

Annual Report 2009-10



nexxoft

Real Time Interactive Visualization

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“EXCELLENCE IS NOT A ONE TIME ACHIEVEMENT, IT IS AN ONGOING JOURNEY”

Nexsoft is committed to provide users with easy to use 3D integrated application design, simulation, and augmented reality tools needed to develop Training, Security and multi platform Gaming applications powered by XForce™ Gaming Engine.



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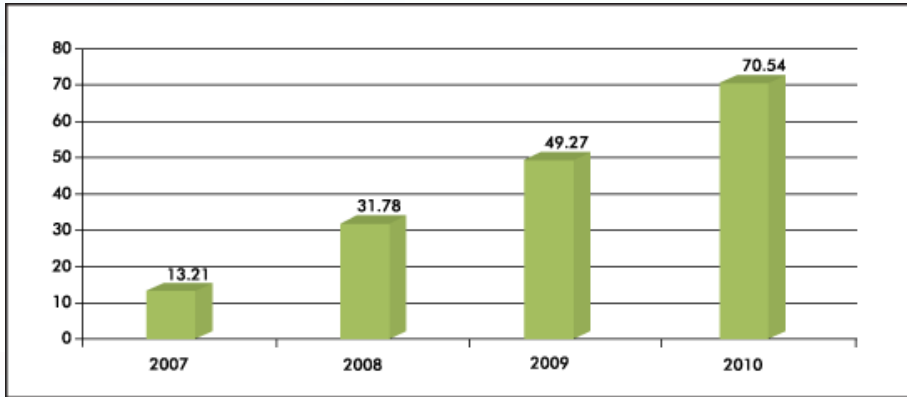
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The Year Under Review

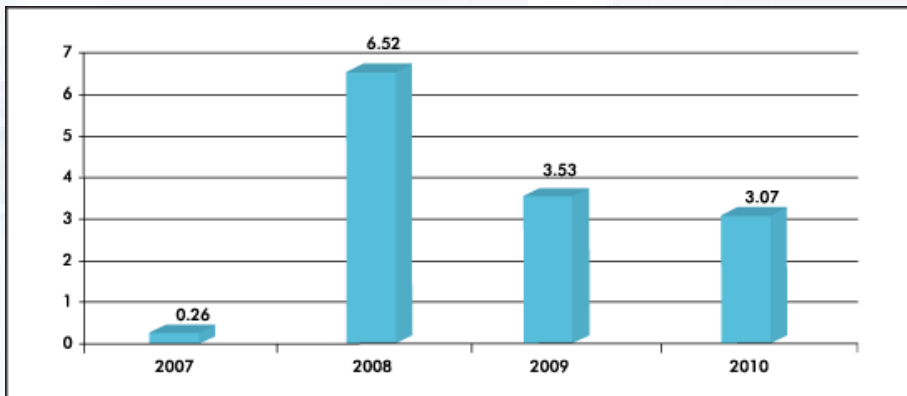
Rs. in lakhs except per share data

Particular	FY 2010	FY 2009	Growth
Financial Performance			
Income	7058.55	4927.45	43.24
Operating Profit	1836.89	1337.17	37.34
PBT	755.84	402.62	87.73
PAT	307.74	352.62	-
EPS	3.56	7.2	-
Financial Position			
Fixed Assets (Net Block)	4045.15	1096.29	268.98
Net Current Assets	1553.59	1127.02	37.84
Total Assets	5598.74	2223.31	151.82
Debt	2709.94	600	-
Deferred Tax	442.26	68.5	-
Share Capital	864.18	499.18	73.12
Reserves and Surplus	1582.36	1055.61	50
Net Worth	2446.54	1554.79	57.35
Market Capitalization	15555.33	998.37	-

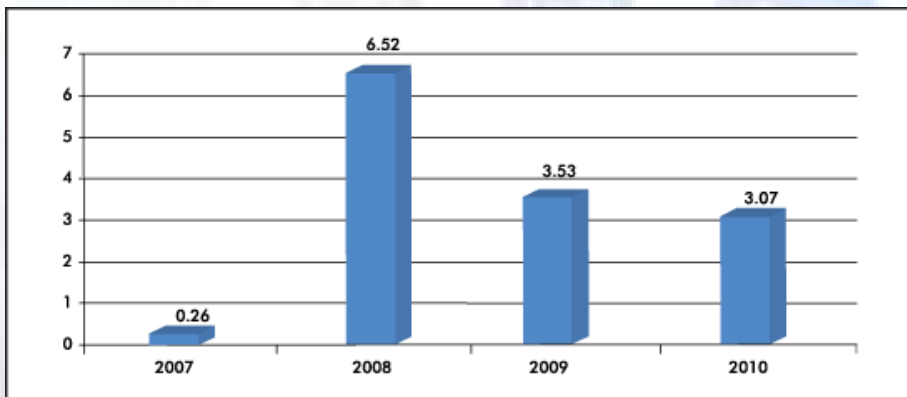
Revenue - (Rs. in Cr.)



Operating Profit - (Rs. in Cr.)



Profit After Tax - (Rs. in Cr.)





G Dhananjaya Reddy
Chairman

Dear Shareholders,

Let me begin by saying that our vision determines our mission, and our solutions are derived from our mission. We started small to eventually make a big impression. How else will you explain the fact that Nexsoft Infotel Ltd., which began as a small ERP solutions & service provider to the manufacturing and industrial sector, has today evolved into a provider of a host of solutions, including 3D Immersive solutions, Advanced security solutions, Remote infrastructure Management solutions, Manufacturing and supply chain solutions, Immersive training solutions to sectors like banking, insurance, medical hospitality; Interactive human interface systems using technologies like multi-touch displays, face recognition, speech recognition, virtual 3D Environment, to target segments like retail stores and outlets, restaurants, hotels, malls, film theaters and commercial complexes, among others. And the best part? We are today providing the complete range of ERP solutions and have made it our goal to provide end-to-end business solutions, so the customer doesn't have to go anywhere else.

Technology and Operations front

Nexsoft armed with a unique blend of technology products, proprietary and third party solutions, has earned patronage from prestigious clients such as BEL and General Motors to name a few, within a short span of time.

The company has grown at a CAGR of 75-80% from Financial year 2007, highlighting unblemished and dedicated efforts from all teams. And this is a reflection of our management skill sets, HR talents, superior technology and the uniqueness of our products and solutions. The company posted a turnover of Rs.13.21 cr, with PAT of just Rs. 25.61 lakhs for the FY 2007, while for the year 2009-10, the turnover and PAT were respectively at Rs. 70.58 cr and Rs. 3.07 cr, thereby registering stupendous manifold growth.

Macro-Operational front

The company's thrust and focus has been on innovation, technology piercing, R&D and the development of unique products and solutions. An offshoot of the above is its products and solutions such as 3D XFORCE Engine & Gaming, RFID solutions and Remote Infrastructure Management, among others. By far, our growth on all fronts is commendable resulting in a pleasing financial position, sizable market capitalization and stakeholders investment growth, among others. We believe in values that really drives us ahead with our vision and vitality. To realize our dream vision of becoming a Global Player providing end-to-end solutions with the unique blend of technology products and service offerings, we seek to:

By far, our growth on all fronts is commendable resulting in a pleasing financial position, sizable market capitalization and stakeholders investment growth, among others. We believe in values that really drives us ahead with our vision and vitality. To realize our dream vision of becoming a Global Player providing end-to-end solutions with the unique blend of technology products and service offerings, we seek to:

- Increase business from existing & new clients
- Expand geographically
- Continue to invest in R&D, Infrastructure and employees
- Continue to enhance our engagement models and offerings
- Enhance our brand visibility
- Pursue for strategic alliances and strategic acquisitions

We have, at the moment, a strong business model consisting of the following three segments contributing to our growth

- Proprietary products & solution
- Third party products
- Training and software services, including management services and service-oriented architecture, among others. believe in thriving for newer opportunities, new segments and deepening of our base to reach our goals.

Helping us in our mission to become a Global Player is the global environment we are presently operating under. The economy is recovering; there are sustainable growth projections of the Indian economy and there is stability in the global markets. In addition, we have our own set of internal factors and skill sets that are going to be facilitators in our path of accelerating growth to become a Global Player.

The year under review witnessed yet another feather in our cap with our products –the XFORCE Engine & gaming. We believe that this 3D immersive solution would enable us to deliver a wide range of solutions to our existing customers as well as help us unearth newer opportunities with fresh clients. These products are expected to provide great leverage in scaling up of our operations and thereby result in more growth in the near future.

I would like to thank all the stakeholders, for believing in us, without whose support, this would not have happened.

With warm regards,
G Dhananjaya Reddy
Chairman

Board of Directors

G Dhananjaya Reddy - Chairman

Dinesh Kavoor - Executive Directors

G Nirmala - Executive Directors

Jayaram S - Independent Directors

Ganesh Rao - Independent Directors

Satyanarayana - Independent Directors

Zubair Sheikh - Independent Directors

Auditors

Hariharan & Associates

304 B, 3rd Floor

21, HVS Court, Cunningham Road

Bangalore

Bankers

Oriental Bank of Commerce

Richmond Road Branch, Bangalore

Registered Transfer Agents

M/s Ventur Capital & Corporate Investments Pvt. Limited

Hyderabad.

Registered Office

301, 3rd Floor, Sahiti Arcade

SR Nagar, Hyderabad 500038

Development Centre

Bangalore

29/1, Beretina Agrahara, Hosur Main Road

Electronic City Post, Bangalore – 560100

Hyderabad

301, 3rd Floor, Sahiti Arcade

SR Nagar, Hyderabad 500038

General Overview

Nexsoft Infotel Limited (“Nexsoft” or the “Company”) started in 1991 is a Public limited company listed in the Bombay Stock Exchange with initial focus on solutions for manufacturing & industrial sector.

We design, develop and market a suite of 3-D Interactive Technologies related to Gaming, Simulation, Augmented Reality, RFID based security & people tracking solutions and enterprise resource planning, rapid prototyping tools and systems that enable complex three-dimensional objects and interactive applications to be produced directly from the computer with nearly no programming.

Our customers use our systems to produce Interactive 3-D applications using commonly available 3-D Digital Asset creation computer-aided design software, often referred to as 3D Studio software, or other digital-asset creation softwares. Our systems’ ability to produce Real Time Interactive rich computer applications from digital art enables customers to create detailed prototypes or production-quality applications quickly and effectively without a significant investment in expensive tools, greatly reducing the time and cost required to produce applications.

Our systems use XForce software engine core which is a strong technology platform that supports real-time 3D graphics and visualization. The platform supports the most advanced visual rendering techniques such as advanced shader pipeline (for simulating near realistic materials and surfaces), post processing effects such as bloom, HDR lighting, deferred shading etc. The engine comes with a set of built-in tools and editors which allows the developer to create virtual 3D environments and enables real-time interactivity.

We believe that our software platform enable our customers to develop high quality, functionally rich new products faster and more economically than other, more traditional methods.

Our product development efforts are focused on expanding our portfolio of 3-D Interactive Technologies related to Gaming, Simulation, Augmented Reality, RFID based security & people tracking solutions, enterprise resource planning & manufacturing solutions, which we believe represent significant growth opportunities for our business.

In recent years, we have been working to develop enhancements which improve our overall technology to rejuvenate and reshape our core business while developing new products that address our growing 3-D Interactive Technologies.

With respect to the uses of our systems:

In 3-D Interactive applications, our systems are used to produce three-dimensional software applications, primarily for visualizing and creating virtual environments , various design applications and other applications, including supply-chain management, functional modeling, architecture, art, surgical modeling, medical end use applications and entertainment.

With our rapid prototyping tools , our software engine platform is used to generate quickly and efficiently product concept models, functional prototypes to test and production systems.

About Us

Nexsoft Infotel Limited is a public limited company listed at the Bombay Stock Exchange. The company's prime focus is on interactive 3D technologies, games, RFID security and people-tracking solutions, besides enterprise resource planning.

Nexsoft is also a premier manufacturing solutions company focused on enabling materials handling, efficiency supplier and collaboration and enterprise resource planning. Nexsoft's development centres are in Bangalore and Hyderabad, the IT hubs of south India. The company is supported by a dedicated, experienced and professional management team. With staff strength of 150, the company is focused on various niche verticals. The technical team consists of a group of feisty technocrats who bring their unique set of skills and innovative products to the table. Nexsoft is the only Indian company with its own in-house engineered 3D engine technology - the XForce Engine. This makes it easy to customise its products, according to the client's requirements. Some of the company's focus areas include 3D simulations and immersive products, RFID-based people tracking and inventory management, ERP solutions and consultancy services.

The company is the implementation partner for Syspro and Flexsim. In addition, the company has successfully developed several products for people tracking, distribution systems and 3D walk-throughs for many large corporations and MNCs. The company's 3D Immersive Solutions division has worked on several cutting edge technologies and products for such prestigious clients as BEL and General Motors to name a few.

The company isn't new to this sector. Nexsoft began way back in 1991 as a manufacturer of industrial valve systems. In 2000, the company decided to change course and started developing advanced software systems for the Indian and US markets. Today, Nexsoft capitalises on its manufacturing heritage and provides advanced manufacturing technology solutions to its clients. Of late, there has been a significant shift in the manufacturing base from their traditional first world locations in US, Europe and Japan to eastern regions like China, India, Taiwan, Korea and South-east Asia. This is largely because of the low-cost labour readily available in these countries.

Product and Solutions



Security and Safety



Immersive Training Platform



Interactive Human Interface Systems



ERP Solutions



Remote Infrastructure Management Solutions



Manufacturing and Supply Chain Solutions

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Strategic Partnerships

Name of vendor/entity	Service offerings available	Target market segment
Syspro, SA	ERP	Gulf region and certain chosen industry segments in India [esp Pharma, foundry, engineering]
Flexsim, US	Simulation and planning	Gulf Region
BLUETRONICS FZE,RAK	ITIL [in the first phase, a buyout of certain components is being contemplated for enriching Nexsoft's offerings in the RIM space]	Domestic IT segment and the Gulf [with other possibilities in the SE Asia region being explored]
Computer Guru, INDIA	Security	Indian IT market, which has a huge need for security – initial target would be the enterprise software vendors
X-Man [name of product]	Supply chain and warehouse management – this is a proven product with installations for most of the large fashion houses in India, and Nexsoft is currently into confidential discussions with them for a strategic relationship /stake buyout	Retail, logistics, warehouse management, supply chain etc

Outline Of Products And Solutions

NexDesignStudio 3D framework is designed to be a high-end technology platform to accelerate development of 3D Real-time Interactive Visualisation (RIV) applications. Using XForce™ Engine Technology, one can create highly immersive and interactive applications which can be used to meet many requirements. XForce™ aims at being the best 3D RIV Engine to develop high quality 3D games for different platforms (XBOX 360, PC, Zune, Windows Phone), real-time 3D-enabled simulations (like driving simulators, defense simulations, machinery & equipment simulators, real life process modeling, simulations for advanced training...). The key differentiator that XForce™ will bring is the ability to develop these high-end applications with minimal or nil programming. XForce™ shall accomplish this by using visual WYSIWYG editors, simple English-based scripting system and a range of other middleware tools and helpers.

Target Segment & Growth Potential

XForce™ is targeted as the ultimate technology platform for the 'Serious Games' market space where gaming technology is used for advanced learning. It is proven that learning using an interactive game-based learning approach has proven benefits such as higher retention, quicker learning, better efficiency and greater confidence in operations. The 'Serious Games' industry is projected to be a 11 billion dollar industry by 2011 consistently growing beyond expectations. It is to be noted that the 'Games & entertainment' sector is the biggest industry in the last 10 years, with the Games industry being roughly a 45 billion dollar industry. No wonder, you have industry giants now focusing on it like never before, including Microsoft, Sony, Apple & Nintendo.

Vision

The final vision for the product is to have the technology available online through a simple shopping cart business model where users can purchase our technology framework and required modules, according to their needs. The goal is to have the simplest possible framework for anyone to be able to use with very little or no training to develop high quality 3D RIV products for their simulation, training, evaluation or entertainment needs. Just like one would use Powerpoint to create presentations, we would like NexDesign Studio 3D to be the tool to develop next-gen 3D RIV applications and products.

Demand Statistics ERP/Enterprise Solutions

The Indian ERP /enterprise application market has been growing at a CAGR of more than 30%. The SME segment, in particular, is now the fastest growing, as this segment traditionally lagged behind in technology adoption and upgradation. Its market is now worth more than Rs. 500 cr (including license fees, services, etc). With the top-end of the market getting saturated and collaboration being the need of the hour, vendors focusing on these specific requirements of integration and collaboration are best positioned to take advantage of this situation. Here is where Nexsoft has solutions, both proprietary and third party, to make an impact. The company intends to use a judicious approach of positioning both proprietary and third party solutions, depending on the client requirements. There has been sufficient traction in both these offering areas, as will be evident from the pipeline report annexed.

The market in the Gulf area too has been growing at a rapid pace. The burgeoning oil prices and a stable investment regime in major Gulf countries (especially comprising the UAE region) has resulted in the rapid growth of FDI in technologically-enabled processes to ensure greater efficiency. A recent study by IDC has stated that the market will grow to about US\$ 500 million in the year 2008 (from US\$ 300 million in 2007)

and is slated to continue to grow at a CAGR of around 30%. The key segments (besides financial services) are logistics, supply chain, manufacturing and RFID.

Quotable Quote

“Several countries in the region, particularly the Gulf states, are investing heavily in modernising and strategically diversifying their economies, spurring tremendous growth in the EAS market,” says Vinay Nair, Senior Research Analyst, IDC MEA. “In the key verticals like retail, and manufacturing, companies are adopting progressive IT strategies and boosting their EAS investments accordingly.”

Companies across the region invest most heavily in Enterprise Resource Planning (ERP) solutions. This segment soared by a third in 2006 to almost \$206 million. Customer Relationship Management (CRM), as part of enterprise application suites, was second most in demand, shooting up by 97.5% year-on-year to \$38.5 million. Supply Chain Management (SCM) was third with a value of \$33.80 million, which represents an almost 39% year-on-year increase in spending.

Service Oriented Architecture Based Services

The Service Oriented Architecture [SOA] market is now a huge opportunity. This is a technical development that has positively impacted the offerings and opportunity around the enterprise application space, which we have mentioned is a space that Nexsoft has a fairly strong presence in. SOA fits in tightly with the businesses that the group serves, especially businesses such as retail, where the customer touch points are most likely to be a requirement of service and which has to be seamlessly delivered through the technology chain. There is now a convergence of enterprise applications through service oriented architecture, and this is fast becoming a thriving large space. SOA, an enabling technology where enterprises pursue componentised architecture (some owned/managed for business reasons and others in public space) for anytime use, is the route to take. Overall, the drivers for future enterprises would be applications with open and flexible architectures.

The current size of the SOA market is about USD 60 billion. Out of this segment, manufacturing and supply chain will be one of the fastest growing segments. The domestic SOA market is estimated by Gartner & Forrester to be about USD 3 billion, and growing at the rate of 20% CAGR.

Distribution Management Software

Nexsoft is pioneering a new category of web-based enterprise software, known as Enterprise Demand Management (EDM). EDM will enable companies to move beyond the one-dimensional single-minded forecasting of product markets to the more dynamic and collaborative EDM approach. It will enable companies to lower costs by reducing inventory, and increase revenue by delivering the right products to a receptive market. EDM will act as a continuous ‘early warning system’ that enables enterprises to identify their customers’ customer and react to changes in demand much more quickly, efficiently and proactively. It will accelerate company efforts to achieve best-in-class demand management practices.

EDM helps manufacturers generate the most accurate forecasts possible and set highly effective replenishment plans. Using Nexsoft EDM product, a manufacturer will be able to collaborate with his customers and suppliers respectively to reduce inventory and achieve more accurate shipments, as they will be directly tied to the forecasts required by the customer. This allows the buyer, seller and carrier to come together for exchanging key information, provide visibility to status data and conformance to plan, and provide processes to jointly derive the plan itself. This is the very essence of (true) collaboration and we are proud to play our part in making this happen.

Radio Frequency Identification (RFID) can be broadly categorised as 'e-tagging' technology. RFID enables passive object tagging and automatic data capture, using RF sensing as opposed to optical, in case of barcodes. RFID is fast, reliable and does not require physical sight or contact between reader/scanner, eliminating the problems related to barcodes. The range of sensing RFID tags mentioned from a reader varies from a few centimetres to a few metres, depending on the frequency and type of tag (active or passive). The amount of data that can be stored inside RFID tag ranges from a few bits to 1 MB for active tags. The versatility of RFIDs can be gauged from the fact that RFIDs can even be embedded in a piece of paper or in a form that can be permanently tagged to a shirt.

In principle, RFID technology can provide accurate information about the quantities, location, and status of all products at all points within the supply chain. RFID's premise is embedded in its potential for greatly enhancing visibility across the entire supply chain. RFID technology is designed to provide accurate information about the quantities, location, and status of all products (finished, goods in-process, and raw materials), at all points within the supply chain. Such visibility will eventually facilitate greater efficiencies all across the supply chain, resulting in higher inventory turns, major cost savings and extensive cooperation and collaboration among supply chain partners. In the near future, as costs of RFID tags fall and the benefits rise, more and more companies will adopt RFID.

About 15% of the revenues of the company come from this segment. It is a fast growing outsourcing opportunity where several large ticket deals are struck both domestically as well as with customers abroad. In this space, Nexsoft foresees rapid growth as it has tied up with domestic and overseas IT companies for project/ software services work. The project work includes development and customisation of products for the buyers' use. Nexsoft uses its proprietary tools and unique project management techniques for quick development and assured quality of delivery. The focus of these services will be on the following rapidly growing areas:

- Remote Infrastructure Management
- Security Environment
- Enterprise Application Integration

To help and speed up the execution process in this thriving space, Nexsoft has tied up with consulting firms which hold deep domain expertise.

Key Geographical Markets and Segments for Growth

- Domestic IT segment with all our service and product offerings
- US and European markets, especially for 3D X Force Engine
- The fast-growing and increasingly sophisticated Gulf region where Nexsoft Offers third party product implementation and horizontal IT services
- African continent, especially ERP and immersive training

Notice Of AGM

A NOTICE is hereby given that the NINETEENTH ANNUAL GENERAL MEETING of the members of the Company NEXXOFT INFOTEL LIMITED will be held at the Registered office of the company at # 301, 3rd Floor, Sahiti Arcade, SR Nagar, Hyderabad – 500038 on Wednesday, the 30th day of September, 2010 at 10.00 A.M. to transact the following:

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as on 31st March 2010; the Profit and Loss Account for the year ending on that date, along with schedules and reports of the Board of Directors and auditors
2. To appoint a Director in place of Mr. Zubir Sheikh who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ganesh Rao who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors M/s Hariharan & Associates and fix their remuneration. The retiring auditors M/s Hariharan & Associates, being eligible, offer themselves for re-appointment.

Special Business

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

RESOLVED that subject to the provisions of Sections 198, 269 and 309 and other applicable provisions of the Companies Act, 1956 (the "Act"), consent of the Members, Mr. G Dhananjaya Reddy, be and is hereby, appointed as Managing Director of the Company on w.e.f from 1st October 2010 on the terms and conditions as agreed by the Company and said director for the period of five years Copy of the said agreement is kept here for inspection and initialled by the Chairperson for the purpose of identification. Brief terms and conditions are being reproduced hereunder for the ready information of the shareholders:

Overall Remuneration

Subject to the provisions of Sections 198, 269 and 309 of the Act and other applicable provisions of the Act, if any, the remuneration payable to Mr. G Dhananjaya Reddy in any financial year shall not exceed 5% (five percent) of the net profits of the company. Within the aforesaid ceiling, the remuneration payable to Mr. G Dhananjaya Reddy shall be as follows:

Salary & Perquisites

Rs. 24,00,000 per annum with annual increments effective April 1 of each financial year, commencing from April 1, 2011, as may be decided by the Board or Committee of the Board, subject to a ceiling of 20% per annum.

Annual Performance Incentive

As may be decided by the Board or Committee of the Board, subject to a ceiling of 50% of salary.

Perquisites and other Benefits

As per the company's Human Resources policy applicable to other employees.

Minimum Remuneration

During any financial year under the tenure of Mr. G Dhananjaya Reddy, the Company has no profits or its profits are inadequate, the remuneration payable to Mr. G Dhananjaya Reddy will be as outlined above.

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

RESOLVED that Mr. Jayaram Sathyanarayana, who was appointed with effect from 20.7.2010 as Additional Director of the Company and holds office up to the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of the Director, be, and is hereby, appointed as Director of the Company whose office shall be liable to termination through retirement by rotation.

7. To consider, and, if thought fit, to pass, with or without modification(s), the following Resolution as Ordinary Resolution:, in respect of which a notice under Section 257 of the Companies Act, 1956:

RESOLVED that Mr. Rakesh Joshi, subject to the provisions of Sections 198, 269 and 309 and other applicable provisions of the Companies Act, 1956 (the "Act"), consent of the Members, be, and is hereby, appointed as Director (Finance) of the Company for the full term of five years w.e.f 1st October 2010 on the terms and conditions contained in the agreement entered into by the Company and the said Director, copy of which is placed before this meeting and initialled by the Chairperson for the purpose of identification. Brief terms and conditions are being reproduced hereunder for the ready information of the shareholders:

Overall Remuneration

Subject to the provisions of Sections 198, 269 and 309 of the Act and other applicable provisions of the Act, if any, the remuneration payable to Mr. Rakesh Joshi in any financial year shall not exceed 5% (five percent) of the net profits of the Company. Within the aforesaid ceiling, the remuneration payable to Mr. Joshi shall be as follows:

Salary & Perquisites

Rs. 18,00,000 per annum with annual increments effective April 1 of each financial year, commencing from April 1, 2011, as may be decided by the Board or Committee of the Board, subject to a ceiling of 20% per annum.

Annual Performance Incentive

As may be decided by the Board or Committee of the Board, subject to a ceiling of 50% of salary.

Perquisites and other Benefits

As per the company's Human Resources policy as applicable to other employees.

Minimum Remuneration

During any financial year under the tenure of Mr. Rakesh Joshi, the Company has no profits or its profits are inadequate, the remuneration payable to Mr. Rakesh Joshi will be as per the relevant provisions in the Company's Act. The appointment will be subject to termination by six months' notice in writing on either side."

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 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendments there to or re-enactment thereof) and the provisions of the Foreign Exchange Management Act, 2000 (FEMA), Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 as amended, the Securities and Exchange Board of India (SEBI) Regulations and in accordance with the rules, regulations, guidelines, notifications, circulars and clarifications issued thereon from time to time by Government of India (GOI), the Reserve Bank of India (RBI), SEBI and/or any other competent authorities and the enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchanges on which the Company's shares are listed and subject to necessary approvals, permissions, consents and sanctions as may be prescribed by any of them while granting such approvals, permissions, consents and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall include any committee thereof) consent of the Company, be, and is hereby, accorded to the Board to offer, issue and allot (including with provisions for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons including employees of the Company as may be permitted) either in India or in the course of international offering(s) in one or more foreign markets, such number of Equity Shares with or without a green shoe option, American Depository Receipts (ADRs), Global Depository Receipts (GDRs), in registered or bearer form, Qualified Institutions Placement, (as defined by the SEBI (DIP) Guidelines, Guidelines, 2000) pursuant to a Qualified Institutions Placement, as provided under Chapter XIII A of the SEBI DIP Guidelines (QIP) and/or securities with or without detachable warrants with right exercisable by the warrant holders to convert or subscribe to Equity Shares (all of which are hereinafter collectively referred to as "Securities") or any combination of Securities, in one or more tranches, whether rupee denominated or denominated in foreign currency, to any eligible person, including foreign/resident investors (Whether institutions, incorporated bodies, mutual funds, individuals or otherwise), Foreign Institutional Investors, Indian and/or Multilateral Financial Institutions, Mutual Funds, Non-Resident Indians, stabilizing agents, and/or any other categories of investors, whether they be holders of shares of the Company or not (collectively called the "Investors") through public issue(s) of prospectus in India or outside India, a qualified institutional placement, a rights offering, private placement(s) / preferential allotment in India or outside India, or a combination thereof at such time or times, at such price or prices, at a discount or premium to market price or prices in such manner and on such terms and conditions as may be deemed appropriate by the Board at its absolute discretion, including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be made to the exclusion of all other categories of Investors at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with Lead Managers, up to an amount not exceeding Rs. 200 crores (Rupees two hundred crores only) either in foreign currency or Indian Rupees inclusive of such premium as may be determined by the Board, in any convertible foreign currency, as the Board at its absolute discretion may deem fit and appropriate.

- b) RESOLVED FURTHER THAT the relevant date for the determination of applicable price for the issue of the QIP Securities shall be the date on which the Board of the Company decide to open the proposed issue, or the date on which the holder of the securities which are convertible into or exchangeable with equity

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shares at a later date becomes entitled to apply for the said shares, as the said shares, as the case may be ("Relevant Date").

- (c) RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any Securities referred to in paragraph (a) above or as may be necessary in accordance with the terms of the offering, all such shares being pari passu with the then existing shares of the Company in all respects, as may be provided under the terms of the issue and in the offering document.
- (d) RESOLVED FURTHER THAT such of these Securities to be issued that are not subscribed may be disposed of by the Board to such persons and in such manner and on such terms as the Board in its absolute thinks fit in accordance with the provisions of law.
- (di) RESOLVED FURTHER THAT the issue to the holders of the securities with equity shares underlying such securities shall be inter alia, subject to suitable adjustment in the number of shares, the price and the time period, etc. in the event of any change in the equity capital structure of the Company consequent upon any merger, amalgamation, takeover or any other re-organisation or restructuring in the Company.
- (f) RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Securities or instruments representing the same, as described in paragraph (a) above, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion deem necessary or desirable for such purpose, including without limitation, the entering into of underwriting, marketing and institution / trustees / agents and similar agreements / and to remunerate the managers, underwriters and all other agencies / intermediaries by way of commission, brokerage, fees and the like as may be involved or connected in such offerings of Securities, with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.
- (g) RESOLVED FURTHER THAT for the purpose aforesaid, the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilization of the issue proceeds including but without limitation to the creation of such mortgage / charge under Section 293(1) (a) of the said Act in respect of the aforesaid Securities either on pari passu basis or otherwise or in the borrowing of loans as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.
- (h) RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or the Chairman or any other Officers / Authorised Representatives of the Company to give effect to the aforesaid resolution."

By Order of the Board

Place : Bangalore
Date : 01/09/2010

G Dhananjaya Reddy
Chairman

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and the proxy need not be a member. The proxy form, duly filled in all respects, should reach the company at its Registered Office not later than forty eight hours before the commencement of the meeting.
2. Member / Proxies should bring the Attendance Slip duly filled in for attending the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 18th September, 2010 to 20th September, 2010 (both days inclusive).
4. Members are requested to bring their copies of the Annual Report.
5. Members are requested to notify any change in their address immediately to the Registered Office of the Company.

EXPLANATORY STATEMENT U/S173 (2) OF THE COMPANIES ACT 1956 ANNEXED TO THE NOTICE DATED 01st SEPTEMBER 2010 CONVENING THE 19TH ANNUAL GENERAL MEETING OF THE COMPANY ON 30th SEPTEMBER 2010

Item No. 4.

Mr. G Dhananjaya Reddy, has a Mech. Engg Degree from Bangalore University, Bangalore and has a reputable name and vast experience in the IT industry. He has been associated with many companies in various capacities. He is presently Director of the Company.. He has bagged many big projects successfully. He is extremely good in implementing quality procedures. His appointment as Managing Director will be in the interest of the Company. The remuneration payable to Mr. G Dhananjaya Reddy is within the permissible limits specified by the Companies Act, 1956, and is commensurate with his responsibilities of heading a Company of this size with its diversified business operations. His interest as Director in other Indian companies is mentioned in the register maintained as per the Sec 301 of the Act. The register and the agreement between the Company and Mr. G Dhananjaya Reddy is open for inspection at the Registered Office of the Company between 10.00 a.m. and 12 noon on all days excepts Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof. Your directors, thus recommend his appointment and commend resolutions to the members for passing. None of the directors, except for the person being appointed, is interested or concerned in any way in the proposed resolution.

Item No. 5.

Mr. Jayaram Sathyanarayana was appointed as an additional Director of the Company, by the Board on 20th July 2010. The Company has received a notice from a member (U/s 257 of the Companies Act 1956), proposing his name for appointment as Director of the Company. Mr. Jayaram has vast experience in marketing and holds good domestic and international contacts. He has bagged many big domestic and international projects successfully. He is extremely good in delivering projects on time. His appointment as a director will be in the interest of the Company. Since his appointment requires approval of the members, this matter is placed for approval.

Item No. 6.

Mr. Rakesh Joshi, is a qualified Chartered Accountant and at present serving as CFO of the company with rich experience in the fields of finance, legal and administration. He served a number of companies in various capacities and was instrumental in the development of systems and administrative procedures in the

companies he served. His vast exposure to several high-end corporate matters such as Structuring, Restructuring, Budgeting, Control, Mergers and Acquisitions bought out deals that can be leveraged in a bid to attain more growth for the company. His vast experience would be of great use to the company. The remuneration payable to Mr. Joshi is within the permissible limits specified by the Companies Act, 1956, and is commensurate with his responsibilities of heading a Company of this size with its diversified business operations. His interest as Director in other Indian companies is mentioned in the register maintained as per the Sec 301 of the Act. The register and the agreement between the Company and Mr. Joshi is open for inspection at the Registered Office of the Company between 10.00 a.m. and 12 noon on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof. Your directors thereby recommend his appointment and commend resolutions to the members for passing.

None of the directors, except for the person being appointed, is interested or concerned in any way in the proposed resolution.

Item No.8

The Company is planning to establish itself as a Serious Gaming Company and intends to extend its presence in the US and European markets. This will be a high capital intensive project and is in line with our goal of becoming a global player. If implemented, the Company will be able to enhance its global competitiveness and the ability to compete with its peers in both the domestic and international markets, thereby strengthening its financial position by augmenting its long-term resources.

The proposed special resolution seeks the enabling authorisation of the Members of the Company to the Board of Directors (Board), without the need of any further approval from the Members, to undertake the Qualified Institutional Placement ("QIP") with the Qualified Institutional Buyers ("QIB"), in accordance with the provisions of Chapter XIII-A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("SEBI DIP Guidelines"). And to issue/ place such other financial instruments/ securities to mobilise the funds required for funding acquisitions, expansions, diversifications, stake pickup, merger etc., in order to take the company to newer heights with multiple growth objectives.

Pursuant to the above, the Board may, in one or more tranches, issue and allot equity shares/fully convertible debentures/ partly convertible debentures / non convertible debentures with warrants/ any other securities (other than warrants), which are convertible into or exchangeable with equity shares on such date as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "QIP Securities").

The said QIP by the Board shall be subject to the provisions of the SEBI DIP Guidelines (as amended from time to time), including the pricing, which will not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchanges during the two weeks preceding the Relevant Date. The Relevant Date for the determination of applicable price for the issue of the QIP Securities shall be the date of the meeting in which the Board of the Company decide to open the proposed issue or in case of securities which are convertible into or exchangeable with equity shares at a later date, the date on which the holder of such securities becomes entitled to apply for the said shares, as the case may be. For reasons aforesaid, an enabling resolution is therefore proposed to be passed to give adequate flexibility and discretion to the Board to finalise the terms of the issue. The securities issued pursuant to the offering would be listed on the Indian stock exchanges.

Section 81(1A) of the Companies Act, 1956 and Listing Agreement entered with the Stock Exchanges, provide, inter alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of

further shares, such further shares shall be offered to the persons who on the date of the offer are holders of the equity shares of the Company, in proportion to the capital paid-up on those shares as of that date unless the Members decide otherwise. The Special Resolution seeks the consent and authorisation of the Members to the Board of Directors to make the proposed issue of Securities, in consultation with the lead Managers, Legal Advisors and other intermediaries and in the event it is decided to issue Securities convertible into equity shares, to issue to the holders of such convertible Securities in such manner and such number of equity shares on conversion as may be required to be issued in accordance with the terms of the issue, keeping in view the then prevailing market conditions and in accordance with the applicable provisions of rules, regulations or guidelines.

The Board of Directors accordingly recommends the resolution set out at item No. 8 of the accompanying Notice for the approval of the Members

None of the Directors of the Company are in any way concerned or interested in the said resolution, except to the extent of their shareholding.

By Order of the Board

Place : Bangalore
Date : 01/09/2010

G Dhananjaya Reddy
Chairman

Directors Report

Your Directors have pleasure in presenting their 19th Annual Report on our business and operations together with the audited statement of accounts for the year ended 31st March 2010.

Review of Operations:

The summary of operations during the year is given below:

	2009-10	2008-09
Income	7058.55	4927.45
Expenditure	5221.98	3590.28
Profit Before Interest and Depreciation	1836.57	1337.17
Depreciation	760.58	810.81
Interest and Finance Charges	320.14	123.72
Profit Before Tax	755.84	402.62
Profit After Tax	307.74	352.62

Review of Performance

Your Directors feel very happy to report to you on the financial performance of the company for the year under review. It is a really outstanding growth that the company is displaying on a year-on-year basis. During the last financial year 2008-09, the Company has reported a growth of 55% in revenues. And continuing the same trend for the year under review, the Company has registered a growth of 43.24% in revenues and a growth of 37.34% in operating profits. There is a slightly downward trend in the growth comparison with the last financial year (2008-09 to 2009-10) because there was more focus on research and development and the penetration of new products such as 3D immersive training and security solutions. However, we are confident that the overall growth could be maintained in the years to come between 40% and 50% growth rates on a year-on-year basis. If you look at our financial position as on today, the Company has a net worth of Rs. 24.46 cr. represented by share capital of Rs. 8.64 cr. and reserves of Rs. 15.82 cr. The Directors have taken note of the Company debt as on 31st March 2010 which stands at Rs. 27.10 cr. which can be leveraged in future with better financial planning.

During the year under review, the Company has posted a turnover of Rs. 70.58 cr and profit-after-tax of Rs. 3.07 cr. Profit before tax stands at Rs. 7.55 cr., current taxes stands at Rs. 74.34 lacs and Deferred Taxes at 3.74 cr., where as in the financial year 2008-09 deferred taxes were only Rs. 68.50 lacs. Effectively, profit-after-tax for the year under review should have been Rs. 6.81 cr. had there not been deferred tax liability. However, it is to be noted here that deferred taxes do not involve any cash outflows and they will be set off against deferred tax assets in the future. The higher amount of deferred taxes has been a result of the huge fixed assets acquisition by the Company. Gross fixed assets during the year under review stands at Rs. 46.65 cr., against previous year's gross fixed assets of Rs. 22.10 cr which represents a growth of 111%.

Created with

During the year, the Company has obtained secured term loans of Rs. 16.00 cr from United Bank of India, and a working capital loan of Rs. 7.50 cr from Oriental Bank of Commerce. You will appreciate that there has been a good growth in the fixed assets of the company during the year under review.

Management

During the year, the management team of your company has been strengthened with the recruitment of professionals at all levels. Mr. Rakesh Joshi was appointed as Chief Financial Officer of the company. Mr. Jayaram S, Mr. K Satyanarayana and Mr Ganesh Rao were also inducted into the Board.

Changes in Share Capital

During the year, paid up share capital of the company increased from Rs. 49,918,500 to Rs. 86,418,500.

Company has allotted 36,50,000 equity shares of Rs. 10/- each at aggregating issue price of Rs. 16/- per share to promoters and to the persons other than the promoters on preferential issue basis.

Dividend

The Company has ploughed back the profits of the Company for the year to the reserves to strengthen the financial position of the company and grow the business. Hence no dividend was proposed by the Board of Directors

Fixed Deposits

During the year under review, the Company has not accepted any fixed deposits.

Human Resource Management

Our employees are our strength and our assets and to retain them for long is the predominant HR policy of the Company. In a bid to retain our employee force, we have set up a scalable recruitment and resource management mechanism which enables us to attract and retain higher calibre talent across the globe. The primary focus is on increasing the efficiency and effectiveness of the employees, thereby contributing to the organisation's effectiveness. Our total resources are close to 200 in all the places where we have development centres, representative offices, marketing and coordination offices.

We firmly believe that highly trained and motivated people are the pillars to success and they are the real contributors to the growth of the organisation.

Corporate Governance

Your company strives very hard to attain the highest values of corporate standards and adheres to the requirements set out in class 49 of the listing agreement, as amended from time to time. The report on corporate governance enclosed here as an annexure forms part of this report.

Management Discussion and Analysis

Management discussion and analysis for the year under review, as stipulated under clause 49 of the listing agreement is presented as separate chapter forming part of this report.

Board of Directors

Mr. Ganesh Rao, Director of the Company, who retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Mr. G Dhananjaya Reddy, Director of the Company, who retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Mr. Rakesh Joshi, proposed to be appointed at the ensuing Annual General Meeting as Director Finance and Corporate Planning for a period of five years with effect from 1st October 2010. The terms and conditions are contained in the agreement between the Company and Mr. Rakesh Joshi. However, for the purpose of quick information for the benefit of members and the others, broad terms of the appointment are being provided in the Notice convening the Annual General Meeting.

Auditors

M/s. Hariharan & Associates., Chartered Accountants, Bangalore, Auditors of the Company retires at the ensuing Annual General Meeting, and are eligible for re-appointment. The Company has received confirmation from the said Auditors to the effect that their re-appointment, if made, would be within the prescribed limits U/s 224 (1b) of the Companies Act 1956 and that they are not disqualified for such re-appointment within the meaning of section 226 of the said Act.

Approval is also being sought U/s 228 of the Companies Act 1956, for appointment of Auditors to audit the accounts of the branch offices of the Company, if any, outside India.

The notes to accounts referred to the auditor's report are self-explanatory and therefore do not call for any further comments.

Particulars of Employees

Your Company has not employed any person drawing salary more than Rs. 2,00,000/- per month or Rs. 24,00,000/- per year. Hence, particulars under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is Nil.

Conservation of Energy, Technology Absorptions and Foreign Exchange Earnings and Outgo

Conservation of Energy

Company is not a manufacturing Company, nor is it an energy-based or energy-intensive. However, all possible measures are taken to reduce energy consumptions and constantly evaluate new technologies, mechanisms and invest prudently to make our infrastructure more energy-efficient.

Some of the energy-efficient practices adopted across the facilities of the Company to reduce consumption of power include:

- Installation of energy-efficient lighting
- Using energy-efficient computers and equipment
- Energy controlling and monitoring systems
- Installing advanced electrical equipment and technologies for air-conditioning systems at all upcoming facilities
- Identification and replacement of outdated and low-efficient UPS systems in a phased manner
- Installation of energy efficient LCD monitors in place of normal CRT monitors

Other Energy conservation initiatives:

- Effective management of ventilation to ensure acceptable air quality
- Turning of lights in all work places when not in use
- Turning of the air-conditioners during non-peak hours, winter seasons, holidays and other atmospheric conditions when AC is not required

Technology Absorption

Our R&D team has been on a continuous drive to develop new products, solutions, services, designs, frameworks, technologies, processes and methodologies to remain as innovative as possible in our quality delivery mechanism and to remain as the most customer-preferred end-to-end service provider. We believe that technological obsolescence is not a myth but a reality. So to remain competitive and accept future challenges and opportunities, progressive research and development is the only answer. Therefore, we invest and encourage continuous innovation.

Foreign Exchange Earnings & Outgo

Total foreign exchange earned by the Company during the year was Rs. 1765.46 lakhs against previous year figure of Rs. 546.25 lakhs.

Total foreign exchange outgo during the year was Rs.1691.75lakhs against previous year spending of Rs. Nil.

Directors' Responsibility Statement

Pursuant Section 217 (2AA) of the Companies (Amendment) Act, 2000, your Directors confirm that

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. Appropriate accounting policies were selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on an ongoing concern basis.

Acknowledgment

Your Directors wish to place on record their appreciation and gratitude to our Bankers, Share Holders, Customers, Employees and various Statutory Authorities for their support to the Company.

For and on behalf of the Board

G Dhananjaya Reddy
Chairman

Management Discussion Analysis

Overview

The Company's operations were conducted in accordance with the established prudent business practices and in a cordial atmosphere with our customers across the globe. The reporting methodologies adopted by the Company are well within the premises of various statutory authorities and the guidelines. Accordingly, the financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI), listing guidelines of the Bombay Stock Exchange and Generally Accepted Accounting Principles (GAAP) in India. The Management of the Company accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein.

The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs, profits and cash flows for the year.

Industry Trends

The IT industry totally revolves around the technology which changes rapidly. Technological innovations and upheavals are driving the market in the most competitive environment, where consumers of products and services are demanding accelerated delivery times and lower prices. They are looking at efficient outsourced technology service providers to address their needs. Technology has evolved from just supporting companies to the level of transforming them. We need to have highly skilled technology professionals in our HR portfolio to address their needs and remain competitive in the market.

Demand Potential

Market size for the serious games is expected to reach USD 11 billion by 2011. According to conservative estimates, it would be ranging between USD 200 million and USD 400 Million per year. Product and enterprise solutions markets are growing at CAGR of more than 30%. IT spending in terms of EAS investment is to grow rapidly in the government sector and retail sector over the coming years Service-oriented architecture market is expanding in a big way allowing for greater amount of opportunities to players in this space. The current size of the SOA market is about USD 60 Billion. The manufacturing and supply chain industry will be one of the fastest growing segments in this space and assumes, more or less, first position in this division. Further, domestic SOA market is estimated to be about USD 3 billion while growing at the rate of 20% CAGR. ERP market in the Middle East alone is estimated at USD 2 Billion by 2015.

Our end-to-end solutions

With our domain expertise in the segments we operate, we extend comprehensive support and assistance to our clients by leveraging expertise of our technology partners, our R&D team, technology centres to create customised solutions for our clients. Our continuous process of evaluation and training professionals in new technologies and methodologies will enable us to reach high standards of quality and compete in the market. Finally, we ensure integrity of our service delivery, providing customised solutions by utilising scalable secured solutions. We undertake complete project management responsibility till the successful implementation in each of our solution offerings. Our project delivery focus is supplemented by sound knowledge management system that enables us to facilitate existing solutions and also new areas of solutions and facilitate the growth

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of the customers in their areas of operation. Further, our process, methodologies, knowledge management systems and tools reduce the overall cost to the customers, mitigate the risks and enhance the quality of our offerings.

Key Drivers of our Growth in the Domestic market includes:

- Opportunities in verticals such as Energy, BFSI, Manufacturing, Education, Telecom and Government
- Increased penetration of computers in the household and SOHO segments
- Increased investments in IT by the central and state governments in e-governance initiatives
- Rapid adoption of broadband
- Increased usage of non-PC devices, especially cell-phones for connecting to enterprise applications
- Increased focus of Small and Medium-sized software companies on domestic market. This is a fact that is now recognised by the industry's apex body, NASSCOM

Company Overview

Nexsoft Infotel Limited is one of India's mid-sized end-to-end solution providers with a wide range of products and service offerings in its basket.

Financial highlights

- Income from operations increased by 43.24% from Rs. 49.27 Cr in 2008-09 to Rs. 70.55 Cr in 2009-10
- EBIDTA is increased by 37.34% from Rs. 13.37 Cr in 2008-09 to Rs. 18.36 Cr in the year 2009-10
- PBT increased by 87.73% from Rs. 4.02 Cr in 2008-09 to Rs. 7.56 Cr in the year 2009-10
- PAT stands at 3.07 Cr in the year 2009-10 against Rs. 3.52 Cr in year 2008-09 due to higher deferred taxes liability

Segmental Performance

Year/Segment	2008-09	2009-10
Own products and services	2777.87	1753
3D Engine and gaming	419.38	952
Third party products and services	1728	2556
Horizontal IT services in security and Infrastructure management [RIM]		1349
Software development [chiefly geared towards Service oriented architecture market and RFID consulting]		302
Training		142
TOTAL	4925.25	7054

Major Developments during the year

A development centre in Hyderabad was established during the year. The product 'People Safe and School Safe' was launched during the year.

Delivery Methodology

In order to mitigate the risk of hiring and having a high head count, Nexsoft has adopted a hybrid model of in-house development using its own employees, supplemented by third party outsourcers Nexsoft uses a well-proven network of competent vendors, developed over the last couple of years from whom it regularly procures services. This reduces the risk of maintaining a high level of head count, which might be subject to attrition later. This practice of outsourcing is common and well established in the software industry (similar to the automobile industry, from which the software industry has significantly drawn for management and financial practices). This also keeps costs down, as Nexsoft is in a better position to bargain for the best price, based on value parameters.

Project Management

- In order to ensure the best quality, Nexsoft uses best practices for its project management. Key practices are:
 - Software release life cycle best practices
 - More frequent "internal releases" for review and testing
 - Development, QA, test groups are aligned as far as allocating their individual group workflows and various groups shift the backlog back and forth between each other
 - A Release Program Manager (RPM) for each phase. This ensures close coordination and communications with all the Release stakeholders Helps in managing the sub-contractor releases
 - Strong culture of adherence to "drop dead dates" – this has been one of the strongest points in the company's favour
 - A good configuration and build environment with the assistance of the project managers
 - A smooth, well-oiled post-release process to ensure consistency and timeliness of all releases
 - Constant tracking of development and integration, as part of software release life cycle processes
 - Constant testing of interfaces, which is critical to the quality of the project

Financial Management of Projects to Ensure there is no Overrun

- Nexsoft has a strong fiscal discipline embedded within each project to ensure that there are no cost or schedule overruns. The key aspects of the financial management practices followed by Nexsoft, with regard to projects are:
 - Creation of WBS structure for each phase. This will evolve into a detailed work plan against which milestones and costs will be budgeted
 - The WBS will be detailed for each activity and task
 - The project manager and the team lead will be responsible for management of the WBS schedules
 - Each task has a specific owner to ensure complete accountability
 - Budgets and costs will be constantly monitored, measured and reported – the costs also include all anticipated elements of risk, with their corresponding risk budgets
 - Little scope for overruns, based on current scope and project architecture
 - Experienced financial management team in place to ensure efficacy of monitoring
 - Good contract management practices with vendors and sub contractors
 - Careful selection of sub contractors and suppliers on the basis of specific criteria and prior experience by the promoter and the project managers

Internal Control System

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that all transactions are authorized, recorded and reported correctly. The Company also takes appropriate measures for safeguarding its properties and assets. This includes conducting inspections, safety audits and risk management. The Company has a clearly defined organization structure and authority limits and strictly adheres to corporate policy with respect to financial reporting, project appraisal and budgeting for all operating business units and service functions. The internal audit department reviews key business processes and controls. The Audit Committee of the Board of Directors deals with the significant control issues raised by internal and external auditors. The CEO and CFO certification provided in the CEO and CFO Certification section of the Annual Report discusses the adequacy of our internal control systems and procedures.

Financial Review

	2009-10	2008-09
Income	7058.55	4927.45
Expenditure	5221.98	3590.28
Profit Before Interest and Depreciation	1836.57	1337.17
Depreciation	760.58	810.81
Interest and Finance Charges	320.14	123.72
Profit Before Tax	755.84	402.62
Profit After Tax	307.74	352.62
EPS		
- Basic	3.52	7.50
- Diluted	3.52	7.50

Income from operation & margins

During the year the Company has posted a turnover of Rs. 7058.55 lakhs which is 43.24% up from Rs. 4927.45 lakhs during previous year.

The profit before taxes increased by 87.73% to Rs. 755.84 lakhs from Rs. 402.62 lakhs.

Profit after tax of Rs. 307.74 lakhs, current taxes stands at Rs. 74.34 lakhs and Deferred Taxes at 373.75 lakhs, where as in the financial year 2008-09 deferred taxes were only Rs. 68.50 lakhs. Effectively profit after tax for the year under review should have been Rs. 681.49 lakhs. This is due to higher deferred taxes during the year under review which do not involve any cash outflows.

Expenditure

Expenses as percentage of total expenditure

Expenditure	2009-10	2008-09
Software and product development expenses	79.94	77.15
Salaries and other costs	2.91	2.19
Depreciation	12.07	17.91
Interest and financial Charges	5.08	2.73

Expenses as % of Income

Expenditure	2009-10	2008-09
Software and product development expenses	71.38	70.85
Salaries and other costs	2.60	2.01
Depreciation	10.78	16.46
Interest and financial Charges	4.54	2.51

Capital and Reserves

Presently the Company has got only one class of shares i.e Equity shares of Rs. 10/- face value. Shares Authorised share capital of the company is Rs. 37,00,00,000 divided into 3,70,00,000 equity shares of Rs.,10/- each

During the year review company has allotted 36,50,000 equity shares of Rs. 10 each at a premium of Rs. 6 each on preferential issue basis.

Reserves during the year stands at Rs. 1582.36 lakhs breakup of which is as follows:

Capital Reserves	7.93 lakh
Share Premium	219.00 lakh
Balance in Profit & loss account	1355.43 lakh

Fixed assets

During the year the Company has made additions of 2454.50 lakhs to the fixed assets by which gross block amounted to 4665.30 lakhs as compared to Rs.1055.43 lakhs in the previous year. Gross block comprises of the following

(Rs. in lakhs)

Computers and software	4599.98
Office Equipements	33.49
Furniture and fixture	22.04
Vehicles	9.78

SUNDRY DEBTORS

Sundry Debtors amounted Rs. 2183.80 as of 31 March 2010. These Debtors are considered good and realizable. The need of provisions is assessed based on various factors including collectability of specific dues, continuity of business with the customer, risk perceptions of the industry in which the customer operate, general economic factors which could affect the customer's ability to settle and on the management's perception of the risk.

LOANS & ADVANCES

Advances include advances to staff and against expenses, Advance Income Tax represents payment made toward tax liability and also our liability toward income tax is fully provided for. The salary advances represents advances to employees which are recoverable within a year.

CURRENT LIABILITIES

Sundry Creditors for Goods and Services represent amounts accrued for various operational expenses.

PROVISIONS

Provisions have been made fully for our tax liabilities and for the dividend being proposed at the ensuing AGM

INTEREST

We have long-term loan of Rs. 1951.53 Lakhs outstanding as on 31 March 2010 as compared to Rs.600.00 Lakhs during the previous year. The short term – loan (Cash Credit) of Rs. 758.41 Lakhs outstanding as on 31 March 2010 as compared to Rs. NIL during the previous year. A sum of Rs. 320.14 Lakhs was charged as interest on the long - term and short-term loans.

RELATED PARTY TRANSACTIONS

These have been discussed in detail in the notes to the financial statements

SWOT ANALYSIS

Strengths

1. Focused service offerings geared towards relatively untapped segment [medium scale domestic business segment and the Gulf
2. Early mover advantage in the Gulf through strategic tie ups with companies such as Syspro, Flexsim etc

3. Good domain understanding of supply chain, manufacturing, logistics, retail and warehousing domains
4. Strong and committed management team, with proven delivery capabilities
5. Tight and focused strategic alliances for point service offerings in emerging areas such as Remote Infrastructure management, security, service oriented architecture
6. Innovative pricing strategy being put in place for locking in customers

Weaknesses

1. Relatively small financial size – we intend to mitigate this through a selective alliance strategy
2. Need to build brand to hire higher profile employees
3. Need to spread market reach outside India – investment requirements might be quite large for building much larger scale.

Opportunities

1. Fast growing domestic and Gulf IT market, with varied requirements
2. Willingness of clients to explore technology based business enablers

Threats

1. Lack of clarity regarding Income tax
2. Need to sustain internal capabilities through constant innovation – this is a common long term threat for the entire software industry

Corporate Governance Report

Auditors' certificate on Corporate Governance to the members of Nexsoft Infotel Limited

We have examined the compliance of conditions of corporate Governance by Nexsoft Infotel Limited ("the Company"), for the year ended on 31 March 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in 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 effectiveness with which the management has conducted the affairs of the Company.

For Hariharan & Associates
Chartered Accountants

Place : Bangalore
Date : 29-05-2010

M Hariharan
Proprietor

An Outline on Corporate Governance

1. Board of Directors:

The Board of Directors of the Company consists of:

Three executive Directors

Three non-executive Independent Directors

2. Number of Board meetings held during the financial year 2009-10 and dates:

- i) 30th June 2009
- ii) 30th July, 2009
- iii) 30th Sep, 2009
- iv) 30th Oct , 2009
- v) 12th Dec , 2009
- vi) 11th Jan, 2010
- vii) 30th Jan, 2010
- viii) 13th Feb, 2010
- ix) 23rd Feb, 2010
- x) 27th Feb, 2010

Name of the Director	No. of Board Meetings Attended	Last AGM
Smt. G Nirmala	9	Yes
Sri G D Reddy	10	Yes
Sri Dinesh Kavoor	9	Yes
Sri Ganesh Rao	7	No
Sri Zubair Sheikh	8	No
Sri K Satyanarayana	7	No

Audit Committee:

During the financial year, audit committee met four times on the following dates:

- 1. 30th April, 2009
- 2. 31st July, 2009
- 3. 31st October, 2009
- 4. 30th January, 2010

Audit Committee consists of the following Directors:

Sri Ganesh Rao -Chairman
Smt. G Nirmala
Sri G.D Reddy

Role & responsibilities

Internal Audit

- a. Reviewing the adequacy of internal control systems with the management, external and internal auditors
- b. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- c. Reviewing and discussing with internal auditors and management on significant issues/ findings arising from the internal audit reports and follow up thereon.
- d. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

External Audit

- e. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- f. Discussion with external auditors before the audit commences about nature and scope of audit.
- g. Post-audit discussion with external auditors to ascertain any area of concern. Review of performance of the external auditors

General

- h. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- i. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Any related party transactions.
- j. Reviewing with the management, external and internal auditors, adequacy of internal control systems.
- k. Reviewing the Company's financial and risk management policies.

- l. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors
- m. Identifying and reporting of the potential risk factors with necessary remedial measures, if any.

In addition to the above, the Audit Committee will undertake such other duties as the Board of Directors delegates to it, and will report, at least annually, to the Board regarding the Committee's examinations and recommendations.

Remuneration Committee

The Company constituted a "Remuneration Committee" consisting of the
Sri Zubair Sheikh
Sri G D Reddy
Sri Dinesh Kavour Reddy

Share Transfer and Investor Grievance Committee

This Committee consists of the following Directors:

Sri Zubair Sheikh
Sri G. D. Reddy
Sri. Satyanarayana

The committee looks after the services of the Registrars and Share Transfer agents and recommends measure for providing efficient services to investors

There was no share transfers pending as on 31st March, 2010. No investor complaints were pending as on 31st March, 2010.

General Body Meetings:

Last three AGMs dates are given below:

- i) 18th AGM 2008-09 held on 30th Sep 2009 at 10.30 AM
- i) 17th AGM 2007-08 held on 30th September 2008 at 10.30 AM
- ii) 16th AGM 2006-07 held on 29th September, 2007 at 10.00 AM

Chairman of the Audit Committee was present in all the Annual General Meetings.

Disclosures

- a) Disclosures on material significant related party transactions i.e transactions of the company of material nature with its promoters, the directors or the management, their subsidiaries etc. that may have potential conflict with the interests of the company at large.

There was no such transaction during the year.

- (b) Details of non-compliance by the company, penalties, strictures imposed on the company by stock exchange or SEBI or any other statutory authorities on any matter related to capital markets, during the last three years : Nil

General Shareholder information

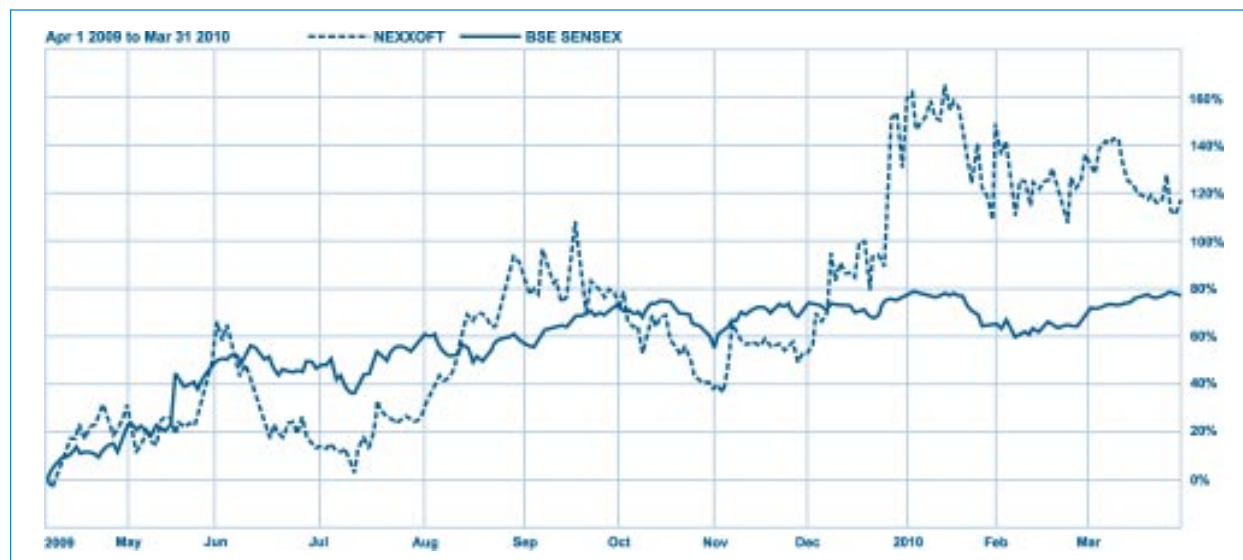
AGM: The 19th Annual General Body Meeting of the company will be held on Wednesday, 30th September, 2009 at the following address at 10.00 AM.

16-11-515/A/ 1&2, 6th Floor, TNR Yelishale Commercial Planet, Dilsukh Nagar Main Road, Hyderabad – 500036

Annual results for the year 2009-10	:	1 st Sep, 2010.
First Quarter results of 2009-10	:	31 st July, 2009
Second Quarter results of 2009-10	:	Fourth week of October, 2009.
Third Quarter results of 2009-10	:	Fourth week of January, 2010.
Fourth Quarter results of 2009-10	:	30 th April 2010

Stock market data

NEXXOFT V/S BSE



Date of book closure

The share transfer books of the company shall remain closed from 18th September, 2010 to 20th September, 2010 (both days are inclusive) for the purpose of ensuring General Meeting.

Listing on Stock Exchange
The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai.
ISIN No. for NSDL & CDSL :

Stock Code

532045

INE 249HOIO10

Means of Communication

Half yearly results sent to each house hold of shareholder	No. The Company publishes the quarterly results
Quarterly results	No, as the results are published in the newspaper having wide circulation
Newspaper in which published	Telgu- Andhra Prabha English – Indian Express
Website where the results and Other official news releases are displayed	www.nexxoft.com

Dematerialization of Shares & Liquidity

Trading in Company's share is permitted only in dematerialized form. In order to enable the shareholders to hold their shares in electronic form and to facilitate scrip less trading, the company has enlisted its shares with NSDL and CSDL.

Outstanding GDRs/ADRs/ Warrant or any Convertible instruments, conversion date and likely impact on equity : The Company has not issued any of these instruments till date

Secretarial Audit for Reconciliation of Capital

As stipulated by SEBI, a qualified practicing Company Secretary carries out Secretarial Audit to reconcile the total admitted capital with national Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CSDL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges where the Company's shares are listed. The audit confirms that the total listed and paid-up capital is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CSDL) and total number of shares in physical form.

Address for Correspondence

Sl.No	Shareholders Correspondence for	Addressed to
1	Transfer/Dematerialization/Consolidation/Split of Shares, Issue of Duplicate Share Certificate, Change of Address of members and beneficial owners and any other query relating to the share of the Company	M/s. Venture Capital and Corporate Investments Ltd., Regd. Office 12-10-167, Bharat Nagar, Hyderabad-500018. Ph: 040 - 23818475 Fax: 040 -23868024 Email: info@vccilindia.com
2	Investor Correspondence/Query on Annual Report	Mr. G Dhananjaya Reddy Compliance Officer, Nexsoft Infotel Limited, #301, Sahathi Arcade, 3 rd Floor, S R Nagar Hyderabad - 500 038 INDIA. Email: dhananjaya@nexsoft.com

Depository Services

For guidance on depository services, Shareholders may write to the Company or to the respective Depositories:-

National Securities Depository Ltd.
Trade World, 4th Floor,
Kamala Mills Compound,
Senapati bapat marg, Lower parel,
Mumbai – 4000013.
Tel : 091- 022-24972964 – 70
Fax: 091- 022 -24972993/24976351
Email: info@nsdl.co.in

Central Depository Services (India) Ltd,
Phiroze Jeejeebhoy Towers,
28th Floor, Dalal Street,
Mumbai – 4000023.
Tel: 091 - 022 - 22723333
Fax: 091 - 022 - 22723199
Email: investors@cdslindia.com

Nomination Facility

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the company. As permitted under section 109A of the Companies Act,1956, are requested to submit to the Company the prescribed form 2B for this purpose.

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Company's policy on prevention of Insider Trading

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the company had framed a Code of Conduct for prevention of insider trading. Mr. G D Reddy had been appointed as the Compliance Officer for the purpose. The code is applicable to all such employees of the Company who are expected to have access to the unpublished price sensitive information relating to the Company and the same is being implemented as a self regulatory

Share holding pattern as on 31st March, 2010

Sl.No	Category	No. of Shares	% of shares
1	Indian Promoters	1,870,700	21.56%
2	Indian Public	67,47,300	77.75%
3	NRIs / OCBs	60,000	0.69%
4	Banks/Mutal Funds/ Financial Institutions	Nil	Nil

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, Dinesh Kavoor, CEO and Rakesh Joshi, CFO, of Nexsoft Infotel Limited, to the best of our knowledge and belief, certify that;

1. We have reviewed the balance sheet and profit & loss account and all 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 statement do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statement 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, present in all material respects, a true and fair view of, the company's affairs, 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. We are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the company, and we have;
 - a) designed such disclosure controls and procedures to ensure that material information relating of the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure, controls and procedures. And

- d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;
6. WE have disclosed based on our most recent evaluation, wherever applicable, to the company's auditors and the audit committee of the company's Board of Directors (and persons performing the equivalent functions) a) all deficiencies in the design or operation of internal controls, which could adversely affect the company's ability to record, process, summarize and report financial data, and have identified for the company's auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies; b) significant changes in internal controls during the year covered by this report; c) all significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements, d) instances of significant fraud of which we are aware, that involves management or other employees who have a significant role in the company's internal controls system;
7. In the event of any materially significant misstatements or omissions, we will return to the company that part of any bonus or incentive or equity-based compensation, which was inflated on account of such errors, as decided by the audit committee;
8. WE affirm that we have not denied any personnel, access to the audit committee of the company (in respect of matters involving alleged misconduct) and we have provided protection to 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and
9. WE further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

Bangalore
1-09-2010

Rakesh Joshi
CFO

Dinesh Kavoor
CEO

AUDITOR'S REPORT

To
The Share Holders,
Nexsoft Infotel Limited,

We have audited the attached Balance Sheet of M/s Nexsoft Infotel Limited as at 31st March 2010 and also the Profit and Loss Account for the Year ended on that date annexed thereto. These financial statements are responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 those financial statements are free of material misstatement. An audit includes examining on test based, evidence supporting the amount 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.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks and verification of the books of account as we considered necessary and to the best of our knowledge and according to the information and explanations given to us during the course audit, we enclose in the annexure a statement on the matters specified in paragraph 4&5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above and subject to as mention in the notes on Accounts as per para (E) regarding confirmation of balances from sundry debtors, loans and advances and sundry creditors
 - 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 Accounts as required by law have been Kept by the company so far as appears from our examination of such books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
 - d) In our opinion, the balance sheet and profit and loss account 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 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2010 from being appointed as directors in terms of Section 274 (1)(g) 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 read with Accounting Policies and Notes on Accounts (Schedules 14) give the information required by the Companies Act, 1956 in conformity with the accounting principles generally accepted in India:
 - i) In the case of Balance Sheet, of the State of Affairs of the Company as at 31st March 2010, and
 - ii) In the case of Profit and Loss Account, of the Profit for the year ended on that date.

For Hariharan Associates
Chartered Accountants

Place: Bangalore
Date: 29.05.2010

(M. Hariharan)
Proprietor

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ANNEXURE REFERED TO IN PARAGRAPH 1 OF THE OUR REPORT OF EVEN DATE TO THE MEMBERS. OF M/S NEXXOFT INFOTEL LTD BANGALORE,ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010.

1. The Company has maintained proper records showing full particulars including Quantitative details and situation of fixed Assets. The Fixed Assets has been physically verified by the management in accordance with the program of verification adopted by the Company. In our opinion, the frequency of verification is reasonable and to the best of our knowledge, no material discrepancies were noticed on verification.
2. The Company is in business of I.T services and Software Development and other Incidental activities and does not carry any stores, spare parts, raw material or finished goods and no discrepancies were noticed on physical verification and the company is maintaining proper records...
3. As per the information and explanations furnished by the management, the Company has neither granted nor taken any loans, to and from Companies, firms or other parties listed in the Registers maintained under section 301 of the Companies Act, 1956. Accordingly, the clauses 4(iii) (b) to (d) of the order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of plant and machinery, equipment and other assets. During the course of our Audit no major weakness has been noticed in the internal control.
5. There has been no transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50, 000/- or more in respect of each party have been made at prices which are reasonable where the company rendered similar services to other parties.
6. The Company has not accepted any deposits from the public within the meaning of section 58A & 58AA of the Companies Act 1956 and the rules framed there under.
7. In our opinion the Company has adequate internal audit system commensurate with the Size and nature of its business
8. The central Government had not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.
9. (A) According to the records of the Company, the Company is regular in depositing With appropriate authorities undisputed statutory dues including Provident Fund, Investor Education protection fund, the Employees State Insurance, Income tax Sales tax, Wealth Tax, Custom duty, Exercise duty, Cess and other statutory dues applicable to it.
 - (a) According to the records of the Company there is no dispute about amount Pending with regards to sales tax, Income tax and other Statutory Liability.
10. The Company has no accumulated losses and has not incurred cash loss during the Year and in the immediately preceding financial year.
11. Based on our Examination of the records and the information and explanation given by the management, we are of the opinion that the company has not defaulted in repayment of dues to Banks.
12. Based on our Examination of the records and the information and explanations given to us, the company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.

13. Clause (xiii) of the order is not applicable to the Company as the Company is not a Chit fund Company or nidhi/mutual benefit fund/society.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the company has not Given guarantee for loans taken by others
16. According to the information and explanations given to us, the term loans were Applied for the purpose for which the loans were obtained.
17. Based on examination of documents and records made available and on the basis of Information and explanations given to us, the company has not used funds raised on short Term basis for long term investments and vice versa.
18. The company has made preferential allotment of shares to parties and companies Covered in the Register maintained under section 301 during the year.
19. No debentures has been issued by the company during the year.
20. The company has not raised money by public by public issues during the year.
21. Based on the audit procedures performed and information and explanation given by The management, I report that no fraud on or by the company has been noticed or reported during the course of our audit.

For Hariharan Associates
Chartered Accountants

Place: Bangalore
Date: 29.05.2010

(M. Hariharan)
Proprietor

NEXSOFT INFOTEL LIMITED
 Regd. Office: 301, 3rd Floor, Sahithi Arcade,
 SR Nagar, Hyderabad

AUDITED BALANCE SHEET AS AT 31st MARCH 2010

PARTICULARS	Schedule Reference	As at 31.3.2010	As at 31.3.2009
SOURCES OF FUNDS :			
SHARE HOLDERS FUNDS :			
Share Capital	1	86,418,500	49,918,500
Reserves & Surplus	2	158,236,260	105,561,914
LOAN FUNDS:			
Secured Loans	3	270,994,369	60,000,000
Deferred Tax Liability	4	44,226,296	6,850,949
TOTAL		<u>559,875,426</u>	<u>222,331,363</u>
APPLICATION OF FUNDS :			
FIXED ASSETS:			
Gross Block	5	466,530,440	221,080,440
Less: Depreciation		187,509,594	111,451,253
Capital Work in progress		125,494,780	
Net Block		404,515,626	109,629,187
CURRENT ASSETS, LOANS & ADVANCES:			
a) Cash and Bank Balances	6	452,685	98,443
c) Sundry Debtors	7	218,380,933	163,957,405
d) Loans and Advances	8	17,404,246	11,626,249
		236,237,864	175,682,097
Less: CURRENT LIABILITIES & PROVISIONS:			
Current Liabilities	9	64,750,000	54,286,689
Provisions		16,128,064	8,693,232
Net Current Assets		155,359,800	112,702,176
TOTAL		<u>559,875,426</u>	<u>222,331,363</u>
Significant Accounting Policies & Notes on Accounts	12		

As per our report of even date annexed
 For Hariharan & Associates
 Chartered Accountants

For Nexsoft Infotel Limited

CA M Hariharan
 Prop.
 M.No 22412

G Nirmala
 Chairperson &
 Managing Director

Dinesh Kavour
 Executive Director

Place : Bangalore
 Date : 29.05.2010

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PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDING 31st MARCH, 2010

PARTICULARS	Schedule reference	YEAR ENDING 31-03-2010	YEAR ENDING 31-03-2009
INCOME:			
Income earned		705,854,900	492,745,200
Total		<u>705,854,900</u>	<u>492,745,200</u>
EXPENDITURE:			
Operating Expenses	10	503,850,947	349,112,527
Administrative Expenses	11	18,346,743	9,915,603
Bad Debts Written Off			
Miscellaneous Expenses written off		-	-
		<u>522,197,690</u>	<u>359,028,130</u>
PROFIT BEFORE INTEREST, TAX AND DEPRECIATION		<u>183,657,210</u>	<u>133,717,070</u>
Depreciation	5	76,058,340	81,081,738
Interest & Finance Charges		32,014,344	12,372,825
Total		<u>108,072,684</u>	<u>93,454,563</u>
PROFIT/ (LOSS) FOR THE PERIOD BEFORE TAX		75,584,526	40,262,507
Provision for Taxation			
Current Tax	7,434,832		
FBT	-		
Deferred tax liability	37,375,348	44,810,180	5,000,138
PROFIT/ (LOSS) AFTER TAXATION		30,774,346	35,262,369
PROFIT/(LOSS) CARRIED FROM LAST YEAR		104,769,414	69,507,045
Balance carried to Balance Sheet		<u>135,543,760</u>	<u>104,769,414</u>
Earning Per Share			
- Basic		3.56	7.20
- Diluted		3.56	7.20
Significant Accounting policies & Note on Accounts	12		

As per our report of even date annexed
For Hariharan & Associates
Chartered Accountants

For Nexsoft Infotel Limited

CA M Hariharan
Prop.
M.No 22412

G Nirmala
Chairperson &
Managing Director

Dinesh Kavour
Executive Director

Place : Bangalore
Date : 29.05.2010

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SCHEDULES FORMING PART OF BALANCE SHEET

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SCHEDULE-1		
SHARE CAPITAL:		
Authorised :		
3700,00,000 Equity Shares of Rs.10/- each	370,000,000	70,000,000
Issued, Subscribed and Paid up:		
86,29,800 Equity Shares of Rs.10/- each fully paid up	86,298,000	49,798,000
PY 49,79,800 Equity Shares of Rs.10/- each		
Add: Shares forfeited but not reissued 48,200 shares @ 2.50/- paid up	120,500	120,500
	86,418,500	49,918,500
TOTAL	86,418,500	49,918,500
SCHEDULE - 2		
RESERVES & SURPLUS:		
Capital Reserve	792,500	792,500
Share Premium	21,900,000	
Balance in Profit & Loss Account	135,543,760	104,769,414
TOTAL	158,236,260	105,561,914
SCHEDULE - 3		
SECURED LOANS		
LONG TERM		
Pragati Capfin Pvt. Ltd (Secured against the property Belonging to Shareholder and personnel gurantee of Directors)	43,153,104	60,000,000
United Bank of India (Secured against the property Belonging to Directors and personnel gurantee of Directors)	152,000,000	
	195,153,104	60,000,000
SHORT TERM		
OBC Bank CC A/c (Secured against the sundry debtors and propoerty belonging to Director And personnel gurantee of Directors)	75,841,265	-
	75,841,265	60,000,000
TOTAL	270,994,369	120,000,000

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SCHEDULE 4		
COMPUTATION OF DEFFERED TAX LIABILITY		
Net Block as on 31.03.2010 as per Companies Act	279,020,846	
Net block As per Income Tax act as on 31.03.2010	135,893,673	
Difference	143,127,173	
Tax liability on above	44,226,296	
Deffered Tax Liabilty as on 31.03.2010	44,226,296	
Deffered Tax Liabilty as on 31.03.2009	6,850,949	
Deffered Tax liability for the year	37,375,347	
SCHEDULE- 6		
CASH AND BANK BALANCES :		
Cash in Hand	452,685	16,423
Balance with Bank in Current A/c.	–	82,020
TOTAL	452,685	98,443
SCHEDULE- 7		
SUNDRY DEBTORS:		
(Unsecured, considered good)		
Due over six months	10,598,750	12,341,226
Others	207,782,183	151,616,179
TOTAL	218,380,933	163,957,405
SCHEDULE- 8		
LOANS AND ADVANCES :		
(Unsecured, Considered good, recoverable in cash or in kind for value to be received)		
Loans & Advances - to Suppliers		
Advance payment of Taxes	2,200,000	1,200,000
Other Advances	15,204,246	10,426,249
(Inclusive of TDS receivable)		
TOTAL	17,404,246	11,626,249
SCHEDULE - 9		
CURRENT LIABILITES & PROVISIONS:		
Current Liabilities:		
Liabilities for Sundry Creditors	54,874,520	34,838,237
Advances from parties		
Liabilities for Expenses	9,875,480	19,448,452
Liabilities for Capital Expenses		–
	64,750,000	54,286,689
Provisions:		
Provision of Income Tax	15,083,064	7,648,232
Provision for Fringe Benefit Tax	1,045,000	1,045,000
TOTAL:	16,128,064	8,693,232

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SCHEDULE - 10		
OPERATING EXPENSES:		
Software & Product Development expenses	475,530,333	321,614,792
Salaries & Benefits to employees	27,197,863	25,572,342
Electricity charges	1,122,751	1,821,393
Training & Recruitment Expenses	–	104,000
	503,850,947	349,112,527
SCHEDULE - 11		
ADMINISTRATIVE & OTHER EXPENSES:		
Staff Welfare	1,254,892	712,736
Advertisements	45,895	12,500
Postage & Telephones	2,043,599	634,251
Printing & Stationery	1,462,029	712,498
Audit Fee: As Auditors	165,495	112,360
Rent	1,390,000	720,000
Repair & Maintenance	213,258	154,782
Professional Charges	206,700	
System rental Charges	202,985	
Consultancy Charges	1,254,891	1,432,784
Traveling Expenses	5,487,851	2,876,490
Conveyance	2,356,852	1,518,945
Listing fee	78,315	15,000
Office Maintenance	1,256,842	601,582
Consumables	368,362	91,340
E Connectivity Charges	64,802	37,812
Foreign Exchange Fluctuation	86,010	–
General Expenses	239,423	136,233
Vehicle Hiring & Maintenance	168,542	146,290
Retainership fees		
	TOTAL	
	18,346,743	9,915,603
General Expenses		
Commision & Brokage	–	12,673
Bank Charges	42,653	37,451
AGM Expenses	69,238	
Misc Expenses	8,302	
Books and periodicals	100,578	74,109
Business Promotion	18,652	12,000
	239,423	136,233

SCHEDULE-5

FIXED ASSETS

DESCRIPTION OF THE ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at	Additions 1.04.2009 Rs.	Deletions	Total 31.3.2010 Rs.	As at 1.4.2009	for the year Rs.	On Deletions	Total Rs.	As at 31.3.2010 Rs.	As at 31.3.2010 Rs.
OFFICE EQUIPMENT	3,349,039		0	3,349,039	446,056	159,079	0	605,153	2,743,904	2,902,984
FURNITURE	2,204,272		0	2,204,272	492,495	139,530	0	632,025	1,572,247	1,711,777
COMPUTERS & SOFTWARE	214,548,514	245,450,000	0	4,59,998,514	110,450,587	75,697,785		186,148,372	273,850,142	104,097,927
VEHICLE	978,615		0	978,615	62,116	61,946	0	124,062	854,553	916,499
TOTAL	221,080,440	245,450,000	0	466,530,440	111,451,254	76,058,340	0	187,509,594	279,020,846	109,629,187
PY	115,536,708	105,543,732	0	221,080,440	30,369,515	81,081,738	0	111,451,253	109,629,187	85,167,193

Depreciation for the Additions made during the year on Prorata basis

125,450,000 12,716,849

120,000,000 20,071,233

Schedule N

SIGNIFICANT ACCOUNTING POLICIES

I. System of Accounting:

The accounts have been prepared on the basis of Going Concern concept and under the historical cost convention. The Company adopts accrual basis in preparation of its accounts to comply in all material aspects with 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.

II. Use of Estimates:

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of the assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known /materialized.

III. Revenue Recognition:

Revenue from the Software development/services on the time and material basis is recognized based on software developed /services rendered and billed to clients as per the terms of the contracts. In the case of fixed price contracts, revenue is recognized on periodical basis / based on the milestones achieved depending on the execution and delivery of the jobs to the clients. Revenue/Income from sale of traded goods is recognized on dispatch of goods. Unbilled man hours for completed contracts are treated as work in progress.

IV. Valuation of Fixed Assets:

Fixed Assets are valued at cost, after reducing accumulated depreciation until the date of the Balance Sheet. Direct Costs are capitalized until the assets are ready to use and include financing costs relating to any specific borrowing attributable to the acquisition of fixed assets.

V. Depreciation:

Depreciation on fixed assets is provided on straight-line basis at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Individual assets cost of which doesn't exceed Rs. 5,000/- each are depreciated in full in the year of purchase.

During the Year the company has decided to change the Depreciation rates for the Block Computers and Software.

VI. Foreign Currency Transactions:

Transactions in foreign currency are recorded at the rates of exchange prevailing at the date of the transactions. Monetary items denominated in foreign currencies at the Balance Sheet date are translated at the Balance Sheet date rates.

Any income or expense on account of exchange difference either on settlement or on translation at the Balance Sheet date is recognized in Profit & Loss Account in the period in which it arises.

VII. Export Benefits:

Export Benefits are accounted for on realization basis.

VIII. Lease Rent Transactions:

Lease Rentals are accounted for on accrual basis as per the terms of the agreement.

IX. Provision for Current and Deferred Tax:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961 Deferred tax assets or liabilities are established at the enacted tax rates. Changes in the enacted rates are recognized in the period of enactment. The deferred tax asset is recognized and

carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future.

XI. Earnings per share:

In determining earnings per share, the Company considers the net profit after tax and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

XII. Contingent Liabilities

Contingent liabilities are not provided in the books of accounts and are disclosed separately by way of note.

XII. Retirement Benefits

Gratuity and leave encashment will be charged to profit and loss account in the year of payment and no provision has been made for the same.

Notes to the Accounts

- Capital and other commitments:** Estimated amount of contracts on capital account remaining to be executed and not provided for Rs. Nil lakhs (as on 31.03.2009 Rs. Nil lakhs).
- Contingent Liability** – Rs. 25 lakhs (PY 15 lakhs) Rs. 10 lakh (Bank guarantee in favour of M/s. HLL Lifecare Ltd, GOI Undertaking (Ministry of Health) Bangalore -560043 retiring on 30th June 2010) against due diligence fees for M/s Pragathi Capfin pvt limited.
- Earning & Expenditure in Foreign currency (on receipt basis)** 1765.46 lakhs (PY- Rs. 546.25 lakhs) & Outgo – 1691.75 lakh (PY NIL)
- Depreciation:** Company has changed its depreciation policy for Computers and software during the year from 100% to 16.21%. This has resulted in excess profit of Rs. 26,32,56,893, if 100% would have charged over 16.21%.
- Auditor's remuneration includes**

	31.03.2010 (Rs. in lakhs)	31.03.2009 (Rs. in lakhs)
Audit Fees	1.25	1.25
Tax Audit fees	0.25	0.25
Company Law, Certification & Other Matters	0.00	0.00
Out of Pocket Expenses	0.00	0.00

6. Related party disclosures:

(i) As per Accounting Standard 17, issued by the Institute Of Chartered Accountants Of India the disclosures of Related Parties and transactions during the period as deemed in the Accounting Standard are given below:

(A) Subsidiary Companies: Nil

(B) Key Managerial Personnel

Name	Company	Particulars
Mr. G D Reddy- Director	M/s GDR Media Limited	– Purchase of Fixed assets software – Nil – Software Development Expenses – Rs. 4,54,59,223.00
	M/s AGS Infotech Limited	– Purchase of Fixed assets software – 9,17,98,872.00 – Software Development Expenses – io Rs. 24,55,16,717.00

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7. Managerial Remuneration under section 198 of the Companies Act, 1956 paid or payable during the period, to the Directors is as under

	(Rs. in lakhs)	
	31.3.2010	31.3.2009
Salaries and Allowances	8.50	Nil
Contribution to Provident and Other Funds	0.00	0.00
Commission Payable	0.00	0.00
Approximate money value of perquisites and benefits	Nil	Nil

8. Quantitative Details

The main activity of the Company is IT Enabled Services and related software services. The production and sale of such services cannot be expressed in any generic unit. Hence, It is not possible to give the quantitative details of sales and certain information as required under paragraphs 3, 4C and 4d of part II of Schedule VI to the Companies Act, 1956.

9. Earnings per share

Rs. in lakhs

Sl No	Particulars		2009-10	2008-09
A	Net Profit After Tax	Rs.	30,774,346	352.62,369
B	The Weighted Average no of Ordinary Shares for Basic & Diluted EPS	Nos.	86,418,500	49,91,950
C	Nominal Value Per Share	Rs.	10	10
D	Earnings per share(EPS)	Rs.	3.56	7.06

10. Balance of sundry creditors, sundry debtors, loans and advances are subject to confirmation.
11. As per the information available with the company there are no outstanding dues to small scale undertakings as at 31.03.2010. (PY Nil)
12. There is no person employed by the company who was in receipt of the remuneration which in aggregate was not less than Rs. 24 lakhs, if employed throughout the year or Rs. 2 lakhs per month if employed for part of the year.
13. **Segment Reporting**
Since company business can not be specifically identified with any of the reportable segments as these are used interchangeably amongst segments, therefore segment wise disclosure on could not be furnished.
14. Figures have been rounded off to nearest rupee.
15. Previous year figures have been regrouped / rearranged wherever considered necessary to correspond with current year figures.

As per our report of even date
For Hariharan & Associates
Chartered Accountants,

G Nirmala
Managing Director

M HARIHARAN
Proprietor
M.No 22412

Dinesh Kavoor
Executive-Director

Place : Bangalore
Date : 29-05-2010

Cash flow for the period ending 31st March , 2010

Particulars	For the period ended 31 st December 2010		For the year ended 31 st March 2009	
CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit before tax & extraordinary items	75,584,526		40,262,507	
ADJUSTMENTS FOR :				
Depreciation	76,058,340		81,081,738	
Bad debts written off				
Misc Expenses Written off				
TOTAL		76,058,340		81,081,738
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		151,642,866		121,344,245
ADJUSTMENTS FOR :				
Sundry Debtors	-54,423,528		74,660,646	
Inventories	0		0	
Sundry Creditors	10,463,311		41,109,589	
Other Loans & Advances	-5,777,997		9,852,981	
Product Company		(49,738,214)	(23,698,076)	
CASH GENERATION FROM OPERATING ACTIVITIES		101,904,652		97,646,169
Less: Interest paid				
Income Tax Paid		-		-
NET CASH FLOW FROM OPERATING ACTIVITIES:		101,904,652		97,646,169
CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	370,944,780		98,524,325	
Interest Received				
NET CASH FLOW FROM FROM INVESTING ACTIVITIES :		(370,944,780)		(98,524,325)
CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds from issue of share	58,400,000			
Proceeds from Short Term Borrowing	210,994,369			
NET CASH FROM FINANCING ACTIVITIES :		269,394,369		-
NET CASH FROM FINANCING ACTIVITIES:				
NET INCREASE/(DECREASE) IN CASH EQUIVALENTS		354,241		(878,156)
Cash and Cash Equivalents - Beginning of the year		98,444		976,599
Cash and Cash Equivalents - End of the Year		452,685		98,444

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NEXOFT INFOTEL LIMITED
Regd. Office: 301, 3rd Floor, Sahithi Arcade,
SR Nagar, Hyderabad
PROXY FORM

I / Weof
being a member / members of NEXOFT INFOTEL LIMITED hereby appoint
of or failing him.....
of as my / our
 proxy to attend and vote for me / us and on my / our behalf at the 19th ANNUAL GENERAL MEETING of the
 said Company to be held at 10.00 AM at 301, 3rd floor, Sahithi Arcade, SR Nagar, Hyderabad on Wednesday,
 the 30th day of September, 2010 and at any adjourned meeting thereof.

Signed this day of Two Thousand ten

Signature(s) of the shareholder(s)

Folio No. No. of Shares Distinctive Nos.



- Note: 1. This form must be deposited at the registered office of the company not later than 48 hours before
 time for holding the meeting.
 2. A Proxy need not be a member.

NEXOFT INFOTEL LIMITED
Regd. Office: 301, 3rd Floor, Sahithi Arcade,
SR Nagar, Hyderabad
ADMISSION SLIP

Regd. Folio No:.....

No. of Shares:

I certify that I am registered shareholder / Proxy for the registered shareholder of the Company. I hereby
 record my presence of the 19th Annual General Meeting of the Company to be held on 30th September,
 2010, Wednesday at 10.00 AM at Nexsoft Infotel Limited 301, 3rd floor, Sahithi Arcade, SR Nagar, Hyderabad

Name of the Proxy (if any)
 in Block Letters

Signature of Proxy

Signature of member

Note: Please fill this admission slip and hand it over at the entrance of the hall. Those who come to attend the
 meeting are requested to bring the copies of Annual Report also with them.

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Nexsoft Infotel Ltd.

Registered Office

301, 3rd Floor, Sahiti Arcade, SR Nagar, Hyderabad 500 038

Development Centres

Bangalore: 29/1B, Beratina Agrahara, Electronic City Post, Hosur Road, Bangalore 560 100

Hyderabad: 301, 3rd Floor, Sahiti Arcade, SR Nagar, Hyderabad 500 038