

# 12<sup>th</sup> Annual Report 2008-09



## **SANKHYA INFOTECH LIMITED**

**Regd Office:** 2<sup>nd</sup> Floor, Seven Hills Plaza  
S.D.Road, Secunderabad, AP. India 500 003  
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**URL:** [www.sankhya.net](http://www.sankhya.net)

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**FINANCIAL HIGHLIGHTS 2008-09**
*(Rs. In lakhs)*

<b>FINANCIAL HIGHLIGHTS</b>	<b>2008-09</b>	<b>2007-08</b>
<i>Total Income</i>	4187.67	3620.32
<i>Total Expenditure</i>	3171.44	2473.97
<i>Earnings Before Depreciation, Interest and Tax</i>	1016.23	1146.35
<i>Depreciation</i>	274.89	94.97
<i>Interest</i>	168.06	105.50
<i>Provision for Tax</i>	130.67	43.58
<i>Profit after Tax</i>	442.62	902.29
<i>Equity Share Capital</i>	850.00	850.00
<i>Reserves and Surplus</i>	4030.66	3588.04
<i>Capital Employed</i>	6256.60	5521.35
<i>Gross Fixed assets</i>	3609.51	3022.98
<i>Net Fixed Assets</i>	2401.16	2089.53
<i>Total Assets</i>	6256.60	5521.35
<b>KEY INDICATORS</b>		
<i>Earnings per share Rs.</i>	5.97	10.62
<i>Cash Earnings per Share Rs.</i>	8.44	11.73
<i>Book Value per Share Rs.</i>	49.10	52.21
<i>EBDIT/Gross Turnover %</i>	24.35	31.66
<i>Net Profit Margin %</i>	10.61	24.92



## COMPANY INFORMATION

### BOARD OF DIRECTORS

**Mr. N Ramakrishna Rao**  
Chairman-Emeritus

**Mr. N R Mohanty**  
Chairman

**Mr. N Srinivas**  
Vice Chairman

**Mr. N Sridhar**  
Managing Director & Chief Executive Officer

**Dr. Sridhar Seshadri**

**Mr.N.Rangachari**

**Dr. Santanu Paul**  
(w.e.f 29.08.2009)

### BOARD COMMITTEES

#### AUDIT COMMITTEE

1. Mr.N.Rangachari - Chairman
2. Dr Sridhar Seshadri - Member
3. Mr.N.Srinivas - Member

#### SHAREHOLDERS'/INVESTORS GRIEVANCE COMMITTEE

1. Mr. N. Rangachari - Chairman
2. Mr. N. Srinivas - Member
3. Mr. N. Sridhar - Member

### REMUNERATION COMMITTEE

1. Mr. N.R.Mohanty - Chairman
2. Dr Sridhar Seshadri - Member
3. Mr.N.Rangachari - Member

#### Compensation Committee

1. Mr. N R Mohanty - Chairman
2. Dr. Sridhar Seshadri - Member
3. Mr. N.Sridhar - Member

#### Registered Office

2<sup>nd</sup> Floor, Seven Hills Plaza,  
S.D.Road, Secunderabad, AP India 500 003  
T: 91+40+27814217  
F: 91+40+27819191  
Email: [investors@sankhya.net](mailto:investors@sankhya.net)  
URL: <http://www.sankhya.net>

#### REGISTRARS & TRANSFER AGENTS CANBANK COMPUTER SERVICES LTD., J P ROYALE, 1<sup>ST</sup> FLOOR, # 218, 2<sup>nd</sup> Main, Sampige Road,( Near 14<sup>th</sup> Cross ), Malleswaram, Bengaluru- 560 003.

Tel : 91-80-23469661 / 62, 23469664 / 65  
Fax : 91-80-23469667 / 668  
Email Id : [canbank\\_computer@dataone.in](mailto:canbank_computer@dataone.in)  
URL: [www.canbankrta.com](http://www.canbankrta.com)

#### BANKERS

**State Bank of India**  
Commercial Branch  
Begumpet  
Secunderabad

#### AUDITORS

M/s. Satyanarayana & Co  
Chartered Accountants  
Secunderabad

#### LISTING:

The Bombay Stock Exchange Ltd  
The Bhubaneswar Stock Exchange Ltd.

**NOTICE**

Notice is hereby given that the 12th Annual General Meeting of the Members of **SANKHYA INFOTECH LIMITED** will be held on Monday 30th November 2009 at 11.30 a.m. at **Hotel Belson Taj, Secunderabad - 500003** to transact the following business.

**Ordinary Business**

1. To receive, consider and adopt the Balance Sheet as at 31st March 2009 and Profit & Loss Account for the year ended on that date together with Schedules thereto and the Reports of Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Dr.Sridar Seshadri, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint M/s.P.Murali & Co. Chartered Accountants as Statutory Auditors of the Company to hold office from the Conclusion of this Annual General Meeting to the Conclusion of next Annual General Meeting at such remuneration as may be mutually agreed in place of M/s.Satyanarayana & Co. who have expressed their unwillingness to continue as Auditors.

**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 Dr.Santanu Paul who was appointed by the Board as an Additional Director of the Company with effect from 29th August, 2009 and who holds office upto the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 ("the Act ") and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company and whose office is subject to liable to retire by rotation."

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

"RESOLVED that pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") , the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") (including any statutory amendment, modification or reenactment to the Act or the Guidelines for the time being be in force) and subject to such approvals, permissions, sanctions and subject to such conditions and modifications as may be prescribed or imposed by the above authorities while granting such approval, permissions and sanctions, approval and consent of the company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board" which terms shall be deemed to include any committee include ESOP Compensation Committee of the Board), to the proposed ESOP Scheme 2009 and to create, offer, issue and allot in one or more tranches under the said proposed ESOP Scheme 2009 at any time to or for the benefit of employees and directors of the company such number of equity shares and/or equity linked instruments including options and / or other instrument or securities which could give rise to the issue of equity shares (hereinafter collectively referred to as "securities") of the Company initially not exceeding 5% of the paid up equity share capital of the company as on 30<sup>th</sup> October, 2009, at such price and on such terms and conditions as may be fixed or determined by the Board in accordance with the guidelines or other applicable provisions of any law as may be prevailing at that

time.

RESOLVED FURTHER that the Board be and is hereby authorized to formulate, evolve, decide upon and bring into effect any Scheme (hereinafter referred to as "the ESOP Scheme - 2009") on such terms and conditions as contained in the relevant Explanatory Statement to this notice and to make any modification(s), change(s), variation(s), alteration(s) or revision(s) in terms and conditions of the scheme from time to time including but not limited to amendments with respect to vesting period, exercise price, eligibility criteria, vesting schedule or to suspend, withdraw or revive the ESOP Scheme 2009.

RESOLVED FURTHER that the said securities may be allotted in accordance with the ESOP Scheme 2007 through an existing trust or a trust which may be set up in any permissible manner and that the ESOP Scheme 2009 may also envisage for providing any financial assistance to the trust to acquire, purchase or subscribe securities of the Company.

RESOLVED FURTHER that the new equity shares to be issued and allotted by the company in the manner aforesaid shall rank pari passu in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER that the Board be and is hereby authorized to take all necessary steps for listing of the securities allotted under the ESOP Scheme 2009 on the Stock Exchanges where the existing securities of the company are listed as per the provision of the Listing Agreements with the concerned stock exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER that for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the members of the company in this regard."

By Order of the Board of Directors

Date: 31<sup>st</sup> October 2009

N Sridhar

Place: Secunderabad

Managing Director & CEO

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES, TO ATTEND AND VOTE ON POLL, INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The instrument appointing proxy should, however, be deposited at the registered office of the Company not later than 48 hours before the scheduled commencement of the meeting.

2. Corporate members are requested to send a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General Meeting.
3. Explanatory Statement stating all the material facts relating to the aforesaid Special Business contained in Special Business pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will be closed from 24th November 2009 to 30th November 2009 (both days inclusive). Members are requested to intimate immediately any change in their address to the Share Transfer Agents Address:

**M/s. Canbank Computer Services Ltd.,  
(A Subsidiary of Canara Bank),  
JP Royale, 1st Floor, #218, 2nd Main Sampige Road,**



(Near 14th Cross), Malleswaram, BENGULURU – 560003.

Tel: +91 802 3469661 / 62, 2349664/65

Fax: +91 802 3469667 /68

and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants without any delay.

5. Members / Proxies are requested to bring the Attendance slip duly filled in
6. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.
7. We wish to inform you that our Company shares have already been admitted in both M/s National Securities Depository Ltd (NSDL) and Central Depository Services India Ltd (CDSL) for the purpose of holding and trading of the shares in electronic mode. The ISIN allotted to M/s Sankhya Infotech Limited is **INE877A01013**. Members who are holding shares in physical form are advised in their own interest to immediately apply for Dematerialization of their shares to hold the same in an electronic form. In order to dematerialize your shares and convert them into the electronic form, you are requested to open a Beneficiary Account with a Depository Participant (DP) and submit a dematerialization request along with the original share certificate(s) to a DP with whom you open a Beneficiary Account. The DP in turn will send your share certificate(s) to **M/s. Canbank Computer Services Ltd., (A Subsidiary of Canara Bank), JP Royale, 1st Floor, # 218, 2nd Main Sampige Road, (Near 14th Cross), Malleswaram, BENGULURU – 560003. Tel: +91 802 3469661 / 62, 2349664/65 Fax: +91 802 3469667 /68.** for dematerialization of shares. Thereafter, you will receive a confirmation from the DP that the shares have been dematerialized and held in the electronic form, subject to meeting the entire statutory requirement for conversion from physical mode to the electronic mode. For further clarification, if any, please feel free to write to our Registrar & Share Transfer Agent at the following address:

**M/s. Canbank Computer Services Ltd.,  
(A Subsidiary of Canara Bank),**

**JP Royale, 1st Floor, #218, 2nd Main Sampige Road,  
(Near 14th Cross), Malleswaram,  
BENGULURU – 560003.**

**Tel: +91 802 3469661 / 62, 2349664/65**

**Fax: +91 802 3469667 /68**

#### **EXPLANATORY STATEMENT**

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

**Item # 4** The members are informed that in view of the expansion plans and to strengthen the Board in addition to observe the prudent Corporate Governance Practice, the Board proposed to appoint Dr. Santanu Paul as an additional director of the Company whose proficiency and knowledge will significantly benefit the Company. The Company has received a notice under Section 257 of the Companies Act 1956 along with the necessary deposit proposing the candidature of above Director. The Board recommends the adoption of the Resolution set out at Item 4. None of the Directors except Mr. N. Rangachari may be deemed to be concerned or interested in the Resolution.

#### **Item # 5**

**ESOP Scheme 2009:** The Company has always believed in rewarding

its employee for their continuous hard work, dedication and support, which has led the company on a growth path. To enable more and more employees to enjoy the fruits of the phenomenal growth that the company has witnessed in the recent past, it is proposed to implement an ESOP Scheme.

The main objective of the scheme is to give employees, who are performing well, a certain minimum opportunity to gain from the Company's performance thereby acting as a retention tool and to attract best talent available in the market. Stock Options have long been recognized internationally, as an effective instrument, to align the interest of employees with those of the company and its shareholders, providing an opportunity to employees to share the growth of the company, and to create long term wealth in the hands of employees. Stock Options create a sense of ownership between the company and its employees, paving the way for a unified approach to the common objective of enhancing overall shareholder value. The Board therefore proposed to evolve an Employee Stock Option Scheme (hereinafter referred to as "the ESOP Scheme- 2009") for the benefit of permanent Employees and Directors of the Company and such other persons/entities as may be prescribed by SEBI from time to time, and in accordance with the provisions of prevailing regulations. The following explanatory statement sets out the various disclosures as required by clause 6 of the Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (herein after referred to as "the Guidelines").

**The salient features of the ESOP Scheme are as under:**

#### **A) Total number of options to be granted**

- i) The total number of options to be granted under this scheme shall initially not exceed 5% of the total paid up equity share capital of the company as on 30<sup>th</sup> October, 2009
- ii) The Board may with the approval of the shareholders increase the maximum number of options under the ESOP Scheme 2009 at any time
- iii) One option entitles the holder of the options to apply for one equity share of the company.

#### **B) Identification of classes of employees entitled to participate in the ESOP**

- i) The Employees and Directors, of the Company
- ii) Employees
  - a) Who are either promoter or belong to promoter group as defined in the Guidelines: or
  - b) Holding 10% of the outstanding share capital of the Company's equity share capital at any time after the commencement of this Scheme Will not be eligible for grant of options under this Scheme

#### **C) Requirements of vesting, period of vesting and maximum period of vesting**

- i) There shall be a minimum period of one year between the grant of options and vesting of options.
- ii) The vesting period may extend upto 4 years.
- iii) The vesting shall happen in one or more tranches as may be decided by the ESOP Compensation Committee.

#### **D) Exercise price or price formula**

The exercise price for the purposes of the grant of options will be decided by the ESOP Compensation Committee, provided that the Exercise Price per option shall not be less than the par value of the equity share of the company and shall not be more than the price prescribed under chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000, Relevant Date being the date of grant.

#### **E) Exercise Period and the Process of Exercise**

- i) Exercise period will commence from the vesting date and extend upto the expiry period of the option as decided by the ESOP Compensation Committee. The expiry period may extend upto 7 Years



from the date of grant of options. The ESOP Compensation Committee will decide on the Expiry period of options for Employees leaving the Company after grant of options in their favor.

ii) The Options will be exercisable by the employees by a written application to the designated officer of the company to exercise the Options, in such manner and on execution of such documents as may be prescribed by the ESOP Compensation Committee under the Scheme.

iii) The Options will lapse if not exercised within the specified exercise period.

#### F) Appraisal Process for determining the eligibility of employees to the ESOP Scheme

i) The company has a formal performance appraisal system established wherein the performance of the employees is assessed each year on the basis of various functional and managerial parameters. The appraisal process is revised at regular intervals.

ii) Employees and Directors would be granted Stock Options based on performance-linked parameters such as work performance, technical knowledge, period of service, designation and such other parameters as may be decided by the ESOP Compensation Committee from time to time.

iii) The ESOP Compensation Committee may at its discretion extend the benefits of the ESOP Scheme- 2009 to a new entrant or any existing employee on such other basis as it may deem fit.

#### G) Maximum number of options to be issued per employee and in aggregate

i) The maximum number of options to be granted to each employee will depend upon the rank / designation of the employee as on the date of grant of options. However no employee shall be entitled to more than such number of options as may be determined in any financial year.

ii) The aggregate number of options to be granted under this scheme shall not exceed initially 5% of the total issued & paid up capital of the Company as on 30<sup>th</sup> October, 2009,

iii) The ESOP Committee shall decide on the number of options to be granted to each employee within this limit

#### H) Accounting Methods

The Company shall confirm to the accounting policies specified in Clause 13.1 of the Guidelines, and /or such other guidelines as may be applicable from time to time.

#### I) Method of Valuation of these options

The Company shall use the fair value method for valuation of the options Clause 6 of the ESOP guidelines requires that any ESOP Scheme for offering stock options to the employees of the Company must be approved by the shareholders by way of a Special Resolution. Furthermore, as the Scheme will entail further shares to be offered to person other than the existing shareholders of the company, consent of the members is required by way of a Special Resolution pursuant to the provisions Section 81 (1A) of the Companies Act, 1956 Accordingly, the resolution set as item no.7 is being placed for the approval of the shareholders pursuant to the provisions of Section 81 (1A) of the Companies Act, 1956 and Clause 6 of the ESOP guidelines and all other applicable provisions of the law for the time being in force. The Board of Directors recommends the Special Resolution as set out in item no.6 for the approval of the members. None of the Directors of the Company is in any way concerned or interested in the resolution except to the extent of the shares that may be offered to him / her under the Scheme.

By Order of the Board of Directors

N Sridhar

Date: 31<sup>st</sup> October 2009

Place: Secunderabad

Managing Director & CEO

## DIRECTORS' REPORT

### To the Members

Your directors have pleasure in presenting the 12<sup>th</sup> Directors report of the company together with the audited accounts for the year ended 31st March, 2009.

### FINANCIAL HIGHLIGHTS 2008-09

(Rs. in Lakhs)

FINANCIAL HIGHLIGHTS	2008-09	2007-08
Income from Operations	4173.28	3,608.04
Other Income	14.39	12.28
Total Income	4187.67	3,620.32
Total Expenditure	3157.05	2,473.97
Earnings before Depreciation, Interest & Tax	1030.62	1,146.35
Depreciation	274.89	94.97
Interest	168.06	105.50
Profit Before Tax	573.28	945.88
Provision for Tax (including FBT)	130.67	43.58
Profit after Tax	442.62	902.29
Earnings Per Share	5.97	10.62

During the financial year ending March'09, the company recorded a total income of Rs.4,173.28 lakhs (out of which export income accounted for Rs.3,944.62 lakhs) compared to Rs.3,201.70 lakhs for the previous financial year, registering a growth of 23.20%. This income has been modest over the previous year due to global economic conditions prevailing specially in the aerospace sector. The profit before interest, depreciation and tax is Rs.1,016.24 lakhs compared to Rs.1,146.35 lakhs and the earning per equity share to Rs. 5.97 compared to Rs.10.62 in the previous year.

#### OPERATIONS

The company growth plans have been affected due to the global economic conditions especially in the aerospace sector. Customers has been slow in releasing orders and similarly in taking deliveries of milestone based projects. Despite the down turn the company has added new customers and additional business both in domestic and export markets. The company has achieved some key customers during the financial year ending March'09. The company has successfully completed prestigious implementation of the online examination system for the Indian Navy. The company's foray into domestic energy market was marked by an excellent contract from National Thermal Power Corporation. This project was won against stiff global competition and the first phase has been successfully completed. During the year the company has completed the first phase of the three year contract with Kingfisher Airlines. The phase two of the contract is under implementation and is expected to be completed by end of March 2010.

#### OUTLOOK

The current economic downturn is likely to slow sales during the first two quarters of the financial year ending 2010. However, the company is taking significant steps to reduce its reliance on the aerospace and defense sectors. The Company is confident of achieving higher sales and profitability by catering to more verticals and adding more new clients. The software products and services developed by the Company are gaining acceptance and recognition by some of the Fortune 100 companies. The Company has been able to attract and retain the best talent of professionals to meet its niche areas of operations. The company has aggressive plans and is working on some strategic alliances and is likely to conclude these relationships in the financial year ending March 2009. The company has also taken steps to augment its management team and bring in professional team into the board. The company is also planning for strategic mergers and acquisition.

#### LISTING ON BOMBAY STOCK EXCHANGE

Your Company's Equity Shares have been listed with the Bombay Stock Exchange Limited (BSE) and trading has commenced w.e.f. 14th May 2008.

#### SUBSIDIARY COMPANIES

The Financial details of the subsidiary companies as well as the extent of holdings therein are provided in a separate section of the Annual report. The Company received permission (Vide letter No: 47/ 690/2009 – CL- III - dated:06/X/2009) from Central Government Under Section 212(8) of Companies Act, 1956, exempting from attaching a copy of Balance Sheet, Profit and Loss Account and schedules thereof, Director's Report and Auditors Report of the subsidiary Companies and other documents required to be attached under section 212(1) of the Act to the Balance Sheet of the Company.



Accordingly the said documents are not attached with the Balance Sheet of the Company. The Annual Accounts of the subsidiary Companies are available for inspection by any member / investor and the Company will make available these documents / details upon request by any member of the Company or its subsidiaries interested in obtaining the same. However the data of the subsidiaries has been furnished along with the statement pursuant to Section 212 of the Companies Act, 1956 forming part of the Annual Report.

Further pursuant to Accounting Standard (AS)-21 issued by the Institute of Chartered Accountants of India, your company has presented the Consolidated Financial Statements which include financial information relating to its subsidiaries and forms part of the Annual Report.

#### CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared by your Company in accordance with the requirements of the Accounting Standards 21, 23 & 27 issued by the Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements together with Auditors' Report thereon forms part of the Annual Report.

#### DEPOSITS

The Company has not accepted any Deposits from the Public during the year pursuant to Section 58A of the Companies Act, 1956.

#### DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of Annual Accounts, the applicable Accounting Standards have been followed and that there are no material departures from the same.
2. Directors have selected the appropriate Accounting Policies and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2009, and of the profit of the Company for that period.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Annual Accounts have been prepared on a going concern basis.

#### THE BOARD OF DIRECTORS

Dr.Santanu Paul has been appointed as an Additional Director by the Board on 29th August, 2009 and has been proposed for regularization in the ensuing Annual General Meeting.

Dr.Sridhar Seshadri retires by rotation at the ensuing Annual General Meeting and being eligible Offer himself for re-appointment.

Mr.J.Bhadra Kumar tendered his resignation from the Director of the Company which was accepted by the Board in its meeting held on 29th August, 2009.

#### AUDITORS

The Company's auditors M/s. Satyanarayana & Co., Chartered Accountants retire at the ensuing Annual General Meeting and due to their busy schedule expressed their unwillingness to continue as Auditors of the Company. Hence, M/s.P.Murali & Co., Chartered Accountants have been proposed for appointment. The Company has received a certificate from M/s.P.Murali & Co., Chartered Accountants to the effect that their appointment, if made, would be in accordance with Section 224(1B) of the Companies Act 1956.

#### CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE

##### EARNINGS AND OUTGO

##### I. Conservation of Energy

Your company's operations are software oriented and not energy intensive. Adequate measures are taken to conserve energy wherever possible.

##### II. Technology absorption

a. Research & Development: During the year R & D wing of the Company was engaged in supporting all the businesses through innovations and undertook multifold research activities and presented papers in International Seminars. Some of the developments have resulted in brining efficiency in the products development cycle and efficiency of the productivity of the software that are under implementation.

b. Benefits derived from the previous years Research and Development have started showing its returns in faster implementation cycles and customer acceptance.

c. Future plan of action:

d. Expenditure on R & D:

##### III. Foreign exchange earnings and outgo

Particulars	Year ended	
	31- Mar-09	31-Mar-08
Earnings	3944.62	3201.70
Expenditure	2629.13	1809.47

#### CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate Report on Corporate Governance is enclosed forming part of the Annual Report. A Certificate from a firm of Chartered Accountants in whole time practice confirming compliance with conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to this Report.

#### PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors Report for the year ended 31<sup>st</sup> March 2009.

Name	Qualifications	Date of Joining / Nature of Employment	Designation	Previous Employer	Experience	% of equity shares held by employee in the Company	Age	Remuneration
N. Srinivas	M.Com	21.07.1997 / Contractual	Vice Chairman	Sankhya Management Services Ltd	20 yrs	9.66	49	Rs.36.07 Lakhs
N. Sridhar	M. Sc	21.07.1997 / Contractual	Managing Director & CEO	Sankhya Management Services Ltd	20 yrs	9.65	45	Rs.36.07 Lakhs

#### INDUSTRIAL RELATIONS

Your Company enjoys cordial employee relations, marked by empowerment and delegation.

#### ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge the unstinted support extended by the esteemed Customers, Bankers and Institutions.

Your Directors also are pleased to record their appreciation for the services rendered by the Employees at all levels in bringing about a better performance.

Your Directors express their thanks to the Company's Shareholders, and the Investors for their sustained confidence in the Management of the Company.



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

**(Amount in Rs.)**

Sl. No	Particulars	1	2	3
1	Name of Subsidiary	Sankhya SARL, France	Sankhya Information Technologies (India) Private Limited (SITPL)	Sankhya US Corporation
2	Financial year end	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2009
3	Extent of interest of the Holding Company in the capital of the Subsidiary.	100%	100%	100%
4	Date from which it became a subsidiary	13 <sup>th</sup> April 2005	01 <sup>st</sup> May 2006	17 <sup>th</sup> August 2006
5	Net aggregate amount of Subsidiary's profit or loss not dealt with in the Holding Company's accounts. Current year * Previous year	* *	34,22,798 *	1,55,19,703
6	Net aggregate of the Subsidiary's profit less losses dealt with in the Holding Company's Accounts: Current year Nil Previous year	Nil Nil	Nil Nil	Nil

\* Sankhya SARL, France and SITPL are yet to commence its commercial operations.

For and on behalf of the Board of Directors

Place: Secunderabad  
Dated: 31<sup>st</sup> October 2009

N R Mohanty  
Chairman

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The company's business grew by 15.66% over the previous year. The company has a robust order book and solid pipe line that are being pursued. During the current financial year that company has booked orders from several marquee customers such as Boeing IDS, Kingfisher Airlines, etc. During the year the company has embarked on the first phase of its business restructuring plan that has three phases to be implemented in three years. The first phase includes strengthening its existing product and solutions offering by expanding to wider markets. The company has been focusing on the post hire professional training, simulation and education business, main selling software products. The company is embarking on large plan to expand its products and content solutions business as Software as a Service (SaaS) business model. Pilot projects with Kingfisher have shown promising results and the company plans to expand this offering to a wide area of customer base. The company has a rich high fidelity multimedia content catalogue, strong reference from industry leaders for products, with the help of these capabilities the company plans to enter into pre-hire and skills development market in a big way by setting up competency centers for skills development. Further the skills development market in India alone is around US\$1.35 billion and growing to around US\$2.5 billion by the year of 2015. To cater to premium market segment of simulation the company has setup an Advanced Simulation Lab to offer high end simulation solutions. A senior retired defense official is appointed as the Director of Advance Simulation Lab. This initiative has resulted in immediate success for the company. The company has signed a teaming agreement with a major defense contractor for developing advanced simulation in the area surveillance and counter intelligence. The total value of the project is estimated to be around Rs.14 crores.

**Review of the years' performance:**

During the financial year ending March 2009, the company has received good orders. Due to the global economic situations customers have been slowing down implementation affecting billing cycles. Cost of operations was higher as the company had to maintain committed support line for new and existing customers. Though general by IT industry has been affected by the economic slowdown, the aerospace industry was affected more severely during the financial year. The company is constantly engaged with its customers and is receiving strong signals of a quick turnaround. The company believes that second half the next financial year would see rapid progress. The company had to provide for higher tax as per the recommendation during tax audit.

**Future Development:**

The company is implementing the first phase of its three phases of business restructuring plan. In the next one year the company would expand its markets through SaaS model. Existing catalogue and products would be offered for skill development activity. The company is in an advanced stage of discussion

for merging a skill development company with itself. The company is going to expand its management team. Advanced Simulation Lab is currently holding discussions with several industry leaders for setting up collaborations / joint ventures to expand its portfolio offerings. Traditional software products sales process is likely to pick up along with the turnaround in the industry.

**Awards and Recognition:**

- The company has been awarded the Deloitte's fastest 500 companies award during this year.
- The company has become the first Indian IT company to sell a software product for an American Defense Organization.

**Competition:**

- The company has rolled out a three year business restructuring plan for facing competition.
- The company is fully geared up to face normal market competition both from domestic as well as international companies.
- Constant innovations and product innovation, creative pricing are keeping the company ahead of the competition.

**Risks:**

- Global economic situations and in particular, weakening of American Currency may result in lower margins.
- The Government policy of withdrawal of benefits to export units will lead to higher provisions for Taxation.

**Internal Controls:**

1. The sound recruitment policies of the Company and the manner of imparting training have resulted in quality deliverables.
2. The effective internal controls, management information systems and cost control measures have helped in substantial cost control and better accountability.
3. Internal budget exercise and variance analysis resulted in better understanding of the aspects of cost controls.
4. The Company follows the best Corporate Governance practices.
5. The Company has embarked on implementing SEI-CMM Certification and BS7799 Certification process.

**Human Resources:**

- All the Directors express sincere appreciation for the dedicated efforts put in by all the employees and for their continued contribution for ensuring higher performance by bringing out revolutionary software products and solutions which will help improve the performance of the Company in the coming years.
- The Company has taken several steps to improve the employee's satisfaction level and has offered Equity shares of the company under an Employee Stock Option Scheme.





### CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008-09

(As required under clause 49 of the Listing Agreement entered into with the Stock Exchanges) Your Company endeavors to maintain the highest levels of transparency, accountability and equity in all operations and interactions with stakeholders.

#### REPORT ON CORPORATE GOVERNANCE

The Company has complied with the requirements of Corporate Governance in terms of Clause 49 of the Listing agreement.

#### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. It is firmly believed that good governance practices would ensure efficient conduct of the affairs of the Company and help the Company, achieve its goal of maximizing value for all its stakeholders. The Company maintains highest business ethics and complies with all the statutory and regulatory requirements. All the relevant Corporate Governance standards have been fully adhered to.

#### 2. BOARD OF DIRECTORS

Four (4) Board Meetings were held during the year 2008-09 (i.e., from 1st April, 2008 to 31st March, 2009) on the following dates:- 30th May 2008, 31st July 2008, 30th October 2008, 31st January 2009.

Composition and category of the Board of Directors is as follows:-

Name & Designation	Category	No of Meetings held during the Last Financial Year	No of Meetings attended	Attendance at the Last Annual General Meeting held on 29-12-08	No of Directorships in other public companies		No of Committee positions held in other public Companies @	
					Chairman	Member	Chairman	Member
N RAMAKRISHNA RAO CHAIRMAN-EMERITUS	NED	4	0	YES	NIL	1	NIL	NIL
N R MOHANTY CHAIRMAN	NED-I	4	2	YES	NIL	5	NIL	1
N SRINIVAS VICE –CHAIRMAN	WTD	4	4	YES	NIL	1	NIL	NIL
N SRIDHAR MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER	WTD	4	3	YES	NIL	NIL	NIL	NIL
DR SRIDHAR SESHADRI DIRECTOR	NED-I	4	1	NO	NIL	NIL	NIL	NIL
N.RANGACHARI * DIRECTOR	NED-I	4	4	YES	NIL	3	NIL	NIL
DR. SANTANU PAUL	NED-1	NIL	NIL	NIL	NIL	NIL	NIL	NIL

NED – Non Executive Director WTD – Whole Time Director NED-I – Non Executive Director –Independent WTD-I - Whole Time Director - Independent.

@ Chairmanship/ membership in Investor Grievances Committee and Audit Committee are only considered

\* Dr. Santanu Paul has been appointed on the Board w.e.f 29.08.2009

#### A. Relationship or transactions of the Non Executive Directors, vis-à-vis the Company.

Independent Non-Executive Directors of the Company do not have any pecuniary relationship with the Company other than the sitting fee payable to them.

#### B. Code of Conduct

The Company has established a Code of Conduct for its Board Members and Senior Management personnel.

The Code of Conduct for the Board Members and Senior Management personnel is posted on the Company's Website [www.sankhya.net](http://www.sankhya.net). All the Board Members and Senior Management personnel have complied with the Code of Conduct.

#### C. Profile of Director

Dr.Santanu Paul is a Ph.D in Computer Science from Michigan University, USA. Received pre doctoral fellow ship from Rackham and IBM Canada. He is an undergraduate from IIT, Madras with over 20 articles in International journals. He promoted "Talent Sprint Pvt Ltd" to impart vocational training skills. Before which he was the Senior Vice President - Global Delivery operations of "Virtusa Corporation – (Nasdaq-VRTU). He was instrumental in making Virtusa a global delivery company, with over 4000+ strong team and revenues exceeding US\$170 million. Prior to Virtusa, Santanu was Chief Technology Officer at Open pages, a Boston-based market leader in corporate risk management solutions. Santanu was also CTO and co-founder at Viveca, a B2B technology startup that Open pages acquired in 2001. He began his career as a research staff member at the IBM Thomas J. Watson Research Center in Yorktown Heights, New York, where his team designed Rainmaker, a pioneering workflow system. For his work on workflow and content management, he has been awarded United States patents.

**3. AUDIT COMMITTEE**

The Board of Directors of the Company have re-constituted the Audit Committee on 30th May 2008. The Terms of reference of the Audit Committee covers the matters specified for Audit Committees under clause 49 of the Listing agreement and also as required under Section 292A of the Companies Act, 1956.

The Audit Committee comprises of the following members

1. Mr. N.Rangachari - Independent Director & Chairman
2. Dr Sridhar Seshadri - Independent Director & Member
3. Mr.N.Srinivas - Member

Four (4) Meetings were held during the year 2008-09 (i.e., from 1st April, 2008 to 31st March, 2009) on the following dates:-  
30th May 2008, 31st July 2008, 30th October 2008, 31st January 2009

**4. SUBSIDIARY COMPANIES**

The Company has following subsidiaries:

- Sankhya SARL, France.
- Sankhya US Corporation, USA;
- Sankhya Information Technologies (India) Private Limited

The Audit Committee reviews the financial statements of the Subsidiaries M/s Sankhya SARL, France, Sankhya US Corporation and Sankhya Information Technologies (India) Pvt Ltd.

**5. REMUNERATION****Remuneration Committee**

The Company reconstituted the Remuneration Committee on 30th May 2008 consisting of the following Independent Non Executive Directors:

- i. Mr. N.R.Mohanty - Chairman
- ii. Dr Sridhar Seshadri - Member
- iii. Mr.N.Rangachari - Member

**Details of Remuneration paid to all the Directors during the year 2008-09**

Name & Designation	Category	Salary	Allowance / Perquisites	Commission	Total
Mr. N RAMAKRISHNA RAO* Chairman Emeritus	NED	—	—	—	—
Mr. N R MOHANTY # Chairman	NED-I	—	—	—	—
Mr. N SRINIVAS Vice –Chairman	WTD	36,00,000	7,200	—	36,07,200
Mr. N SRIDHAR M. D. & C.E.O	WTD	36,00,000	7,200	—	36,07,200
Mr. J BHADRA KUMAR *	NED-I	—	—	—	—
Dr. SRIDHAR SESHADRI	NED-I	—	—	—	—
Mr.N.RANGHACHARI	NED-I	—	—	—	—

**8. DISCLOSURES**

• There were no materially significant related party transactions made by the Company with its Promoters, Directors or relatives or the Management, their subsidiaries etc., which have potential conflict with the interests of the Company at large. The Register of Contracts containing the transactions in which Directors are interested, if any, is placed before the Board at every Board Meeting for approval.

• Transactions with related parties are disclosed in Note No.6 of Schedule 12 to the Accounts in the Annual Report.

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

**9. MEANS OF COMMUNICATION**

a. The Quarterly, Half yearly un-audited financial results are generally published in widely circulating national and local newspapers. These results are also published in the website of the Company [www.sankhya.net](http://www.sankhya.net) and sent to stock exchanges.

b. The Management Discussion & Analysis Report forms part of this Annual Report.

**Remuneration Policy****For Executive Directors:**

- A fixed component consisting of salary, allowances, perquisites and benefits in line with the Company's rules for Senior Managerial personnel.

- A variable component linked to the performance of the Company consisting of Commission and special allowances as determined by the Remuneration Committee.

**For Non-Executive Directors:**

Sitting fee is paid to all Non –Executive Directors.

**6. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE**

Details of the composition of Shareholders / Investors grievance committee is reconstituted with the following members:-

**Name Designation & Category**

Name	Designation & Category
Mr. N. Rangacahri	Independent Director & Member
Mr. N. Srinivas	Director & Member
Mr. N. Sridhar	Director & Member

The terms of reference of the Committee cover the matters specified under Clause 49 of the listing Agreement with the Stock exchanges.

The Board of Directors notes the Minutes of the Shareholders / Investors grievance Committee Meetings at Board Meetings.

Mr. N. Srinivas, Vice Chairman is the Compliance Officer of the Company.

**7. GENERAL BODY MEETINGS**

The particulars of the Annual General Meetings of the Company for the last three financial years are as follows: -

**Financial year Location Date of AGM Time of AGM held**

Financial year	Location	Date of AGM	Time of AGM held
2005-06	Taj Tri-Star Hotel, Secunderabad	26-07-2006	3.00 pm
2006-07	Taj Tri-Star Hotel, Secunderabad	28-09-2007	10.00 am
2007-08	Taj Tri-Star Hotel, Secunderabad	29-12-2008	3.00 pm

**10. GENERAL SHAREHOLDERS INFORMATION****§ Annual General Meeting**

Day, date and time : Monday 30th November 2009 @ 11.30 a.m.  
Venue : Belson Taj, Secunderabad

**§ Financial Calendar**

1. First Quarter results : Last week of August 2009
2. Half yearly results : Last week of October 2009
3. Third Quarter results : Last week of January 2010
4. Last Quarter results / Results for the year  
Ending 31<sup>st</sup> March 2010 : Last week of June 2010 (Audited)
5. Book Closure date : from 24-11-2009 to 30-11-2009  
(Both days inclusive)
6. Listing of Equity shares on : Bombay Stock Exchange Limited (BSE)  
Stock Exchanges and Stock : Scrip Id: **SANKHYAIN**  
Code : Stock Code: **532972**  
The Bhubaneswar Stock Exchange  
Stock Code: **SNK**
7. Demat ISIN for NSDL & CDSL : **INE877A01013**

**Listing fees has been to BSE and Bhubaneswar Stock Exchange for the financial year 2008-09.**

1. 73,51,310 Equity shares, representing 86.49 % of the total Equity Capital are held in dematerialized form as on 31st March 2009.
2. Market price data (High /Low) on BSE during the each month

Month	High Price	Low Price
May'08	167.30	98.00
June '08	141.40	55.50
July'08	87.00	47.05
August'08	93.85	63.55
September'08	100.00	69.85
October'08	69.75	30.60
November'08	40.00	28.80
December '08	35.00	25.00
January '09	32.60	18.80
February '09	22.25	16.25
March '09	17.60	11.25



\* The Company's shares are listed at The Bombay Stock Exchange Ltd., w.e.f 18.05.2008.

3. Registrar & Share Transfer Agent:  
**CANBANK COMPUTER SERVICES LTD.,**  
**Unit: M/s. Sankhya Infotech Ltd**  
 J P ROYALE, 1ST FLOOR, # 218,  
 2nd Main, Sampige Road, (Near 14th Cross),  
 Malleswaram, **Benguluru – 560 003.**  
 Tel: 91-80-23469661 / 62, 23469664 / 65  
 Fax: 91-80-23469667 / 668  
 Email Id: canbank\_computer@dataone.in  
 URL: www.canbankrta.com
- a. Share Transfer System: Presently the share transfers which are received in physical form are processed by the Registrar and Share Transfer Agent and approved by the Compliance Officer and the share certificates are returned within 15 days from the date of lodgment, subject to the transfer instruments being valid and complete in all respects.
- b. Shareholding Pattern of the Company as on March 31,2009 was as follows:-

Category	% age of total Capital
Promoters Holding	31.82%
Non-Promoter Holding	
Private Corporate Bodies	15.87%
Indian Public	47.33%
NRIs/ OCBs	4.91%
<b>TOTAL</b>	<b>100%</b>

4. Dematerialization of shares and liquidity  
 86.49% of the shares are in the dematerialized form. Consequent to the listing of Company's equity shares at BSE there has been regular trading at BSE in the Company's scrip.

Place: Secunderabad  
 Dated: 31<sup>st</sup> October 2009

For and on behalf of the Board of Directors  
**N R Mohanty**  
 Chairman

### AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To  
 The Members,  
 M/s. SANKHYA INFOTECH LIMITED.

We have examined the compliance of conditions of Corporate Governance by **M/s. SANKHYA INFOTECH LIMITED**, for the year ended **31st March 2009**, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to procedures and implementations thereof, adopted by the Company for ensuring compliance of 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 based on 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 above mentioned Listing Agreement.

We state that no investor grievances were pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee. We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For M/s Satyanarayana & Co.**  
 Chartered Accountants  
**J. Jagannadha Rao**  
 Partner  
 Membership No:6239

Place: Secunderabad  
 Date: 29<sup>th</sup> August, 2009



### AUDITOR'S REPORT

To

The Members of

**M/s. SANKHYA INFOTECH LIMITED**

1. We have audited the attached Balance Sheet of **Sankhya Infotech Limited** as at 31 March, 2009, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act 1956 (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to the above, our Comment are as under:
  - a) Reference is invited to note no. B (11) under schedule 12 regarding dues to Micro, Small & Medium Enterprises.
  - b) Reference is invited to note No B (14) under schedule 12 regarding non provision of Bad & Doubtful Debt.
  - c) Reference is invited to note No B(15) under schedule 12 regarding confirmation of balances
5. Further to our comments in the annexure referred to in paragraph (3) & (4) above
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
  - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report 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 31 March, 2009 and taken on record by the Board of Directors, none of the directors are disqualified as on 31 March, 2009 from being appointed as Directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance sheet, Profit & Loss account and Cash flow Statement read together with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - I. In so far as it relates to the Balance Sheet, of the state of affairs of the Company as on 31 March, 2009;
    - II. In so far as it relates to the Profit and Loss Account, of the Profit for the year ended on that date and
    - III. In the case of Cash Flow Statement, of the cash flows for the period ended on that date.

**For SATYANARAYANA & Co**  
**CHARTERED ACCOUNTANTS**

**J. JAGANNADHA RAO**

**PARTNER**

Place: Secunderabad

Date: 29<sup>th</sup> June 2009

Membership No.6239

**ANNEXURE TO AUDITOR'S REPORT**

Annexure referred to in paragraph 3 of the auditors' Report of even date to the members of Sankhya Infotech Ltd on the financial statements for the year ended March 31, 2009.

1. (a) The Company is updating the records showing full particulars including quantitative details and situation and fixed assets keeping in view of the additions made during the year.
- (b) The Fixed assets are physically verified by the management according to a phased program designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, none of fixed assets has been disposed off by the Company during the year.
2. The Company's nature of operations does not require it to hold inventories. Accordingly, clause 4(ii) of the Order is not applicable.
3. The Company has taken or granted loans from/to the Companies, Firms, or other parties covered in the register maintained U/s 301 of the Companies Act, 1956.
  - a) The company has taken loans from six parties and the amount outstanding at the year end is Rs. 2.03 Crores.
  - b) The terms and conditions in respect of loans taken are prima facie not prejudicial to the interest of the company. There are no overdues.
  - c) The company has granted loan to subsidiary companies amounting to Rs.5,52,50,884/- (Rs.2,93,94,461/- in 2008).
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of fixed assets. The activities of the company do not involve purchase of inventory and the sale of goods. We have not noted any continuing failure to correct major weakness in the internal controls during the course of the audit.
5. In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered into with parties entered in the register maintained under section 301 of the companies Act, 1956 aggregating during the year to a value exceeding Rs. 5,00,000 in respect of such party during the year.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under excepting loan from a body corporate.
7. The Company has to strengthen the internal audit system.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of services carried out by the Company. Accordingly, clause 4(viii) of the order is not applicable.
9. (a) According to the information and explanations given to us, no undisputed dues payable in respect of income-tax, sales tax, wealth tax customs duty and cess were outstanding at 31, March 2009 for a period of more than six months from the date they became payable excepting the following
  - a) Details of Income Tax payable.

Asst. Year	Principal Amount (Rs.)	Interest (Rs.)	Total (Rs.)	Remarks
2002-03	75,02,297	55,16,431	1,30,18,728	Appeal Pending before CIT (A) – IV
2003-04	85,05,793	50,34,044	1,35,39,837	Appeal Pending before CIT (A) – IV
2004-05	1,02,79,704	47,30,694	1,50,10,398	Appeal Pending before CIT (A) – IV
2005-06	1,34,34,577	44,46,673	1,78,81,250	Appeal Pending before CIT (A) – IV
2006-07	84,42,731	30,56,976	1,14,99,707	Appeal Pending before CIT (A) – IV

- (b) An amount of Rs. 6.19 Lacs represents unpaid dividend
- (c) No provision of Bonus is provided.
- (d) TDS liability for the year 2007-2008 is not paid before 30/09/2008 and hence the provisions of section 40(a)(i) of Income Tax Act shall apply and TDS liability for the current year is also not paid on date.
10. The Company has no accumulated losses as at March 31, 2009 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. The Company has taken loan from bank during the year and has not defaulted in paying due to bank either in Principle or interest.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable.
13. The Company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4 (xiii) of the order is not applicable.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the order is not applicable.
15. Accordingly to the information and explanations given to us, the Company has not given any guarantee for loans taken by other firms, or financial institutions. Accordingly, clause 4(xv) of the order is not applicable.
16. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
17. On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment and vice versa.
18. The company has not made any preferential allotment of shares during the year.
19. No debentures have been issued by the company during the year.
20. The Company has not raised any money by public issue during the year. Accordingly, clause 4(xx) of the order is not applicable.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

**For SATYANARAYANA & Co**  
**CHARTERED ACCOUNTANTS**  
**J. JAGANNADHA RAO**

**PARTNER**

Place: Secunderabad  
 Date: 29<sup>th</sup> June 2009

Membership No.6239



## BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs.)

Particulars	Sch	As at 31-Mar-09	As at 31-Mar-08
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Fund</b>			
Equity Share Capital	1	8,50,00,050	8,50,00,050
Reserves & Surplus	2	40,30,66,235	35,88,04,118
Total Shareholder's Fund		48,80,66,285	44,38,04,168
<b>Loan Fund</b>			
Secured Loan	3	11,73,03,540	10,70,97,578
Unsecured Loan		2,02,90,498	12,33,723
<b>TOTAL OF SOURCES</b>		<b>62,56,60,323</b>	<b>55,21,35,469</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	36,09,50,864	30,22,98,354
Less: Accu. Depreciation		12,08,34,313	9,33,45,421
Net Block		24,01,16,551	20,89,52,933
Capital Work in Process		3,84,00,000	-
		<b>27,85,16,551</b>	<b>20,89,52,933</b>
Investments	5	58,44,527	3,55,01,057
Current Assets, Loans and Advances	6	39,02,07,060	33,93,25,813
Less: Current Liabilities and Provisions	7	4,89,07,815	3,16,44,334
Net Current Assets		34,12,99,245	30,76,81,479
<b>TOTAL OF APPLICATION</b>		<b>62,56,60,323</b>	<b>55,21,35,469</b>
Significant Accounting Policies & Notes to accounts	12		

As per our report of even date

for M/s. Satyanarayana & Co  
Chartered AccountantsJ. Jagannadha Rao  
Partner  
Membership No.: 6239Place : Secunderabad  
Date : 29<sup>th</sup> June 2009

for and on behalf of the Board

N R Mohanty  
ChairmanN. Sridhar  
Managing Director & CEO



## PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs.)

Particulars	Sch	Year Ended 31-Mar-09	Year Ended 31-Mar-08
<b>INCOME</b>			
Software Income	8	41,73,27,793	36,08,04,001
Other Income	9	14,39,357	12,28,363
<b>TOTAL INCOME</b>		<b>41,87,67,150</b>	<b>36,20,32,364</b>
<b>EXPENDITURE</b>			
Employee Cost	10	3,49,62,557	3,59,29,663
Operations & Other Expenses	11	29,89,87,064	22,20,17,446
<b>TOTAL EXPENDITURE</b>		<b>33,39,49,621</b>	<b>25,79,47,109</b>
<b>PROFIT BEFORE DEPRECIATION &amp; TAXES</b>		<b>8,48,17,529</b>	<b>10,40,85,255</b>
Depreciation	4	2,74,88,892	94,97,476
<b>PROFIT BEFORE TAX</b>		<b>5,73,28,637</b>	<b>9,45,87,779</b>
<b>Provision for</b>			
Income Tax - Current year		64,95,335	42,73,214
- Earlier year		64,43,581	-
Fringe Benefit Tax		1,27,605	85,249
<b>NET PROFIT</b>		<b>4,42,62,116</b>	<b>9,02,29,316</b>
<b>Profit after Tax &amp; Prior Period Adjustments</b>		<b>4,42,62,116</b>	<b>9,02,29,316</b>
Transfer to General reserve		-	22,55,733
Less: Proposed Dividend @12% (Previous Year)		-	1,02,00,006
Tax on Proposed Dividend @16.99% (Previous Year)		-	17,33,491
<b>Amount Transferred to Balance Sheet</b>		<b>4,42,62,116</b>	<b>7,60,40,086</b>
<b>EPS- Basic</b>		<b>5.97</b>	<b>10.62</b>
Significant accounting policies & notes to accounts	12		

As per our report of even date

for M/s. Satyanarayana & Co  
Chartered Accountants

for and on behalf of the Board

J. Jagannadha Rao  
Partner  
Membership No.: 6239N R Mohanty  
ChairmanN. Sridhar  
Managing Director & CEOPlace : Secunderabad  
Date : 29<sup>th</sup> June 2009





## Schedules Forming Part of Balance Sheet

(Rs)

Particulars	Sch	As at 31-Mar-09	As at 31-Mar-08
<b>EQUITY SHARE CAPITAL</b>	<b>1</b>		
<b>A. Authorized Capital</b>			
1,50,00,000 Equity Shares of Rs.10 Each		15,00,00,000	15,00,00,000
<b>Total</b>		<b>15,00,00,000</b>	<b>15,00,00,000</b>
<b>B. Issued, Subscribed and Paid-up Capital</b>			
85,00,005 equity shares of Rs.10 each fully paid up		8,50,00,050	8,50,00,050
<b>Total</b>		<b>8,50,00,050</b>	<b>8,50,00,050</b>
<b>RESERVES &amp; SURPLUS</b>	<b>2</b>		
- General Reserve		37,39,921	37,39,921
- Share Premium		9,17,11,650	9,17,11,650
- Profit & Loss Account (Opening)		26,33,52,548	18,73,12,461
- Add: Profit for the Year		4,42,62,116	7,60,40,086
<b>Total</b>		<b>40,30,66,235</b>	<b>35,88,04,118</b>
<b>LOAN FUND</b>	<b>3</b>		
<b>Secured Loans</b>			
<b>Working Capital Loan from SBI</b>		11,73,03,540	10,70,97,578
<i>(Secured by first charge on Export bills and further secured by Equitable Mortgage of the immovable assets belonging to the company, agricultural land belonging to promoters and pledge of shares belonging to Promoter Directors in favour of State Bank of India, Commercial Branch, Secunderabad (The above loans are further secured by Personal Guarantees of Promoter Directors and Guarantor)</i>			
Sub-total		11,73,03,540	10,70,97,578
<b>Unsecured Loans</b>			
Share Holders		2,02,90,498	12,33,723
<b>Total</b>		<b>13,75,94,038</b>	<b>10,83,31,301</b>

**Depreciation Schedule IV SCHEDULES FORMING PART OF BALANCE SHEET**

S. No.	Name of the Asset	GROSS BLOCK (AT COST)			DEPRECIATION			Net Block		
		Rate %	As at 01-Apr-08	Additions During the Year	As at 31-03-2009	As at 01-Apr-08	For the Period ending 31.03.09	As at 31-Mar-09	AS AT 31-3-2009	AS AT 31-3-2008
1	Plant & Machinery	15.33%	65,80,812		65,80,812	45,71,501	3,08,027	48,79,528	17,01,284	20,09,311
2	Air Conditioners	15.33%	11,67,555	31,000	11,98,555	8,57,774	49,866	9,07,640	2,90,915	3,09,781
3	Computers	40.00%	3,39,65,257		3,39,65,257	3,26,39,740	5,30,207	3,31,69,947	7,95,310	13,25,517
4	Projector	20.00%	3,41,108		3,41,108	2,46,866	18,848	2,65,714	75,394	94,242
5	Furniture	18.10%	1,65,08,690		1,65,08,690	1,32,96,429	5,81,419	1,38,77,848	26,30,842	32,12,261
6	Vehicles	25.89%	6,91,709		6,91,709	6,31,038	15,708	6,46,746	44,963	60,671
	Software Products :									
7	- Silicon LMS/QT	40.00%	5,66,19,450	1,50,00,000	7,16,19,450	2,63,58,743	1,51,04,283	4,14,63,026	3,01,56,424	3,02,60,707
8	- Silicon LCMS	40.00%	4,10,00,000		4,10,00,000	1,44,87,671	1,06,04,932	2,50,92,603	1,59,07,397	2,65,12,329
9	- Sage CRM Server 200	40.00%	4,20,944		4,20,944	2,04,636	86,523	2,91,159	1,29,785	2,16,308
10	- Flight Dispatcher **	40.00%	3,78,00,000	1,25,00,000	5,03,00,000				5,03,00,000	3,78,00,000
11	- Silicon ATHENA **	40.00%	10,67,73,910	75,00,000	11,42,73,910				11,42,73,910	10,67,73,910
12	- Service Capture	40.00%	1,400	-	1,400	37	545	582	818	1,363
13	- Tally 9 Gold Multi User	40.00%	9,360	-	9,360	2,226	2,854	5,080	4,280	7,134
14	- Teampulse / Eclipse 3.0	40.00%	9,960	-	9,960	-	-	-	9,960	9,960
15	- Vstudio Team Ed (5 Users)	40.00%	4,08,200		4,08,200	48,760	1,43,776	1,92,536	2,15,664	3,59,440
16	- Adobe Ilog Elixir with Media Kit	40.00%		31,960	31,960		12,784	12,784	19,176	
17	- Device Lock Software	40.00%		72,800	72,800		29,120	29,120	43,680	
18	- Logitek G 25 Manning Wheel	40.00%		16,750	16,750				16,750	
19	- IRMAO**	40.00%		2,35,00,000	2,35,00,000				2,35,00,000	
	Total		30,22,98,355	5,86,52,510	36,09,50,865	9,33,45,421	2,74,88,892	12,08,34,313`	24,01,16,552	20,89,52,934
	Previous Year		22,20,59,284	8,02,39,071	30,22,98,355	8,38,47,945	94,97,476	9,33,45,421	20,89,52,934	13,82,11,339

Note : 1 \*\*No depreciation has been charged as the Asset has not been put to use.



## Schedules Forming Part of Balance Sheet

(Rs)

Particulars	Sch	As at 31-Mar-09	As at 31-Mar-08
<b>INVESTMENTS</b>	<b>5</b>		
<b>Longterm Investments (Unquoted)</b>			
<i>Investments in Wholly Owned Subsidiaries</i>			
- Sankhya SARL, France		1,72,920	2,98,29,450
- Sankhya US Corporation, US		46,71,607	46,71,607
- Sankhya Information Technologies, Hyd		10,00,000	10,00,000
<b>Total</b>		<b>58,44,527</b>	<b>3,55,01,057</b>
<b>CURRENTS ASSETS, LOANS AND ADVANCES</b>	<b>6</b>		
<b>A. Cash and Bank Balances</b>			
Cash on Hand		34,290	83,814
Bank			
- in Current Account		13,58,975	54,83,111
- in Overseas Account		62,904	1,19,88,308
- Un Paid Dividend A/c		6,19,535	-
<i>Sub-total</i>		<u>20,75,704</u>	<u>1,75,55,233</u>
<b>B. Work in Process (at cost)</b>		9,46,75,672	7,26,75,672
<b>C. Sundry Debtors</b>			
<i>(Un-secured and considered good)</i>			
- Exceeding Six Months		3,52,12,630	-
- Less than Six Months		19,16,04,397	20,70,42,811
<i>Sub-total</i>		<u>22,68,17,027</u>	<u>20,70,42,811</u>
<b>D. Loans &amp; Advances</b>			
- Advances for Expenditure		25,93,721	37,16,990
- Deposits		71,00,000	61,65,706
- Advance Taxes & TDS		5,84,798	10,00,000
- Prepaid Expenses		11,09,254	17,74,940
- Loan to Sankhya US (wos)		5,52,50,884	2,93,94,461
<i>Sub-total</i>		<u>6,66,38,657</u>	<u>4,20,52,097</u>
<b>Total</b>		<b>39,02,07,060</b>	<b>33,93,25,813</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>	<b>7</b>		
- Sundry Creditors		1,79,99,082	1,14,90,300
- Provisions		3,09,08,733	2,01,54,034
<b>Total</b>		<b>4,89,07,815</b>	<b>3,16,44,334</b>



## Schedules Forming Part of Profit &amp; Loss

(Rs)

Particulars	Sch	Year Ended 31-Mar-09	Year Ended 31-Mar-08
<b>INCOME</b>	<b>8</b>		
<b>SOFTWARE INCOME</b>			
<i>Domestic Income</i>		2,28,65,266	4,06,34,126
<i>Export Income</i>		39,44,62,527	32,01,69,875
<b>Gross Income:</b>		<b>41,73,27,793</b>	<b>36,08,04,001</b>
<b>OTHER INCOME</b>	<b>9</b>	<b>14,39,357</b>	<b>12,28,363</b>
<i>Income From Investments</i>		-	3,08,241
<i>Misc. Income</i>		15,841	2,17,990
<i>Foreign Exchange Fluctuation</i>		2,23,623	-
<i>Interest on Advances to WOS</i>		11,99,893	7,02,132
<b>TOTAL INCOME</b>		<b>41,87,67,150</b>	<b>36,20,32,364</b>
<b>EMPLOYEE COST</b>	<b>10</b>	<b>3,49,62,557</b>	<b>3,59,29,663</b>
<i>Employee Benefits</i>		14,78,583	16,44,433
<i>Salaries</i>		2,57,58,923	2,88,00,660
<i>Staff Welfare Expenses</i>		68,702	1,32,773
<i>Staff Recruitment &amp; Training Expenditure</i>		4,41,949	5,37,397
<i>Managerial Remuneration</i>		72,14,400	48,14,400
<b>OPERATIONS &amp; OTHER EXPENSES</b>	<b>11</b>	<b>29,89,87,064</b>	<b>22,20,17,446</b>
<b>OVERSEAS COST</b>		<b>26,29,13,693</b>	<b>18,09,47,037</b>
<b>ADMINISTRATIVE COST</b>		<b>1,39,44,515</b>	<b>2,62,38,896</b>
<i>Communication Charges</i>		1,16,368	3,31,787
<i>Computer Maintenance &amp; Others</i>		49,57,687	1,25,38,021
<i>Other Administrative Cost</i>		14,24,797	32,19,497
<i>Advertisement</i>		2,31,930	26,214
<i>Audit Remuneration</i>		1,10,300	1,12,240
<i>Audit Expenses</i>		2,422	,270
<i>Bank Charges</i>		10,14,651	32,79,289
<i>Board Meeting Expenses</i>		87,500	49,875
<i>Books &amp; Periodicals</i>		1,320	1,205
<i>Business Promotion</i>		1,84,124	2,02,348
<i>Electricity</i>		10,12,424	9,96,401
<i>Insurance</i>		60,484	4,04,531
<i>Membership &amp; Subscriptions</i>		84,944	51,391
<i>Miscellaneous Expenditure</i>		22,146	5,696
<i>Office Maintenance</i>		8,80,301	12,42,389
<i>Postage &amp; Courier</i>		2,07,215	1,66,160
<i>Printing &amp; Stationery</i>		1,85,549	2,24,284
<i>Rates &amp; Taxes</i>		3,11,060	5,78,081
<i>Rents</i>		26,72,760	23,67,960
<i>Telephones Charges</i>		3,52,424	3,22,048
<i>Travel &amp; Conveyance</i>		24,109	1,19,211
<b>SELLING &amp; MARKETING EXPENDITURE</b>		<b>53,23,173</b>	<b>42,81,374</b>
<i>Other Exp</i>		23,171	1,98,169
<i>Travel Expenditure</i>		53,00,002	40,83,205
<b>FINANCIAL CHARGES</b>		<b>1,68,05,683</b>	<b>1,05,50,138</b>
<b>TOTAL EXPENDITURE</b>		<b>33,39,49,621</b>	<b>25,79,47,108</b>



## Cash Flow Statement for the Year Ended 31 March, 2009

(Rs)

Particulars	Year Ended 31-Mar-09	Year Ended 31-Mar-08
<b>A. CASH FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) after tax and extra Ordinary Items	4,42,62,116	9,02,29,316
<b>Adjustment for:</b>		
Depreciation	2,74,88,892	94,97,476
Interest	1,68,05,683	1,05,50,138
<b>Operating Profit Before WC Changes</b>	<b>8,85,56,692</b>	<b>11,02,76,930</b>
<b>Adjustment for:</b>		
Trade and Other Receivables	(4,43,60,776)	(8,15,31,735)
Work In Progress	(2,20,00,000)	(2,64,23,030)
Trade payables	1,72,63,482	1,45,15,172
<b>Net Cash Flow from Operating Activities</b>	<b>3,94,59,398</b>	<b>1,68,37,336</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Assets Additions	(9,70,52,510)	(8,02,39,071)
Change in Investments	2,96,56,530	(59,80,711)
<b>Net Cash from/(Used) in Investing Activities</b>	<b>(6,73,95,980)</b>	<b>(8,62,19,782)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Short term borrowings	2,92,62,737	4,77,89,203
Interest & dividend and tax on dividend	(1,68,05,683)	(2,04,93,417)
<b>Net Cash from/(Used) in Financing Activities</b>	<b>1,24,57,054</b>	<b>2,72,95,786</b>
<b>Opening Cash and Cash Equivalents</b>	<b>1,75,55,233</b>	<b>5,96,41,893</b>
<b>Net increase in Cash and Cash Equivalents</b>	<b>(1,54,79,529)</b>	<b>(4,20,86,660)</b>
<b>Closing Cash and Cash Equivalents</b>	<b>20,75,704</b>	<b>1,75,55,233</b>

As per our report of even date

for M/s. Satyanarayana & Co  
Chartered AccountantsJ. Jagannadha Rao  
Partner  
Membership No.: 6239Place : Secunderabad  
Date : 29<sup>th</sup> June 2009

for and on behalf of the Board

N R Mohanty  
ChairmanN. Sridhar  
Managing Director & CEO

**SCHEDULE – 12****NOTES TO ACCOUNTS FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009****A. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of preparation of financial statements**

The financial statements have been prepared to comply in all material respects in with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006 and relevant provisions of Companies Act, 1956. The financial statements are prepared under the historical cost convention and accrual basis and in accordance with the Generally Accepted Accounting Principles in India and the requirements of the Companies Act 1956.

**2. Use of estimates**

The preparation of the financial statements in conformity with Generally Accepted Accounting Practices requires Management to make estimates and assumptions that affect the reported Assets and Liabilities and disclosures relating to contingent assets and liabilities as at the date of the Financial Statements and reported amounts of Income and Expenses during the period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**3. Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can reliably be measured.

Revenue from Services:

- Time and material contracts – Revenues are recognized on the basis of time spent duly approved by the respective customers.
- Fixed price contracts – Revenues are recognized on the basis of approval received from the respective customers.
- Unbilled revenue (Work in Process): Unbilled revenue related to project is valued based on internal timesheets or timesheets submitted by vendors for time and material contracts and for fixed price contracts based upon assessment of work done. Unbilled revenue recognized is subsequently billed to customers after receipt of approval.
- Other Income - In other income such as income from interest is recognized using the time proportion method, based on rates implicit in the transaction.

**4. Expenditure**

All software development and services purchased are charged to cost of revenue in

the year of acquisition. Provisions are made for all known losses and liabilities. Where ever applicable leave encashment liability is provided on the basis of actuarial valuation.

**5. Fixed assets**

Fixed assets are stated at cost less accumulated depreciation. Direct costs are capitalized until fixed assets are ready for use. "Cost means" cost of bringing the asset to its working condition for its intended use. Fixed assets are capitalized as per the statement issued by the Institute of Chartered Accountants of India.

**6. Depreciation**

Depreciation on fixed assets is applied on the written down value method by following the rates prescribed in Schedule XIV of the Companies Act, 1956. Individual low cost assets (acquired for less than Rs.5000/-) are entirely depreciated in the year of acquisition.

**7. Investments**

Investments in wholly owned subsidiary are at cost

**8. Retirement Benefits**

Provident fund is administered through Regional Provident Fund Commissioner. The Gratuity Fund is administered through the scheme of Life Insurance Corporation of India. The contributions to the above said funds are charged against revenue. Provision for Leave encashment is made on an estimated basis on the assumption that such benefits are payable to all the eligible employees at the end of the accounting year.

**9. Foreign currency transactions****Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction.

**Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

**Exchange Differences**

Exchange differences arising on the settlement of monetary items at rates different from those



at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

**Forward Exchange Contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

**Translation of foreign branch**

The financial statements of an integral foreign

operation are translated as if the transactions of the foreign operation have been those of the company itself.

**Foreign Travel**

The foreign travel includes Director's travel amounting to Rs.5.13 lakhs.

**10. Income Tax**

As there is no tax on timing difference between the taxable income and accounting income that originate in accordance with the Accounting Standards-22 issued by The Institute of Chartered Accountants of India, no deferred tax liability has been provided for.

**11. Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

**B. NOTES ON ACCOUNTS**

**1. Fixed Assets**

During the year the following fixed assets have been added

(Rs.)

Particulars	31-Mar-09	31-Mar-08
Computers	-	1,47,172
Air Conditioner	31,000	-
Projector	-	58,000
Furniture	-	17,529
Software	5,86,21,510	8,00,16,370
Total	5,86,52,510	8,02,39,071

**2. Investments**

Investments in wholly owned subsidiary are at cost

**3. Contingent Liabilities not provided for in respect of**

a) Provision has not been made on the Tax demand raised by the Income Tax authorities on pending appeal before the Commissioner of Income Tax (Appeals), Hyderabad.

The year wise demand is as follows:-

Asst. Year	Principal Amount (Rs.)	Interest (Rs.)	Total (Rs.)	Remarks
2002-03	75,02,297	55,16,431	1,30,18,728	Appeal Pending before CIT (A) – IV
2003-04	85,05,793	50,34,044	1,35,39,837	Appeal Pending before CIT (A) – IV
2004-05	1,02,79,704	47,30,694	1,50,10,398	Appeal Pending before CIT (A) – IV
2005-06	1,34,34,577	44,46,673	1,78,81,250	Appeal Pending before CIT (A) – IV
2006-07	84,42,731	30,56,976	1,14,99,707	Appeal Pending before CIT (A) – IV

b) Bank Guarantees issued by Bank Rs. 60,00,000/- in favor of ICAI.

**4. Overseas Cost**

Overseas Cost includes

(Rs. in Lakhs)

Particulars	31-Mar-09	31-Mar-08
Employee Cost	1450.40	1360.13
Business Expenses	1178.73	449.34

**5. Secured Loans**

An amount of Rs.1173.03 lakhs is outstanding in Working Capital Loan availed from State Bank of India, Commercial Branch, Secunderabad as at the end of March 31<sup>st</sup>, 2009.

**6. Directors Remuneration**

(Rs.)

Particulars	31-Mar-09	31-Mar-08
Salary including allowances		
Vice Chairman	36,07,200	24,07,200
Managing Director & CEO	36,07,200	24,07,200

Note: As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Directors is not ascertained and therefore not included above.

**7. Remuneration to Statutory Auditors (incl. Service Tax)**

(Rs.)

Particulars	31-Mar-09	31-Mar-08
As Auditors	75,000	75,000
Certification Fee	25,000	25,000
Service Tax	10,300	12,240
Total	110,300	112,240

**8. Details of Loan given to Subsidiary (Clause 32 of the Listing Agreement)**

(Rs. in Lakhs)

Particulars	As at 31-Mar-09	As at 31-Mar-08
<b>Sankhya US Corporation, USA</b> (Maximum amount outstanding during the year)	296.57	293.94

There is no repayment schedule in respect of this loan.

**9. Earnings Per Share**

Particulars	31-Mar-09	31-Mar-08
Net profit for the Year (Rs.in Lakhs)	442.62	902.29
Weighted Average No. of Shares outstanding during the year	85,00,005	85,00,005
Earnings Per Share (Rs.)	5.97	10.62
Nominal Value of the Share(Rs.)	10	10





## 10. Related Party Disclosures

### a) Related Parties

Sl.No.	Name	Relationship
1)	Sankhya Sarl France	Wholly owned Subsidiary
2)	Sankhya US Corporation	Wholly owned Subsidiary
3)	Sankhya Information Technologies (India) Pvt Ltd	Wholly owned Subsidiary
4)	Sri N.Ramakrishna Rao	Chairman Emeritus
5)	Sri N.Srinivas	Vice-Chairman
6)	Sri N.Sridhar	Managing Director & CEO

### b) Transactions with Related Parties Subsidiary companies

(Rs.)

Sl.No.	Name	31-03-2009	31-03-2008
1.	Sankhya SARL France – (Investment)	172,920	2,98,29,450
2.	Sankhya US Corporation (Investment)	46,71,607	46,71,607
	Loan granted	5,40,50,991	2,93,94,461
	Interest on Loan	11,99,893	-
3.	Sankhya Information Technologies (India) Pvt Ltd - (Investment)	10,00,000	10,00,000

### Key Managerial Personnel

(Rs.)

Sl.No.	Name	31-03-2009	31-03-2008
1.	Sri N. Ramakrishna Rao (Sitting fee)	Nil	4,000
2.	Sri N.Srinivas (Remuneration)	36,07,200	24,07,200
3.	Sri N.Sridhar (Remuneration)	36,07,200	24,07,200

## 11. Micro, Small and Medium Enterprise.

There are no Micro, Small and Medium Enterprise, to whom the Company owes dues, which are outstanding at the Balance Sheet date, computed on unit wise basis.

## 12. EOU's Exemptions

The Company's operations are carried through 100% Export Oriented Unit ("EOU"). Income from EOU's are exempt for the earlier of 10 years commencing from the fiscal year in which the Software development commenced by the Unit. Exemptions if any applicable are applied with the relevant rules of the Income Tax, 1961 and other laws. Hence, the company has not provided any deferred tax liability as per AS 22 issued by the Institute of Chartered Accountants of India.

**13. Segment Reporting**

The company's operations relate to providing IT services, delivered to customers globally operating in transportation segment.

Income and expenses which are direct in nature in relation to segments is categorized based on items that are identifiable individually to that segment, rest are categorized in relation to the associated turnover of the segment.

Expenses such as Depreciation and Interest, which form a significant component of total expenses, are not specifically allocable to specific segment as the underlying services are used interchangeably.

(Rs. In Lakhs)

Industry Segment	Aviation	Service	Total
Revenue			
<b>31.03.2009</b>	<b>2742.28</b>	<b>1431.00</b>	<b>4173.28</b>
31.03.2008	3201.70	406.34	3608.04
Segment Operating Profit			
<b>31.03.2009</b>	<b>667.77</b>	<b>348.46</b>	<b>1016.23</b>
31.03.2008	1017.25	129.10	1146.35

14. The Company has not made any provision for Bad and Doubtful Debt in respect of the invoices raised on The Institute of Chartered Accountants of India amounting to Rs. 2,76,49,733/- . The company referred the same for Arbitration for cancelling the contract.

**15. Balance Confirmation**

Balances as appearing under unsecured loan creditors, sundry creditors, capital work in process, work in process & loans and advance are subject to confirmation and / or reconciliation, if any.

**16. Regrouping & Rounding off**

The previous year's figures have been reclassified and regrouped, wherever necessary to confirm the Current Year classification and to confirm to the relevant laws. Paise have been rounded off to the nearest rupee.

Schedules 1 to 12 form an integral part of the accounts.

As per our report of even date

As per our report of even date

for M/s. Satyanarayana & Co  
Chartered Accountants

for and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No.: 6239

**N R Mohanty**  
Chairman

**N. Sridhar**  
Managing Director & CEO

Place : Secunderabad  
Date : 29<sup>th</sup> June 2009

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.**

<i>I. Registration Details:</i>		
<i>Registration No:</i>		<b>01-45306</b>
<i>State Code</i>		<b>01</b>
<i>Balance Sheet Date:</i>		<b>31<sup>st</sup> March 2009.</b>
<i>Capital Raised during the year</i>		<b>[Rupees ('000)]</b>
<i>Public Issue</i>		<b>Nil</b>
<i>Pref Issue</i>		<b>Nil</b>
<i>Rights Issue</i>		<b>Nil</b>
<i>Bonus Issue</i>		<b>Nil</b>
<i>Private Placement</i>		<b>Nil</b>
<i>III. Position of Modification and deployment of Funds</i>		
<i>Total Assets</i>		<b>625660</b>
<i>Total Liabilities</i>		<b>625660</b>
<i>Sources of Funds</i>		
<i>Paid Up Capital</i>		<b>85000</b>
<i>Share Application Money</i>		<b>Nil</b>
<i>Secured Loans</i>		<b>117304</b>
<i>Reserves &amp; Surplus</i>		<b>403066</b>
<i>Application of Funds</i>		
<i>Net Fixed Assets</i>		<b>240117</b>
<i>Net Current Assets</i>		<b>311643</b>
<i>Miscellaneous Expenditure</i>		<b>Nil</b>
<i>IV. Performance of the Company</i>		
<i>Turnover</i>		<b>418767</b>
<i>Profit / Loss before tax</i>		<b>57329</b>
<i>Earnings per share in Rs.(Annualized)</i>		<b>5.97</b>
<i>Dividend</i>		<b>Nil</b>
<i>V. Generic Name of Three Principle products / Services of the Company (as per monetary terms)</i>		
<i>Item Code No: [ITC CODE]</i>		<b>Nil</b>

*As per our report of even date*

**for M/s. Satyanarayana & Co**  
*Chartered Accountants*

*for and on behalf of the Board*

**J. Jagannadha Rao**  
*Partner*  
*Membership No.: 6239*

**N R Mohanty**  
*Chairman*

**N. Sridhar**  
*Managing Director & CEO*

*Place : Secunderabad*  
*Date : 29<sup>th</sup> June 2009*

**CONSOLIDATED AUDITORS REPORT**

To.

The Board of Directors,

**Sankhya Infotech Limited.**

Hyderabad

1. We have audited the attached Consolidated Balance sheet of **Sankhya Infotech Ltd** as on 31 ' March 2009 and the **Consolidated Profit and Loss Account and Consolidated Cash Flow Statement** for the 12 month period ended on that date, annexed thereto .These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with audit in standards generally accepted in India. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial are free of material misstatement. An audit includes examining on the test basis, evidence supporting the amounts and disclosures in the financial statements. Audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have audited the financial statements and other Information of **Sankhya Infotech Limited** and Sankhya Information Technologies (India) Private Limited. The financial statements and other financial information of Sankhya US Corporation and Sankhya SARL France have been audited by other auditors whose report has been furnished to us and our opinion is based solely on the report of other auditors.
4. We report that consolidated financial statements have been prepared by the company's management in accordance with the requirements of Accounting Standards (AS 21), consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
5. In our opinion, and to the best of our Information and according to the explanations given to us, the said consolidated Balance Sheet, consolidated Profit & Loss Account and consolidated Cash Flow Statement read together with the significant accounting policies and notes thereon give the information required by the Companies Act, 1956. in the manner so required and give a true and far view in conformity with the accounting principles generally accepted in India.
  - I. In so far as It relates to the consolidated Balance Sheet, of the state of affairs of the Sankhya Group as on 31 March 2009;
  - II. In the case of consolidated Profit & Loss Account, of the Profit of the Sankhya Group for the year ended on that date;
  - III. In case of the consolidated Cash Flow Statement, of the cash flows of Sankhya group for the period ended on that date.

**For M/s. Satyanarayana & Co**  
Chartered Accountants  
**J. Jagannadha Rao**  
Partner  
Membership No: 6239

Place Secunderabad  
Date 29<sup>th</sup> June 2009

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs.)

Particulars	Sch	As at 31-Mar-09	As at 31-Mar-08
<b>SOURCES OF FUNDS</b>			
<i>Shareholder's Fund</i>			
Equity Share Capital	1	8,50,00,050	8,50,00,050
Reserves & Surplus	2	37,82,48,706	33,74,09,388
Total		<u>46,32,48,756</u>	<u>42,24,09,438</u>
<i>Share application money</i>			
<i>Loan Fund</i>			
Secured Loan	3	11,73,03,540	10,70,97,578
Unsecured Loan		2,02,90,498	12,33,723
<b>TOTAL OF SOURCES</b>		<u>60,08,42,794</u>	<u>53,07,40,739</u>
<b>APPLICATION OF FUNDS</b>			
<i>Fixed Assets</i>			
Gross Block	4	36,09,50,864	30,22,98,355
Less: Accu. Depreciation		12,08,34,313	9,33,45,421
Capital work in progress		3,84,00,000	
Net Block		<u>27,85,16,551</u>	<u>20,89,52,934</u>
<i>Current Assets, Loans and Advances</i>			
Less: Current Liabilities and Provisions	5	37,19,91,306	35,39,63,835
Net Current Assets	6	4,98,46,491	3,23,50,833
Misc. Expenditure (to the extent not written off)		1,81,428	1,74,803
<b>TOTAL OF APPLICATION</b>		<u>60,08,42,794</u>	<u>53,07,40,739</u>
Significant accounting policies & notes to accounts	11		

As per our report of even date  
for M/s. Satyanarayana & Co  
Chartered Accountants

for and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No.: 6239

**N R Mohanty**  
Chairman

**N. Sridhar**  
Managing Director & CEO

Place: Secunderabad  
Date: 29<sup>th</sup> June 2009

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

(Rs.)

Particulars	Sch	Year Ended 31-Mar-09	Year Ended 31-Mar-08
<b>INCOME</b>			
Software Income	7	41,73,27,793	36,08,84,523
Other Income	8	14,39,357	12,43,701
<b>TOTAL INCOME</b>		<b>41,87,67,150</b>	<b>36,21,28,224</b>
<b>EXPENDITURE</b>			
Employee Cost	9	3,63,37,240	3,85,40,566
Operations & Other Expenses	10	30,10,35,179	23,49,89,505
<b>Total Expenditure</b>		<b>33,73,72,419</b>	<b>27,35,30,071</b>
<b>Profit Before Depreciation &amp; Taxes</b>		<b>8,13,94,731</b>	<b>8,85,98,153</b>
Depreciation		2,74,88,892	94,97,476
<b>Profit Before Tax</b>		<b>5,39,05,839</b>	<b>7,91,00,677</b>
Provision for Income Tax - Current Year		64,95,335	43,05,814
- Earlier Year		64,43,581	-
Fringe Benefit Tax		1,27,605	85,249
<b>Net Profit</b>		<b>4,08,39,318</b>	<b>7,47,09,614</b>
<b>Profit After Tax &amp; Prior Period Adjustments</b>		<b>4,08,39,318</b>	<b>7,47,09,614</b>
Transfer to General Reserve		-	22,55,733
Less : Proposed Dividend @ 12%		-	1,02,00,006
Tax on Proposed Dividend @ 16.99%		-	17,33,491
<b>Amount transferred to Balance Sheet</b>		<b>4,08,39,318</b>	<b>6,05,20,384</b>
<b>EPS</b>		<b>4.80</b>	<b>8.79</b>
Significant accounting policies & notes on accounts	11		

As per our report of even date  
for M/s. Satyanarayana & Co  
Chartered Accountants

**J. Jagannadha Rao**  
Partner  
Membership No.: 6239

Place: Secunderabad  
Date: 29<sup>th</sup> June 2009

for and on behalf of the Board

**N R Mohanty**  
Chairman

**N. Sridhar**  
Managing Director & CEO

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rs.)

Particulars	Sch	As at 31-Mar-09	As at 31-Mar-08
<b>EQUITY SHARE CAPITAL</b>	<b>1</b>		
<b>A. Authorized Capital</b>		<u>15,00,00,000</u>	<u>15,00,00,000</u>
1,50,00,000 Equity Shares of Rs.10 Each		<u>15,00,00,000</u>	<u>15,00,00,000</u>
<b>B. Issued, Subscribed and Paid-up Capital</b>			
85,00,005 equity shares of Rs.10 each fully paid up in Sankhya Infotech Limited, Sec-Bad.		8,50,00,050	8,50,00,050
<b>Total</b>		<u>8,50,00,050</u>	<u>8,50,00,050</u>
<b>RESERVES &amp; SURPLUS</b>	<b>2</b>		
- General Reserve		37,39,921	37,39,921
- Share Premium		9,17,11,650	9,17,11,650
- Profit & Loss Account (Opening)		24,19,57,817	18,14,37,433
- Add: Profit for the Year		<u>4,08,39,318</u>	<u>6,05,20,384</u>
<b>Total</b>		<u>37,82,48,706</u>	<u>33,74,09,388</u>
<b>LOAN FUND</b>	<b>3</b>		
<b>Secured Loans</b>			
<b>Working Capital Loan from SBI</b>		11,73,03,540	10,70,97,578
<i>(Secured by first charge on Export bills and further secured by Equitable Mortgage of the immovable assets belonging to the company, agricultural land belonging to promoters and pledge of shares belonging to Promoter Directors in favour of State Bank of India, Commercial Branch, Secunderabad. (The above loans are further secured by Personal Guarantees of Promoter Directors and Guarantor)</i>			
<i>Sub-total</i>		11,73,03,540	10,70,97,578
<b>Unsecured Loans</b>		2,02,90,498	12,33,723
<b>Total</b>		<u>13,75,94,038</u>	<u>10,83,31,301</u>

**Depreciation Schedule IV SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET (Rs.)**

S. No.	Name of the Asset	GROSS BLOCK (AT COST)				DEPRECIATION			Net Block	
		Rate %	As at 01-Apr-08	Additions During the Year	As at 31-03-2009	As at 01-Apr-08	For the Period ending 31.03.09	As at 31-Mar-09	AS AT 31-3-2009	AS AT 31-3-2008
1	Plant & Machinery	15.33%	65,80,812		65,80,812	45,71,501	3,08,027	48,79,528	17,01,284	20,09,311
2	Air Conditioners	15.33%	11,67,555	31,000	11,98,555	8,57,774	49,866	9,07,640	2,90,915	3,09,781
3	Computers	40.00%	3,39,65,257		3,39,65,257	3,26,39,740	5,30,207	3,31,69,947	7,95,310	13,25,517
4	Projector	20.00%	3,41,108		3,41,108	2,46,866	18,848	2,65,714	75,394	94,242
5	Furniture	18.10%	1,65,08,690		1,65,08,690	1,32,96,429	5,81,419	1,38,77,848	26,30,842	32,12,261
6	Vehicles	25.89%	6,91,709		6,91,709	6,31,038	15,708	6,46,746	44,963	60,671
	Software Products :									
7	- Silicon LMS/QT	40.00%	5,66,19,450	1,50,00,000	7,16,19,450	2,63,58,743	1,51,04,283	4,14,63,026	3,01,56,424	3,02,60,707
8	- Silicon LCMS	40.00%	4,10,00,000		4,10,00,000	1,44,87,671	1,06,04,932	2,50,92,603	1,59,07,397	2,65,12,329
9	- Sage CRM Server 200	40.00%	4,20,944		4,20,944	2,04,636	86,523	2,91,159	1,29,785	2,16,308
10	- Flight Dispatcher **	40.00%	3,78,00,000	1,25,00,000	5,03,00,000				5,03,00,000	3,78,00,000
11	- Silicon ATHENA **	40.00%	10,67,73,910	75,00,000	11,42,73,910				11,42,73,910	10,67,73,910
12	- Service Capture	40.00%	1,400	-	1,400	37	545	582	818	1,363
13	- Tally 9 Gold Multi User	40.00%	9,360	-	9,360	2,226	2,854	5,080	4,280	7,134
14	- Teamprise / Eclipse 3.0	40.00%	9,960	-	9,960	-	-	-	9,960	9,960
15	- Vstudio Team Ed (5 Users)	40.00%	4,08,200		4,08,200	48,760	1,43,776	1,92,536	2,15,664	3,59,440
16	- Adobe Ilog Elxir with Media Kit	40.00%		31,960	31,960			12,784	19,176	
17	- Device Lock Software	40.00%		72,800	72,800			29,120	43,680	
18	- Logitek G. 25 Manning Wheel	40.00%		16,750	16,750				16,750	
19	- IRMAO**	40.00%		2,35,00,000	2,35,00,000				2,35,00,000	
	Total		30,22,98,355	5,86,52,510	36,09,50,865	9,33,45,421	2,74,88,892	12,08,34,313	24,01,16,552	20,89,52,934
	Previous Year		22,20,59,284	8,02,39,071	30,22,98,355	8,38,47,945	94,97,476	9,33,45,421	20,89,52,934	13,82,11,339

Note : 1 \*\*No depreciation has been charged as the Asset has not been put to use.





## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rs.)

Particulars	Sch	As at 31-Mar-09	As at 31-Mar-08
<b>CURRENTS ASSETS, LOANS AND ADVANCES</b>	<b>5</b>		
<i>A. Cash and Bank Balances</i>			
<i>Cash in Hand</i>		2,07,280	83,884
<i>Bank</i>			
- <i>in Current Account</i>		3,78,37,833	1,86,83,257
- <i>Overseas Deposits</i>		62,904	1,19,88,308
<i>Sub-total</i>		<u>3,81,08,017</u>	<u>3,07,55,449</u>
<i>B. Work in Progress</i>		9,46,75,672	7,26,75,672
<i>C. Sundry Debtors</i>			
<i>(Un-secured and considered good)</i>			
- <i>Exceeding Six Months</i>		3,52,90,346	2,99,07,166
- <i>Less than Six Months</i>		19,16,04,397	20,70,42,811
<i>Sub-total</i>		<u>22,68,94,743</u>	<u>23,69,49,977</u>
<i>D. Loans &amp; Advances</i>			
- <i>Advances for Expenditure</i>		35,18,822	46,42,090
- <i>Deposits</i>		71,00,000	61,65,707
- <i>Advance Taxes &amp; TDS</i>		5,84,798	10,00,000
- <i>Prepaid Expenses</i>		11,09,254	17,74,940
<i>Sub-total</i>		<u>1,23,12,874</u>	<u>1,35,82,737</u>
<b>Total</b>		<b><u>37,19,91,306</u></b>	<b><u>35,39,63,835</u></b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>	<b>6</b>		
- <i>Sundry Creditors</i>		1,88,25,279	1,21,96,799
- <i>Provisions</i>		3,10,21,212	2,01,54,034
<b>Total</b>		<u>4,98,46,491</u>	<u>3,23,50,833</u>



**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT**

				(Rs.)
Particulars	Sch	Year Ended 31-Mar-09	Year Ended 31-Mar-08	
<b>INCOME</b>				
Software Income	7	41,73,27,793	36,08,84,523	
Domestic		2,28,65,266	4,07,14,648	
Exports		39,44,62,527	32,01,69,875	
Other Income	8	14,39,357	12,43,701	
<b>Total Income</b>		<b><u>41,87,67,150</u></b>	<b><u>36,21,28,224</u></b>	
<b>EXPENDITURE</b>				
<b>EMPLOYEE COST</b>	9	<b><u>3,63,37,240</u></b>	<b><u>3,85,40,566</u></b>	
Salaries		2,71,33,606	3,13,97,163	
Employee benefits		14,78,583	16,58,833	
Staff recruitment & Training expenditure		4,41,949	5,37,397	
Staff welfare Expenses		68,702	1,32,773	
Managerial Remuneration		72,14,400	48,14,400	
<b>OPERATION AND OTHER EXPENSES</b>	10	<b><u>30,10,35,179</u></b>	<b><u>23,49,89,505</u></b>	
<b>OVERSEAS COST</b>		<b><u>26,29,13,693</u></b>	<b><u>18,09,47,037</u></b>	
<b>ADMINISTRATIVE COST</b>		<b><u>1,45,01,297</u></b>	<b><u>3,85,08,824</u></b>	
Advertisement		2,58,752	26,21	
Annual Maintenance		-	1,23,303	
Audit remuneration		1,62,722	1,57,510	
Bank Charges		10,22,579	32,81,528	
Board Meeting expenses		87,500	49,875	
Books & Periodicals		1,320	1,205	
Business Promotion		1,84,124	1,12,02,348	
Communication Charges		1,16,368	3,31,787	
Computer Maintenance & others		49,57,687	1,24,80,251	
Consultancy Charges		14,24,797	32,26,006	
Electricity		10,12,424	9,96,401	
Insurance		2,70,694	9,75,062	
Membership & Subscription		84,944	51,391	
Miscellaneous Expenditure		22,146	57,770	
Office maintenance		8,80,301	11,19,086	
Postage & Courier		2,07,215	1,66,160	
Printing & stationery		1,89,049	2,26,584	
Rates & Taxes		4,86,670	7,77,014	
Rents		26,72,760	23,67,960	
Telephones		4,35,136	3,76,163	
Travel & conveyance		24,109	5,15,208	
<b>SELLING &amp; MARKETING EXPENDITURE</b>		<b><u>56,14,613</u></b>	<b><u>42,81,374</u></b>	
Other Expenses		23,171	40,83,205	
Travel Expenditure		55,91,442	1,98,169	
<b>FINANCIAL CHARGES</b>		<b><u>1,80,05,576</u></b>	<b><u>1,12,52,270</u></b>	
<b>Total Expenditure excluding Depreciation</b>		<b><u>33,73,72,419</u></b>	<b><u>27,35,30,071</u></b>	

**SCHEDULE 11****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED ACCOUNTS****(A) Significant Accounting Policies**

- 1) *Basis of preparation of consolidated Financial Statements :*
  - a. *The consolidated Financial Statements are prepared in accordance with accounting Standards (AS21) on consolidated financial statements.*
  - b. *Accounts are prepared on the historical cost basis and on the principles of a going concern*
  - c. *Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles*
- 2) *Principles of Consolidation*
  - a. *The Financial Statements of Sankhya Infotech Ltd and its subsidiaries are consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities and income & expenses.*
  - b. *The Financial statements of Sankhya Infotech Ltd and its subsidiaries are consolidated using uniform accounting policies for like transactions.*
- 3) *Revenue recognition*  
*Fixed-price, fixed-time frame contracts or mile stone contracts revenue for the software is recognized as per the proportion/stage/time completion method, in all other contracts such as time and material the revenue is recognized as and when the related services are rendered. In technical services contracts which are on annual basis revenue from fixed price maintenance contracts are recognized proportionately over the period in which services are rendered. In other income such as income from interest is recognized using the time proportion method, based on rates implicit in the transaction.*
- 4) *Fixed assets*  
*Fixed assets are stated at cost less accumulated depreciation. Direct costs are capitalized until fixed assets are ready for use. "Cost means" cost of bringing the asset to its working condition for its intended use. Fixed assets are capitalized as per the statement issued by the Institute of Chartered Accountants of India*
- 5) *Depreciation*  
*Depreciation on fixed assets is applied on the written down value method based by following the rates prescribed in Schedule XIV of the Companies Act, 1956. Individual low cost assets (acquired for less than Rs.5,000/-) are entirely depreciated in the year of acquisition.*
- 6) *Investments*  
*Investments in Wholly owned subsidiary are at cost.*
- 7) *Retirement Benefits*  
*Provident fund is administered through Regional Provident Fund Commissioner. The Gratuity Fund is administered through the scheme of Life Insurance Corporation of India. The contributions to the above said funds are charged against revenue. Provision for Leave encashment is made on an estimated basis on the assumption that such benefits are payable to all the eligible employees at the end of the accounting year.*
- 8) *Foreign currency transactions*  
*Transactions in foreign currencies are recorded in the Books of Account in Indian Rupees at the rate of exchange as given by RBI.*  
*Monetary Assets and Liabilities related to Foreign Currency transactions and outstanding at the close of the year are expressed in Indian Rupees at the rate of exchange prevailing on the date of Balance sheet.*  
*Exchange differences arising on foreign currency transactions are being recognized as income or expense in the period in which they arise.*
- 9) *Earnings per share*  
*Basic earnings per equity share are computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.*

**(B) Notes to Consolidated Accounts**

1. *Basis of consolidation:*  
*The consolidated financial statements relate to Sankhya Infotech Limited, the holding company and its wholly owned subsidiaries (the Group). The consolidation of the Financial Statements of*

the Company with its subsidiaries has been prepared in accordance with the requirements of Accounting Standard (AS21) 'Consolidated Financial Statements'. The financial statements of the parent and its subsidiaries are combined on a line by line and intra group balances, intra group transactions and unrealized profits or losses are fully eliminated.

In case of foreign subsidiaries, revenue items are consolidated at the rate as mentioned above. All Assets and Liabilities are converted at the rates prevailing at the end of the year. Exchange gains / losses arising on conversion are charged to Profit & Loss account under Gain/Loss on Foreign Exchange fluctuations.

2. The financial statements of the subsidiaries used in the consolidation are drawn in accordance with the prevailing local laws of the respective countries upto the same reporting date as that of Sankhya Infotech Ltd i.e. year ended March 31, 2009.
3. The subsidiary companies considered in the consolidated financial statements are:

Sl. No	Name of the Company	Country of Incorporation	% of holding
1	Sankhya USA	U.S.A	100%
2.	Sankhya SARL	FRANCE	100%
3.	Sankhya Information Technologies (India) Private Limited	INDIA	100%

4. **Assets**

During the year fixed assets have been added to the extent Rs.586.52lakhs Comprising of Computers, Furniture and Software. The Company has not provided any depreciation on the Silicon ATHENA & Flight Dispatcher software as some more modules are being added.

5. **Investments**

Investments in Wholly owned subsidiary are at cost.

6. **Provisions**

Provision for Taxation:

Provision for Current Income Tax is made on the basis of the Assessable Income under the Income Tax Act 1961.

Provision & Contingent Liabilities:

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

7. **Segment reporting**

The company's operations relate to providing IT services, delivered to customers Globally operating in transportation segment.

Income and expenses which are direct in nature in relation to segments is categorized based on items that are identifiable individually to that segment, rest are categorized in relation to the associated turnover of the segment. Expenses such as Depreciation and Interest, which form a significant component of total expenses, are not specifically allocable to specific segment as the underlying services are used interchangeably.

(Rs. In Lakhs)

Industry Segment	Transportation Aerospace & Defence	Service	Total
Revenue			
31.03.2009	2742.28	1431.00	4173.28
31-03-2008	3,214.14	407.14	3,621.28
Segment Operating Profit			
31.03.2009	653.16	340.84	994.00
31-03-2008	886.05	112.45	998.50



## 8. Related Party Disclosures

The disclosure of the transactions with related parties is as per Accounting Standard 18 are given below:

## a. Related Parties

Sl.No.	Name	Relationship
1)	Sankhya SARL France	Wholly owned subsidiary
2)	Sankhya US Corporation	Wholly owned Subsidiary
3)	Sankhya Information Technologies (India) Pvt Ltd	Wholly owned Subsidiary
4)	Sri N.Ramakrishna Rao	Chairman Emeritus
5)	Sri N.Srinivas	Vice-Chairman
6)	Sri N.Sridhar	Managing Director & CEO

## b. Transactions with Related Parties

## Subsidiary Companies

(Rs.)

Sl.No.	Name	31-03-2009	31-03-2008
1.	Sankhya SARL France – Investment	172,920	2,98,29,450
2.	Sankhya US Corporation Investment	46,71,607	46,71,607
	Loan granted	5,40,50,991	2,93,94,461
	Interest on Loan	11,99,893	-
3.	Sankhya Information Technologies (India) Pvt Ltd - Investment	10,00,000	10,00,000

## c. Key Managerial Personnel

(Rs.)

Sl.No.	Name	31-03-2009	31-03-2008
1.	Sri N. Ramakrishna Rao (Sitting fee)	Nil	4,000
2.	Sri N.Srinivas (Remuneration)	36,07,200	24,07,200
3.	Sri N.Sridhar (Remuneration)	36,07,200	24,07,200

## 9. Micro, Small and Medium Enterprise.

There are no Micro, Small and Medium Enterprise, to whom the Company owes dues, which are outstanding at the Balance Sheet date, computed on unit wise basis.

## 10. Earnings Per Share

	31- Mar-09	31- Mar-08
Net profit for the Year (Rs.)	408.39	747.09
Weighted Average No. of Shares outstanding during the year	85,00,005	85,00,005
Earnings Per Share (Rs.)	4.80	8.79
Nominal Value of the Share (Rs.)	10	10

11. The Company has not made any provision for Bad and Doubtful Debt in respect of the invoices raised on The Institute of Chartered Accountants of India amounting to Rs. 2,76,49,733/- . The company referred the same for Arbitration for canceling the contract.

## 12. Regrouping

The previous year's figures have been recast/restated and regrouped, wherever necessary to confirm the Current Year's classification.

Schedules 1 to 11 form an integral part of our accounts.

As per our report of even date  
for M/s. Satyanarayana & Co  
Chartered Accountants

for and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No.: 6239

**N R Mohanty**  
Chairman

**N. Sridhar**  
Managing Director & CEO

Place: Secunderabad  
Date: 29<sup>th</sup> June 2009

## DETAILS OF THE SUBSIDIARIES

Sl.No.	Particulars	(Rs.)			
		SANKHYA SARL FRANCE	SANKHYA US CORPORATION US	SANKHYA INFORMATION TECHNOLOGIES	SANKHYA CONSOLIDATED
		31-Mar-09	31-Mar-09	31-Mar-09	31-Mar-09
a)	Capital	1,72,920	46,71,607	10,00,000	8,50,00,050
b)	Reserves	-	-	-	37,82,48,706
c)	Total Assets	1,72,920	46,71,607	10,00,000	60,08,42,794
d)	Total Liabilities	1,72,920	46,71,607	10,00,000	60,08,42,794
e)	Details of Investment (except incase of investment in subsidiaries)	-	-	-	-
f)	Turnover	-	-	-	41,73,27,793
g)	Profit before Taxation	-	(34,22,798)	-	5,39,05,839
h)	Provision for Taxation	-	-	-	1,30,66,521
i)	Profit after Taxation	-	(34,22,798)	-	4,08,39,318
j)	Proposed Dividend	-	-	-	-

## CONSOLIDATED CASH FLOW STATEMENT FOR YEAR ENDED 31 MARCH 2009

Particulars	(Rs.)	
	Year Ended 31st March 2009	Year Ended 31st March 2008
<b>A. CASH FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) after tax and extra Ordinary Items	4,08,39,318	7,47,09,614
Adjustment for:		
Depreciation	2,74,88,892	94,97,476
Interest	1,80,05,576	1,12,52,270
<b>Operating Profit Before WC Changes</b>	<b>8,63,33,786</b>	<b>9,54,59,360</b>
Adjustment for:		
Trade and Other Receivables	1,13,25,098	(8,25,34,553)
Work In Progress	(2,20,00,000)	(2,64,23,030)
Trade payables	1,74,95,657	1,54,39,225
<b>Net Cash Flow from Operating Activities</b>	<b>9,31,54,540</b>	<b>19,41,002</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Assets Additions	(9,7,0,52,510)	(8,02,39,071)
Change in Investments		2,34,18,750
<b>Net Cash from/(Used) in Investing Activities</b>	<b>(9,70,52,510)</b>	<b>(5,68,20,321)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Short term borrowings	2,92,62,737	4,77,89,203
Increase in Misc. Expenditure	(6,625)	(68,686)
Interest & dividend and tax on dividend	(1,80,05,576)	(2,31,85,765)
<b>Net Cash from/(Used) in Financing Activities</b>	<b>1,12,50,536</b>	<b>2,45,34,752</b>
<b>Opening Cash and Cash Equivalents</b>	<b>3,07,55,450</b>	<b>6,11,00,017</b>
<b>Net increase in Cash and Cash Equivalents</b>	<b>73,52,566</b>	<b>(3,03,44,567)</b>
<b>Closing Cash and Cash Equivalents</b>	<b>3,81,08,016</b>	<b>3,07,55,450</b>

As per our report of even date  
for M/s. Satyanarayana & Co  
Chartered Accountants

for and on behalf of the Board

J. Jagannadha Rao  
Partner  
Membership No.: 6239

N R Mohanty  
Chairman

N. Sridhar  
Managing Director & CEO

Place: Secunderabad  
Date: 29<sup>th</sup> June 2009

**ATTENDANCE SLIP  
SANKHYA INFOTECH LIMITED**

Regd Office: 2<sup>nd</sup> floor, Seven Hills Plaza, S.D. Road, Secunderabad – 500 003.



PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL  
Joint shareholders may obtain additional slip at the venue of the meeting.

DP. ID*		Master Folio No.	
Client ID*		No. of Shares	

NAME AND ADDRESS OF SHAREHOLDER

No of share(s) Held

I hereby record my presence at the 12th ANNUAL GENERAL MEETING of the Company held on Monday, the 30<sup>th</sup> November, 2009 at 11.30 a.m. at Belson Taj Secunderabad – 500 003.

Signature of the Share holder or Proxy

\*Applicable for investors holding shares in Dematerialized form

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**PROXY FORM**

**SANKHYA INFOTECH LIMITED**

Regd Office: 2<sup>nd</sup> floor, Seven Hills Plaza, S.D. Road, Secunderabad – 500 003.



DP. ID*		Master Folio No.	
Client ID*		No. of Shares	

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member / members of Sankhya Infotech Ltd hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ as my / our proxy to vote for me/us and on my/our behalf at the 12<sup>th</sup> ANNUAL GENERAL MEETING to be held on Monday, the 30<sup>th</sup> November, 2009 at 11.30 a.m. at Belson Taj, Secunderabad – 500 003 or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

\* Applicable for investors holding shares in dematerialized form.

Note:

- I. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the company.
- II. Members holding shares under more than one folio may use photocopy of the proxy form for other folios. The company shall provide additional forms on request.

*Printed Matter  
Book Post*

*To,*

*If undelivered Please return to :*



**Registered Office :**  
*2<sup>nd</sup> Floor, Seven Hills Plaza  
S.D.Road, Secunderabad,  
AP. India 500 003  
[www.sankhya.net](http://www.sankhya.net)*