

**INFRONICS
SYSTEMS LIMITED**

**13th ANNUAL REPORT
2012-2013**

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CORPORATE INFORMATION

Board of Directors:

- | | | |
|---------------------------|----|-------------------|
| 1. Mr. K. Sambasiva Rao | -- | Managing Director |
| 2. Mr. M. Madhusudan Raju | -- | Director |
| 3. Mr. K.Srinivas Rao | -- | Director |
| 4. Mr. M.V.S.Ramesh Varma | -- | Director |

Registered Office:

Plot No.16, Srila Realty Layout,
Near Landmark Towers,
Madinaguda, Miyapur, Serilingampally Mandal,
Hyderabad-500049, Andhra Pradesh.
Email: info@infronics.com

Auditors:

M/s. Ramana Reddy & Associates
Chartered Accountants, Hyderabad

Audit Committee:

- 1) Mr. K.Srinivas Rao
- 2) M.V.S.Ramesh Varma
- 3) Mr. M. Madhusudan Raju

Remuneration Committee:

- 1) Mr. K.Srinivas Rao
- 2) Mr. M.V.S.Ramesh Varma
- 3) Mr. M. Madhusudan Raju

Investor Grievance Committee:

- 1) Mr. K.Srinivas Rao
- 2) Mr M.V.S.Ramesh Varma
- 3) Mr. M. Madhusudan Raju

Bankers:

State Bank of India
Saifabad (SIB) branch,
HACA Bhavan, Opp. Assembly,
Hyderabad-500004, Andhra Pradesh, India.

Listing:

- 1) Ahmedabad Stock Exchange Limited
- 2) BSE Limited (Indonext model)

Registrar & Share Transfer Agents:

M/s. Aarathi Consultants Private Limited
1-2-285, Near Gaganmahal Nursing Home ,
Street No 7, Domalguda , Hyderabad-500029.
Ph: 040-27638111/27634445
Fax: 040-27632184
Email: info@aarthiconsultants.com

NOTICE

NOTICE is hereby given that the 13th Annual General Meeting of the Shareholders of INFRONICS SYSTEMS LIMITED will be held on Monday, the 30th September 2013 at 11.00 AM at Honey Berg Resort, Near Shameerpet, Karimnagar Highway, Secunderabad-500078 to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Balance Sheet as at 31st March 2013, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Mr. M. Madhusudan Raju who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration fixed by the Board of Directors of the Company.

SPECIAL BUSINESS:

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

“RESOLVED THAT Mr.K.Srinivas Rao, who was appointed as additional director of the company pursuant to the provisions of section 260 of the Companies Act, 1956 by the board of directors w.e.f. 13.08.2013 and who holds the office up to date of the ensuing annual general meeting and in respect of whom the company has received a notice in writing under section 257 read with section 190 of the said Act, along with requisite deposit proposing him as candidate for the office of director of the company, be and is hereby appointed as a director of the company whose period of office is liable to be determined by retirement of directors by rotation.”

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

“RESOLVED THAT Mr.M.V.S.Ramesh Varma, who was appointed as additional director of the company pursuant to the provisions of section 260 of the Companies Act, 1956 by the board of directors w.e.f. 13.08.2013 and who holds the office up to date of the ensuing annual general meeting and in respect of whom the company has received a notice in writing under section 257 read with section 190 of the said Act, along with requisite deposit

proposing him as candidate for the office of director of the company, be and is hereby appointed as a director of the company whose period of office is liable to be determined by retirement of directors by rotation.”

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument of Proxy in order to be effective shall be deposited at the Corporate Office of the Company by not less than 48 hours before the commencement of the Meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Businesses to be transacted at the Annual General Meeting as set out in the Notice is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 28.09.2013 to 30.09.2013 (Both days inclusive).
4. Members holding shares in the electronic form are requested to inform any changes in address/bank mandate directly to their respective Depository Participants. The address/bank mandate as furnished to the Company by the respective Depositories viz., NSDL and CDSL will be printed on the dividend warrants.
5. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to send the same to the office of the Registrar and Transfer Agent of the Company.
6. Members are requested to hand over the enclosed Attendance Slip, duly signed in accordance with their specimen signature(s) registered with the Company for admission to the meeting hall. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for identification.
7. Corporate Members are requested to send to the Company's Registrar & Transfer Agent, a duly certified copy of the Board Resolution authorising their representative to attend and vote at the Annual General Meeting.
8. The Securities Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore requested to submit the PAN to their Depository Participant with

whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.

9. As a measure of austerity, copies of the annual report will not be distributed at the Annual General Meeting. Members are therefore, requested to bring their copies of the Annual Report to the Meeting.
10. As part of Green Initiative in Corporate Governance the Ministry of Corporate Affairs (MCA), Government of India vide its Circular has allowed paperless compliances by Companies inter-alia stating that if the Company sends official documents to their shareholders electronically, it will be in compliance with the provisions of Section 53 of the Companies Act, 1956. Keeping in view shareholders are requested to update their E-Mail ID with their DP.

**For and on behalf of the Board of
Infronics Systems Limited**

**Place: Hyderabad
Date: 13.08.2013**

**Sd/-
K. Sambasiva Rao
Managing Director**

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 4:

Appointment of Mr. K.Srinivas Rao

The members may note that Mr.K.Srinivasa Rao, was inducted into Board as an Additional Director of the company, with effect from 13.08.2013 pursuant to the provisions of section 260 of the Companies Act, 1956 and holds the office as such up to the date of ensuing Annual General Meeting. The company has received notice in writing from a member of the company along with the requisite deposit under Section 257 read with section 190 of the Companies Act, 1956 proposing the candidature of the above said person for the Office of Director whose period of office is determinable by retirement of Directors by rotation.

As per the provisions of section 257 of the Act, any such proposal ought to be approved by the members in their General Meeting.

The Board recommends the resolution for your approval.

None of Directors except Mr. K.Srinivasa Rao may be deemed to be concerned or interested in the resolution.

Item No. 5:

Appointment of Mr.M.V.S.Ramesh Varma

The members may note that Mr.M.V.S.Ramesh Varma, was inducted into Board as an Additional Director of the company, with effect from 13.08.2013 pursuant to the provisions of section 260 of the Companies Act, 1956 and holds the office as such up to the date of ensuing Annual General Meeting. The company has received notice in writing from a member of the company along with the requisite deposit under Section 257 read with section 190 of the Companies Act, 1956 proposing the candidature of the above said person for the Office of Director whose period of office is determinable by retirement of Directors by rotation.

As per the provisions of section 257 of the Act, any such proposal ought to be approved by the members in their General Meeting.

The Board recommends the resolution for your approval.

None of Directors except Mr. M.V.S.Ramesh Varma may be deemed to be concerned or interested in the resolution.

**For and on behalf of the Board of
Infronics Systems Limited**

**Place: Hyderabad
Date: 13.08.2013**

**Sd/-
K. Sambasiva Rao
Managing Director**

DIRECTORS' REPORT

To
The Members

We have pleasure in presenting the 13th Annual Report with Audited Statements of Accounts for the year ended 31st March 2013.

FINANCIAL HIGHLIGHTS FOR THE YEAR 2012-13:

On standalone basis

(Rupees in Lakhs)

Particulars	2012-13	2011-12
Income		
-Software Development Services	2179.57	4639.96
-Other Income	21.30	36.74
Total Income	2200.87	4676.70
Expenditure	2189.66	3976.72
Depreciation	348.71	321.53
Profit before Tax	(337.50)	368.84
Less: Provision for tax (including fringe benefit tax and deferred tax)	(127.24)	130.95
Profit / (Loss) after Tax	(210.26)	237.89

On Consolidated basis

(Rupees in Lakhs)

Particulars	2012-13	2011-12
Income		
-Software Development Services	2182.83	4639.96
-Other Income	21.30	36.74
Total Income	2204.12	4676.70
Expenditure	2192.56	3978.54
Depreciation	(337.14)	321.53
Profit before Tax		367.03
Less: Provision for tax (including fringe benefit tax and deferred tax)	(127.21)	130.95
Profit / (Loss) after Tax	(209.93)	236.08

PERFORMANCE REVIEW:

During the year under review the Company has earned a Total Income of Rs. 2200.87 lakhs on Stand-alone basis and Rs. 2204.12 lakhs on consolidated basis against the company has incurred the Loss of Rs. 210.26 lakhs on stand-alone basis and Rs. 209.93 lakhs on consolidated basis.

DIVIDEND:

Your Directors have expressed inability to recommend dividend for the year.

PUBLIC DEPOSITS:

Your Company has not accepted any deposits falling within the meaning of Sec.58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, during the financial year under review.

LISTING:

The equity shares of your company are listed on the Ahmedabad Stock Exchange and are being traded on IndoNext Model of BSE.

CAPITAL OF THE COMPANY:

The authorized capital of the company is Rs. 11,00,00,000. The paid up capital of the company stands at Rs. 7,92,64,615/- divided into 1,58,52,923 equity shares of Rs.5 each.

SUBSIDIARY COMPANY:

Presently the company is having one subsidiary i.e. Infronics Inc. in USA.

INSURANCE:

The company's properties have been adequately insured against major risks. All the insurable interests of your Company including inventories, buildings, plant and machinery and liabilities under legislative enactments are adequately insured.

DIRECTORS:

In accordance with the Companies Act, 1956 read with Articles of Association of the company the Director namely Mr. M. Madhusudan Raju retires by rotation and is eligible for re-appointment. Your Board recommends the re appointment of the Director mentioned above in the best interests of the company.

During the year, Mr. D.V. Raju, Mr. N. Natarajan and Mr. A. Laxmanana Mohan resigned from the Board. The Board placed on record its sincere appreciation for the valuable services rendered by them during their tenure as Directors of the Company.

During the year, Mr. K. Srinivas Rao and Mr. M.V.S. Ramesh Varma were appointed as additional directors w.e.f. 13.8.2013.

DIRECTORS' RESPONSIBILITY STATEMENT:

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000 your directors confirm

- i) That the directors in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures.
- ii) That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year.
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the company and for preventing and deleting fraud and other irregularities.
- iv) That the directors had prepared the annual accounts on the going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUT GO :

The required information as per Sec.217 (1) (e) of the Companies Act 1956 is provided hereunder:

A. Conservation of Energy:

Your Company's operations are not energy intensive. Adequate measures have been taken to conserve energy wherever possible by using energy efficient computers and purchase of energy efficient equipment.

B. Technology Absorption:

1. Research and Development (R&D)	:	NIL
2. Technology absorption, adoption and innovation	:	NIL

C. Foreign Exchange Earnings and Out Go:

Foreign Exchange Earnings	:	Rs. 1044.10 Lakhs
Foreign Exchange Outgo	:	Rs. 35.09 Lakhs

PARTICULARS OF EMPLOYEES:

There is no employee who is falling under section 217 (2A). Therefore, the disclosures required to be made under section 217 (2A) of the Companies Act, 1956 and the rules made there under are not applicable.

CODE OF CONDUCT:

The Code of conduct has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Managing Director is given in Annexure.

AUDITORS:

Your directors recommend the appointment of M/s. Ramana Reddy & Associates, as statutory auditors to hold office until the conclusion of the next Annual General Meeting of the company.

CORPORATE GOVERNANCE:

As a listed company, necessary measures have been taken to comply with the listing agreements of Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the Auditors, Forms part of this Report as Annexure.

MANAGEMENT DISCUSSION AND ANALYSIS:

A detailed review of operations, performance and future outlook of your Company and its businesses is given in the Management Discussion and Analysis, which forms part of this Report.

ACKNOWLEDGEMENTS:

Your directors would like to express their grateful appreciation for assistance and co-operation received from clients, banks, investors, Government, other statutory authorities and all others associated with the company. Your directors also wish to place on record their deep sense of appreciation for the excellent contribution made by the employees at all levels, which enabled the company to achieve sustained growth in the operational performance during the year under review.

DECLARATION BY MANAGING DIRECTOR OF AFFIRMATION BY DIRECTORS AND SENIOR MANAGEMENT PERSONNEL OF COMPLIANCE WITH THE CODE OF CONDUCT:

The shareholders

I, K. Sambasiva Rao, Managing Director of the Company do hereby declare that the directors and senior management of the Company have exercised their authority and powers and discharged their duties and functions in accordance with the requirements of the code of conduct as prescribed by the company and have adhered to the provisions of the same.

**For and on behalf of the Board of
Infronics Systems Limited**

**Place: Hyderabad
Date: 13.08.2013**

**Sd/-
K. Sambasiva Rao
Managing Director**

MANAGEMENT DISCUSSION AND ANALYSIS

(Forming part of Directors' Report)

1. Performance of the Company:

During the year under review the Company has earned a Total Income of Rs. 2200.87 lakhs on Stand-alone basis and Rs. 2204.12 lakhs on consolidated basis against the company has incurred the Loss of Rs. 210.26 lakhs on stand-alone basis and Rs. 209.93 lakhs on consolidated basis.

Due to various changes in Govt. policies with regard to Aadhar project, the project has not taken off as initially expected and even the enrolments were stopped at one point of time. As a result, Aadhar enrolments could not be done at expected rate and this has resulted in lesser revenues in the F.Y.12-13 than anticipated.

2. Opportunities and Threats

Though the overall scenario for the smaller companies is extremely competitive, there are some niche areas where there are some opportunities for growth. The management is exploring these areas to consider entering these areas and develop expertise in such areas.

3. Outlook

The management is doing its best to forge relations with other companies and take the company forward in the new business lines. However, the outlook of the management is cautious in view of the competitive nature of the market.

4. Internal Control Systems

The Company maintains a system of well established policies and procedures for internal control of operations and activities, and these are continually reviewed for effectiveness.

The internal control system is supported by qualified personnel and a continuous program of internal audit. The prime objective of such audits is to test the adequacy and effectiveness of all internal control systems laid down by the management and to suggest improvements. We believe that the company's overall system of internal control is adequate given the size and nature of operations and effective implementation of internal control self assessment procedures and ensure compliance to policies, plans and statutory requirements.

The internal control system of the company is also reviewed by the Audit Committee periodically. The Management duly considers and takes appropriate action on the recommendations made by the statutory auditors, internal auditors and the independent Audit committee.

5. History & Performance:

Infronics Systems Limited (ISL) is an IT Products and Solutions company. Infronics was formerly known as suchinfotech and the company has been rebranded as Infronics systems to project its line of activities in Information Technology and Electronics Hardware.

The following are the activities of the company.

Software

- Product Development
- Solution Development
- Systems Integration

Hardware

Hardware Design & Development

Hardware Production

Firmware and SDK Development

Embedded Systems

- Design and Prototyping of embedded Systems
- Firmware Development

6. Awards:

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

- Received MSME National award in entrepreneurship for the year 2010
- Received Appreciation and Invitation 3 times from USA Federal Government to show case our Handheld terminal Innovation
- Received Best Research and Development Company award from FAPCCI For the year 2008 and 2009.
- Received Special Jury Award for 2009 from Software Association of Hyderabad (ITsAP)

7. **(a) Infrastructure:** We intend to continue investments in physical and technological infrastructure to support our growing worldwide development and sales operations and to increase our productivity. To enhance our ability to hire and successfully deploy increasingly greater numbers of technology professionals, we intend to continue investing in recruiting, training and maintaining a challenging and rewarding work environment.

- (b) **Support/Administration:** Today, one of the best and brightest minds of the country powers the Infronics Team. The team has industry experience comprising of many man years and are the alumni of the prestigious educational institutions like BITS, Pilani and IITs.
- (c) **Human Resources:** The company has dedicated Dedicated, Qualified and experienced team of engineers from some of the best Universities and sizeable contract workers for Unique ID enrolment.

8. Research and Development (R & D):

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

(Forming part of Directors' Report)

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Infronics Systems Limited is committed to conducting its business in accordance with applicable laws, rules and regulations. Your Company which follows the highest standards of business ethics and ethical conduct is known for adopting corporate best practices. In line with this approach, your Company has been complying with Clause 49 of the Equity Listing Agreement on Corporate Governance framed by the Securities and Exchange Board of India (SEBI).

Adherence to the highest standards of integrity, transparency, fair practice and ethical behavior are fundamental to your Company's business model.

Governance Philosophy

The Company consciously follows the best governance practices to make it acceptable and respectable in the society in which it functions. The management is proactive in meeting mandated standards and practicing Corporate Governance in spirit and not just the letter of law. Realizing that the company is a perpetual organization, the management tries to enhance the long-term value for shareholders without ignoring their short-term expectations.

Your Company's philosophy on Corporate Governance is based on following principles:

- i. To uphold ethical values in day-to-day management and conduct the business of the company with transparency and integrity.
- ii. To safeguard the interests of all stakeholders and also serve the society at large to the extent possible within its limits.
- iii. To protect environment for its own benefit and the benefit of the members of the society at large.
- iv. To emphasize on research to find new products and processes to keep the company as a front-runner in technological applications.

II. BOARD OF DIRECTORS

The Board of Directors consists of 4 Members of whom 3 are Non-Executive Directors.

The details of the Directors being appointed/ re-appointed on retirement by rotation at the ensuing Annual General Meeting, as required pursuant to Clause 49(IV)(G) of the Listing Agreement, are mentioned in the Notice to the Annual General Meeting, forming part of the Report.

The Board of Directors met 5 times during the year on 10.05.2012, 14.08.2012, 14.11.2012, 19.12.2012 and 14.02.2013 and the maximum gap between any two meetings was less than four months, as stipulated under Clause 49.

The details of Composition of Board of Directors, directors' attendance at Board Meetings, AGM and details of other directorships, committee chairmanships/memberships held by the Directors during the year are as follows:

S.No	Name of the Directors	Category	Attendance Particulars		No. of other Directorships and Committee memberships/chairmanships			
			No. of Board meetings held during the tenure of the director	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships	
								Held
1.	Mr. Mudunuru Madhusudan Raju	Promoter & Non - Executive Director	5	5	YES	2	NIL	NIL
2.	Mr. K. Sambasiva Rao	Executive & Managing Director	5	5	YES	3	NIL	NIL
3.	Mr.N.Natarajan@	Independent Non- executive Director	5	5	YES	1	NIL	NIL
4.	Mr. A. Lakshmana Mohan@	Independent Non- executive Director	5	5	YES	NIL	NIL	NIL
5.	*Mr. D.V. Raju	Executive Director	5	3	YES	NIL	NIL	NIL
6.	# Mr. K.Srinivas Rao	Independent Non- executive Director	NIL	NIL	NIL	NIL	NIL	NIL
7.	# Mr. M.V.S. Ramesh Varma	Independent Non- executive Director	NIL	NIL	NIL	NIL	NIL	NIL

*Resigned w.e.f. 19.12.2012

Appointed w.e.f.13.08.2013

@ Resigned w.e.f. 13.08.2013

Committees of the Board:

Currently, there are three (3) Committees of the Board, namely: Audit Committee, Remuneration Committee, Shareholders/ Investors Grievance Committee and Share Transfer Committee. The Board decides the terms of reference for these Committees. The minutes of the meetings of the Committees are placed before the Board for information. The details as to the composition, terms of reference, number of meetings and related attendance, etc., of these Committees are provided hereunder:

III. AUDIT COMMITTEE

Composition, meetings and the attendance during the year:

The Company has complied with all the requirements of Clause 49 (II) (A) of the Listing Agreement relating to the composition of the Audit Committee. During the financial year 2011-2012, (4) four meetings of the Audit Committee were held on the 10.05.2012, 14.08.2012, 14.11.2012 and 14.02.2013.

The details of the composition of the Committee and attendance of the members at the meetings are given below:

Name	Designation	Category	No. of meetings attended
Mr. K.Srinivas Rao	Chairman	NED (I)	4
Mr. M.V.S.Ramesh Varma	Member	NED (I)	4
Mr. Mudunuru Madhusudan Raju	Member	NED (P)	4

NED (I): Non Executive Independent Director

NED (P): Non Executive Director Promoter

Terms of reference:

The terms of reference of the Committee, inter alia covers all the matters specified under Clause 49 of the Listing Agreement with the Stock Exchange as well as those specified in Section 292 (A) of the Companies Act, 1956. Besides, in additions to other terms as may be referred by the Board of Directors, the Audit Committee has the power inter alia, to investigate any activity within its terms of reference and to seek information from any employee of the Company and seek legal and professional advice.

IV. REMUNERATION COMMITTEE

The details of composition of the Committee are given below:

Name	Designation	Category
Mr. K.Srinivas Rao	Chairman	NED (I)
Mr. M.V.S.Ramesh Varma	Member	NED (I)
Mr. Mudunuru Madhusudan Raju	Member	NED (P)

Terms of reference:

The main term of reference of the Committee is to approve the fixation/revision of remuneration of the Managing Director/Whole Time Director/ other key employees of the Company and while approving:

- To take into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.
- To bring out objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.

Remuneration Policy:

The objectives of the remuneration policy are to motivate Directors to excel in their performance, recognize their contribution and retain talent in the organization and reward merit.

The remuneration levels are governed by industry pattern, qualifications and experience of the Directors, responsibilities shouldered, individual performance etc.

The details of remuneration paid to the Executive Directors for the financial year 2012-13 are given below:

Name of the Director	Designation	Salary (Rs in Lakhs)	Commission (Rs in Lakhs)	Perquisites (Rs in Lakhs)	Retirement Benefits (Rs in Lakhs)
Mr. K. Sambasiva Rao	Managing Director	1.75	Nil	Nil	Nil
		1.75			

V. SHAREHOLDERS / INVESTOR GRIEVANCE AND SHARE TRANSFER COMMITTEE**A). Composition:**

The Shareholders/Investors Grievance Committee was constituted to look into the redressing of Shareholders and Investors complaints concerning transfer of shares, non receipt of Annual Reports, and non receipt of Dividend and other allied complaints.

The Details of composition of the Committee.

Name	Designation	Category
Mr. K.Srinivas Rao	Chairman	NED (I)
Mr. M.V.S.Ramesh Varma	Member	NED (I)
Mr. Mudunuru Madhusudan Raju	Member	NED (P)

B.) Powers:

The committee has been delegated with the following powers:

- To redress shareholders and investor complaints relating to transfer of shares, dematerialization of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- To approve, transfer, transmission, and issue of duplicate/ fresh share certificate(s).
- Consolidate and sub-division of share certificate etc.
- To redress, approve and dispose off any, other complaints, transactions and requests etc. received from any shareholder of the company and investor in general.

The Board has delegated the power to process the transfer and transmission of shares to the Registrar and share Transfer Agents, who process share transfers within a week of lodgment in the case of shares held in physical form.

The Company has designated an exclusive e-mail ID info@infronics.com for redressal of shareholders' complaints/grievances.

Complaints received and redressed by the Company during the financial year:

During the year no complaints were received.

S.No.	Particulars	Remarks
1.	At the beginning of the year	Nil
2.	Received during the year	Nil
3.	At the end of the year	Nil

VI. GENERAL BODY MEETINGS:

Financial Year	Date	Time	Venue	Special Resolution
12th AGM 2011-2012	22.09.2012	9.30 AM	Aditya Sarovar Premiere, Crystal 1, HITEC City Gachibowli, Hyderabad.	1) Employee stock option scheme 2012. 2) Grant of options to the employees of subsidiary and step down subsidiary under Employee stock option scheme 2012. 3) Allotment of Equity Shares Exceeding 1% of the Paid Up Capital of the Company under Employee Stock Option Scheme 2012. 4) Amendment of Articles of Association. 5) Allotment of equity shares exceeding 1% of the paid up share capital of the ESP scheme -2011.
11th AGM 2010-2011	30.09.2011	4.00 PM	Aditya Sarovar Premiere, Crystal 1, HITEC City Gachibowli, Hyderabad.	1) Increase the remuneration of Mr. M. Madhusudan Raju. 2) Issue of warrants on preferential basis to promoters and others. 3) Employee stock option scheme 2011. 4) Grant of options to the employees of subsidiary and step down subsidiary

Financial Year	Date	Time	Venue	Special Resolution
				under Employee stock option scheme 2011. 5) Employee stock purchase scheme 2011. 6) Allotment of equity shares to the employees of subsidiary and step down subsidiary company under ESP Scheme. 7) Allotment of equity shares exceeding 1% of the paid up share capital of the ESP scheme -2011. 8) Consent of the members under Section 293(1) (a) for creation of charges. 9) Authorisation to borrow in excess of the paid up capital and free reserves of the company.
10th AGM 2009-10	30.09.2010	10.00 AM	Pride INN Guest Rooms, 8-2-289/1/B, Banjara Hills, Rd. No. 14, Beside BN Reddy Colony, Opp. Walden Street, Hyderabad - 500 034	Issuance of Equity Shares and convertible warrants on Preferential basis.

VII. OTHER DISCLOSURES

- (a) There were no significant related party transactions that may have potential conflict with the interests of the Company at large.
- (b) In the preparation of financial statements, no treatment materially different from that prescribed in Accounting Standards had been followed.
- (c) There were no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets at any time during the last 3 years.

- (d) The Company has complied with the non –mandatory requirements to relating to remuneration committee and Whistle Blower policy to the extent detailed above.
- (e) Managing Director of the Company has furnished the requisite Certificates to the Board of Directors under Clause 49 of the Listing Agreement.

VIII. MEANS OF COMMUNICATION

The un-audited quarterly results and audited results for the year are generally published in one English newspaper and at one vernacular newspaper within the time prescribed shortly after its submission to the Stock Exchanges.

IX. GENERAL SHAREHOLDERS INFORMATION

a) 13th Annual General Meeting:

Date and Time	Monday 30th September 2013 at 11.00 A.M
Venue	Honey Berg Resort, Near Shameerpet, Karimnagar Highway, Secunderabad-500078.

b) Book Closure Date : 26.09.2013 to 30.09.2013 (Both days inclusive)

c) Financial Year and Calendar (Tentative) 2013-14 :

The Company follows April to March as its Financial Year. The results of every quarter beginning from April are declared in the first month following each quarter as follows:

Financial Reporting for 2013-2014 (tentative)	On or before
The First Quarter results	Already declared on 13.08.2013
The Second quarter results	14.11.2013
The Third quarter results	14.02.2014
The Fourth quarter results	30.05.2014

d) Listing on Stock Exchanges:

- 1) Ahmedabad Stock Exchange Limited
2) BSE Limited (for trading under IndoNext Segment)

e) Listing Fees : Listing fee for the year 2013-14 has been paid

f) Stock Code : For equity shares: - BSE: 590118

g) ISIN No. : For equity shares: - INE463B01028

h) Stock Price Data : The monthly high / low prices of shares of the Company from April, 2012 to March, 2013 at BSE Limited .The Company's shares are not traded on Ahmedabad Stock Exchange.

Month	High (Rs.)	Low (Rs.)
April, 2012	29.85	21.30
May, 2012	31.00	21.95
June, 2012	27.30	19.90
July, 2012	26.00	20.70
August, 2012	26.25	21.25
September, 2012	21.90	16.55
October, 2012	19.05	13.20
November, 2012	15.50	12.20
December, 2012	14.70	10.93
January, 2013	13.00	9.50
February, 2013	12.00	7.80
March, 2013	8.69	7.47

i) Registrar & Share Transfer Agents (for shares held in both physical and demat mode):

Aarathi Consultants Private Limited
1-2-285, Aarathi Building, Near Gaganmahal Nursing Home,
Street No 7, Domalguda, Hyderabad-500029.
Ph: 040-27638111/27634445
Fax: 040-27632184
Email: info@aarthiconsultants.com
Website: www.aarthiconsultants.com

j) Share Transfer System:

The Physical shares transfers are processed and the share certificates are returned to the Shareholders within a maximum period of Fifteen Days from the date of receipt, subject to the document being valid and complete in all respects.

Any transferee who wishes to demat the shares may approach a Depository Participant along with a duly filled Demat Request Form, who shall, on the basis of the Share Certificate, generate a demat request and send the same to the Registrar and Share Transfer Agents (RTA). On receipt, the Depository Registrar confirms the request.

All the requests for Dematerialization of shares are processed and the confirmation is given to the respective Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 21 days on receipt.

Particulars	Category	No. of shares held	Percentage of shareholding
A.	Shareholding of Promoter and promoter group		
1.	Promoters & Persons acting in concert	4140985	26.12
	Sub- Total A	4140985	26.16
B.	Public Shareholding		
1.	Institutions	NIL	NIL
2.	Non-Institutions		
a.	Indian public and others	11711938	73.88
b.		11711938	73.88
	Grand Total (A+B)	15852923	100.00

l) Distribution of shareholding of the Company by number of shares held as on 31st March, 2013 is as follows:

Particulars	HOLDERS	HOLDERS PERCENTAGE	SHARES	AMOUNT	AMOUNT PERCENTAGE
UPTO - 5000	437	63.7	114167	570835	0.72
5001-10000	53	7.73	88162	440810	0.56
10001-20000	35	5.1	99976	499880	0.63
20001-30000	29	4.23	147200	736000	0.93
30001-40000	13	1.9	91101	455505	0.57
40001-50000	21	3.06	201198	1005990	1.27
50001-100000	30	4.37	439504	2197520	2.77
100001 & ABOVE	68	9.91	14671615	73358075	92.55
Total	686	100	15852923	79264615	100

m) Dematerialization of Shares:

Trading in Company's shares is permitted only in dematerialised form. The ISIN allotted to the Company's scrip is INE463B01028. Investors are therefore advised to open a demat account with a Depository participant of their choice to trade in dematerialized form. Over 75.14% of the Company's shares up to 31st March 2013 are now held in electronic form. Shares of the Company are actively traded on Bombay Stock Exchange

Particulars	No. of Shares	% of Share Capital
NSDL	94,82,129	59.81
CDSL	24,81,062	15.65
Physical	38,89,732	24.54
Total	1,58,52,923	100.00

n) Address for Investors Correspondence:

The Shareholders may correspond with the Company for the redressal of their grievances, if any to the registered office of the company.

Plot No.16, Srila Realty Layout,
Near Landmark Towers,
Madinaguda, Miyapur, Serilingampally Mandal,

Hyderabad-500049, Andhra Pradesh.
Ph.Nos.040-40038888
Fax: 040-40038901
Email: info@infronics.com

o) CEO/MD Certification:

As required by the clause 49 (V) of the Listing Agreement, the certificate is attached below here in the annual report.

p) Compliance Certificate of the Auditors:

The Statutory Auditor has certified that the company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the listing agreement and the same forms part of the Annual Report. The Certificate from the statutory auditor will be sent to the stock exchange along with the Annual Report of the Company.

**For and on behalf of the Board of
Infronics Systems Limited**

**Place: Hyderabad
Date: 13.08.2013**

**Sd/-
K. Sambasiva Rao
Managing Director**

DECLARATION

To
The Members of Infronics Systems Limited

This is to declare that the Code of Conduct envisaged by the Company for members of the Board and the Senior Management Personnel have been complied with by all the members of the Board and the Senior Management Personnel of the Company respectively.

**For and on behalf of the Board of
Infronics Systems Limited**

**Place: Hyderabad
Date: 13.08.2013**

**Sd/-
K. Sambasiva Rao
Managing Director**

Dear Shareholder,

Please find below the Managing Director certificate as per Clause 49(V) of the Listing Agreement:

MANAGING DIRECTOR CERTIFICATE

I, K. Sambasiva Rao, Managing Director of M/s Infronics Systems Limited certify that:

1. We have reviewed the financial statements for the year and that to the best of our knowledge and belief:

(a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(b) These statements present a true and fair view of the state of affairs of the Company and of the results of the operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including accounting standards, applicable laws and regulations.

2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of Company's code of conduct.

3. We accept overall responsibility for establishing and monitoring the Company's internal control system for financial reporting and evaluating its effectiveness. Internal Audit function monitors the internal control system for financial reporting, which encompasses the examination and evaluation of the

adequacy and effectiveness. Internal Audit works with all levels of management and Statutory Auditors, and reports significant issues to the Audit Committee of the Board. The Auditors and Audit Committee are apprised of any corrective action taken with regard to significant deficiencies and material weakness.

4. We indicate to the Auditors and to the Audit Committee:

- (a) Significant changes in internal controls over financial reporting during the year;
- (b) Significant changes in the accounting policies during the year;
- (c) No instances of significant fraud of which we have become aware of and which involve the management or other employees who have significant role in the Company's internal control system over financial reporting.

However, during the year there were no such changes and instances.

**For and on behalf of the Board of
Infronics Systems Limited**

**Place: Hyderabad
Date: 13.08.2013**

**Sd/-
K. Sambasiva Rao
Managing Director**

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Infronics Systems Limited

We have examined the compliance of conditions of Corporate Governance by M/s Infronics Systems Limited, for the period of 12 months ended on 31st March, 2013 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges of India.

The compliance condition of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement.

As required by the Guidance note issued by the Institute of Chartered Accountants of India, we have to state that the Company has certified that as on 31st March, 2013 there were no investor grievances remaining unattended/ pending for a period exceeding one month. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**for RAMANA REDDY & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN: 003246S**

**Sd/-
(CA.RAMANA REDDY A.V.)
PARTNER
MEMBERSHIP NO.024329**

**Place : Hyderabad
Date : 13-08-2013**

INDEPENDENT AUDITOR'S REPORT

To
The Members of
M/s.INFRONICS SYSTEMS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of M/s.INFRONICS SYSTEMS LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March , 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the Loss of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act we report in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- 2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

**for RAMANA REDDY & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN: 003246S**

**Place : Hyderabad
Date : 30/05/2013**

**Sd/-
(CA.RAMANA REDDY A.V.)
PARTNER
MEMBERSHIP NO.024329**

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of our report of even date)

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets of the company have been physically verified by the management during the year as per a programme of verification, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. No material discrepancies were noticed on such verification.

(c) In our opinion and according to the information and explanations given to us, during the year, the company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
2. (a) The stock of goods has been physically verified by the management during the year, in our opinion, the frequency of verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) On the basis of our examination of records of inventory, in our opinion, the company has maintained proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and the book records were not material.
3. (a) According to the information and explanation given to us, the company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained u/s.301 of the Act.

(b) In our opinion and according to the information and explanations given to us, the company has taken loans secured or unsecured to companies, firms or other parties listed in the register maintained u/s. 301 of the Companies Act, 1956

Sl. No.	Name of the Party	Op. Balance Rs.	Amount taken During the year Rs.	Amount Repaid Rs.	Year end Balance Rs.
1.	M. S. Raju	--	3000000	--	3000000
2.	D. V. Raju	--	3000000	2400160	599840
3.	K. S. Rao	--	5633906	3000000	2633906

- (c) According to the information and explanation given to us, the terms and conditions of such loans are not prima facie prejudicial to the interest of the company.
- (d) Since the loans taken are repayable on demand, the provisions of clause 4(iii)(g) of the Companies (Auditor's Report) Order, 2003, as amended, is not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of Computers & Accessories, Equipment and other assets and in respect of services rendered. Further, on the basis of our examination and information and according to the explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the Register maintained under section 301 of Act, have been so entered.
- (b) In our opinion, and according to the information and explanations given to us, the company has made any contracts or arrangements that need to be entered in the register maintained under section 301 of the Act, and exceeding the value of five lakh rupees in respect of any party during the year. However, the terms and conditions are not prejudicial to the interest of the company.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public to which the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are applicable.

7. The company has an internal audit system within the organization commensurate with the size and nature of its business.
8. The maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 to this company.
9. (a) The company is not regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2013 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess, which have not been deposited on account of any dispute.
10. The company has neither accumulated losses as on 31.03.2013 nor it has incurred any cash losses during the year ended on that date or in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any banks / financial institutions.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to this company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures, and other investments. Accordingly, the provisions of clause 4(xiv) of the companies (Auditor's Report) Order, 2003 (as amended) are not applicable to this company.

15. According to the information and explanations given us, the company has not given any guarantees for loans taken by others, from banks or financial institutions,
16. In our opinion and according to the information and explanations given to us and on an overall examination, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investments.
18. According to the information and explanations given to me, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, 1956.
19. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
20. The company has not raised any money by public issue, during the year.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**for RAMANA REDDY & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN: 003246S**

**Place : Hyderabad
Date : 30/05/2013**

**Sd/-
(CA.RAMANA REDDY A.V.)
PARTNER
MEMBERSHIP NO.024329**

INFRONICS SYSTEMS LIMITED
Balance Sheet as on 31st March, 2013

(Amount in Rs.)

Particulars	Note No.	As at	
		31-03-2013	31-03-2012
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	2	79264615	79264615
(b) Reserves and Surplus	3	165552373	186579572
(c) Money received against share warrants		0	2466700
2. Non - Current Liabilities			
(a) Long - term borrowings	4	12007097	39272365
(b) Deferred tax liabilities (Net)		-915152	11808430
(c) Other long term liabilities	5	0	85260833
(d) Long term provisions	6	1654062	3178542
3. Current Liabilities			
(a) Short - term borrowings	7	64589821	64394473
(b) Trade Payable	8	70041853	160804941
(c) Other current liabilities	9	115029231	101746370
(d) Short - term provisions		0	7400026
	Total	507,223,900	742,176,867
II.Assets			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10	156946113	189876671
(b) Non-current investments	11	106991120	209320
(c) Long term loans and advances	12	5859970	17991970
(2) Current assets			
(a) Inventories	13	75690122	334888975
(b) Trade receivables	14	85573792	117992654
(c) Cash and cash equivalents	15	21774203	7869029
(d) Short-term loans and advances	16	54388579	73348249
	Total	507,223,899	742,176,867

VIDE OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF BOARD

for RAMANA REDDY & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No. 003246S

Sd/-
(M.MADHUSUDHAN RAJU)
CHAIRMAN

Sd/-
(CA. RAMANA REDDY A.V.)
PARTNER
Membership No. 024329

Sd/-
(K. SAMBASIVA RAO)
MANAGING DIRECTOR

PLACE : HYDERABAD
DATE : 30.05.2013

Sd/-
(PARUL AGARWAL)
COMPANY SECRETARY

**Profit And Los Account
For The Year Ended 31st March, 2013**

(Amount in Rs.)

Particulars	Note No.	Year Ended	
		31-3-2013	31-3-2012
Revenues			
I. (a) Revenue from operations	17	217956646	463995781
II. (b) Other Income	18	2129852	3673748
III. Total Revenue (I+II)		220086498	467669529
IV. Expenses:			
(a) Operation and other expenses	19	171545068	310651205
(b) Employee benefit expenses	20	26712145	48505991
(c) Finance costs	21	20709163	38515388
(d) Depreciation and amortization expenses	10	34870903	32153181
Total Expenses		253837280	429825766
V. Loss / Profit before exceptional and extraordinary items and tax (III - IV)		-33750782	37843762
VI. Exceptional Items			
Investment written off		0	959774
VII. Loss / Profit before extraordinary items and tax (V - VI)		-33750782	36883989
VIII. Extraordinary Items		0	0
IX. Loss / Profit before tax (VII - VIII)		-33750782	36883989
X. Tax expense:			
(1) Current tax		0	7400026
(2) Deferred tax (net)		-12723582	5695188
XI. Loss / Profit from continuing operations (IX - X)		-21027200	23788774
XII. Loss / Profit from discontinuing operations		0	0
XIII. Tax expense of discontinuing operations		0	0
XIV. Loss / Profit from Discontinuing operations (XII - XIII)		0	0
XV. Loss / Profit for the period (XI + XIV)		-21027200	23788774
XVI. Earning per equity share:		-1.33	2.60
(1) Basic		--	--
(2) Diluted		--	--
Notes forming part of the financial statements	1-35	--	--

VIDE OUR REPORT OF EVEN DATE

for **RAMANA REDDY & ASSOCIATES**
CHARTERED ACCOUNTANTS
 Firm Regn. No. 003246S

Sd/-
(CA. RAMANA REDDY A.V.)
PARTNER
 Membership No. 024329

PLACE : HYDERABAD
DATE : 30.05.2013

FOR AND ON BEHALF OF BOARD

Sd/-
(M.MADHUSUDHAN RAJU)
CHAIRMAN

Sd/-
(K. SAMBASIVA RAO)
MANAGING DIRECTOR

Sd/-
(PARUL AGARWAL)
COMPANY SECRETARY

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2013** (Amount in ₹)

Particulars	As at	
	2012-2013	2011-2012
Cash Flow From Operations		
(Loss)/Profit Before Tax	(33750782)	36883989
Depreciation and Depletion	34870903	32153181
Investment written off	0	959774
Decrease(increase) in Inventories	259198853	(97709543)
Decrease(increase) in Trade Receivables	32418862	45273352
Decrease(increase) in Loans & Advances	31091670	(45762487)
Increase (Decrease) in Current Liabilities	(79004707)	13451702
Income tax paid	(7400026)	(8904827)
Sub-Total - A	237424774	(23654859)
Cash Flows From Financing		
Cash Received from issuance of share capital	0	9701750
Share Application Money	(2466700)	1026700
Securities Premium	0	59431550
Long Term Borrowings Received	(27265268)	1924187
Other Long Term Liabilities	(85260833)	(20094167)
Short Term Borrowings Received	195348	11312716
Sub-Total - B	(114797453)	63302736
Cash Flows from investing		
Purchase of Fixed Assets	(1940346)	(40958841)
Increase in Investments	(106781800)	(209320)
Sub-Total - C	(108722146)	(41168161)
Cash Equivalents (A+B+C)	13905175	(1520284)
Add: Opening Cash and Cash Equivalents	7869029	9389313
Closing Cash and Cash Equivalents	21774203	7869029

VIDE OUR REPORT OF EVEN DATE

for **RAMANA REDDY & ASSOCIATES**
CHARTERED ACCOUNTANTS
Firm Regn. No. 003246S

Sd/-
(**CA. RAMANA REDDY A.V.**)
PARTNER
Membership No. 024329

PLACE : HYDERABAD
DATE : 30.05.2013

FOR AND ON BEHALF OF BOARD

Sd/-
(**M.MADHUSUDHAN RAJU**)
CHAIRMAN

Sd/-
(**K. SAMBASIVA RAO**)
MANAGING DIRECTOR

Sd/-
(**PARUL AGARWAL**)
COMPANY SECRETARY

NOTES FORMING PART OF THE FINANCIAL STATEMENTS**NOTE NO. 1****Significant Accounting Policies:****a) Basis of Preparation of Financial Statements:**

- i) The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956.
- ii) Accounting policies not specifically referred to otherwise are in consonance with prudent accounting principles.
- iii) All income and expenditure items having material bearing on the financial statements are recognised on accrual basis.

b) Fixed Assets

All fixed assets are stated at cost of acquisition, less accumulated depreciation. Cost comprises of purchases and attributable cost.

c) Revenue recognition

Revenue from Software development is recognized based on software developed and billed to clients as per the terms of specific contracts. Revenue from the sale of software & hardware products is recognized when the sale is completed with the passing of title.

d) Depreciation

Depreciation on fixed assets has been provided on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956 on pro-rata basis.

e) Inventories:

Inventories are valued at cost on FIFO basis.

f) Products under development :

Products under development represent the development expenditure incurred on various products being developed by the Company. Once the development phase is completed and the products are ready for commercial exploitation, these product development costs will be amortized over a period of years depending upon the period for which economic benefits would accrue from these products.

g) Investments:

Long term Investments are stated at cost. The short term investments of the parent company are valued and carried at cost or fair value whichever is lower. In case of sale of investments, the gain / loss brought into the books of account.

h) Foreign Currency Transactions:

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transactions. Monetary items denominated in foreign currencies at the year-end are restated at year end rates. Non-monetary foreign currency items are carried at cost. Any income or expense on account of exchange difference either on settlement, translation or restatement, is recognised in the profit and loss account.

i) Retirement Benefits:

- Provident Fund: The periodic contributions to Statutory Provident Fund are charged to revenue.

- Gratuity: Liability towards gratuity is provided on the basis of actuarial valuation made by an independent actuary.

j) Earning per Share:

The Company reports its Earnings per Share (EPS) in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India.

k) Taxes on Income:

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the company. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates / laws that have been enacted or substantively enacted by the Balance Sheet date.

l) Cash Flow Statement:

Cash Flow Statement has been prepared under indirect method as per the Accounting Standard-3 "Cash Flow Statement".

NOTES TO THE FINANCIAL STATEMENTS

Particulars	As at 31-3-2013	As at 31-3-2012		
NOTE NO. 2				
Share Capital				
(a) Authorised				
2,20,00,000 equity shares of Rs.5/- each	110000000	110000000		
(b) Issued, subscribed & fully paid share capital				
158,52,923 equity shares of Rs.5/- each (including 20,00,000 equity shares of Rs.5/- each allotted on amalgamation)	79264615	79264615		
	<u>79264615</u>	<u>79264615</u>		
Reconciliation of number of shares				
	No. of shares	Amount Rs.	No. of shares	Amount Rs.
Opening balance	15852923	79264615	13912573	69562865
Changes during the year	0	0	1940350	9701750
Closing balance	15852923	79264615	15852923	79264615

List of Shareholders who holds more than 5%:

Name of the Shareholder	No. of Shares held	% of holding	No. of Shares held	% of holding
Madhusudan Raju Mudunuru	1463330	9.23%	1463330	9.23%
Vindhya Mudunuru	1340350	8.45%	1340350	8.45%
K. Govardhana Reddy	816018	5.15%	816018	5.15%
Namburi Suryanarayana Raju	940000	5.93%	940000	5.93%
Religare Finvest Ltd.	800000	5.05%	800000	5.05%
K. Kanaka Durga	1600000	10.09%	1600000	10.09%

	As at 31-3-2013	As at 31-3-2012
NOTE NO. 3		
Reserves and Surplus		
Securities Premium:		
Opening Balance	101876228	42444678
Add: Addition during the year	0	59431550
	<u>101876228</u>	<u>101876228</u>
Surplus:		
Opening Balance	84703344	60914569
Add: Surplus for the year	-21027200	23788775
Surplus	<u>63676145</u>	<u>84703344</u>
Total	<u><u>165552373</u></u>	<u><u>186579572</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Particulars	As at 31-3-2013 Rs.	As at 31-3-2012 Rs.
NOTE NO. 4		
Long-term borrowings		
Secured		
Term Loans from Banks (secured by fixed assets and guaranteed by directors and others)	5773351	23661533
Term Loans from Other Parties (secured by specific fixed assets for which loan sanctioned and guaranteed by directors)	0	15610832
Unsecured		
Loans from Directors	6233746	0
Total	<u>12007097</u>	<u>39272365</u>
NOTE NO. 5		
Other Long-term liabilities		
Trade Payables	0	85260833
Total	<u>0</u>	<u>85260833</u>
NOTE NO. 6		
Long-term provisions		
Provision for Gratuity	1654062	3178542
Total	<u>1654062</u>	<u>3178542</u>
NOTE NO. 7		
Short - term borrowings		
Secured		
Loans repayable on demand	64589821	64394473
Overdraft from State Bank of India (secured by inventories & receivables and guaranteed by directors and others)		
Total	<u>64589821</u>	<u>64394473</u>
NOTE NO. 8		
Other current liabilities		
Current maturities of long term debt	41714856	54963074
Current maturities of finance lease obligation	0	147802
Interest accrued and due on borrowings	692682	1652386
Advances from customers	3539885	5426997
Sundry Creditors for Expenses	69081808	39556111
Total	<u>115029231</u>	<u>101746370</u>
NOTE NO. 9		
Short-term provisions		
Provision for Income Tax	0	7400026
Total	<u>0</u>	<u>7400026</u>

NOTE NO. 10
Tangible Assets

Description of the Asset	GROSS CARRYING AMOUNT		DEPRECIATION BLOCK		NET CARRYING AMOUNT			
	As on 01.04.12	Adds/Deds during the year	As on 01.04.12	For the year	As on 31.03.13	As on 31.03.12		
Office Equipment	9145159	67985	9213144	1110663	435644	1546307	7666837	8034496
Computers & Accessories	198706076	1857980	200564056	42626633	32312643	74939276	125624781	156079444
Lab Equipment	83466	0	83466	24134	5283	29418	54048	59332
Tools & Spares	101816	0	101816	12800	4836	17636	84180	89016
Furniture & Fixtures	27509759	14381	27524140	4853023	1741388	6594391	20929749	22656736
Vehicles	3906625	0	3906625	948977	371129	1320106	2586519	2957648
TOTAL	239452901	1940346	241393247	49576230	34870903	84447134	156946113	189876671

NOTES TO THE FINANCIAL STATEMENTS

Particulars	As at 31-3-2013 Rs.	As at 31-3-2012 Rs.
NOTE NO. 11		
Non-current investments		
Long Term - Unquoted		
Infronics Inc., USA (investment in 100% foreign subsidiary)	209320	209320
Biomorf Systems Ltd (1,00,74,800 equity shares of Rs.4/- each)	60448800	0
Mobiprise Systems Ltd (1,15,83,250 equity shares of Rs.1/- each)	46333000	0
Total	<u>106991120</u>	<u>209320</u>
NOTE NO. 12		
Long Term Loans and Advances		
Unsecured, considered good		
Capital Advances:		
Advance for investments	0	12000000
Advance for Land	3269976	3269976
Deposits	2589994	2721994
Total	<u>5859970</u>	<u>17991970</u>
NOTE NO. 13		
Inventories		
Software & Hardware	17807982	257990250
Work in progress	31922969	39814195
Products under development	25959171	37084529
Total	<u>75690122</u>	<u>334888975</u>
NOTE NO. 14		
Trade Receivables		
(Unsecured and Considered Good)		
- Debtors outstanding for a period exceeding 6 months	26764205	23662397
- Other Debts	58809587	94330257
Total	<u>85573792</u>	<u>117992654</u>

Particulars	As at 31-3-2013 Rs.	As at 31-3-2012 Rs.
NOTE NO. 15		
Cash and cash equivalents		
Balances with banks	13039908	1343395
Cash on hand	896295	268633
Balances against Margin Money Deposits	7838000	6257000
Total	<u>21774203</u>	<u>7869029</u>
NOTE NO. 16		
Short term loans and advances		
Deposit (unsecured)	9774589	8140589
Salary Advances	1160417	476426
Advance to Supplies	35125391	59622137
Prepaid Insurance	0	382805
Interest Receivable	1022210	231806
TDS Receivable	4602966	2827510
Other amounts receivable	2703005	1666975
Total	<u>54388579</u>	<u>73348249</u>
NOTE NO. 17		
Revenue from Operations		
Revenue from - Sale of products	84674801	410153909
Sale of services	133281845	53841872
Total	<u>217956646</u>	<u>463995781</u>
NOTE NO. 18		
Othe Income		
Interest income	710445	3673748
Provision for Gratuity written bank	1419407	0
Total	<u>2129852</u>	<u>3673748</u>

Particulars	As at 31-3-2013 Rs.	As at 31-3-2012 Rs.
NOTE NO. 19		
Operation and Other Expenses		
Software, Hardware & Material costs	111801901	214549685
Project Expenses	29573989	18058746
Professional & Consultancy	2543703	8576985
Equipment Hire Charges	2905182	2695932
Internet Expenses	315120	713057
Travelling & Conveyance	7889923	9360908
Rent	5489710	4712523
Rates and Taxes, excluding taxes on income	355284	585904
Power and fuel	733026	571996
Office Maintenance	974894	969611
Computer Maintenance	930167	1092976
Vehicle Maintenance	490852	819416
Insurance	438003	949855
Donations	0	45000
Directors' Remuneration	3933122	4105659
Printing & Stationery	379874	638196
Postage & Telegrams	203116	168568
Registration, License & Filing Fee	100110	474472
Business & Sales Promotion	782402	284333
Selling Expenses	1116614	3194120
Audit Fee	250000	250000
Telephone Charges	1121436	1131986
Security Charges	237048	241986
Miscellaneous Expenditure	145451	458737
Bad debts written off	0	636031
Foreign Exchange Loss / (Gain)	-1433242	33187328
Bank Charges	267384	2177194
Total	<u>171545068</u>	<u>310651205</u>

NOTE NO. 20

Employee Benefit Expenses

Salaries and wages	25059412	46390015
Contribution to provident and other funds	995737	1563519
Staff welfare expenses	656996	552457
Total	<u>26712145</u>	<u>48505991</u>

NOTE NO. 21

Finance Costs

Interest expenses	20024582	35963032
Other borrowing costs	684581	2552356
Total	<u>20709163</u>	<u>38515388</u>

NOTE NO. 22

Particulars of Employees required in pursuant to the Provisions of Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 - Nil.

NOTE NO. 23

Contingent Liabilities not provided for:

Particulars	2012-13 Rs.	2011-12 Rs.
Bank Guarantees	7838000	6257000

NOTE NO. 24

Managerial Remuneration:

Particulars	2012-13 Rs.	2011-12 Rs.
Managing Director	1414470	3328134
Whole Time Directors	2518652	777517
TOTAL	3933122	4105651

NOTE NO. 25

Auditors' Remuneration:

Description	2012-13 Rs.	2011-12 Rs.
- Audit Fee	150000	150000
- Tax Audit Fee	80000	80000
- Other services	20000	20000
- Certification Fees	12000	68500
TOTAL	262000	318500

NOTE NO. 26

Segment Reporting

There are no separate reportable segments (business and/or geographical) in accordance with the requirements of Accounting Standard 17 – 'Segment Reporting', notified in the companies (Accounting Standards) Rules 2006.

NOTE NO. 27

Transactions with the Related Parties pursuant to Accounting Standard 18

a) List of Related Parties

Subsidiary Companies	- Infronics Inc., USA
Associates Companies controlled by key management personnel / relatives who are substantially interested	- Mobiprise Systems Limited - Biomorf Systems Limited - Biomorf Inc., USA
Key managerial personnel	K. S. Rao, Managing Director M. Madhusudan Raju, Chairman

b) Transactions with the Related Parties

Details	Associate Companies / Concerns	Key Management Personnel	Associate Companies / Concerns	Key Management Personnel
	2012-13 Rs.	2012-13 Rs.	2011-12 Rs.	2011-12 Rs.
Remuneration	--	3933122	--	4105651
Sales	41606250	--	41722317	--
Purchases	7865200	--	--	--
Advance for Investments	--	--	12000000	--
Advance for Supplies	77523086	--	26591311	--

c) Balance as at 31st March, 2013

Details	Associate Companies / Concerns	Key Management Personnel	Associate Companies / Concerns	Key Management Personnel
	2012-13 Rs.	2012-13 Rs.	2011-12 Rs.	2011-12 Rs.
Remuneration	--	3933122	--	632920
Sales	17718950	--	1395034	--
Advance for Investments	--	--	12000000	--
Advance for Supplies	-1236615	--	34154534	--

NOTE NO. 28

Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro and Small Scale Business Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2013. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

NOTE NO. 29

Deferred Tax

In compliance with the Accounting Standard "AS-22 Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the company has recognised Rs.1,27,23,582/- towards deferred tax asset in the year 2012-13. The major components of deferred tax asset / liability is on account of timing differences in depreciation

NOTE NO. 30

Sundry Debtors, Sundry Creditors and advances are subject to confirmation with the respective parties.

NOTE NO. 31

Imports on CIF Basis

Year ended 31st March	2012-13 Rs.	2011-12 Rs.
Capital Goods	--	--
Purchases	1240811	129593807

NOTE NO. 32

Expenditure in foreign currency

Year ended 31st March	2012-13 Rs.	2011-12 Rs.
Purchases	3508922	265193978

NOTE NO. 33

Earnings in foreign exchange

Year ended 31st March	2012-13 Rs.	2011-12 Rs.
Receipts from Software development	104409770	147240960

NOTE NO. 34**Earning Per Share****The numerators and denominators used for calculation of EPS**

	Year ended 31.03.13	Year ended 31.03.12
a) Profit available to the Equity Shareholders (Rs.)	-21027200	23127206
b) No. of Equity Shares	15852923	15852923
c) Weighted Average No. of Shares	15852923	14104213
d) Nominal value of Share (Rs.)	5	5
e) Earning per Share	-1.33	1.64

NOTE NO. 35

Previous year figures have been regrouped wherever if thought necessary in conformity with the current year groupings. Paise have been rounded off to the nearest rupee.

VIDE OUR REPORT OF EVEN DATE**for RAMANA REDDY & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No. 003246S****Sd/-
(CA. RAMANA REDDY A.V.)
PARTNER
Membership No. 024329****PLACE : HYDERABAD
DATE : 30.05.2013****FOR AND ON BEHALF OF BOARD****Sd/-
(M.MADHUSUDHAN RAJU)
CHAIRMAN****Sd/-
(K. SAMBASIVA RAO)
MANAGING DIRECTOR****Sd/-
(PARUL AGARWAL)
COMPANY SECRETARY**

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT,
1956 RELATING TO SUBSIDIARY COMPANIES**

Name of the Subsidiary		
S.No.	Particulars	Rs.
1	Name of the subsidiary	INFRONICS INC.
2	Financial Year of the Subsidiary ended on	31st March 2013
3	Infronics Systems Ltd., Interest	100%
4	Capital	231155
5	Reserves & Surplus	(159211)
6	Total assets	71943
7	Total Liabilities	71943
8	Investments	-
9	Revenues	326336
10	Net aggregate profit/ (loss) before taxation	36419
11	Provision for taxation	2719
12	Profit (loss) after taxation	33700
13	Proposed Dividend	-
14	Net aggregate profit / (loss) of the Subsidiary for the above financial year of the subsidiary so far as they concern members of holding company a) Dealt within the accounts of the Company as on 31st March 2013. b) Not dealt within the accounts of the Company as on 31st March 2013.	33700
15	Net aggregate profit / (loss) of the Subsidiary for the previous financial year of the subsidiary so far as they concern members of holding company a) Dealt within the accounts of the Company as on 31st March 2012. b) Not dealt within the accounts of the Company as on 31st March 2012.	(181444)

For and on behalf of the Board**(K.SAMBASIVA RAO)
MANAGING DIRECTOR****Place : Hyderabad
Date : 30.05.2013****(M.MADHUSUDAN RAJU)
CHAIRMAN**

Independent Accountants Review Report

To
The Board of Directors
Infronics Inc.
5755, North Point Parkway
Suite 50, Alpharetta, GA 30022

We have reviewed the accompanying Balance Sheet of Infronics Inc. and the related statements of income, retained earnings for the year ended 31st March 2013. A review includes primarily applying analytical procedures to managements financial data and making enquiries of Company management. A review is substantially less in scope than an audit, the objective of which is expression of an opinion regarding the financial statements as a whole. Accordingly we do not express such an opinion.

Management is responsible for the preparation and the fair presentation of the financial statements in accordance with accounting principles generally accepted in United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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

Krishnan Company
Certified Public Accountant

**Infornics Inc.
Balance Sheet
As on March 31, 2013**

	March 31, 2013
	\$
ASSETS	
Current Assets	
Checking/Savings	
Bank Of America-Checking	1,322.75
Total Checking/Savings	<u>1,322.75</u>
Total Current Assets	<u>1,322.75</u>
TOTAL ASSETS	<u>1,322.75</u>
LIABILITIES & EQUITY	
Equity	
Opening Balance Equity	100.00
Owner Equity	4,150.00
Retained Earnings	-3,801.85
Net Income	874.60
Total Equity	<u>1,322.75</u>
TOTAL LIABILITIES & EQUITY	<u>1,322.75</u>

Infornics Inc.
Profit & Loss April 2012
April 2012 through March 2013

March 31, 2013
\$

Ordinary Income/Expense

Income

Products Development 6,000.00

Total Income 6,000.00

Expense

Accounting & Legal Expenses 100.00

Bank Service Charges 345.00

Professional Fees

Attorney 4,885.40

Total Professional Fees 4,885.40

Tax 50.00

Total Expense 5,380.40

Net Ordinary Income 619.60

Net Income 619.60

**INFRONICS INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2013**

SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

Infronics Inc. was incorporated on November 7, 2011 under the laws of State of Georgia.

It is the Company's policy to apply generally accepted accounting principles in presenting its financial position and related statements of operations. In this connection, the more significant accounting policies of the Company are described below:

Use of Estimates

The preparation of financial statements in conformity with U.S generally accepted accounting principles required the Company to make estimates or assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue recognition policy

The Company follows the accrual method of accounting in recognizing revenues and expenses.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of M/s. Infronics Systems Limited
Hyderabad.

We have audited the accompanying consolidated financial statements of M/s. Infronics Systems Limited, ("the Company") and its subsidiary, Infronics Inc., which comprise the consolidated balance sheet as at 31st March, 2013, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

We did not audit the financial statements of the subsidiary, Infronics, Inc., which have been reviewed by M/s Krishnan Company PC, Norcross, GA, USA. The report of the Certified Public Accountant has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the CPA. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the

internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date, and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**for RAMANA REDDY & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN: 003246S**

**Sd/-
(CA.RAMANA REDDY A.V.)
PARTNER
MEMBERSHIP NO.024329**

**Place : Hyderabad
Date : 30/05/2013**

**INFRONICS SYSTEMS LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31, MARCH, 2013**

(Amount in Rs.)

Particulars	Note No.	As at	
		2012-13	2011-12
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	2	79264615	79264615
(b) Reserves and Surplus	3	165414995	186395992
(c) Money received against share warrants		0	2466700
2. Non - Current Liabilities			
(a) Long - term borrowings	4	12007097	39272365
(b) Deferred tax liabilities (Net)		-915152	11808430
(c) Other long term liabilities	5	0	85260833
(d) Long term provisions	6	1654062	3178542
3. Current Liabilities			
(a) Short - term borrowings	7	64589821	64394473
(b) Trade Payables		70041853	160804941
(c) Other current liabilities	8	115029231	101746370
(d) Short - term provisions	9	0	7400026
	Total	507086522	741993287
II.Assets			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10	156946113	189876671
(b) Non-current investments	11	106781800	0
(c) Long term loans and advances	12	5859970	17991970
(2) Current assets			
(a) Inventories	13	75690122	334888975
(b) Trade receivables	14	85573792	117992654
(c) Cash and cash equivalents	15	21846146	7894768
(d) Short-term loans and advances	16	54388579	73348249
	Total	507086522	741993287

Notes forming part of the financial statements : 1-21

VIDE OUR REPORT OF EVEN DATE

for **RAMANA REDDY & ASSOCIATES**
CHARTERED ACCOUNTANTS
Firm Regn. No. 003246S

(CA. RAMANA REDDY A.V.)
PARTNER
Membership No. 024329

PLACE : HYDERABAD
DATE : 30.05.2013

FOR AND ON BEHALF OF BOARD

Sd/-
(M.MADHUSUDHAN RAJU)
CHAIRMAN

Sd/-
(K. SAMBASIVA RAO)
MANAGING DIRECTOR

Sd/-
(PARUL AGARWAL)
COMPANY SECRETARY

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31ST MARCH, 2013 (Amount in Rs.)

Particulars	Note No.	Year Ended	
		31-3-2013	31-3-2012
Revenues			
I. (a) Revenue from operations	17	218282982	463995781
II. (b) Other Income	18	2129852	3673748
III. Total Revenue (I+II)		220412834	467669529
IV. Expenses:			
(a) Operation and other expenses	19	171834984	310832648
(b) Employee benefit expenses	20	26712145	48505991
(c) Finance costs	10	20709163	38515388
(d) Depreciation and amortization expenses		34870903	32153181
Total Expenses		254127196	430007208
V. Loss / Profit before exceptional and extraordinary items and tax (III - IV)		-33714362	37662320
VI. Exceptional Items			
Investment written off		0	959774
VII. Loss / Profit before extraordinary items and tax (V - VI)		-33714362	36702546
VIII. Extraordinary Items		0	0
IX. Loss / Profit before tax (VII - VIII)		-33714362	36702546
X. Tax expense:			
(1) Current tax		2719	7400026
(2) Deferred tax (net)		-12723582	5695188
XI. Loss / Profit from continuing operations (IX - X)		-20993499	23607332
XII. Loss / Profit from discontinuing operations		0	0
XIII. Tax expense of discontinuing operations		0	0
XIV. Loss / Profit from Discontinuing operations (XII - XIII)		0	0
XV. Loss / Profit for the period (XI + XIV)		-20993499	23607332
XVI. Earning per equity share:		-1.32	2.60
(1) Basic		--	--
(2) Diluted		--	--
Notes forming part of the financial statements	1-21	--	--

VIDE OUR REPORT OF EVEN DATE
for RAMANA REDDY & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No. 003246S
(CA. RAMANA REDDY A.V.)
PARTNER
Membership No. 024329
PLACE : HYDERABAD
DATE : 30.05.2013
FOR AND ON BEHALF OF BOARD
Sd/-
(M.MADHUSUDHAN RAJU)
CHAIRMAN
Sd/-
(K. SAMBASIVA RAO)
MANAGING DIRECTOR
Sd/-
(PARUL AGARWAL)
COMPANY SECRETARY

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR
THE YEAR ENDED 31ST MARCH, 2013** (Amount in ₹)

Particulars	As at	
	2012-2013	2011-2012
Cash Flow From Operations		
(Loss)/Profit Before Tax	(33750782)	36883989
Depreciation and Depletion	34870903	32153181
Investment written off	0	959774
Decrease(increase) in Inventories	259198853	(97709543)
Decrease(increase) in Trade Receivables	32418862	45273352
Decrease(increase) in Loans & Advances	31091670	(45762488)
Increase (Decrease) in Current Liabilities	(79004707)	13268123
Income tax paid	(7353823)	(8904827)
Sub-Total - A	237470977	(23838439)
Cash Flows From Financing		
Cash Received from issuance of share capital	0	9701750
Share Application Money	(2466700)	1026700
Securities Premium	0	59431550
Long Term Borrowings Received	(27265268)	1924187
Other Long Term Liabilities	(85260833)	(20094167)
Short Term Borrowings Received	195348	11312716
Sub-Total - B	(114797453)	63302736
Cash Flows from investing		
Purchase of Fixed Assets	(1940346)	(40958841)
Increase in Investments	(106781800)	0
Sub-Total - C	(108722146)	(40958841)
Cash Equivalents (A+B+C)	13951378	(1494544)
Add: Opening Cash and Cash Equivalents	7894769	9389313
Closing Cash and Cash Equivalents	21846146	7894769

VIDE OUR REPORT OF EVEN DATE

for RAMANA REDDY & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No. 003246S

(CA. RAMANA REDDY A.V.)
PARTNER
Membership No. 024329

PLACE : HYDERABAD
DATE : 30.05.2013

FOR AND ON BEHALF OF BOARD

Sd/-
(M.MADHUSUDHAN RAJU)
CHAIRMAN

Sd/-
(K. SAMBASIVA RAO)
MANAGING DIRECTOR

Sd/-
(PARUL AGARWAL)
COMPANY SECRETARY

Note No.1

Additional Information for the consolidated financial statement

Significant Accounting Policies and Notes on Accounts:

Basis for Consolidation of financial Statements:

The Consolidation of financial statements of Infronics Systems Limited has been made as per the Generally Accepted Accounting Policies and the provisions of the Accounting Standard 21 issued by the Institute of Chartered Accountants of India. The consolidation of accounts of the Infronics Systems Limited took place based on the audited financial statements of the subsidiary by the certified public Accountants of GA state. While consolidation inter-company balances and transactions are eliminated in full. The consolidation is based on the concepts of accrual, going concern and conservatism. All income and expenditure having a material bearing on the financial statements are recognized on the accrual basis.

Fixed Assets

All fixed assets are stated at cost of acquisition, less accumulated depreciation. Cost comprises of purchases and attributable cost.

Revenue recognition

Revenue from Software development is recognized based on software developed and billed to clients as per the terms of specific contracts. Revenue from the sale of software & hardware products is recognized when the sale is completed with the passing of title.

Foreign currency transactions:

The accompanying financial statements of WOS are reported in US Dollars. The functional currency of the parent company in India is the Indian rupee(INR). Hence translation of US Dollars to INR is performed for the balance sheet account using the exchange rate prevailing as at the balance sheet date, and for revenue and expense accounts using a quarterly average exchange rate for respective quarters. The gains or losses resulting from such translation are reported as " Exchange Conversion Reserve," a separate component of reserves and surplus head in the consolidated accounts. The method of translating expenses of overseas operations depends upon the timing of the funds used.

Other Accounting Policies and Notes

These are set out under Significant Accounting policies and notes as given in the standalone financial statements of Infronics Systems Limited

NOTES TO THE FINANCIAL STATEMENTS

Particulars	As at 31-3-2013 Rs.	As at 31-3-2012 Rs.
NOTE NO. 2		
Share Capital		
(a) Authorised		
2,20,00,000 equity shares of Rs.5/- each	110000000	110000000
(b) Issued, subscribed & fully paid share capital		
158,52,923 equity shares of Rs.5/- each (including 20,00,000 equity shares of Rs.5/- each allotted on amalgamation)	79264615	79264615
	79264615	79264615

Reconciliation of number of shares	No. of shares	Amount Rs.	No. of shares	Amount Rs.
Opening balance	15852923	79264615	13912573	69562865
Changes during the year	0	0	1940350	9701750
Closing balance	15852923	79264615	15852923	79264615

List of Shareholders who holds more than 5%:

Name of the Shareholder	No. of Shares held	% of holding	No. of Shares held	% of holding
Madhusudan Raju Mudunuru	1463330	9.23%	1463330	9.23%
Vindhya Mudunuru	1340350	8.45%	1340350	8.45%
K. Govardhana Reddy	816018	5.15%	816018	5.15%
Namburi Suryanarayana Raju	940000	5.93%	940000	5.93%
Religare Finvest Ltd.	800000	5.05%	800000	5.05%
K. Kanaka Durga	1600000	10.09%	1600000	10.09%

	As at 31-3-2013 Rs.	As at 31-3-2012 Rs.
NOTE NO. 3		
Reserves and Surplus		
Securities Premium:		
Opening Balance	101876228	42444678
Add: Addition during the year	0	59431550
	101876228	101876228
Surplus:		
Opening Balance	84521901	60914569
Add: Surplus for the year	-20993499	23607332
Surplus	63528402	84521901
	10365	-2137
Capital Reserve on Consolidation	165414995	186395992
Total	165414995	186395992

NOTES TO THE FINANCIAL STATEMENTS

Particulars	As at 31-3-2013 Rs.	As at 31-3-2012 Rs.
NOTE NO. 4		
Long-term borrowings		
Secured		
Term Loans from Banks (secured by fixed assets and guaranteed by directors and others)	5773351	23661533
Term Loans from Other Parties (secured by specific fixed assets for which loan sanctioned and guaranteed by directors)	0	15610832
Unsecured		
Loans from Directors	6233746	0
Total	12007097	39272365
NOTE NO. 5		
Other Long-term liabilities		
Trade Payables	0	85260833
Total	0	85260833
NOTE NO. 6		
Long-term provisions		
Provision for Gratuity	1654062	3178542
Total	1654062	3178542
NOTE NO. 7		
Short - term borrowings		
Secured		
Loans repayable on demand	64589821	64394473
Overdraft from State Bank of India (secured by inventories & receivables and guaranteed by directors and others)		
Total	64589821	64394473
NOTE NO. 8		
Other current liabilities		
Current maturities of long term debt	41714856	54963074
Current maturities of finance lease obligation	0	147802
Interest accrued and due on borrowings	692682	1652386
Advances from customers	3539885	5426997
Sundry Creditors for Expenses	69081808	39556111
Total	115029231	101746370
NOTE NO. 9		
Short-term provisions		
Provision for Income Tax	0	7400026
Total	0	7400026

NOTE NO. 10
Tangible Assets

Description of the Asset	GROSS CARRYING AMOUNT		DEPRECIATION BLOCK		NET CARRYING AMOUNT			
	As on 01.04.12	Adds/Deds during the year	As on 01.04.12	For the year	As on 31.03.13	As on 31.03.13		
Office Equipment	9145159	67985	9213144	1110663	435644	1546307	7666837	8034496
Computers & Accessories	198706076	1857980	200564056	42626633	32312643	74939276	125624781	156079444
Lab Equipment	83466	0	83466	24134	5283	29418	54048	59332
Tools & Spares	101816	0	101816	12800	4836	17636	84180	89016
Furniture & Fixtures	27509759	14381	27524140	4853023	1741368	6594391	20929749	22656736
Vehicles	3906625	0	3906625	948977	371129	1320106	2586519	2957648
TOTAL	239452901	1940346	241393247	49576230	34870903	84447134	156946113	189876671

NOTES TO THE FINANCIAL STATEMENTS

Particulars	As at 31-3-2013 Rs.	As at 31-3-2012 Rs.
NOTE NO. 11		
Non-current investments		
Long Term - Unquoted		
Biomorf Systems Ltd (1,00,74,800 equity shares of Rs.4/- each)	60448800	0
Mobiprise Systems Ltd (1,15,83,250 equity shares of Re.1/- each)	46333000	0
Total	<u>106781800</u>	<u>0</u>
NOTE NO. 12		
Long Term Loans and Advances		
Unsecured, considered good		
Capital Advances:		
Advance for investments	0	12000000
Advance for Land	3269976	3269976
Deposits	2589994	2721994
Total	<u>5859970</u>	<u>17991970</u>
NOTE NO. 13		
Inventories		
Software & Hardware	17807982	257990250
Work in progress	31922969	39814195
Products under development	25959171	37084529
Total	<u>75690122</u>	<u>334888975</u>
NOTE NO. 14		
Trade Receivables		
(Unsecured and Considered Good)		
- Debtors outstanding for a period exceeding 6 months	26764205	23662397
- Other Debts	58809587	94330257
Total	<u>85573792</u>	<u>117992654</u>

NOTES TO THE FINANCIAL STATEMENTS

Particulars	As at 31-3-2013 Rs.	As at 31-3-2012 Rs.
NOTE NO. 15		
Cash and cash equivalents		
Balances with banks	13111851	1369135
Cash on hand	896295	268633
Balances against Margin Money Deposits	7838000	6257000
Total	<u>21846146</u>	<u>7894768</u>
NOTE NO. 16		
Short term loans and advances		
Deposit (unsecured)	9774589	8140589
Salary Advances	1160417	476426
Advance to Supplies	35125391	59622137
Prepaid Insurance	0	382805
Interest Receivable	1022210	231806
TDS Receivable	4602966	2827510
Other amounts receivable	2703005	1666975
Total	<u>54388579</u>	<u>73348249</u>
NOTE NO. 17		
Revenue from Operations		
Revenue from - Sale of products	84674801	410153909
Sale of services	133608181	53841872
Total	<u>218282982</u>	<u>463995781</u>
NOTE NO. 18		
Othe Income		
Interest income	710445	3673748
Gratuity written bank	1419407	0
Total	<u>2129852</u>	<u>3673748</u>

INFRONICS SYSTEMS LIMITED

Particulars	As at 31-3-2013 Rs.	As at 31-3-2012 Rs.
NOTE NO. 19		
Operation and Other Expenses		
Software, Hardware & Material costs	111801901	214549685
Project Expenses	29573989	18058746
Professional & Consultancy	2809416	8576985
Equipment Hire Charges	2905182	2695932
Internet Expenses	315120	713057
Travelling & Conveyance	7889923	9360908
Rent	5489710	4712523
Rates and Taxes, excluding taxes on income	355284	585904
Power and fuel	733026	571996
Office Maintenance	974894	969611
Computer Maintenance	930167	1092976
Vehicle Maintenance	490852	819416
Insurance	438003	949855
Donations	0	45000
Directors' Remuneration	3933122	4105659
Printing & Stationery	379874	638196
Postage & Telegrams	203116	168568
Registration, License & Filing Fee	105549	653001
Business & Sales Promotion	782402	284333
Selling Expenses	1116614	3194120
Audit Fee	250000	250000
Telephone Charges	1121436	1131986
Security Charges	237048	241986
Miscellaneous Expenditure	145451	458737
Bad debts written off	0	636031
Foreign Exchange Loss / (Gain)	-1433242	33187328
Bank Charges	286148	2180108
Total	<u>171834984</u>	<u>310832648</u>
NOTE NO. 20		
Employee Benefit Expenses		
Salaries and wages	25059412	46390015
Contribution to provident and other funds	995737	1563519
Staff welfare expenses	656996	552457
Total	<u>26712145</u>	<u>48505991</u>
NOTE NO. 21		
Finance Costs		
Interest expenses	20024582	35963032
Other borrowing costs	684581	2552356
Total	<u>20709163</u>	<u>38515388</u>

INFRONICS SYSTEMS LIMITED

Plot No.16, Srila Realty Layout, Near Landmark Towers, Madinaguda,
Miyapur, Serilingampally Mandal, Hyderabad ,A.P- 500049.

PROXY FORM

I/We _____ of _____ being a Member(s) of above named company, hereby appoint _____ of _____ or failing him/her _____ of _____ as my/our proxy to attend and vote for me/us, on my/our behalf at the 13th Annual General Meeting of the Company to be held on Monday, the 30th September 2013 at 11.00 AM at Honey Berg Resort, Near Shameerpet, Karimnagar Highway, Secunderabad - 500078. and at any adjourned meeting thereof.

As Witnessed Signed this _____ day of September 2013

Signed by the said _____

Folio No./Client ID _____

No. of shares held _____

Affix
Re.1/-
Revenue
Stamp.

Note:

The proxy in order to be effective should be duly stamped, completed, signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

INFRONICS SYSTEMS LIMITED

Plot No.16, Srila Realty Layout, Near Landmark Towers, Madinaguda,
Miyapur, Serilingampally Mandal, Hyderabad ,A.P- 500049.

ATTENDANCE SLIP

(Please present this slip at the Meeting Venue)

I hereby record my presence at the 13th Annual General Meeting of the members of the company to be held on Monday, the 30th September 2013 at 11.00 AM at Honey Berg Resort, Near Shameerpet, Karimnagar Highway, Secunderabad - 500078.

Shareholders/Proxy's full name _____
(In block letters)

Shareholders/Proxy's Signature _____

Folio No. / Client ID _____

No. of shares held _____

Note:

Shareholders attending the meeting in person or by proxy are required to complete the attendance slip and hand it over at the entrance of the meeting hall.

PRINTER MATTER
BOOK - POST

If undelivered please return to :
INFRONICS SYSTEMS LIMITED
Plot No.16, Srila Realty Layout,
Near Landmark Towers, Madinaguda,
Miyapur, Serilingampally Mandal,
Hyderabad ,A.P- 500049.