

Virinchi
Technologies Limited

Causing Systems
Perform Business



n minds, n! knowledge

20th
Annual Report
2008-09

www.virinchi.com

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Annual General meeting on Wednesday, September 30, 2009 at 11.00 a.m at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad – 500 026. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies to the Meeting.

BOARD OF DIRECTORS

Executive Directors

Shri. Viswanath Kompella
Shri. Anil Kumar Pinapala
Shri. Srinath Kompella
Shri. Jagan Mohan Rao Karpey
Shri. Srinivas Mahankali

Non-Executive Directors

Datuk Kunasingam V. Sittampalam
Datuk Santha Kumar
Shri Samad A. Momin
Dr.M.Venugopal
Dr. Ravi Chand

BOARD COMMITTEES

AUDIT COMMITTEE

Dr.Venugopal Chairman
Dr.Ravichand Member
Shri. Samad A. Momin Member
Shri.Viswanath Kompella Member

REMUNERATION COMMITTEE

Dr.Venugopal Chairman
Dr.Ravichand Member
Shri. Samad A. Momin Member
Datuk Kunasingam V. Sittampalam Member

INVESTORS GRIEVANCE COMMITTEE

Dr.Venugopal Chairman
Shri Viswanath Kompella Member
Shri Srinivas Mahankali Member

Ravindranath Tagore Kolli

Company Secretary

Bankers

M/s. Canara Bank
M/s. HDFC Bank Ltd
M/s. ICICI Bank Ltd

Auditors:

M/s. P. Murali & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad-500 082
Phone# (040)-23326666, 23312554

Registered Office and Development Centre:

10, SRK Colony,
West Marredpally
Secunderabad-500026
Ph Nos: 91-40-27803608, 27803610
Fax No: 91-40-27803612
Website: www.virinchi.com

Registrar and Share Transfer Agents:

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

Corporate Office:

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

Wholly Owned Subsidiary Company

M/s. KSoft Systems Inc.,
1000, Route# 34 Ste# 203
Matawan, NJ-07747
Phone# 1-732- 696-2556
Website: www.ksoftglobal.com

LETTER TO SHAREHOLDERS:

Dear Shareholder,

I am pleased to report that your company has demonstrated robustness and resilience in a very challenging environment with a strong annual performance for the year 2008-09.

The credit crisis that originated in U.S. has now morphed into a global recession. This has severely impacted businesses ability to obtain credit in the Developed economies and the resulting job loss has not been witnessed in decades. Customers in the markets in which we operate are cutting costs to overcome the impact on their businesses. Despite of this I am sure you share my sense of pride as your Company has witnessed yet another year of resilient performance, thanks to our capability to sustain superior performance over the years and emerge as a leader across industry vertical for software products and services.

Virinchi has been consistent in financial performance since its inception and has continued with the trend this year as well. The following highlights summarize the strong financial performance of your company. Year on Year Revenue growth has been consistent for the past 6 years.

Your company business model is based on building enduring relationships with clients. Your company has clients with whom we have worked for several years and have been together through economic upturns and downturns. This is one reason why we are able to sustain most relationship in this downturn. In order to strengthen these relationships, we are increasing our focus on new engagement models based on value-based pricing especially suitable for challenging times such as the current downtrend.

Your Company provides a comprehensive range of IT services, software solutions in the area of software design to leading companies worldwide. We use our development centers located in India, quality processes and global resource pool to provide cost effective IT solutions and deliver time-to-market and time-to development advantages to our clients.

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

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

We believe that a company is known by its people and at Virinchi, we have some of the best. During the last year Virinchi has added a number of such talented resources to its team taking the Global Human Resource strength to above 350 at the end of 2008-09. Skilled in cutting-edge technologies & knowledgeable in multiple domains, our team works together to create customer delight. Spread

across our three development centers— 24 per cent of our employees have more than 6 years of experience with Virinchi alone; 35 per cent have postgraduate degrees and 48 per cent are engineers. We have aligned our HR policies with our strategy of sustaining a high-technology & global business. These policies have been designed to enable scalability of our business and processes, while achieving a high level of ownership and involvement in our employees.

Growing presence in multiple markets is important for your Company to ensure diversification of its revenue base and ensuring sustainable growth.

I am pleased to inform that CRISIL has awarded Virinchi Technologies Ltd with SME 1 Rating. The SME 1 rating indicates “Highest level of creditworthiness, adjudged in relation to other SMEs. The rating given by CRISIL is valid till June 16th 2010

Fiscal 2009 witnessed several upheavals, natural, economic, and otherwise. While responding to these, Virinchi displayed its quiet indomitable spirit. A sense of achievement and satisfaction meets us as we put fiscal 2009 behind. We are confident of navigating through the economic uncertainty successfully. The short-term challenges have not impeded our pursuit of excellence, set for the long term. We, as ever, are single-minded on delivering enhanced value to our clients and employees. With increased investments in training our employees in multiple domains and technologies, and focus on new engagement models, we reiterate our promise for emerging stronger when the economic uncertainty ends.

I thank you all for the faith you rest on us and look forward to your continued support.

Sincerely

Srinivas Mahankali
Managing Director

NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the Members of the Company will be held on Wednesday , the 30th day of September, 2009, at 11.00 A.M. at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad – 500 026 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the year ended March 31, 2009; Balance Sheet as on that date along with the Schedules forming part of it, notes to accounts and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Datuk Santha Kumar, who retires by rotation
3. To appoint a Director in place of Dr. Samad A Momin who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT Dr. Ravi Chand, Who was appointed as an Additional Director of the company with effect from 17th January, 2009, who holds office under Section 260 of the Companies Act, 1956, up to the date of the ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

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

“RESOLVED THAT K. Jagan Mohan Rao, Who was appointed as an Additional Director of the company with effect from 2nd October, 2008, who holds office under Section 260 of the Companies Act, 1956, up to the date of the ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company

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

“RESOLVED THAT K. Srinath, Who was appointed as an Additional Director of the company with effect from 23rd July, 2009, who holds office under Section 260 of the Companies Act, 1956, up to the date of the ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company.”

8. **To Consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:**

“RESOLVED THAT Pursuant to the provisions of Section 198,269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956(hereinafter referred to as the “Act” which includes any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the company be and is hereby accorded to the appointment of Mr. Jagan Mohan Rao, as Whole Time Director&CRO, of the Company, for a period of 3(Three) years with effect from 2nd October, 2008 on a monthly remuneration of Rs.75,000 Per Month.

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

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

9. To Consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

“RESOLVED THAT Pursuant to the provisions of Section 198,269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956(hereinafter referred to as the “Act” which includes any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the company be and is hereby accorded to the appointment of Mr. Srinath Kompella, as Whole Time Director & COO, of the Company, for a period of 3(Three) years with effect from 23rd July, 2009 on a monthly remuneration of Rs.2,00,000 Per month.

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

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

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

“RESOLVED THAT pursuant to section 309 and other applicable provisions, if any, of the Companies Act,1956, (including any amendment and/or any re-enactment thereof), the company be and is hereby authorized to pay to its Directors (other than managing / Whole time / Executive Directors of the Company) commencing from 1st April, 2009, such commission as the Board may from time to time determine (to be divided and paid amongst them in such proportion and such manner/ fashion as may be determined by the Board from time to time) but however such commission shall not exceed 1% of the Net profits to the Company in any financial year (computed in manner provided in section 198(1) of the Companies Act, 1956 as amended from time to time).

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, proper or expedient in order to give effect to the above Resolution.”

BY ORDER OF THE BOARD

For VIRINCHI TECHNOLOGIES LIMITED

PLACE : HYDERABAD
DATE : 29.08.2009

K. Ravindranath Tagore
Company Secretary

NOTES:

- a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the company. The instrument of proxy in order to be effective, must be deposited at the registered office of the Company, duly completed and signed not less than 48 hours before the meeting.
- b) The relevant Explanatory Statement in respect of the Special Business set out above, as required by Sec.173 (2) of the Companies Act, 1956 is annexed hereto.
- c) The Register of Members / Register of Beneficiaries and Share Transfer books of the Company will remain closed from 26th September, 2009 to 30th September 2009 (both days inclusive)

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

Item #5

Dr. Ravi Chand was appointed as an Additional Director of the company as per the provisions of Section 260 of the Companies Act, 1956("the Act") in the Board Meeting held on 17th January, 2009. Pursuant to Section 260 of the Companies Act, 1956 Dr. Ravi Chand holds office of Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing under section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- from a member signifying his intention to propose the name of Dr. Ravi chand as a candidate for the office of Director. The profile of the Director is given hereto under the head 'Additional Information'

The Board recommends the resolution for the members' approval in the Annual General Meeting.

None of the Directors except Dr. Ravi Chand is concerned or interested in the resolution.

Item #6

Shri. Jagan Mohan Rao Karpey was appointed as an Additional Director of the company as per the provisions of Section 260 of the Companies Act, 1956("the Act") in the Board Meeting held on 2nd October, 2008. Pursuant to Section 260 of the Companies Act, 1956 Jagan Mohan Rao Karpey holds office of Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing under section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- from a member signifying his intention to propose the name of Jagan Mohan Rao Karpey as a candidate for the office of Director. The profile of the Director is given hereto under the head 'Additional Information'

The Board recommends the resolution for the members' approval in the Annual General Meeting.

None of the Directors except Jagan Mohan Rao Karpey is concerned or interested in the resolution

Item #7

Shri. Srinath Kompella was appointed as an Additional Director of the company as per the provisions of Section 260 of the Companies Act, 1956("the Act") in the Board Meeting held on 23rd July, 2009. Pursuant to Section 260 of the Companies Act, 1956 Srinath Kompella holds office of Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing under section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- from a member signifying his intention to propose the name of Srinath Kompella as a candidate for the office of Director. The profile of the Director is given hereto under the head 'Additional Information'

The Board recommends the resolution for the members' approval in the Annual General Meeting.

None of the Directors except Srinath Kompella is concerned or interested in the resolution

Item #8

The Board of Directors of the Company in its meeting held on 2nd October, 2008, appointed Mr. Jagan Mohan Rao Karpey as Whole Time Director & CRO for a period of 3 years with effect from 2nd October, 2008 at a gross salary of Rs.75,000 Per Month.

Considering his competence, experience as also the envisaged growth in the activities of the company and as compared to remuneration presently being paid to persons in similar situations in the country, the terms of his promotion and remuneration as set out below are viewed to be just, fair and reasonable. He is having directorships in other two companies and also not a member in the committees of any other companies. He has more than 25 years of experience in the industry with focus on Human resources, Marketing and Finance. He holds dual masters degree one in science and one in business administration from osmania university, Hyderabad. He has vast network in the US that can add immense value to the company.

The remuneration has been approved by the remuneration committee.

As per the provisions of Schedule XIII of the Companies Act, 1956 appointment of Mr. Jagan Mohan Rao Karpey as Whole Time Director requires the approval of the members in General Meeting. Hence, the above resolution at item# 8 is submitted to the meeting for ratification by the members of the company by passing a Special Resolution.

The Board of Directors commends the above resolution at Item# 8 for your approval.

None of the Directors of the Company except Mr. Jagan Mohan Rao Karpey to the extent of his appointment as director is concerned or interested in this resolution.

Item #9

The Board of Directors of the Company in its meeting held on 23rd July, 2009, appointed Mr. Srinath Kompella as Whole Time Director & COO for a period of 3 years with effect from 23rd July, 2009 at a gross remuneration of Rs.2,00,000 Per Month,

Considering his competence, experience as also the envisaged growth in the activities of the company and as compared to remuneration presently being paid to persons in similar situations in the country, the terms of his promotion and remuneration as set out below are viewed to be just, fair and reasonable. He is having no other directorships and also not a member in the committees of any other companies. He has more than 7 years of experience in the industry with focus on operations and Business development.. He has been working with Virinchi from last 7 years at various levels. Presently he is rendering his services as COO of the company .He is very instrumental in business Development and client relations for the company

The remuneration has been approved by the remuneration committee.

As per the provisions of Schedule XIII of the Companies Act, 1956 appointment of Mr. Srinath Kompella as Whole Time Director & COO requires the approval of the members in General Meeting. Hence, the above resolution at item# 9 is submitted to the meeting for ratification by the members of the company by passing a Special Resolution.

The Board of Directors commends the above resolution at Item# 9 for your approval.

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

Item#10

Considering the fact that the Directors (other than Managing/Whole-time Directors) continue to render specific useful services at their committees, it is decided that the Directors should be paid the commission at the rate of 1% on the net profits of the company computed in the manner referred to in sub-section (1) of Section 198 of the Companies Act, 1956, for a period of five years commencing from 01.04.2009.

The special resolution seeks to obtain authority for the said payment of the commission to the Directors under Section 309 of the Companies Act, 1956.

Save and except, Managing/Whole time Directors of the Company all other Directors may be deemed concerned or interested in the Resolution.

The Board recommends the resolution for your approval.

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

PLACE : HYDERABAD
DATE : 29.08.2009

K. Ravindranath Tagore
Company Secretary

Additional Information required to be furnished under the Listing Agreement

The particulars of directors who are proposed to be re-appointed are given below:

1. Name : Samad A. Momin
- Age : 42 years
- Qualifications : B.Tech form IIT, Madras, MS & MBA from Ohio State University, olumbus, USA.
- Expertise : He has 16 years of experience with GE includes key roles spanning general management, sales & marketing, e-business, Strategy & Change Management, Joint Ventures. Also, he was based in Hong Kong to help set up the JV with GE Toshiba Silicones for 2 years and in Tokyo for another 2 years as the General Manager for e-business/Distribution. He is also a certified Master black belt in Six Sigma.
- Other Directorships : NIL
- Membership of committee : NIL
- Shareholding : NIL
2. Name : Dr. Ravi Chand
- Age : 40 years
- Qualifications : MBBS
- Expertise : An astute professional with over 5 years of clinical experience in Medical Operations. Previously associated with Osmania Medical College, Hyderabad as MD in Pharmacology. He has been the director of research at MEDRC, Hyderabad from period August'07- August'08. Skilled in rendering medical consultancy for routine gynaecology & obstetrics. Participated in Phase-I, Phase II and Phase III Clinical Trial at NIMS During 2005 – 2007. Proficient at diagnosing illnesses and prescribing/administrating appropriate treatment/ medication for various female ailments/ diseases. Proficiency in patient counseling/ advising on family planning. Extensive experience in colposcopy in screening cancer cervix at an early stage, antenatal and intrapartum foetal survivalance. Excellent understanding & exposure to various issues of health insurance. Have been involved for many years in health insurance, due to association with various private hospitals.
- Membership of committee : NIL
- Shareholding : NIL
- Other Directorships : NIL

3. Name : Jagan Mohan Rao Karpey
- Age : 51 years
- Qualifications : MBA
- Experience : He has more than 25 years of experience in the industry with focus on Marketing and Finance and Human Resources. He was into General Finance Business for about 10 years. He served in the Senior positions in various companies
- Other Directorships : 1- Vivo Bio Tech Ltd
- Membership of Committee : NIL
- Shareholding : 25,000 shares(0.17%)
4. Name : Srinath Kompella
- Age : 31 years
- Qualifications : MBA
- Experience : He has more than 7 years of experience in Virinchi as Business development manager and operations head
- Other Directorships : NIL
- Membership of Committee : NIL
- Shareholding : 34170 shares(0.24%)

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting you the 20th Annual Report of your company together with the Audited Accounts for the year ended 31st March, 2009.

Financial Results

Rs. In lacs

Particulars	2008-09	2007-08
Total Income	4,021.91	3,981.97
Profit before interest, depreciation and tax	1,349.12	1,510.26
Interest	94.30	82.30
Depreciation	852.05	735.25
Provision for Taxation	63.97	112.20
Profit after interest, Tax and depreciation	338.80	580.51
Deferred Tax Provision	(37.81)	40.64
Balance brought forward	2,850.35	2,310.48
Balance Carried to Balance Sheet	3,226.96	2,850.35

Financial Highlights & State of Company's Affairs

During the year under review, Virinchi recorded Rs.40.21 Crores revenues for the year 2008-09 as against Rs 39.80 Crores in the previous financial year 2007-08. We have achieved good growth in annual revenues beating the recession in the US Market.

Reserves and Surplus

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

Material changes and commitments

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

Directors

In accordance with the provisions of the Companies Act, 1956 Datuk Santha Kumar retires at the ensuing Annual General Meeting. Samad A. Momin retires by rotation at the Annual General Meeting and being eligible offer himself for reappointment at the ensuing Annual General Meeting.

During the year Mr. Jagan Mohan Rao has been appointed as whole time director & CRO, Mr. Srinath Kompella has been appointed as Whole Time Director & COO and Dr. Ravi Chand has been appointed as additional director.

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

Issue of Equity Shares and Warrants:

The company has allotted 4,00,000 Equity Shares to M/s. Shri Shri Resorts Private Limited, a promoter group Company at the rate of Rs. 32/- under preferential allotment for which the approval of the members is taken in the 18th Annual General Meeting. During the year the company has allotted 81,500 equity shares to the employees of the company who have exercised their options allotted under VESOS, 2004

Directors' Responsibility Statement:

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- i) In the preparation of the annual accounts for the year ended 31st March, 2009, the applicable accounting standards had been followed and there are no material departures.
- ii) We have selected appropriate accounting policies and applied them consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2009 and of the profit of the company for the financial year ended 31st March 2009.
- iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) We have prepared the annual accounts for the financial year ended 31st March, 2009 on a going concern basis.

Auditors and Audit Report

M/s. P. Murali & Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

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

Fixed Deposits

The Company has not accepted any fixed deposits as on 31st March, 2009 so as to attract the provisions of Section 58A and 58AA of the Companies Act, 1956 read with Companies (Acceptance of the Deposits) Rules, 1975 as amended from time to time.

Consolidated Financial Statements

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

Particulars of Employees

In pursuance of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Directors are to report that the following employee was in receipt of remuneration of Rs.24,00,000/- or more per annum or Rs.2,00,000/- or more per month where employed for a part of the year.

Sl. No	Name of the employee	Designation	Gross Salary (in Rs.)	Qualification	Date of Commencement of employment	Particulars of Last employment
01	Viswanath Kompella	Executive Director	24,00,000	B.Tech(Mech) IIT Chennai	13.03.1990	TISCO
02	Srinivas Mahankali	Managing Director	24,00,000	B.Tech. PGDM	28.01.2008	HCL infosystems
03	Sreenivasa Sreekanth Uppuluri	Chief Technology Officer	24,00,000	B.Tech	10.10.2000	Cognizant Technology solutions
04	Anil Kumar Pinapala	Chief Executive Officer	24,00,000	B.Tech, M.B.A (IP)	11.12.2000	IMRB

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

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee stock purchase Scheme), Guidelines, 1999, the details of stock options as on 31st March, 2009 under the Virinchi Employee Stock Options Scheme, 2004 are as under:

Sl.No	Description	Details
1	Options Granted during 2008-09	NIL
2	Pricing formula	The Company is issuing the shares at Fac Value of Rs.10/- each as per the resolution passed in the 17 th Annual General Meeting of the Company.
3	Options Vested	110,000
4	Options exercised	81,500
5	The total number of shares arising as a result of exercise of option	81,500
6	Options lapsed	NIL
7	Variation of terms of options	There is no variation of terms in this financial year
8	Money realized by exercise of options	Rs.8,15,000
9	Total number of options in force	Total options reserved under the scheme: 11,67,000 and Total options granted: 9,00,000
10	Employee wise details of options granted to i) Senior Management personnel ii) Any other employee who receives a grant in any one year of option amounting to 5% of or more of option granted during that year iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	N.A.

11	Diluted Earning Per share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS)20 Earning Per share	N.A.
12	The difference between the employee compensation costs computed under intrinsic value method and the employee compensation cost that shall have been recognized if the Company had used the Fair Value methods and its impact on profits and EPS of the Company.	There would not have been any adverse effect on the profit and EPS of the Company, if Fair Market value method of accounting was adopted instead of intrinsic value.
13	Weighted Average exercise prices and weighted average fair values of options for options whose exercise price either equals or exceeds or is less than the market price of the stock	NIL
14	Description of the method and significant assumptions used during the year to estimate the fair value of options. i. Risk-free interest rate ii. Expected life iii. Expected Volatility iv. Expected dividends v. The price of the underlying share in market at the time of option grant	The Company has opted intrinsic Value method for accounting of Compensation Cost arising out of ESOP. The Company has not made any assumptions.

Information required under Section 217(1) (e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

a) Conservation of Energy:

Company's operations require electrical energy for its use in air conditioning the premises, for power supply to computer systems and lighting which are not energy intensive. However, adequate measures have been taken to reduce energy consumption, wherever possible.

b) Research and Development and Technology Absorption:

Your company will continue to focus and invest in its R & D activities in software engineering, technologies and products. Your company leverages its excellence in technology for producing World Class Products and solutions. The continual exposure to new technologies has helped maintain high motivation levels in employees and to generate higher levels of productivity, efficiency and quality. Your company continues to give due importance to research and development to maintain its leadership in the field of leading edge technologies.

c) Foreign Exchange Earnings and Outgo:

Earnings: Rs 3362 Lacs towards Export of Software.

Outgo : Rs.491 Lacs towards Foreign Travel and Rs. 204 Lakhs towards expenses.

d) The company has not made any technology absorption during the year.

Report on Corporate Governance

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

Management Discussion and Analysis

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

Acknowledgements

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 of hard work, solidarity, cooperation and support put in by the company's employees at all levels in enabling such growth.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
For **VIRINCHI TECHNOLOGIES LIMITED**

PLACE : HYDERABAD
DATE : 29.08.2009

SRINIVAS MAHANKALI
MANAGING DIRECTOR

SRINATH KOMPPELLA
WHOLE TIME DIRECTOR & COO

Annexure to Directors' Report Report on Corporate Governance

1. Company's Philosophy:

Virinchi believes that best corporate governance practices should be enshrined in all activities of the company. This will help the company in conducting the affairs of the company in an efficient manner and also helps in achieving its goal of maximizing value for all its stakeholders. Our Corporate Philosophy envisages complete transparency and adequate disclosure with an ultimate aim of value creation for all players' i.e stakeholders, creditors, Employees.

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

2. Board of Directors:

a) Composition and Category of Directors:

The Company has a Executive Chairman and Director and to have a more professional outlook your company is having 5 Independent Non- Executive directors and 4 other Non-Promoter Executive directors which is in compliance with the clause 49 of the Listing Agreement

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

During the Financial Year 2008-09 the Board of Directors met 9 times on the following dates:

28th April, 2008, 3rd July, 2008, 31st July, 2008, 29th August, 2008, 6th September, 2008, 2nd October, 2008, 31st October, 2008, 17th January, 2009, 30th January, 2009

The attendance of each Director is given below:

Name of the Director	Category	No. of Board Meetings attended	Whether attended last AGM	No. of other Directorships #	Committee Memberships	committee Chairmanship
Mr. Srinivas Mahankali	Managing Director	9	Yes	-	-	-
Datuk Santha Kumar S	Independent Non Executive Director	-	No	-	-	-
Datuk Kunasingam Sittampalam	Independent Non-Executive Director	-	No	1	-	-
Mr.Jagadish K.Rao*	Non Executive Director	5	No	-	-	-
Mr. K. Jagan Mohan Rao	Executive Director	3	Yes	1	-	-
Mr. Viswanath Kompella	Executive Director	6	No	-	-	-
Dr. Venugopal	Independent Non-Executive Director	9	Yes	1	2	-
Mr. Anil Kumar Pinapala	Whole Time Director & CEO	2	Yes	-	-	-
Mr. Samad A. Momin	Independent Non-Executive Director	2	No	-	-	-
Dr. Ravi Chand	Independent Non-Executive Director	1	No	-	-	-

* Retired in the Last Annual General Meeting

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

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

3. AUDIT COMMITTEE:

During the year under review Four (4) meetings were held for approval of Unaudited Financial Results.

The constitution of the Committee and the attendance of each member of the Committee is given below:

Name of the Director	Designation	Nature of Directorship	Committee meetings attended
Dr. Venugopal	Chairman	Independent Non Executive Director	4
Jagadish K. Rao*	Member	Non Executive Director	2
Viswanath Kompella	Member	Executive Director	3
Samad A momin#	Member	Independent Non Executive Director	3
Dr. Ravi Chand**	Member	Independent non Executive Director	1

* Retired at the Last AGM held on 30th September, 2008

Resigned on 15th April, 2009

** Appointed on 17th January, 2009

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

Terms and reference of the Audit Committee include a review of;

- 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
- Related party transactions
- Internal audit reports and adequacy of internal audit function

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

4. Remuneration Committee

The Remuneration Committee is constituted as follows:

During the year the Committee met 1 time

Name of the Director	Designation	Nature of Directorship	Participation
Dr. Venugopal	Chairman	Independent	1
Samad A Momin	Member	Independent	-
Datuk Kunasingam V. Sittampalam	Member	Independent	1
Dr.Ravi Chand*	Member	Independent	1

Dr.Ravi Chand appointed on 17th January, 2009.

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

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

Details of remuneration to the directors for the Year:

Details of remuneration paid to Directors are given below:

Name of the Director	Remuneration Paid During the year 2008-2009			
	Sitting fees Rs.	Salary Rs.	Perquisites.	Total (in Rs.)
Mr. Viswanath Kompella	-	24,00,000	-	24,00,000
Mr. Jagan Mohan Rao	-	4,50,000	-	4,50,000
Mr. Anil Kumar Pinapala	-	24,00,000	-	24,00,000
Mr. Srinivas Mahankali	-	24,00,000	-	24,00,000
Dr. Venugopal	3,60,000	-	-	3,60,000
Dr. Ravi Chand	5,000	-	-	5,000
Datuk Kunasingam V. Sittampalam	-	-	-	-
Datuk Santha Kumar	-	-	-	-
Samad A Momin	-	-	-	-

Shares held by Non-Executive Directors as on 31st March, 2009 are as follows:

Sl.No	Name of the Non-Executive Director	No. of shares held as on the Date
1	Dr.Venugopal	NIL
2	Dr.Ravi Chand	NIL
3	Datuk Kunasingam V. Sittampalam	NIL
4	Datuk Santha Kumar	NIL
5.	Samad A. Momin	NIL

5. INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE:

The Board constituted an investors' grievance committee which looks into shareholders and investors grievances under the chairmanship of Dr. Venu Gopal who is an Independent and Non- Executive director. The committee inter alia approves issue of duplicate certificates and oversees and reviews all matters connected with the transfer of securities. The committee looks into shareholders complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividends etc., The committee oversees the performance of the Registrar and Transfer Agents and recommends measures for overall improvement in the quality of investor services. The Board of Directors has delegated the power of approving transfer of securities to M/s. Aarthi Consultants Private Limited.

Composition of the Committee:

Name	Designation	Category
Dr.Venugopal	Chairman	Independent Non-Executive Director
Srinivas Mahankali	Member	Executive and Non-independent Director
Viswanath Kompella	Member	Executive and Non-Independent Director

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

The total No. of Complaints received and complied during the year were;

Opening - 1 Complaints Received-24 Complied-24 Pending-1

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

The outstanding complaints as on 31st March, 2009 were: 1

6. Details of Annual General Meetings: Location and time of the last Three AGMs.

Financial year	Date & Time	Venue	Nature of Special Resolutions if any passed
2007-08	30.09.2009 11.00 A.M.	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredapilly, Secunderabad -26	1. Appointment of Srinivas Mahankali as Managing Director
2006-07	28.09.2007 11.00 A.M.	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredapilly, Secunderabad -26	1. Increase of Authorised capital 2. Appointment of Sreenivasa Sreekanth Uppuluri 3. Apointment of Jagan mohan Rao Karpey 4. Appointment of Anil Kumar Pinapala 5. Issue of shares to the promoters under preferential allotment 6. Issue of warrants to the promoters under preferential allotment 7. Issue of ADR's, GDR's, FCCB's
2005-06	29.09.2006 11.00 A.M.	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredapilly, Secunderabad -26	1. Preferential allotment of shares and warrants 2. Modification to the VESOS, 2004

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

7. Disclosures

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

None

B. Details of non-compliance by the company, penalties, Strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

8. Means of Communications:

As per the listing requirements, the company published periodical financial results in The Economic Times, Andhra Bhoomi, and leading English and regional newspapers. The Company has also posted its Quarterly results, shareholding pattern, Code of Conduct etc on the website of the company at www.virinchi.com and also in the EDIFAR site in terms of Clause 51 of the Listing Agreement.

9. General Shareholder information :

- a) **AGM: Date, Time and Venue** : 30th September, 2009 at 11.A.M.
At Padmashali Kalyana Mandapam,
2-12-66, Nehru Nagar, West Maredpally,
Secunderabad – 500 026 A.P.
- b) **Financial Year** : 1st April to 31st March
Financial Reporting for:
Quarter ending June 30, 2009 Before end of July 09
Half year ending September 30, 2009 Before end of October 09
Quarter ending December 31, 2009 Before end of January, 10
Quarter ending March 31, 2010 Before end of April, 10
- c) **Date of Book Closure** : 26th September 2009 to 30th September 2009
(both days Inclusive)
- d) (i) **Listing on Stock Exchanges** : The Company's Equity Shares are listed
in The Bombay Stock Exchange Ltd (BSE)
- (ii) **Payment of Listing Fee** The Company has paid the listing fees to
the BSE for the financial year 2009-10.
- e) (i) **Stock Code** BSE: VIRINCHIQ code#532372
- (ii) **Demat ISIN in NSDL and CDSL** INE539B01017
- f) **Market Price Data:**

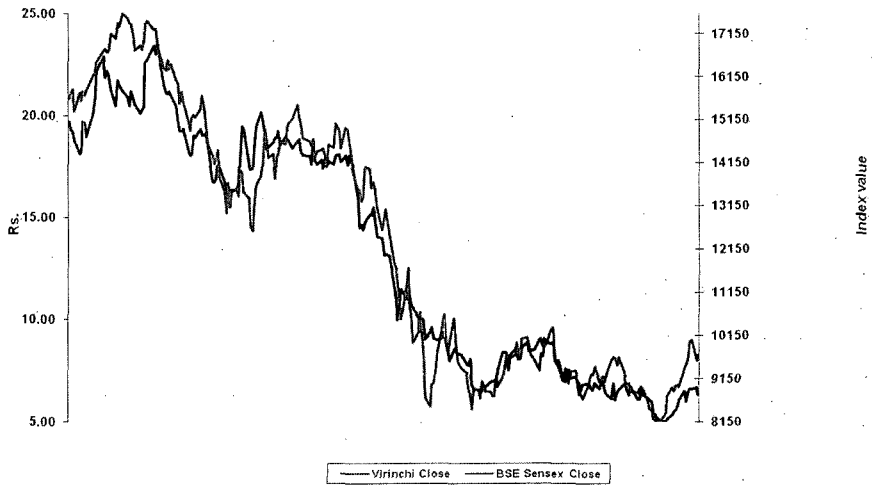
The Monthly high and low quotation and the volume of shares traded on The Stock exchange, Mumbai are as under:

Month	Highest(Rs.)	Lowest(Rs.)	Volume of Shares traded
April, 2008	23.50	17.60	470362
May, 2008	25.10	19.95	539592
June, 2008	21.40	16.05	221517
July, 2008	20.60	14.55	279796
August, 2008	19.35	17.25	107599
September, 2008	18.50	12.25	412045
October, 2008	14.25	8.06	293358
November, 2008	9.90	6.25	173789
December, 2008	9.40	6.50	108045
January, 2009	9.70	6.10	162339
February, 2009	7.50	6.00	63072
March, 2009	6.90	4.90	173756

Source: www.bseindia.com

g) Performance of share price of the company in comparison to the BSE Sensex

Virinchi - BSE Sensex Price Chart



- h) Registrar and share transfer agents : Aarthi Consultants Pvt Ltd.
1-2-285, Domalguda,
Hyderabad -500 029.
Ph: 040-27634445, 27638111 Fax: 040-27632184
- i) Share Transfer System : The Share transfers are being effected physically by
the Company's share transfer agents,
M/s. Aarthi Consultants Pvt. Ltd, Hyderabad.
- j) Distribution Shareholding as on 31st March, 2009

Share Holding of Nominal Value		Share Holders		Shares Held	
	Rs.	Numbers	% of Total	No.	% of Total
(1)	(2)	(3)	(4)	(5)	
1	5,000	7867	75	1683340	11.29
5,001	10,000	1308	12	1115192	7.48
10,001	20,000	660	6	1054896	7.08
20,001	30,000	231	2	605188	4.06
30,001	40,000	95	1	343149	2.30
40,001	50,000	87	1	416148	2.79
50,001	1,00,000	128	1	953975	6.40
1,00,001	and above	142	1	8733912	58.59
TOTAL		10519	100	14905800	100.00

k) Share holding pattern as on 31st March 2009

	CATEGORY	No. of Shares held	% age of shareholding
A	PROMOTER'S HOLDING:		
1.	Promoters*		
	- Indian Promoters	3309474	22.20
	- Foreign Promoters	1006007	6.75
2.	Persons acting in Concert #	NIL	NIL
B.	NON-PROMOTERS HOLDING		
3.	Institutional Investors	NIL	NIL
a.	Mutual Funds	NIL	NIL
b.	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions / Non-government Institutions)	NIL	NIL
c.	FII's	NIL	NIL
4.	OTHERS		
a.	Private Corporate Bodies	1271700	8.53
b.	Indian Public	8547553	57.35
c.	NRIs / OCBs	734691	4.92
d.	Employees	15825	0.11
d.	Clearing Members	20550	0.14
	TOTAL	14905800	100.00

- l) Dematerialization of Shares and liquidity** : Since the Company has entered into an arrangement with both the depositories namely NSDL and CSDL for dematerialisation of its shares, the shareholders of the company are more free to Dematerialise their shares and keep them in Dematerialised form with any depository participant. The Company shares are regularly traded on The Stock Exchange, Mumbai. 88.83% of the Company's share capital is dematerialized as on 31.03.2009
- m) Outstanding GDRs./ADRs./Warrants or any Convertible instruments Conversion date and likely Impact on equity** : There are 21,00,000 Warrants pending for exercise which are issued at Rs. 32 i.e Face value of Rs.10/- and premium of Rs.22/- per share. If they are exercised the Paid capital of the company will be Rs.17,00,58,000
- n) Address for Correspondence** : Virinchi Technologies Limited
10, SRK Colony, West Maredpally,
Secunderabad – 500 026

Non –Mandatory Requirements:

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

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

PLACE : HYDERABAD

SRINIVAS MAHANKALI

SRINATH KOMPPELLA

DATE : 29.08.2009

MANAGING DIRECTOR

WHOLE TIME DIRECTOR & COO

ANNEXURE TO THE DIRECTORS' REPORT

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Industry Structure and Development

The shift in the role of Information and Technology (IT) from merely supporting business to transforming business is driving productivity gains and helping create new business models. This has led to an increase in the importance of IT. The increasing acceptance of outsourcing and off-shoring of activities as an economic necessity has contributed to the continued growth in our revenue.

According to NASSCOM Strategic Review Report 2009, IDC estimates total spending of \$ 557 billion on IT services in 2008, an increase of 5.5% over last year. Within the IT services market, outsourcing was the fastest growing segment in 2008, estimated to have grown by 21%. IDC forecasts worldwide IT services spending of approximately \$672 billion by 2012, reflecting a compound annual growth rate, or CAGR, of 4.8%. However, Forrester Global IT 2009 Market Outlook predicts that U.S. IT purchases will slowdown from 4.05% growth in 2008 to 1.6% growth in 2009.

According to NASSCOM Strategic Review Report 2009, IDC forecasts a cumulative annual growth rate (CAGR) of over 6.21% in worldwide IT services and IT enabled services (IT-ITeS) spending and a CAGR of over 18.79% in offshore IT spending, for the period 2007-12. The combined market for Indian IT-ITeS exports in fiscal 2009 was nearly \$ 60 billion. Key factors supporting this projection are the growing impact of technology led innovation, the increasing demand for global sourcing and gradually evolving socio-political attitudes.

In India, the IT services market is estimated to account for 34% of the domestic IT industry. The growth in the IT services market is estimated to be around 14% in US\$ terms. The key verticals driving the growth of the IT services market are Retail, BFSI, Telecom and Manufacturing.

Industry Overview

Globally technology spending continues to grow even during tough economic times and this is expected to further increase once the global economy starts its recovery process. Information Technology (IT) has become an integral part of business operations across industries and is seen by organizations as a primary driver of productivity improvement and business transformation that lead to sustained competitive advantages in the market place.

As per the NASSCOM Strategic Review 2009, global technology spends is expected to increase from USD 1,561 billion in 2008 to USD 1,962 billion in 2012 at a CAGR of 5.2%. The spending on IT Ser-

vices of USD 557 billion in CY 2008 included USD 211 billion on IT outsourcing. As per NASSCOM Strategic Review 2009 the analysis of the IT Services global sourcing market by the level of penetration in the various components of IT services reveals that there is significant headroom for growth.

Opportunities

Global companies are increasingly turning to offshore technology service providers in order to meet their need for high quality, cost competitive technology solutions. Technology companies have been outsourcing software research and development and related support functions to offshore technology service providers to reduce cycle time for introducing new products and services.

According to NASSCOM Strategic Review Report 2009, IDC forecasts CAGR of over 18.79% in offshore IT spending, for the period 2007-12. As a de-risking strategy, companies have moved over to multivendor IT outsourcing from sole sourcing, this has opened up opportunities for Indian IT companies to participate in large multi-million dollar deals. Global companies are expanding their outsourcing activities to leverage the high quality, cost competitive IT services from India.

We believe our robust quality process and access to skilled talent base at lower costs places us in a unique position to take advantage of the trend towards outsourcing IT services. We believe that our global delivery model allows us to provide services on a best shore basis. Customers benefit from round the clock execution schedules, quality control measures and best in class resources pooled in across geographies for high quality delivery and risk management practices to ensure uninterrupted services.

Threats

Our revenues from this business are derived in major currencies of the world while a significant portion of its costs are in Indian rupees. The exchange rate between the rupee and major currencies of the world has fluctuated significantly in recent years and may continue to fluctuate in the future. Currency fluctuations can adversely affect our revenues and gross margins. In an economic slowdown, our clients may reduce or postpone their technology spending significantly. Reduction in spending on IT services may lower the demand for our services and negatively affect our revenues and profitability.

According to World Economic Outlook Update published by International Monetary Fund in April 2009, GDP of United States is projected to contract by 2.8% in calendar 2009 and during the same period GDP of Euro area is projected to contract by 4.2%. Forrester Global IT 2009 Market Outlook, predicts that U.S. IT purchases will slowdown from 4.05% growth in 2008 to 1.6% growth in 2009. Further, any significant decrease in the growth of the industries on which we focus, or a significant consolidation in any such industry, may reduce the demand for our services and negatively affect our revenues and profitability.

At an organizational level, we have a well-defined business contingency plan and disaster recovery plan to address these unforeseen events and minimize the impact on services delivered from our development centers based in India or abroad.

Your company has perfect understanding of the amount of risks and extent of risks involved while delivering the project

to client and knows well how to tackle them effectively. Your company is also trying to explore and find other opportunities that might prove to be beneficial in increasing our revenues and gain market share.

Threat continues to be competition among companies within India and from emerging low cost destinations.

Segment wise or product wise performance:

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

Risks and concerns:

The main risks causing concern to the IT Industry and your Company as well are Economic slow-down, ability to attract and retain talent, withdrawal of Tax benefits, Currency Exchange risks, High Customer concentration, etc. Your Company has a Risk Assessment and minimization process, which is monitored on a periodic basis. Various risks that are closely monitored are Business risks i.e. Client concentration risk, geographical risk, competition risk and Financial risk mainly in the area of foreign currency fluctuations.

Internal Control Systems & Their Adequacy

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

Discussion on Financial Performance with respect to Operational Performance

Financial highlights

1. Revenues

The business has shown a steady growth. Revenue for the year ended 31st March, 2009 increased by 0.5% in volatile market conditions.

Your Company's strategy of building strong delivery capability with its multi-pronged emphasis on technology, people & processes has resulted not only in increased business from existing customers but also in new customer acquisition.

2. Operating Expenses

The ratio of operating expenditure to total income is at 66 % , increased by 4% over the previous financial year.

3. EBIDT

The EBIDT was at 34 % for the year ended 31st March, 2009 as compared to 38 % for the same period last year.

4. Profit after Tax

Profit after Tax was at 9 % for the year ended 31st March, 2009 as compared to 14% for the same period last year.

5. Interest and Borrowings

The Company was debt free as on 31st March, 2009 and had a Net Cash balance of Rs. 97.1 million. During the year the company has incurred interest cost of Rs.9.4 Million on its Working Capital facility.

6. Capital Employed

The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2009 was 18 % as compared to 22 % for the same period last year.

7. Net Worth

The Return on Average Net Worth (RONW) for the year ended 31st March, 2009 was 17% as compared to 20% for the same period last year.

8. Fixed Assets

The Company added to its fixed assets Rs. 13.52 million. The additions were mainly incurred for the construction of Campus at Hakimpet, Hyderabad.

9. Receivables

Debtors as number of days' sales stood at 73 days for the year ended 31st March, 2009 as compared to 143 days for the same period last year.

10. Cash Generation

Cash generated from operations was Rs.1898 million for the year ended 31st March, 2009

11. Manpower

The total employee strength as on 31st March, 2009 was 350 as against 320.

Material Developments in Human Resources / Industrial Relations front, including number of people employed.

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

Your company is building on these three aspects with particular emphasis on Human Resources. Your company has about 350 employees on the rolls and keeping abreast with the envisaged growth, your company aims to increase its headcount to about **400** by the end of year 2009-10. Your company is taking several initiatives to retain its employees in a very competitive environment.

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

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

I, 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 : 29.08.2009

SRINIVAS MAHANKALI
MANAGING DIRECTOR

Compliance Certificate on Corporate Governance

To

The Members,
VIRINCHI TECHNOLOGIES LIMITED

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance condition of corporate governance of M/s. Virinchi Technologies limited, ("the company") for the year ended 31st March, 2009 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges.

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

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

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

For **P. MURALI & CO.,**
CHARTERED ACCOUNTANTS

PLACE : HYDERABAD
DATE : 29.08.2009

P.MURALI MOHANA RAO
PARTNER
M.No:23412

Certification as required under Revised Clause 49 of the Listing Agreement

We, Srinivas Mahankali, Managing Director, Srinath Kompella, Whole Time Director & COO of Virinchi Technologies Limited to the best of our knowledge and belief, certify that :

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

Place : Hyderabad
Date : 29.08. 2009

Srinivas Mahankali
Managing Director

Srinath Kompella
Whole Time Director & COO

AUDITORS' REPORT

To

The Members,
VIRINCHI TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of **M/s VIRINCHI TECHNOLOGIES LIMITED** as at 31st March, 2009 and also the Profit and Loss Account for the period ended on the date annexed thereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - c) The Balance Sheet & Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet & Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Sub Section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the Directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2009 from being appointed as a Director in terms of clause (g) of sub-Section (i) of Section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts give the information required by the Companies Act, 1956 in the manner so required give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i) In the case of the Balance Sheet, of the State of affairs of the company as at 31st March, 2009.
 - ii) In the case of the Profit and Loss Account, of the **Profit** for the year ended on that date;

And

- iii) In the case of cash flow statement of the cash flows for the year ended on that date.

For **P. MURALI & CO.,**
CHARTERED ACCOUNTANTS

P.MURALI MOHANA RAO
PARTNER
M.No: 23412

PLACE : Hyderabad

DATE : 29-08-2009

ANNEXURE TO THE AUDITOR'S REPORT:

1. a) The company has maintained proper records showing full particulars including quantitative details and situation of its Fixed assets.
 - b) As explained to us, the fixed assets have been physically verified by the management reasonable intervals and no discrepancies between the book records and the physical inventory have been noticed on such verification.
 - c) The Company has not disposed off any of the fixed assets during the year
2. The Company has no Inventory. Hence this clause is not applicable.
3. a) The Company has not granted or taken any loans, Secured or unsecured to Companies, Firms or other Parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - b) As the Company has not granted any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
 - c) As no loans are granted by company, the clause of receipt of interest & principal amount from parties, is not applicable to the company.
 - d) No loans have been granted to Companies, Firms & other parties listed in the register U/s. 301 of the Companies Act, 1956, hence overdue amount of more than Rupees One Lac does not arise and the clause is not applicable.
4. In our opinion and according to the information and explanation given to us, there are generally adequate internal controls commensurate with the size of the company and the nature of its business with regard to purchases of fixed assets and for sale of goods and services. There is no continuing failure by the company to correct any major weaknesses in internal control.
5. a) In our opinion and according to the information and explanations given to us, since no contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been made by the Company in respect of any party in the financial year, the entry in the register U/s. 301 of the Companies Act, 1956 does not arise.
 - b) According to the information and explanations given to us, as no such contracts or arrangements made by the company, the applicability of the clause of charging the reasonable price having regard to the prevailing market prices at the relevant time does not arise
6. The company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not been received by the Company.
7. In our opinion, the company is having internal audit system, commensurate with its size and nature of its business.

8. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of Sub Section (1) of Section 209 of the Companies Act, 1956.
9.
 - a) The company is regular in depositing statutory dues including PF, ESI, Income Tax, and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.
 - b) According to the information and explanations given to us, no undisputed amounts are payable in respect of PF, ESI, Income Tax, and any other statutory dues as at the end of the period, for a period more than six months from the date they become payable.
10. The company has been registered for a period of not less than 5 years, and the company has no accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and in the immediately preceding financial year.
11. According to information and explanations given to us, the Company has not defaulted in repayment of dues to financial Institutions or banks.
12. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
13. This clause is not applicable to this Company as the Company is not covered by the provision of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.
14. According to the information and explanations given to us, the company is not dealing or trading in shares securities, Debentures and other investments and hence the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
15. According to the information explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise. In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
16. During the year company has not taken any New Term Loan facilities from any financial institutions. According to the information and explanations given to us, the term loans availed by the company in the earlier years have been utilized for the purpose they were sanctioned.
17. According to the information and explanations given to us, the Company has not used short term funds for long term Investment.
18. According to the information and explanation given to us, the company has made preferential allotment to parties covered in the Register maintained Under Section 301 of the Companies Act, 1956. However, as per the information provided for our verification, the terms and conditions of the same are not prejudicial to company has not issued debentures and hence the applicability of the clause regarding the creation the interest of the Company.

19. According to the information and explanations given to us, the company has not issued debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.
20. According to information and explanations given to us, the company has not raised any money by way of public issues during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

For **P. MURALI & CO.,**
CHARTERED ACCOUNTANTS

PLACE : Hyderabad
DATE : 29-08-2009

P. MURALI MOHANA RAO
PARTNER
M.No: 23412

VIRINCHI TECHNOLOGIES LIMITED

BALANCE SHEET AS ON 31st MARCH, 2009

PARTICULARS	SCHEDULE Nos.	AS AT 2008-09 (Rupees)	AS AT 2007-08 (Rupees)
I SOURCES OF FUNDS			
1. SHAREHOLDERS FUNDS			
a) Share Capital	1	148,602,697	143,767,697
b) Share Warrants		7,520,000	16,000,000
c) Reserves & Surplus	2	579,566,399	516,317,988
2. LOAN FUNDS			
a) Secured Loans	3	42,413,316	62,958,041
3. DEFERRED TAX LIABILITY			
		36,900,001	40,680,757
TOTAL		815,002,413	779,724,483
II APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	4	645,716,641	554,093,129
b) Less: Depreciation		194,965,878	186,054,491
c) Net Block		450,750,763	368,038,638
2. INVESTMENTS			
	5	66,162,299	86,281,050
3. CURRENT ASSETS, LOANS AND ADVANCES			
a) Sundry Debtors	6	80,093,819	157,282,068
b) Cash and Bank Balances	7	97,103,485	57,585,283
c) Advances and Deposits	8	149,676,358	143,609,279
Less: Current Liabilities, Provisions and Advances	9	28,784,312	33,071,835
NET CURRENT ASSETS		298,089,350	325,404,795
TOTAL		815,002,413	779,724,483
Notes to Accounts	11		

Schedules 1 to 10, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for P MURALI & CO.,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for VIRINCHI TECHNOLOGIES LIMITED

P.MURALI MOHANA RAO
PARTNER
M.No: 23412

SRINIVAS MAHANKALI
MANAGING DIRECTOR

SRINATH KOMPPELLA
WHOLE TIME DIRECTOR

PLACE : HYDERABAD
DATE : 29-08-2009

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

VIRINCHI TECHNOLOGIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

PARTICULARS	SCHEDULE Nos.	YEAR ENDED 2008-09 (Rupees)	YEAR ENDED 2007-08 (Rupees)
1 INCOME			
Income from Operations		397,611,768	395,483,588
Interest on FDR		4,109,405	2,710,882
Other Income		469,863	2,800
TOTAL		402,191,036	398,197,270
2 EXPENDITURE			
Salaries and Other Benefits to Employees		65,399,384	66,047,098
Business and Administrative Expenses	10	201,879,411	181,124,100
Interest and Financial Expenses		9,430,360	8,229,750
Depreciation		65,109,808	53,429,445
Goodwill Written Off		20,095,383	20,095,383
TOTAL		361,914,346	328,925,776
3 PROFIT BEFORE TAX		40,276,690	69,271,494
4 PROVISION FOR INCOME TAX			
Provision for Income Tax		4,563,349	7,848,460
Fringe Benefit Tax		1,833,460	3,371,894
Deferred Tax Asset		(3,780,756)	4,064,138
5 PROFIT AFTER TAX		37,660,637	53,987,001
6 PROFIT AFTER DIVIDEND		37,660,637	53,987,001
7 BALANCE BROUGHT FORWARD		285,035,499	231,048,498
8 BALANCE CARRIED FORWARD TO BALANCE SHEET		322,696,136	285,035,499
9 BASIC EARNINGS PER SHARE (PAT)		2.56	3.74
10 DILUTED EARNING PER SHARE		2.40	3.37
Notes to Accounts	11		

Schedules 1 to 10, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for P MURALI & CO.,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for VIRINCHI TECHNOLOGIES LIMITED

P.MURALI MOHANA RAO
PARTNER
M.No: 23412

SRINIVAS MAHANKALI
MANAGING DIRECTOR

SRINATH KOMPPELLA
WHOLE TIME DIRECTOR

PLACE : HYDERABAD
DATE : 29-08-2009

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

SCHEDULES

PARTICULARS	AS AT 2008-09 (Rupees)	AS AT 2007-08 (Rupees)
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED :		
25,000,000 Equity Share of Rs.10/- each	<u>250,000,000</u>	<u>250,000,000</u>
ISSUED, SUBSCRIBED & PAID UP :		
1,49,05,800 Equity shares of Rs.10/- each (Previous year 1,44,22,300 Shares of Rs. 10/- each)	149,058,000	144,223,000
LESS: Calls in Arrears	(455,303)	(455,303)
	<u>148,602,697</u>	<u>143,767,697</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
Balance Upto Previous year	309,075,499	239,088,498
Surplus in Profit and Loss Account	<u>37,660,637</u>	<u>53,987,001</u>
	346,736,136	293,075,499
Employee Stock Option Scheme	21,388,917	22,102,129
Less:Deferred Employee Compensation	<u>12,277,631</u>	<u>13,065,405</u>
	9,111,285	9,036,724
Securities Premium (Share Premium)	<u>223,718,978</u>	<u>214,205,765</u>
	<u>579,566,399</u>	<u>516,317,988</u>
SCHEDULE 3		
SECURED LOANS		
Overdraft from Canara Bank (Hypothecation of Machinery such as Computers, Furniture and Fixtures, Office Equipment and Airconditioners and personal guarantee of the Director of the Company)	14,951,285	29,991,456
Vehicle Finance (Secured against Vehicles)	5,576,921	4,425,228
Canara Bank - Bill Discounting	13,922,746	18,015,993
Canara Bank Term Loan (Hypothication of Fixed Assets - Land, Building, Computers & Interiors etc. and personal guarantee of the Directors)	<u>7,962,364</u>	<u>10,525,364</u>
	<u>42,413,316</u>	<u>62,958,041</u>

SCHEDULE 4 FIXED ASSETS

(in Rupees)

Particulars	Gross Block As On 01-04-2008	Additions During the Year	Gross Block As On 31-03-2009	Depreciation Upto 31-03-2008	Depreciation During The year	Total Depreciation 31-03-2009	Net Block as at 31-03-2009	Net Block as at 31-03-2008
Computer Hardware	113,331,598	2,503,398	59,636,574	66,967,445	18,618,706	29,387,729	30,248,845	46,364,153
Computer Software	108,664,613	2,105,208	110,769,821	50,128,109	17,806,848	67,934,958	42,834,864	58,536,504
Furniture and Fixtures	10,642,135	19,528	10,661,663	3,775,314	673,725	4,449,039	6,212,624	6,866,821
Interior Decoration	43,655,381	8,907,101	52,562,482	7,587,166	2,948,245	10,535,412	42,027,070	36,068,215
Office Equipments	12,714,340	1,324,975	14,039,315	1,672,878	640,770	2,313,648	11,725,667	11,041,462
Air Conditioners	5,152,683	2,896,644	8,049,327	683,171	253,239	936,411	7,112,916	4,469,512
Vehicles	14,025,656	4,825,105	18,850,761	4,812,478	1,439,497	6,251,975	12,598,786	9,213,178
Electrical Equipment	3,097,121	1,043,710	4,140,831	394,511	172,420	566,931	3,573,900	2,702,610
Product Development Expenses	213,225,846	18,506,580	231,732,426	50,033,420	22,556,357	72,589,776	159,142,650	163,192,426
Land & Land Development Charges	29,583,756	-	29,583,756	-	-	-	29,583,756	2,583,756
Capital work-in-progress	12,528,148	93,161,537	105,689,685	-	-	-	105,689,685	12,528,148
	566,621,277	135,293,786	645,716,642	186,054,492	65,109,808	194,965,878	450,750,764	380,566,786

PARTICULARS	AS AT 2008-09 (Rupees)	AS AT 2007-08 (Rupees)
SCHEDULE 5		
INVESTMENTS		
Shares of Canara Bank (Cost price of 400 Shares @ Rs.35/- per share) (Market Price of share as on 31st March,2009 is Rs.165.90 per share)	14,000	14,000
K Soft Systems Inc, wholly owned subsidiary (Acquisition effective from 1st October 2006)		
Share Capital	4,591,087	4,591,087
Goodwill	60,286,149	80,381,532
Shares of DLF Limited (Cost price of 6750 Shares Average @ Rs.188.38/- per share) (Market Price of share as on 31st March,2009 is Rs.167.20 per share)	1,271,063	1,294,432
	66,162,299	86,281,050
SCHEDULE 6		
SUNDRY DEBTORS		
(Unsecured, Considered good)		
Debtors not exceeding six months	80,093,819	157,282,068
Debtors exceeding six months	-	-
Others Debts	-	-
	80,093,819	157,282,068
SCHEDULE 7		
CASH AND BANK BALANCES		
Cash in Hand	1,525,688	43,827
Balance with Schedule Banks		
In Current Accounts	37,222,062	12,726,077
In Deposit Accounts	58,355,734	44,815,379
	97,103,485	57,585,283
SCHEDULE 8		
ADVANCES AND DEPOSITS		
ADVANCES		
Advances	113,826,468	109,398,534
Virinchi Employees Welfare Trust	14,420,000	14,420,000
Advances - K Soft	18,468,343	12,544,950
Other Advances	200,000	1,743,366
DEPOSITS		
Rent Deposits	1,661,728	4,457,728
Other Deposits	1,099,819	1,044,701
	149,676,358	143,609,279

PARTICULARS	AS AT 2008-09 (Rupees)	AS AT 2007-08 (Rupees)
SCHEDULE 9		
CURRENT LIABILITIES, ADVANCES AND PROVISIONS		
Sundry Creditors, Advances & Creditors for Expenses	14,099,709	13,660,113
Other Current Liabilities	9,198	957,722
Outstanding Expenses and Provisions	7,415,700	6,042,102
Provision for Taxation	7,259,705	12,411,898
	28,784,312	33,071,835
SCHEDULE 10		
BUSINESS AND ADMINISTRATIVE EXPENSES		
Postage, Telephone and Telegrams	5,423,550	5,228,597
Repairs and Other Maint. Charges	8,681,854	8,058,401
Rent, Rates and Taxes	4,630,797	4,654,598
Auditors Remuneration	165,450	168,540
Directors Remuneration	8,895,401	6,281,661
Printing and Stationery	1,306,533	682,084
Travelling and Conveyance	49,132,623	51,281,903
Loss on sale of shares	1,848,183	-
Marketing and Business Expenses	104,217,480	88,627,159
Other Administrative Expenses	17,577,540	16,141,159
	201,879,411	181,124,101

SCHEDULE-11
NOTES FORMING PART OF THE ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES.

General:

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

Revenue Recognition:

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

Foreign Exchange Transactions:

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

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.

Fixed Assets:

- i) Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight duties, taxes and incidental expenses thereto.
- ii) The cost and the accumulated depreciation for fixed assets retired from active use are removed from the stated values.

- iii) 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.
- iv) Capital Expenditure incurred for the assets not yet completed are grouped under Capital work in progress and all costs associated with construction and other expenditure.

Depreciation and Amortization:

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

Taxation:

As per the Finance Bill 2007, Companies claiming exemption u/s.10B of the Income Tax Act, 1961 subject to the provisions of Minimum Alternative Tax (MAT) U/s. 115JB. Company has provided provision for income tax as per Sec 115JB of the Income Tax Act, 1961. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between profit offered for Income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date.

Earning per Share:

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

Gratuity

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

Employee Stock Option Policy:

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

Impairment of Assets:

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

B. Notes on Accounts

1. Particulars of Employees in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975- The information has already been given in the Directors report

2. Directors Remuneration	<u>Current Year(Rs.)</u>	<u>Previous Year(Rs.)</u>
	88,95,401/-	62,81,661/-

3. Auditors Remuneration (Incl. Service Tax for Statutory and Tax matters)	<u>Current Year.(Rs.)</u>	<u>Previous Year(Rs)</u>
	1,65,450/-	1,68,540/-

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

5. The Cash Credit is secured by hypothecation of machinery such as Computers, Furniture & Fixtures, Office Equipments and Air conditioners and personal guarantee of the Director of the Company. Vehicle loans are secured by hypothecation of vehicles. Term Loans are secured against the Fixed Assets - Land, Building, Computers & Interiors etc. of the proposed campus at Shamirpet and personal guarantee of the Directors

6. Expenditure in Foreign Currency	<u>Current Year(Rs.)</u>
Foreign Traveling	491 Lacs
Other Expenses	240 Lacs

7. Earnings in Foreign Exchange as reported by the Company to Government of India and as certified by Management.	<u>Current Year(Rs.)</u>
Foreign Exchange Inflow	3362 Lacs

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

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

10. There are some disputed demands raised by the Income Tax Department against the Company. The details of tax liability for the AY -2002-03, 2003-04 and AY 2006-07 amounting to Rs.12,07,083/-, Rs. 9,56,369 and Rs. 27,74,862 respectively. We are confident of waiver of those demands.

11. In accordance with Accounting Standard 22(AS 22) issued by the ICAI, the Company has accounted for deferred income tax during the year. The deferred income tax Provision for the current year amounts to Rs. 37,80,756 /-towards deferred income tax Asset. (Previous year Rs. 40,64,138/- towards deferred income tax liability.

12. During the year 2008-09, the company has raised Rs. 1,95,20,000/- through preferential allotment of 4 lakhs equity shares and twenty one lakh share warrants. The funds are held in Fixed Deposits and balance funds are utilized for regular business activities.

13. Previous years figures have been regrouped wherever necessary.

14. The figures have been rounded off to the nearest rupee.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Rs. in thousands)

1 Registration details	
Registration number	L72200AP1990PLC011104
State Code	01
Balance Sheet Date	31.03.2009
2 Capital raised during the year (Rs in Lakhs)	
Public issue	NIL
Rights issue	NIL
Bonus issue	NIL
Conversion of bonds	NIL
Private placement	13635
3 Position of mobilisation and deployment of funds(Rs. in Lakhs)	
Total Liabilities	815002
Total Assets	815002
Source of funds	
Paid-up Capital	148602
Reserves & Surpluses	579566
Sharewarrants	7520
Secured Loans	42413
Unsecured Loans	NIL
Deffered Tax liability	36900
Application of Funds	
Net fixed assets	450750
Investments	66162
Net Current Assets	298089
4 Performance of Company(Rs. in Lakhs)	
Total Income	402191
Total Expenditure	361914
Profit before tax	40276
Profit after tax	37660
Earning per share (Rs)	2.56
Dividend Rate %	NIL
5 Generic names of three principal products/services of company	
Item code no	85249009.1
Product Description	Computer Software

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

PARTICULARS	Year Ended	Year Ended
	31-03-2009	31-03-2008
	Rs. in Lacs	Rs. in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/ (Loss) before taxation and extraordinary items	402.77	692.71
Adjustments for:		
Depreciation	651.10	534.29
W/o expenses	200.95	200.95
Interest expenses	94.30	82.30
Operating Profit before working capital changes	1349.12	1510.26
Working Capital Changes		
Trade and other receivables	711.21	-1261.97
Trade payables	-5.07	77.52
Cash generated from operations	2055.27	325.81
Interest paid	-94.30	-82.30
Taxation for the year	-63.97	-112.20
Deferred Employee Compensation	0.75	-9.55
Cash flow before extraordinary items	1897.74	121.76
Extraordinary items	-	-
Net Cash from Operating Activities	1897.74	121.76
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	-1356.03	-377.67
Investment	0.23	-12.94
Public Issue Expenses	-	-
Net Cash used in Investing Activities	-1355.79	-390.61
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Equity Shares	48.35	28.51
Issue of Share Warrants	-84.80	-
Share Premium	95.13	60.72
Net Proceeds from Long Term Borrowings	-205.45	233.57
Net Cash used in Financing Activities	-146.77	322.81
Net increase in cash and cash equivalents	395.18	53.95
Cash and Cash equivalents as at 01.04.2008	575.85	521.90
Cash and Cash equivalents as at 31.03.2009	971.03	575.85

AS PER OUR REPORT OF EVEN DATE
for P MURALI & CO.,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for VIRINCHI TECHNOLOGIES LIMITED

P.MURALI MOHANA RAO
PARTNER
M.No: 23412

SRINIVAS MAHANKALI
MANAGING DIRECTOR

SRINATH KOMPELLA
WHOLE TIME DIRECTOR

PLACE : HYDERABAD
DATE : 29-08-2009

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

AUDITORS' CERTIFICATE

To

THE BOARD OF DIRECTORS
VIRINCHI TECHNOLOGIES LIMITED
HYDERABAD

We have examined the attached cash flow statement of M/s. Virinchi Technologies Limited, for the year ended 31st March, 2009. The statement has been prepared by the company in accordance with the requirements of Clause 32 of listing agreement with stock exchange and is based on and in agreement with the corresponding profit and loss Account and Balance Sheet of the Company covered by our report of 29th August, 2009 to the Members of the Company.

For **P. MURALI & CO.**
CHARTERED ACCOUNTANTS

PLACE : HYDERABAD
DATE : 29.08.2009

P.MURALIMOHANARAO
PARTNER
M.No: 23412

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

Name of the subsidiary company: KSoft Systems Inc.,

Financial year of the subsidiary company: April, 2008- March, 2009

Extent of holding company's Interest: 100 %

**KSOFT SYSTEMS INC., USA
DIRECTORS' REPORT**

Your directors take pleasure in presenting the financial results of the company for the year 2008-09:

		Rs. In Lacs	
Sl.No	Particulars	2008-09	2007-08
1	Net sales/Income from operations	2057.03	1942.10
2	Other Income	0.92	2.56
3	Total Income	2057.95	1944.66
4	Software development expenses	1709.42	1699.63
5	Gross Profit	348.53	245.03
6	Administrative & General expenses	320.21	225.67
7	Depreciation	1.87	0.11
8	Net Profit (Loss) before tax	26.45	19.25
9	Income tax	7.93	5.78
10	Deferred taxes	-	-
11	Profit (Loss) after tax	18.51	13.48
12	Paid up share Capital	50.91	45.91

For and on behalf of the Board
KSoft Systems Inc.,

Anil Kumar Pinapala
President

Accountants' Review Report

To

The Board of Directors
K SOFT SYSTEMS Inc

We have **reviewed** the accompanying balance sheets of K Soft Systems Inc. (a wholly owned subsidiary of Virinchi Technologies Limited) as of March 31, 2009, Profit and Loss account and cash flows for the period ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Virinchi Technologies Limited.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Date : 29.08.2009
Place: Hyderabad

For **P.Murali & Co.,**
Chartered Accountants

P. Murali Mohana Rao
Partner
M.No:23412

K SOFT SYSTEMS Inc
BALANCE SHEET AS ON 31st MARCH, 2009

PARTICULARS	SCHEDULE Nos.	AS AT 2008-09 (Rupees)	AS AT 2007-08 (Rupees)
I SOURCES OF FUNDS			
1. SHAREHOLDERS FUNDS			
a) Share Capital	1	5,091,086	4,591,087
b) Reserves & Surplus	2	4,394,539	2,079,011
2. LOAN FUNDS			
a) Un Secured Loans	3	37,763,369	-
TOTAL		47,248,994	6,670,098
II APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	4	47,706,044	217,846
b) Less: Depreciation		209,099	18,447
c) Net Block		47,496,945	199,399
2. CURRENT ASSETS, LOANS AND ADVANCES			
a) Sundry Debtors	5	113,476,830	30,887,435
b) Cash and Bank Balances	6	14,998,541	13,403,865
c) Advances and deposits	7	495,775	-
Less: Current Liabilities, Provisions and Advances	8	128,948,730	38,307,018
NET CURRENT ASSETS		22,416	5,984,283
Foreign Exchange Translation Reserve (Cr.)		(270,366)	486,417
TOTAL		47,248,994	6,670,098
Notes to Accounts	10		

Schedules 1 to 9, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for P MURALI & CO.,
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD
K SOFT SYSTEMS INC

P.MURALI MOHANA RAO
Partner
M.No. 23412

ANIL KUMAR PINAPALA
PRESIDENT

PLACE : HYDERABAD
DATE: 29-08-2009

K SOFT SYSTEMS Inc
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

PARTICULARS	SCHEDULE Nos.	AS AT 2008-09 (Rupees)	AS AT 2007-08 (Rupees)
1 INCOME			
Income from Operations		205,703,241	194,210,352
Other Income - Brokerage Income		91,543	255,807
TOTAL		205,794,784	194,466,159
2 EXPENDITURE			
Salaries and Other benefits to Employees		170,941,947	169,963,254
Business and Administrative Expenses	9	31,974,691	22,287,112
Interest and Financial Expenses		46,377	279,527
Depreciation		187,077	10,933
TOTAL		203,150,091	192,540,826
3 PROFIT BEFORE TAX		2,644,693	1,925,333
4 PROVISION FOR TAX			
Current Tax		793,408	577,600
5 PROFIT AFTER TAX		1,851,285	1,347,733
9 BALANCE BROUGHT FORWARD		2,543,254	731,278
10 BALANCE CARRIED FORWARD TO BALANCE SHEET		4,394,539	2,079,011
11 BASIC EARNINGS PER SHARE (PAT)		-	-
Notes to Accounts	10		-

Schedules 1 to 9, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for P MURALI & CO.,
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD
K SOFT SYSTEMS INC

P.MURALI MOHANA RAO
Partner
M.No. 23412

ANIL KUMAR PINAPALA
PRESIDENT

PLACE : HYDERABAD
DATE: 29-08-2009

K SOFT SYSTEMS INC

PARTICULARS	AS AT 31.03.09 (Rupees)	AS AT 31.03.08 (Rupees)
SCHEDULE 1		
SHARE CAPITAL		
ISSUED, SUBSCRIBED & PAID UP :		
100,100 Equity Share of USD 1/- each	5,091,086	4,591,087
	5,091,086	4,591,087
SCHEDULE 2		
RESERVES AND SURPLUS		
Balance Upto Previous year	2,543,254	731,278
Surplus in Profit and Loss Account	1,851,285	1,347,733
	4,394,539	2,079,011
SCHEDULE 3		
SECURED LOANS		
Building Finance	37,763,369	-
	37,763,369	-
SCHEDULE 5		
SUNDRY DEBTORS		
Debtors not exceeding six months	113,476,830	30,887,435
	113,476,830	30,887,435
SCHEDULE 6		
CASH AND BANK BALANCES		
Cash in Hand		-
Cash at Bank		
Chase Bank	11,212,285	6,815,846
New Bank a/c BOA	5,086	-
Wachobia Securities - 8954	2,448,972	1,921,234
Wachobia Securities - 9979	1,332,198	4,666,784
	14,998,541	13,403,865
SCHEDULE 7		
Advances and Deposits		
Advance Tax	235,685	-
Ksoft Systems Inc	260,089	-
	495,775	-
SCHEDULE 8		
CURRENT LIABILITIES, ADVANCES AND PROVISIONS		
Sundry Creditors	98,284,162	15,273,442
Explooyees payable	16,545,840	9,812,198
Others - virinchi	13,325,320	12,336,222
Provision for Taxation	793,408	885,155
	128,948,730	38,307,018
SCHEDULE 9		
BUSINESS AND ADMINISTRATIVE EXPENSES		
Postage, Telephone and Telegrams	1,546,302	333,234
Rent, Rates and Taxes	13,303,718	2,488,183
Marketing and Business Expenses	1,533,489	3,825,577
Other Administrative Expenses	15,591,181	15,919,645
	31,974,691	22,566,639

SCHEDULE 4 FIXED ASSETS

(in Rupees)

Particulars	Gross Block As On 01-04-2008	Additions During the Year	Gross Block As On 31-03-2009	Depreciation Upto 31-03-2008	Depreciation During The year	Total Depreciation 31-03-2009	Net Block as at 31-03-2009	Net Block as at 31-03-2008
Equipments	185,204	10,830	196,034	14,331	6,860	21,191	174,843	143,520
Furniture	59,655	907,014	966,669	7,313	41,813	49,126	917,542	55,879
Building	-	46452981	46,452,981	-	126,197	126,197	46,326,784	-
Computers	-	81838.3174	81,838	-	11,055	11,055	70,783	-
Software	-	8521.593	8,522	-	1,151	1,151	7,370	-
Total :	244,859	47,461,184	47,706,044	21,645	187,077	208,721	47,497,323	199,399

NOTES TO FINANCIAL STATEMENTS

Business Activity

The Company is in the business of providing software consultancy / IT Solution providers. K SOFT Systems Inc is a wholly owned subsidiary of Virinchi Technologies Limited. K SOFT Systems Inc was incorporated on 20th November, 1996 to provide SOFTWARE consultancy /IT Solutions services to customers in the United States of America.

Revenue Recognition:

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

Depreciation

The Company depreciates its Fixed Assets straight-line methods over estimated useful life of the asset.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial tax reporting. Deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

	Year Ended 31-03-2009 Rs.in Lacs	Year Ended 31-03-2008 Rs.in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/ (Loss) before taxation and extraordinary items	26.45	19.25
<u>Adjustments for:</u>		
Depreciation	1.87	0.11
W/o expenses	-	-
Operating Profit before working capital changes	28.32	19.36
<u>Working Capital Changes</u>		
Trade and other receivables	(830.85)	10.38
Trade payables	906.42	114.79
Cash generated from operations	103.88	144.53
Taxation for the year	(7.93)	(5.78)
Foreign Exchange Translation Loss	17.24	(2.24)
Cash flow before extraordinary items	113.19	136.51
Extraordinary items	-	-
Net Cash from Operating Activities	113.19	136.51
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(474.88)	(0.60)
Net Cash used in Investing Activities	(474.88)	(0.60)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Equity Shares	-	-
Net Proceeds from Long Term Borrowings	377.63	(86.88)
Net Cash used in Financing Activities	377.63	(86.88)
Net increase in cash and cash equivalents	15.94	49.04
Cash and Cash equivalents as at 01.04.2008	134.04	85.00
Cash and Cash equivalents as at 31.03.2009	149.98	134.04

AS PER OUR REPORT OF EVEN DATE
for P MURALI & CO.,
Chartered Accountants

P.MURALI MOHANA RAO
Partner
M.No. 23412

FOR AND ON BEHALF OF THE BOARD
K SOFT SYSTEMS INC

ANIL KUMAR PINAPALA
PRESIDENT

PLACE : HYDERABAD
DATE: 29-08-2009

AUDITORS' REPORT

To

The Board of Directors,
VIRINCHI TECHNOLOGIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of **M/s VIRINCHI TECHNOLOGIES LIMITED** and its subsidiary **K SOFT SYSTEMS INC** as at 31st March 2009, the related Consolidated Profit and Loss Account and the consolidated cash flow statement for the period ended on that date annexure thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
 2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. We report that the consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the company and its subsidiaries included in the Consolidated Financial statements.
 4. Based on our audit and on consideration of separate audit reports on individual audited financial statements of the company and its consolidated subsidiary, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Consolidated Balance Sheet, of the State of affairs of the Group as at 31st March, 2009.
 - ii) In the case of the Consolidated Profit and Loss Account, of the **Profit** for the year ended on that date;
- And**
- iii) In the case of Consolidated Cash Flow statement of the cash flows for the year ended on that date.

For **P. MURALI & CO.,**
CHARTERED ACCOUNTANTS

P.MURALI MOHANA RAO
PARTNER
M.No. 23412

PLACE : Hyderabad
DATE : 29.08.2009

VIRINCHI TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEET AS ON 31st MARCH, 2009

PARTICULARS	SCHEDULE Nos.	AS AT 2008-09 (Rupees)	AS AT 2007-08 (Rupees)
I SOURCES OF FUNDS			
1. SHAREHOLDERS FUNDS			
a) Share Capital	1	148,602,697	143,767,697
b) Share Warrants		7,520,000	16,000,000
c) Reserves & Surplus	2	584,231,305	517,910,582
2. LOAN FUNDS			
a) Secured Loans	3	80,176,684	62,958,041
3. DEFERRED TAX LIABILITY		36,900,001	40,680,758
TOTAL		<u>857,430,687</u>	<u>781,317,078</u>
II APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	4	693,422,685	554,310,976
b) Less: Depreciation		<u>195,174,977</u>	<u>186,072,939</u>
c) Net Block		498,247,708	368,238,037
2. INVESTMENTS	5	1,285,063	1,308,432
3. CURRENT ASSETS, LOANS AND ADVANCES			
a) Sundry Debtors	6	193,570,650	188,169,503
b) Cash and Bank Balances	7	112,102,026	70,989,148
c) Advances and Deposits	8	131,703,790	131,064,329
Less: Current Liabilities, Provisions and Advances	9	139,264,699	58,833,903
NET CURRENT ASSETS		298,111,766	331,389,077
4. GOODWILL		59,786,150	80,381,532
TOTAL		<u>857,430,687</u>	<u>781,317,078</u>
Notes to Accounts	11		

Schedules 1 to 10, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for P MURALI & CO.,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for VIRINCHI TECHNOLOGIES LIMITED

P.MURALI MOHANA RAO
PARTNER
M.No: 23412

SRINIVAS MAHANKALI
MANAGING DIRECTOR

SRINATH KOMPPELLA
WHOLE TIME DIRECTOR

PLACE : HYDERABAD
DATE : 29-08-2009

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

VIRINCHI TECHNOLOGIES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

PARTICULARS	SCHEDULE Nos.	AS AT 2008-09 (Rupees)	AS AT 2007-08 (Rupees)
1 INCOME			
Income from Operations		583,075,620	565,812,484
Interest on FDR		4,109,405	2,969,489
Other Income		561,406	-
TOTAL		587,746,431	568,781,973
2 EXPENDITURE			
Salaries and Other Benefits to Employees		216,101,942	212,128,896
Business and Administrative Expenses	10	233,854,102	203,416,410
Interest and Financial Expenses		9,476,736	8,509,277
Depreciation		65,296,885	53,440,378
Goodwill Written Off		20,095,383	20,095,383
TOTAL		544,824,048	497,590,344
3 PROFIT BEFORE TAX		42,921,383	71,191,628
4 PROVISION FOR INCOME TAX			
Current Tax		5,356,757	8,426,060
Fringe Benefit Tax		1,833,460	3,371,894
Deferred Tax Asset		(3,780,756)	4,064,138
5 PROFIT AFTER TAX		39,511,922	55,329,536
6 PROFIT AFTER DIVIDEND		39,511,922	55,329,536
7 BALANCE BROUGHT FORWARD		130,505,690	75,176,154
8 BALANCE CARRIED FORWARD TO BALANCE SHEET		170,017,612	130,505,690
9 BASIC EARNINGS PER SHARE (PAT)		2.69	3.84
Notes to Accounts	11		-

Schedules 1 to 10, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for P MURALI & CO.,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for VIRINCHI TECHNOLOGIES LIMITED

P.MURALI MOHANA RAO
PARTNER
M.No: 23412

SRINIVAS MAHANKALI
MANAGING DIRECTOR

SRINATH KOMPPELLA
WHOLE TIME DIRECTOR

PLACE : HYDERABAD
DATE : 29-08-2009

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

VIRINCHI TECHNOLOGIES LIMITED
Schedules to Consolidated Financial Statements

PARTICULARS	AS AT 2008-09 (Rupees)	AS AT 2007-08 (Rupees)
SCHEDULE 1 SHARE CAPITAL		
AUTHORISED :		
25,000,000 Equity Share of Rs.10/- each	250,000,000	250,000,000
ISSUED, SUBSCRIBED & PAID UP :		
14,905,800 Equity shares of Rs.10/- each (Previous year 14,422,300 Shares of Rs. 10/- each)	149,058,000	144,223,000
LESS: Calls in Arrears	(455,303)	(455,303)
	<u>148,602,697</u>	<u>143,767,697</u>
 Share Warrants	 7,520,000	 16,000,000
SCHEDULE 2: RESERVES AND SURPLUS		
Balance Upto Previous year	311,618,753	239,824,974
Surplus in Profit and Loss Account	39,511,922	55,329,536
	<u>351,130,675</u>	<u>295,154,510</u>
 Employee Stock Option Scheme	 21,388,917	 22,102,129
Less:Deferred Employee Compensation	12,277,631	13,065,405
	<u>9,111,285</u>	<u>9,036,724</u>
 Securities Premium (Share Premium)	 223,718,978	 214,205,765
Foreign Exchange Translation Reserve (Cr.)	270,366	(486,417)
	<u>584,231,305</u>	<u>517,910,582</u>
SCHEDULE 3: SECURED LOANS		
Overdraft from Canara Bank (Hypothecation of Machinery such as Computers, Furniture and Fixtures, Office Equipment and Airconditioners and personal guarantee of the Director of the Company)	14,951,285	29,991,456
Vehicle Finance (Secured against Vehicles)	5,576,921	4,425,228
Canara Bank - Bill Discounting	13,922,746	18,015,993
Canara Bank Term Loan (Hypothecation of Fixed Assets - Land, Building, Computers & Interiors etc. of the proposed campus at Shamirpet and personal guarantee of the Directors)	7,962,364	10,525,364
Building Finance	37,763,369	-
	<u>80,176,684</u>	<u>62,958,041</u>

SCHEDULE 4 FIXED ASSETS

(in Rupees)

Particulars	Gross Block As On 01-04-2008	Additions During the Year	Gross Block As On 31-03-2009	Depreciation Upto 31-03-2008	Depreciation During The year	Total Depreciation 31-03-2009	Net Block as at 31-03-2009	Net Block as at 31-03-2008
Computer Hardware	113,331,598	2,585,236	59,718,412	66,967,445	18,629,761	29,398,784	30,319,628	46,364,153
Computer Software	108,664,613	2,113,730	110,778,343	50,128,109	17,808,000	67,936,109	42,842,234	58,536,504
Furniture and Fixtures	10,701,790	926,542	11,628,332	3,782,627	715,538	4,498,543	7,129,788	6,922,700
Interior Decoration	43,655,381	8,907,101	52,562,482	7,587,166	2,948,245	10,535,412	42,027,070	36,068,215
Office Equipments	12,899,544	1,335,805	14,235,349	1,687,209	647,630	2,334,840	11,900,510	11,184,982
Air Conditioners	5,152,683	2,896,644	8,049,327	683,171	253,239	936,411	7,112,916	4,469,512
Vehicles	14,025,656	4,825,105	18,850,761	4,812,478	1,439,497	6,251,975	12,598,786	9,213,178
Electrical Equipment	3,097,121	1,043,710	4,140,831	394,511	172,420	566,931	3,573,900	2,702,610
Buildings	-	46,452,981	46,452,981	-	126,197	126,197	46,326,784	-
Product Development Expenses	213,225,846	18,506,580	231,732,426	50,033,420	22,556,357	72,589,776	159,142,650	163,192,426
Land & Land Development Charges	29,583,756	-	29,583,756	-	-	-	29,583,756	29,583,756
Capital work in progress	12,528,148	93,161,537	105,689,685	-	-	-	105,689,685	12,528,148
	566,866,136	182,754,971	693,422,685	186,076,136	65,296,885	195,174,977	498,247,708	380,766,185

PARTICULARS	AS AT 2008-09 (Rupees)	AS AT 2007-08 (Rupees)
SCHEDULE 5: INVESTMENTS		
Canara Bank Shares (Cost price of 400 Shares @ Rs.35/- per share) (Market Price of share as on 31st March,2009 is Rs.165.90 per share)	14,000	14,000
Karvy Stock Broking Limited (Cost price of 6750 Shares Average @ Rs.188.38/- per share) (Market Price of share as on 31st March,2009 is Rs.167.20 per share)	1,271,063	1,294,432
	<u>1,285,063</u>	<u>1,308,432</u>
SCHEDULE 6: SUNDRY DEBTORS		
Debtors not exceeding six months	193,570,650	188,169,503
Others	-	-
	<u>193,570,650</u>	<u>188,169,503</u>
SCHEDULE 7: CASH AND BANK BALANCES		
Cash in Hand	1,525,688	36,327
Cash with Schedule Banks		
In Current Accounts	37,222,063	12726077
In Deposit Accounts	58,355,734	44815379
- In Checking Account USA		
Chase Bank	11,212,285	6,815,846
Wachobia Securities - 8954	2,448,972	1,921,234
Wachobia Securities - 9979	1,332,198	4,666,784
New Bank a/c BOA	5,086	-
	<u>112,102,026</u>	<u>70,981,648</u>
SCHEDULE 8: ADVANCES AND DEPOSITS		
ADVANCES		
Advances	113,826,468	109,398,534
Virinchi Employees Welfare Trust	14,420,000	14,420,000
Other Advances	695,775	1,743,366
DEPOSITS:		
Rent Deposits	1,661,728	4,457,728
Other Deposits	1,099,819	1,044,701
	<u>131,703,790</u>	<u>131,064,329</u>
SCHEDULE 9: CURRENT LIABILITIES, ADVANCES AND PROVISIONS		
Sundry Creditors	112,383,871	28,933,555
Advances & Creditors for Expenses	11,402,817	9,812,198
Others Current Liabilities	9,198	748,994
Outstanding Expenses and Provisions	7,115,700	6,042,102
Provision for Taxation	8,053,113	13,297,054
	<u>139,264,699</u>	<u>58,833,903</u>
SCHEDULE 10: BUSINESS AND ADMINISTRATIVE EXPENSES		
Postage, Telephone and Telegrams	6,969,851	5,561,831
Repairs and Other Maint. Charges	8,681,854	10,546,583
Rent, Rates and Taxes	17,934,515	4,654,598
Auditors Remuneration	165,450	168,540
Directors Remuneration	8,895,401	6,281,661
Printing and Stationery	1,306,533	682,084
Travelling and Conveyance	49,132,623	51,281,903
Loss on sale of Shares	1,848,183	-
Marketing and Business Expenses	105,750,969	92,457,933
Other Administrative Expenses	33,168,722	31,781,278
	<u>233,854,102</u>	<u>203,416,410</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

	Year Ended 31-03-2009 Rs.in Lacs	Year Ended 31-03-2008 Rs.in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/ (Loss) before taxation and extraordinary items	429.21	711.92
Adjustments for:		
Depreciation	652.97	534.40
W/o expenses	200.95	200.95
Interest expenses	94.77	85.09
Operating Profit before working capital changes	1,377.90	1532.37
Working Capital Changes		
Trade and other receivables	-60.41	-1140.26
Trade payables	766.50	80.99
Cash generated from operations	2,084.00	473.09
Interest paid	-94.77	-85.09
Taxation for the year	-71.90	-117.98
Foreign exchange difference	-2.16	-2.24
Deferred Employee Compensation	0.75	-9.41
Cash flow before extraordinary items	1,915.91	258.37
Extraordinary items	-	-
Net Cash from Operating Activities	1,915.91	258.37
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	-1,391.54	-378.27
Investment	0.23	-12.94
Public Issue Expenses	-	-
Net Cash used in Investing Activities	-1,391.30	-391.21
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Equity Shares	48.35	28.44
Issue of Share Warrants	-84.80	-
Share Premium	95.13	60.72
Net Proceeds from Long Term Borrowings	-172.19	146.69
Net Cash used in Financing Activities	-113.50	235.85
Net increase in cash and cash equivalents	411.11	103.00
Cash and Cash equivalents as at 01.04.2008	709.91	606.91
Cash and Cash equivalents as at 31.03.2009	1,121.02	709.91

AS PER OUR REPORT OF EVEN DATE
for P MURALI & CO.,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for VIRINCHI TECHNOLOGIES LIMITED

P.MURALI MOHANA RAO
PARTNER
M.No: 23412

SRINIVAS MAHANKALI
MANAGING DIRECTOR

SRINATH KOMPPELLA
WHOLE TIME DIRECTOR

PLACE : HYDERABAD
DATE : 29-08-2009

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

CONSOLIDATED NOTES TO ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES AND NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Business

Virinchi Technologies Ltd has made a strategic investment in the company engaged in the business of software consultancy / IT Solution providers through wholly owned subsidiary **K SOFT SYSTEMS Inc.**

2. Principles of Consolidation :

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

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

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

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

	March 31, 2009
Balance Sheet items	50.86
Revenue items	46.43

3. Revenue Recognition :

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

4 Fixed Assets:

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

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

5 Goodwill:

Goodwill represents the difference between the purchase price and the fair value of the assets and liabilities acquired after considering reserves transferred. Goodwill is being amortized on Straight Line Method over a period of 5 years.

The excess of cost to the Parent company of its investment in the subsidiary company is recognized in the consolidated financial statements as goodwill.

6 Taxation:

As per the Finance Bill 2007, Companies claiming exemption U/s 10 B are subject to the provisions of Minimum Alternative Tax (MAT) U/s. 115JB. Company has provide provision for Income Tax as per Sec.115JB of Income Tax Act, 1961. In case of subsidiary company current tax is determined on the amount of tax payable in respect of taxable income for the year as per their laws. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between profit offered for Income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are not recognized unless there is a virtual certainty that there will be sufficient future taxable income to realize such assets.

7 Earning per Share:

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

8 Gratuity

The Company has made provision for the gratuity to its employees. Company has created Separate Gratuity Trust for employees and amount invested with Aviva Life Insurance Company India Ltd.

9 Foreign Currency Transaction:

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

VIRINCHI TECHNOLOGIES LIMITED

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

ATTENDANCE SLIP

I hereby record my presence at the 20th Annual General Meeting of the Company being held on Wednesday, the 30th day of September, 2009 at 11.00 A.M. at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Maredpally, Secunderabad – 500 026

Name of the Shareholder:

Name of Proxy:

Signature of Member / Proxy:

Regd. Folio No. / *Client id:

* Applicable for members holding shares in Electronic Form.

Note: PLEASE FILL ATTEDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETINGVENUE

VIRINCHI TECHNOLOGIES LIMITED

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

PROXY FORM

Regd. Folio No/

No. of Shares held

Client ID

I/Weof

..... in the district of

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

.....in the district ofor failing

him..... Of in the district

of.....as my/our proxy to vote for me/us on my/our

behalf at the 20th Annual General Meeting of the Company to be held on Wednesday, the 30th Sep-tember 2009 at 11.00 A.M. or at any adjournment thereof.

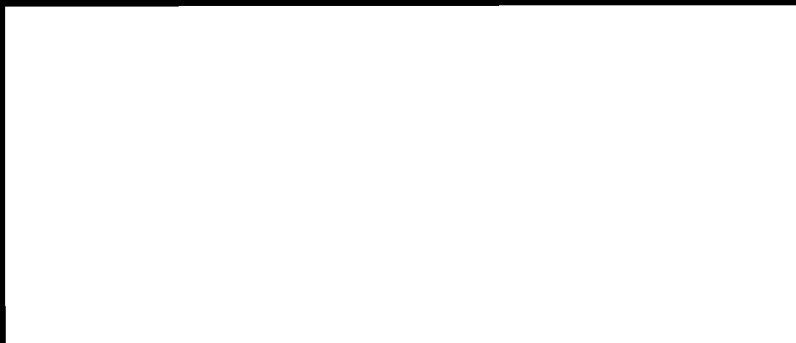
Signed this day of2009

Signature

Affix
Re. 1/-
Revenue
Stamp

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

BOOK POST
PRINTED MATTER



If Undelivered, please return to:

Virinchi
Technologies Limited

#10, SRK Colony
West Marredpally
Secunderabad - 500 026

