2016 as also to prefer applications to the appropriate authorities, parties and the institutions for their requisite approvals as also to initiate all necessary actions for the preparation and issue of public announcement and filing of public announcement, if required, with the SEBI/Stock Exchange(s), and all other documents required to be filed in the above connection and to settle all such questions or difficulties whatsoever which may arise and take all such steps and decisions in this regard.

**RESOLVED FURTHER THAT** the Board be and is hereby also authorised to nominate and appoint one or more persons to represent the Company for carrying out any or all of the activities that the Board is authorised to do for the purpose of giving effect to this resolution.”

**RESOLVED FURTHER THAT** in resolution #6, 7 passed on 27th May, 2016 vide postal ballot notice dated 12th February, 2016, the implementation of the scheme through

trust route be replaced with implementation of the scheme by the company directly.

#### **Item #5**

#### **To Rescind the resolution No.8, 9 & 10 passed on 27th May, 2016 vide postal ballot notice dated 12th February, 2016**

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 Companies Act, 2013 (which deems to include the provisions the Companies Act, 1956 applicable, if any, for the time being in force), the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchanges, Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the approval and consent of the Shareholders of the Company be and is hereby accorded respectively to rescind the resolutions of item #8, Grant of employee stock options to the employees of the company and that of the subsidiary Company(ies) by way of secondary acquisition under Virinchi Employee stock Option Scheme, 2016 (VESOS,2016), item#9 Approval of Trust Route for the implementations of Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016) and item# 10 Provision of money by the company for purchase of its own shares by the trust/trustees for the benefit of employees under Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016) which are passed/approved on 27th May, 2016 vide postal ballot notice dated 12th February, 2016

#### **Item# 6**

#### **Amendment of Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016)**

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 Companies Act, 2013 (which deems to include the provisions the Companies Act, 1956 applicable, if any, for the time being in force), the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchanges, Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the approval and consent of the Shareholders of the Company be and is hereby accorded respectively to amend the Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016) by adding a new "category 6 Participants" under Vesting and Exercise Schedule in Clause 9 as below.

#### **Category 6 Participants**

- a) **At the end of the first year from the grant date, up to maximum of 100% of the total options granted shall vest and become vested options;**

RESOLVED FURTHER that the Board or any Committee thereof, be and are hereby authorized to do all such things, deeds, matters and acts as may be required to give effect to this resolution and to do all things incidental and ancillary thereto.

#### **Item # 7**

##### **Appointment of Ms. K. Kalpana as Director of the Company**

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

"RESOLVED THAT Ms. K. Kalpana (DIN 07328517), who was appointed as an Additional Director of the Company with effect from 28th August, 2017 by the Board of Directors and who holds office upto the date of this Annual General Meeting of the Company under Section 161(1) of the Companies Act, 2013 (the Act) but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act, from a member, proposing her candidature for the office

of Director, be and is hereby appointed as Director of the Company."

#### **Item# 8**

##### **Appointment of Mr.M.V.Srinivasa Rao as Director of the Company**

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

"RESOLVED THAT Mr. M.V.Srinivasa Rao(DIN: 00816334), who was appointed as an Additional Director of the Company with effect from 28th August, 2017 by the Board of Directors and who holds office upto the date of this Annual General Meeting of the Company under Section 161(1) of the Companies Act, 2013 (the Act) but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act, from a member, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company."

#### **Item# 9**

##### **Appointment of Ms. K. Kalpana as an Independent Director**

To consider and if thought fit to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 ("Act") and the Rules framed there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements)Regulations,2015, Ms. K. Kalpana(holding DIN 07328517), a non-executive Independent Director of the Company, who has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for five (5) consecutive years commencing from 28th August, 2017, not liable to retire by rotation."

**Item# 10**

**Appointment of Mr. M.V.Srinivasa Rao (DIN:00816334) as Executive Director of the company.**

To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of sections 196, 197 of the Companies Act, 2013 read with the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, Schedule V and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modifications or re-enactment thereof for the time being in force), as approved by the Nomination and remuneration cum compensation committee and Audit committee, consent of members be and is hereby accorded for appointment of Mr. M.V.Srinivasa Rao (DIN:00816334) as the Executive Director of the Company for a period of Five years w.e.f. 28th August, 2017 on the remuneration, terms and conditions as recommended by the Nomination & Remuneration Committee.

"RESOLVED FURTHER THAT Mr. M.V. Srinivasa Rao, Executive Director will also be entitled for the reimbursement of actual entertainment, travelling, boarding and lodging expenses incurred by him in connection with the Company's business and such other benefits/amenities and other privileges,

as any from time to time, be available to other Senior Executives of the Company."

"RESOLVED FURTHER THAT in the event in any financial year during his tenure, the Company does not earn any profits or earns inadequate profits as contemplated under the provisions of Schedule V to the Companies Act, 2013, the Company may pay, remuneration in accordance with the limits as per the provisions of Schedule V of Companies Act, 2013"

"RESOLVED FURTHER THAT any of the Director of the Company be and is hereby authorised to file Form No.MR-1, DIR-12 or such other forms with the office of the Registrar of Companies and to make necessary entries in the Register of Directors maintained by the Company and to take all other necessary steps as may be required under the Companies Act, 2013 for giving effect to these resolutions.

**BY ORDER OF THE BOARD**

**For VIRINCHI LIMITED**

(formerly Virinchi Technologies Limited)

**K. Ravindranath Tagore**

*Company Secretary*

M.No. : 18894

Place: Hyderabad

Date: 28th August, 2017

## 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) Particulars of the Directors who are proposed to be appointed /re-appointed at this meeting as required SEBI(LODR) Regulations is provided in Corporate Governance Report. The Directors have furnished the requisite declarations for their appointment/re-appointment
- c) The Register of Members / Register of Beneficiaries and Share Transfer books of the Company will remain closed from 22nd September, 2017 to 28th September 2017 (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 Ltd, 1-2-285, Domalguda, Hyderabad-500 029 Email-info@aarathiconsultants.com
- 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, be transferred to the IEPF. The company has transferred the unpaid dividend for the year 2004-05, 2005-06, 2006-07 to IEPF.

Year	Type of Dividend	Dividend Per share Rs.	Date of Declaration	Due Date of Transfer	Amount in Rs.
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. Aarathi Consultants Private Limited.
- i) In accordance with the MCA's "Green Initiative in Corporate Governance" allowing companies to share documents with its shareholders in the electronic mode and related amendments to the Listing Agreement with the Stock Exchanges, the company is sharing
- all documents with shareholders in the Electronic mode, wherever the same has been agreed by the shareholders. Shareholders are requested to support this green initiative by registering/updating their e-mail addresses for receiving electronic communications.
- j) The Company has appointed Mr. V Chandra Sekhar Patnaik, Practicing Company Secretary as Scrutinizer for conducting e-voting process for the 28th Annual General Meeting of the Company in a fair and transparent manner
- k) The Notice of the Meeting, Annual Report along with Attendance Slip and proxy form etc. are being sent in electronic mode to Members whose email address is registered with the Company or the Depository Participant(s), unless the Members have registered their request for the hard copy of the same. Physical copy of the Notice of the Meeting, Annual Report along with Attendance Slip and proxy form etc. are being sent to those Members who have not registered their email address with the Company or Depository Participant(s).

Members who have received the aforesaid documents in electronic mode are requested to print the Attendance Slip and submit a duly filled in Attendance Slip at the Registration Counter at the Meeting.

- l) A Route Map showing direction to reach the venue of 28th AGM is given in the Annual Report as per the requirement of the Secretarial Standard - 2 on General Meeting
- m) Members may also note that the Notice of the 28th AGM and the Annual report for the FY 2016-17 will be available on the company's website i.e., [www.virinchi.com](http://www.virinchi.com).

**n) Voting through electronic means**

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide E-Voting facility to members to cast their vote on all the resolutions set forth in the Notice convening 28th Annual General Meeting (AGM) to be held on 28.09.2017. The Company engaged the Services of Central Depository Services Limited (CDSL) to provide the e-Voting Facility:

The instructions for Members for e-voting are as under:

The voting period begins on Monday, 25th September, 2017 at 9.00 a.m. and ends on Wednesday, 27th September, 2017 at 5.00 p.m. During this period shareholders' of the company, holding shares either in Physical Form or Dematerialized form, as on the cutoff date 21st September, 2017, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter

- a) Instructions for e-voting
  - i. The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com)
  - ii. Click on "Shareholders" tab.
  - iii. Now enter your User ID

For Members holding shares in Demat Form	For Members holding shares in Physical Form
<b>For NSDL:</b> 8 Character DP ID followed by 8 Digits Client ID	Folio Number registered with the company
<b>For CDSL:</b> 16 digits beneficiary ID	

- iv. Next enter the Image Verification as displayed and Click on Login.
- v. If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.

If you are a first time user follow the steps given below:

**For Members holding shares in Demat Form and Physical Form**

PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department  (Applicable for both demat shareholders as well as physical shareholders)  <ul style="list-style-type: none"> <li>• Members who have not updated their PAN with the Company/Depository participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> <li>• In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001(Which is printed on address label) in the PAN field</li> </ul>
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the Bank company records for the said demat account or folio. Please enter the DOB or Details Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the folio/client id.

- vi. After entering these details appropriately, click on "SUBMIT" tab.
- vii. Members holding shares in Physical form will then reach directly to the voting screen.

- viii. Members holding shares in Demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the Demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- ix. If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- x. Click on the relevant EVSN for the "Virinchi Limited" on which you choose to vote.
- xi. On the voting page, you will see Resolution Description and against the same the option 'YES/NO' for voting. Enter the number of shares (which represents number of votes) under YES/NO
- xii. Click on the "RESOLUTION FILE LINK" if you wish to view the entire Notice of the Annual General Meeting.
- xiii. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- xiv. Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
- xv. You can also take out print of the voting done by

you by clicking on "Click here to print" option on the Voting page.

- xvi. Note for Non-Individual Shareholders & Custodians:

They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.

The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.

They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com)

**BY ORDER OF THE BOARD**

**For VIRINCHI LIMITED**

(formerly Virinchi Technologies Limited)

**K. Ravindranath Tagore**

*Company Secretary*

Place: Hyderabad

Date: 28th August, 2017

M.No. : 18894

**Statement provided pursuant to the provisions of Regulation 36 of SEBI (Lodr) Regulations, 2015 read with Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India**

Particulars	<b>K. Sri Kalyan</b>
Date of Birth	17/08/1979
Date of Appointment	12th August, 2016
Qualifications:	B.E (Mech. Engg.), MBA (SCM)
Expertise in Specific Functional Areas:	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.
Directorships held in other public companies (Excluding Foreign companies and Section 8 Companies)	NIL
Memberships/Chairmanships of Committees of other public Companies (Includes Only Audit Committee and Stakeholder's Relationship Committee)	NIL
Number of shares held in the company	NIL
Relationship between directors inter-se	There is no relationship with other directors on the board.

Particulars	<b>M V Srinivasa Rao</b>
Date of Birth	8th April, 1968
Date of Appointment	28th August, 2017
Qualifications:	B.E (ECE), MBA, IIM, Ahmedabad
Expertise in Specific Functional Areas:	25 years of experience in Management Consulting and Industry. Worked with Deloitte Touche Tohmatsu India Private Limited for 18 years and was in-charge of the Management Consulting practice for Hyderabad market for 11 years. Worked with Best & Crompton Engineering Projects Limited, an EPC company for 5 years in the area of corporate finance. Working with Virinchi Limited in the corporate group for close to two years. Experience spans across various verticals such as IT/ITES, Steel, Fertilizer, Cement, Pharmaceutical, Media & Entertainment, Healthcare and Education. Experience on horizontals spans across corporate finance and strategy & operations. Corporate finance experience includes corporate restructuring for value unlocking, mergers & acquisitions, business and brand valuations, equity & debt fund raising and corporate debt restructuring. Strategy & operations experience includes business strategy formulation and implementation, total cost management through shop floor workflow management, and supply chain management and performance improvement through streamlining of organizational systems and procedures and implementation of performance assessment & monitoring systems
Directorships held in other public companies (Excluding Foreign companies and Section 8 Companies)	NIL
Memberships/Chairmanships of Committees of other public Companies (Includes Only Audit Committee and Stakeholder's Relationship Committee)	NIL
Number of shares held in the company	NIL
Relationship between directors inter-se	There is no relationship with other directors on the board.

Particulars	<b>K Kalpana</b>
Date of Birth	28/08/1982
Date of Appointment	28th August, 2017
Qualifications:	M.Sc- Bio Tech
Expertise in Specific Functional Areas:	She is a Post Graduate (M.Sc Bio-Technology) from Bangalore University possessing rich experience of over 10 years in fields of Teaching and Scientific Data Research Analysis and Clinical Data Management. She has previously worked as a Senior Lecturer in Bio-Technology Department for Under Graduate and Post Graduate students and also served as Vice President for Clinnova Research Labs (P) Limited.
Directorships held in other public companies (Excluding Foreign companies and Section 8 Companies)	1. Tanla Solutions Ltd 2. Kellton Tech Solutions Ltd
Memberships/Chairmanships of Committees of other public Companies (Includes Only Audit Committee and Stakeholder's Relationship Committee)	2
Number of shares held in the company	NIL
Relationship between directors inter-se	There is no relationship with other directors on the board.

# EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

## Item No. 4

The company has passed special resolution on 27th May, 2016 vide postal ballot notice dated 12th February, 2016 to implement Virinchi Employees Stock option Scheme, 2016 through Trust route. The board directors of the company in their Board Meeting held on 13th February, 2017 decided that the scheme shall be implemented by the company directly rather than implementing through the trust. Accordingly resolutions enumerated in Item # 4 is proposed to be passed by canceling the resolution # 5 passed on 27th May, 2016 vide postal ballot notice dated 12th February, 2016. The copy of the postal ballot notice is available on company website under following link: [http://www.virinchi.com/pdf/Postal\\_Ballot\\_Notice\\_2016.pdf](http://www.virinchi.com/pdf/Postal_Ballot_Notice_2016.pdf).

Accordingly, In the resolutions No.6, 7 of the aforesaid Postal ballot notice where ever the words "the scheme to be implemented by the trust" be replaced by with to be implemented by the company.

None of the Directors, Key Managerial Personnel of the Company including their relatives are interested or concerned in the resolution No. 4, except to the extent of their existing shareholding entitlements, if any, under the ESOP Scheme.

The Board of Directors commend passing of the resolution as Special Resolution by the Shareholders of the Company

## Item No. 5

The company has passed special resolution on 27th May, 2016 vide postal ballot notice dated 12th February, 2016 to implement Virinchi Employees Stock option Scheme, 2016 through Trust route and secondary acquisition by the trust. The board has decided to implement the ESOP Scheme by the company itself instead of Trust route and the secondary acquisition by the trust becomes irrelevant as the scheme itself is not implemented by the trust. Accordingly the resolution # 8, 9 & 10 be rescinded with immediate effect. The Copy of the Postal Ballot notice is available on Company's website under company website under following Link: [http://www.virinchi.com/pdf/Postal\\_Ballot\\_Notice\\_2016.pdf](http://www.virinchi.com/pdf/Postal_Ballot_Notice_2016.pdf).

None of the Directors, Key Managerial Personnel of the Company including their relatives are interested or concerned in the resolution No. 5, except to the extent of their existing shareholding entitlements, if any, under the ESOP Scheme.

The Board of Directors commend passing of the resolution as Special Resolution by the Shareholders of the Company

## Item No. 6

The company is presently having VESOS, 2016 scheme for granting ESOPS to the eligible employees of the company. The Board in their board meeting held on 30th March, 2017 decided to have category 6 participants for whom the ESOPS can be allotted after completion of one year. This is mainly to reward the top management who achieve yearly targets set for them by the Board.

None of the Directors, Key Managerial Personnel of the Company including their relatives are interested or concerned in the resolution No. 7, except to the extent of their existing shareholding entitlements, if any, under the ESOP Scheme.

The Board of Directors commend passing of the resolution as Special Resolution by the Shareholders of the Company.

## Item No. 7

Ms. K. Kalpana, was appointed as an Additional Director of the Company with effect from 28th August, 2017 by the Board of Directors under Section 161, 149 (1) of the Act. In terms of Section 161(1) of the Act, Ms. K. Kalpana holds office only upto the date of the forthcoming AGM but is eligible for appointment as a Director. A notice under Section 160(1) of the Act has been received from a member, signifying intention to propose Ms. K. Kalpana as a Director. The Directors are of the view that the appointment of Ms. K. Kalpana, as Director will be beneficial to the operations of the Company and hence said resolution being placed before the members for their approval.

Except Ms. K. Kalpana, none of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in this resolution.

Your Directors recommend that the said resolution may be passed as an Ordinary resolution.



**Item No. 8**

Mr.M. V. Srinivasa Rao, was appointed as an Additional Director of the Company with effect from 28th August,2017 by the Board of Directors under Section 161, 149 (1) of the Act. In terms of Section 161(1) of the Act, Mr. M. V. Srinivasa Rao holds office only upto the date of the forthcoming AGM but is eligible for appointment as a Director. A notice under Section 160(1) of the Act has been received from a member, signifying intention to propose Mr. M.V.Srinivasa Rao as a Director. The Directors are of the view that the appointment of Mr. M.V.Srinivasa Rao, as Director will be beneficial to the operations of the Company and hence said resolution being placed before the members for their approval.

Except Mr. M.V.Srinivasa Rao, none of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in this resolution.

Your Directors recommend that the said resolution may be passed as an Ordinary resolution.

**Item No: 9**

Ms. K. Kalpana, being eligible and offers herself for appointment as Independent Director of the company. It is proposed to be appointed as Independent Directors for five (5) consecutive years commencing from 28th August, 2017 respectively .

Except Ms. K. Kalpana, none of the Directors and Key Managerial Personnel of the Company and their respective relatives, in any way concerned or interested, financially or otherwise, in the resolution set out at Item No. 9 respectively of the Notice.

Your Board recommends the resolution set out in Item No. 9 for approval of the members as Ordinary resolution.

**Item No. 10**

Mr. M V Srinivasa Rao is appointed as an Additional Director of the Company on 28th August,2017. In terms of the Corporate Governance Guidelines of the Company and pursuant to the recommendation of the Board Governance, Nomination and Compensation Committee the Board of

Directors and subject to approval of the members and in compliance with section 196 &197 of Companies act, 2013 read with rules thereof and Schedule V of the Companies Act,2013 proposed for the appointment of Mr. M. V. Srinivasa Rao as Executive director of the company for a period from 28th August, 2017 to 27th August, 2022 on the remuneration, terms and conditions as recommended by the Nomination & Remuneration cum compensation Committee. Your Directors recommend that the said resolution may be passed as an Ordinary resolution.

The details of remuneration payable to Mr. M V Srinivasa Rao and the terms and conditions of the appointment are given below:

Salary: Rs.3,33,333/- per month. Upon approval by the members, a separate agreement to give effect to the above terms will be executed by and between the Company and Mr. M V Srinivasa Rao.

The Board of Directors recommends the resolution in relation to the appointment of Executive Director, for the approval of the members of the Company. Notice has been received from member signifying their intention to propose appointment of Mr. M V Srinivasa Rao as Executive Director of the Company.

The disclosure under SEBI (LODR) Regulations, 2015 is provided at Annexure to this Notice. Except Mr. M V Srinivasa Rao and their relatives, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise in this resolution set out at item no. 10

**BY ORDER OF THE BOARD**

**For VIRINCHI LIMITED**

(formerly Virinchi Technologies Limited)

**K. Ravindranath Tagore**

*Company Secretary*

Place: Hyderabad

Date: 28th August, 2017

M.No. : 18894

# Directors' Report

*Dear members*

Your Directors have great pleasure in presenting the report of the Business and Operations of your Company ('the Company' or 'Virinchi'), along with the audited financial statements, for the financial year ended March 31, 2017. The Consolidated Performance of your Company and its subsidiaries has been referred to wherever required

## FINANCIAL HIGHLIGHTS

(₹ in Lacs)

Particulars	Consolidated		Standalone	
	2016-17	2015-16	2016-17	2015-16
Total Income	28860.11	22046.66	13990.58	10565.94
Profit before finance Cost, Depreciation, & Amortization, Taxation & Exceptional Item	6,578.24	3,325.04	3,746.34	1,844.99
Less: Finance Cost	1,151.20	302.90	566.11	217.76
Depreciation and Amortization Expenses	2,316.82	1,207.03	268.70	1618.40
Profit Before Tax & Exceptional items	3,110.22	1,815.11	1561.83	605.57
Less: Exceptional items	159.31	0.00	159.31	0.00
Profit before Tax	2,950.91	1,815.11	1402.52	605.57
Less: Tax Expenses	591.37	194.56	260.92	187.95
Profit before minority interest	2,359.54	1,620.55	1141.60	417.62
Less: Minority Interest	0.00	0.00	NA	NA
Profit After Tax	2,359.54	1,620.55	1141.60	417.62

## STATE OF AFFAIRS/COMPANY'S PERFORMANCE

**Consolidated Revenues:** The total consolidated income of the Company for the FY 2016-17 is Rs. 28860.11 Lakhs as against Rs.22046.66 Lakhs in FY 2015-16

**Standalone Revenues:** The total income of the Company for the FY 2016-17 is Rs.13990.58 Lakhs as against Rs. 10565.94 Lakhs in FY 2015-16

**Consolidated Profits:** Profit before Tax (PBT) stood at Rs.2950.91 Lakhs as against Rs. 1815.11 Lakhs for the previous year. Profit after Tax (PAT) stood at Rs.2359.54 Lakhs as against Rs.1620.55 Lakhs for the previous year.

**Standalone Profits:** Profit before Tax (PBT) stood at Rs.1402.52 Lakhs as against Rs. 605.56 Lakhs for the previous year. Profit after Tax (PAT) stood at Rs.1141.60 Lakhs as against Rs. 417.62 Lakhs for the previous year.

## RESERVES AND SURPLUS

During the year the Company has transferred an amount of Rs.1141.60 Lakhs to Reserves and Surplus.

## DIVIDEND

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

**Amalgamation of M/s. Bristlecone Hospitals Private Ltd (Transferor Company) with M/S. Virinchi Ltd (Transferee Company)**

**The amalgamation of M/s. Bristlecone Hospitals Private Ltd (Transferor Company) with M/S. Virinchi Ltd (Transferee Company) is successfully completed.** The Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh approved the scheme of amalgamation between M/s. Virinchi Limited (Transferee

Company) and M/s. Bristlecone Hospitals Private Limited (Transferor Company) vide Order dated December 13, 2016.

The Order states that M/s. Virinchi Limited (Formerly known as Virinchi Technologies Limited) (Transferee Company) shall issue shares to Shareholders of M/s. Bristlecone Hospitals Private Limited (Transferor Company) as per approved Scheme of Amalgamation. The scheme is effective from appointed date i.e., 01st April, 2016.

In compliance with the aforesaid Order the company has allotted shares to shareholders of M/s. Bristlecone Hospitals Private Limited (Transferor Company), the details are as follows:

Sl. No.	Name of the shareholder	No. of shares allotted
1.	Kompella Viswanath	4239675
2.	Kompella Madavai Latha	1113450
3.	Lopa Mudra Kompella	1070625
4.	Rama Krishna Paramahansa Kompella	1070625
5.	Modini Kompella	1070625
	<b>Total</b>	<b>8565000</b>

#### PERFORMANCE SUBSIDIARIES INFORMATION :

##### Tyohar foods Private Ltd

The company had planned to take up a project under Tyohar Foods Pvt Ltd and had purchased a 50,000 square feet of building in 4047 Square meters of land by participating in an open auction conducted by Canara Bank on 16th August 2012 and registered the said property located at Survey No 15, Suraram Village. However, post purchase, a petition was filed against the company and the bank, in Debts Recovery Tribunal vide S.A.No.370/2012 and I.A.No.1437/2012 and the DRT directed to maintain Status Quo orders pending detailed hearing. Subsequently the said DRT was pleased to pass the Order dt. 22.01.2016 in favour of the Bank and dismissed the case filed by the Applicants.

The Applicants preferred an Appeal at DRAT Kolkata vide TA 17/2016 dt.13.02.2016 and approached the Hon'ble High Court and the said court while disposing the case on 29.02.2016 granted Status Quo only for 3 months from the

date of Order i.e. 29.02.2016 which expired on 29.05.2016.

The appeal has been dismissed by DRAT, Kolkata and we have taken the possession of the said premises.

##### Virinchi Health Care Private Ltd

During the year under review, the process of setting up a 600 bed Greenfield Super Specialty hospital spread over a total area of 350,000 Sft across four inter-connected buildings in the prime location of Banjara Hills in Hyderabad is completed and commercial operations are started. The main building with 350 beds is operational. The phase II for addition of 250 beds will be completed by Fy 2017-18.

During the year Virinchi Hospitals received The Times Health Care 2017 Award as the "Emerging hospital of the year in multi-Specialty Hospital category" for the Telugu Speaking States of Telangana & Andhra Pradesh. The Hospital has also received speciality awards as the "Best Hospital in Radiology" and "Best Hospital in Nephrology".

Some of the Hospital doctors, who are permanent employees of the hospital, also received the following awards in their individual capacity.

The hospital has been established with a focus on CONNECT specialties, an acronym for Cardiology, Orthopedics, Nephrology, Neurology, Emergency, Cancer and Transplantation. Your company believes in the concept of "Right to Science" and endeavors to make available evidence based latest advancements in medicine and therapy to all deserving patients.

During the year under review, VHPL made a total turnover of Rs25.08 crores and PAT of (8.52 Crores)

##### Virinchi Learning Private Ltd

Virinchi Learning Private Ltd incorporated in the year 2010 as wholly owned subsidiary of Virinchi Technologies Ltd. The primary objective of incorporating Virinchi Learning is to promote technology based, for profit, quality education services to the different student categories in India, both by creation of new content & infrastructure and also by partnering with existing content providers by leveraging the strength of Information technology.

"We have successfully trained and placed 674 students under NSDC program this year with three training centers in Telangana. This year we are aiming to train 1200 people of which 143 people are undergoing training.

We have successfully got permission from Ministry of Rural Development (MoRD) to impart skill development programs to the rural youth under DDUGKY program. We have applied for a 15cr project proposal and awaiting approval.

There is a dedicated learning portal for the students who enroll in our training programs. We have partnered with reputed hospitals to provide placements to the candidates trained under our NSDC program. Our next year plan is to soon expand the program in to 4 sectors viz. Retail, Hospitality, Beauty & Wellness and Handicrafts thus to attain more number of placement partners, and train as many aspirants as possible."

#### **KSoft Systems Inc**

M/s. KSoft Systems Inc is in the business of software development and consulting. M/s. KSoft Systems Inc provides consulting services to various clients in the US in the domains of SAP, Oracle and other technologies.

The employees have joined in various projects of the company and total head count is around 70 employees in KSoft as on 31st March, 2017.

During the year under review the total income is Rs. 116.12 Crores as against 105.06 Crores in 2015-16 and the PAT is Rs.14.79 Crores as against Rs.12.67 Crores in 2015-16.

#### **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:**

##### **Appointments:**

There are no new appointments of Directors during the period under review.

##### **Cessations:**

None of the Directors ceased to Director of the company during period under review.

#### **CHANGE IN CAPITAL STRUCTURE AND LISTING AT STOCK EXCHANGES**

The equity shares of your Company continue to be listed and traded on the BSE Ltd. (BSE) During the financial year under review, 1,33,500 equity shares were allotted on exercise of the options vested under the Employee Stock Option Scheme and admitted for trading on BSE and 85,65,000 equity shares were allotted pursuant to the scheme of amalgamation between M/s. Virinchi Ltd (Transferee Company) and M/s. Bristlecone Hospitals Private Ltd (Transferor Company) approved by the Hon'ble High court of Judicature for the states of Andhra Pradesh and Telangana . Consequently, the Equity Share Capital of your Company increased from 17,986,050 equity shares of Rs.10/- each to 26,684,550 equity shares of Rs.10/- each as on March 31, 2017.

Particulars	As at 31st March, 2017		As at 31st March, 2016	
	Number of Shares	Rs.	Number of Shares	Rs.
<b>Equity Shares</b>				
<b>Share capital</b>				
(a) Authorised Equity Shares of Rs.10/-each	40,000,000	40,00,00,000	25,000,000	250,000,000
b) issued Subscribed and fully paid up:				
Equity Shares of Rs. 10/-each	26,684,550	266,845,500	17,986,050	179,860,500
	<b>26,684,550</b>	<b>266,845,500</b>	<b>17,986,050</b>	<b>179,860,500</b>

**Reconciliation of Shares outstanding at the beginning and at the end of the reporting period:**

Particulars	As at 31st March, 2017		As at 31st March, 2016	
	Number of Shares	Rs.	Number of Shares	Rs.
Equity Shares				
Shares outstanding at the beginning of the year	17,986,050	179,860,500	17986050	179860500
Add: issued and allotted during the year			-	-
i) Allotment of shares pursuant to scheme of amalgamation between M/s. Virinchi Limited (Transferee Company) and M/s. Bristlecone Hospitals Private Limited (Transferor Company)	8,565,000	85,650,000		
ii) Allotment of shares pursuant to VESOS, 2004	133,500	1,335,000	-	-
Less: Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	26,684,550	266,845,500	17,986,050	179,860,500

## ii) Terms/Rights and restrictions attached to the Equity Shares:

The Company has only one class of Equity Shares having a face value of Rs.10/-. Each Shareholder is eligible for one vote per every share held.

## iii) The Details of Shareholder holding more than 5% shares in the company:

Particulars	As at 31st March, 2017		As at 31st March, 2016	
	Number of Shares	%	Number of Shares	%
Name				
Viswanath Kompella	68,07,975	25.51	25,68,300	14.28

**CODE OF CONDUCT:**

The Board of Directors has approved a Code of Conduct which is applicable to the Members of the Board and all employees in the course of day to day business operations of the company. The Company believes in "Zero Tolerance" against bribery, corruption and unethical dealings / behaviours of any form and the Board has laid down the directives to counter such acts. The code laid down by the Board is known as "code of business conduct" which forms an Appendix to the Code.

The Code is available on company's website under following link: <http://www.virinchi.com/pdf/codeOfConduct.pdf>

The Code lays down the standard procedure of business conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with stakeholders. The

Code gives guidance through examples on the expected behaviour from an employee in a given situation and the reporting structure.

All the Board Members and the Senior Management personnel have confirmed compliance with the Code. All Management Staff were given appropriate training in this regard.

**VIGIL MECHANISM / WHISTLE BLOWER POLICY:**

The Company has a vigil mechanism to deal with instance of fraud and mismanagement, if any. In staying true to our values of Strength, Performance and Passion and in line with our vision, the Company is committed to the high standards of Corporate Governance and stakeholder responsibility. The FRM Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern.

A high level Committee has been constituted which looks into the complaints raised. The Committee reports to the Audit Committee and the Board. Whistle Blower Policy is posted on company's website under following link: <http://www.virinchi.com/pdf/whistleBlowersPolicy.pdf>

#### **PREVENTION OF INSIDER TRADING:**

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. The Board is responsible for implementation of the Code.

All Board Directors and the designated employees have confirmed compliance with the Code.

The financial statements are prepared in accordance with the Generally Accepted Accounting Principles (GAAP) under the historical cost convention on accrual basis except for certain financial instruments, which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). There are no material departures from prescribed accounting standards in the adoption of these standards.

#### **DECLARATION BY INDEPENDENT DIRECTORS**

The company has received declarations from all the independent directors of the company confirming that they continue to meet the criteria of independence as prescribed under sub-section (6) of section 149 of the companies act, 2013 and under Regulation 25 of SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015

Ms. M. Santhi Priya, Whole Time Director & CFO, K Sri Kalyan, Whole Time Director and Mr K. Ravindranath Tagore, Company Secretary are the Key Managerial Personnel (KMP) of the company in terms of the provisions of the Act.

#### **FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS**

On their appointment, Independent directors are familiarized about the Company's operations and business. Interaction with the Business Heads and key executives of the company is also facilitated. Detailed Presentations on the business of each of the Processes are made to the directors. Direct Meetings with the Chairperson are further facilitated for the new appointee to familiarize about the company/its businesses and the group practices.

Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015, the Company shall familiarise the Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc., through various programmes.

Accordingly, your Company arranged a technical session on March 30, 2017 to familiarize the Independent Directors, the details of which are disclosed on the website of the company at <http://www.virinchi.com/pdf/familiarisation-programme-to-independent-directors.pdf>

#### **TRANSFER OF UNCLAIMED DIVIDEND**

Pursuant to the provisions of Companies Act, 1956/2013, the unclaimed dividend amount pertaining to the financial year 2009-10 is due for transfer to Investor Education and Protection Fund (IEPF).

#### **BOARD EVALUATION**

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 the board has carried out evaluation of its own performance, the performance of committees of the Board, namely Audit Committee, Stakeholders Relationship committee and Nomination and Remuneration Committee and also the Directors individually. The manner in which the evaluation was carried out and the process adopted has been mentioned out in the report on corporate Governance

#### **MATERIAL SUBSIDIARY POLICY**

The company has adopted a policy for determining a material subsidiary, in line with the requirements of the Act and SEBI (LODR) Regulations, 2015. The policy on

Material Subsidiary is available on the website of the company under following link: <http://www.virinchi.com/policyDeterminingMaterialSubsidiary.php>

### SEXUAL HARASSMENT POLICY

The company as required under the provisions of "The Sexual Harassment of women at Workplace (Prohibition, prevention and Redressal) Act, 2013 has framed a policy on Prohibition, Prevention and Redressal of Sexual Harassment of women at workplace and matters connected therewith or incidental thereto. Internal complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (Permanent, Contractual, temporary, trainees) are covered under this policy

In the year under review the company has not received any complaint under this policy.

### MEETINGS OF INDEPENDENT DIRECTORS

The Company's Independent Directors meet at least once in every financial year without the presence of Executive Directors or management personnel. Such meetings are conducted formally to enable Independent Directors to discuss matters pertaining to the Company's affairs and put forth their views. The Independent Directors takes appropriate steps to present their views to the Chairperson

One such meeting of Independent Directors was held during the year on 30th March, 2017 without the presence of Executive Directors and management personnel. The details of the attendance of the Independent Directors in the meeting are as below.

Name	No. of meetings held during the year 2016-17	
	Held	Attended
Ramam Madu	1	1
Krishna Kanaparthi	1	1
K V Sittampallem	1	1
Samad A Momin	1	1

### GOVERNANCE POLICIES

At Virinchi, we strive to conduct our business and strengthen our relationships in a manner that is dignified, distinctive and responsible. We adhere to ethical standards to ensure integrity, transparency, independence and accountability in

dealing with all stakeholders. Therefore, we have adopted various codes and policies to carry out our duties in an ethical manner. Some of these codes and policies are:

- Code of Conduct
- Code of Conduct for Prohibition of Insider Trading
- Whistle Blower Policy
- Code of Conduct for Board of Directors and Officers of Senior Management
- Policy for determining materiality for disclosure
- Document Retention and Archival Policy
- Sexual Harassment Policy

The link for accessing the above policies is [www.virinchi.com / corporateoverview.php](http://www.virinchi.com/corporateoverview.php)

### BOARD DISCLOSURES

#### i. Risk Management

Currently, the Company's risk management approach comprises of the following:

- Governance of Risk
- Identification of Risk
- Assessment and control of Risk

The risks are being identified by a detailed study. Senior Management are analyzing and working in mitigating them through co-ordination among the various departments. Insurance coverage and personal accident coverage for lives of all employees are also being taken.

Your company puts in place the risk management framework, which helps to identify various risks cutting across its business lines. The risks are identified and are discussed by the representatives from various functions.

Presentation to the Board of Directors and the Audit Committee is made on risk management. The Board and the Audit Committee provides oversight and review the risk management policy periodically.

#### ii. Internal Control System

Your company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information,

complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of internal policies. The Company has a well-defined delegation of power and defined limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down to ensure adequacy of the control system, adherence to the management instructions and legal compliances

#### **DIRECTORS' RESPONSIBILITY STATEMENT;**

Pursuant to the requirement under Section 134 (3) (c) of the Companies Act, 2013, with respect to Director's Responsibility Statement, Your Directors hereby confirmed that:

In the preparation of the annual accounts for the year ended 31st March, 2017, the applicable accounting standards had been followed and there are no material departures.

- The directors 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 at the end of financial year and of the profit of the company for that period.
- The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- We have prepared the annual accounts for the financial year ended 31st March, 2017 on a going concern basis.
- The Directors have laid down internal financial controls, which are adequate and are operating effectively.

#### **AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

As required under Regulation 34 (3) read with schedule V (E) of the SEBI (LODR) Regulations, 2015, Auditor's certificate on corporate governance is enclosed as Annexure to Board's Report.

#### **AUDITOR'S REPORT/ SECRETARIAL AUDIT REPORT:**

The observation made in the Auditors' Report read together

with relevant notes thereon are self-explanatory and hence, do not call for any further comments under Section 134 of the Companies Act, 2013.

As required under section 204 (1) of the Companies Act, 2013 the Company has obtained a secretarial audit report.

#### **AUDITORS**

M/s. P Murali & Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and M/s. Chandra Babu Naidu & Co., Chartered Accountants are appointed as statutory auditors of the company for a period of 5 Years from the conclusion of this AGM i.e., from financial year 2017-18 to till the conclusion of AGM to be held in the financial year 2021-22, subject to ratification in every AGM.

The company has received consent letter from the statutory auditors and certificate indicating satisfaction of criteria stated in Section 141 of Companies Act, 2013.

#### **SIGNIFICANT AND MATERIAL ORDERS**

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operation in future.

#### **FIXED DEPOSITS**

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014

#### **MEETINGS OF THE BOARD AND COMMITTEES**

Seven Meetings of the Board of Directors were held during the year. For further details on the meetings and the attendance of directors/members, please refer report on Corporate Governance of this Annual Report.

#### **CONSOLIDATED FINANCIAL STATEMENTS**

Pursuant to Regulation 33 of SEBI (LODR) Regulations, 2015 and the Companies Act, 2013, the consolidated financial statements prepared as per companies Act, 2013 and applicable Accounting Standards, duly audited forms part of the Annual Report.

Consolidated financial statements incorporating the operations of the company, its subsidiaries are appended. As required under the provisions of the Act, a statement



showing the salient features of the financial Statements of the subsidiaries is enclosed to this report.

The financial statements of the subsidiary companies will be made available to the members of the company and its subsidiary companies on request and will also be kept for inspection in the registered office of the company.

#### **PARTICULARS OF EMPLOYEES**

The remuneration paid to your Directors is in accordance with the Nomination and Remuneration Policy formulated in accordance with Section 178 of the Companies Act, 2013 and Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) for the time being in force). The salient aspects covered in the Nomination and Remuneration Policy have been outlined in the Corporate Governance Report which forms part of this report.

The information required under Section 197 (12) of the Act read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed as **Annexure - A**.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

In terms of section 135 and Schedule VII of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 made thereunder, the Board of Directors of your Company have constituted a CSR Committee.

The CSR Committee has framed a CSR Policy which forms part of the Annual Report on CSR, annexed as **Annexure - B** to this report.

Virinchi Ltd had earmarked a budget of Rs.13.94 Lacs (i.e. 2% of average net profits of the previous 3 years) for FY 2016-17 and spent Rs.13.94 Lacs during the year towards CSR activities across India.

#### **EXTRACT OF ANNUAL RETURN:**

The details forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as **Annexure-C**.

#### **SECRETARIAL AUDIT:**

Pursuant to the provisions of Section 204 of the Companies

Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company has appointed Mr. V Chandra Sekhar Patnaik, Practising Company Secretary, to undertake the Secretarial Audit of your Company. The Report of the Secretarial Audit is annexed as **Annexure - D**.

#### **CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.**

The Particulars as required under Sub- section (3) (m) of Section 134 of the Companies Act, 2013, read with the Companies (Accounts) Rules 2014 are enclosed in **Annexure-E**.

#### **DETAILS ABOUT EMPLOYEES STOCK OPTION SCHEME,**

Disclosures pursuant to Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 is annexed as **Annexure-F**.

#### **RELATED PARTY TRANSACTIONS**

Related party transactions that were entered during the financial year were on an arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions with the Company's Promoters, Promoter Group, Directors, Senior Management Personnel or their relatives, which could have had a potential conflict with the interests of your Company. Please see the details of the same in form AOC-2 which is annexed as **Annexure-H**.

Further all Related Party Transactions are placed before the Audit Committee for approval. Prior omnibus approval for normal company transactions is also obtained from the Audit Committee for the related party transactions which are of repetitive nature as well as for the normal company transactions which cannot be foreseen and accordingly the required disclosures are made to the Committee on quarterly basis in terms of the approval of the Committee.

Your Directors have on the recommendations of the Audit Committee, adopted a policy to regulate transactions between your Company and its Related Parties, in compliance with the applicable provisions of the Companies Act 2013, the Rules made thereunder and the Securities and

Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015.

#### REPORT ON CORPORATE GOVERNANCE

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

#### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis report for the year under review as stipulated under Regulation 34(2) (e) SEBI (LODR) Regulation, 2015 of the Listing Agreement with the stock exchanges is presented in a separate section forming part of the Annual report

#### GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of shares (including sweat equity shares) to employees of your Company under any scheme save and except ESOS referred to in this Report.
3. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
4. During the year under review, there were no cases

filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

5. During the period under review, there were no frauds reported by the auditors under provisions of the Companies Act, 2013.
6. There were no material changes commitments affecting the financial position of your Company between the end of financial year (March 31, 2017) and the date of the report (August 28th, 2017).

#### 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 LIMITED**

(formerly Virinchi Technologies Limited)

**K. Ravindranath Tagore**

*Company Secretary*

Place: Hyderabad

Date: 28th August, 2017

M.No. : 18894

## ANNEXURE-A

### Particulars of Employees information as per Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

- i) The percentage of increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2016-17, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2016-17 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sl. No	Name of Director/KMP and Designation	Remuneration of Director/KMP for financial year 2016-17 (Rs. in lakhs)	% increase in Remuneration in the Financial Year 2016-17	Ratio of remuneration of each Director/ to median remuneration of employees	Comparison of the Remuneration of the KMP against the performance of the Company
1	K.Sri Kalyan Whole Time Director	10,40,000	10.05%	2.96	Profit before Tax increased by 232% and Profit After Tax increased by 273% In financial Year 2016-17
2	M. Santi Priya Whole Time Director and CFO	18,00,000	NIL	5.13	
3	K.Ravindranath Tagore Company Secretary	19,61,200	8.96%	5.58	

During the period under review, no employee of the Company is employed throughout the financial year and in receipt of Rs.60 lakhs or more, or employed for part of the year and in receipt of Rs.5 lakhs or more a month, under Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

- ii) The median remuneration of employees of the Company during the financial year was Rs. 3.51 lakhs;
- iii) In the financial year, there was increase of 25.07% in the median remuneration of employees;
- iv) There were 426 employees on the rolls of Company as on March 31, 2017
- v) Relationship between average increase in remuneration and company performance: - The Profit before tax for the financial year ended March 31, 2017 increased by 232% whereas the decrease in median remuneration was 25.07%
- vi) Comparison of Remuneration of the Key Managerial Personnel(s) against the performance of the Company:  
The total remuneration of Key Managerial Personnel was Rs. 48.01 lakhs whereas the Profit before tax was Rs. 1402.52 lakhs in 2016-17
- vii) a) Variations in the market capitalisation of the Company: The market capitalisation as on March 31, 2017 at BSE was Rs.31007.45 lakhs (Rs. 5863.45 lakhs as on March 31, 2016)
- b) Price Earnings ratio of the Company at BSE was 26.96 as at March 31, 2017 and was 13.99 as at March 31, 2016;
- viii) Average percentage increase made in the salaries of employees other than the managerial personnel was 17.10% whereas the increase in the managerial remuneration for the same financial year was 1.54%
- ix) The key parameters for any variable component of remuneration availed by the directors: Not applicable
- x) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but received remuneration in excess of the highest paid director during the year – Not Applicable; and
- xi) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

## ANNEXURE-B

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

For the financial year 2016-17

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs	Virinchi to be a socially responsible corporate by fulfilling its responsibilities as a member of the society and community, thereby creating a positive impact to the stakeholders with a concern towards the environment. The programs include Education, Community, Environment Sustainability and Rural Development Projects & Donations. The CSR Policy of the Company is available on the website of the Company i.e www.virinchi.com
2. The Composition of the CSR Committee	1. Ramam Madu 2. K. Sri Kalyan 3. M. Santhi Priya
3. Average net profit of the Company for last three financial years	Rs.6,97,00,580
4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above)	Rs.13,94,012
5. Details of CSR spent during the financial year 2016-17: a. Total amount spent for the financial year 2016-17. b. Amount unspent, if any	Rs.13,94,012

#### c. Manner in which the amount spent during the financial year is detailed below.

Sl. No	CSR project or activity Identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs were undertaken	Amount outlay (budget) project or Programs wise	Amount spent on the projects or Programs Subheads: (1) Direct expenditure on projects or Programs. (2) Overheads:	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency
1	Viswanatha Foundation	Education	Podagatlapalli, East Godavari Dt,	Rs.13.94 Lacs	Rs.13. 94 Lacs	Rs.13.94 Lacs	Through Foundation

#### RESPONSIBILITY STATEMENT

The Responsibility Statement of the CSR Committee of the Board of Directors of the Company, is reproduced below: 'The implementation and monitoring of Corporate Social Responsibility (CSR) Policy, is in compliance with CSR objectives and policy of the Company.

Place: Hyderabad  
Date: 28th August, 2017

**M. Santhi Priya**  
*Whole Time Director & CFO*  
DIN : 03114319

**Ramam Madu**  
*CSR Committee Chairman*  
DIN : 0256258

**ANNEXURE-C**  
**Annexure to Boards Report**  
**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**

as on the financial year ended on 31st March, 2017  
[Pursuant to Section 92(1) of the Companies Act, 2013 and Rule 12(1) of the Companies  
(Management and administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

i)	CIN	L72200TG1990PLC011104
ii)	Registration Date	13/03/1990
iii)	Name of the Company	Virinchi Limited(formerly Virinchi Technologies Limited)
iv)	Category / Sub-Category of the Company	Company Limited by Shares
v)	Address of the Registered Office and contact details	10 , SRK Colony,West Marredpally, Secunderabad, Telangana-500026, Phone# 91-40-27803608, 27803612
vi)	Whether listed company	Yes
vii)	Name, Address & contact details of the Registrar & Transfer Agent, if any	M/s. Aarathi Consultants Private Ltd 1-2-285, Domalguda, Hyderabad - 500029 Phone# 91-40-27634445, 27638111 Fax: 91-40-27632184

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

(All the business activities contributing 10% or more of the total turnover of the Company shall be stated)

Sl No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the Company
1	Computer Programming, Consultancy and Related Activities	620	100%
2	Health Care Services	86100	20.12

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl No.	Name and Address of the Company	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Virinchi Infra and Realty Private Limited Address: Plot No.10, Sivaramakrishna Colony, West Marredpally, Secunderabad, Telangana-500026 CIN: U45209TG2012PTC084900	Subsidiary	100%	Sec.2(87)(ii)
2	Tyohar Foods Private Limited Address: Plot No.10, SRK Colony, West Marredpally, Secunderabad, Telangana-500026 CIN: U15122TG2012PTC082709	Subsidiary	100%	Sec.2(87)(ii)
3	Virinchi Health Care Private Limited Address: Plot No.10, Sivaramakrishna Colony, West Marredpally, Secunderabad, Telangana-500026 CIN: U85100TG2013PTC091707	Subsidiary	100%	Sec.2(87)(ii)

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl No.	Name and Address of the Company	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
4	Asclepius Consulting & Technologies Private Limited Address: NO.6 & 30, (Old No. 76 & 77), 24th Main Road, 3rd Cross, J P Nagar 2nd Phase, BANGALORE, Karnataka- 560078 CIN: U72200KA2008PTC045437	Subsidiary	51%	Sec.2(87)(ii)
5	Virinchi Learning Private Limited Address: Plot No.10, SRK Colony, West Marredpally, Secunderabad, Telangana-500026 CIN: U72200TG2010PTC069967	Subsidiary	100%	Sec.2(87)(ii)
6	Virinchi Media And Entertainment Private Limited Address: Plot No.10, Sivaramakrishna Colony, West Marredpally, Secunderabad, Telangana-500026 CIN: U92100TG2010PTC070028	Subsidiary	100%	Sec.2(87)(ii)
7	Ksoft Systems Inc. 266, Fernwood Ave, Edison, NJ USA – 08837	Subsidiary	100%	Sec.2(87)(ii)
8	QFund Technologies Private Limited Address: Plot No.10, Sivaramakrishna Colony, West Marredpally, Secunderabad, Telangana-500026 CIN : U72200TG2010PTC070100	Subsidiary	100%	Sec.2(87)(ii)
9	Tensor Fields Consultancy Services Private Limited Address: Plot No.10, SRK Colony, West Marredpally, Secunderabad, Telangana-500026 CIN:U74900TG2015PTC101115	Subsidiary	100%	Sec.2(87)(ii)
10	Virinchi Combinatorics and Systems Biology Private Limited Address: Plot No.10, SRK Colony, West Marredpally, Secunderabad, Telangana-500026 CIN:U74999TG2016PTC110019	Subsidiary	100%	Sec.2(87)(ii)

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### i) Categorywise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a) Individual / HUF	2757070	0	2757070	15.33	1134707070	0	11347070	42.52	27.19
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt (s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	1056742	0	1056042	5.88	1056742	0	1056742	3.96	-1.92
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any Other...	0	0	0	0	0	0	0	0	0
<b>Sub Total (A) (1) :-</b>	<b>3813112</b>	<b>0</b>	<b>3813112</b>	<b>21.20</b>	<b>12403812</b>	<b>0</b>	<b>12403812</b>	<b>46.48</b>	<b>25.28</b>
<b>2) Foreign</b>									
NRIs-Individuals	998974	0	998974	5.56	960974	0	960974	3.60	-1.96
Other Individuals	0	0	0	0	0	0	0	0	0
Bodies Corp.	0	0	0	0	0	0	0	0	0
Banks / FI	0	0	0	0	0	0	0	0	0
Any other -	0	0	0	0	0	0	0	0	0
e)(1)Overseas Corporate Bodies	94484	0	94484	0.53	94484	0	94484	0.35	-0.18
<b>Sub Ttotal (A) (2) :-</b>	<b>1093458</b>	<b>0</b>	<b>1093458</b>	<b>6.09</b>	<b>1055458</b>	<b>0</b>	<b>1055458</b>	<b>3.96</b>	<b>-2.13</b>
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>4907270</b>	<b>0</b>	<b>4907270</b>	<b>27.28</b>	<b>13459270</b>	<b>0</b>	<b>13459270</b>	<b>50.44</b>	<b>23.16</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>	0	0	0	0	0				
a) Mutual Funds	0	0	0	0	0				
b) Venture Capital Funds	0	0	0	0	0				
c) Alternate Investment Funds	0	0	0	0	0				
d) Foreign Venture Capital Investors	0	0	0	0	0				
e) Foreign Portfolio Investor	0	0	0	0	70000	0	70000	0.26	0.26
f) Financial Institutions/ Banks	0	0	0	0	0	0	0	0	0
g) Insurance Companies	0	0	0	0	0	0	0	0	0
h) Providend / Pension Funds	0	0	0	0	0	0	0	0	0
i) Bank - Foreign Bank	0	0	0	0	0	0	0	0	0
j) Foreign Institutional Investors	0	0	0	0	0	0	0	0	0
a) Others (specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (B)(1):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>70000</b>	<b>0</b>	<b>70000</b>	<b>0.26</b>	<b>0.26</b>

i) Categorywise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>B. Public Shareholding</b>									
<b>2. Non- Institutions</b>									
a) Bodies Corp.									
i) Indian	663766	2150000	2813766	15.64	2990471	0	2990471	11.21	-4.43
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	4581775	89032	4670807	25.97	4523159	84482	4607641	17.27	-8.70
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	4163341	12500	4175841	23.22	3439048	146000	3585048	13.43	-9.79
c) Others (specify)									
c) i) Non Resident Indians	165444	88300	253744	1.41	421269	88300	509569	1.91	0.50
c) ii) Overseas Corporate	0	500000	500000	2.78			500000	500000	0.91
c)iii) Foreign Nationals	500000	500000	2.78	500000	500000	1.87	0.91		
c)iv) Clearing Members	154412	0	154412	0.86	482791	0	482791	1.81	0.95
c)v) Trusts	0	0	0	0	0	0	0	0	0
c) vi) Foreign Bodies - D R	0	0	0	0	0	0	0	0	0
c) vii) Employees	0	1825	1825	0.01	0	1375	1375	0.01	0
Sub-total (B)(2):-	9728738	2841657	12570395	69.89	11856738	820157	12676895	47.51	-22.38
Total Public Shareholding (B)=(B)(1)+(B)(2)	9728738	2841657	12570395	69.89	11926738	820157	12746895	47.77	-22.12
<b>C. Non Promoter - Non Public</b>									
1. Shares held by Custodian for GDRs & ADRs -	0	0	0	0	0	0	0	0	0
2. Employee Benefit Trust under SEBI (SBEB) Reg. 2014	508385	0	508385	2.83	478385	0	478385	1.79	-1.04
<b>Total Non Promoter - Non Public</b>	<b>508385</b>	<b>0</b>	<b>508385</b>	<b>2.83</b>	<b>478385</b>	<b>0</b>	<b>478385</b>	<b>1.79</b>	<b>-1.04</b>
<b>Grand Total (A+B+C)</b>	<b>15144393</b>	<b>2841657</b>	<b>17986050</b>	<b>100</b>	<b>25864393</b>	<b>820157</b>	<b>26684550</b>	<b>100</b>	



ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	VISWANATH KOMPELLA	2568300	14.28	0	6807975	25.51	0	0
2	KOMPELLA MADHAVI LATHA	4600	0.02	0	1118050	4.19	0	4.17
3	KOMPELLA MODINI	0	0	0	1070625	4.01	0	4.01
4	KOMPELLA RAMAKRISHNA PARAMAHAMSA	0	0	0	1070625	4.01	0	4.01
5	KOMPELLA LOPAMUDRA	0	0	0	1070625	4.01	0	4.01
6	PRAVEEN KUMAR KONDAI	675000	3.75	0	675000	2.53	0	-1.22
7	P K I SOLUTIONS PVT LTD	405605	2.26	0	405605	1.52	0	-0.74
8	SHRI SHRI RESORTS PVT LTD	401137	2.23	0	401137	1.50	0	-0.73
9	BHARAT MEGAWATTS GEN PRIVATE LIMITED	250000	1.39	0	250000	0.94	0	-0.35
10	ABHILASH KONDAI	200487	1.11	0	187000	0.70	0	-0.41
11	ANIL KUMAR PINAPALA	100000	0.56	0	100000	0.37	0	-0.19
12	SHANMUGAM S	72974	0.41	0	72974	0.27	0	-0.14
13	AMELIUM CORPORATION SDN BHD	53839	0.30	0	53839	0.20	0	-0.10
14	SHEMA RENNY ABRAHAM	50000	0.28	0	50000	0.19	0	-0.09
15	SADEC POWER SDN BHD	40645	0.23	0	40645	0.15	0	-0.08
16	SRINATH KOMPELLA	34170	0.19	0	34170	0.13	0	-0.06
17	RAJENDER RAO KARPE	26000	0.14	0	26000	0.10	0	-0.04
18	DEEPA REJI ABRAHAM	25000	0.14	0	25000	0.09	0	-0.05

iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl No.	Shareholder's Name	Shareholding at the beginning of the year		Date	Reason	Increase / Decrease in Shareholding		Cumulative shareholding during the year	
		No. of Shares	% of total Shares of the company**			No. of shares	% of total Shares of the company	No. of shares	% of total Shares of the company
1.	Viswanath Kompella	2568300	9.62	13th Feb 2017	Allotment of shares under scheme of amalgamation*	42,39,675	15.89	6807975	25.51
2.	Kompella Madhavi Latha	4600	0.017	13th Feb 2017	Allotment of shares under scheme of amalgamation*	11,13,450	4.17	1118050	4.19
3.	Kompella Modini	0	0	13th Feb 2017	Allotment of shares under scheme of amalgamation*	10,70,625	4.01	1070625	4.01
4.	Kompella Rama Krishna Paramahamsa	0	0	13th Feb 2017	Allotment of shares under scheme of amalgamation*	10,70,625	4.01	1070625	4.01
5.	Kompella Lopamudra	0	0	13th Feb 2017	Allotment of shares under scheme of amalgamation*	10,70,625	4.01	1070625	4.01
6	Praveen Kumar Kondai	675000	2.53	Na	Na	Na	Na	675000	2.53
7	P K I Solutions Pvt Ltd	405605	1.52	Na	Na	Na	Na	405605	1.52
8	Shri Shri Resorts Pvt Ltd	401137	1.50	Na	Na	Na	Na	401137	1.50
9	Bharat Megawatts Gen Private Limited	250000	0.94	Na	Na	Na	Na	250000	0.94
10	Abhilash Kondai	187000	0.70	Na	Na	Na	Na	187000	0.70
11	Anil Kumar Pinapala	100000	0.37	Na	Na	Na	Na	100000	0.37
12	Shanmugam S	72974	0.27	Na	Na	Na	Na	72974	0.27
13	Amelium Corporation SDN BHD	53839	0.20	Na	Na	Na	Na	53839	0.20
14	Shema Renny Abraham	50000	0.19	Na	Na	Na	Na	50000	0.19
15	Sadec Power SDN BHD	40645	0.15	Na	Na	Na	Na	40645	0.15
16	Srinath Kompella	34170	0.13	Na	Na	Na	Na	34170	0.13
17	Rajender Rao Karpe	26000	0.10	Na	Na	Na	Na	26000	0.10
18	Deepa Reji Abraham	25000	0.09	Na	Na	Na	Na	25000	0.09

\* In compliance with the Order passed by The Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh on December 13, 2016, approving scheme of amalgamation between M/s. Virinchi Limited (Transferee Company) and M/s. Bristlecone Hospitals Private Limited (Transferor Company) the company has allotted shares to shareholders of M/s. Bristlecone Hospitals Private Limited (Transferor Company)

\*\* For Calculation % of total Shares of the company and Beginning of the year and Cumulative Shareholding during the Year enhanced share capital is considered

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl No.	For each of the top 10 shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1	SALOKHYA INFRASTRUCTURE PRIVATE LIMITED	1150000	4.31		
	Purchase(s) during the year	NIL	0	1150000	4.31
	Sale(s) during the year	(8000)	(0.03)	1142000	4.28
2	AGRADE EXIM PRIVATE LIMITED	1000000	3.75		
	Purchase(s) during the year	NIL	0.00	1000000	3.75
	Sale(s) during the year	(167880)	(0.63)	832120	3.12
3	RITE EQUITY SDN BHD	500000	1.87		
	Purchase(s) during the year	NIL	0.00	500000	1.87
	Sale(s) during the year	NIL	0.00	500000	1.87
4	SANGEETHA S	356390	1.34		
	Purchase(s) during the year	NIL	0.00	356390	1.34
	Sale(s) during the year	NIL	0.00	356390	1.34
5	MAGIC SHARE TRADERS LIMITED	260000	0.97		
	Purchase(s) during the year	NIL	0.00	260000	0.97
	Sale(s) during the year	(100)	(0.0004)	259900	0.97
6	BRAHAM PRAKASH KHURANA	242637	0.91		
	Purchase(s) during the year	NIL	0.00	242637	0.91
	Sale(s) during the year	(116187)	(0.44)	130000	0.49
7	VRAJLAL VALJI KAPADIA	220000	0.82		
	Purchase(s) during the year	49000	0.18	269000	1.01
	Sale(s) during the year	(229000)	(0.86)	50000	0.15
8	MANU GOPALDAS CHHABRIA	172367	0.65		
	Purchase(s) during the year	221574	0.83	393941	1.48
	Sale(s) during the year	(115450)	(0.43)	278491	1.04
9	APARNA JAIN	370000	1.39		
	Purchase(s) during the year	30000	0.11	400000	1.50
	Sale(s) during the year	(200000)	(0.75)	200000	0.75
10	BRIJMOHAN KETAN KUMAR MANADHANIYA (HUF)	160000	0.60		
	Purchase(s) during the year	NIL	0.00	60000	0.60
	Sale(s) during the year	(60000)	(0.23)	100000	0.37

\*The date-wise increase / decrease in shareholding of the top 10 shareholders is available on our website i.e. [www.virinchi.com](http://www.virinchi.com)

(v) Shareholding of Directors and Key Managerial Personnel :

Sl No.	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1	SantiPriya CFO& Whole Time Director				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	NIL	NIL	NIL	NIL
	At the End of the year	NIL	NIL	NIL	NIL
2	K Sri Kalyan Whole time Director				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	NIL	NIL	NIL	NIL
	At the End of the year	NIL	NIL	NIL	NIL
3.	K Ravindranath Tagore Company Secretary				
	At the beginning of the year	10,000	0.05	10,000	0.037
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	NIL	NIL	NIL	NIL
	At the End of the year	10,000	0.05	10,000	0.037
4.	Raman Madhu Independent Director				
	At the beginning of the year	250	0.001	250	0.0009
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g.allotment / transfer / bonus/sweat equity etc):	NIL	NIL	NIL	NIL
	At the End of the year	250	0.001	250	0.0009
5.	K Krishna Independent Director				
	At the beginning of the year	3909	0.021	3909	0.014
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/ decrease (e.g.allotment / transfer /bonus/ sweat equity etc):	NIL	NIL	NIL	NIL
	At the End of the year	3909	0.021	3909	0.014

(v) Shareholding of Directors and Key Managerial Personnel :

Sl No.	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
6.	Datuk Kunasingam V. Sittampalam Independent Director				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/ decrease (e.g.allotment / transfer / bonus/ sweat equity etc):	NIL	NIL	NIL	NIL
	At the End of the year	NIL	NIL	NIL	NIL
7.	Dr. Samad A. Momin Independent Director				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/ decrease (e.g.allotment / transfer / bonus/ sweat equity etc):	NIL	NIL	NIL	NIL
	At the End of the year	NIL	NIL	NIL	NIL

V) INDEBTEDNESS :

Indebtedness of the Company including interest outstanding / accrued but not due for payment

Particulars	Secured Loans	Unsecured Loans excluding deposits	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	168,726,707	56,932,091	NIL	225,658,798
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
<b>Total (i+ii+iii)</b>	<b>168,726,707</b>	<b>56,932,091</b>	<b>NIL</b>	<b>225,658,798</b>
<b>Change in Indebtedness during the financial year</b>				
• Addition	1,625,074,544	65,920,428	NIL	1,690,994,972
• Reduction	1,253,921,143	NIL	NIL	1,253,921,143
<b>Net Change</b>	<b>539,880,108</b>	<b>122,852,518</b>	<b>NIL</b>	<b>662,732,626</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	539,880,109	122,852,519	NIL	662,732,628
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
<b>Total (i+ii+iii)</b>	<b>539,880,109</b>	<b>122,852,519</b>	<b>NIL</b>	<b>662,732,628</b>

## VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager :

(Rs.. in Lakhs)

Sl No.	Particulars of Remuneration Name	Name of MD/WTD/Manager		Total Amount
		M Santi Priya CFO & Whole Time Director	K Sri Kalyan Whole Time Director	
1	Gross Salary			
	a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	18,00,000	10,40,000	28,40,000
	b) Value of perquisites u/s 17(2) Income Tax Act, 1961	Nil	Nil	Nil
	c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	Nil	Nil	Nil
2.	Stock Option	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil
4	Commission	Nil	Nil	Nil
	- as % of profit	Nil	Nil	Nil
	- others, specify.....	Nil	Nil	Nil
5.	Others, please specify	Nil	Nil	Nil
	Total (A)	18,00,000	10,40,000	28,40,000
	Ceiling as per the Act	Rs.157.40 Lakhs (being the 11 % of Net Profit of the Company calculated as per Section 198 of Companies Act, 2013)		

(Amount in Rs.)

### B. Remuneration to other directors:

Sl No.	Particulars of Remuneration	Name of Directors				Total Amount
		Kunasingam V Sittampalam	Krishna Kanaparthi	Ramam Madu	Samad A Mohan	
<b>1</b>	<b>Independent Directors</b>					
	Fee for attending board and committee meetings	-	35,000	35,000	-	70,000
	Commission	-	-	-	-	-
	Others, please specify	-	-	-	-	-
	Total (1)	-	35,000	35,000	-	70,000
<b>2</b>	<b>Other Non-Executive Directors</b>					
	Fee for attending board and committee meetings					
	Fee for attending board and committee meetings					
	Commission	-	-	-	-	-
	Others, please specify	-	-	-	-	-
	Total (2)	-	-	-	-	-
	Total (B)=(1+2)	-	35,000	35,000	-	70,000
	Total Managerial Remuneration	-	35,000	35,000	-	70,000
	Overall Ceiling as per the Act	Rs.157.40 Lakhs (being the 11 % of Net Profit of the Company calculated as per Section 198 of Companies Act, 2013)				

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD:

(Rs. in Lakhs)

Sl No.	Particulars of Remuneration	Key Managerial Personnel	Total Amount (In Rs.)
		K. Ravindranath Tagore Company Secretary	
1	Gross Salary		
	a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	19,61,200	19,61,200
	b) Value of perquisites u/s 17(2) Income Tax Act, 1961	Nil	Nil
	c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	Nil	Nil
2.	Stock Option	Nil	Nil
3.	Sweat Equity	Nil	Nil
4	Commission	Nil	Nil
	- as % of profit	Nil	Nil
	- others, specify	Nil	Nil
5.	Others, please specify	Nil	Nil
	<b>Total</b>	<b>19,61,200</b>	<b>19,61,200</b>

V. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES :

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/ NCLT/Court)
<b>A. COMPANY</b>				
Penalty			NIL	
Punishment				
Compounding				
<b>B. DIRECTORS</b>				
Penalty			NIL	
Punishment				
Compounding				
<b>C. OTHER OFFICERS IN DEFAULT</b>				
Penalty			NIL	
Punishment				
Compounding				

**ANNEXURE-D**  
**Form No. MR-3**  
**Secretarial Audit Report**

For the Financial Year ended on 31st March, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To  
The Members,  
**Virinchi Limited**

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Virinchi Limited. (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the financial year ended on March 31, 2017 (the audit period) complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company during the audit period according to the provisions of:
  - i. The Companies Act, 2013 (the Act) and the rules made thereunder;
  - ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
  - iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
  - iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment. There was no External Commercial Borrowing.
  - v. The following Regulations and Guidelines prescribed

under the Securities and Exchange Board of India Act, 1992 (SEBI Act):-

- a. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- b. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- c. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
- d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014);
- e. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not Applicable to the Company during the Audit Period);
- f. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable to the Company during the Audit Period);
- g. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- h. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not Applicable to the Company during the Audit Period); and
- i. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during the Audit Period);



- vi. Other laws applicable specifically to the Company namely:
  - a. Information Technology Act, 2000 and the rules made thereunder
  - b. Software Technology Parks of India rules and regulations
  - c. Copyright Act, 1957
  - d. The Patents Act, 1970
  - e. The Trade Marks Act, 1999
2. During the year the Company has conducted 7 Board Meetings, 4 Audit Committee Meetings, 1 Independent Director's Meeting, 2 Nomination and Remuneration Committee and 1 Stakeholders Relationship Committee Meeting and 1 Corporate Social Responsibility Committee meeting. We have also examined compliance with the Secretarial Standards issued by the Institute of Company Secretaries of India on meeting of the Board of Directors and General Meeting.
3. I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
4. I further report that the Compliance by the Company of applicable financial laws like Direct and Indirect tax laws has not been reviewed thoroughly in this audit since the same have been subject to review by statutory financial audit and other designated professionals
5. I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
6. The Company has framed various policies and displayed the same on the company's website i.e., www.virinchi.com
  - Policy on Preservation of Documents
  - Risk Management Policy
  - Whistle Blower Policy
  - Related Party Transaction Policy
  - Familiarization programme for Independent Directors
  - Nomination and remuneration Policy
  - Policy on material subsidiaries
  - Corporate Social Responsibility Policy
7. We further report that:-
  - a. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
  - b. Adequate notice of board meeting is given to all the directors along with agenda and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and meaningful participation at the meeting.
  - c. As per the minutes of the meeting duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.
  - d. We further report that there are adequate systems and processes in the company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
  - e. We further report that during the year under report, the Company has not undertaken any event/ action having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.
  - f. M/s. Bristlecone Hospitals Private Limited (Transferor Company) was amalgamated with M/s. Virinchi Limited (Transferee Company) pursuant to order passed by the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh vide Order dated December 13, 2016.

**For PATNAIK & ASSOCIATES**

*Company Secretaries*

**V Chandra Sekhar Patnaik**

*Practicing Company Secretary*

Place: Hyderabad

Date: 28th August, 2017

COP No.: 16619

**Note:** This report is to be read with our letter of even date which is annexed as 'ANNEXURE' and forms an integral part of this report.

## ANNEXURE TO SECRETARIAL AUDIT REPORT

To,  
The Members,  
**Virinchi Limited**  
8-2-672/5&6, 4th Floor, Ilyas Mohammed Khan Estate Road no.1,  
Banjara Hills Hyderabad Hyderabad TG 500034 IN

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**For PATNAIK & ASSOCIATES**  
*Company Secretaries*

**V Chandra Sekhar Patnaik**  
*Practicing Company Secretary*  
COP No.: 16619

Place: Hyderabad  
Date: 28th August, 2017

## ANNEXURE-E

### PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTFLOW REQUIRED UNDER COMPANIES (ACCOUNTS) RULES, 2014

#### 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 fitments, 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.

#### 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.

#### 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:

(Rs. in Crores)		
Particulars	FY 2016-17	FY 2015-16
Foreign Exchange Earnings	74.46	104.17
Foreign Exchange Outgo	14.36	46.46

#### 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.

## ANNEXURE-F

### Disclosures pursuant to Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014

Relevant disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by ICAI forms part of the notes to the financial statements provided in this Annual Report

Sl.No	Description	Year ended 31st March, 2017								
1	Date of Shareholder's Approval	VESOS-2004 29/09/2004	VESOS-2016 27/05/2016							
2	Total number of options approved under ESOS	11,67,000	50,00,000							
3	Vesting requirements	Commences at the expiry of one year from the date of grant								
4	Exercise price or pricing formula	Grant price is the face value of the equity shares of the Company, i.e., INR 10.00								
5	Maximum term of options granted	2 years	5 years							
6	Source of shares (primary, secondary or Primary combination)	Primary								
7	Variation of terms of options	Nil								
8	Method used to account for ESOS - Intrinsic or fair value	The company has calculated the employee compensation cost using the intrinsic value of the stock options								
9	Difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options	Nil								
10	The impact of this difference on profits and on EPS of the company on the current year profits (for the year grants)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Profit (Loss) after Tax (in Rs)</td> <td rowspan="5" style="font-size: 3em; vertical-align: middle;">}</td> <td rowspan="5" style="vertical-align: middle;">NA</td> </tr> <tr> <td>Less: Additional Employee Compensation cost of Fair Value over Intrinsic Value (in Rs)</td> </tr> <tr> <td>Adjusted PAT (Loss) (in Rs)</td> </tr> <tr> <td>Adjusted weighted avg. EPS (in Rs)</td> </tr> <tr> <td></td> </tr> </table>		Profit (Loss) after Tax (in Rs)	}	NA	Less: Additional Employee Compensation cost of Fair Value over Intrinsic Value (in Rs)	Adjusted PAT (Loss) (in Rs)	Adjusted weighted avg. EPS (in Rs)	
Profit (Loss) after Tax (in Rs)	}	NA								
Less: Additional Employee Compensation cost of Fair Value over Intrinsic Value (in Rs)										
Adjusted PAT (Loss) (in Rs)										
Adjusted weighted avg. EPS (in Rs)										

#### Details of ESOS during the financial year

Sl.No	Description	Year ended 31st March, 2017	
1	Number of Options Outstanding at the beginning of the year (Un-granted)	133500	50,00,000
2	Number of options granted during the year	NIL	40,50,000
3	Number of options forfeited/lapsed during the year	NIL	NIL
4	Number of options vested during the year	133500	NIL
5	Number of options exercised during the year	133500	NIL
6	Number of shares arising as a result of exercise of options	133500	NIL
7	Amount realized by exercise of options (Rs.)	1335000	NIL
8	Loan repaid by the Trust during the year from exercise price received	NA	NA
9	Number of options outstanding at the end of the year (out of total number of options approved under ESOS)	NIL	9,50,000
10	Number of options exercisable at the end of the year (out of total number of options approved under ESOS)	NIL	NIL

**Details of ESOS during the financial year**

Sl.No	Description	Year ended 31st March, 2017	
11	Weighted-average exercise		
	Stock Options Granted on	Weighted average exercise price (in Rs.)	Weighted average fair value (in Rs.)
	01/04/2015	Rs.10	Refer point # 8
12	Employee wise details of options granted to		
	a. Key Managerial Personnel		
	1. M. Santhi priya	NIL	1,00,000
	2. K. Sri Kalyan		1,00,000
	3. K. Ravindranath Tagore		1,00,000
	b. Any other employee who receive a grant of options in any one year of option amounting to 5% or more of option granted during the year	NIL	U. Sreekanth- 2,28,284
	c. Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants & conversions) of the Company at the time of grant-	NIL	NIL
13	Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information	The Black Scholes option-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since option-pricing models require use of substantive assumptions, changes therein can materially affect fair value of options. The option pricing models do not necessarily provide a reliable measure of fair value of options	
14	The main assumptions used in the Black Scholes option-pricing model during the year were as follows:		
	(i) Weighted average values of share price	Refer point # 11	
	(ii) exercise price	Rs. 10/-	
	(iii) Risk free interest rate	–	
	(iv) Expected Life of Options	5 years	
	(v) Expected volatility	Nil	
	(vi) Dividend yield	NA	
15	The method used and the assumptions made to incorporate NA the effects of expected early exercise	NA	
16	How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility	NA	
17	Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition	Yes and other standard methods accepted by ICAI	

**ANNEXURE-G**  
**Form AOC-1**

**PART - A**

Statement showing salient features of the financial statements of subsidiaries as per the Company Act, 2013 for the financial year ended 31st March, 2017

S. No.	Name of the subsidiary	Ksoft Sytems Inc	Qfund Technologies Private Limited	Tyohar Foods Private Limited	Virinchi Learning Private limited	Virinchi Media Entertainment Pvt Ltd	Virinchi Infra & Realty Pvt. Ltd.	Virinchi Health Care Pvt Ltd	Asclepius Consulting & Technologies Private Limited	Tensor Fields Consulting Services Pvt Ltd	Virinchi Combinatorics and Systems Biology Pvt. Ltd.
1	Share capital	4,891,087	100,000	100,000	1,170,000	100,000	100,000	30,100,000	5,882,360	100,000	100,000
2	Reserves & Surplus	511,873,090	25,726,032	(9035335)	(7,936,039)	(36787)	(16,986)	213757864	(16,336,268)	(15,255)	(5,750)
3	Total Assets	647,194,310	93,367,531	25,912,656	58,904,072	14,394,096	88,764	1435124254	10,065,498	10,000	100,000
4	Total Liabilities	130,730,134	67,541,499	34,847,990	65,670,111	14,330,883	5,750	1191266395	20,519,405	90,495	5750
5	Investments	-	-	-	-	-	-	-	-	-	-
6	Turnover	1,161,152,872	63,152,347	Nil	2,210,000	Nil	Nil	250891024	807850	Nil	Nil
7	PBT	147,914,040	2,221,027	(414,523)	(5,642,088)	(15,597)	(5,750)	(53568905)	(633,446)	(9,505)	(5,750)
8	Pro for Tax		214,044	50,689	1,227,578	-	-	31650331	(109,063)	-	-
9	PAT			(465,212)	(6,869,666)	(15,597)	(5,750)	(85219236)	(524,383)	(9,505)	(5,750)
10	Proposed Dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
11	% of shareholding	100%	100%	100%	100%	100%	100%	100%	51%	100%	100%

**PART - B**

**JOINT VENTURE :**

There are no joint ventures to report.

## ANNEXURE-H

### Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

**Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms' length transactions under third proviso thereto**

**1. Details of contracts or arrangements or transactions not at arm's length basis**

The company has not entered into any contract or arrangement or transaction with its related parties which is not at arm's length during financial year 2016-17.

**2. Details of material contracts or arrangement or transactions at arm's length basis**

(a) Name(s) of the related party and nature of relationship

Sl.No	Name of the Company	Relationship
1	Virinchi Helath Care Private Ltd	Wholly owned Subsidiary
2	Virinchi Learning Private Ltd	Wholly owned Subsidiary
3	QFund Technologies Private Ltd	Wholly owned Subsidiary
4	Tyohar Foods Private Ltd	Wholly owned Subsidiary
5	Virinchi Infra and Realty Private Ltd	Wholly owned Subsidiary
6	Virinchi Combinatorics and Systems Biology Private Limited	Wholly owned Subsidiary
7	KSoft Systems Inc.,USA	Wholly owned Subsidiary
8	Virinchi Media & Entertainment Private Ltd	Wholly owned Subsidiary
9	Tensor Fields Consultancy Services Private Limited	Wholly owned Subsidiary
10	Asclepius Consulting & Technologies Private Limited	Subsidiary
11	Vivo Bio Tech Ltd	Common Promoter and Director

(b) **Nature of contracts/arrangements/transactions**

Software Development and consulting services. The company has leased out premises to Vivo Bio Tech Ltd,

(c) **Duration of the contracts/arrangements/transactions**

Inter-company agreements entered into with subsidiary companies, as amended and ongoing.

The lease agreement extended for another 11 months

(d) **Salient terms of the contracts or arrangements or transactions including the value, if any:**

To provide IT Services to the client/customers as per agreement.

The payment terms of each project as per the intercompany agreements entered with the respective subsidiaries.

For the lease transaction it is Rs. 30 Lakhs per year.

(e) Date(s) of approval by the Board, if any: Not applicable as these are at arms' length basis and in the ordinary course of the business. 30/08/2014 is the date of board meeting on which the transaction of lease agreement with vivo bio tech ltd is approved.

(f) Amount paid as advances, if any: Nil

## ANNEXURE-I

### Certification as required under Regulation 17 (8) SEBI (LODR) Regulations, 2015

We, M. Santhi Priya, Chairperson, Whole Time Director & CFO, K Sri Kalyan, Whole Time Director of Virinchi 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 untrue 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

Place : Hyderabad

Date : 28-08-2017

**K Sri Kalyan**

*Whole Time Director*

DIN : 03137506

**M. Santhi Priya**

*Chairperson & Whole Time Director*

DIN : 03114319



# 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 SEBI (LODR) Regulations, 2015.

## 2. BOARD OF DIRECTORS:

### a) Composition and Category of Directors:

The Company has an Executive Chairperson cum whole time director and 1 Whole Time Director, and to have a more professional outlook your company is having 5 Non- Executive directors which composition is in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

7 Board Meetings were held during the Financial Year 2016-17 and the gap between two Meetings did not exceed 120 days. The dates on which the said meetings were held are as follows:

28th May, 2016, 26th July, 2016, 12th August 2016, 31st August 2016, 12th November, 2016, 13th February, 2017, 30th March, 2017. The necessary quorum was present for all meetings.

### 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 Directorships #	Committee Memberships	Committee Chairmanship
M. Santi Priya	Chairperson and Whole Time Director	7	Yes	0	0	0
K. Sri Kalyan	Whole Time Director	7	Yes	0	0	0
K.Krishna	Independent Non-Executive Director	7	Yes	0	0	0
M.Ramam	Independent Non-Executive Director	7	Yes	0	0	0
K.V.Sittampalam	Independent Non-Executive Director	1	No	1	1	0
Samad A.Momin	Independent Non-Executive Director	1	No	0	0	0

# The Directorships held by Directors as mentioned above do not include alternate directorships and directorships of foreign companies, section 8 companies and private limited companies.

In accordance with SEBI (LODR) Regulations, 2015, memberships/chairmanships of only the Audit Committee and shareholders/ investors grievance committees all Public Limited Companies (Excluding Virinchi Ltd) have been considered.

The company does not have any 'material non-listed subsidiary company' as defined under SEBI (LODR) Regulations, 2015.

None of the directors on the board is a member of more than 10 committees or Chairman of more than

5 committees, across all companies in which he/she is a director. The necessary disclosures regarding committee positions have been made by the directors. All independent directors have provided an affirmation of their independence as required under the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

#### **Training of board members**

Non-executive directors who are inducted on the board are given an orientation about the company, its operations, services, details of subsidiaries and joint ventures, board procedures and processes and major risks and risk management strategies. The company ensures that directors are inducted through a familiarization process comprising, inter alia, their roles and responsibilities.

Newly inducted directors spend approximately a week at the time of their induction and interact with the Chairman, Whole Time Director & CFO CEO, and other members of the senior management. They interact with the heads of all business units and other functional heads. They are provided a walk through among some of the centres of excellence and given a detailed understanding of the business and its operations. Directors are regularly updated on changes in policies and programmes, laws and the general business environment. Details of the familiarization programme for Non-Executive Directors and their letter of appointment are published on the website of the company

#### **Separate meetings of the Independent Directors**

During the year under review, the Independent Directors met on March 30, 2017, inter alia, to discuss:

- Evaluation of the performance of Non-Independent Directors and the Board of Directors as a whole;
- Evaluation of the performance of the Chairman of the company, taking into account the views of the Executive and Non-Executive Directors;
- Evaluation of the quality, content and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties

#### **Board member Evaluation**

One of the key functions of the Board is to monitor and review the Board evaluation framework. The Board works with the nomination and remuneration committee to lay down the evaluation criteria for the performance of the Chairman, the Board, Board committees and executive / non-executive / independent directors through a peer evaluation, excluding the director being evaluated.

Independent directors have three key roles - Governance, Control and Guidance. Some of the performance indicators based on which the independent directors are evaluated include:

- The Ability to contribute to and monitor our corporate governance practice.
- The ability to contribute by introducing international best practices to address business challenges and risks
- Active participation in long term strategic planning
- Commitment to the fulfillment of a director's obligations and fiduciary responsibilities, these include participation in Board and committee meetings.

To improve the effectiveness of the Board and its Committees, as well as that of each individual director, a formal and rigorous Board review is internally undertaken on an annual basis.

#### **3. AUDIT COMMITTEE:**

The management is responsible for the Company's internal controls and the financial reporting process while the statutory auditors are responsible for performing independent audits of the Company's financial statements in accordance with generally accepted auditing practices and for issuing reports based on such audits. The Board of Directors has constituted and entrusted the Audit Committee with the responsibility to supervise these processes and thus ensure accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting. The constitution of the Audit Committee also meets with the requirements of Section 177 of the Companies Act, 2013 and SEBI Listing Regulations

During the year under review Four (4) 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	4
K Sri Kalyan	Member	Non-Executive Director	4
K.Krishna	Member	Independent Non-Executive Director	4

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.

The primary responsibilities of the Audit Committee are to

- 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. NOMINATION AND REMUNERATION COMMITTEE:

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

- To identify persons who are qualified to become

directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.

- shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees
- 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.
- Ensuring the remuneration policy is good enough to attract, retain and motivate directors.
- Review the performance of the Board of Directors and Senior Management Employees based on certain criteria as approved by the Board.

The Nomination and Remuneration Committee is constituted as follows.

Name of the Director	Designation	Nature of Directorship	Meetings attended
M. Ramam	Chairman	Independent Non-Executive	2
Krishna Kanaparthi	Member	Independent Non-Executive	2
K.V. Sittampalam	Member	Independent Non-Executive	0

#### Board member Evaluation

One of the key functions of the Board is to monitor and review the Board evaluation framework. The Board works with the nomination and remuneration committee to lay down the evaluation criteria for the performance of the Chairman, the Board, Board committees and executive / non-executive / independent directors through a peer evaluation, excluding the director being evaluated.

Independent directors have three key roles - Governance, Control and Guidance. Some of the performance

indicators based on which the independent directors are evaluated include:

- The Ability to contribute to and monitor our corporate governance practice.
- The ability to contribute by introducing international best practices to address business challenges and risks
- Active participation in long term strategic planning
- Commitment to the fulfillment of a director's obligations and fiduciary responsibilities, these include participation in Board and committee meetings.

To improve the effectiveness of the Board and its Committees, as well as that of each individual director, a formal and rigorous Board review is internally undertaken on an annual basis.

#### Remuneration policy:

The Nomination and Remuneration (N&R) Committee has adopted a Charter which, inter alia, deals with the manner of Selection of Board of Directors and CEO & Managing Director and their remuneration.

This Policy is accordingly derived from the said Charter.

#### 1. Criteria of Selection of Non-Executive Directors

- The Non-Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in the fields of Technology, marketing, finance, taxation, law, governance and general management.
- In case of appointment of Independent Directors, the N&R Committee shall satisfy itself with regard to the criteria of Independence of the Directors vis-à-vis the Company so as to enable the Board to discharge its function and duties Effectively.
- The N&R Committee shall ensure that the candidate identified for appointment as a Director is not disqualified for appointment under Section 164 of the Companies Act, 2013.
- The N&R Committee shall consider the following attributes / criteria, whilst recommending to the Board the candidature for appointment as Director:
  - Qualification, expertise and experience of the Directors in their respective fields;

b) Personal, Professional or business standing;

c) Diversity of the Board.

- In case of re-appointment of Non-Executive Directors, the Board shall take into consideration the performance evaluation of the Director and his engagement level

#### 2. Remuneration

The Non-Executive Directors shall be entitled to receive remuneration by way of sitting fees, reimbursement of expenses for participation in the Board / Committee meetings detailed hereunder:

- A Non-Executive Director shall be entitled to receive sitting fees for each meeting of the Board or Committee of the Board attended by him, of such sum as may be approved by the Board of Directors within the overall limits prescribed under the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014;
- The Independent Directors of the Company shall not be entitled to participate in the Stock Option Scheme of the Company, if any, introduced by the Company.

Details of remuneration to the directors for the Year:

Name of the Director	Remuneration paid during the year 2016-17 (in Rs.)		
	Sitting Fees	Salary	Total
M. Santi Priya	NIL	18,00,000	18,00,000
K. Sri Kalyan	NIL	10,40,000	10,40,000
M. Ramam	35,000	NIL	30,000
K. Krishna	35,000	NIL	30,000
K.V. Sittampalam	NIL	NIL	NIL
Samad A Momin	NIL	NIL	NIL

Shares held by Non-Executive Directors as on 31st March, 2017 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
4	K. Krishna	3909

## 5. STAKEHOLDERS RELATIONSHIP 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. Aarhi Consultants Private Limited.

### Composition of the Committee:

Name	Designation	Category
M. Ramam	Chairman	Independent Non-Executive Director
K Sri Kalyan	Member	Executive Director
K. Krishna	Member	Independent Non-Executive Director

The total No. of Complaints received and complied during the year were; Opening: 0 Complaints Received: 7 Complied:- 7 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. Aarhi Consultants Pvt. Ltd.

The outstanding complaints as on 31st March, 2017 were: NIL

### Name & Designation of the Compliance officer:

Mr. K. Ravindranath Tagore  
Company Secretary, Chief Investor Relations & Compliance Officer  
8-2-672 / 5 & 6, 4th Floor  
Illyas Mohammed Khan Estate,  
Road No. 1, Banjara Hills  
Phone# 040-48199999  
Email:investors@virinchi.com, www.virinchi.com

## Corporate Social Responsibility Committee (CSR)

Corporate Social Responsibility (CSR) is an integral part of our culture and constantly seeks opportunities to give back to the society and hope to make a difference to the lives of people by sharing our business success with them.

The main objective of the CSR Policy is to lay down guidelines and also make CSR as one of the key business drivers for sustainable development of the environment and the society in which Virinchi operates in particular and the overall development of the global community at large.

The role of the Corporate Social Responsibility Committee is as follows:

- i. Formulating and recommending to the Board the CSR Policy and activities to be undertaken by the company;
- ii. Recommending the amount of expenditure to be incurred on CSR activities of the company;
- iii. Reviewing the performance of the Company in the area of CSR;
- iv. Providing external and independent oversight and guidance on the environmental and social impact of how the company conducts its business;
- v. Monitoring CSR policy of the company from time to time;
- vi. Monitoring the implementation of the CSR projects or programs or activities undertaken by the company.

The CSR Committee comprises of three Directors viz.,

1. Ramam Madu- chairman
2. K Sri Kalyan- Member
3. M. Santhi Priya- Member

During the financial year 2016-17, the CSR Committee met once i.e. on 11.11.2016 and all the members were present for the meeting.

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

Financial Year	Date & Time	Venue	No. of Special Resolutions Passed
2015-16	30/09/2016 10.30 A.M	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad, Telangana-500026	1
2014-15	30/09/2015 10.30 A.M	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad, Telangana-500026	NIL
2013-14	30/09/2014 12.30 P.M.	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad, Telangana-500026	3

**b) Extraordinary General Meeting:**

During the year the company has conducted one Court Convened meeting of shareholders of the company on 3rd September, 2016 at 11 AM at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad, Telangana-500026 as per the order made on 21st Day of July, 2016 by the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh for considering and approving the amalgamation of M/s. Bristlecone Hospitals Private Ltd (Transferor Company) with M/s. Virinchi Ltd (Transferee Company)

**7. Postal ballot**

Special Resolution was passed pursuant to Postal ballot Notice dated 12th February, 2016 for the following items.

1. To lease the Building situated at Pothaipally, Hakimpet, to M/s. Vivo Bio Tech Limited
2. To approve the related party transaction between M/s. Virinchi Limited and M/s.Vivo Bio Tech Limited
3. To increase Authorised Share Capital from Rs.25 Crores to Rs. 50 Crores
4. To alter Capital Clause of Memorandum of Association of the Company
5. To Approve Grant of options to the employees of the company under Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016)
6. To Approve Grant of options to the employees of the Subsidiary Companies of the Company under Virinchi Employees Stock Option Scheme, 2016(VESOS, 2016)
7. To Approve Grant of options to equal to or exceeding one per cent but not exceeding four per cent of the issued Capital of the Company during any one financial year to identified employees under Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016)
8. Grant of employee stock options to the employees of the company and that of the subsidiary Company(ies) by way of secondary acquisition under Virinchi Employee stock Option Scheme, 2016(VESOS,2016)
9. Approval of Trust Route for the implementations of Virinchi Employees Stock Option Scheme, 2016(VESOS, 2016).
10. Provision of money by the company for purchase of its own shares by the trust/trustees for the benefit of employees under Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016)

Mr. NVSS Suryanarayana Rao, Practicing Company Secretary was appointed as the Scrutinizer for conducting the e-voting in fair and transparent manner. The details of voting pattern are as follows.

Sl. No	Brief Particulars of Special Resolutions	Total No. of Valid Votes	No. of Shares and % of total votes cast in favour		No. of Shares and % of total votes cast against	
			No. of shares	% of votes	No. of shares	% of Votes
1.	To lease the Building situated at Pothaipally, Hakimpet, to M/s. Vivo Bio Tech Limited	2186531	2184179	99.89	2352	0.11
2	To approve the related party transaction between M/s. Virinchi Limited and M/s.Vivo Bio Tech Limited	2186531	2166681	99.09	2252	0.10
3	To increase Authorsied Share Capital from Rs.25 Crores to Rs. 50 Crores	4440268	4440266	99.99	2	0.01
4	To alter Capital Clause of Memorandum of Association of the Company	4440268	4440266	99.99	2	0.01
5	To Approve Grant of options to the employees of the company under Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016)	4440268	4440166	99.99	102	0.01
6	To Approve Grant of options to the employees of the Subsidiary Companies of the Company under Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016)	4440268	4440166	99.99	102	0.01
7	To Approve Grant of options to equal to or exceeding one per cent but not exceeding four per cent of the issued Capital of the Company during any one financial year to identified employees under Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016)	4440268	4440166	99.99	102	0.01
8	Grant of employee stock options to the employees of the company and that of the subsidiary Company(ies) by way of secondary acquisition under Virinchi Employee stock Option Scheme, 2016 (VESOS,2016)	4440268	4440166	99.99	102	0.01
9	Approval of Trust Route for the implementations of Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016)	4440268	4440166	99.99	102	0.01
10	Provision of money by the company for purchase of its own shares by the trust/ trustees for the benefit of employees under Virinchi Employees Stock Option Scheme, 2016 (VESOS, 2016)	4440268	4437916	99.95	2352	0.05

The procedure for postal ballot is as per section 110 of the companies Act, 2013 read with Rule 22 of Companies (Management and Administration) Rules, 2014. The Scrutinizer has submitted report to the Chairman Stating that the resolution has been duly passed by the members of the company with requisite majority.

## 8. MEANS OF COMMUNICATION

### i. publication of Results

The quarterly, half-yearly & nine months un-audited financial results and annual audited results of the Company were generally published in Financial Express, national level English newspaper(s) and Nava Telangana, regional language newspaper circulating in the state of Telangana

### ii. Website and news release

The quarterly, half-yearly & nine months un-audited financial results and annual audited results are available on the website of the Company i.e. "www.virinchi.com". Official news releases, detailed presentations made to media, analysts, institutional investors, etc are available on the website of the Company i.e. www.virinchi.com. Official media releases are sent to BSE Limited. Your Company also make timely disclosure of necessary information to BSE Limited in terms of the Listing Regulation and other rules and regulation issued by the Securities and Exchange Board of India.

Further following information is available on the website of the Company i.e. www.gati.com:

- Details of business of the Company;
- Terms and conditions of appointment of Independent Directors;
- Composition of various Committees of Board of Directors;
- Code of Conduct for Board of Directors and Senior Management Personnel;
- Details of establishment of vigil mechanism/ Whistle Blower policy;
- Criteria of making payments to Non-Executive Directors;
- Policy on dealing with Related Party Transactions;
- Policy for determining 'material' subsidiaries;

- Details of familiarization programs imparted to Independent Directors;
- Policy for determination of materiality of events.

### Annual Report:

The Annual Report containing, inter alia, Audited Standalone Financial Statement, Consolidated Financial Statement, Directors' Report, Auditors' Report, Corporate Governance Report and other important information is circulated to members and others entitled thereto.

### Disclosures to Stock Exchanges:

The Company informs BSE all price sensitive matters or such other matters which in its opinion are material and of relevance to the members.

### E-voting

Pursuant to the requirements of the Companies Act, 2013, and the SEBI Listing Regulations, company is providing e-voting facility to its shareholders, in respect of all shareholders' resolutions, to be passed at the General Meetings.

### BSE Corporate Compliance & Listing Centre (the 'Listing Centre'):

BSE's Listing Centre is a web-based application designed for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are also filed electronically on the Listing Centre.

### SEBI Complaints Redress System (SCORES):

The investor complaints are processed in a centralised web-based complaints redress system. The salient features of this system are: Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by concerned companies and online viewing by investors of actions taken on the complaint and its current status.

### Dedicated e-mail ID

Investors@virinchi.com



## 9. GENERAL SHAREHOLDER INFORMATION

### a) Annual General meeting

Date:	28th September, 2017
Time:	12.30 P.M
Venue:	8-2-672/5&6, 3rd Floor, Ilyas Mohammed Khan Estate Road No.1, Banjara Hills Hyderabad, Telangana -500 034

### b) Financial Calendar

Financial year 1st April to 31st March

Tentative calendar for declaration of financial results in Financial Year 2017-18

Results for the quarter ended June 30, 2017	on or before September 14, 2017
Results for the quarter ended September 30, 2017	on or before December 14, 2017
Results for the quarter ended December 31, 2017	on or before February 14, 2018
Results for the year ended March 31, 2018	on or before May 30, 2018

c) **Book Closure dates:** The dates for book closure are from 22nd September, 2017 to, September 30th, 2017 (both days inclusive).

### d) Listing on Stock Exchanges

The Company's shares are listed on BSE Limited (BSE), Floor 25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001

The listing fee for the financial year 2017-18 has been paid to the above stock exchange.

### e) Stock Code:

Trading scrip code on BSE : 532372

### f) International Securities Identification Number (ISIN):

ISIN is a unique identification number of traded scrip. The Company's' ISIN for equity shares is INE539B01017.

### g) Market Price Data

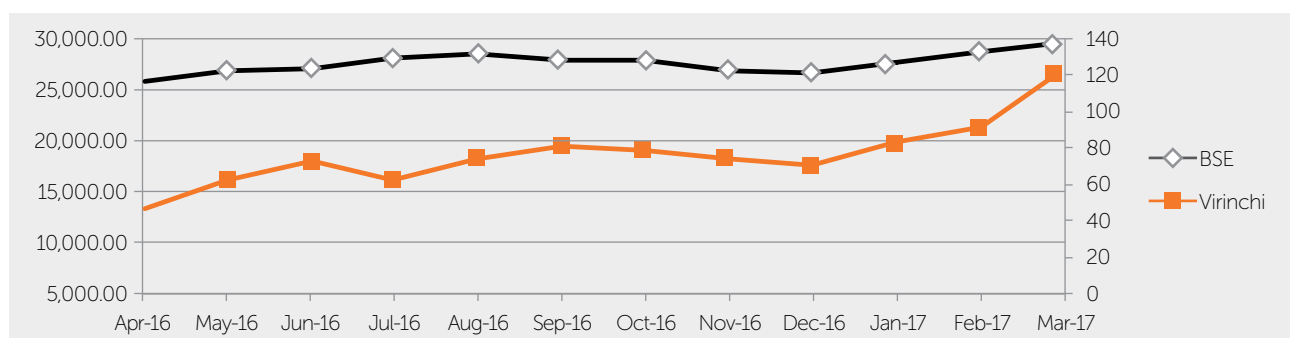
The Monthly high and low prices of your company's share at BSE for the year ended March 31, 2017 are as under:

Month	Highest (Rs.)	Lowest (Rs.)	Volume of Shares traders traded
April, 2016	39.90	31.55	2,58,573
May, 2016	60.50	33.75	8,44,754
June, 2016	65.80	50.00	14,21,290
July, 2016	74.00	54.50	20,08,451
August, 2016	67.55	39.00	11,90,455
September, 2016	85.70	65.00	41,56,971
October, 2016	80.85	69.90	13,06,783
November, 2016	80.00	53.55	11,84,842
December, 2016	74.70	59.10	8,17,717
January, 2017	94.80	61.50	33,47,396
February, 2017	94.00	74.10	9,92,792
March, 2017	116.60	84.50	25,90,238

## Share price performance in comparison to broad based indices – BSE

### Virinchi Share Price Vs BSE

Particulars	Share price	BSE Sensex
As on April 1, 2016	33.90	25269.64
As on March 31, 2017	116.20	29,620.50
Change (%)	242.77	17.22



## h) Registrar and Share Transfer Agents, Share Transfer System

All queries and requests relating to share transfers/transmissions may be addressed to our Registrar and Transfer Agent. As regards transfer of shares held in physical form the transfer documents can be lodged with M/s. Aarathi Consultants Private Limited. Share transfers, if documents are found to be in order, are registered and returned within stipulated time from the date of receipt of the documents.

### M/s. Aarathi Consultants Private Ltd

(Unit- Virinchi Ltd)

1-2-285, Domalguda, Hyderabad

Phone# 040-2763 4445, 2763 8111

Email: info@aarathiconsultants.com

## i) Distribution of Shareholding:

Distribution of Shareholding as on 31st March, 2017

Sl. No.	Category	Holders	Holders Percentage	Shares	Amount	Amount Percentage
1	1 - 5000	6832	75.74	1222208	12222080	4.58
2	5001 - 10000	1008	11.18	862988	8629880	3.23
3	10001 - 20000	540	5.99	855272	8552720	3.21
4	20001 - 30000	174	1.93	449741	4497410	1.69
5	30001 - 40000	92	1.02	336208	3362080	1.26
6	40001 - 50000	83	0.92	387087	3870870	1.45
7	50001 - 100000	130	1.44	998013	9980130	3.74
8	100001 & Above	161	1.78	21573033	215730330	80.84
	<b>Total:</b>	<b>9020</b>	<b>100.00</b>	<b>26684550</b>	<b>266845500</b>	<b>100.00</b>

**j) Dematerialisation of Shares and liquidity**

The Company's shares are available for dematerialization on both the Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on 31st March 2017 a total of 2,58,64,393 Equity Shares were dematerialized representing 96.93% of the total paid up equity share capital of the Company. Dematerialization of shares is done through M/s. Aarhi Consultants Private Limited and on an average the dematerialization process is completed within 7 days from the date of receipt of a valid dematerialization request along with the relevant documents

**Dematerialisation of Shares and Liquidity as on 31st March 2017**

	No. of Shares	% of Total
NSDL	22496362	84.31
CDSL	3368031	12.62
Physical	820157	3.07
<b>Total</b>	<b>26684550</b>	<b>100.00</b>

**k) Distribution of Shareholding on the basis of ownership as on March 31, 2017**

Sl.No	Description	No. of Shares	% of Total Capital
1	Company Promoter / Promoter group	13459270	50.44
2	Foreign Institutional Investors	70000	0.26
3	Banks / Mutual Funds / NBFC	NIL	NIL
4	Bodies Corporate	2990471	11.21
5	Individuals / HUF	8180167	30.71
6	Employee Trusts	1375	0.01
7	Non Resident Indians	509569	1.91
8	Foreign Bodies	500000	1.87
9	Clearing Members / Trusts	482791	1.81

**l) Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity**

The Company has not issued any GDRs/ADRs/Warrants/convertible debentures during the year 2016-17 and there are no outstanding convertible instruments which will impact the equity.

**m) Commodity Price Risk or foreign exchange risk and hedging activities.**

The commodity price risk is not applicable to the company as it is the business of export of services.

Foreign exchange risks are tracked and managed within the Risk Management framework. Short-term foreign currency asset – liability mismatch is continuously monitored and hedged. The foreign exchange market is highly regulated and the Company ensures compliance with all the regulations

**n) CEO and CFO Certification:**

The Chief Executive Officer and the Chief Financial Officer of the Company gave certification on financial reporting and internal controls for the financial year 2016-17 to the Board of Directors at their meeting held on May 30, 2017, as required under regulation 17(8) of SEBI Listing Regulations. See Annexure-I

**o) EQUITY SHARES IN SUSPENSE ACCOUNT**

As per Regulation 39(4) read with Schedule VI of SEBI (LODR) Regulations, 2015, the Company reports that No Equity Shares are lying in the suspense account as on 31st March 2017

**p) Development Facilities**

The Company has Software Development facilities, the particulars of which are as follows:

Development Facilities	Facilities
Hyderabad	1. Sy.No 121, Behind Hakimpet Airforce Academy, Pothaipally, Hakimpet, Hyderabad-014 2. 8-2-672/5&6, 4th Floor, illyas Mohammed Khan Estate, Road No.1, Banjara Hills, Hyderabad-500034
USA	266 Fernwood Ave, Edison, NJ-08837

**q) Address for Correspondence:**

For queries relating to shares	For queries relating to Financial Statements and other contents of Annual Repor
<b>M/s. Aarthi Consultants Private Ltd</b> (Unit- Virinchi Ltd) 1-2-285, Domalguda, Hyderabad Phone# 040-27634445, 2763 8111 Email: info@aarthiconsultants.com	<b>M/s. Virinchi Ltd</b> 8-2-672 / 5 & 6, 4th Floor, illyas Mohammed Khan Estate Banjara Hills, Road#1, Above Kotak Mahindra Bank Hyderabad- 500034 Phone# 040-48199999 Email: investors@virinchi.com

**10. DISCLOSURES**

1. Disclosures on materially significant related party transactions, which may have potential conflict with the interest of the Company at large: There are no materially significant related party transactions that may have potential conflict with the interest of the Company at large. However, the other related party transactions form part of the financial statements. The related party transactions policy is available on the website of the Company at <http://www.virinchi.com/pdf/policyofRelatedPartyTransaction.pdf>
  - i. Details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years; NIL
  - ii. **Whistle blower policy:**

The Company has adopted a Whistle Blower Policy and has established the necessary vigil mechanism as defined under Regulation 22 of SEBI Listing Regulations for directors and employees to report concerns about unethical behavior. No person has been denied access to the Chairman of the audit committee. The Vigil Mechanism Policy is available on the website of the Company i.e. <http://www.virinchi.com/pdf/whistleBlowersPolicy.pdf>
  - iii. **Details of compliance with mandatory requirements**

The Company has complied with all mandatory requirements specified in regulation 17 to 27 and clause (b) to (i) of subregulation (2) of regulation 46 of SEBI Listing Regulations.
  - iv. The company does not have any material Indian subsidiary company. However the company has M/s. KSoft Systems Inc. which is located in USA has its material unlisted foreign subsidiary company. The Board of Directors has reviewed the financial statements of the material unlisted foreign subsidiary company. The policy for determining 'material' subsidiaries is available on <http://www.virinchi.com>
  - v. **Disclosure of commodity price risks and commodity hedging activities.- Not applicable**

The Company is preparing its financial statements in line with the accounting standards issued by the Institute of Chartered Accountants of India and the company has not raised any fresh funds from the public or through Right or Preferential Issue

## 11. NON-MANDATORY REQUIREMENTS

Compliance Report on Discretionary Requirements under Regulation 27(1) of SEBI (LODR) Regulations, 2015

Status of implementation of non-mandatory requirements is as follows:

Sl.No	Requirement	Status of Implementation
1	A non-executive chairperson may be entitled to maintain a chairperson's office at the listed entity's expense and also allowed reimbursement of expenses incurred in performance of his duties	Not applicable as the company has an executive chairman
2	A half-yearly declaration of financial performance including summary of the significant events in last six-months, maybe sent to each household of shareholders	The company sends a quarterly investor update to the shareholders comprising key financial, business and operations update. This is sent in the electronic mode
3	The listed entity may move towards a regime of financial statements with unmodified audit opinion	The company has constantly endeavoured towards this and until now the company's audit reports are all 'clean reports/ unmodified opinions
4	The listed entity may appoint separate persons to the post of chairperson and managing director or chief executive officer.	The offices of Executive Chairman and Managing Director & CEO are different
5	The internal auditor may report directly to the audit committee.	The Internal auditor directly makes presentation to the Audit Committee and the internal auditor has the direct access to the Audit Committee

**For VIRINCHI LIMITED**  
**(formerl Virinchi Technologies Limited)**

**M. Santhi Priya**

*Whole Time Director*

DIN : 03114319

Place : Hyderabad

Date : 28th August, 2017

# Certificate of Corporate Governance

To  
The Members of  
**Virinchi Limited,**

We have examined the compliance of conditions of Corporate Governance by M/s. Virinchi Limited ("the company") for the year ended March 31, 2017, as per the provisions of regulations 17-27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated above. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Regulations, as applicable.

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

## **Restrictions on Use**

This certificate is issued solely for the purpose of complying with the aforesaid Regulations and may not be suitable for any other purpose.

Place: Hyderabad  
Date: 28/08/2017

**For P. Murali & Co**  
*Chartered Accountants*  
FRN: 007257S

**P. Murali Mohana Rao**  
*Partner*  
M.No: 23412

## ANNEXURE TO THE DIRECTORS' REPORT

Pursuant to Regulation 34(2) (c) of SEBI (LODR) Regulations, 2015, a report on Management Discussion and Analysis Report is given below:

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

#### OVERVIEW

Virinchi Limited, founded in 1990, is an IT Products & Services company based out of Hyderabad, India. The company had a headcount of over 365 resources working out of three Offshore Development Centers ODCs located in Hyderabad, measuring up to 100000 sq. ft. of ready to plug-in workspace. The company has an IT clientele spread across North America, Europe, Middle East, and Asia Pacific. Virinchi is a BSE-listed organization, led by first generation IIT and IIM entrepreneurs. It is one of the early web-based IT products and solutions space in India, offering a wide array of products and solutions for B2B and B2C portals using off-the-shelf platforms as well as custom designed systems.

QFund, a 100% subsidiary of Virinchi Limited, is the number one IT vendor for the deferred presentment industry in North America. QFund provides short-term loan-related solutions like Payday Loan, Title Loan, Installment Loan, and Check Cashing for loan companies operating from North America and UK. The product is currently being used across more than 6000 stores.

Virinchi's strong processes possess ISO 9001:2000, CMMi Level 3 and Cleanroom development certifications. Virinchi is one of the few companies in the world to have implemented the Cleanroom development processes certified by Carnegie Mellon's Software Engineering Institution.

In addition to its core expertise in the IT services space, Virinchi, in its 27 year journey, successfully diversified across domains, chasing milestone to milestone. Today, the Virinchi Group comprises 10 operating companies in nine business sectors: Information and Communication Technology (ICT), IT consulting, education, financial services, biotechnology, healthcare, hospitality, media, and construction.

These financial statements were prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical Cost Convention on an accrual basis, except for certain financial instruments valued at fair market value. GAAP comprises mandatory Accounting Standards as prescribed under section 133 of the Companies Act, 2013

("the Act") read with Rule 7 of the Companies (Accounts)

#### INDUSTRY STRUCTURE AND DEVELOPMENTS

Adoption of the latest technological changes is one of the major elements that drives long-term growth. Radical innovation trends such as mobile internet, Internet of Things (IoT), cloud computing, big data and others are likely to revolutionize production processes and enhance living standards, particularly in developing countries. The technology industry is always in a state of flux. Frequent new products and category innovation define and redefine the sector's constantly-shifting landscape. Lately we have seen even greater volatility than usual, affecting the make up of hardware and software companies themselves. The industry is being reshaped in numerous ways. Disruption is evident in software and service delivery, business models, the vast amount of money being poured into start-ups of all stripes, Cloud, Big Data, entrepreneurialism and constant innovation. Against this backdrop, companies can no longer rely on one-note value strategies.

Over the past two decades, India has risen to become the leading destination for global IT services sourcing, business process services and research and development services. India enjoys a proven track record in providing business and technology solutions, offering a large, quality and English-speaking talent pool and a friendly regulatory environment. These factors have facilitated the emergence of India as a global sourcing hub.

Global IT sourcing from India offers significant cost advantages as well as productivity gains on account of access to highly skilled and competent talent at lower wage costs. According to the National Association of Software and Service Companies (NASSCOM) Strategic Review Report 2016-2017 ("NASSCOM Report"), despite volatility in the global business environment, the Indian IT-BPM industry maintained momentum, remaining on track to meet its growth guidance. The industry portfolio broadened during the year with digital solutions becoming mainstream and industry increasing its market share of digital contracts.

## GLOBAL MARKET LEADER IN FINTECH FOR RETAIL MICRO CREDIT INDUSTRY

The small dollar loans consist of payday, installment and auto title loans. Payday loans are short-term loans that are typically due on the borrower's next payday. Some payday loans are structured to allow for payment on an installment basis. Payday loans are offered on store front as well as online model. CFPB Report 2016 estimates that there are around 16,000 stores offering payday loans across 36 states in the USA, which is more than the McDonald's fast food outlets in the whole of USA. Auto title loans are marked to cover emergency or other cash flow shortage between paychecks. More than USD 5 billion small loans are disbursed per annum.

QFund™, our Fintech product, is the market leader with more than 55% of the small loan lenders deploying Qfund, an end-to-end loan management product covering loan lead integration, loan processing, banking integration, settlement and collection, loan underwriting and CRM.

## OPPORTUNITIES

Our strategy for Run business is centered on:

1. Driving revenue growth in our core businesses through services and solutions in prioritized verticals, service lines and geographies.
2. Driving cross-service line collaboration and integrated process & technology service offerings

The company, on a continuous basis, scans the market for scalable opportunities and has over the past 12 months identified key growth opportunities in the areas of Healthcare, Skill Development, Biotechnology, and ICT. 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 domain knowledge, hiring highly talented sales and marketing managers, restructuring businesses, project management and investments in new geographies. The company is experiencing significant traction from existing customers and receiving several enquiries from potential customers in 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 customer ownership.

On the IT services front, the current focus is on SMAC, Social, Mobility, Analytics and Cloud market - in addition to enterprise applications. The size of the SMAC market is estimated to be USD 1 Trillion by 2020; from Indian software export perspective, it is expected to be USD 225 Billion by 2020. During the last couple of years, the company built skills in Mobility, Analytics and Cloud computing through the acquisition of resources from the market as well as building in-house skills. Currently, Virinchi is implementing Mobility and Cloud projects in the SMAC segments.

## THREATS

Our revenues from this business are derived in major currencies. The exchange rate between the rupee and major currencies has fluctuated in recent years and may continue to do so. Currency fluctuations can adversely affect our revenues and gross margins. In an economic slowdown, our clients may reduce or postpone their technology spending. Reduction in spending on IT services may lower the demand for our services and affect our revenues and profitability. However, at an organizational level, we have a defined business contingency plan and disaster recovery plan to address these unforeseen events with the objective to minimize the impact on services delivered from our development centers based in India or abroad. We have a perfect understanding of the amount of risks and extent of risks involved while delivering a project to a client with expertise in tackling them effectively. We are also trying to explore alternative opportunities that may prove beneficial in increasing our revenues and market share. Our threat continues to be competition among companies within India and emerging low-cost destinations

## SEGMENT WISE OR PRODUCT WISE PERFORMANCE:

### Risks and concerns

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

### Financial Risks - foreign currency rate fluctuations

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

Legal and Statutory Risks-include contractual liabilities & statutory compliances



Competition Risks include the risk of new competitors entering the market in which the company operates

**Internal Control Systems & their adequacy:**

The Management Information Systems is the backbone of our internal control mechanism. The Company has adequate internal control systems and procedures in all operational areas and at all levels of equipment procurement, finance and administration marketing and personnel departments.

The Company also has an 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.

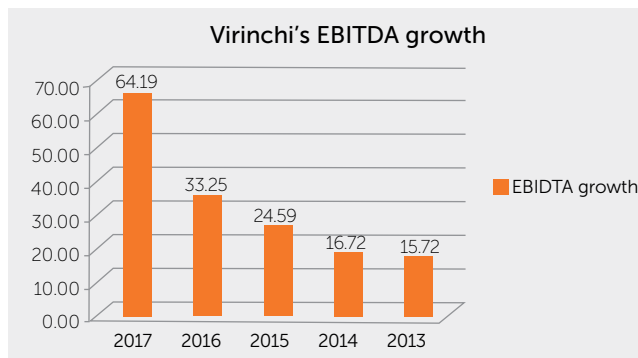
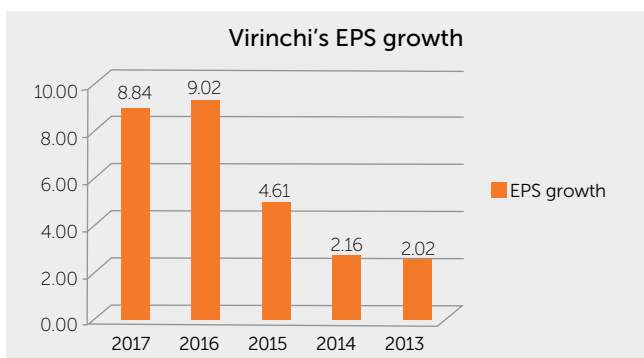
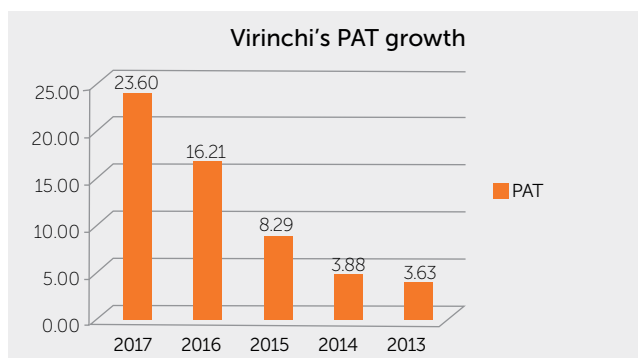
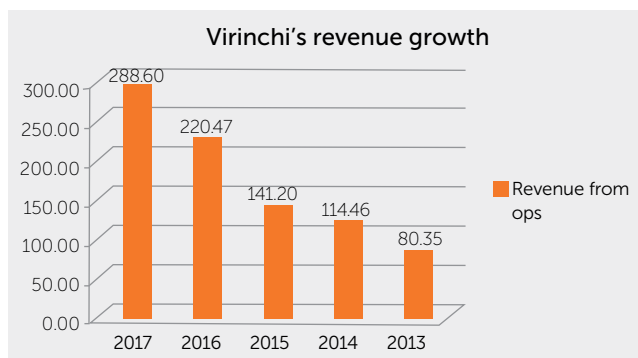
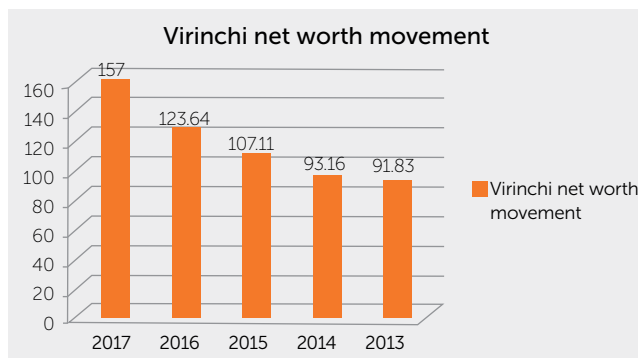
**Discussion on financial performance with respect to operational performance**

The financial statements have been prepared in compliance with the requirements of the Companies Act, 2013 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 2016-17 was Rs.28860.11 Lakhs as against Rs.22046.66 Lakhs in FY 2015-16.

**Standalone revenues:** The total income of the Company for the FY 2016-17 was Rs.13990.59 lakhs as against Rs. 10565.94 Lakhs in FY 2015-16



**Consolidated profit:** Profit before Tax (PBT) stood at Rs.2950.92 lakhs as against Rs.1815.11 Lakhs for the previous year. Profit after Tax (PAT) stood at Rs.2359.55 lakhs as against Rs.1620.55 Lakhs in the previous year.

**Standalone profit:** Profit before Tax (PBT) stood at Rs.1402.53 lakhs as against Rs.605.56 Lakhs in the previous year. Profit after Tax (PAT) stood at Rs.1141.61 as against Rs. 417.62 Lakhs in the previous year.

#### **MATERIAL DEVELOPMENTS IN HUMAN RESOURCES**

As of March 31, 2017, Virinchi comprised over 426 employees. In any industry, employees form the core of an organization. We recognize the vitality of this stakeholder. A significant portion of our management focus was invested in engaging with employees, providing them growth and career enhancement opportunities. We endeavored to develop best-in-class global leadership. While serving global customers, employing people across the globe is an equally

important aspect of our vision in becoming a truly global company.

We continued to innovate in accessing and attracting talent. We deploy pioneering and meaningful practices to enhance the engagement, capability and competitiveness of our global workforce. These practices were aligned to different phases of hiring, assimilation, learning, growth and retention.

Our leadership position focused on training, compensation and fascination with leading-edge technologies, enhancing our ability to retain skilled personnel. Virinchi offers a world of learning opportunities, including those aimed at up-skilling, cross-skilling or re-skilling employees through a slew of training programs in technical, domain, soft skills and leadership aspects. Through our tie-ups with premier global institutions, we offer higher education/certification programs. 'The Integrated Talent Management System' provides anytime, anywhere learning.

## **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 M. Santhi Priya, Chairperson & 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 : 28th August, 2017

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

DIN : 03114319

# Standalone Financial Section

## Independent Auditor's Report

To  
The Members of Virinchi Limited  
(Formerly known as Virinchi Technologies Ltd)

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Virinchi Limited (Formerly known as Virinchi Technologies Ltd) ("the Company"), which comprises the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and 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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the act') with respect to the preparation and presentation of these standalone financial statement that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with rule 7 of Companies (Accounts) Rules, 2014. This responsibility includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone 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 standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone 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 the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 of the state of affairs of the Company as at 31st March 2017, its profit and its 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, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of

the Act, we give in the Annexure A, a statement on the matters Specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, we further report that:

- a) we have sought and 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 the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d) in our opinion, the aforesaid standalone financial statements comply with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014 .
- e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in 'Annexure B' and
- g) With respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of

the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. There are no pending litigations as at 31st March 2017 to disclose impact on its financial position in its standalone financial statements.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There is no amount which is required to be transferred, to the Investor Education and Protection Fund by the company during the year ended 31st March 2017.
- iv. The company has provided requisite disclosures in its financial statement as to holdings as well as dealings in Specified Bank Notes during the period 8th November 2016 to 30th December 2016 and these are in accordance with the books of accounts maintained by the company. Refer Note No.42 to the financial statement.

For **P. Murali & Co.,**  
*Chartered Accountants*  
Firm Registration No : 007257S

**P. Murali Mohana Rao**  
*Partner*  
Membership No. 023412

Place: Hyderabad  
Date: 22nd May, 2017

## Annexure A to the Auditors Report

Annexure referred to the Independent Auditors Report to the Members of Virinchi Limited (Formerly known as Virinchi Technologies Ltd) on the standalone financial statements for the year ended 31st March 2017, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) As explained to us, fixed assets have been physically verified by the management at regular intervals; as informed to us no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable.  
(c) According to the information and explanations given to us and on the basis of our examination of records of the Company, the title deeds of immovable properties are held in the name of the Company.
- ii. The Physical verification of Inventory has been conducted at reasonable interval by the Management during the Year. There were no discrepancies noticed on Physical verification of Inventory as compared to Books Records and have been appropriately dealt with in the Books of Accounts.
- iii. The company has granted loans to 8 bodies corporate covered in the register maintained under section 189 of the companies Act 2013 ('the Act').
  - a) In our opinion, the rate of interest and other terms and conditions on which the loan has been granted to the bodies corporate listed in the register maintained under section 189 of the Act were not prejudicial to the interest of the company.
  - b) In the case of loans granted to the bodies corporate listed in the register maintained under section 189 of the Act.
  - c) There are no over due amount in respect of the loan granted to a body corporate listed in the register maintained under section 189 of the Act.
- iv. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 185 and 186 of the companies Act 2013 in respect of loan and investment made and guarantees and securities provided by it.
- v. The Company has not accepted any deposits from the public covered under Section 73 to 76 of the Companies Act, 2013 and rules framed there under to the extent notified.
- vi. The Cost records as specified under section 148(1) of the Companies Act 2013 is not prescribed to the company.
- vii. (a) According to the information and explanations given to us and based on the records of the company examined by us, the company is regular in depositing the undisputed statutory dues including Provident fund, Employees state insurance, income tax, service tax, custom duty and other material statutory dues, as applicable, with the appropriate authorities in India ;  
(b) There were no undisputed amounts payable in respect of Provident fund, Employees state insurance, income tax, service tax, custom duty and other material statutory dues in arrears as at 31st March 2017 for a period of more than 6 months for the date they became payable.  
(c) According to the information and explanations given to us and based on the records of the company examined by us, there are no dues of Provident fund, Employees state insurance, income tax, service tax, custom duty and other material statutory dues, which have not been deposited on account of any disputes.
- viii. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of loans or borrowings to any financial institutions or banks or governments or dues to debenture holder as at the balance sheet date.

- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of this clause are not applicable to the Company.
- x. According to the information and explanations given to us, no material fraud by the company or on the company by its officers or employees has been noticed or reported during the course of our Audit.
- xi. The Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the Provisions of clause 3(xii) of the order are not applicable to the company.
- xiii. The company has entered into transactions with related parties in compliance with the provisions of sections 177 and 188 of the Act. The details of such related parties transactions have been disclosed in the financial statements as required under Accounting Standard – 18 and related parties disclosure specified under section 133 of the Act, read with Rule 7 of the companies (accounts) Rules, 2014.
- xiv. The Company has not made any preferential allotment of private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under section 45-IA of The Reserve Bank of India Act 1934. Accordingly, the provisions of clause 3(xvi) of the order are not applicable to the Company.

For **P. Murali & Co.,**  
*Chartered Accountants*  
Firm Registration No : 007257S

**P. Murali Mohana Rao**  
*Partner*  
Membership No. 023412

Place: Hyderabad  
Date: 22nd May, 2017

## Annexure B to the Independent Auditor's Report

### Report on the Internal Financial Controls under clause (i) of the Sub-section 3 of the Section 143 of the Companies Act, 2013 ('The Act')

We have audited the internal financial controls over financial reporting of Virinchi Limited (Formerly known as Virinchi Technologies Ltd) ('the company') as on 31st march 2017 in conjunction with our audit of standalone financial statements of the company for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting based on our Audit. We conducted our audit in accordance with the Guidance note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the standards on Auditing deed to be prescribed under section 143(10) of the Act to the extent applicable to an Audit of Internal Financial Controls, both applicable to an audit of Internal Financial Controls and both issued by the ICAI. These standards and guidance note require that we comply with ethical requirements and plan and performed the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was

established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our Audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the Auditor's Judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion and the company's internal financial control system over financial reporting.

#### Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes these policies and procedures that (1) pertain to the maintenance of records that, in reasonable detailed, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted principles, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection



of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

#### **Inherent Limitation of Internal Financial Controls over Financial Reporting**

Because of the inherent limitation of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, Projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, the company has, in all material respects, an adequate internal financial controls system over financial

reporting and such internal financial controls over financial reporting were operating effectively as at March 31st, 2017, based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **P. Murali & Co.,**  
*Chartered Accountants*  
Firm Registration No : 0072575

Place: Hyderabad  
Date: 22nd May, 2017

**P. Murali Mohana Rao**  
*Partner*  
Membership No. 023412

**Balance Sheet** as at March 31, 2017

(Amount in ₹)

Particulars	Note No	As at March 31, 2017	As at March 31, 2016
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	266,748,102	179,860,500
(b) Reserves and Surplus	2	1,324,790,579	747,334,854
<b>(2) Non-Current Liabilities</b>			
(a) Long-Term Borrowings	3	413,154,916	75,410,912
(b) Deferred Tax Liabilities	4	51,188,948	34,733,549
(c) Long Term Provision	5	8,228,269	5,439,648
<b>(3) Current Liabilities</b>			
(a) Short Term Borrowings	6	249,577,712	190,636,839
(b) Trade Payables	7	378,570,242	183,009,109
(c) Short Term Provisions	8	83,229,521	44,758,596
<b>Total</b>		<b>2,775,488,289</b>	<b>1,461,184,007</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
Tangible assets	9	1,122,679,222	530,074,347
Intangible assets	9	641,653,664	155,319,051
Capital Work in progress	9	14,867,921	-
(b) Non Current Investments	10	354,233,412	349,155,087
(c) Long Term Deposits/Advances	11	25,364,118	4,039,787
(d) Other Non-Current assets	12	2,035,951	-
<b>(2) Current assets</b>			
(a) Inventories	13	2,806,244	-
(b) Short Term Loans and Advances	14	278,026,296	139,448,143
(c) Trade Receivables	15	254,065,283	159,811,125
(d) Cash and Cash Equivalents	16	47,181,928	99,017,164
(e) Other Current Assets	17	32,574,250	24,319,302
<b>Total</b>		<b>2,775,488,289</b>	<b>1,461,184,007</b>

## NOTES TO FINANCIAL STATEMENTS &amp; SIGNIFICANT ACCOUNTING POLICIES

Notes referred to above form an integral part of the accounts  
As per Our Report of Even Date

For **P. Murali & Co.**

Chartered Accountants

Firm Registration No. 007257S

**P. Murali Mohana Rao**

Partner

Membership No. 023412

Place : Hyderabad

Date: 22.05.2017

For and on behalf of the Board

For **Virinchi Limited**

**M. Santhi Priya**

CFO & Whole Time Director

DIN: 03114319

**K. Ravindranath Tagore**

Company Secretary

M.No. A18894

**K. Sri Kalyan**

Whole Time Director

DIN: 03137506

**Statement of Profit & Loss** for the year ended March 31, 2017

(Amount in ₹)

Particulars	Note No	Year ended March 31, 2017	Year ended March 31, 2016
<b>1. Revenue from operations</b>	18	1,388,562,345	1,043,534,961
<b>2. Other Income</b>	19	10,496,120	13,058,719
<b>3. Total Revenue (1+2)</b>		<b>1,399,058,464</b>	<b>1,056,593,679</b>
<b>4. Expenses:</b>			
a) Pharmacy Purchases	20	24,076,501	-
b) Changes in Inventory	21	4,114,310	-
c) Employee Benefit Expenses	22	410,604,233	266,013,970
d) Other Operating Expenses	23	46,719,432	24,178,629
e) Administrative Expenses	24	464,495,910	484,814,279
f) Financial costs	25	56,611,149	21,775,751
g) Depreciation and amortization expenses	9	177,544,821	102,167,038
h) Other Amortization	9	226,207	-
i) Other expenses	26	74,413,941	97,087,308
<b>Total Expenses</b>		<b>1,258,806,504</b>	<b>996,036,975</b>
<b>5. PROFIT BEFORE TAX (3-4)</b>		<b>140,251,961</b>	<b>60,556,705</b>
<b>6. Tax expense:</b>			
(a) Current tax		21,078,044	13,499,550
(c) Deferred tax Liability/(Asset)		5,014,189	5,295,516
<b>Total Tax Expense</b>		<b>26,092,233</b>	<b>18,795,067</b>
<b>7. Profit for the period (5-6)</b>		<b>114,159,728</b>	<b>41,761,638</b>
<b>8. Earning per equity share:</b>			
(1) Basic		4.28	2.32
(2) Diluted		4.28	2.32

## NOTES TO FINANCIAL STATEMENTS &amp; SIGNIFICANT ACCOUNTING POLICIES

Notes referred to above form an integral part of the accounts

As per Our Report of Even Date

For **P. Murali & Co.**

Chartered Accountants

Firm Registration No. 007257S

**P. Murali Mohana Rao**

Partner

Membership No. 023412

Place : Hyderabad

Date: 22.05.2017

For and on behalf of the Board

For **Virinchi Limited****M. Santhi Priya**

CFO &amp; Whole Time Director

DIN: 03114319

**K. Sri Kalyan**

Whole Time Director

DIN: 03137506

**K. Ravindranath Tagore**

Company Secretary

M.No. A18894

**Cash Flow Statement** for the year ended March 31, 2017

(₹ in Lacs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit/ (Loss) before Tax	1,402.52	605.57
Adjustments for:		
Depreciation	1,775.45	1,021.67
W/o. Expenses	2.26	-
Interest expenses	566.11	217.76
Operating Profit before Working Capital Changes	3,746.34	1,844.99
Working Capital Changes		
Trade and other receivables Including Inventory	(2,672.54)	298.31
Trade and Other payables	3,119.91	2,311.15
Cash Generated from Operations	4,193.71	4,454.45
Interest paid	(566.11)	(217.76)
Taxation for the year	(260.92)	(137.91)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>3,366.68</b>	<b>4,098.78</b>
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets	(12,713.52)	(1,647.66)
Investment	(50.78)	(3,294.00)
<b>Net Cash used in Investing Activities</b>	<b>(12,764.31)</b>	<b>(4,941.66)</b>
<b>C. Cash Flow From Financial Activities:</b>		
Proceeds from Equity Shares	5,501.84	2.50
Net Proceeds from Long Term Borrowings	3,377.44	605.74
<b>Net Cash used in Financing Activities</b>	<b>8,879.28</b>	<b>608.24</b>
Net increase in cash and cash equivalents	(518.35)	(234.64)
Cash and Cash equivalents as at 01.04.2016	990.17	1,224.81
Cash and Cash equivalents as at 31.03.2017	471.83	990.17

As per Our Report of Even Date

For **P. Murali & Co.**

Chartered Accountants

Firm Registration No. 007257S

**P. Murali Mohana Rao**

Partner

Membership No. 023412

Place : Hyderabad

Date: 22.05.2017

For and on behalf of the Board

For **Virinchi Limited****M. Santhi Priya**

CFO &amp; Whole Time Director

DIN: 03114319

**K. Ravindranath Tagore**

Company Secretary

M.No. A18894

**K. Sri Kalyan**

Whole Time Director

DIN: 03137506

## A. SIGNIFICANT ACCOUNTING POLICIES:

### 1. General:

- These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rule, 2014, till the standards of accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act 1956, shall continue to apply. Consequently these financial statements have been prepared to comply in all material aspects with the accounting standards notified under section 211(3C) of Companies Act, 1956 [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 2013.

All the assets and liabilities have been classified as current and noncurrent as per the companies' normal operating cycle and other criteria set out in schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalent, the company has ascertained its operating cycle to be 12 months for the purpose of current – noncurrent classification of assets and liabilities.

- **Use of Estimates**

The preparation of Financial Statements in conformity with Generally Accepted Accounting Principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of income and expenses during the period.

### 2. Cash and Cash Equivalents

Cash comprises Cash on hand and Demand Deposits with Banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated.

### 3. Tangible and Intangible Assets

#### i) Tangible Fixed Assets

Tangible fixed assets are carried at the cost of acquisition or construction, less accumulated depreciation and impairment, if any. The cost of fixed assets includes taxes (other than those subsequently recoverable from tax authorities), duties, freight and other directly attributable costs related to the acquisition or construction of the respective assets. Direct costs are capitalized until fixed assets are ready for use.

#### ii) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment loss, if any. Profit or Loss on disposal of intangible assets is recognized in the Statement of Profit and Loss.

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.

#### iii) Capital work-in-progress

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

### 4. Depreciation and Amortization:

- I. Effective 1st April, 2014, Company depreciates the Fixed Assets over the useful life in the manner prescribed in Schedule II of The Companies Act, 2013.
- II. Depreciation for additions to Fixed Assets of the Company is provided as per Schedule II of the Companies Act, 2013 on pro-rata basis.

III. Individual assets acquired for less than Rs.5,000/-are entirely depreciated in the year of acquisition. Leasehold improvements are written off over the lower of, the remaining primary period of lease or the life of the asset.

#### **5. 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 consists 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) Income from Healthcare Services is recognised on completed service contract method. The hospital collections of the Company are net of discounts. Revenue also includes the value of services rendered pending final billing in respect of in-patients undergoing treatment.
- (vi) Pharmacy Sales are recognised when the risk and reward of ownership is passed to the customer and are stated net of returns.

#### **6. Foreign Exchange Transactions:**

Transactions denominated in foreign currencies are recorded at the rate prevailing on the date of transactions.

- a) Monetary items denominated in foreign currencies at the year end are restated at year end rates.
- b) Non-monetary foreign currency items are carried at cost.
- c) In respect of foreign operations, which are non-integral operations ,all assets and liabilities, other monetary and non-monetary, are translated at closing rate, which all income and expenses are translated at average rate for the year. The resulting exchange differences are included in the Profit and Loss Account.

#### **7. Investments**

Investments are classified into current and long-term investments. Investments that are readily realizable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments.

Long term investments are stated at cost and provision for diminution is made if the decline in value is other than temporary in nature. Current investments are stated at lower of cost and fair value determined on the basis of each category of investments.

Cost of overseas investment comprises the Indian Rupee value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment.

#### **8. Gratuity:**

The Company has made a provision for gratuity to its 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.

#### **9. Related Party Disclosures :**

The Company furnishes the details of Related Party Disclosures as given in Para 23 and 26 as required by AS-18.

#### **10. Earnings per Share**

The Basic and Diluted Earnings Per Share (EPS) is computed by dividing the net profit after tax for the year by weighted average number of equity shares outstanding during the year.

## **11. Taxes on Income**

To provide Current tax as the amount of tax payable in respect of taxable income for the period, measured using the applicable tax rates and tax laws.

To provide deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence, measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Not to recognize Deferred tax assets on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that there will be sufficient future taxable income available to realize such assets.

## **12. Provisions, Contingent Liabilities and Contingent Assets**

The company creates the provisions where there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made for the amount of the obligation. A disclosure for contingent liability will be made when there is a possible obligation or present obligation that may, but probably, will not required the outflow of resources. Where, there is a possible obligation or present obligation in respect of which the likelihood of outflow of resources is remote, no provisions or disclosures will be made.

## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No:1 Equity Share Capital

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>SHARE CAPITAL</b>		
<b>AUTHORISED :</b>		
40,000,000 Equity Share of Rs.10/- each (Current Year)	40,00,00,000	250,000,000
25,000,000 Equity Share of Rs.10/- each (Previous Year)		
<b>ISSUED, SUBSCRIBED &amp; PAID UP SHARE CAPITAL :</b>		
(a) Subscribed & Fully Paid Up:		
26684550 Equity Shares of Rs.10/- each	266,845,500	179,957,898
(b) Calls in Arrears	(97,398)	(97,398)
<b>Total Equity Share capital</b>	<b>266,748,102</b>	<b>179,860,500</b>

Reconciliation of Number of shares outstanding at the beginning and at the end of the Reporting Period	No. of Shares	No. of Shares
<b>Equity Shares of Rs.10 eac, Fully Paid Up</b>		
At the Beginning	17,986,050	17,986,050
<b>Issued and Allotted During the Year</b>		
i) Allotment of shares pursuant to scheme of amalgamation between M/s. Virinchi Limited (Transferee Company) and M/s. Bristlecone Hospitals Private Limited (Transferor Company)	8,565,000	-
ii) Allotment of shares pursuant to VESOS, 2004	133,500	-
<b>At the End</b>	<b>26,684,550</b>	<b>17,986,050</b>

Details of Shareholder holding more than 5% shares of the Company	As at March 31, 2017 % of Share holding	As at March 31, 2016 % of Share holding
<b>Name of the Share Holder</b>		
1. Viswanath Kompella	25.51	14.28
No. of Shares - 68,07,975 (C.Y)		
No. of Shares - 25,68,300 (P.Y)		

### Equity shares allotted as fully paid up ( During 5 years preceding 31/03/2017)

Aggregate number and class of shares allotted as fully paid up without payment being received in cash.

85,65,000 equity shares issued to share holders of Bristlecone Hospital pvt ltd in terms of scheme of amalgamation approved by the Honorable High Court of judicature at Hyderabad for the state of Telangana and State of Andhra Pradesh Vide its order dated 13 December 2016.



## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No:2 Reserves and Surplus

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>a) Securities Premium Reserve</b>		
As at the beginning of the year	253,718,978	253,718,978
Add: Additions during the Year	454,287,600	-
<b>Securities Premium at end of the Year</b>	<b>708,006,578</b>	<b>253,718,978</b>
<b>b) Share options outstanding account</b>		
As at the beginning of the year	9,111,286	9,111,286
Add: Additions during the Year	9,008,398	-
<b>Securities Premium at end of the Year</b>	<b>18,119,684</b>	<b>9,111,286</b>
<b>c) Surplus :</b>		
Opening Balance - Profit and Loss Account	484,504,590	442,742,953
Add: Transfer from Profit & Loss Account	114,159,728	41,761,638
<b>Total Surplus</b>	<b>598,664,318</b>	<b>484,504,591</b>
<b>Total Reserves and Surplus</b>	<b>1,324,790,579</b>	<b>747,334,854</b>

### Note No:3 Long Term Borrowings

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Secured Loans</b>		
Vehicle Loans	6,459,229	6,750,403
Term Loans (Hypothecation of Equipment, Commercial Property, Corporate Guarantee and Personal guarantee of the Promoter of the Company. Details given in Note No.28)	283,843,168	11,728,418
<b>Unsecured Loans</b>		
From Related Parties	122,852,519	56,932,091
<b>Total Long Term Borrowings</b>	<b>413,154,916</b>	<b>75,410,912</b>

### Note No:4 Deferred Tax Liability

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Opening Deferred tax Liability	46,174,759	29,438,033
Add: Deferred Tax Liability for the year (Due to SLM & WDV Difference)	16,689,438	5,873,369
<b>Gross Deferred Tax Liability</b>	<b>62,864,197</b>	<b>35,311,402</b>
Less : Provision for Gratuity	(515,895)	(577,853)
Less : Leave Encashment	(11,159,354)	-
<b>Total Deferred Tax Liability</b>	<b>51,188,948</b>	<b>34,733,549</b>

### Note No:5 Long Term Provision

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Provision for Gratuity	8,228,269	5,439,648
<b>Total Long Term Provisions</b>	<b>8,228,269</b>	<b>5,439,648</b>

## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No:6 Short Term Borrowings

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Secured Loans</b>		
a) From Banks (Collateral Security On Book Debts and Other Properties mentioned in Note No.28)	185,607,749	168,342,622
b) Term Loan Repayable during the year 2017-18	63,969,963	22,294,216
<b>Total Short Term Borrowings</b>	<b>249,577,712</b>	<b>190,636,839</b>

### Note No:7 Trade Payables

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Trade Payables	378,570,242	183,009,109
<b>Total Trade Payables</b>	<b>378,570,242</b>	<b>183,009,109</b>

### Note No:8 Short Term Provisions

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>a) Provisions for Employee Benefits</b>		
Provident Fund	1,706,309	1,110,381
ESI	76,207	140,339
Salaries	63,829,470	33,382,895
<b>b) Other</b>		
Audit Fee	157,500	156,750
Provision for Expenses	2,507,523	1,833,041
Statutory Liabilities	3,002,807	1,828,927
Income Tax	11,949,705	6,306,263
<b>Total Short Term Provisions</b>	<b>83,229,521</b>	<b>44,758,596</b>

## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No:9 Fixed Assets and Depreciation

Sl. No.	Particulars	Gross Block		As on March 31, 2017	Depreciation/Amortization		Total Depreciation	Net Block as on March 31, 2017	Net Block as on March 31, 2016
		As on April 1, 2016	Additions during the year		Dep. as on April 1, 2016	Depreciation for the year			
<b>I. TANGIBLE ASSETS</b>									
1	LAND	118,472,299	4,446,497	122,918,796	-	-	-	122,918,796	54,725,874
2	BUILDING	294,734,592	-	294,734,592	39,356,265	9,282,510	48,638,775	246,095,817	255,378,327
3	PLANT & MACHINERY	19,234,556	3,597,653	22,832,209	6,983,803	1,299,872	8,283,675	14,548,534	12,250,753
4	ELECTRICAL EQUIPMENT	43,441,073	406,306	43,847,379	19,016,447	5,365,015	24,381,462	19,465,917	20,152,309
5	OFFICE EQUIPMENT	36,465,058	7,868,529	44,333,587	28,419,763	3,013,535	31,433,298	12,900,289	7,293,407
6	COMPUTERS	191,801,172	40,461,460	232,262,632	81,067,673	51,397,404	132,465,077	99,797,554	96,696,122
7	FURNITURE	166,933,844	12,643,789	179,577,633	77,738,100	15,798,866	93,536,965	86,040,668	71,277,896
8	VEHICLES	36,443,429	145,135	36,588,564	21,830,251	2,720,898	24,551,149	12,037,415	12,299,661
9	MEDICAL EQUIPMENT	76,265,004	489,406,827	565,671,831	17,327,724	39,469,874	56,797,598	508,874,233	-
	<b>Sub Total (a)</b>	<b>983,791,026</b>	<b>558,976,196</b>	<b>1,542,767,223</b>	<b>291,740,026</b>	<b>128,347,975</b>	<b>420,088,001</b>	<b>1,122,679,222</b>	<b>530,074,347</b>
<b>II. INTANGIBLE ASSETS</b>									
	SOFTWARE	103,400,104	5,200,711	108,600,814	57,745,586	11,386,188	69,131,774	39,469,040	45,654,517
	PRODUCT DEVELOPMENT	342,449,439	52,400,000	394,849,439	232,784,905	21,879,633	254,664,538	140,184,901	109,664,534
	GOODWILL ON AMALGAMATION	-	477,930,748	477,930,748	-	15,931,025	15,931,025	461,999,723	-
	<b>Sub Total (b)</b>	<b>445,849,543</b>	<b>535,531,459</b>	<b>981,381,001</b>	<b>290,530,491</b>	<b>49,196,846</b>	<b>339,727,337</b>	<b>641,653,664</b>	<b>155,319,051</b>
<b>III. CAPITAL WORK IN PROGRESS</b>									
	<b>Sub Total (c)</b>	<b>-</b>	<b>14,867,921</b>	<b>14,867,921</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,867,921</b>	<b>-</b>
	<b>GRAND TOTAL (a+b+c)</b>	<b>1,429,640,569</b>	<b>1,109,375,576</b>	<b>2,539,016,145</b>	<b>582,270,518</b>	<b>177,544,821</b>	<b>759,815,339</b>	<b>1,779,200,806</b>	<b>685,393,399</b>

## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No:10 Non Current Investments

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>1) Investment in Subsidiaries</b>		
a) Wholly owned Subsidiaries		
Ksoft Systems Inc	4,591,087	4,591,087
Qfund Technologies Pvt. Ltd.	100,000	100,000
Virinchi Learning Private Ltd	10,800,000	10,800,000
Virinchi Media & Entertainment Pvt Ltd	100,000	100,000
Tyohar Foods Pvt Ltd	100,000	100,000
Virinchi Infra & reality Pvt Ltd	100,000	100,000
Virinchi Health Care Pvt Ltd	329,100,000	329,000,000
Tensor Fields Consultancy Services Pvt Ltd	100,000	100,000
Virinchi Combinatorics & Systems Biology Pvt Ltd	100,000	-
b) Other Subsidiaries		
51% Holding in Asclepius Consulting & Technologies Pvt Ltd	3,000,000	3,000,000
	<b>348,091,087</b>	<b>347,891,087</b>
<b>2) Trade Investments</b>		
a) Investment in Equity Instrument		
Quoted (400 Shares of Canara Bank)	14,000	14,000
b) Investment in Mutual funds	-	-
Canara Robeco Mutual Funds	1,350,000	1,250,000
c) Investment in Shri Ram Chits	4,778,325	-
	<b>6,142,325</b>	<b>1,264,000</b>
<b>Total Non Current Investments</b>	<b>354,233,412</b>	<b>349,155,087</b>

### Note No:11 Long Term Loans & Advances

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Security Deposits</b>	25,364,118	4,039,787
(Details of Security Deposits given in Note No.30)		
<b>Total Long Term Loans &amp; Advances</b>	<b>25,364,118</b>	<b>4,039,787</b>

### Note No:12 Other Non Current Assets

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Unamortized Expenses	2,035,951	-
<b>Total Non - Current Assets</b>	<b>2,035,951</b>	<b>-</b>

### Note No:13 Inventory

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Stock - in - Trade</b>		
Pharmacy	2,806,244	-
<b>Total Inventories</b>	<b>2,806,244</b>	<b>-</b>

## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No:14 Short Term Loans and Advances

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
a) Deposits		
Unsecured, Considered Good	567,072	-
b) Loans and Advances to related parties and Others		
Unsecured, Considered Good	277,459,224	139,448,143
<b>Total Short Term Loans &amp; Advances</b>	<b>278,026,296</b>	<b>139,448,143</b>

### Note No:15 Trade Receivables

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Outstanding for a period not exceeding six months from the date they are due for payment		
Unsecured, Considered Good	254,065,283	159,811,125
<b>Total Trade Receivables</b>	<b>254,065,283</b>	<b>159,811,125</b>

### Note No:16 Cash and Cash Equivalents

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
a) Balance with Banks		
On Current Accounts	4,108,996	3,218,746
b) Cash on hand	256,538	201,311
<b>Sub Total</b>	<b>4,365,534</b>	<b>3,420,057</b>
<b>Other Bank Balances</b>		
On Deposit Accounts		
12 Months from date of deposit	42,816,394	95,597,106
<b>Sub Total</b>	<b>42,816,394</b>	<b>95,597,106</b>
<b>Total Cash and Cash Equivalents</b>	<b>47,181,928</b>	<b>99,017,164</b>

### Note No:17 Other Current Assets

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
a) Salary and Travel Advances	14,361,913	13,309,190
b) Deferred Financial Charges	2,667,061	2,521,628
c) TDS Receivable	8,152,483	7,269,596
d) Other Current Assets	7,392,793	1,218,888
	<b>32,574,250</b>	<b>24,319,302</b>

## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No:18 Revenue From Operations

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Revenue from Services	1,344,266,818	986,381,387
(b) Pharmacy Sale	29,858,799	-
(c) Revenue from E-governance Project	14,436,727	57,153,574
<b>Total Revenue from Operations</b>	<b>1,388,562,345</b>	<b>1,043,534,961</b>

### Note No:19 Other Income

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Interest	7,496,120	10,054,519
(b) Rent	3,000,000	3,004,200
<b>Total Other Income</b>	<b>10,496,120</b>	<b>13,058,719</b>

### Note No:20 Pharmacy Division

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Pharmacy Purchases	19,848,876	-
(b) Discounts and Disallowances	4,227,625	-
<b>Total Trade Purchases</b>	<b>24,076,501</b>	<b>-</b>

### Note No:21 Change in Inventory

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Stock in trade</b>		
Stock in trade at the beginning of the year	6,920,554	-
Less : Stock in trade at the end of the year	2,806,244	-
<b>(Increase) / Decrease in Inventories</b>	<b>4,114,310</b>	<b>-</b>

### Note No:22 Employee Benefit Expenses

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Salaries & Wages	376,987,142	248,080,916
(b) ESOPS	8,811,000	-
(c) Contribution to Employees Provident & Other Fund	15,416,856	9,571,069
(d) Staff Welfare Expenses	9,389,235	8,361,985
<b>Total Employee Benefit Expenses</b>	<b>410,604,233</b>	<b>266,013,970</b>

## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No:23 Other Operating Expenses

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Power & Fuel	18,633,604	8,729,786
(b) Rent	15,748,646	6,453,694
(c) Repairs and Maintenance	761,580	136,865
(d) Insurance	1,959,677	3,628,472
(e) Other Operating Expenses	9,465,926	5,051,480
(f) Payment to Auditors:		
(i) As Auditor	150,000	178,332
<b>Total Other Operating Expenses</b>	<b>46,719,432</b>	<b>24,178,629</b>

### Note No:24 Administrative Expenses

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Telephone, Postage and Others	4,067,912	3,828,201
(b) Marketing and Business Expenses	113,717,723	99,656,831
(c) Conveyance	1,813,474	953,671
(d) Office Maintenance	85,335,498	51,689,702
(e) Printing & Stationery Expenses	2,989,933	1,706,496
(f) Rates & Taxes	796,997	-
(g) Managerial Remuneration	2,829,958	2,745,835
(h) Consultancy Charges and Other Subcontracting Expenses	252,944,414	324,233,543
<b>Total Administrative Expenses</b>	<b>464,495,910</b>	<b>484,814,279</b>

### Note No:25 Financial Costs

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Interest Expenses:		
- Interest on Term Loan and Working Capital	39,006,881	13,066,921
- Interest on Vehicle Loans	568,225	965,888
(b) Applicable net gain/loss on foreign currency translations	17,036,043	7,742,942
<b>Total Finance Cost</b>	<b>56,611,149</b>	<b>21,775,751</b>

### Note No:26 Other Expenses

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Travelling and Visa Expenses	58,719,004	64,129,921
(b) Vehicle Maintenance	8,513,416	7,712,050
(c) Internet Charges	1,410,980	1,827,466
(d) Other Administrative Expenses	5,770,541	23,417,871
<b>Total Other expenses</b>	<b>74,413,941</b>	<b>97,087,308</b>

## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No: 27

During the year company has acquired M/s. Bristlecone Hospitals Private Limited

The Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh approved the scheme of amalgamation between M/s. Virinchi Limited (Transferee Company) and M/s. Bristlecone Hospitals Private Limited (Transferor Company) with effect from 1st April 2016 vides Order dated December 13, 2016.

The Order states that M/s. Virinchi Limited (Formerly known as Virinchi Technologies Limited)(Transferee Company) shall issue shares to Shareholders of M/s. Bristlecone Hospitals Private Limited(Transferor Company) as per approved Scheme of Amalgamation

In compliance with the aforesaid Order the company has allotted 85,65,000 shares of Rs. 10 each to shareholders of M/s. Bristlecone Hospitals Private Limited (Transferor Company), the details are as follows:

Sl. No.	Name of the Shareholder	No. of Shares allotted
1	Kompella Viswanath	42,39,675
2	Kompella MadhaviLatha	11,13,450
3	Lopa Mudra Kompella	10,70,625
4	Rama Krishna Paramahamsa Kompella	10,70,625
5	Modini Kompella	10,70,625
	<b>Total</b>	<b>85,65,000</b>

Comparative figures do not include the figures of erstwhile Bristlecone Hospitals Pvt Ltd which is amalgamated with the Company with effect from April 1, 2016. Consequently, the comparative figures are not comparable with the figures for the year ended March 31, 2017.

### Note No: 28

#### Hypothecation of Equipment, Commercial Property and Personal guarantee of the Promoter of the Company (Details for Note No.3)

##### Hypothecations of Equipment:

Fixed and Exclusive charge over the Medical Equipment financed by

- M/s. Siemens Financial Services Pvt Ltd
- M/s. De Lage Landen Financial Services India Private Limited

**Details of Commercial Property:** 875sq yards open land at Road.No.1 Banjara hills.

**Corporate Guarantee:** M/s.Virinchi Healthcare Pvt Ltd

**Personal Guarantee:** Mr. Viswanath Kompella

### Note No: 29

Details of Property Offered as Primary Security and Collateral Security:

#### Primary Security:

EMT on property located at Pothaipally Village in Shamirpet Mandal, R.R.District:

- (a) Land: Acres 3 and 36 guntas
- (b) Building in SY.No.121
- (c) 1st Charge on P&M, Electrical & Office equipment, computers, furniture

#### Collateral Security:

- EMT on property located at Flat No.608, Lingapur Plaza, Himayathnagar owned by Mr.Viswanath Kompella
- Pledge of two KDR's worth Rs. 50 Lakhs
- EMT of factory land measuring 1 acre 36.5 guntas at survey no.441, Hakimpet Village in Shamirpet Mandal, R.R.District



## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No: 30

#### Details of Security deposits referred in Note No. 11

Nature of Deposit	Amount in ₹
Electricity Deposit	2,360,812
Telephone Deposit	190,572
Rent Deposit	22,712,734
E Governance Deposit	100,000
<b>Total of Secured Deposits</b>	<b>25,364,118</b>

### Note No:31

(Amount in ₹)

Particulars	Current Year	Previous Year
Directors Remuneration	28,29,958	27,45,835

### Note No:32

(Amount in ₹)

Particulars	Current Year	Previous Year
Auditors Remuneration	1,50,000	1,78,332

### Note No:33

The Company has identified Business Segments which comprise Development of Computer Software and Services, Healthcare Services, IT Enabled Services and Infrastructure and Real Estate Services.

Revenue and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to specific segment have been allocated on the basis of associated revenue of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

#### Standalone Segment Information for the year ended 31st March, 2017

(₹ in Lacs)

Sl. No.	Description	Year ended March 31, 2017	Year ended March 31, 2016
<b>I</b>	<b>Segment Revenue</b>		
	Software Product Revenues	9,246.09	8,554.25
	Software Services Revenues	1,645.85	1,309.56
	Health Care Services	2,793.45	0.00
	IT Enabled Services	170.25	571.54
	Infrastructure and Real Estate Services	30.00	30.00
	<b>Net sales/income from Operations</b>	<b>13,885.64</b>	<b>10,465.35</b>
<b>II</b>	<b>Segment Result</b>		
	Software Product Revenues	1,109.94	498.67
	Software Services Revenues	148.13	144.05
	Health Care Services	551.77	30.00
	IT Enabled Services	23.83	10,465.35
	Infrastructure and Real Estate Services	30.00	0.00
	<b>Total</b>	<b>1,863.67</b>	<b>722.74</b>
	Interest Expenditure	(566.11)	(217.76)
	Other un-allocable Income net off un-allocable Expenditure	104.96	100.59
	<b>Total Profit Before Tax</b>	<b>1,402.52</b>	<b>605.57</b>

## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No: 34 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:

#### 1. Wholly Owned Subsidiaries

Sl. No.	Name of the Subsidiary	Amount in ₹
1	Qfund Technologies Pvt. Ltd.	100,000
2	KSoft Systems Inc	45,91,087
3	Virinchi Media & Entertainment Pvt. Ltd	1,00,000
4	Virinchi Learning Pvt. Ltd.	1,08,00,000
5	Tyohar Foods Pvt Ltd	1,00,000
6	Virinchi Infra & Realty Pvt Ltd	1,00,000
7	Virinchi Health Care Pvt Ltd	32,91,00,000
8	Tensor Fields Consultancy Services Pvt Ltd	1,00,000
9	Virinchi Combinatorics & Systems Biology Pvt Ltd	1,00,000

#### 2. Other Subsidiaries – controlling interest

Sl. No.	Name of the Subsidiary	Amount in ₹
1	Asclepius Consulting & Technologies Pvt Ltd	30,00,000

### Note No: 35 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	(Amount in ₹)	
	2016-17	2015-16
Profit available for the equity share holders	11,41,59,728	41,761,638
No. of equity shares outstanding for EPS-Basic	2,66,84,550	1,79,86,050
No. of equity shares outstanding of EPS-Diluted	2,66,84,550	1,79,86,050
Basic	4.28	2.32
Diluted	4.28	2.32

### Note No: 36

Foreign Currency Outflow during the year of Rs14.36Crores.

### Note No: 37

Operational revenue received in foreign currency during the year is Rs.74.46Crores.

### Note No: 38

There are no dues to SSI Units outstanding for more than 45 days.

## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No: 39

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

### Note No: 40 Related Party Transactions

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of Company at large.

#### Related Party Disclosures

The followings are the list of related parties:

##### a) Subsidiary Companies:

1. Qfund Technologies Pvt. Ltd.
2. KSoft Systems Inc
3. Virinchi Media & Entertainment Pvt. Ltd
4. Virinchi Learning Pvt. Ltd.
5. Tyohar Foods Pvt Ltd
6. Virinchi Infra & Realty Pvt Ltd
7. Virinchi Health Care Pvt Ltd
8. Tensor Fields Consultancy Services Pvt Ltd
9. Virinchi Combinatorics & Systems Biology Pvt Ltd
10. Asclepius Consulting & Technologies Pvt Ltd

##### b) Key Management Personnel:

S. No.	Name	Designation
1	SANTHI PRIYA	CFO & Whole Time Director
2	SRI KALYAN KOMPELLA	Whole Time Director
3	RAVINDRANATH TAGORE KOLLI	Company Secretary

##### c) Other Related Party:

1. Vivo Bio Tech Ltd

#### The followings are the Related Party Transactions:

(Amount in ₹)

Name of the related Party	Nature of transaction	Current Year	Previous Year
G SanthiPriya	Remuneration	18,00,000	18,00,000
Sri Kalyan Kompella	Remuneration	10,29,958	9,45,835
K Soft Systems Inc	Consultancy charges	12,55,99,482	266,909,980
Vivo Bio Tech Ltd	Lease Rental Income	30,00,000	30,00,000

## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No: 41

#### Disclosure on specified bank notes:

During the year, the company has specified bank notes (SBNs) or the other denomination notes as defined in the MCA notification, G.S.R 308(E), dated 30th March 2017. The details of SBNs held and transacted during the period from 8th November 2016 to 30th December 2016, the denomination wise SBNs and other notes as per the notification are as follows:

(Amount in ₹)

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 8th November 2016	0	1,73,791	1,73,791
ADD: Permitted receipts	0	1,95,000	1,95,000
LESS: Permitted payments	0	91,496	91,496
LESS: Amount deposited in banks	0	2,00,000	2,00,000
Closing cash in hand as on 30th December 2016	0	77,295	77,295

### Note No: 42

Previous figures have been regrouped wherever necessary and the figures have been rounded off to the nearest rupee.

As per Our Report of Even Date

For **P. Murali & Co.**

*Chartered Accountants*

Firm Registration No. 007257S

**P. Murali Mohana Rao**

*Partner*

Membership No. 023412

Place : Hyderabad

Date: 22.05.2017

For and on behalf of the Board

For **Virinchi Limited**

**M. Santhi Priya**

*CFO & Whole Time Director*

DIN: 03114319

**K. Ravindranath Tagore**

*Company Secretary*

M.No. A18894

**K. Sri Kalyan**

*Whole Time Director*

DIN: 03137506

# Consolidated Financial Section

## Independent Auditor's Report

To  
The Members of Virinchi Limited  
(Formerly known as Virinchi Technologies Ltd)

### Report on the Consolidated Financial Statements

We have audited the accompanying standalone financial statements of Virinchi Limited (Formerly known as Virinchi Technologies Ltd) ("the Holding Company") and its Subsidiaries, (Collectively referred to as the "company or the Group") comprising the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the Consolidated financial statements).

### Management's Responsibility for the Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') 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 the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with rule 7 of Companies (Accounts) Rules, 2014. The Board of Directors of the Company is responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which has been used for the purpose of preparation of the consolidated financial statements by the Directors of Holding Company, as aforesaid.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the rules made there under including the accounting standards and matters which are required to be included in audit report. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 financial control relevant to the Company's preparation 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 the Holding Company's Board of Directors, 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 on the standalone financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated 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 of the state of affairs of the Company as at 31st March 2017, and their Consolidated profit and their Consolidated 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, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters Specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we further report that:
  - a) we have sought and 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 the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) in our opinion, the aforesaid standalone financial statements comply with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014.
  - e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in 'Annexure A' and
  - g) With respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The consolidated financial statements disclose the impact, if any, of pending litigations as at 31st march, 2017 on the consolidated financial positions of the group, its associated and jointly controlled entities.
    - ii. The Group company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There has been no amounts that are required to be transferred, to the Investor Education and Protection Fund by the holding and subsidiary company during the year ended 31st March 2017.

For **P. Murali & Co.**,  
Chartered Accountants  
Firm Registration No : 007257S

**P. Murali Mohana Rao**  
Partner  
Membership No. 023412

Place: Hyderabad  
Date: 22nd May, 2017

## Annexure A to the Independent Auditor's Report

### Report on the Internal Financial Controls under clause (i) of the Sub-section 3 of the Section 143 of the Companies Act, 2013 ('The Act')

In conjunction with our audit of the consolidated financial statements of the company as of and for the year ended 31st March 2017, We have audited the internal financial controls over financial reporting of Virinchi Limited (Formerly known as Virinchi Technologies Ltd) ('the holding company') and its subsidiary which are incorporated in India as of 31st March 2017.

#### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting based on our Audit. We conducted our audit in accordance with the Guidance note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an Audit of Internal Financial Controls, both applicable to an audit of Internal Financial Controls and both issued by the ICAI. These standards and guidance note require that we comply with ethical requirements and plan and performed the audit to obtain reasonable assurance about whether adequate

internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our Audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the Auditor's Judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion and the company's internal financial control system over financial reporting.

#### Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes these policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted principles, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection



of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

#### **Inherent Limitation of Internal Financial Controls over Financial Reporting**

Because of the inherent limitation of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, Projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, the holding company and its subsidiary company, which are companies incorporated in India, in all material respects, an adequate internal financial controls

system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31st, 2017, based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute Of Chartered Accountants of India.

For **P. Murali & Co.,**  
*Chartered Accountants*  
Firm Registration No : 007257S

Place: Hyderabad  
Date: 22nd May, 2017

**P. Murali Mohana Rao**  
*Partner*  
Membership No. 023412

**Consolidated Balance Sheet** as at March 31, 2017

(Amount in ₹)

Particulars	Note No	As at March 31, 2017	As at March 31, 2016
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	266,748,102	179,860,500
(b) Reserves and Surplus	2	1,801,017,502	1,056,585,379
<b>(2) Non-Current Liabilities</b>			
(a) Long-Term Borrowings	3	1,182,317,187	884,032,175
(b) Deferred Tax Liabilities	4	88,459,095	38,611,134
(c) Long Term Provision	5	10,662,957	5,856,786
<b>(3) Current Liabilities</b>			
(a) Short Term Borrowings	6	402,224,530	219,467,947
(b) Trade Payables	7	272,234,510	124,387,606
(c) Short Term Provisions	8	154,392,320	135,871,532
<b>Total</b>		<b>4,178,056,202</b>	<b>2,644,673,061</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	9	2,446,895,044	1,187,462,385
(ii) Intangible assets	9	715,802,285	240,810,533
(iii) Capital Work in progress		32,748,567	174,920,417
(b) Non Current Investments	10	7,242,325	5,723,550
(c) Long Term Loans and Advances	11	82,860,704	45,546,358
(d) Other Non-Current assets	12	6,671,162	-
<b>(2) Current assets</b>			
(a) Inventories	13	79,454,482	-
(b) Short Term Loans and Advances	14	239,475,069	140,807,743
(c) Trade Receivables	15	419,452,646	540,813,852
(d) Cash and Cash Equivalents	16	112,484,682	271,603,612
(e) Other Current Assets	17	34,969,237	36,984,611
<b>Total</b>		<b>4,178,056,202</b>	<b>2,644,673,061</b>

## NOTES TO FINANCIAL STATEMENTS &amp; SIGNIFICANT ACCOUNTING POLICIES

Notes referred to above form an integral part of the accounts  
As per Our Report of Even Date

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

**P. Murali Mohana Rao**  
Partner  
Membership No. 023412

Place : Hyderabad  
Date: 22.05.2017

For and on behalf of the Board

For **Virinchi Limited**

**M. Santhi Priya**  
CFO & Whole Time Director  
DIN: 03114319

**K. Ravindranath Tagore**  
Company Secretary  
M.No. A18894

**K. Sri Kalyan**  
Whole Time Director  
DIN: 03137506

## Consolidated Statement of Profit & Loss for the year ended March 31, 2017

(Amount in ₹)

Particulars	Note No	Year ended March 31, 2017	Year ended March 31, 2016
<b>1. Revenue from operations</b>	18	2,866,776,438	2,183,387,009
<b>2. Other Income</b>	19	19,234,240	21,278,971
<b>3. Total Revenue (1+2)</b>		<b>2,886,010,679</b>	<b>2,204,665,980</b>
<b>4. Expenses:</b>			
a) Purchases		131,746,355	1,161,725
b) Increase/decrease in stock		(72,533,928)	40,000
c) Employee benefit expense	20	1,228,832,209	927,105,735
d) Other operating expenses	21	177,238,521	114,756,855
e) Administrative Expenses	22	655,362,875	721,599,647
f) Financial costs	23	115,119,841	30,290,309
g) Depreciation and amortization	9	247,366,123	120,702,941
h) Amotrization	9	246,823	-
i) Other expenses	24	107,540,397	107,497,848
<b>Total Expenses</b>		<b>2,590,919,215</b>	<b>2,023,155,060</b>
<b>5. Profit before tax (3- 4)</b>		<b>295,091,464</b>	<b>181,510,921</b>
<b>6. Tax expense:</b>			
(a) Current tax		12,977,572	13,791,522
(b) Prior Period		9,128,338	
(c) Deferred tax Liability/(Asset)		37,030,972	5,663,976
<b>7. Profit for the period (5 - 6)</b>		<b>235,954,582</b>	<b>162,055,423</b>
<b>8. Earning per equity share:</b>			
(1) Basic		8.84	9.02
(2) Diluted		8.84	9.02

### NOTES TO FINANCIAL STATEMENTS & SIGNIFICANT ACCOUNTING POLICIES

Notes referred to above form an integral part of the accounts

As per Our Report of Even Date

For and on behalf of the Board

For **P. Murali & Co.**

For **Virinchi Limited**

Chartered Accountants

Firm Registration No. 007257S

**P. Murali Mohana Rao**

Partner

Membership No. 023412

**M. Santhi Priya**

CFO & Whole Time Director

DIN: 03114319

**K. Sri Kalyan**

Whole Time Director

DIN: 03137506

**K. Ravindranath Tagore**

Company Secretary

M.No. A18894

Place : Hyderabad

Date: 22.05.2017

**Consolidated Cash Flow Statement** for the year ended March 31, 2017

(₹ in Lacs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit/ (Loss) before taxation and extraordinary items	2,950.91	1,815.11
Adjustments for:		
Depreciation	2,473.66	1,207.03
W/o. Expenses	2.47	-
Interest expenses	1,151.20	302.90
Operating Profit before Working Capital Changes	<b>6,578.24</b>	<b>3,325.04</b>
Working Capital Changes		
Trade and other receivables	(987.31)	(3,025.34)
Trade and Other payables	4,037.78	2,485.70
Cash Generated from Operations	<b>9,628.72</b>	<b>2,785.40</b>
Interest paid	(1,151.20)	(302.90)
Taxation for the year	(591.37)	(194.55)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>7,886.15</b>	<b>2,287.95</b>
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets	(17,946.85)	(9,319.78)
Investment	(15.19)	(38.60)
<b>Net Cash used in Investing Activities</b>	<b>(17,962.04)</b>	<b>(9,358.38)</b>
<b>C. Cash Flow From Financial Activities:</b>		
Proceeds from Equity Shares	5,501.84	2.50
Net Proceeds from Long Term Borrowings	2,982.85	7,302.33
<b>Net Cash used in Financing Activities</b>	<b>8,484.69</b>	<b>7,304.83</b>
Net increase in cash and cash equivalents	(1,591.20)	234.41
Cash and Cash equivalents as at 01.04.2016	2,716.04	2,481.63
Cash and Cash equivalents as at 31.03.2017	1,124.84	2,716.04

As per Our Report of Even Date

For **P. Murali & Co.**

Chartered Accountants

Firm Registration No. 007257S

**P. Murali Mohana Rao**

Partner

Membership No. 023412

Place : Hyderabad

Date: 22.05.2017

For and on behalf of the Board

For **Virinchi Limited****M. Santhi Priya**

CFO &amp; Whole Time Director

DIN: 03114319

**K. Ravindranath Tagore**

Company Secretary

M.No. A18894

**K. Sri Kalyan**

Whole Time Director

DIN: 03137506

## A. SIGNIFICANT ACCOUNTING POLICIES:

### 1. General:

- These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rule, 2014, till the standards of accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act 1956, shall continue to apply. Consequently these financial statements have been prepared to comply in all material aspects with the accounting standards notified under section 211(3C) of Companies Act, 1956 [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 2013.

All the assets and liabilities have been classified as current and noncurrent as per the companies' normal operating cycle and other criteria set out in schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalent, the company has ascertained its operating cycle to be 12 months for the purpose of current & noncurrent classification of assets and liabilities.

- Use of Estimates**

The preparation of Financial Statements in conformity with Generally Accepted Accounting Principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of income and expenses during the period.

- Principles Of Consolidation:** The financial statement of parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances, intra group transactions and the unrealised profits. The financial statements of the parent company and its subsidiaries have been consolidated using uniform accounting policies. The financial statements are prepared in accordance with the principles and procedures of required for preparation and presentation of Consolidated Financial Statements as laid down under the Accounting standard – 21 'Consolidated Financial Statements'.

The subsidiaries companies considered in the consolidated financial statements are:

Sl. No.	Name of the Subsidiary	% of holding
1	Qfund Technologies Pvt. Ltd	100%
2	KSoft Systems Inc	100%
3	Virinchi Media & Entertainment Pvt. Ltd	100%
4	Virinchi Learning Pvt. Ltd	100%
5	Tyohar Foods Pvt Ltd	100%
6	Virinchi Infra & Realty Pvt Ltd	100%
7	Virinchi Health Care Pvt Ltd	100%
8	Asclepius Consulting & Technologies Pvt Ltd	51%
9	Tensor Fields Consulting Services Pvt. Ltd	100%
10	Virinchi Combinatorics And Systems Biology Private Limited	100%

### 3. Cash and Cash Equivalents

Cash comprises Cash on hand and Demand Deposits with Banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated.

#### 4. Tangible and Intangible Assets

##### i) Tangible Fixed Assets

Tangible fixed assets are carried at the cost of acquisition or construction, less accumulated depreciation and impairment, if any. The cost of fixed assets includes taxes (other than those subsequently recoverable from tax authorities), duties, freight and other directly attributable costs related to the acquisition or construction of the respective assets. Direct costs are capitalized until fixed assets are ready for use.

##### ii) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment loss, if any. Profit or Loss on disposal of intangible assets is recognized in the Statement of Profit and Loss.

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.

##### iii) Capital work-in-progress

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

#### 5. Depreciation and Amortization:

- I. Effective 1st April, 2014, Company depreciates the Fixed Assets over the useful life in the manner prescribed in Schedule II of The Companies Act, 2013.
- II. Depreciation for additions to Fixed Assets of the Company is provided as per Schedule II of the Companies Act, 2013 on pro-rata basis.
- III. Individual assets acquired for less than Rs.5,000/-are entirely depreciated in the year of acquisition. Leasehold improvements are written off over the lower of, the remaining primary period of lease or the life of the asset.

#### 6. 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 consists 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) Income from Healthcare Services is recognised on completed service contract method. The hospital collections of the Company are net of discounts. Revenue also includes the value of services rendered pending final billing in respect of in-patients undergoing treatment.
- (VI) Pharmacy Sales are recognised when the risk and reward of ownership is passed to the customer and are stated net of returns.

#### 7. Foreign Exchange Transactions:

Transactions denominated in foreign currencies are recorded at the rate prevailing on the date of transactions.

- a) Monetary items denominated in foreign currencies at the year end are restated at year end rates.
- b) Non-monetary foreign currency items are carried at cost.
- c) In respect of foreign operations, which are non-integral operations, all assets and liabilities, other monetary and non-monetary, are translated at closing rate, which all income and expenses are translated at average rate for the year. The resulting exchange differences are included in the Profit and Loss Account.

#### 8. Investments

Investments are classified into current and long-term investments. Investments that are readily realizable and intended to

be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments.

Long term investments are stated at cost and provision for diminution is made if the decline in value is other than temporary in nature. Current investments are stated at lower of cost and fair value determined on the basis of each category of investments.

Cost of overseas investment comprises the Indian Rupee value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment.

**9. Gratuity:**

The Company has made a provision for gratuity to its 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.

**10. Related Party Disclosures :**

The Company furnishes the details of Related Party Disclosures as given in Para 23 and 26 as required by AS-18.

**11. Earnings per Share**

The Basic and Diluted Earnings Per Share (EPS) is computed by dividing the net profit after tax for the year by weighted average number of equity shares outstanding during the year.

**12. Taxes on Income**

To provide Current tax as the amount of tax payable in respect of taxable income for the period, measured using the applicable tax rates and tax laws.

To provide deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence, measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Not to recognize Deferred tax assets on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that there will be sufficient future taxable income available to realize such assets.

**13. Provisions, Contingent Liabilities and Contingent Assets**

The company creates the provisions where there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made for the amount of the obligation. A disclosure for contingent liability will be made when there is a possible obligation or present obligation that may, but probably, will not required the outflow of resources. Where, there is a possible obligation or present obligation in respect of which the likelihood of outflow of resources is remote, no provisions or disclosures will be made.

## Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2017

### Note No:1 Equity Share Capital

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>SHARE CAPITAL</b>		
<b>AUTHORISED :</b>		
40,000,000 Equity Share of Rs.10/- each (Current Year)	40,00,00,000	250,000,000
25,000,000 Equity Share of Rs.10/- each (Current Year)		
<b>ISSUED, SUBSCRIBED &amp; PAID UP SHARE CAPITAL :</b>		
(a) Subscribed & Fully Paid up :		
26684550 Equity Shares of Rs.10/- each	266,845,500	179,957,898
(b) Calls in Arrears	(97,398)	(97,398)
<b>Total Equity Share capital</b>	<b>266,748,102</b>	<b>179,860,500</b>

Reconciliation of Number of shares outstanding at the beginning and at the end of the Reporting Period	No. of Shares	No. of Shares
<b>Equity Shares of Rs.10 each, Fully Paid Up</b>		
At the Beginning	17,986,050	17,986,050
<b>Issued and Allotted During the Year</b>		
i) Allotment of shares pursuant to scheme of amalgamation between M/s. Virinchi Limited (Transferee Company) and M/s. Bristlecone Hospitals Private Limited (Transferor Company)	8,565,000	-
ii) Allotment of shares pursuant to VESOS, 2004	133,500	-
<b>At the End</b>	<b>26,684,550</b>	<b>17,986,050</b>

Details of Shareholder holding more than 5% shares of the Company	As at March 31, 2017 % of Share holding	As at March 31, 2016 % of Share holding
<b>Name of the Share Holder</b>		
1. Viswanath Kompella	25.51	14.28
No. of Shares - 68,07,975 (C.Y)		
No. of Shares - 25,68,300 (P.Y)		

### Note No:2 Reserves and Surplus

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>a) Securities Premium Reserve</b>		
As at the beginning of the year	253,718,978	253,718,978
Add: Additions during the Year	454,287,600	-
<b>Securities Premium at end of the Year</b>	<b>708,006,578</b>	<b>253,718,978</b>
<b>b) Share options outstanding</b>		
As at the beginning of the year	9,111,286	9,111,286
Add: Additions during the Year	9,008,398	-
<b>Share Options at end of the Year</b>	<b>18,119,684</b>	<b>9,111,286</b>
<b>c) Capital Reserve</b>	<b>163,584,164</b>	<b>118,402,622</b>
<b>d) Surplus :</b>		
Opening Balance - Profit and Loss Account	675,352,494	513,297,072
Add: Transfer from Profit & Loss Account	235,954,582	162,055,423
<b>Surplus at end of the Year</b>	<b>720,459,173</b>	<b>675,352,494</b>
<b>Total Reserves and Surplus</b>	<b>1,801,017,502</b>	<b>1,056,585,379</b>



## Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2017

### Note No:3 Long Term Borrowings

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Secured Loans</b>		
Vehicle Loans (Hypothecation of Vehicles)	29,323,652	36,494,522
Term Loans (Hypothecation of Medical equipment, Commercial Property, Corporate Guarantee and Personal Guarantee of the Promoter of the Company)	1,079,803,023	614,888,998
<b>Unsecured Loans</b>		
From Related Parties	73,190,512	232,648,655
<b>Total Long Term Borrowings</b>	<b>1,182,317,187</b>	<b>884,032,175</b>

### Note No:4 Deferred Tax Liability

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Opening Deferred tax Liability	50,037,630	32,947,157
Add: Deferred Tax Liability for the year (Due to SLM & WDV Difference)	50,096,714	6,241,829
Less : Provision for Gratuity	(515,895)	(577,853)
Less : Leave Encashment	(11,159,354)	-
<b>Closing Deferred Tax Liability</b>	<b>88,459,095</b>	<b>38,611,134</b>

### Note No:5 Long Term Provision

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>a) Provisions for employee benefits</b>		
- Provision for Gratuity	10,662,957	5,856,786
<b>Total Long Term Provisions</b>	<b>10,662,957</b>	<b>5,856,786</b>

### Note No:6 Short Term Borrowings

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>a) Loans repayable on demand:</b>		
From banks		
Secured (Hypothecation of Machinery such as Computers, Furniture and Fixtures, Office Equipment and Airconditioners and personal guarantee of the Director of the Company)	302,552,272	176,626,896
b) Term Loan Repayable during the year 2017-18	99,397,242	22,294,216
c) Others	275,016	20,546,835
<b>Total short term borrowings</b>	<b>402,224,530</b>	<b>219,467,947</b>

### Note No:7 Trade Payables

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
a) Trade Payables	272,234,510	124,387,606
<b>Total Trade Payables</b>	<b>272,234,510</b>	<b>124,387,606</b>

## Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2017

### Note No:8 Short Term Provisions

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>a) Provisions for employee benefits</b>		
Provident Fund	5,492,622	1,220,145
Salaries	102,699,294	106,156,961
<b>b) Others</b>		
<b>Statutory Liabilities</b>		
Income Tax	12,590,723	6,598,235
TDS	5,976,130	4,735,796
Service Tax	100,855	105,193
ESI	301,805	140,339
<b>Provision for Expenses</b>		
Rent	2,286,648	840,475
Audit Fee	328,225	264,833
Commercial Taxes	541,107	48,900
Electricity Charges	4,154,807	764,760
Telephone Charges	59,961	114,758
Interest	7,852,067	1,231,586
Consultancy charges	11,333,215	13,649,551
Provision for Expenses	674,861	-
<b>Total short term provisions</b>	<b>154,392,320</b>	<b>135,871,532</b>

## Notes forming part of the Financial Statements for the year ended March 31, 2017

### Note No:9 Fixed Assets and Depreciation

Sl. No.	Particulars	Gross Block		As on March 31, 2017	Depreciation/Amortization		Net Block as on March 31, 2017	Net Block as on March 31, 2016
		As on April 1, 2016	Additions during the year		Dep. as on April 1, 2016	Depreciation for the year		
<b>I. TANGIBLE ASSETS</b>								
1	LAND	118,472,299	4,446,497	122,918,796	-	-	122,918,796	54,725,874
2	BUILDING	350,275,453	751,073,938	1,101,349,391	52,891,571	22,622,529	1,025,835,291	576,418,893
3	PLANT & MACHINERY	26,077,548	12,374,690	38,452,238	7,908,771	2,478,004	28,065,463	18,168,777
4	ELECTRICAL EQUIPMENT	88,939,714	41,240,612	130,180,326	19,032,418	9,082,605	102,065,303	64,843,127
5	OFFICE EQUIPMENT	42,159,604	8,903,502	51,063,106	30,088,389	3,756,365	17,218,352	12,124,738
6	COMPUTERS	253,747,707	45,806,061	299,553,768	108,638,557	60,990,045	129,925,165	125,052,832
7	FURNITURE	251,982,650	50,115,772	302,098,423	80,314,233	21,558,498	200,225,691	153,815,709
8	VEHICLES	65,075,275	145,135	65,220,410	24,143,349	5,880,474	35,196,586	38,553,268
9	MEDICAL EQUIPMENT	220,024,171	643,392,150	863,416,321	17,327,724	60,644,201	785,444,395	143,759,167
	<b>Sub Total (a)</b>	<b>1,416,754,422</b>	<b>1,557,498,357</b>	<b>2,974,252,779</b>	<b>340,345,013</b>	<b>187,012,722</b>	<b>2,446,895,043</b>	<b>1,187,462,385</b>
<b>II. INTANGIBLE ASSETS</b>								
	SOFTWARE	135,490,188	10,512,736	146,002,924	63,611,171	16,687,780	65,703,973	71,879,017
	PRODUCT DEVELOPMENT	410,727,177	52,901,668	463,628,845	247,795,661	2,7734,596	188,098,588	168,931,516
	GOODWILL ON AMORTIZATION	-	477,930,748	477,930,748	-	15,931,025	461,999,723	-
	<b>Sub Total (b)</b>	<b>546,217,365</b>	<b>541,345,152</b>	<b>1,087,562,517</b>	<b>311,406,831</b>	<b>60,353,401</b>	<b>715,802,284</b>	<b>240,810,533</b>
<b>III. CAPITAL WORK IN PROGRESS</b>								
	<b>Sub Total (c)</b>	<b>16,531,414</b>	<b>16,217,153</b>	<b>32,748,567</b>	<b>-</b>	<b>-</b>	<b>32,748,567</b>	<b>174,920,417</b>
	<b>GRAND TOTAL (a+b+c)</b>	<b>1,979,503,201</b>	<b>2,115,060,662</b>	<b>4,094,563,863</b>	<b>651,751,844</b>	<b>247,366,123</b>	<b>3,195,445,895</b>	<b>1,603,193,335</b>

## Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2017

### Note No:10 Non Current Investments

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Trade Investments</b>		
a) Investment in Equity Instrument		
Quoted (400 Shares of Canara Bank)	14,000	14,000
b) Investment in Mutual funds		
Canara Robeco Mutual Funds	1,350,000	2,350,000
c) Other Investments	5,878,325	3,359,550
<b>Total Non Current Investments</b>	<b>7,242,325</b>	<b>5,723,550</b>

### Note No:11 Long Term Loans and Advances

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
a) <b>Security Deposits</b>		
Secured	975,045	1,262,416
Unsecured	81,885,659	44,283,942
<b>Total Long term loans &amp; advances</b>	<b>82,860,704</b>	<b>45,546,358</b>

### Note No:12 Other Non Current Assets

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Unamortized Expenses	6,671,162	-
<b>Total Non - Current Assets</b>	<b>6,671,162</b>	<b>-</b>

### Note No:13 Inventory

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Stock - in - Trade</b>		
Pharmacy	79,454,482	-
<b>Total Inventories</b>	<b>79,454,482</b>	<b>-</b>

### Note No:14 Short Term Loans and Advances

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
a) <b>Deposits</b>		
Unsecured, Considered Good	854,443	-
b) <b>Loans and Advances to Others</b>		
Unsecured, Considered Good	238,620,626	140,807,743
<b>Total Short Term Loans &amp; Advances</b>	<b>239,475,069</b>	<b>140,807,743</b>

## Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2017

### Note No:15 Trade Receivables

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Outstanding for a period exceeding 6 months from the date they are due for payment unsecured, considered good		
Unsecured, Considered Good	419,452,646	540,813,852
<b>Total Trade Receivables</b>	<b>419,452,646</b>	<b>540,813,852</b>

### Note No:16 Cash and Cash Equivalents

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
a) Balance with Banks		
Current Accounts	7,051,159	37,410,572
b) Cash on hand	1,751,552	851,688
<b>Sub Total</b>	<b>8,802,711</b>	<b>38,262,260</b>
<b>Other Bank Balances</b>		
On Deposit Accounts		
12 Months from date of deposit	103,681,971	233,341,352
<b>Sub Total</b>	<b>103,681,971</b>	<b>233,341,352</b>
<b>Total Cash and Cash Equivalents</b>	<b>112,484,682</b>	<b>271,603,612</b>

### Note No:17 Other Current Assets

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Salary and Travel Advances	14,500,931	13,320,190
Deferred Financial Charges	2,667,061	12,445,915
TDS & Advance Tax	9,218,790	9,159,249
Mat Credit & Service Tax Input	920,887	2,059,256
Other Current Assets	7,661,568	-
<b>Total Other Current Assets</b>	<b>34,969,237</b>	<b>36,984,611</b>

### Note No:18 Revenue From Operations

(Amount in ₹)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Revenue from operations		
(a) Revenue from Services	2,775,067,048	2,123,283,935
(b) Pharmacy Sale	77,272,664	-
(c) Other Operating Revenues	14,436,727	60,103,074
<b>Total Revenue from Operations</b>	<b>2,866,776,438</b>	<b>2,183,387,009</b>

## Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2017

### Note No:19 Other Income

(Amount in ₹)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
(a) Interest income	15,764,089	16,882,052
(b) Other non-operating income	3,000,000	3,004,200
(c) Net gain/loss on foreign currency translation	(861,519)	595,635
(d) IT Excess provision	1,331,670	797,085
<b>Total Other Income</b>	<b>19,234,240</b>	<b>21,278,971</b>

### Note No:20 Employee Benefit Expenses

(Amount in ₹)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
(a) Salaries & Wages	1,175,048,776	905,542,900
(b) ESOPS	8,811,000	
(c) Contribution to Provident & Other Funds	24,550,674	9,947,227
(d) Staff Welfare Expenses	20,421,759	11,615,608
<b>Total Employee Benefit Expenses</b>	<b>1,228,832,209</b>	<b>927,105,735</b>

### Note No:21 Other Operating Expenses

(Amount in ₹)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
(a) Power & Fuel	45,680,161	11,223,266
(b) Rent	53,285,092	30,503,712
(c) Repairs & Maintenance	12,155,414	793,470
(d) Insurance	4,804,031	14,254,377
(e) Rates & Taxes	51,517,672	57,712,740
(e) Other Operating Expenses	9,465,926	
(f) Payment to Auditors:		
(i) As Auditor	330,225	269,290
<b>Total Other Operating Expenses</b>	<b>177,238,521</b>	<b>114,756,855</b>

### Note No:22 Administrative Expenses

(Amount in ₹)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
(a) Telephone, Postage and Others	16,022,638	9,759,683
(b) Business Promotion Expenses	132,570,901	110,336,092
(c) Conveyance	21,470,468	14,689,396
(d) Office Maintenance	101,621,146	61,608,682
(e) Printing & Stationery Expenses	3,033,091	1,706,496
(f) Managerial Remuneration	2,829,958	2,745,835
(g) Consultancy Charges and Subcontracting Expenses	377,814,671	520,753,462
<b>Total Administrative Expenses</b>	<b>655,362,875</b>	<b>721,599,647</b>

## Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2017

### Note No:23 Finance Costs

(Amount in ₹)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
(a) Interest Expenses :		
- Interest on Cash Credit/Term Loan	91,824,514	21,581,479
- Interest on Vehicle Loans	2,679,040	965,888
- Loan Processing Charges	3,580,244	-
(b) Applicable net gain/loss on foreign currency translations	17,036,043	7,742,942
<b>Total Finance Cost</b>	<b>115,119,841</b>	<b>30,290,309</b>

### Note No:24 Other Expenses

(Amount in ₹)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Travelling and Visa Expenses	62,070,000	64,129,921
Vehicle Maintenance	8,696,316	8,250,263
Internet Charges	1,410,980	1,827,466
Other Administrative Expenses	35,363,101	33,290,197
<b>Total Other expenses</b>	<b>107,540,397</b>	<b>107,497,848</b>

### Note No: 25 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.

### Note No: 26 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.

(Amount in ₹)

Particulars	2016-17	2015-16
Profit available for the equity share holders	2,35,954,582	16,20,55,423
No. of equity shares outstanding for EPS-Basic	26,684,550	1,79,86,050
No. of equity shares outstanding of EPS-Diluted	26,684,550	1,79,86,050
Basic	8.84	9.02
Diluted	8.84	9.02

### Note No: 27

There are no dues to SSI Units outstanding for more than 45 days.

### Note No: 28

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

### Note No: 29

#### Related Party Transactions

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of Company at large.

## Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2017

### Related Party Disclosures

#### a) Key Management Personnel:

S.NO.	NAME	Designation
1	M SANTHI PRIYA	CFO & Whole Time Director
2	K SRI KALYAN	Whole Time Director
3	K RAVINDRANATH TAGORE	Company Secretary

#### b) Other Related Party: 1. Vivo Bio Tech Ltd

The followings are the related party transactions:

Name of the related Party	Nature of transaction	Current year (Rs)	Previous year (Rs)
M Santhi Priya	Remuneration	18,00,000	18,00,000
K Sri Kalyan	Remuneration	9,45,835	6,75,000
K Soft Systems Inc	Consultancy charges	266,909,980	25,73,67,868
Vivo Bio Tech Ltd	Lease Rental Income	30,00,000	30,00,000

#### Note No: 30

Previous year's figures have been regrouped wherever necessary.

#### Note No: 31

The figures have been rounded off to the nearest rupee

As per Our Report of Even Date

For **P. Murali & Co.**

*Chartered Accountants*

Firm Registration No. 007257S

**P. Murali Mohana Rao**

*Partner*

Membership No. 023412

Place : Hyderabad

Date: 22.05.2017

For and on behalf of the Board

For **Virinchi Limited**

**M. Santhi Priya**

*CFO & Whole Time Director*

DIN: 03114319

**K. Ravindranath Tagore**

*Company Secretary*

M.No. A18894

**K. Sri Kalyan**

*Whole Time Director*

DIN: 03137506



## VIRINCHI LIMITED

8-2-672/5&6, 4th Floor, Ilyas Mohammed Khan Estate Road No.1,  
Banjara Hills Hyderabad.  
CIN: L72200TG1990TLC011104

### ATTENDANCE SLIP

SLIP DULY FILLED IN TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL

Regd Folio No:.....

No. of Shares held:.....

SHAREHOLDER'S NAME: Mr /Mrs/Ms.....  
(In Block Capitals)

#### IN CASE OF PROXY

NAME OF THE PROXY : Mr/ Mrs/Ms.....

I Certify that I am a Registered Shareholder / Proxy for the Registered Shareholder of the Company.

I hereby record my presence at the 28th Annual General Meeting of the Company to be held on Thursday, the 28th September, 2017 at 12.30 P.M. at 8-2-672/5&6, 3rd Floor, Ilyas Mohammed Khan Estate Road no.1, Banjara Hills Hyderabad, Telangana - 500 034.

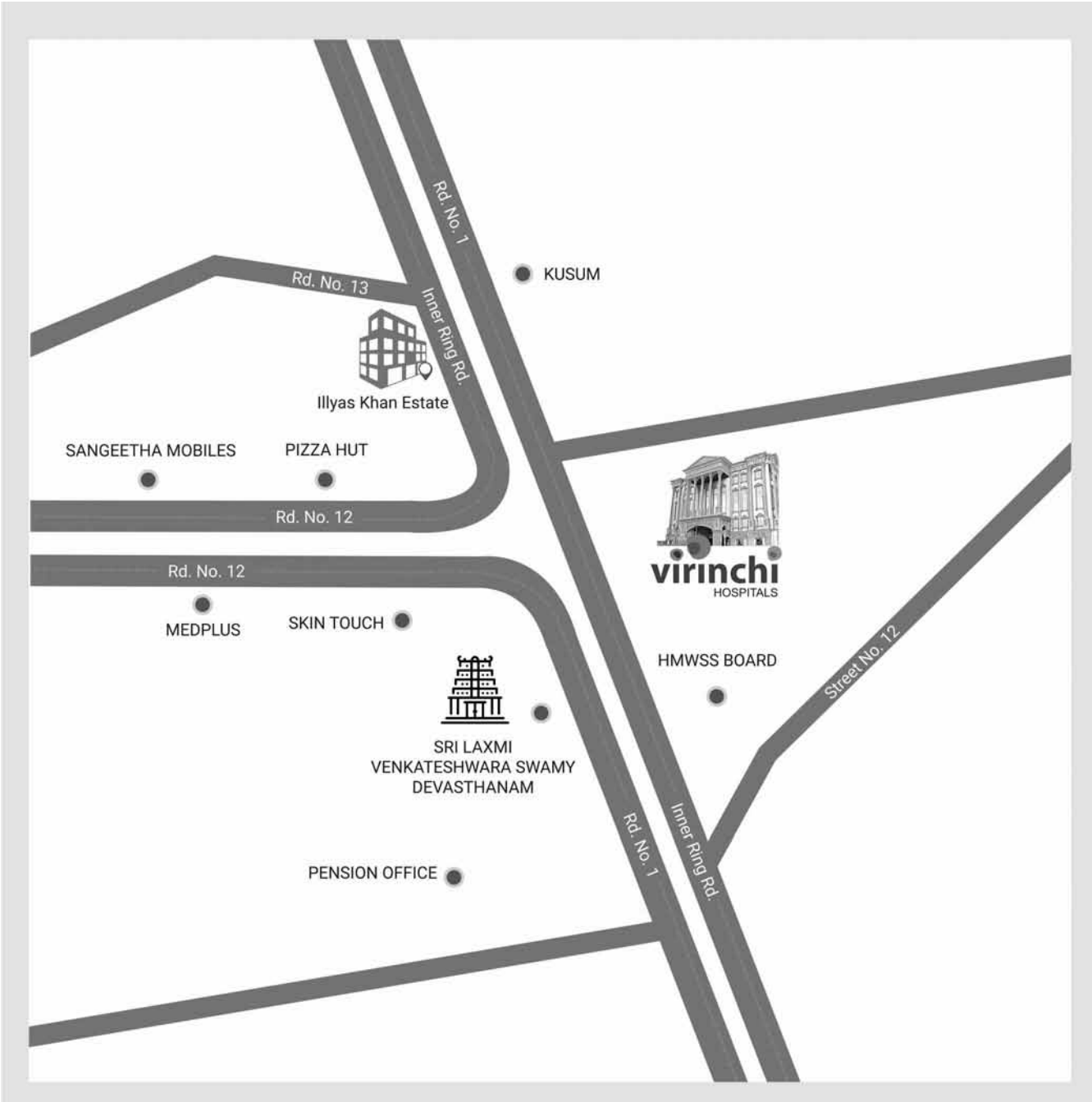
\_\_\_\_\_  
Member's / Proxy's Signature

#### Notes:

1. Please bring this Attendance Slip when you are attending the Meeting.
2. Please do not bring with you any person who is not a member of the Company'



# ROUTE MAP OF THE AGM VENUE



## VIRINCHI LIMITED

8-2-672/5&6, 4th Floor, Ilyas Mohammed Khan Estate Road No.1,  
Banjara Hills Hyderabad.  
CIN: L72200TG1990TLC011104

### MGT - 11 PROXY FORM

Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3)  
of the Companies (Management and Administration) Rules, 2014]

I/We, being the member(s) of \_\_\_\_\_ shares of the above named company, hereby appoint:

Name of the member (s):		Folio No./ Client Id No.:
Email Id:		Registered address:
		DP Id No.:
Name: Address: E-Mail Id: Signature: or failing him	Name: Address: E-Mail Id: Signature: or failing him	Name: Address: E-Mail Id: Signature:



as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 28th Annual General Meeting of the Company, to be held on Thursday the 28th day of September, 2017 at 12.30 P.M. at 8-2-672/5&6, 3rd Floor, Ilyas Mohammed Khan Estate Road no.1, Banjara Hills Hyderabad, Telangana-500034;resolutions as are indicated below:

S. No.	Resolutions	For	Against
1	Consider and adopt audited financial statements as at 31.03.2017 and statement of profit and loss accounts for the year ended and the reports of the board of Directors and Auditors		
2	To appoint a Director in place of Mr. K Sri Kalyan who retires by rotation, and being eligible, offers himself for re-appointment.		
3	To consider and approve appointment of . Chandra Babu Naidu & Co, Chartered Accountants as statutory auditors of the Company to hold office from the conclusion of this Annual General Meeting ("AGM") till the conclusion of the 33rd AGM to be held in the year 2022 (subject to ratification of their appointment at every AGM if so required under the Act )		
4	To Approve Grant of options to the employees of the company under Virinchi Employees Stock Option Scheme, 2016(VESOS, 2016)		
5	To rescind the resolution No.8, 9& 10 passed on 27th May, 2016 vide postal ballot notice dated 12th February, 2016		
6	Amendment of Virinchi Employees Stock Option Scheme		
7	Appointment of Ms. K. Kalpana as Director of the Company		
8	Appointment of Mr. M.V. Srinivasa Rao as Director of the Company		
9	Appointment of Ms. K. Kalpana as Independent Director		
10	Appointment of Mr. M.V. Srinivasa Rao as Executive Director of the company		

Signed this..... day of..... 2017.

\_\_\_\_\_  
Signature of shareholder:

\_\_\_\_\_  
Signature of Proxy holder(s):

Affix Rs.1/-  
revenue  
Stamp

**Note:** This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.





# Corporate Information

Viswanath Kompella

Founder

## Board of Directors

M. Santhi Priya  
K. Sri Kalyan  
Datuk Kunasingam Sittampalam  
Samad A. Momin  
K. Krishna  
M. Ramam  
M.V. Srinivasa Rao  
K. Kalpana  
K. Ravindranath Tagore

Chairperson & Whole Time Director  
Whole Time Director  
Independent and Non-Executive Director  
Independent and Non-Executive Director  
Independent and Non-Executive Director  
Independent and Non-Executive Director  
Additional Director  
Additional Director  
Company Secretary,  
Chief Investor Relations Officer & Compliance Officer

## Senior Leadership

Satyajeet Prasad  
M. Santhi Priya  
M. V. Srinivasa Rao  
Vishal Ranjan  
Sivaji Pendyala  
Neeraj Kumar  
Srinivas Myana  
Dr. NSW Murty  
K. Sri Kalyan

CEO  
Group CFO  
Group President  
CEO, Ksoft Systems Inc.  
COO  
Head of Sales & Services, North America  
CMO, Healthcare  
Medical Director, Healthcare  
Whole Time Director

## Registered office

8-2-672 / 5 & 6, 4th Floor  
Ilyas Mohammed Khan Estate  
Road #1, Banjara Hills  
Hyderabad ,Telangana ,500034  
Phone# 040-48199999  
E-mail: investors@virinchi.com  
Website: www.virinchi.com

## Bankers

Canara Bank  
IF Branch, Hyderguda,  
Hyderabad.

## Auditors

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

## Office Address in USA

Raritan Center Business Park, Building PCC-B  
266, Fernwood Ave, Edison, NJ-08837  
Phone# 7326962555, Fax# 732-783-0432

## 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  
Email: info@aarthicconsultants.com

If undelivered, please return to:



**Virinchi Limited**

8-2-672 / 5 & 6, 4th Floor  
Ilyas Mohammed Khan Estate  
Road #1, Banjara Hills  
Hyderabad ,Telangana ,500034