

INFRONICS SYSTEMS LIMITED

INFORMATION MEMORANDUM FOR LISTING OF 1,01,49,240 EQUITY SHARES OF RS.5/- EACH.

Registered Office and Corporate Office Address: 2nd Floor, Ektha Towers, Plot No.2 & 3, Whitefield, Kondapur, Hyderabad, Andhra Pradesh-500084

Phone No: 040-40038888, 040-40038901

Fax: 040-40038901 Website: www.infronics.com

Contact person: Ms. Parul Agarwal **Email** msraju@infronics.com

M/s. Infronics Systems Limited was incorporated under the Companies Act, 1956 on 21st February 2000, under the name and style of M/s. SuchInfotech Limited. It received Certificate of Commencement of Business on 21st February, 2000. Subsequently, the name of the Company was changed to M/s. Infronics Systems Limited and a fresh Certificate of Incorporation consequent upon change of name was obtained on 10.10.2007.

GENERAL RISKS

Investment in equity and equity-related securities involve a degree of risk and investors should not invest in the equity shares of Infronics Systems Limited unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in the shares of Infronics Systems Limited for taking an investment decision, investors must rely on their own examination of the Company including the risks involved.

ABSOLUTE RESPONSIBILITY OF INFRONICS SYSTEMS LIMITED

Infronics Systems Limited having made all reasonable inquiries, accepts responsibility for, and confirms that this Information Memorandum contains all information with regard to Infronics Systems Limited, which is material, that the information contained in the Information Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Information Memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares of Infronics Systems Limited is at present listed on Ahmedabad Stock Exchange Limited.

GENERAL INFORMATION

| | |
|---|---|
| Name of the Company | Infronics Systems Limited |
| ISIN No. of the Company | NSDL No. INE463B01028 & CDSL No. INE463B01028 |
| Registered & Corporate Office Address, Phones and Fax Nos. and website Of the Company | 2nd Floor, Ektha Towers, Plot No.2 & 3,Whitefield, Kondapur, Hyderabad, Andhra Pradesh-500084 040-40038888 040-40038901 msraju@infronics.com |
| Name, Tel. Phone No., Fax No. and E-mail ID of the Compliance Officer | Ms. Parul Agarwal Tel: +91 40-40038888 Fax: +91 40-40038901 Email. msraju@infronics.com |
| Name, Tel. Phone No., Fax No. and E-mail ID of the Company Secretary | Ms. Parul Agarwal Tel: +91 40-40038888 Fax: +91 40-40038901 Email. msraju@infronics.com |
| Name of the Managing Director of the Company | Mr. Mudunuru Madhusudan Raju |
| Registrar and Transfer Agents of the Company (if In-house mention – INHOUSE) Address of the Registrar and Transfer Agents (if In-house provide the address for correspondence by investors) | M/s. Aarthi Consultants Pvt Ltd.,1-2-285, Domalguda, Hyderabad - 500029 Ph: 040-27638111/27634445 |
| Whether /common Agency appointed for share transfers by the Company (Yes / No) | Yes M/s. Aarthi Consultants Pvt Ltd.,1-2-285, Domalguda, Hyderabad - 500 029 Ph no:040-27638111/27634445 |

1. BRIEF HISTORY OF THE COMPANY

M/s. Infronics Systems Limited was incorporated under the Companies Act, 1956 on 21st February 2000, under the name and style of M/s. SuchInfotech Limited. It received Certificate of Commencement of Business on 21st February, 2000. Subsequently, the name of the Company was changed to M/s. Infronics Systems Limited and a fresh Certificate of Incorporation consequent upon change of name was obtained on 10.10.2007.

The equity shares of the company are listed on Ahmedabad Stock Exchange.

2. BUSINESS PROFILE OF THE COMPANY

Infronics Systems Limited (ISL) is an IT Products and Solutions company. Infronics was formerly known as Suchinfotech and the company has been rebranded as Infronics systems to project its line of activities in Information Technology and Electronics Hardware. The company was initially operated in RFID, Biometrics and Mobile technology and recently the company demerged into Pure RFID Company.

IT BUSINESS

The following are the activities of the company.

Software

- Product Development
- Solution Development

Hardware

- Manufacturing/Production of Hardware – Made in India low cost alternatives

Embedded Systems

- Design and Prototyping of embedded Systems
- Firmware Development

The Vision

To be one of the leading RFID Products and Solutions company in the World by 2012.

Mission

To achieve technological, operational and performance excellence through innovation.

Core Values

Team Work – Believe in “together we achieve more”

Respect – Value the individual, others and our diversity

Trust - Keep our promises

Integrity – Conduct ourselves honestly, professionally and ethically

Quality – Employ quality conscious processes

Community – Believe in corporate social responsibility

Caption & Its Significance – ‘Delivering Excellence’

It signifies the mission statement in Delivering

- Technological Excellence
- Operational Excellence
- Performance Excellence

Infronics currently has five development centers.

- The Corporate and Global delivery Center at Hyderabad, India
- The Embedded and Hardware Manufacturing Unit at Hyderabad, India
- The Development Center at Visakhapatnam, AP, India
- Europe Marketing and Sales Center at London - U. K.
- Worldwide Marketing and Sales Center at Delaware, New Jersey, Washington - USA.

We are proud that all our centers boast of state-of-art infrastructure. In the next two years, we plan to build a campus at Visakhapatnam, Andhra Pradesh, India to house our corporate, Product Development and Global Delivery Services center. To this effect, we have requested the Government of Andhra Pradesh to allot 5 acres of land at Visakhapatnam Beach Area.

TECHNOLOGY BACKGROUND

WHAT IS RFID TECHNOLOGY

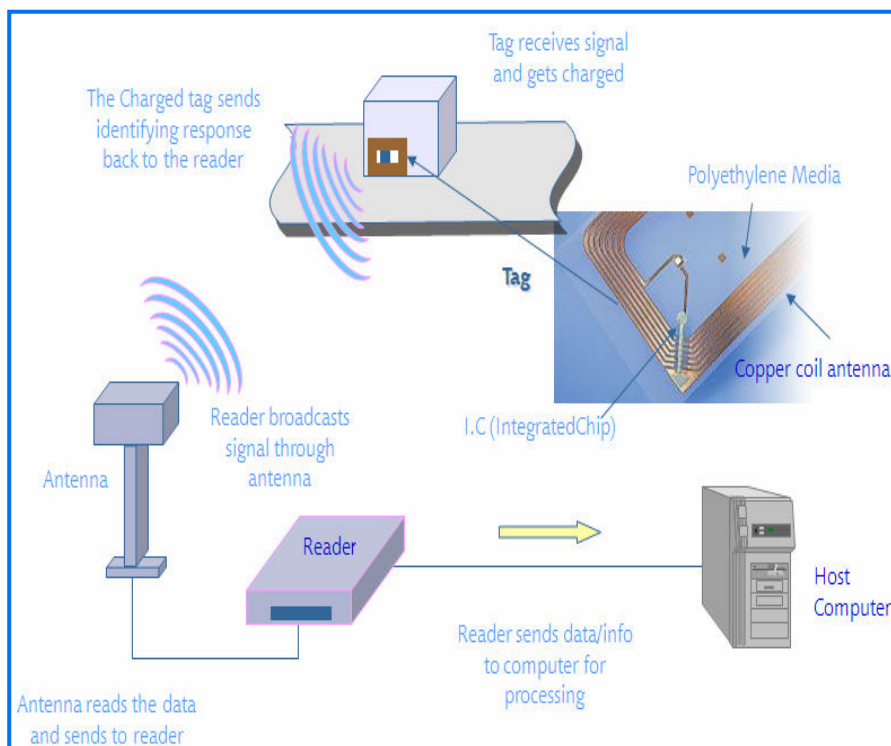
Imagine a world where a company has no problem finding inventory in a warehouse, or ensuring that the products it ships concur with the shipping order, or determining that the products received are all in the shipment, or avoiding stock-outs on the sales floor, or knowing the current stage of production of a particular product, or simply finding assets on its premises – sounds like sci-fi? With RFID this is reality and the applications are endless.

RFID (Radio Frequency Identification) has emerged as an important technology that promises to revolutionise the way we work and live in the next two decades. RFID is a technology that first came into vogue during the Second World War. Its adoption in the arena of business was largely dormant till about 2003, when Wal-Mart (the world's largest retailer) directed its top 100 suppliers to be to adopt the technology by 2005. Since then the adoption of RFID has grown exponentially.

Infronics is one of the fastest growing RFID technology products and services companies in India, with its unique quality in developing industry-specific software & hardware solutions with proven reputation of delivering high quality solutions across a broad spectrum of technologies. With a 50-plus strong team across the globe, Infronics has developed remarkable software development expertise, particularly in developing business critical RFID application and Biometric systems.

The core technology focus areas of the company are;

- RFID
- RFID Hardware Design and Production



Radio Frequency Identification (RFID) market in India has been acknowledged as the key emerging technology for a plethora of

applications. The increasing awareness about RFID technology and its enormous benefits

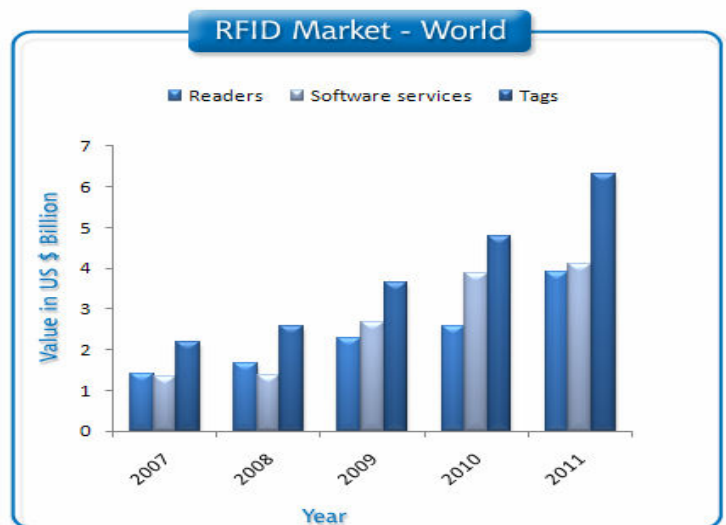
is reflected in the growth and its implementation across many domains in India.

RFID can significantly improve numerous aspects of enterprise performance through automatic data capture technology that provides unparalleled visibility and precision from inventory management and asset tracking to security and even contact-less payment. Infronics has an impressive array of RFID infrastructure products and services.

Encouraged by the potential of the RFID software market opportunity and the successes in the past, Infronics Solutions Limited has decided to pursue a more aggressive expansion strategy, appointing an experienced and credible team to unleash the potential of the RFID business. Infronics Solutions continues to make significant investments in growing the business.

ABI Research's RFID forecasts for 2009 and 2010, the outlook is good for steady growth through the next five years, according to new market data just released by the firm. The overall RFID market to exceed \$8.25B in 2014

The RFID technology presence is there in more than 200 countries.



RFID Middleware and Database

Middleware refers to the software component in charge of converting low-level RFID hardware information into usable event information. In other words, the middleware component interfaces with the RFID hardware components (i.e., the readers) and is responsible for translating machine information into information related to tag events. Tag event information refers to the logical events that are mapped to the actual physical events. Although different RFID systems can handle different types of events, there is at least one event that is universal to all RFID systems: "Tag seen by a reader."

This particular event signals the fact that the reader detected a tag. The tag ID is the minimum information reported by the middleware. Usually, this information is also combined with other useful information, such as:

- Tag ID
- Reader ID

- Date/time stamp

The middleware acts as the standard mechanism of communication with readers. This is important because it allows computer information systems and applications to use a higher-level communication methodology with the RFID infrastructure without having to understand the lower-level issues required to communicate with the RFID hardware.

RFID – ASSET TRACKING AND MANAGEMENT

Infronics has developed cost effective solutions for tracking and managing various fixed and movable assets like laptops, jewellery, and hospital equipment etc., using RFID technology. Infronics Systems offers solutions for all types of IT assets like Laptops, computer monitors, CPU's, office assets, Inventory, Gas Cylinder tracking to name a few. We offer cost effective solutions for mobile as well as fixed assets through RFID technology. Using RFID tags and readers, all types of assets can be secured and tracked automatically when they move in or out of the premises.

Automated asset tracking systems improve asset visibility, thereby allowing manufacturers to quickly identify, locate and deploy capital assets, indirect materials and other asset categories. RFID-based asset tracking can optimize the availability of high value assets, thereby reducing their Total Cost of Ownership (TCO).

Asset tracking in its various forms is one of the focal points of Return on Investment, due primarily to the contention that knowing the location of an asset, part, or finished good can drive better asset utilization, manufacturing process improvements, and helps build efficiencies in manufacturing performance metrics.

RFID LAPTOP TRACKING:

- Each laptop is embedded with an RFID tag inside and the description of the laptop is entered into a database along with its tracking number.
- In the database, each laptop will be assigned with certain parameters like date of issue, permitted movement, etc. Each department will have a local RFID reader, which will record the details when a laptop passes by, and include time/date of stamping thereby closely monitoring the movement of laptop.
- By also providing an RFID identification card to each employee, the system can record exactly who last handled the laptop. Also a RFID gate antenna will be installed at the main entrance of the organization to mark the entry and exit of employees.

Infronics Solutions Approach - Implementation Process

The implementation of an RFID solution deals primarily with the *how* question. Once the strategic questions (*why, where, and when*) have been clearly addressed, the implementation teams put in place a project plan that will cover every aspect of the installation and operation of the RFD solution. As any other project, implementing an RFID solution requires detailed analysis of the problem at hand and the proposed solution.

Strengths

Corporate Highlights

Infronics is primarily focused on achieving technological leadership through greater emphasis on R&D and In-house software development, hardware design and manufacturing facility catering to domestic and overseas market.

- Headquartered in Hyderabad with operations in UK and Saudi Arabia, USA. Infronics' vision is to be a leading market player in the RFID.
- Infronics has strength of 50 plus dedicated & qualified engineers from some of the best educational institutes across the globe.
- With capabilities to deliver across the value chain comprising of H/W, S/W & Services, and Infronics is able to deliver customized solutions to clients in diversified sectors.
- Infronics' client base comprises of over 100 plus clients across diversified verticals such as IT, Banking & Finance, Manufacturing, Defence, Textile & Oil Refineries.
- Infronics is listed in two of India's regional stock exchanges and is advised & directed by team of directors with long years of domestic & overseas experience in the technology arena.
- With years of experience in consistently delivering excellent solutions, Infronics built a thorough reputation with high valued technology clients such as TCS, IBM, Honeywell, Core Projects, CISCO, Microsoft, NIIT to name the few.
- Extensive technology & product partnerships with technology leaders such as Sagem, Intellex, Motorola, L1ID, and Nedap, Cogent Systems, uniquely positions Infronics to deliver world class solutions to wide range of business clients at the best competitive prices

- In house Embedded Design and Production unit, catering to Indian and Overseas Markets
- Major clients spreading across various industry verticals like TOP 10 Software Houses, Banks, Manufacturing facilities, Defence Establishments and Textile industry and Oil Refineries.
- Portfolio of 20 plus products developed in last few years
- Received Appreciation and Invitation 3 times from US Federal Government and United Nations for our HHT
- Received Special Jury Award from Hyderabad Software Association (ITsAP)
- Received Best Research and Development Company award from FAPCCI For the year 2008 and 2009.

SOME OF OUR CUSTOMERS

- About 15 State Governments in India
- Top 10 IT houses like TCS, HCL, IBM & Microsoft as customers
- Largest Bank in India SBI and Vijaya bank
- Chennai Port - Largest Port , is using our RFID Vehicle tracking system, first of its kind for Sea Ports in India.
- One of the Largest Refinery , BPCL is using our RFID technology, first of its kind for Refineries in India.
- Delhi Airport Port - is using our RFID driver management system, first of its kind for Airports in India with TCS
- Largest SEZ Complex, Magarpatta, - is using our RFID Parking management system, first of its kind for SEZs in India.
- CISCO Systems is using our RFID tracking technology for their Bangalore facility

RESEARCH AND DEVELOPMENT (R & D)

Infronics high investment in Research and Development enables us to offer the kind of future-ready technology and services for businesses of today and technology demands of tomorrow.

The company is in successfully Designed, Developed and commercialized many indigenous innovative products involving Both Software and Hardware and filed four patent applications.

Infronics continues to focus on R & D activities for developing and improving the quality and enhancing the benefits of its software products.

Benefits derived as a result of the R & D Research and development of new services & processes will continue to be of importance to your company.

Products in R&D.

The Company continues to strive for development of new products and improving the existing ones in order to meet the changing requirements and to cater to customer needs.

Technology Absorption, Adaptation and Innovation continue to be the prime focus of the company.

- HF Multi Protocol RFID Handheld Terminal
- OS (Win CE / Linux) based rugged IP67 Hand-held
- RTLS Tag: WiFi Based
- RTLS Tag: Zigbee Based
- Biometric Time-Attendance Terminal
- Fingerprint Scanner, Large area high-speed enrolment device
- Vehicle-mount Fingerprint authentication device

Overseas Operations: Geographical expansion to fuel to future growth

Infronics today has a bouquet of world-class products and services and is geared up to launch them in a big way in the International Markets. Infronics has established a presence in UK and plans to enter the US, Korea and Middle East markets in the year 2010-11. We are confident that through our expansion, the company will increase not only its geographic footprint but also expand its market and revenues while de-risking its business model.

RFID – Indian Market Scenario

Why RFID in India?

Countries such as India are expected to one of the largest beneficiaries of deploying RFID based technologies and solutions as they have been late adopters of technology. This can be of great advantage as countries that adopt technology relatively late have the opportunity to implement proven technologies that are already in vogue and more critically at reduced costs. Cost reduction becomes an important feature as a proven technology attains economies of scale and expanded user base. RFID provide benefits as it has the ability to improve operating margins, enable greater productivity benefits, cut costs, reduce production cycle time as well enable cost reduction by an efficient inventory management and optimisation of asset utilization while reducing errors and providing seamless digital data capturing and processing. If India and Indian companies are to retain their competitive advantage as a low cost competitive producer of goods well into the future, then it becomes imperative for the larger players to implement RFID.

Advantages of RFID:

- Recession proof business;
- Ability to customise solutions while delivering improved data quality with minimal manual intervention;
- Opportunity to reduce costs over the long-term by avoidance of theft, loss in transit or supply chain management.
- Ability to track goods to authenticate products and reduce piracy and counterfeiting.
- Better customer relationship management by introducing smart solutions that provide for faster problem rectification and improving process speed.
- Greater control over different process in manufacturing and other segments of the business process.

This is not to claim that implementation of RFID solutions is the panacea of the problems afflicting the present systems and processes. Like all other technologies, there are a number of factors that impede the growth of this business. The factors that inhibit the growth of new technologies (especially RFID) are bound to be high in the initial period as there may be a number of factors including cultural factors. Among the other factors include:

- ✓ Delay in clarifying standards.
- ✓ Misconceptions about privacy.
- ✓ Fragmentation of supply industry
- ✓ High cost of hardware, especially tags.
- ✓ Resistance to change.

RFID: The India Story

RFID market in India is expected to witness high levels of growth because of the low levels of technology adaptation till date and the need for the Indian systems to tap the efficiencies in different parts of the business process. RFIDs implementation in an enterprise is aided due to the need for quality control, quality deliverance as well as an increased accent on technology processes that provide greater degree of control along with an equal measure of flexibility. RFID ability to fulfill this vital systemic void that exists in today's complex business environment. In other words, RFID enables the organisation to know what they don't know but want to know about the implementation of the work flow process.

An appreciation of the opportunities in the Indian RFID market becomes more pronounced on a closer scrutiny of the demographics and composition of the Indian populace. McKinsey, the global consultancy major, has estimated that over the next twenty years Indian income levels will almost triple and average real household disposable income will increase from Rs.113744 in 2005 to Rs.318896 by 2025 – a compounded annual growth rate of 5.3 percent¹. This process of change would create a sizeable urban middle class. The Indian middle class comprised of approximately about five percent of the total population (about 13 million households or about 50 million people)². This is expected to increase to about 585 million or about 128 million households comprising roughly 41 percent of the population. In addition to the above, households with real earnings of more than Rs.1,000,000 will comprise of approximately 2 percent of the population³. McKinsey believes that aggregate consumption in India will grow in real terms from Rs.17 trillion in 2007 to about Rs.34 trillion by 2015 and further to Rs.70 trillion by 2025⁴.

A growing middle class invariably is a not only one that is more knowledgeable and hence more demanding in the quality of goods and services sold but also more exacting in demanding better after-sales services. Considering the fact that historically, the Indian middle class market has been a price sensitive market and one that seeks value for money, it would become imperative for various companies aspiring to enlarge their market to not only provide quality goods at what are perceived to be value for money. This would entail the need for creating a learner and more efficient organisation with a focus and emphasis on delivering quality services and two way information flow. We believe that RFID provides this flexibility. Thus, the dynamics of profitability and market conditions would force a number of players to turn to RFID to increase their efficiency and operational flexibility.

Segment-Wise RFID Market Growth

The sectors that are expected to be in the forefront of RFID growth in India include the automotive industry, infrastructure (including logistics), healthcare, defence, document tracking, education as well as retail and supply chain management processes. Another particularly important and large market for RFID is the government, which is striving to improve efficiencies in the quality of services delivered to its citizens. It is imperative to point out that the scope for RFID beyond the sectors mentioned above, include innovative applications in the realm of cattle tracking, inventory management, library management as well as in various process related to automation and tracking in different segment of the manufacturing and transportation process.

However, there are a number of obstacles in form of various lower cost alternatives to the spread of RFID implementation. These include the availability of low cost labour (especially in Tier II and Tier III towns), the high cost of hardware associated with RFID as well as availability of barcode technology. However, it is imperative to note that these 'alternatives' are inefficient when compared to the advantages and flexibility of RFID. Cost factors are the sole criterion for which a number of non-critical applications tend to continue to exist and flourish. At a technology level, the RFID sector would be greatly helped if there was greater clarity on the frequency allocation. However, we are confident that the expansion of the user base would invariably lead to greater economies of scale and with it a crease in the cost of hardware over the next few years. This in turn is bound to provide a fillip to RFID.

Weakness

Infronics currently has weaknesses in the following areas:

- Brand image to sell outside India
- World wide economic slowdown that has created recessionary conditions

Opportunities

Infronics currently has opportunities in the following areas:

- Various new avenues of businesses that are opening in India and other emerging markets.
- Ability to leverage our established relationships with all tier-1 companies like ECIL, IBM, MICROSOFT, CISCO, NIIT,ITC, BSNL, etc

Threats

Select factors pose challenge for the RFID industry in its growth path. These are:

- High cost of hardware acts as a deterrent in faster penetration.
- High foreign exchange volatility may erode margins as nearly 70 percent of our hardware requirements are met through imports.
- Relatively low awareness level about the benefits among the prospective users of RFID

CAUTIONARY STATEMENT:

Statements and expectations expressed in this document may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and international markets in which the Company operates, changes in the Government regulations, tax laws and other statues and other incidental factors

2. CAPITAL STRUCTURE:

| Sl. No. | SHARE CAPITAL | As on 16.09.2010 (Rs.) |
|----------------|--|-------------------------------|
| 1. | Authorised capital 1,40,00,000 equity shares of Rs. 5/- each | 7,00,00,000 |
| 2. | Issued, Subscribed and Paid up capital 1,01,49,240 equity shares of Rs. 5/- each | 5,07,46,200 |
| 3. | Calls in arrear | Nil |
| | TOTAL | 5,07,46,200 |

3. FACT SHEET:

| Sl. No. | Particulars | |
|----------------|---|--|
| 1. | Issued and Paid up capital | Rs. 5.07 crores as on 16.09.2010 |
| 2. | Net worth (excluding revaluation of reserves) – Rs.5 crores | Rs. 8.47 crores as on 16.09.2010 |
| 3. | Net Tangible assets | 2009-10- Rs.11.25 crores 2008-09- Rs.17.90 crores 2007-08- Rs.12.21 crores |
| 4. | Non-promoter holding | 60.90% |
| 5. | Public shareholders | 502 |
| 6. | Turnover | 2009-10-Rs.12.60 Crores 2008-09-Rs.20.47 Crores 2007-08-Rs.10.40 Crores |
| 7. | Distributable Profits | 2009-10-Rs.2.21 Crores 2008-09-Rs.0.97 Crores 2007-08-Rs.1.10 Crores |
| 8. | Depository connectivity | Signed with NSDL and CDSL |

4. SHAREHOLDING PATTERN AS ON 16.09.2010

| No. | Category | No. of Shares | % Of Shares |
|----------------|----------------------------|---------------|-------------|
| (A) (1) | Indian Promoters | 3968653 | 39.10 |
| | Foreign Promoters | - | - |
| | Others | - | - |
| | Sub-Total (A)(1) | 3968653 | 39.10 |
| (B) (1) | Non-promoters | | |
| | Institutional Investors | - | - |
| | Sub-Total (B)(1) | - | - |
| | | | |
| (B) (2) | Public Shareholding | | |
| | Private bodies corporate | 41280 | 0.41 |
| | Indian public | 5726787 | 56.43 |
| | NRIs/ OCB's | - | - |
| | Others(Employees) | 412520 | 4.06 |
| | Sub-Total | 6180587 | 60.90 |
| | | | |
| | Grand Total (A+B) | 10149240 | 100.00 |

5. DIVIDEND TRACK RECORD: The Company has not paid dividend for the last two financial years i.e., 2008-09 and 2009-10.

6. FINANCIAL PERFORMANCE: Last 3 years (Balance sheets and Profit & Loss A/c)

| Particulars | As at 31.03.2010 Rs. | As at 31.03.2009 Rs. | As at 31.03.2008 Rs. |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Sources of Funds: | | | |
| Share Holder's Funds : | | | |
| Share Capital | 48683600 | 68779200 | 63275900 |
| Share Application Money | 1207198 | 2302129 | 3450000 |
| Reserves and Surplus | 34345402 | 82167463 | 52625651 |
| Secured Loans | 26642873 | 19135200 | - |
| Unsecured Loans | 1127000 | 1610000 | - |
| Net deferred tax liability | 1298303 | 5931374 | 2745495 |
| Total | 113304376 | 179925366 | 122097046 |
| Application of Funds: | | | |
| Fixed Assets: | | | |
| Gross block | 41224692 | 75144085 | 52316499 |
| Accumulated Depreciation | 7872296 | 14122513 | 6474052 |
| Net Block | 33352396 | 61021572 | 45842447 |
| Investments | 959774 | 959774 | - |
| | 83409158 | 151247944 | 104632998 |
| Current Assets, Loans & Advances: | | | |
| Inventories | 10786025 | 7208608 | 4092985 |
| Product under Development | 31375693 | 20370353 | - |
| Cash & Bank Balances | 536085 | 863102 | 4747265 |
| Sundry Debtors | 41939025 | 97886593 | 61776732 |
| Loans & Advances | 9244250 | 5395300 | 11788428 |
| Less: Current Liabilities & Provisions | 14888872 | 13779936 | 6150811 |
| Net Current Assets | 78992206 | 117944020 | 76254599 |
| Total | 113304376 | 179925366 | 122097046 |

Profit & Loss Account for the last 3 years

| Particulars | As at 31.03.2010 Rs. | As at 31.03.2009 Rs. | As at 31.03.2008 Rs. |
|---|----------------------------|----------------------------|----------------------------|
| A. Income | | | |
| Software Development Services | 125857019 | 203341995 | 103962978 |
| Other Income | 113853 | 1353349 | - |
| Total | 125970872 | 204695344 | 103962978 |
| B. Expenditure | | | |
| Software Development & Administrative Expenses | 73514279 | 168871136 | 68194641 |
| Material Consumed | 19686054 | 11313388 | 14345622 |
| Financial Charges | 4498097 | 1979874 | 82484 |
| Depreciation | 7556903 | 7648461 | 4379442 |
| | 105255333 | 189812859 | 87002189 |
| Profit for the year before tax | 20715539 | 14882485 | 16960789 |
| Less : Tax Expense: | | | |
| Current Tax | 3674536 | 1760095 | 1921658 |
| Fringe Benefit Tax | - | 206579 | 255325 |
| Deferred Tax | (4633071) | 3185879 | 3743547 |
| Profit after tax for the year | 21674074 | 9729932 | 11040259 |
| Balance Brought Forward | 9881328 | 9425651 | (1614608) |
| Balance carried to Balance Sheet | 31555402 | 19155583 | 9425651 |

8. Un- audited Results: Snap shot of quarterly results for last 4 quarters.**(Rupees in Lakhs)**

| Particulars | Qtr. ended 30.06.2010 | Qtr. ended 31.03.2010 | Qtr. ended 31.12.2009 | Qtr. ended 30.09.2009 |
|-------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Sales and other income | 260.78 | 558.36 | 310.67 | 206.87 |
| Total Expenditure | 219.05 | 506.30 | 252.67 | 184.02 |
| Profit After Tax | 35.28 | 44.02 | 37.65 | 3.89 |
| Equity (paid up) | 507.46 | 386.83 | 773.67 | 703.67 |
| Dividend | - | - | - | - |
| EPS Rs. | 0.35 | 0.57 | 0.49 | 0.06 |

9. BOARD OF DIRECTORS AND MANAGEMENT

| Sl.No. | Name of the Director | Category |
|---------------|-----------------------------|---------------------|
| 1. | Mudunuru Madhusudan Raju | Managing director |
| 2. | Dandu Venkatapathi Raju | Whole-time director |
| 3. | Kodali Tejesh Kumar | Additional director |
| 4. | Nagarethinam Natarajan | Director |
| 5. | Akella Lakshmana Mohan | Director |

➤ Mr. Mudunuru Madhusudan Raju

Mr. Mudunuru Madhusudan Raju, aged about 36 years, holds MS Degree in Software Engineering from BITS,Pilani. He has over 13 years of experience working on various Software

Projects in India and Abroad. He is constantly striving to improve the software capabilities of the company.

➤ **Mr. Dandu Venkatapathi Raju**

Mr. Dandu Venkatapathi Raju, aged about 42 years, has two decades of experience in operational and administration. His prior entrepreneurial experience in his own establishments, prior to joining Infronics Systems Ltd is a definite value added in operations and administrative activities of Infronics.

➤ **Mr. Nagarethinam Natarajan**

Mr. Nagarethinam Natarajan, aged about 62 years, holds Electronics Engineer graduation from Institution of Electronics and Engineers, New Delhi. He worked for Indian Space Research Organisation in TERLS and SHAR center, Department of Electronics National Informatics Center at New Delhi, served Corporate R&D OF CMC Ltd. for fourteen years. He was also CEO of Software Development and Training Company called Sophists Technologies at Hyderabad and was consultant of M/s Robert Bosch, India for over one year.

➤ **Mr. Akella Lakshmana Mohan**

Mr. Akella Lakshmana Mohan, aged about 72 years, is Professional in Mathematics, worked as principal of degree and postgraduate colleges in Maharashtra and Andhra Pradesh for 25 years. Also, worked as manager administration Voice gate Technology India Ltd. Served as UGC expert on committees granting affiliation and autonomy of colleges in Maharashtra, Orissa, Haryana and Andhra Pradesh.

➤ **Mr. Kodali Tejesh Kumar**

Mr. Kodali Tejesh Kumar, aged about 39 years, is a Post Graduate in Masters of Business Administration from Andhra University. He has more than 17 years functional experience in Software and finance industry and having good skills in strategic Technology advisory services, information system consultancy services, technology procurement, project-based capacity building technological project management services. Having rich experience and achieved a great success in Technology integration, Business management, marketing and operations in the IT sector. He is also the winner of Global Business Leadership award from World Economic Progress Society. He is also a director in Lanco Global Systems Limited and Global IT Inc., a software Company in Chicago, USA

Group Companies and Subsidiary Companies.

Infronics has 100% subsidiary in London, UK , Infronics Technologies Limited.

10. Other Group Companies : Not Applicable

11. Status of Corporate Governance Compliance

The company has complied with the provisions of corporate governance.

12. Outstanding Litigations and defaults of Promoters, Directors or the other Group of Companies.

The company does not have any outstanding Litigations and defaults of Promoters, Directors.

13. Other Regulatory Disclosures

1. BRIEF STATEMENT OF COMPANY’S PHILOSOPHY ON CORPORATE GOVERNANCE:

The company’s philosophy on Corporate Governance is aimed at achieving transparency in the management of the Company for efficiency in conducting its business. The Company follows the policy of full disclosure and communication. It has a lean and flat corporate structure in consonance with its activity and to encourage and attain effective participation of each level of management and to enhance Shareholders value through sound business decisions, prudent financial management, creating Corporate Goodwill and sound image building and high standard of business ethics.

2. COMPOSITION AND CATEGORY OF DIRECTORS; EXECUTIVE NON-EXECUTIVE INDEPENDENT NOMINEE DIRECTOR ETC:

The Board of Directors consists of 3 independent non-executive directors and 2 executive directors. The composition and category of Directors is as follows:

| Sl.No. | Name of the Director | Category |
|---------------|-----------------------------|--|
| 1. | Mudunuru Madhusudan Raju | Managing director Promoter, executive |
| 2. | Dandu Venkatapathi Raju | Whole-time director Promoter, executive |
| 3. | Kodali Tejesh Kumar | Director Non executive, independent |
| 4. | Nagarethinam Natarajan | Director Non executive, independent |
| 5. | Akella Lakshmana Mohan | Director Non executive, independent |

3. AUDIT COMMITTEE:

The company constituted a Qualified and Independent Audit Committee comprises of Three Directors of which three are Non-Executive independent directors in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges and Sec. 292A of the Companies Act 1956.

Audit Committee consists 3 directors as mentioned below:

| Sl. No. | Name | Designation |
|---------|----------------------------|-------------|
| 1. | Mr. Kodali Tejesh Kumar | Chairman |
| 2. | Mr. N. Natarajan | Member |
| 3. | Mr. Akella Lakshmana Mohan | Member |

The terms of reference stipulated by the Board of Directors to the Audit Committee are as contained in clause 49 of the Listing Agreement and section 292A of the Companies Act 1956 briefly as follows:

- (a) Oversight of the Company's financial reporting process and the disclosure of its financial information.
- (b) Recommending the appointment of External auditors and Internal Auditors fixation of their fees and approval for payment for any other services.
- (c) Reviewing with management the Quarterly, Half Yearly and Annual Financial Statements before submission to the Board focusing primarily on (i) any changes in accounting policies and practices (ii) major accounting entries based on exercise of judgment by management (iii) qualifications in draft audit report (iv) significant adjustments arising out of audit (v) the going concern assumptions (vi) compliance with accounting standards (vii) compliance with stock exchanges and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the Company of material nature with promoters or the management or relatives etc. that may have potential conflict with the interest of the Company.
- (d) Reviewing with the management external and internal auditors the adequacy and compliance of internal control systems.
- (d) Reviewing the adequacy of internal audit functions.
- (e) Discussion with internal auditors any significant findings and follow- up there of.
- (f) Reviewing the findings of any internal investigations by the internal auditors into matters where there is irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.

(g) Discussions with external auditors before the audit commence nature and scope of audit as well as have post-audit discussion to ascertain any area concern.

4. REMUNERATION COMMITTEE:

The Remuneration Committee is vested with the power to recommend and review remunerations of the executive and non-executive directors of the company. The committee consists of the following directors.

| Sl. No. | Name | Designation |
|---------|----------------------------|-------------|
| 1. | Mr. Kodali Tejesh Kumar | Chairman |
| 2. | Mr. N. Natarajan | Member |
| 3. | Mr. Akella Lakshmana mohan | Member |

5. SHARE HOLDER'S GRIEVANCE COMMITTEE:

The Shareholder's Grievance Committee comprises of

| Sl. No. | Name | Designation |
|---------|----------------------------|-------------|
| 1. | Mr. Kodali Tejesh Kumar | Chairman |
| 2. | Mr. N. Natarajan | Member |
| 3. | Mr. Akella Lakshmana mohan | Member |

The Committee specifically looks after the services of the Registrars and Share Transfer Agents and recommends measures for providing efficient services to investors and resolving investor's complaints in the shortest possible time.

6. ANNUAL GENERAL MEETING:

Location and time for last three Annual General Meetings were as follows:

| AGM for the financial year ended | Location of holding AGM | Date and Time of AGM |
|----------------------------------|---|--|
| 2008-2009 | 2 nd Floor, Ektha Towers, Plot No.2 & 3, White Fields, Kondapur,Hyderabad-500084. | Wednesday, 30 th September, 2009 at 02.30 P.M |
| 2007-2008 | Pride Inn Guest Rooms,No.8-2-289/8/1/B,BanjaraHills,Road No.14, Beside BN Reddy Colony, Opp: Walden Street, Hyderabad-500034. | Monday, 29th September, 2008 at 10.00 A.M |
| 2006-2007 | Pride Inn Guest Rooms,No.8-2-289/8/1/B,BanjaraHills,Road No.14, Beside BN Reddy Colony, Opp: Walden Street, Hyderabad-500034. | Tuesday, 18 th September, 2007 at 09.30 A.M |

DECLARATION

NO STATEMENT MADE IN THIS INFORMATION MEMORANDUM SHALL CONTRAVENE ANY OF THE PROVISIONS OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREUNDER. ALL THE LEGAL REQUIREMENTS AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC., ISSUED BY BSE IN RESPECT OF LISTING OF SECURITIES HAVE BEEN DULY COMPLIED WITH.

Yours faithfully,
For and on behalf of the Board of Directors of,
Infronics Systems Limited

Mudunuru Madhusudan Raju
Managing Director
Place: Hyderabad
Date: 16.09.2010