

INFORMATION MEMORANDUM

GENERAL RISK

Investment in equity and equity-related securities involve a degree of risk and investors should not invest in the equity shares of **ZEN Technologies 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 **ZEN Technologies Limited**. For taking an investment decision, investors must rely on their own examination of the Company including the risks involved.

ABSOLUTE RESPONSIBILITY OF ZEN TECHNOLOGIES LIMITED

ZEN Technologies Limited having made all reasonable inquiries, accepts responsibility for, and confirms that this Information Memorandum contains all information with regard to **ZEN Technologies 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 **ZEN Technologies Limited** which are listed on the Integrated Stock Exchange Limited is proposed to be traded on Bombay Stock Exchange Limited.

COMPANY INFORMATION:

Name of the Company	ZEN Technologies Limited
ISIN No.	INE251B01019
Registered Office & Address for Communication Crystal Arcade, Ameerpet Hyderabad – 500 016	B-42, Industrial Estate, Sanathnagar, Hyderabad – 500018,
Telephone Numbers :	+91-40-2381 3281/2894/4894
FAX Number :	+91-40–2381 3694
Email:	info@zentechnologies.com , mktg@zentechnologies.com
Name of the Compliance Officer :	Mrs. Ritu Tiwary, Company Secretary
Telephone Numbers	+91-40-2381 3281/2894/4894
Fax	+91-40–2381 3694
Email	cosec@zentechnologies.com
Registrar & Transfer Agent :	M/s Sathguru Management Consultants Pvt. Ltd. Plot No.15, Hindi Nagar, Behind Saibaba Temple Punjagutta, Hyderabad- 034
Ph. No.	Tel: +91-40- 2335 6507 / 6975 / 0586
Fax No.	Fax: +91-40-4004 0554
Email:	Email: sta@sathguru.com
Corporate Information Site :	www.zentechnologies.com
Managing Director	Mr. Ashok Atluri
Auditors	M/s Gokhale & Co., Chartered Accountants Basheerbagh, Hyderabad-500 029
Bankers	Indian Bank, Mumbai

Note: Investors can contact the Compliance Officer in case of any share transfer related problem.

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I. GLOSSARY OF TERMS/ ABBREVIATIONS

Articles/ Articles of	Articles of Association of Zen Technologies Limited Association
Auditors	The Statutory Auditors of Zen Technologies Limited
Banker(s) to the Company	The Bankers of Zen Technologies Limited
Board of Directors/ Board/ Directors	The Board of Directors of Zen Technologies Limited
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (I) Ltd.
Companies Act	The Companies Act, 1956, as amended from time to time
DSE	Designated Stock Exchange
EPS	Earnings per Equity Share
Equity Shares	Equity Shares of the Company of Rs.10 each
Financial Year	The twelve months ended March 31 of a particular year fiscal/ FY
Information Memorandum	This document as filed with the Stock Exchanges is known as and referred to as the Information Memorandum
I. T. Act	The Income-tax Act, 1961, as amended from time to time, except as stated otherwise
Memorandum / Memorandum of Association	The Memorandum of Association of Zen Technologies Limited
NSDL	National Securities Depository Limited
RBI	Reserve Bank of India
ROC	Registrar of Companies, Hyderabad, Andhra Pradesh
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	Securities And Exchange Board Of India (Issue Of Capital And Disclosure Requirements) Regulations, 2009 as amended, Including instructions and clarifications issued by SEBI from time to time.

II. RISK FACTORS AND MANAGEMENT PERCEPTIONS

1. There are some players entering the field of simulation and the competition is expected to be stiff and margins to drop for products that have huge market demand as this represents the segment that can be commercialized.

Management Perception: The Company has been marketing its products to various security forces since 17 years and has proven its credentials both in terms of quality, technology, technical support and unit price. The company proposes to upgrade its products by incorporating latest advancements in the technology to stay ahead of its competitors and try to maintain the margins for a reasonable period of time

2. The simulators developed with the feedback from Security forces have no commitment from them to buy the resulting system thereby company incurring definite expenditure with no promise of matching income.

Management Perception: While of the product not taking off commercially is inherent, the Company tries to spread the risk by pursuing multiple opportunities.

3. There is a risk of the product failing after supplying the same to the customer, and the recall costs of such products may prove to be huge.

Management Perception:

While such risk remains, the Company tries to minimize it by ensuring that before a product is delivered to the customer, the product is thoroughly tested with respect to the customer requirements and only after the successful completion of the test, the product will be delivered to the customer.

4. Price advantage given to any foreign supplier tying up with an organization (like a PSU) over us by procuring agencies.

Management Perception: The Government policy is changing from giving a price advantage to PSU to creating a level playing field for all vendors.

5. Failure to identify the potential target market leading to huge R & D expenses.

Management Perception: R&D expenses are spread over many products thus de-risking the prospect of the failure of some products causing any great financial damage.

6. Time taken to develop a product is long which may block the resources

Management Perception: This risk can be combated by initially preparing pragmatic development plan with accurate resource allocation, material procurement plans and proper follow up with regular reviews. In case of outsourced items by selection of reliable vendors/development partners by minimizing dependence on non captive resources.

7. Orders being tender driven, the company might lose to Competitors with lower price bid.

Management Perception: The Company does a proper study of the features and price of the competitors before participating in a tender and bids competitively to minimize the possibility of losing the bid.

8. While venturing for a new product or change in the existing product, existing employees may not possess the required skill set.

Management Perception: The company has a training policy wherein all the existing employees and new recruitments are continuously trained on new technologies and staffing needs with specific skills are identified in advance and intimated the to HR department for timely hiring.

9. The Company may face competition from the established overseas suppliers with respect to quality and price. Similar competition may come from domestic players also.

Management Perception: The Company has been marketing its products to various paramilitary forces since last many years and has proven its various paramilitary forces and has proven its credentials both in terms of quality, technology, technical support and unit price. The company proposes to upgrade its products by incorporating latest advancements in the technology to stay ahead of its competitors.

10. Any adverse change in the Government policies towards the defense or homeland security industry may affect the financial performance of the Company.

Management Perception: The Company feels that Govt. policies are unlikely to be detrimental to the interest of said industries as it is in the interest of the country to become self-reliant in these key areas.

III. INFORMATION MEMORANDUM FOR TRADING OF 88,88,432/- EQUITY SHARES OF RE.10/- EACH FULLY PAID UP

1. Introduction:

ZEN Technologies Limited was incorporated as a Public Limited Company under the provisions of the Companies Act, 1956 on June 29, 1993 & obtained the Certificate for Commencement of Business on 9th day of July, 1993 from the Registrar of Companies, Hyderabad, Andhra Pradesh.

2. Business:

ZEN is India's largest training Simulator Company and a prime contractor to the Indian Army. Incorporated in 1993, it is a pioneer in the design, development and manufacture of world class, state-of-the-art training simulators. The company has supplied simulators to over 70 customers all over India and enjoys the confidence of this large customer base. Its customers are located across the length and breadth of the country. The main customers are, Defense Services, State Police forces, Para Military forces and the Navy of a South East Asian country.

ZEN has developed core competency in the field of Software, Electronics, Optics and Mechanical disciplines. The capabilities available are given below in brief.

Software: The Company has state-of-the-art mathematical modeling software, which helps in simulating projectile behavior, vehicle dynamics and environment effect. In addition, software for Video Processing and Image Processing is also available. It has the capability of depiction/creation of 3-D Terrains/Models. In addition to this we have world-class open format modeling tools.

Electronics: The company has developed a microprocessor based Control System for a number of simulators e.g. Vehicle Control and Missile Tracking System. The electronic control system for the motion platform including the motion cue algorithms have been developed in-house. System being utilized in position sensing of weapon's point of aim for various simulators has been designed and developed in-house.

Optics: The Company started working in the field of optics for developing Weapon Laser Sensing System and Laser Communication. Wide Screen Projection System including Edge Blending has been achieved. Micro-screen based sighting system being utilized in simulating realistic missile and tank sights is another landmark achieved by Zen R&D.

Mechanical: The Company's mechanical design team is skilled in engineering complex mechanical systems to replicate weapon system for use in training simulators. Some of the systems designed, developed and manufactured in-house are Infantry Combat Vehicles (BMP ICV mockups), Small Arms Weapon Sensor Integration and 3, 4, 5 and 6 DoF Motion Platforms

3. Recognitions:

ZEN has an ISO 9001:2000(QMS), ISO 27001:2005 (ISMS) Certification and is a CMMI Level 3 Company. The Department of Industrial and Scientific Research (DSIR), Government of India, has recognized ZEN as an in-house R&D unit.

ZEN has been at the forefront of applying new technologies and developing new products and is actively involved in indigenization of technologies, which are helpful for Indian Security forces. ZEN was the first company in India to commercialize PC-based Visual simulation technology for small arms training simulators.

4. Main Objects

1. To carry on the business of manufacture buy, sell, import ,export, assemble and maintain computers, electronic gadgets and allied products including process control equipment, and provide expert advices and services on computers software and hardware packages(to individuals, firms, companies, societies' association of persons, charitable institutions government bodies) both within and outside the country.
2. To carry on the business of management consultancy services, market research and survey liaison statutory bodies and organize or co-ordinate training programmes such as workshops, seminars, symposiums and conferences to the Educational institutions, Professional association voluntary Organizations, Business Organizations and Industrial establishments.
3. To act as commission agents, stockists, representatives, distributors and clearing & forwarding agents of all computers, electronic items process control equipment, and other allied products.
4. To develop, construct, fabricate transfer and sell Simulators, Training simulators, and Allied products including Weapons, Training Simulators for use of Armed Forces, Security Agencies, Police and other similar bodies within and outside the Country.

IV. GENERAL INFORMATION

Zen Technologies Limited was incorporated as a public limited company under the provisions of the Companies Act, 1956 on June 29, 1993 & obtained the Certificate for Commencement of Business on 9th day of July, 1993 from the Registrar of Companies, Hyderabad, Andhra Pradesh.

Now the Equity Shares of the Company i.e. Zen Technologies Limited, shall be admitted to trading on BSE. Such admission for trading will be subject to fulfillment by the Company of listing criteria of BSE for such issues and also subject to such other terms and conditions as may be prescribed by BSE at the time of the application by the Company seeking listing.

1. Eligibility Criterion

The Company is submitting its Information Memorandum, containing information about itself, making disclosures in line with the disclosure requirement for public issues, as

Applicable, to BSE for making the said Information Memorandum available to public through their website viz. www.bseindia.com.

2. Prohibition by SEBI

The Company, its directors, its promoters, other companies promoted by the promoters and companies with which the Company's directors are associated as directors have not been prohibited from accessing the capital markets under any order or direction passed by SEBI.

3. Caution

The Company accepts no responsibility for statements made otherwise than in the Information Memorandum or any other material issued by or at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his or her own risk. All information shall be made available by the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner.

4. Demat Credit

The Company has executed Agreements with NSDL and CDSL for its securities in Demat form as per the following details:

5. Dematerialization of Shares

Tripartite agreements have been signed between the Company, the Registrar and CDSL and NSDL. The ISIN No. allotted to the Company is **INE251B01019**.

Stock Code:

- (a) Trading Symbol **ZENTEC**
- (b) Demat ISIN number in NSDL & CDSL **INE251B01019**
- (c) Scrip ID on BOLT in BSE **590032**

V. PROFILE OF THE PROMOTERS AND MANAGEMENT:

Mr. Ashok Atluri, Managing director, is a PG Diploma in Applied Computer Science. He was instrumental in helping to design the simulators so that they would be simple to use, and ensured that the products would be based on industry standards, by developing the software on the windows-intel platform. He is also a recipient of the "Small Scale Entrepreneur of the Year" award from Hyderabad Management Association in 1998.

Mr. Ravi Kumar Midathala, Director (R&D) has 30 years of experience in the software industry. He worked in Bureau of data Processing Services (BDPS) (1979-85), Nova Computers Private Limited (1986-90) and at The Institute of Engineers. He is a technocrat and an expert in systems programming and robotics. He is actively involved in the design and development of the present range of simulators for the company in his role as Head, R & D Division. He is the person behind the successful development of ZEN – Small Arms Training simulator and currently administers the development of ZEN Interactive Fire Arms Simulator and TacSim.

Mr. A. Kishore Dutt, President, is the dynamic Visionary behind this company, with a Masters in Computer Applications from University of Hyderabad. He has extensive knowledge in operating systems internals, and has chip level expertise, he has interacted with all of the company's end-users, and therefore has been involved in the development & design of various projects, ranging from Interrupt driven sound simulation functions for the truck simulator, to full fledged software solutions for porting and enhancing of the billing system for the Nizam's Institute of Medical Science, & Other major clients. He is currently heading the Marketing Division of ZEN and is responsible for the successful marketing of all of ZEN's Products.

VI. CAPITAL STRUCTURE

Particulars	Amount in Rs.
A. Authorized Capital 2,00,00,000 Equity Shares of Re.10/- each	200,000,000
TOTAL	200,000,000
B. Issued Subscribed & Paid Up Capital 88,88,432 Equity Shares of Re.10/- each fully paid-up	88,884,320
TOTAL	88,884,320

(I)(a) Shareholding Pattern and Share Capital History of the Company

Name of the Company: Zen Technologies Limited.						
As on: 31 st December 2010						
Category Code	Category of Shareholder	Number of Shareholders	Total number of Shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
(A) Shareholding of Promoter & Promoter Group						
(1)	Indian	19	4475688	2168388	50.35	50.35
(a)	Individuals/ Hindu Undivided Family	0	0	0	0	0
(b)	Central Government/ State Government(s)	0	0	0	0	0
(c)	Bodies Corporate	0	0	0	0	0
(d)	Financial Institutions / Banks	0	0	0	0	0
(e)	Any other (Specify)	0	0	0	0	0
	Sub-Total (A)(1)	19	4475688	2168388	50.35	50.35
(2) Foreign						
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	0	0	0	0	0
(b)	Bodies Corporate	0	0	0	0	0
(c)	Institutions	0	0	0	0	0
(d)	Any other (Specify)	0	0	0	0	0
	Sub-Total (A)(2)	19	4475688	2168388	50.35	50.35
(B) Public Shareholding						
(1) Institutions						
(a)	Mutual Funds/ UTI	0	0	0	0	0
(b)	Financial Institutions/ Banks	0	0	0	0	0
(c)	Central Government/	0	0	0	0	0

	State Government(s)					
(d)	Venture Capital Funds	0	0	0	0	0
(e)	Insurance Companies	0	0	0	0	0
(f)	Foreign Institutional Investors	1	4000	4000	.05	.05
(g)	Foreign Venture Capital Investors	0	0	0	0	0
(h)	Any Other (Specify)	0	0	0	0	0
	Sub-Total (B)(1)	1	4000	4000	.05	.05
(2)	Non-Institutions					
(a)	Bodies Corporate	241	763144	763144	8.59	8.59
(b)	Individuals- i. Individual shareholders holding nominal share capital up to Rs.1 Lakh	4583	1662880	1602798	18.71	18.71
	ii. Individual shareholders holding nominal share capital in excess of Rs.1 Lakh	33	1851745	1851745	20.83	20.83
c.	Any Other (Specify)- NRI/OCB	75	92399	92399	1.04	1.04
	Trust	1	100	100	0	0
	Directors and their relatives	3	32470	32470	0.37	0.37
	Foreign Nationals	0	0	0	0	0
	OCBs	0	0	0	0	0
	Clearing Members	27	6006	6006	0.07	0.07
	Custodian Enemy Property	0	0	0	0	0
	Foreign Collaborators	0	0	0	0	0
	ESOPS/ ESOS / ESPS	0	0	0	0	0
	Sub-Total (B)(2)	4963	4408744	434866	49.60	49.60
	Total Public Shareholding (B)= (B)(1)+(B)(2)	4964	4412744	4352662	49.5	49.5
	TOTAL (A)+(B)	4983	8888432	6521050	100	100
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0
	GRAND TOTAL (A)+(B)+(C)	4983	8888432	6521050	100	100

(I)(b) Statement showing Shareholding of persons belonging to the category “Promoter and Promoter Group”

Sr. No.	Name of the Shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1	KOTAIAH KAMEPALLI	400	0.00

2	NANDITA DUTT	3300	0.04
3	VANIT SETHI	400	0.00
4	NANDITA SETHI	129529	1.46
5	BEENA ATLURI	5600	0.06
6	BEENA ATLURI	33900	0.38
7	KISHORE DUTT ATLURI	1232960	13.87
8	RAVI KUMAR MIDATHALA	78800	0.89
9	ASHOK ATLURI	1864500	20.98
10	ASHOK ATLURI	547961	6.16
11	RAMA DEVI ATLURI	261200	2.94
12	A RAMA DEVI	5800	0.07
13	TARA DUTT ATLURI	165000	1.86
14	TARA DUTT ATLURI	1000	0.01
15	NAGARJUNUDU KILARU	1184	0.01
16	NAGARJUNUDU KILARU	10000	0.11
17	SATISH ATLURI	12500	0.14
18	SATISH ATLURI	109654	1.23
19	INDIRA GARAPATI	12000	0.14
	Total	4475688	50.35

(I)(c) **Statement showing Shareholding of persons belonging to the category “Public” and holding more than 1% of the total number of shares**

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
	Bodies Corporate		
1	Logical Solutions Ltd	133464	1.50
	TOTAL :	133464	1.50
	Individual-(ii) Shareholders Holding Nominal sh. Cap. In excess of Rs.1 Lakh.		
1	Rekha Jhunjunwala	450000	5.06
2	Y V Prasad	123836	1.39
3	Rakesh Jhunjunwala	450000	5.06
4	K Kavitha	113100	1.27
	TOTAL	1136936	12.79

(I)(d) **Statement showing details of locked-in-shares**

Sr. No.	Name of the shareholder	Number of locked-in shares	Locked-in shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Kishore Dutt Atluri	252000	2.84
	TOTAL	252000	2.84

(II)(a) Statement showing details of Depository Receipts (DRs)

Sr. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of outstanding DRs	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in statement at para (I)(a) above}
1.	Nil	Nil	Nil	Nil

(II)(b) Statement showing Holding of Depository Receipts (DRs), where underlying shares are in excess of 1% of the total number of shares- N.A.

Sr.No.	Name of the DR Holder	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in statement at para (I)(a) above}
1.	Nil	Nil	Nil	Nil

(II) (c) Shareholding of Office Bearers as on 31.01.2010:

Names of Directors, Chairman and Managing Director	Official relationship to the Company	Number of Equity Shares of Rs.10/- each
Ashok Atluri	Chairman and Managing Director	2412461
Ravi Kumar M	Whole Time Director	78800
Utpal Sheth	Independent Director	27470
Cmdr Sarvotham Rao	Independent Director	3000
Dr. Pamidi Kotaiah	Independent Director	2000
Davuluri Satish Babu	Independent Director	Nil

SHARE CAPITAL HISTORY OF THE COMPANY

S. No.	Security Description	Date of Allotment	No. of Shares	Issue Price		Distinctive No.		ISIN Code
				Nominal Value	Premium	From	To	
1	Equity Shares	20.06.1993	70	Rs. 10/-	Nil	1	70	INE251B01019
2	Equity Shares	30.01.1996	670,070			71	670140	
3	Equity Shares	31.05.1996	380,000			670141	1050140	
4	Equity Shares	24.11.1997	170,000			1050141	1220140	
5	Equity Shares	02.02.1998	200,000			1220141	1420140	
6	Equity Shares	22.04.1998	130,000			1420141	1550140	
7	Equity Shares	15.02.2000	1,895,500			1550141	3445640	
8	Equity Shares	22.05.2000	1,000,000			3445641	4445640	
9	Equity Shares	30.08.2000	1,274,360			4445641	5720000	
10	Equity Shares	30.09.2000	1,910,000			5720001	7630000	
11	Equity Shares	28.03.2007	9,600			7630001	7639600	
12	Equity Shares	14.01.2008	14,400			7639601	7654000	
13	Equity Shares	17.03.2008	450,000			7654001	8104000	
14	Equity Shares	26.09.2008	450,000			8104001	8554000	
15	Equity Shares	31.10.2009	350,000			8554001	8904000	
		TOTAL	8,904,000					

Out of 89,04,000 equity shares of Rs. 10/- each the company had bought back 15,568 equity shares of Rs. 10/- each under the buy-back programme of the company during the months of March and April 2009. Hence the paid up capital of the company as on date is 88,88,432 equity shares of Rs. 10/- each.

VII. DISCLAIMER CLAUSE OF BSE

As required, a copy of this Information Memorandum is being submitted to BSE. The BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of this Information Memorandum; or
- warrant that this Company's securities will be traded or will continue to be traded on the BSE; or
- take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company; and it should not for any reason be deemed or construed to mean that this Information Memorandum has been cleared or approved by the BSE. Every person who desires to acquire any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

Copies of this Information Memorandum have been filed with BSE in due compliance.

Listing

Application has been made to BSE for permission to deal in and for an official quotation of the Equity Shares of the Company. The Company has already taken steps for the completion of necessary formalities for commencement of trading at the Stock Exchanges mentioned above.

VIII. STATUS ON CORPORATE GOVERNANCE

i) The Company is in full compliance to all the clauses of Corporate Governance including the latest guidelines under clause 49.

ii) Corporate Governance at ZEN

Zen is committed to Good Corporate Governance. Company aims to achieve the objective of enhancing the shareholders value by ensuring effective relationship with stakeholders and protecting their interests. The Company believes that the Company's business strategy and plans should be consistent with the welfare of all its stakeholders which will bring sustained corporate growth and long term benefit to all.

The Company has been practicing the principles of good corporate governance with a great zeal of commitment and sincerity. The Company's principle of corporate governance comes from the belief that the high standards of ethics, timely disclosures, accountability and transparency go a long way in preserving shareholders' trust and creating wealth.

iii) Board of Directors

A. Composition

The Board of Directors of the Company consists of a majority of Independent Non-executive Directors. The Board has composition of two executive Directors and four non-executive Independent Directors.

Composition and Category of Directors on the Board as on 31st December 2010 are given below:

Name of the Director	Category	Date of Appointment	Number of Directorships in other public companies as on date	Committee Membership as on date (in other companies)	
				Member	Chairman
Ashok Atlur	Promoter & Managing Director	01-11-1994	Nil	Nil	Nil
M Ravi Kuma	Promoter & Managing Director	29-06-1993	Nil	Nil	Nil
D Satish Babu	Independent Director	02-02-2004	Nil	Nil	Nil
Dr P Kotaiah	Independent Director	17-01-2005	05	03	02
CMDE Sarvotham Rao	Independent Director	30-03-2005	Nil	Nil	Nil
Mr Utpal Sheth	Independent Director	30-06-2008	08	Nil	Nil

B. Pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company.

None of the Non-Executive Directors has any pecuniary relationship or transactions with the Company except to the extent of sitting fees.

iv) Audit Committee

A. Composition

The Company has constituted an Audit Committee comprising the following three NonExecutive Independent Directors. Further, Dr. P. Kotaiah has been appointed as the Chairman of the Committee and its constitution is as follows:

Dr P Kotaiah	---	Chairman
Cmde S Rao	---	Member
Mr D Satish Babu	---	Member

All the members including the Chairman have adequate financial and accounting knowledge.

B. Terms of reference

The Audit Committee reviews, acts and reports to the Board of Directors with respect to: Company's financial reporting process:

- ✓ Quarterly and annual financial results of the Company
- ✓ Accounting and financial policies and practices
- ✓ Internal control and internal audit systems
- ✓ Risk management policies and practices
- ✓ Independence of auditors

C. Powers of the Audit Committee

1. To investigate any activity within its terms of reference.
2. To seek information from any employee
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

D. The role of the Audit Committee is as follows:

1. 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.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of Statutory Auditors and fixation of audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:-
 - ✓ Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
 - ✓ Changes, if any, in accounting policies and practices and reasons for the same.
 - ✓ Major accounting entries involving estimates based on the exercise of judgment by management.
 - ✓ Significant adjustments made in the financial statements arising out of audit findings.
 - ✓ Compliance with listing and other legal requirements relating to financial statements.
 - ✓ Disclosure of related party transactions.
 - ✓ Qualifications in draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the management, the performance of Statutory and Internal Auditors, adequacy of internal control systems.
7. Reviewing the adequacy of internal audit function, reporting structure, coverage and frequency of internal audit.
8. Discussion with Internal Auditors any significant findings and follow-up thereon.
9. Reviewing the finding 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.
10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the shareholders (in case of non-payment of declared dividends) and creditors.
12. Carrying out such other function as may be specifically referred to the committee by the Board of Directors and/or other Committees of Directors of the Company.
13. To review the following information
 - ✓ The management discussion and analysis of financial condition and results of Operations:
 - ✓ Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;

- ✓ Management letters/letters of internal control weaknesses issued by the Statutory Auditors;
- ✓ Internal audit reports relating to internal control weaknesses; and
- ✓ The appointment, removal and terms of remuneration of Internal Auditors

14. Reviewing the financial statements and in particular the investments made by the unlisted subsidiaries of the Company.

v) Remuneration Committee

The Company has constituted Remuneration Committee comprising three Non-Executive Independent Directors. Further, Cmde Sarvotham Rao has been appointed as the Chairman of the Committee, Dr P Kotaiah and Mr D Satish Babu are the members of the Committee.

The object of remuneration committee is to recommend/review the remuneration of Managing Directors/whole-time Directors. The remuneration policy of the Company is directed towards rewarding performance and attracting new talents/retaining them. While deciding the remuneration, the Committee takes into account the financial position of the Company, trend in the Industry, Appointee's qualification, experience, past performance, past remuneration etc. The details of remuneration paid to the Directors during the year are as follows:

Shares held by Non executive Independent Directors

Sl. No	Name of the Director	Number of shares
1	Utpal Sheth	27470
2	Cmde Sarvotham Rao	3000
3	Dr. Pamidi Kotaiah	2000
4	Davuluri Satish Babu	Nil

vi) Share Transfer and Investor Grievance Committee

A. Composition

Your Company has constituted a Share Transfer and Investor Grievance Committee consisting of:

S. No.	Name of the Person	Designation
1	Mr. D Satish Babu	Chairman
2	Mr. Ashok Atluri	Member
3	Mr.M Ravi Kuma	Member

B. Powers

The Committee has been delegated with following powers:

- To review and redress shareholder/investor's complaints etc. relating to transfer of shares, non-receipt of balance sheet, non-receipt of dividends etc.
- To approve transfer and transmission and issue of duplicate/fresh share certificate, Consolidate and sub-division of share certificates etc
- To redress, approve and dispose off any other complaint, transaction and request etc received from any shareholder of the Company and investor in general Sathguru Management Consultants Private Limited, the Registrar and Share Transfer Agent has been delegated the power to process the transfer and transmission of shares. The share transfers are processed within the time prescribed under the statute from the date of lodgment in case of shares held in physical form.

vii) Code of Conduct

The Company has framed and adopted a code of conduct which is approved by Board of Directors. The code is applicable to all Directors and Senior Management of the Company. For the year under review all Directors and Senior Management have confirmed their adherence to the provisions of the said code. The Code of Conduct is posted on the Company's website: www.zentechnologies.com

viii) Disclosures

The Company has not entered into any transaction of material nature with related parties i.e., Directors or Management or their relatives, conflicting with the Company's interest.

There were no instances of non-compliance of any matter relating to the capital markets during the year under review. Hence, there have been no penalties, strictures imposed by SEBI / Stock Exchange or any other statutory authorities on matters related to capital market.

ix) Means of Communication

The Board of Directors of the Company approves and takes on record the quarterly un-audited financial results in the proforma prescribed by the Listing Agreement, within one month of the close of the quarter and announces forthwith the results to the Stock Exchanges and usually publishes the results in Business Standard and Andhra Prabha (Regional Newspaper).

The annual audited Accounts of the Company are likewise communicated in the prescribed proforma to the Stock Exchanges and are published in the newspapers (usually) as mentioned above.

Management Discussion and Analysis forms part of the annual report, which is posted to the shareholders of the Company.

A. Share Transfer system

The Company has appointed Sathguru Management Consultants Private Limited, Hyderabad as Registrar and Share Transfer Agents for the purpose of carrying on the work relating to share transfers both physical and Demat Form. The requests received for transfer of shares from the shareholders are normally completed within the prescribed time.

B. Distribution of Shareholding

Distribution of Shareholding as on 31 December 2010 is as follows:

Equity shares holding of nominal value of Rs		Number of shareholders	Percentage	Equity shares amount	Percentage
From	To				
1	5000	4229	84.87	5852460	6.58
5001	10000	291	5.84	2408410	2.71
10001	20000	188	3.77	2866030	3.22
20001	30000	93	1.87	2370890	2.67
30001	40000	36	0.72	1310560	1.47
40001	50000	24	0.48	1109230	1.25
50001	100000	58	1.16	4243450	4.77
100001- Above		64	1.28	6872390	7.73
TOTAL		4983	100.00	88,88,432	100.00

C. Shareholding Pattern as on 31 December 2010

Sl. No	Category	Number of shareholders	Total No. of shares	% of Equity
1.	Promoter	19	4475688	50.35
2.	Central Govt./State Govt.	-	-	-
3.	Foreign Institutional Investors	1	4000	0.05
4.	Bodies Corporate	241	763144	8.59
5.	Resident Individuals	4616	3514625	39.54
6.	NRI/OCB	106	130975	1.47
	Total	4983	88,88,432	100

D. Dematerialization of shares

As on 31 December 2010, 6521050 shares were dematerialised which constitute 73.37 % of the paid up Capital.

The particulars of dematerialization are as follows:

Sl. No	Category	Number of Cases	Total No of shares	% of Equity
1.	PHYSICAL	178	2367382	26.63
2.	NSDL	3217	5605879	63.07
3.	CDSL	1588	915171	10.30
	TOTAL	4983	88,88,432	100.00

x) Nomination Facility

Shareholders holding shares in physical form and desirous to 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.

xi) Company's Policy on prevention of Insider Trading

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has framed a Code of Conduct for prevention of Insider Trading. The code of conduct of the Company is made available to the shareholders and also all promoters, directors and employees of Company on the company's website www.zentechnologies.com

IX. MANAGEMENT DISCUSSIONS AND ANALYSIS
A. Industry Structure and Development

Simulator is defined as a system-specific device that helps personnel train in system use and maintenance. Simulators are used in various fields and their use is not restricted to training security forces alone. A few areas where simulators are being used extensively include weapons training, aviation, maintenance, medicine, power plant, bridges, ships and entertainment. This list is not exhaustive and as technology becomes more affordable, more and better applications will be available.

The Simulation Industry in India is showing signs of maturity with new players expressing keen interest to enter this field. There are very few established players in this field who pose threat to the Company now. But we expect the scenario to change and anticipate competition in the years to come. In defense simulation, we have had competition from domestic as well as international players.

Indian defense has become one of the most attractive markets for foreign companies. The budget for Indian Defence for the year 2010-11 is about US\$31.9 billion. With the recession-proof nature of this business, we expect new players to come in full force. However, only experienced players are expected to benefit more, because the barriers to the new players are many. Important barriers include understanding the complex and stringent procurement process, long procurement cycle, No-Cost-No-Commitment basis of trials and customization of the product to suit Indian needs.

Companies that have commendable products may find the lack of understanding of the process to be a serious barrier. Small and medium companies, especially foreign ones, will find it extremely difficult to weather almost three years of procurement process. The cost to compete in the process is significantly high. With many bidders in the race the uncertainty of winning the bid looms large to the potential bidders and, sometimes, the risk/reward ratio seems unattractive. Another complication for the foreign vendor is the Indian Defence's offset requirement for global purchases over Rs 300 Crores. [Offset is

the foreign vendor's obligation to source locally (buyer's country) some items, amounting to certain percentage of the contract value, that go into the building of the purchased product]. In India the default offset requirement is about 30%, which can be changed by the government. Offset presents a good opportunity which your Company intends to fully explore. We are in discussion with a few companies of international repute to address this opportunity.

B. Opportunities and Threats

We are looking at opportunities to collaborate with companies that are looking for competent and experienced partner to help them do business with the Indian Defense. Zen being a prime contractor to the Indian Army is well positioned to consider joint ventures with Foreign Defense companies. Since Zen is a systems engineering company with skill sets in the field of electronics, mechanical engineering, and software, we see a big opportunity in adding value to companies that bid for Indian defense contracts. Companies that have little or no experience with security forces in India but have a potentially saleable product represent a good fit for partnership with us. Our experience with the procurement process has helped us put systems into place that drastically reduce the cost of production, customize product for Indian defense, ensure compliance with all the technicalities which increase the chance of winning the bids. Given the size of the Indian defense budget, we expect the size of such opportunities to be commensurately huge. However, realizing revenues from this activity will take time given the long procurement cycle.

Your company has been exclusively focused on training simulators. The emphasis laid on training by the security forces has been proved beneficial to your company. Your company continues to design and develop simulators with heavy focus on security forces in India. The opportunity size is, fortunately, growing and we expect to benefit from it. As expected State and Central police organizations continue to induct significant number of simulators. With respect to exports, as expected new orders did not materialize as the impact of recession is yet to subside fully.

The company has been working on improving the simulators to the evolving needs of end-users. However, we feel that competition, both domestic and foreign, for the simulators will be a significant factor in the years to come. As such we need a continuous action plan to improve older simulators where possible and evolve a new pricing strategy to match the evolving marketing realities.

Your company proposes to venture into European market for driving simulators. We expect Europe to be a big market for driving simulators due to a European directive which requires all Load carrying and Passenger carrying vehicle drivers to undergo compulsory 35 hours of driver training within a span of 5 years. A part of the driver training is expected to be accomplished by the usage of driving simulators. Your company's driving simulator is comparable to the best driving simulator available in Europe currently and is extremely cost competitive. The revenue from this venture is expected to start flowing from financial year 2011-12 in a small way. We are also open to acquiring or collaborating with existing companies in Europe to address this market opportunity.

Smash-n-Survive the console game being developed by your company is now rechristened SnS: Reprisal. It is a story based car action game with almost completely destructible world, which is unique for any car game. We plan to release the game worldwide during this financial year. The teaser of the game, showcased at GDC (San Francisco) and Game Connection (Lyon, France) received positive feedback.

C. Subsidiary Company

The company is forming a game subsidiary for the following reasons:

1. Games have a different development process where culturally there is a need to harness more openness. Such culture ensures creativity and innovation and attracts appropriate talent to make the games a success.
2. The outcome of game development is entertainment, not necessarily skill development – which is the case with training simulators.
3. Games have a different market and need a substantially different market strategy.
4. Games are extremely high-risk and high-reward business requiring continuous management attention to mitigate the risk and enhance the chances of success.
5. Games attract a different set of investors, partners, and other stakeholders.

D. Strengths and Weaknesses

Your company's competitive advantages include

E. Familiarity with The Procurement Process

ZEN has been in the field of security forces marketing for the past 17 years and has accumulated significant knowledge of the procurement process of its customers. The customers that your Company serves range from the basic (driving school) to the very sophisticated (Indian Armed Forces). We feel that any overseas vendor who would like to offer its products to the Indian security forces would find us a compelling joint-venture partner. In turn, we have to be extraordinarily careful about choosing our partner - with an objective of ensuring the Indian forces get one of the best products available in the market with value addition from us in customization of the product.

F. Dedicated Team

ZENISTS who are involved in the development and marketing of the simulators are your Company's biggest strength. We feel that their tireless efforts have contributed significantly to our success.

G. Short Development Project Cycle

Your Company has project methodologies in place which help develop products in a short span of time. Extensive project monitoring system ensures that all the projects are on track and completed on time.

H. Cross-Disciplinary Skills

To develop simulators, we had to acquire a range of skills including software, electronics, mechanical, and optics. For most of the products we have developed, we needed these skills in different ratios. Nevertheless, they were indispensable for the materialization of the products.

I. Customer Acceptance

With a track record of having the widest penetration into the Indian security forces for simulators and having received positive reviews from our customers we are today one of the most preferred brand names in the field of training simulators.

J. Formidable Quality

Zen's products rank as one of the best in their range. When we factor in the price at which your company has priced them, they become an unbeatable and compelling choice for customers.

The risks that your Company faces are dependence on Government for huge chunk of business, high R&D costs with no certainty that the product will be accepted by the customer, high user acceptance and marketing costs, long receivables, and unpredictability of earnings with, normally, a fourth quarter bias for sales.

K. Performance

Total Income during the year was Rs 55.15 Crores (previous year Rs 64.39 Crore), EBITDA Rs 20.72 Crores (previous year Rs 23.65 Crores) and PAT was Rs 16.84 Crore (previous year Rs 18.57 Crore).

Weapon simulators contributed Rs 12.40 Crores (previous year Rs 18.26 Crores) and non-weapon simulators Rs 37.23 Crores (previous year Rs 44.08 Crores). The remaining contribution was from activities consequential to the sale of simulators including after sales service, annual maintenance contracts and customization of the system, apart from interest.

Some of the expected orders did not materialize as the customer evaluation took longer than expected time.

L. Products and the Market

The main markets are Police and Para-military Forces, Armed Forces, Government Departments (like Transport) and Civilian Market.

Your company has nine major products already in the market, viz., Small Arms Training Simulator (Zen SATS SL), Hand Grenade Simulator (Zen HE36S), Advanced Weapons Simulator (Zen AWeSim), Tactical Engagement Simulator (Zen TacSim), 81mm Mortar Simulator, Driving Training Simulator (Zen DTS), Zen Bus Simulator, BMP II Driving Simulator (ZEN BMP-II DS) and Anti-Tank Guided Missile Simulator (Zen ATGM Sim). The first five products have Security Forces (including armed forces) as the target market, out of the five, Zen SATS SL and Zen AWeSim have a limited market in the civilian sector (with private security agencies requiring to train their guards in arms handling). Zen DTS and Zen Bus Simulator are aimed at the civilian market. BMP II DS and ATGM Sim are aimed exclusively at armed forces. The non-weapon simulators include Zen DTS, Zen Bus Simulator and BMP II DS.

M. Research and Development Efforts

Your Company continues its R & D efforts in two directions

1. Existing Products: To maintain a competitive edge, the Company has been updating existing products. The changes being made are both incremental and innovative.
2. New Products: To expand our customer base, we are developing new products. A new area that we are targeting at this time is the mining simulation market. We are developing simulators for the mining industry. These simulators are expected to have a significant market in India as well as abroad.

N. Profit Margins and Cost Control Exercise

Cost-controlling is a way of life at Zen. Zenists abhor wastage of any kind and a keen sense of responsibility has been internalized. Profit margins are reasonable but may come under pressure in future when competition shows up.

O. Personnel Relationships

Your Company had outstanding personnel relationships last year. Zenists have internalised Zen's Final Expectation: Please don't just do what you are asked to, do what needs to be done. This understanding has resulted in some team members going beyond the call of duty and making breakthrough contributions.

P. Outlook

The global market for simulators presents an enormous opportunity for your Company. This multi-billion dollar market is growing exponentially and simulators are used in the field of weapons training, aviation, maintenance, medicine, power plant, bridges, ships, and entertainment. The list is not complete and as technology becomes more affordable inventive minds are finding more and better applications.

We expect the volatility seen in this year's earnings to continue in the foreseeable future. Also, given the fact that we depend on Government for business, we expect quarterly results to be quite lumpy and corresponding quarter-on-quarter results to be uneven.

We are still in the race for some new big opportunities and expect some of them to benefit Zen.

We have completed the Phase I construction of world-class, integrated facilities on the land allotted to us near Hyderabad's new international airport. About 75,000 sft of the facility is ready. The construction of Phase II of the facility will be considered at a later date.

Q. Risks and Concerns

We are seeing more players entering the field of simulation and expect the competition to be stiff and margins to drop for products that have huge market demand as this represent the segment that can be commercialized.

Your company is committed to developing cutting-edge simulators for the security forces. These simulators have been typically developed with feedback from the end-users but with no commitment from them to buy the resulting system. Such a commitment to develop critical simulation technologies for security forces will bring definite expenditure with no promise of matching income. The Government's policy of buying the system from the lowest bidder may harm us if any foreign supplier, with the development costs already amortized, competes with us. The Government does not have any explicit policy or procedure to encourage indigenous technology in such situations.

As part of our business, we give performance guarantee to our clients. In the unlikely event that such a claim for guarantee is invoked, adequate provision for the same will be required.

R. Internal Control Systems and Their Adequacy

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.

The internal control system is supplemented by an extensive program of internal audits and review by management.

S. Human Resource Development

Zen's team strength stands 221 at members (233 as on 31.03.2010). The management and employees in the company regularly meet to address the areas of concern.

T. Industrial Relations

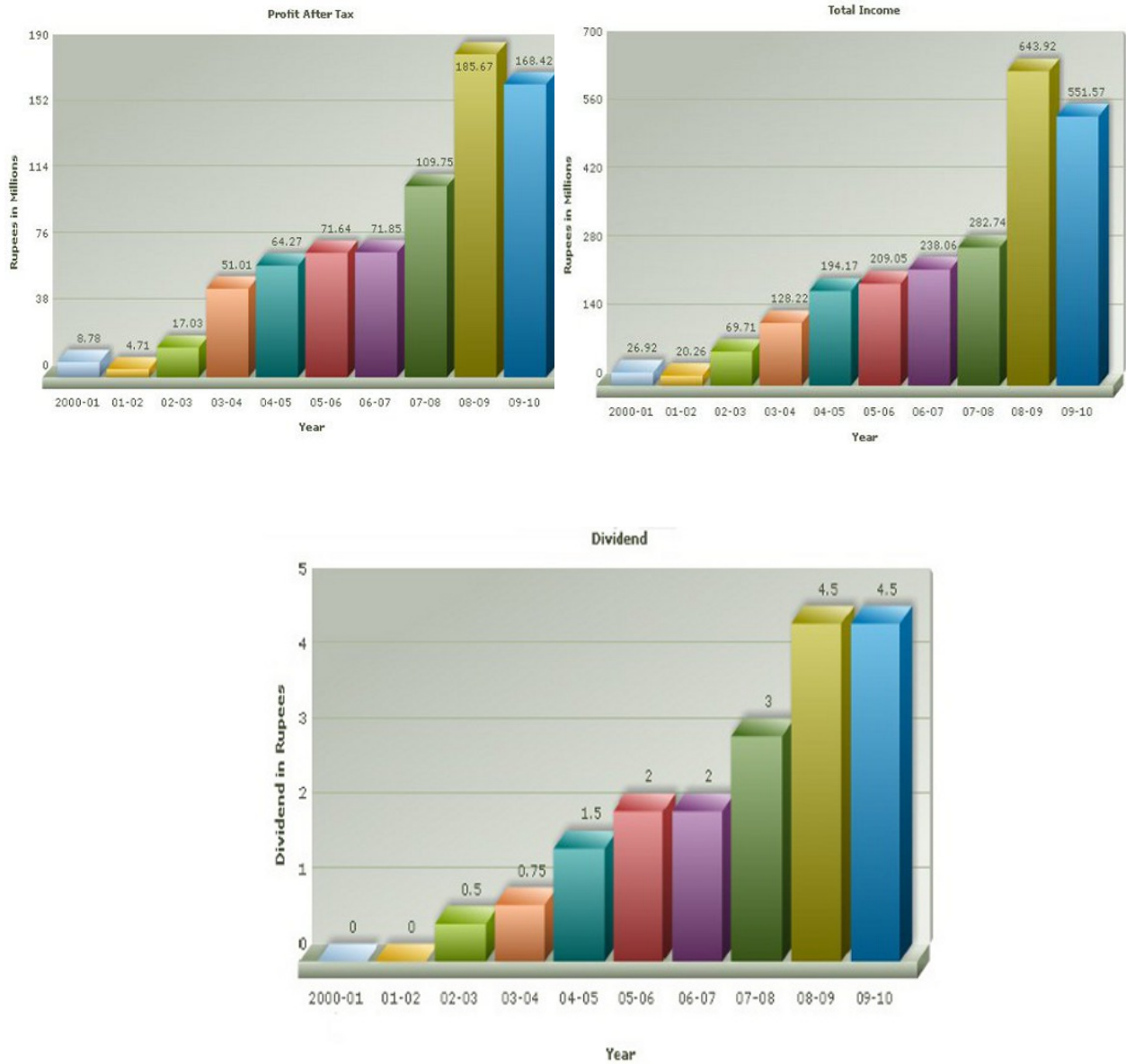
During the year under review, relations with customers, partners, suppliers, workers, employees, and other industries were cordial.

X. FINANCIAL INFORMATION

Profit & Loss Account and Balance Sheet of the Company of the preceding five financial years i.e. from 2005-06 upto 2009-10

Particulars	Amount in Rs. In Lakhs					
	PROFIT & LOSS ACCOUNT					
	CONSOLIDATED					Standalone
	2005-06	2006-07	2007-08	2008-09	2009-10	2009-10
Sales	2,023.00	2,245.81	2,519.09	6,307.50	5,223.42	5,223.42
Other Income	67.51	134.55	171.97	125.86	299.12	292.30
Total Income	2,090.51	2,380.36	2,691.06	6,433.37	5,522.54	5,515.72
Total Expenditure	1,065.22	1,389.51	1,440.84	4,269.79	3,545.78	3,541.69
Profit for the year before tax	1,025.29	990.86	1,250.22	2,163.57	1,976.76	1,974.03
Profit after tax	716.38	705.06	1,082.33	1,822.31	1,686.49	1,684.22
Dividend	-	152.79	243.12	384.93	399.98	399.98
Particulars	ASSETS & LIABILITIES					
Share Capital	763.00	763.96	918.40	902.65	888.84	888.84
Reserves & Surplus	1,804.65	2,330.95	3,711.89	5,646.35	7,288.70	7,349.56
Secured Loans	350.74	979.19	989.79	1,165.81	1,676.80	1,676.80
Unsecured Loans	-	13.14	-	-	-	-
Deferred Tax Liability	188.67	186.13	186.53	181.03	185.19	185.19
TOTAL ASSETS	3,107.05	4,273.37	5,806.61	7,895.84	10,039.54	10,100.40
Fixed Assets	603.27	1,037.89	1,418.90	2,904.41	3,294.27	3,293.25
Investments	-	46.05	46.05	46.61	-	12.08
Net Current Assets	2,342.77	3,064.12	4,238.25	4,860.87	6,694.33	6,744.12
Miscellaneous Expenditure	161.01	125.31	103.41	83.95	50.94	50.94
TOTAL LIABILITIES	3,107.05	4,273.37	5,806.61	7,895.84	10,039.54	10,100.40

PERFORMANCE OF THE COMPANY AT A GLANCE



XI. STATEMENT OF INTEREST IN SUBSIDIARIES

Statement pursuant to Section 212 of the Companies Act 1956 related Subsidiary Companies.

		(in Rupees)	
1	Name of the Subsidiary Company	Zen Technologies FZE	Version 2 Games Ltd (incorporated in May, 2010)
2	The Financial Year of the Subsidiary Company ended	March 31, 2011	March 31, 2011
3	Holding Company's interest as at January 25, 2011		
	a) No. of Equity Shares held	1 Eq.sh of AED one Lakh equivalent to Rs 12,08,470/-	1 Eq.sh. Of Rs 1/- each 5,00,000 eq.sh of Rs 1/- each
	b) Percentage of shareholding	100%	100%
4	The net aggregate amount of Profits/Losses of the Subsidiary so far as it concerns members of the Company		
	a) Not dealt with in the Accounts of the Company		
	i) for the financial year of Subsidiary ended March 31, 2010	273093	-
	ii) For previous financial years of the Subsidiary since it became subsidiary of the Company	(63,12,301)	-
	b) Dealt with in the Accounts of the Company		
	i) for the financial year of the Subsidiary ended March 31, 2011	Nil	-
	ii) For previous financial years of the Subsidiary since it became subsidiary of the Company.	Nil	-

XII. MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY
COMPANY TO-BE LIMITED COMPANY

3. The company shall not give whether directly or indirectly and whether by means of a loan, guarantee the provision of security or otherwise any financial assistance for the purpose of or in connection with the purchase of or subscription made or to be made by any person of or for any shares in the Company.

SHARE CAPITAL

4. The share capital of the company is Rs.20,00,00,000/-(Rupees Twenty Crores only divided into 2,00,00,000 (Two Crores only) Equity Shares of Rs 10/-(Rupees Ten only) each.
5. Subject to the provision of Section 80 of the Act, the Company shall have power to issue preference shares carrying a right to redemption out of profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or liable to be so redeemed at the option of the company.
6. Except as provided in Section 77 of the Act, no part of the funds of the Company shall employed in the purchase of the Company's own shares.

7. Subject to the provision of these articles the shares shall be under the control of the Board may allot or otherwise dispose of the same to such person on such terms and conditions and at such time as the Board thinks fit but subject always to article hereof.
8. No person shall be recognized by the Company as holding any shares upon any trust and the Company shall not be bound by or recognize any equitable, contingent, future or partial interest in any share or any interest in any share or any interest in any fractional part of share, or (except only as by these presents otherwise expressly provided) any other right in respect of any shares except an absolute right to the entirety in the registered holder.
9. Every member shall be entitled to one certificate for the shares registered in his/her name. Such Certificate shall be issued in accordance with the companies (issue of share Certificates) Rules 1960 specifying the shares or share held by the Member and amount paid thereon, under the Common Seal of the Company.
10. The Company shall keep a book to be called the Register of Transfer's and there shall be fairly entered particulars of every transfer or transmission of any shares.
11. If a share certificate be defaced, lost or destroyed a fresh one may be issued instead of payment of such fees, if any (Not exceeding One Rupee) and on such terms, if any, as to the evidence and indemnity as the Director may think fit.

***inserted via special resolution passed by the members in the Extraordinary General Meeting held on 19th February, 2008**

11. (a) DEMATERIALIZATION OF SHARES:

- 11.1 Notwithstanding anything contained in these Articles the Company shall be entitled to dematerialize its Securities, re materialize its securities held in the Depositories and/ or offer its Securities for subscription in a dematerialized form pursuant to the Depositories Act, 1996.
- 11.2 Notwithstanding anything contained in the sub-sec(1) of Section 113 of the Act, where the Securities are dealt with in a Depository the Company shall intimate the details thereof to the Depository immediately on the allotment of such Securities as far as practicable.
- 11.3 All securities held by a depository shall be dematerialized and be in fungible form.
- 11.4 Notwithstanding anything contained in the Section 153,153A,153B,187B,187C and 372A of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.
- 11.5 Notwithstanding anything contained in the Act or these Articles regarding the necessity of having Distinctive numbers for Securities issued by the Company shall apply to Securities held by a Depository. No certificates shall be issued for the Securities held by Depository.
- 11.6 Notwithstanding anything contained in these Articles, in the case of transfer or transmission of the Securities where the Company has not issued any certificates and where such Securities are being held in electronic and fungible form by a Depository, the provisions of the Depositories Act, 1996 shall apply. The Company shall not be required to maintain " Register of Transfers for entering Particulars of transfer and transmission of securities in dematerialized form.
- 11.7 Notwithstanding anything contained in the Act or in these Articles a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of Securities on behalf of a Beneficial Owner. Save as otherwise provided herein above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of Securities held

by it and the Beneficial Owner shall be entitled to all the rights and benefits and be subject to all liabilities in respect of its Securities held by a Depository.

- 11.8 Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears as the Beneficial Owner of the Securities in the records of the Depository as the absolute owner thereof and accordingly the Company shall not be bound to recognize any benami, trust or equitable, contingent, future, or partial interest in any Security or (Except Articles otherwise expressly provided) any right in respect of a Security other than absolute right thereto, in accordance with these Articles on the part of any other person whether or not it shall have express or implied notice thereof.
- 11.9 Notwithstanding anything contained in the Act or in these Articles, where securities are held by a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs or any other such means.
- 11.10 Nothing contained in Section 108 of the Act or in these Articles shall apply to a transfer of Securities effected by a transferor and transferee both of whom are entered as Beneficial Owners in the records of the Depository.
- 11.11 Notwithstanding anything contained in the Act or in these Articles, the Company can hold investments in the name of a Depository when such investments are in the form of Securities held by the Company as Beneficial Owner.
- 11.12 The Company shall caused to be kept a Register and index of Members in accordance with Section 150, 151 of the Act and the Depositories Act, 1996 with details of shares held in material and dematerialized forms in any media as may be permitted by law including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall be deemed to be Register and Index of members for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a. Branch Register of Members resident in that state or country.

11(b) NOMINATION OF SHARES

1. Every holder of Shares in, or holder of Debentures of the Company may, at any time nominate in the prescribed manner under Section 109A of the Act, a person to whom his shares in or debentures of the Company shall vest in the event of his death.
2. Any person who become a nominee by virtue of the provision of the Section 109A of the Act, upon the production of such evidence as may be required by the Board and subject to as hereinafter provided, elect either:
 - a. To be registered himself as holder of the Share or Debentures as the case may be:

OR

 - b. To make such transfer of the Share or Debentures as the case may be, as the deceased Shareholder or Debenture holder as the case may be could have made as required under Section 109B of the Companies Act, 1956.

12. ALTERATION OF CAPITAL

- i. Subject to the provisions of the Companies Act, 1956 the Company shall have power to alter the condition of its Memorandum as follows, that is to say, it may

- a. Increase its share capital by such amounts as it thinks expedient by the creation of new shares.
 - b. Consolidate and divided all of any or its shares capital into shares of larger amount than its existing shares.
 - c. Convert all or any of its fully paid up shares into stock and re-convert hat stock into fully paid up shares of any denominations.
 - d. Sub-Divide its shares or any of them, into shares of smaller amount than is fixed by the Memorandum, so however, that in the sub-division the proportion between the amount paid and the amount, if any unpaid on each reduced shares be the same as it was in the case of the share from which the reduced share is derived
 - e. Cancel shares which at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled provided however the cancellation of shares in pursuance of this power shall not be deemed to be a reduction of shares capital within the meaning of the Companies Act 1956.
- ii. The power conferred by this regulations hall be exercised by the Company In general meeting.

REDUCTION OF CAPITAL

13. Subject to the confirmation of the court, the Company may from time to time by special resolution and in a manner authorized by law, reduce its share capital in any way and in particular without prejudice may:
- a. Extinguish or reduce the liability on any of its shares in respect of shares capital not paid up'
 - b. Either with or without extinguishing or reducing liability on, any of its shares, cancel any paid up share capital which is lost, or is unrepresented by available assets: or
 - c. Either with or without extinguishing or reducing liability on any of its shares, cancel the paid up Capital which is in excess of the wants of the company, and may, in so far as is necessary alter its memorandum by reducing the amount of its shares capital and its shares accordingly. This article is not derogate any power the Company would have if it were omitted.

TRANSFER AND TRANSMISSION OF SHARES

14. The company shall have first and paramount lien upon all shares (not being fully paid up) registered in the name of each share holder, for his debts, liabilities and engagements either solely or jointly with any other person, to, or with the Company whether the period for payment, fulfillment or discharge thereof shall have actually arrived or not, and when any shares is held by more person than one, the Company shall have a-lien thereon in respect of all moneys so due from them, from all or any of the dividends declared in respect of the shares.
15. The shares of any member who is indebted to the Company may be sold by a resolution of the Board of Directors, to satisfy the Company's lien thereon, and be transferred to the name of the purchaser without the consent and notwithstanding any opposition on the part of the indebted member, and complete title to the shares of any such member,- which shall be sold and transferred against such indebted and all persons claiming under him whether he may be indebted to the Company in point of fact or not, shall be acquired by the purchaser by virtue of such sale and transfer and thereupon he, the purchaser, shall be deemed to be the holder of such shares, discharged from all dues and calls made prior to such purchase, and shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings with reference to sale.

16. No sale however shall be made under article 15, unless any part of the debt in respect of which the lien exists is presently payable. Further such right of sale shall not be exercised until the expiry of 14 days after the service of the notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists, to the registered holder for the time being of shares of the person entitled, by reason of his death or insolvency to the shares.
17. The net proceeds of any such sale shall be applied in or towards satisfaction of such debt, liabilities and engagements in respect of which the lien exists and the residue, if any, be paid (subject to a like lien for sum not presently payable as existed upon the shares prior to the sale) to such member or his representatives or the persons entitled to the shares at the time of the sale.
18. The shares in the company shall be transferred by an instrument in writing in the prescribed form duly stamped and in the manner provided under the provisions of section 108 of the Act and any modification thereof and the Rules prescribed there under.
19.
 1. If the Board refuses to register any transfer or transmission of right, they shall within one month from the date on which the instrument of transfer or the intimation of such transmission was delivered to the company send notice of the refusal to transfer to the transferor or to the person giving intimation of such transmission as the case may be.
 2. In case of such refusal by the Board, the decision of the board, shall be subject to the right of appeal conferred by section 111 of the Act.
 3. The provisions of this clause shall apply to transfers of stock also.
20. The Board of Directors may also decline to recognize any instrument to transfer unless:
 1. The instrument of transfer is accompanied by the certificate of shares to which it related and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer, and
 2. The instrument of transfer is in respect of only one class of shares.
21.
 1. Every endorsement upon the certificate of any share in favour of any transfer shall be signed by the Managing Director or by some other person for the time being duly authorized by the Board of Directors in this behalf. In case any transfer of a share apply for a new certificate in lieu of the old or existing certificate shall be entitled to receive a new certificate in respect of which the said transfer has been applied for and upon his delivering up to be cancelled very old or existing certificate which is to be replaced by a new one.
 2. Notwithstanding any other provisions to the contrary in these presents no fee shall be charged for any of the following viz.,
 - a. for registration of transfers and debentures; or for transmission of shares and debentures,
 - b. for sub-division and consolidation of share and debenture certificates and for subdivision of letters of allotment and split, consolidation, renewal and pucca transfer receipts into denominations corresponding to the market units of trading;
 - c. for sub-division of renounceable Letters of Rights;
 - d. for issue of certificates in replacement of those which are old decrepit or worn out, or where the cages on the reverse for recording transfers have been fully utilized;

- e. for registration of any power or attorney probate letters of administration or similar other documents.
22. The company shall keep a book to be called the "Register of Members" and there in shall be entered the particulars of every transfer or transmission of any shares and all other particulars to shares required by the Act to be entered in such Register.
23. The instrument of transfer shall after registration remain in the custody of the company. The Board may cause to be destroyed all transfer deeds lying with the Company for a period of 6 years or more.
24. The Board of Directors after giving not less than 7 days previous notice by advertisement in some newspapers circulating in the district in which the Registered office of the company is situated close the Register of Members or the Register of Debenture holders for any period or periods not exceeding in the aggregate 45 days in each year but not exceeding 30 days at any one time.
- 25.
1. The executor's or administrators of a deceased member (not being one of several joint holders) shall be the only persons recognized by the Company as having any title to the shares registered in the name of such member and in the case of death of any one or more of the joint holders of any registered share, the survivors shall be the only persons recognized by the company as having any title to or interest in such shares.
- Provided that if the member of a joint Hindu family the Board being satisfied to that effect and on being satisfied that the shares stand in his name in fact belong to the joint family may recognize the survivors or the Kartha thereof as having title to the shares registered in the name of such member.
- Provide further in any case it shall be lawful for the Board in their absolute discretion to dispense with the production of probate or letters of administration or other legal representation on such terms as to indemnity or otherwise as to the Board may deem just.
2. Nothing in Clause (1) shall release the estate of a deceased joint holder from any liability in respect of any shares, which were jointly held by him with other persons.
- 26.
1. Any person becoming entitled to a share in consequence of the death or insolvency of a member may upon such evidence being produced as may from time to time be required by Board and subject as herein after provided, elect either
 - a. to be registered himself as holder of the shares; or
 - b. to make such transfer of the shares as the deceased or insolvent member could have made.
 2. The Board shall in either case have the same right to decline or suspend registrations as they would have had, if the deceased or insolvent member had transferred the shares before his death or insolvency.
 3. Buyback of Shares
- The Company is permitted to purchase its own or other specified securities in accordance with the provisions of Section 77A, 77AA and 77B of the Act and such other regulation so r guidelines framed by Central Government or Securities and Exchange Board of India, in this regard.

DEVOLUTION OF RIGHTS

27.

1. If the person so becoming entitled shall elect to be registered as holder of the shares himself he shall deliver or send to the company a notice in writing by him stating that he so elects.
 2. If the person aforesaid shall elect to transfer the share he shall testify his election by executing a transfer deed for transfer of the share.
 3. All the limitations, restrictions and provisions of these regulations to the right to transfer and the registration of transfer of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice of transfer signed by that member.
 4. A person becoming entitled to a share by reason of the death or insolvency of the holders shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share except that he shall not, before being registered as a member in respect of the share be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided that the Board may, at any time give notice requiring any such person to elect either to be registered himself or transfer the share and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the shares until the requirements of the notice have been complied with.
28. The Company shall incur no liability or responsibility whatever in consequence of their registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner Thereof (as shown or appearing in the register) to the prejudice of person having or claiming any equitable right, title or interest to or in the same shares notwithstanding that the Company may have had notice of such equitable rights or referred thereto in any books of the Company and the Company shall not be bound by or required to regard or attend to or give effect. To any notice which may be given to it of any equitable rights, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in the books of the Company, but the Company, shall never the less be at liberty to have regard and attend to any such notice and give effect thereto, if the Board shall think fit.
29. If a member fails to pay any call or installment of a call on the day appointment or the payment thereof, the Board of Directors may at any time thereafter during such time as any part of such a call or installment remain unpaid, serve a notice on him requiring payment of so much of the call or installment as unpaid, together with any interest which may have accrued.
30. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that, in the event of non-payment on or before the day named, the shares in respect of which the call was made will be liable to be forfeited.
31. If the requirements of any such notice as aforementioned are not complied with, any shares in respect of which the notice has been given may at any time thereafter before the payment required by the notice has been made, be forfeited by a Resolution of the Board of Director to that effect, such forfeiture shall include all dividends declared in respect of the forfeited shares, and not actually paid before the forfeiture.
32. A forfeited shares may be sold or otherwise disposed of on such terms and in such manner as the Board of Director may think fit, and at any time before sale or disposition, the forfeiture may be cancelled on such terms as the Board of Director may think fit.
33. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding remain liable to pay and shall forthwith pay the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares,

but his liability shall cease if and when the company received payment in full of the nominal amount of shares whether legal proceeding for the recovery of the same has been barred by limitation or not.

34. A duly verified declaration in writing that the declarant is a Director of the company and that shares in the Company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and that declaration and receipt of the Company for the consideration if any given for the shares on the sale or disposition thereof shall constitute a good title to the share, and the person-to whom the shares is sold or disposed off shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any), not shall his title to the shares be affected by way of irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

BORROWING POWERS

- 35.
- a. The Company shall have power to borrow from any persons and secure the payment of any sum or sums of money for the purpose of the company and the Directors may from time to time at their discretion exercise this power and may themselves lend to the company on security or otherwise provided that the Directors shall not contravene the provisions of Section 292 of the Companies Act 1956, or any statutory modification thereof.
 - b. The Directors may raise or secure the repayment of a sum of Rs.10 Crores(Rupees ten Crores) in such manner and upon such terms and conditions in all respects as they may think fit and in particular by the creation of any mortgage or charge on the undertaking or the whole or any part of the property, present or future, or uncalled capital of the company or by the issue of bonds, perpetual or redeemable, debentures debenture stock of the company charged upon all or any part of the Company's property both present and future including its uncalled capital for the time being.
36. The Company shall in addition to other meetings hold a general meeting which shall be styled as its Annual General meeting at intervals and in the accordance with the provisions specified below:
- a. The annual general meeting of the Company shall be held once in every calendar year within 6 months after the expiry of each financial year subject however to the power of the Registrar of Companies to extend the time within which such a meeting can be held for a period not exceeding 3 months and subject thereto not more than fifteen months shall elapse from the date of one annual general meeting and that of the next.
 - b. Every annual general meeting shall be called for at a time during the business hours of a day that is not a public holiday and shall be held either at the registered office of the Company or some other place within the city, town or village in which registered office of the company is situated.
 - c. Notice calling such meetings shall specify them as the annual general meetings.
 - d. All other meetings shall be referred to as Extra-ordinary General Meetings.
37. The Board of Directors may whenever they think fit, convene an Extra-ordinary General Meeting at such time and at such places as they deem fit. Subject to such directions if any, given by the Board, the Managing Director or the Secretary may convene an Extraordinary General Meeting.
38. A poll demanded on the election of Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time not being later than 4 8 hours from the time when demand was made, as the Chairman may direct'

VOTING

- 39.

1. Every member holding any equity shares shall have a right to vote in respect of such shares on every resolution placed before the meeting. On a show of hands every such member present in person shall have one vote. On a poll, his voting right in respect of his equity shares shall be in proportion to his share of the paid-up capital in respect of the equity shares.
 2. In the event of the Company issuing any preference shares the holders of such preferences shares shall, have the voting rights set out in that behalf in section 87 of the Act.
40. A demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other, than that on which a poll has been demanded. The demand for a poll may be withdrawn at any time by the person who made the demand.
- * deleted via special resolution passed by the members in the Extraordinary General Meeting held on 19th February 2008.**
41. In the case of joint holders the vote of the first named of such joint holders who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
 42. A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian may, on a poll, vote by proxy.
 43. No member shall be entitled to vote in any general meeting unless all calls or other sums presently payable by him in respect of his shares in the Company have been paid.
 44. On a poll, votes may be given either personally or by proxy.
 45. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint any person whether a member or not as his proxy to attend and vote instead of himself, but the proxy so appointed shall not unless he be a member, have any right to speak at the meeting and shall not be entitled to vote except on a poll.
 46.
 1. This instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing, or if the appointer is a Corporation either under the common seal or under the hand of an officer or attorney so authorized. Any person may act as proxy whether he is member or not.
 2. A Corporate body (whether a Company within the meaning of the Act or not) may, if it is a member or a creditor or debenture holder of the Company, by the resolution of its Board of Directors or other governing body authorize such persons as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any creditors of the Company held in pursuance of the provisions contained in or authorized by resolutions aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual member, creditor or holder of debentures of the Company.
 3. So as an authorization under clause above is in force, the power to appoint proxy shall be exercised only by the person so appointed as representative.
 47. The instrument appointing proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in the case of a poll, not

less than 24 hours before the time appointed for the taking of the poll and in default the instrument proxy shall not be treated as valid.

48. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death of the principal or the revocation of the proxy or the transfer of the share in respect of which the proxy is given. Provided that no intimation in writing of the death, revocation or transfer shall have been received at the Registered Office of the Company before the commencement of the meeting or adjourned meeting at which the proxy is used.
49. Every instrument appointing proxy shall be retained by the Company and shall be in either of the forms specified in Schedule X of the Act or a form as near hereto as circumstances will admit.
50. Subject to the provisions of the Companies Act, 1956 the Chairman of a General Meeting shall be the sole and absolute judge of the validity of every vote tendered at such meeting, or at a poll demanded at such meeting and may allow or disallow any vote tendered, according as he shall be of opinion that the same is or is not valid.

DIRECTORS

51. The Company shall have not less than three and more than twelve Directors unless otherwise determined by members at a General Meeting.
52. The first Directors of the Company are:
 1. Smt. Atluri Rama Devi
 2. Sri Selwyn Samuel
 3. Sri M Ravi Kumar
53. Any person whether a member of the Company or not, can be appointed as a Director of the Company and no qualification by way of share holding shall be required from any Director.
54. The Directors may elect one of their body to the office of the Chairman of the Board of Directors, and the Director so elected as Chairman shall hold office for a period of Five years subject to the pleasure of the Board and subject to his continuing as a Director and he shall preside over all the meetings of the Board and the General Meeting during tenure of office.
55. In case the Union government or any State government finance institutions sponsored or financed by the above governments and other institution, Venture Capital Institutions, Mutual Funds etc, by way of grants, or, loans accepts participation or extends guarantees on behalf of the Capital of the Company such Government or institution shall, if the agreement between it and the company so provides, be entitled, so long as the company is indebted to such Government or Institution which continues to be interested in the Company as a shareholder or in any fiduciary capacity to nominate and from time to time substitute in place of such nominee one or more Directors, to protect the interest of, each such Government or Corporation, on the Board of Directors and while holding such office such nominee shall not be liable to retire by rotation or be liable to hold any qualification shares.
56. The Board shall have power to co-opt one or more person to be Directors but so that the total number shall not exceed twelve. In the place of a Director who is about to leave or is absent from the state in which the meetings of Directors are generally held, the Board may appoint any person to be an alternate Director, provided such absence shall not be for lesser period than three months and such appointee while he holds office as an alternate Director shall be entitled to receive notice of all meetings of the Directors and to attend and vote there at and on all resolutions proposed in circulation but he shall IP SO Facto vacate office as Director of an when the original director returns to the State in which the meetings are generally held.

57. One third of the Director shall at every annual general meeting by rotation. if this number is not three or a multiple of three then a number of Directors nearest hereto shall retires. A Retiring director shall be eligible to seek re-election.
58. The Directors to retire in ever year shall be those who have been longest n offices since their last election but as between persons who became Directors on the same day those to retires hall unless they otherwise agree among themselves e determined by lot.
59. Subject to the provisions of Section 256 of the Act if at any Meeting at which an election of Directors ought to take place he place of the vacating directors is not filled up and the meeting as not expressly resolved to fill up the vacancy the meeting shall stand adjourned till the same day in the next week the same time at and place or if that is a public holiday till, the next succeeding day which is not a public holiday the same time and place and if at the adjourned meeting the place of retiring directors is not filled up and the meeting as also not expressly resolved not to fill up the vacancy then the retiring Directors or such of them as have not their places filled up shall be deemed to have even re-appointed the adjourned meeting.
60. No Directors hall be disqualified by his office from contracting with the Company or shall any such contract entered not by or on behalf of the Company in which any Director shall be in any way interested be avoided, nor shall any Directors so contracting or being so interested be liable to account to the Company or any profit realized by any such contract by reason only of such Director holding such office or of the fiduciary relations thereby established but the nature of his interest must be disclosed by him at the meeting of the Directors at which he contracts determined or of his interest in the existing or in any other case at the first meeting of the Directors after the acquisition of the interest.
61. If any Director appointed by the Chairman in General Meeting vacates office as a Director before his term of office expires in the normal course, the resulting casual vacancy may be filled up by the Board at a meeting of the Board of Directors, but any person so appointed shall retain his office so long as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Board of Directors may not fill such a vacancy by appointing thereto any person who has been removed from the office of Director under Section 284 of the Companies A ct, 1956.
62. The business of the company shall be managed by the Directors who may pay all expenses incurred in getting up and registering the Company and other preliminary expenses and may exercise all such power of the Company as are not, by the Companies Act 1956, or any statutory modifications thereof for the time being in force, or by these articles, required to be exercised by the Company in General Meeting subject nevertheless to any regulation of these articles and to the provisions of the said Act, and to such regulations being not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.
63. The Directors shall be paid a sitting fees as may be determined from time to time by the Board for every meeting or any committee of the Board attended by them. In addition to the remuneration payable to them, the Directors including the Managing Director may be paid all traveling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board of Directors or any committee thereof or general meetings of the Company or in connection with the business of the Company.
64. Subject to the provisions of Section 314 of the Act, if any Director shall be appointed to advice the Directors as an expert or be called upon to perform extra services or make special exertions for any of the purposes of Company, the Board of Directors may pay to such Director such special remuneration as they think fit, which remuneration may be in the form of either salary, commission or a lump sum and may either be in addition to or in substitution of the remuneration specified in the last preceding article.

65. Subject to the provisions of the Companies Act, 1956 the Board of Directors may employ from time to time any Director to perform and work or supply goods required by the Company, or to serve the Company in any professional capacity, or in any other capacity or character, and may remunerate him for such work or supply of goods or services as they may think proper and may enter into contracts with him for the purposes aforesaid, but no Director shall vote at any Directors meeting upon any question affecting his or her own employment as aforesaid or any contract relating hereto.
66. Subject to provisions of Section 198, 309, 310 of the Act and subject to such approvals as may be necessary. The Board may from time to time appoint one or more of their body to the office of Managing Director and or Manager or whole time Directors(s) for such term, and on such remuneration(whether by way of salary and/ or commission or partly in one and partly in another) with or without bonus and any other or all allowances as they may think fit and a Director so appointed shall not, while holding that office be subject to retirement by rotation or taken into account in determining the rotation of retirement of Directors but his or her appointment shall be subject to determination IPSO FACTO if he or she ceases from any cause to be Director, or if the Company in general meeting resolves that his or her term of office of Managing Director or Manager or whole time Director be determined.
67. A Director may from time to time, and a Managing director or Commercial Director or Technical Director as the case may be upon the request of any Director, shall convene the meeting of the Board. All meetings of the Board of the Company shall, unless otherwise determined by the Board be held at the Registered office of the Company. The quorum for a meeting shall be two Directors or one third of the total strength (any fraction contained in one third being round off as one) whichever is higher. The Board shall meet at least once in every three months and at least four meetings shall be held in every calendar year.
68. Save as otherwise expressly provided in the Act, a resolution in writing signed by all or a majority of the members of the Board or of a committee thereof for the time being entitled to receive the notice of a Meeting of the Board or committee shall be as valid and effectual as if it had been passed at Meeting of the Board or Committee, duly convened and held. In the event of the signature of any one of the Directors to any such resolution being affixed on different dates the said resolution shall be deemed to be passed on the date of signature of the Directors signing last.
69. The office of a Director shall be vacated, if:
- a. he is found to be of unsound mind by a Court of competent jurisdiction or ;
 - b. he applies to be adjudicated or is adjudged an insolvent or
 - c. he fails to pay dues made on him in respect of shares held by within six months from the last date fixed for the payment of the call unless the Central Government has by notification in the official gazette removed the disqualification incurred by such failure; or
 - d. he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment of not less than six months; or
 - e. he absents himself from three consecutive meetings of the Board or from all meetings of the Board for a continuous period of three months, whichever is longer without, obtaining leave of absence from the Board, or
 - f. he (whether by himself or by any person for his benefit or on his account), or any firm in which he is partner or any private company of which he is a Director) accepts a loan, or any guarantee or security for a loan from the Company in contravention of Section 299;or
 - g. he acts in contravention of Section 295;or

- h. he becomes disqualified by an order of court under Section 203;or
- i. he is removed in pursuance of Section 284;or
- j. Having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company.

Provided that notwithstanding anything in sub-clause (b), (d) and (h) above the disqualification referred to in those clauses shall not take effect:

- a. For thirty days from the date of the adjudication, sentence or order.
- b. where any appeal or petition is preferred within the thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentences or order until the expiry of seven days from the date on which such appeal or petition is disposed off, or
- c. Where within the seven days aforesaid, any further appeal or petition is preferred in specify of the adjudication, sentence, conviction or order and the appeal or petition if allowed would result in the removal of the disqualification until such further appeal or petition is disposed off.

POWERS OF THE BOARD

- 70. The business of the company shall be managed by the Directors who may pay all expenses incurred in getting up and registering the company may exercise all such powers of the Company as are not by the Companies Act, 1956 or any Statutory modification thereof or the time being in force or by these Article, required to be exercised by the Company in general meeting subject nevertheless to any regulation of these Articles or the provisions of the said Act, and to such regulations not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in General Meeting but no regulations made by the Company in General Meetings shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.
- 71. Without prejudice to the General powers conferred by the preceding Articles and the other powers conferred by these Articles and subject to the provisions of the Act, the Board of Directors shall have the following powers, that is to say:
 - a. To pay the costs, charges expenses, preliminary and incidental to the promotion, establishment and registration of the Company.
 - b. At their discretion to pay for any property, rights, privileges acquired by, or services, rendered to, the Company either wholly or partially in cash or in shares, bonds, debentures or other securities of the Company and any such shares as may be issued subject always to the liability of all shareholders in regard to the departments of the Company whether such bonds, debentures or other securities are either specifically charges upon all or any part of the company and its uncalled capital not so charged.
 - c. To take on lease, purchase, or otherwise acquire for the company any property, rights or privilege, which the company is authorized to acquire at such price and generally on such terms and conditions as they think fit.
 - d. To appoint any person or persons to hold in trust for the Company property belonging to the Company or in which it is interested or for any other purpose and to execute all such instruments and to do all such things as may be necessary or requisite in relation to any such trust.
 - e. To list the Shares/Debentures any other instruments for the purpose of raising funds from the Public, of the Company, on such stock exchanges including Over The Counter Exchange of India (OTCEI) in India and outside India subject to obtaining permission/sanctions from such authorities and execute all such agreements, instrument on such terms and conditions as the Board may from time to time think fit.

- f. To sell, let, exchange or otherwise dispose of absolutely or conditionally all or any part of the property privileges and undertakings of the Company upon such terms and conditions and for such consideration as they think fit.
- g. To appoint and at their discretion remove or suspend such agents, managers, secretaries, clerks and servants for permanent, temporary or special services, as they may from time think fit and to determine their powers and duties and fix their salaries or emoluments and to require security in such instance and to such amounts as they think fit and generally to provide for the management of the Company in different parts of India or outside in any countries and to establish and maintain branch offices anywhere.
- h. To buy or procure the supply of all articles, goods, merchandise and other movable property required for the purpose of the company.
- i. To appoint any person or persons to be attorneys of the Company for such purposes and with powers, authorities and discretions not exceeding those vested in or exercisable by the Board and for such period and subject to such conditions as the Board may from time to time think fit.
- j. To enter into, carryout rescind or vary, financial arrangements with any bank persons or corporations for or in connection with such arrangements, to deposit, pledge or hypothecate any property of the Company, to execute and register any documents relating to the Same.
- k. To make and give receipts, release and other discharges for money payable to the Company for the claims and demands for the Company.
- l. To compound and allow time for the payment or satisfaction of any debts due to or by the Company and any claims and demands by or against the Company and to refer matters to arbitration and observe and perform the awards.
- m. To sign, draw, accept, endorse and negotiate and discount, for and on behalf of the Company, all such cheques, bills of exchange, promissory notes, hundies, drafts, government and other securities and all other documents, whether negotiable or otherwise ,as shall be normal in or for carrying on the affairs of the Company.
- n. To institute, prosecute, compromise, withdraw or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company
- o. To invest and deal with any of the moneys of the Company not immediately required for the purpose thereof. Upon such securities o r investments and in such manner as they may think fit and from time to time vary or realize such securities and investment.
- p. To enter into negotiations and contracts and to rescind or vary all such contracts and do all such acts, deeds, and things in the name and on behalf of the Company as they may considered expedient for or in relation to any of the matters aforesaid or otherwise for the purpose of the company.
- q. To make, vary and repeal, from time to time by-laws for the regulation of the business of the Company, its officers and servants.
- r. To deposit moneys on security or otherwise with other persons or companies whether Banking Company or not and to invest any funds of the company not required for the time being for the general purpose of the Company in such investment (other than the shares of the company) as may be thought proper, and to hold exchange, sell vary and dispose of or deal with any of the investments of the company, as may be deemed expedient.

- s. To give credit or deal credit, with or without security with any persons including members of the Company or such amount upon such terms and conditions as they shall think fit.
 - t. To call any General Meeting of the Company to transact such business as is mentioned in the notice convening the meeting and
 - u. To exercise and to carry into effect any or all of the objects and powers mentioned or referred to in the Memorandum of Association.
72. The Board may from time to time at their discretion raise or borrow or secure the payments of any sum of money for the purpose of Company's business and may secure the payment of such money by mortgage or charge upon the whole or any part of the assets and property of the Company (present and future) including its uncalled and unpaid capital not so charges.
73. Subject to as aforesaid, any bonds, debenture stock or other securities issued by the Company shall be under the control of the Directors who may issue them upon such terms and conditions and such manner and for consideration as they shall consider to be for the benefit of the Company.
74. The Board may at any time pay to any person commission which may represent a share in the profits of the Company or in any other manner either in a lump sum or in yearly, half yearly, quarterly installments, in consideration of his guaranteeing to debenture holders or other creditors on behalf of the Company the payment of the face value of the Debenture or other liabilities. Such commission will be payable only out of profits of the Company.
75. The Board may receive deposit for the purpose of financing of the business of the Company, bearing interest at such rates as the Directors may fix which may be made payable monthly, quarterly, half yearly or at the beginning or end of the term for which such sums are borrowed.
76. If the Directors or any of them or any other persons shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons becoming liable as aforesaid for any loss in respect of such liability.
77. Subject to the provision of the Act, the Board may from time to time entrust to and confer upon the Managing Director for the time being or Committee consisting of such persons, as it thinks fit, such or the power exercisable under these presents by the Board as they may think fit and may confer such powers for such time and to be exercised for such objects and purposes, upon such terms and conditions with such restrictions as they think expedient and they may confer such powers either collaterally with or to the exclusion of and substitution for all or any of the powers of the Board in that behalf and may from time to time withdraw, revoke, alter or vary all or any of such powers.

ACCOUNTS

78. Books of accounts shall be kept at the Registered Office of the Company or at such other place in India as the Directors may think fit.
79. The Directors shall from time to time determine whether and to what extent and at what time and places under what condition or regulation the accounts and books of the Company or any of them shall be open to inspection of member not being Directors. No member (not being Director) shall have any right to inspect the same except as conferred by the Companies Act, or authorized by the Board of Directors, or by any resolution of the Company in General Meeting.
80. Every account of the Company when audited and approved by a General Meeting shall be conclusive except so far as regards any error discovered therein before or at the Audit of the then next account

and whenever such error is discovered within that period the account shall be forthwith corrected and henceforth shall be conclusive.

THE SEAL

- 81.
- a. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors and in the presence of any one Director of the Company and that Director shall sign every instrument to which the Seal of the Company is so affixed in his presence.
 - b. Subject to the resolution passed at the Board, the Common Seal of the Company may be taken outside of the State of Registered Office for affixing on such contracts, agreements entered into from time to time.

SECURITY

82. No member shall be entitled to inspect the Company's Books without the permission of the Directors or to require discovery or any information inspecting any default of the Company's trading or any matter which is or may be in the nature of trade secret process or trade mystery which may relate to the conduct of the Business of the Company and which, in the opinion of the Directors, it will not be expedient in the interest of the members of the Company to communicate to the public.
83. The officers and authorized nominees or any financial institutions giving loan or any other form of financial assistance shall have right to inspect the factory, records, documents, registers, books of accounts and other relevant statutory books and obtain copies and extracts from them during the normal working hours of the Company.

DIVIDENDS

- 84.
- a. The Company shall declare and pay dividends only out of profits and in accordance with the provisions of Section 205 of the Companies Act, 1956 or any other statutory modification thereof.
 - b. The Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.
 - c. The Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the Company.
 - d. The Board may deduct from any dividend payable to any member all sums of money, if any presently payable by him to the Company on account of call or otherwise in relation to the share of the Company.
 - e. In case of Joint holders, it shall be sufficient for the Company to effect payment of the dividend to the first named among them.

CAPITALIZATION OF PROFITS AND RESERVES

- 85.
1. The Company in the capitalization of profits General Meeting may upon the recommendation of the Directors resolve:
 - a. That it is desirable to capitalize any part of the amount for the time being standing to the credit or any of the Company's reserve accounts or the credit of the Profit and Loss Account, or otherwise available for distribution, and

- b. That such sum be accordingly set free for distribution in the manner specified in clause (2) among the members who would have been entitled thereto if distributed by way of dividend and in the same proportion.
2. The sum aforesaid shall not be paid in cash but shall be applied subject to the provisions contained in clause (3) either in or towards.
 - i. Paying any amounts for the time being unpaid on any shares held by such members respectively.
 - ii. Paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid up amongst such members in the proportion aforesaid, or
 - iii. Partly in the way specified in sub-clause (i) partly in sub-clause (ii).
3. A share premium account and a capital redemption reserve account may for the purpose of this article, be applied only to issue shares to be issued to a member of the Company as fully unpaid bonus shares.
4. The Board shall give effect to this resolution passed by the Company in pursuance of this Article.

INDEMNITY

86. Subject to provisions of the Companies Act, 1956, every Director, Managing Director or Manager of the Company shall be indemnified by the Company against all losses or liabilities and it shall be the duty of the Directors out of the funds of the Company to pay all costs, losses and expenses which any such officer may incur or become liable to by reason of any contract entered into act or deed by such officer in any way in the discharging of his duties including travelling expenses and the amount for which such indemnity is provided shall be immediately attached as a lien on the property of the Company and have the priority as between the members over all other claims.

ARBITRATION

87. Whenever any difference or dispute arises between the Company on one hand and any of the members or either their heirs, executors, administrators or assignors on the other hand, or between the members interested touching the true intent or construction of the incidents or consequences of these presents or the statutes or touching anything when, or thereafter done, executed, omitted, re-suffered in pursuance of these presents or of the statutes or touching any breach or otherwise relating to the promises or to these presents or to any statute affecting the Company or to any of the officers of the Company, every such differences or disputes shall be referred to the decision of an arbitrator to be appointed by the parties to the dispute on in difference or if they cannot agree upon a single arbitrator, the decision of two arbitrators, or whom one shall be appointed by each of the parties to the dispute or in difference. Such arbitration will be governed by the laws for the time being in force.

WINDING UP

88. If the Company shall be wind up the liquidators may, with the sanction of a special resolution, divide amongst the members and contributors assets of the Company in accordance with the provisions of the Companies Act, 1956.

XIII. OTHER REGULATORY DISCLOSURES:

- i. Litigations and defaults: Other than the Litigations details given below, there are NO litigations and defaults of Promoter Directors.

Detail of Legal Matters Filed By/Against the Company

S. No.	Parties	Particulars	Remarks
1	Central Excise	Suit filed by the company to claim relaxation from the payment of excise duty on software	Received order in favor of the company for three years and two years pending.
2	FATS INC	Suit filed by FATS INC for use of Trademark FATS by the Company for its product ZEN iFATS (Zen Interactive Firearms Training simulators)	Delhi High Court has fixed 8 April 2010 for recording compromise between the parties. Suit is still pending before Honorable Delhi High Court as appeal against the order passed by the single judge dated 22 nd December 2010 was filed on 21 st January 2011 and is listed before the court in the first week of February, 2011.

ii. **General Disclosure:**

There were no materially significant related party transactions made by the Company with its promoters, directors or relatives or the management, which have potential conflict with the interests of the Company at large. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board at every Board Meeting for approval.

During the last three years, there were no strictures or penalties imposed on the Company either by SEBI or the Stock Exchanges or any other statutory authority for non-compliance of any matter related to the Capital Market.

iii. **Means of Communication:**

In compliance with the requirements of listing agreement, the quarterly, half yearly and Annual Results of the Company are sent to the Stock Exchanges at Bombay, immediately after they are approved by the Board. These are also published in the prescribed proforma within 48 hours of the conclusion of the meeting of the Board, in the newspapers. These results are not sent to each household of shareholders. Annual Report containing, interalia, Directors' Report, Auditor's Report, Audited Annual Accounts and other important information is circulated to Members and other entitled thereto.

- iv. The Management Discussion and Analysis Report forms part of Directors Report.

v. Financial Calendar:

- ✓ Financial Year April to March of subsequent year
- ✓ First quarter ends on 30th June of each year, results in July
- ✓ Second quarter ends on 30th September, results in October
- ✓ Third quarter ends on 31st December, results in January
- ✓ Financial year ends on 31st March of each year, results in May /June.

- vi. Dividend Policy:
- ✓ The Company in general meeting may declare dividends in accordance with the recommendations of the Directors
 - ✓ No Dividends is paid otherwise that out of profits of the year of any other undistributed profits.

XIV. MATERIAL DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of the Company as amended from time to time.
2. Certificate of Incorporation of the Company.
3. Copies of Annual Report of ZEN Technologies Limited for the year ended 31st March, 2010.

XV. 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 SEBI, GOVERNMENT OR ANY OTHER COMPETENT AUTHORITY IN RESPECT OF LISTING OF SECURITIES HAVE BEEN DULY COMPLIED WITH. ALL THE INFORMATION CONTAINED IN THIS DOCUMENT ARE TRUE AND CORRECT.

Signed on behalf of the Board of Directors
For Zen Technologies Limited

Place: Hyderabad
Date: 18.02.2011

Sd/-
Ashok Atluri
Managing Director