



# 13<sup>th</sup> Annual Report 2009-10

## **SANKHYA INFOTECH LIMITED**

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S.D.Road, Secunderabad, AP. India 500 003  
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Fax: 91+40+27819191  
URL: [www.sankhya.net](http://www.sankhya.net)  
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**FINANCIAL HIGHLIGHTS 2009-10**

(Rs. In lakhs)

<b>FINANCIAL HIGHLIGHTS</b>	<b>2009-10</b>	<b>2008-09</b>
Total Income	<b>4080.86</b>	4187.67
Total Expenditure	<b>3204.44</b>	3171.44
Earnings Before Depreciation, Interest and Tax	<b>876.42</b>	1016.23
Depreciation	<b>248.16</b>	274.89
Interest	<b>208.40</b>	168.06
Provision for Tax	<b>71.36</b>	130.67
Other Provisions	<b>74.83</b>	0.00
Profit after Tax	<b>273.63</b>	442.62
Equity Share Capital	<b>850.00</b>	850.00
Reserves and Surplus	<b>4304.30</b>	4030.66
Capital Employed	<b>7173.22</b>	6256.60
Gross Fixed assets	<b>3843.51</b>	3609.51
Net Fixed Assets	<b>2387.01</b>	2401.16
Total Assets	<b>7173.22</b>	6256.60
<b>KEY INDICATORS</b>		
Earnings per share Rs.	<b>3.22</b>	5.97
Cash Earnings per Share Rs.	<b>6.14</b>	8.44
Book Value per Share Rs.	<b>48.01</b>	49.10
EBDIT/Gross Turnover %	<b>21.48</b>	24.35
Net Profit Margin %	<b>6.71</b>	10.61

## 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.Santhana Krishnan

(Additional Director w.e.f 30.01.2010)

#### Ms.Kavita Prasad

(Additional Director w.e.f 01.05.2010)

### BOARD COMMITTEES

#### AUDIT COMMITTEE

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

#### SHAREHOLDERS'/INVESTORS

#### GRIEVANCE COMMITTEE

1. Mr. Santhana Krishnan - Chairman
2. Ms. Kavita Prasad - Member
3. Mr. N. Srinivas - Member
4. Mr. N. Sridhar - Member

### REMUNERATION COMMITTEE

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

#### Compensation Committee

1. Mr. N R Mohanty - Chairman
2. Mr. Santhana Krishnan - Member
3. Mr. N.Sridhar - Member

#### Registered Office

D.No. 12-10-416/8B

Namalagundu, Secunderabad.

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, **Benguluru- 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. P. Murali & Co

Chartered Accountants

Secunderabad

#### LISTING:

The Bombay Stock Exchange Ltd

## NOTICE

Notice is hereby given that the 13th Annual General Meeting of the Members of SANKHYA INFOTECH LIMITED will be held on Thursday 30th September 2010 at 10.00 a.m. at Taj Tristar Hotel, Secunderabad- 500003 to transact the following business.

### Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at 31st March 2010 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 Mr. N. Ramakrishna Rao, who retires by rotation, and being eligible, but not offers himself for re-appointment.
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.

### 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 Ms. Kavita Prasad who was appointed by the Board as an Additional Director of the Company with effect from 30th April, 2010 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."

By Order of the Board of Directors

Place: Secunderabad  
Date : 14th August 2010

N Sridhar  
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 item # 4 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 27th September 2010 to 30th September 2010 (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:

CANBANK COMPUTER SERVICES LTD.,

Unit: M/s. Sankhya Infotech Ltd

J P ROYALE, 1ST FLOOR, # 218, 2nd Main,

Sampige Road, ( Near 14th Cross ) ,

Malleswaram, Bengaluru - 560 003.

Tel : 91-80-23469661 / 62, 23469664 / 65

Fax : 91-80-23469667 / 668

Email Id : canbank\_computer@dataone.in

URL: www.canbankrta.com

## EXPLANATORY STATEMENT

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

### Item # 4

The members are informed that the 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 Ms. Kavita Prasad 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.

By Order of the Board of Directors

Place: Secunderabad

N Sridhar

Date : 14th August 2010

Managing Director & CEO

## DIRECTORS' REPORT

### To the Members

Your Directors have pleasure in presenting this 13th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2010. As members would have noticed the company has gone through challenging times during the past one year. While the global recession and its effect has been significant in itself, we also faced problem from the Income Tax case that had raised a demand of over Rs.7.09 Crores (Refer page 14 of Annual Report 2008-2009). The good news is that the company has won the appeal against this Income Tax order with no tax liability for the demand. The company's results for the year 2009-10 are as under:

### FINANCIAL HIGHLIGHTS 2009-10 (Rs. in Lakhs)

FINANCIAL HIGHLIGHTS	2009-10	2008-09
Income from Operations	4077.95	4173.28
Other Income	2.90	14.39
Total Income	4080.86	4187.67
Total Expenditure	3204.44	3171.44
Earnings before Depreciation, Interest & Tax	876.42	1016.23
Depreciation	248.16	274.89
Interest	208.40	168.06
Profit Before Tax	419.87	573.28
Provision for Tax (including FBT)	71.36	130.67
Profit after Tax	273.63	442.62
Earnings Per Share	3.22	5.97

During the Financial Year 2009-10, the Company recorded a Total Income of Rs.4,077.95 lakhs (out of which Export Income accounted for Rs.3,386.01lakhs) compared to Rs.3,944.62 Lakhs for the previous Financial Year. The Profit before Interest, Depreciation and Tax is Rs.876.42 Lakhs compared to Rs.1,016.23 Lakhs and the Earning per Equity Share to Rs.3.22 from Rs.5.97 in the previous year.

### OPERATIONS

The order book of the company is robust and stands at Rs.104 Crores at the end of the current financial year. The company has added three new customers for courseware development. The company has secured a contract in the area of advance-distributed simulation from a defense public sector undertaking of India. The company has achieved one new license sales for the SILICON™ products during this financial year. The company has completed the implementation of its ongoing project with Kingfisher Airlines. Due to general slowdown of the industry, the company faced slowdown in award of work packages for existing contracts and

approval of completed work packages from the customers. This has been particularly significant in the area aerospace and defense industry customers. The company's cash flows have been affected due to the income tax order and some of the measures taken by the authorities, this in turn affected schedule of deliveries. This has also been a contributing factor for modest performance during the current financial year.

### PREFERENTIAL OFFER:

The company has obtained the shareholders consent for issue of 22,69,400 convertible warrants on preferential basis to Non-promoters and 30,00,600 convertible warrants to Promoters through postal ballot on 27th July 2010.

The Company has made in-principle approval application with the Bombay Stock Exchange Limited, Mumbai for listing of the aforesaid warrants allotment. Once BSE Approves the proposal, the Board will allot the afore mentioned Convertible Warrants to promoters and Non-promoters.

### OUTLOOK

Your company enjoys the unbroken patronage of Fortune 500 companies for the past several years. Contracts with these customers are renewed and are current for the next five to seven years. Order book position therefore is good and going ahead further efforts would improve the position of the company. The company is consistently winning new customers. The company therefore is optimistic of bright outlook based on the above two factors. Further, efforts restructure the business model and improve productivity would not only help win new business but also yield better financial results.

### 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 47/646/2010-CLIII Dt 27/07/2010) 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

Mr. N. Ramakrishna Rao, retires by rotation at the ensuing Annual General Meeting and is not offering himself for reappointment due to professional obligations.

Mr. Santhana Krishnan, who was appointed as Additional Director of the Company, on 30th January 2010, shall continue to hold the office of Director until the ensuing 13th Annual General Meeting of the Company, in accordance with Section 260 of the Companies Act, 1956 and not received a notice from a Member under Section 257 of the Act proposing his candidature for the office of Director.

Ms.Kavita Prasad has been appointed as an Additional Director by the Board on 1st May, 2010 and has been proposed for regularisation in ensuing Annual General Meeting.

Mr.N.Rangachari & Dr.Santanu Paul tendered resignations as Directors of the Company which was accepted by the Board in its meeting held on 30th January, 2010.

### AUDITORS

The Company's auditors M/s. P.Murali&Co., Chartered Accountants retire at the ensuing Annual General Meeting and expressed their willingness to continue as Auditors of the Company.

### 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. Foreign exchange earnings and outgo

(Rs. in Lacs)

Particulars	Year ended	
	31- Mar-10	31-Mar-09
Earnings	3386.01	3944.62
Expenditure	2746.54	2629.13

The following are missing in the Directors Report:

### MANAGEMENT DISCUSSION & ANALYSIS

Pursuant to the provisions of Clause 49 of the Listing Agreement, a report on Management Discussion & Analysis is enclosed as Annexure 2 to this Report.

### CEO's DECLARATION

Pursuant to the provisions of Clause 49(I)(D)(ii) of the Listing Agreement, a declaration by the Managing Director and CEO of the Company declaring that all the members of the Board and the Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company, is enclosed as Annexure 4 to this Report.

### CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate Report on Corporate Governance is enclosed as Annexure 3 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 as Annexure 5.

**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 31st March 2010.

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	21 yrs	9.66	50	Rs.36.07 Lakhs
N. Sridhar	M. Sc	21.07.1997 / Contractual	Managing Director & CEO	Sankhya Management Services Ltd	21 yrs	9.65	46	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.

For and on behalf of the Board of Directors

Place: Secunderabad  
Dated: 14<sup>th</sup> August 2010

N R Mohanty  
Chairman

**Annexure - 1**

**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, 2010	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2010
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	*	*	-9,41,987
	Previous year	*	*	-34,22,798
6	Net aggregate of the Subsidiary's profit less losses dealt with in the Holding Company's Accounts:			
	Current year	Nil	Nil	Nil
	Previous year	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: 14<sup>th</sup> August 2010

N R Mohanty  
Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS

Annexure - 2

**Resolution of the Income Tax case:** The Company has won the appeal against the order of the Income Tax order that claimed approximately Rs.7crores. As reported during the previous two Annual Reports the company was defending an improper interpretation of the provisions of Section 10A before the Hon'ble Appeals Commissioner. Growth of your company for this year was hampered due to the challenges the company faced from the Income Tax Department that we have reported in our Annual Report for the year 2008-2009 on page 14. The Income Tax department has applied several measures that have seriously affected the cash flows of the company and correspondingly the growth of the company.

The company has engaged the services of the best tax consultants and fiercely defended the improper interpretations of the Income Tax provisions before the Hon'ble Income Tax Appeals Commissioner. In the month of December 2009, the company was successful in getting 100% relief on the demand of around Rs.7.09 crores that was raised on the company cumulatively for five assessment years.

**Performance during the year:** Despite the challenges of both the industrial recession and others, your company has achieved nearly around 97% of the previous year turnover. The company has retained all its customers and added new five customers. The first of the three phases of business restructuring plan was partly completed in this year. Your company has strengthened the products and their offering. This has been well received by the customers. Streamlining of solutions to cater to B2B and B2C markets has been successful. Implementation of our products to Kingfisher Airlines SaaS model has been very successful. Full-scale retail launch of our products and services is due, and like to be taken up during coming years.

Your company has conducted an evaluation of the domestic and international potential for its Skill Development courseware and learning management tools. The results show bright potential for the company's products and services in Skill Development for Skill Development.

The second phase of business restructuring would be taken up during the years 2010-2011, while completing the unfinished tasks of the first phase. In the second phase, the company would like to augment the team, reorganize the marketing and sales strategy and pursue long-term strategic customer acquisition. The company intends to foray into Financial Sector in a big way with both its Simulation and Training content.

The company has achieved impressive results in the Advanced Simulation Lab (ASL). The company has completed development and handover of seven

electronic warfare simulators for one of the defense public sector undertaking. This was a significant achievement considering the fact that the ASL was started only one year ago. ASL also achieved two orders directly from Indian Army during this year.

SILICON™ suite of products are now strengthened and are now available in multiple operating system platforms. SILICON™ products are now available for multiple industrial domains. With robust product line that can cater to multiple markets and operating systems, your company has unassailable market leadership in the Training Management, Learning Management and Online Assessment space.

**Business Perspective:** The year has opened several business opportunities that are being vigorously pursued. Efforts of the team has been to stay focused to long term strategic and continuous revenue stream led business. The company has a strong order book and further interest from potential customers is strong. Business perspective of your company is therefore very good.

Foray into SaaS model has been successful; therefore, this business model would be expanded for products. The company is in dialogue with major cloud computing infrastructure providers for a potential direct sale of our Skill Development products and courseware.

The company is confident of concluding an MoU with at least one of the major Indian Defense PSU in the area of Simulation & Training.

**Awards and Recognition :**

The Company is in the process of getting recognition as a Research organization from Government of India.

**Competition:**

The Company has successfully been able to meet the growing demands of the existing and prospective customers in bringing our products and services which take care of the future requirements.

**Risks:**

The uncertainty in Global situations may result in lower margins, and late realizations which can hamper the cash flows.

**Internal Controls:**

There are adequate internal control system at all levels of the company.

**Human Resources:**

The Board conveys its sincere appreciation for the excellent and dedicated efforts put in by the employees inspite of the challenges faced by the Company.



## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2009-10

(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

FIVE (5) Board Meetings were held during the year 2009-10 (i.e., from 1st April, 2009 to 31st March, 2010) on the following dates:-

24th April 2009, 29th June 2009, 29th August 2009, 24th October 2009 & 30th January 2010.

**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 30-11-09	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	5	1	YES	NIL	1	NIL	NIL
N R MOHANTY CHAIRMAN	NED-I	5	4	NO	NIL	5	NIL	1
N SRINIVAS VICE –CHAIRMAN	WTD	5	4	YES	NIL	1	NIL	NIL
N SRIDHAR MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER	WTD	5	5	YES	NIL	NIL	NIL	NIL
DR. SRIDHAR SESHADRI DIRECTOR	NED-I	5	0	NO	NIL	NIL	NIL	NIL
MR. SANTHANA KRISHNAN DIRECTOR	NED-I	5	1	NO	NIL	NIL	NIL	NIL
MS. KAVITA PRASAD DIRECTOR	NED-I	0	0	NO	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.

#### 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 Directors

Mr. N. Ramakrishna Rao is aged about 76 years and is a graduate in Arts. He had 36 yrs of successful career in Indian Railways. During his tenure he won numerous awards including one for excellence in work bestowed by his Excellency Dr. Shankar Dayal Sharma, the then Governor of Andhra Pradesh. He is one of the promoter Director of the Company.

Ms. Kavita Prasad

Ms. Kavita Prasad is a promoter Director of HBL, looking after Finance and Export in HBL

### 3. AUDIT COMMITTEE

The Board of Directors of the Company have re-constituted the Audit Committee on 30th January 2010. 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.Santhana Krishnan - Independent Director & Chairman
2. Dr Sridhar Seshadri - Independent Director & Member  
(by his authorized Appointee as an alternate Director)
3. Mr.N.Srinivas - Member

Five (5) Meetings were held during the year 2009-10 (i.e., from 1st April, 2009 to 31st March, 2010) on the following dates:-

24th April 2009, 29th June 2009, 29th August 2009, 24th October 2009 & 30th January 2010.

### 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 2009 consisting of the following Independent Non Executive Directors:

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

#### Details of Remuneration paid to all the Directors during the year 2009-10

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 Managing Director & C.E.O	WTD	36,00,000	7,200	—	36,07,200
Dr. SRIDHAR SESHADRI Director	NED-I	—	—	—	—
Mr. SANTHANA KRISHNAN Director	NED-I	—	—	—	—
Ms. KAVITA PRASAD Director	NED-I	—	—	—	—

## 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.

Name	Amount
Mr.N.R.Mohanty	10,000
Mr.Santhana Krishnan	10,000
<b>Total</b>	<b>20,000</b>

## 6. SHAREHOLDERS / INVESTORS GREIVANCE COMMITTEE

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

Name	Designation & Category
Mr. Santhana Krishnan	Independent Director & Member
Ms. Kavita Prasad	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
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
2008-09	Taj Tri-Star Hotel, Secunderabad	30-11-2009	11.00 am

## 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.

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

Day, date and time : Thursday, the 30<sup>th</sup> September 2010 at 10.00 a.m.  
 Venue : Taj Tristar Hotel, Secunderabad 500003

**§ Financial Calendar**

1. First Quarter results : 2nd week of August 2010
2. Half yearly results : Last week of October 2010
3. Third Quarter results : Last week of January 2011
4. Last Quarter results / Results for the year Ending 31<sup>st</sup> March 2011 : Last week of June 2011 (Audited)
5. Book Closure date : from 27-09-2010 to 30-09-2010 (Both days inclusive)
6. Listing of Equity shares on Stock Exchanges and Stock Code : Bombay Stock Exchange Limited (BSE) Scrip Id: **SANKHYAIN** Stock Code: **532972**

**Listing fees has been to BSE for the financial year 2009-10.**

7. Demat ISIN for NSDL & CDSL : **INE877A01013**
  - a) 81,22,963 Equity shares, representing 95.56 % of the total Equity Capital are held in dematerialized form as on 31st March 2010.
  - b) Market price data (High /Low) on BSE during the each month

Month	High Price	Low Price
Apr-09	23.80	16.30
May-09	33.45	20.50
Jun-09	44.65	26.65
Jul-09	30.80	23.50
Aug-09	31.45	21.70
Sep-09	41.10	25.00
Oct-09	44.85	29.00
Nov-09	35.10	24.60
Dec-09	38.10	25.00
Jan-10	40.55	30.00
Feb-10	35.00	29.05
Mar-10	32.10	23.55

- c) Registrar & Share Transfer Agent:  
**CANBANK COMPUTER SERVICES LTD.,**  
**Unit: M/s. Sankhya Infotech Ltd**  
 J P ROYALE, 1ST FLOOR, # 218, 2ndMain,  
 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](mailto:canbank_computer@dataone.in), URL: [www.canbankrta.com](http://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 31,2010 was as follows:-

Category	% age of total Capital
Promoters Holding	31.84
Non-Promoter Holding	
Private Corporate Bodies	15.87
Indian Public	47.38
NRIs/ OCBs	4.91
<b>TOTAL</b>	<b>100.00</b>

4. Dematerialization of shares and liquidity

95.56% 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 script.

For and on behalf of the Board of Directors

Place: Secunderabad  
Dated:14<sup>th</sup> August 2010

**N R Mohanty**  
Chairman  
**Annexure - 4**

**CEO's Declaration**

I, N. Sridhar, Managing Director and CEO do hereby declare that pursuant to the provisions of Clause 49(I) (D) (ii) of the Listing Agreement, all the members of the Board and the Senior Management Personnel of the Company have furnished their affirmation of compliance with the Code of Conduct of the Company.

Place: Secunderabad  
Dated:14<sup>th</sup> August 2010

**N. Sridhar**  
Managing Director & CEO

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

**Annexure - 5**

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 **31<sup>st</sup> March 2010**, 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 P. Murali & Co**  
Chartered Accountants

Place: Hyderabad  
Date: 14<sup>th</sup> August, 2010

**P. Murali Mohana Rao**  
Partner  
Membership No: 23412

**AUDITOR'S REPORT**

To  
The Members of  
**M/s. SANKHYA INFOTECH LIMITED**

We have audited the attached Balance Sheet of SANKHYA INFOTECH LIMITED as at 31st March, 2010 and also the Profit & Loss Account for the period ended on the date annexed thereto and the cash flow statement for the period ended on that date. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Companies (Auditors Report) Order 2003, issued by the Central Government of India in terms of the sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
- (ii) 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 those books ;
- (iii) The Balance Sheet & Profit & Loss Account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet & Profit & Loss Account dealt with by this report comply with the Accounting standards referred to

in sub-section (3C) of Section 211 of Companies Act, 1956 ;

- (v) On the basis of written representations received from the Directors, as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March , 2010 from being appointed Director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act,1956 ;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 ;
- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
- (b) In the case of the Profit & Loss Account, of the Profit for the period ended on that date;

And

- (c) In the case of the Cash Flow, of the cash flows for the period ended on that date.,

**For P.MURALI & CO.,  
CHARTERED ACCOUNTANTS**

**Regn. No. 007257S**

**PLACE: HYDERABAD P. MURALI MOHANA RAO  
DATE : 22<sup>nd</sup> May, 2010**

**PARTNER**

**M. No. 23412**

**ANNEXURE TO THE AUDITORS' REPORT**

- I.
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
  - (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.
  - (c) The Company has not disposed off substantial part of the Fixed Assets during the year.
- II.
  - (a) The Company's nature of operations does not require it to hold Inventories. Accordingly, Clause 4(ii) of the Order is not applicable.

- III. The Company has granted and taken loans, unsecured to / from Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956 and registers are being maintained by the company.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets and for sale of goods.  
There is no continuing failure by the company to correct any major weaknesses in internal control.
- V. In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
- (a) In our opinion and according to the information and explanation given to us, we are of the opinion that the transactions that need to be entered into register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of arrangements entered in the register maintained under section 301 of the Companies Act, 1956 in respect of other parties are reasonable.
- VI. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies(Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from public. No order is passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- VII. In our opinion, the company is having internal audit system, commensurate with its size and nature of its business.
- VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause(d) of sub-section(1) of section 209 of the Companies Act, 1956.
- IX. The Company is regular in depositing statutory dues including PF, ESI, and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 \ months from the date.
- X. The Company has been registered for a period of not less than 5 years, and the company has no accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and in the immediately preceding such financial year.
- XI. According to information and explanations given to us, the Company has not defaulted in repayment of dues to financial Institutions or banks.
- XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
- XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.
- XIV. According to the information and explanations given to us, the company is not dealing or trading in shares, Securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise.
- XVI. According to the information and explanations given to us, there are No Term Loans availed by the company.
- XVII. According to the information given to us and on an overall examination of the Balance Sheet of the Company, we report that the funds raised on short-term basis have not been used for long term investment and vice-versa during the year under audit.
- XVIII. According to the information and explanations given to us, the Company has not made preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is not prejudicial to the interest of the Company.
- XIX. According to the information and explanations given to us, the company has not issued any debentures.
- XX. According to information and explanations given to us, the company has not raised money by way of public issues during the year; hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

**For P.MURALI & CO.,  
CHARTERED ACCOUNTANTS**

**Regn. No. 007257S**

**PLACE: HYDERABAD P. MURALI MOHANA RAO**

**DATE : 22<sup>nd</sup> May, 2010**

**PARTNER**

**M. No. 23412**

**BALANCE SHEET AS AT 31ST MARCH, 2010**
**(Rs.)**

Particulars	Sch	As at 31-Mar-10	As at 31-Mar-09
<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	43,04,30,438	40,30,66,235
Total Shareholder's Fund		<u>51,54,30,488</u>	<u>48,80,66,285</u>
<b>Loan Fund</b>			
Secured Loan	3	12,01,84,371	11,73,03,540
Unsecured Loan		8,17,08,287	2,02,90,498
<b>TOTAL OF SOURCES</b>		<u>71,73,23,146</u>	<u>62,56,60,323</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	38,43,50,865	36,09,50,864
Less: Accu. Depreciation		14,56,49,115	12,08,34,313
Net Block		<u>23,87,01,750</u>	<u>24,01,16,551</u>
Capital Work in Process		5,32,21,560	3,84,00,000
		<u>29,19,23,310</u>	<u>27,85,16,551</u>
Investments	5	58,44,527	58,44,527
Current Assets, Loans and Advances	6	47,41,90,089	39,02,07,060
Less: Current Liabilities and Provisions	7	5,46,34,780	4,89,07,815
Net Current Assets		<u>41,95,55,309</u>	<u>34,12,99,245</u>
<b>TOTAL OF APPLICATION</b>		<u>71,73,23,146</u>	<u>62,56,60,323</u>

 Significant Accounting Policies & Notes to accounts **12**

As per our report of even date

**for M/s.P. Murali & Co**  
Chartered Accountants

for and on behalf of the Board

**P. Murali Mohana Rao**  
Partner  
Membership No.: 23412

**N R Mohanty**  
Chairman

**N. Sridhar**  
Managing Director & CEO

 Place : Hyderabad  
Date : 22<sup>nd</sup> May 2010



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010****(Rs.)**

Particulars	Sch	Year Ended 31-Mar-10	Year Ended 31-Mar-09
<b>INCOME</b>			
Software Income	8	40,77,95,492	41,73,27,793
Other Income	9	<u>2,90,422</u>	<u>14,39,357</u>
<b>TOTAL INCOME</b>		<b><u>40,80,85,914</u></b>	<b><u>41,87,67,150</u></b>
<b>EXPENDITURE</b>			
Employee Cost	10	3,14,07,617	3,49,62,557
Operations & Other Expenses	11	<u>30,98,76,042</u>	<u>29,89,87,064</u>
<b>TOTAL EXPENDITURE</b>		<b><u>34,12,83,659</u></b>	<b><u>33,39,49,621</u></b>
<b>PROFIT BEFORE DEPRECIATION &amp; TAXES</b>		<b><u>6,68,02,256</u></b>	<b><u>8,48,17,529</u></b>
Depreciation	4	2,48,14,802	2,74,88,892
<b>PROFIT BEFORE TAX</b>		<b><u>4,19,87,454</u></b>	<b><u>5,73,28,637</u></b>
<b>Provision for</b>			
Income Tax - Current year		71,35,632	64,95,335
- Earlier year			64,43,581
Fringe Benefit Tax			1,27,605
Other Provision		62,87,726	
Prior Period Excess Income written Back		<u>11,99,893</u>	
<b>NET PROFIT</b>		<b><u>2,73,64,203</u></b>	<b><u>4,42,62,116</u></b>
<b>Profit after Tax &amp; Prior Period Adjustments</b>		<b>2,73,64,203</b>	<b>4,42,62,116</b>
<b>Amount Transferred to Balance Sheet</b>		<b>2,73,64,203</b>	<b>4,42,62,116</b>
<b>EPS- Basic</b>		<b>3.22</b>	<b>5.97</b>
Significant accounting policies & notes to accounts	12		

As per our report of even date

**for M/s.P. Murali & Co**  
Chartered Accountants

for and on behalf of the Board

**P. Murali Mohana Rao**  
Partner  
Membership No.: 23412

**N R Mohanty**  
Chairman

**N. Sridhar**  
Managing Director & CEO

Place : Hyderabad  
Date : 22<sup>nd</sup> May 2010

**Schedules Forming Part of Balance Sheet**
**(Rs)**

Particulars	Sch	As at 31-Mar-10	As at 31-Mar-09
<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
		<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		8,50,00,050	8,50,00,050
<b>Total</b>		<u><b>8,50,00,050</b></u>	<u><b>8,50,00,050</b></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)		30,76,14,664	26,33,52,548
- Add: Profit for the Year		2,73,64,203	4,42,62,116
<b>Total</b>		<u><b>43,04,30,438</b></u>	<u><b>40,30,66,235</b></u>
<b>LOAN FUND</b>	<b>3</b>		
Secured Loans			
Working Capital Loan from SBI		12,01,84,371	11,73,03,540
<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		12,01,84,371	11,73,03,540
<b>Unsecured Loans</b>		<u>8,17,08,287</u>	<u>2,02,90,498</u>
<b>Total</b>		<u><b>20,18,92,658</b></u>	<u><b>13,75,94,038</b></u>

## 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-09	Additions During the Year	As at 31-03-2010	As at 01-Apr-09	For the Period ending 31.03.10	As at 31-Mar-10	AS AT 31-3-2010	AS AT 31-3-2009
1	Plant & Machinery	15.33%	65,80,812		65,80,812	48,79,528	2,60,807	51,40,335	14,40,477	17,01,284
2	Air Conditioners	15.33%	11,98,555		11,98,555	9,07,640	44,597	9,52,237	2,46,318	2,90,915
3	Computers	40.00%	3,39,65,257		3,39,65,257	3,31,69,947	3,18,124	3,34,88,071	4,77,186	7,95,310
4	Projector	20.00%	3,41,108		3,41,108	2,65,714	15,079	2,80,793	60,315	75,394
5	Furniture	18.10%	1,65,08,690		1,65,08,690	1,38,77,848	4,76,182	1,43,54,031	21,54,659	26,30,842
6	Vehicles	25.89%	6,91,709		6,91,709	6,46,746	11,641	6,58,387	33,322	44,963
	Software Products :									
7	- Silicon LMS/QT	40.00%	7,16,19,450		7,16,19,450	4,14,63,026	1,20,62,570	5,35,25,595	1,80,93,855	3,01,56,424
8	- Silicon LCMS	40.00%	4,10,00,000		4,10,00,000	2,50,92,603	63,62,959	3,14,55,562	95,44,438	1,59,07,397
9	- Sage CRM Server 200	40.00%	4,20,944		4,20,944	2,91,159	51,914	3,43,073	77,871	1,29,785
10	- Flight Dispatcher	40.00%	5,03,00,000		5,03,00,000		50,30,000	50,30,000	4,52,70,000	5,03,00,000
11	- Silicon ATHENA **	40.00%	11,42,73,910		11,42,73,910				11,42,73,910	11,42,73,910
12	- Service Capture #	40.00%	1,400		1,400	582	.818	1,400	-	818
13	- Tally 9 Gold Multi User ##	40.00%	9,360		9,360	5,080	4,280	9,360	-	4,280
14	- Teamprise / Eclipse 3.0 ##	40.00%	9,960		9,960		9,960	9,960	-	9,960
15	- Vstudio Team Ed(5 Users)	40.00%	4,08,200		4,08,200	1,92,536	86,266	2,78,802	1,29,398	2,15,664
16	- Adobe Ilog Elixir with Media Kit #	40.00%	31,960		31,960	12,784	19,176	31,960	-	19,176
17	- Device Lock Software #	40.00%	72,800		72,800	29,120	43,680	72,800	-	43,680
18	-Logitek G 25 Maming Wheel ##	40.00%	16,750		16,750		16,750	16,750	-	16,750
19	- IRMAO **	40.00%	2,35,00,000		2,35,00,000				2,35,00,000	2,35,00,000
20	-Cruise Simulator**	40.00%		2,34,00,000	2,34,00,000				2,34,00,000	-
	<b>Total</b>		<b>36,09,50,865</b>	<b>2,34,00,000</b>	<b>38,43,50,865</b>	<b>12,08,34,313</b>	<b>2,48,14,802</b>	<b>14,56,49,115</b>	<b>23,87,01,750</b>	<b>24,01,16,552</b>
	<b>Previous Year</b>		<b>30,22,98,935</b>	<b>5,86,52,510</b>	<b>36,09,50,865</b>	<b>9,33,45,421</b>	<b>2,74,88,892</b>	<b>12,08,34,313</b>	<b>24,01,16,552</b>	<b>20,89,52,934</b>

Note : 1 \*\* No depreciation has been charged as the Asset has not been put to use.  
2 ## 100% Depreciation made during current financial year.

**Schedules Forming Part of Balance Sheet**
**(Rs)**

Particulars	Sch	As at 31-Mar-10	As at 31-Mar-09
<b>INVESTMENTS</b>	<b>5</b>		
<b>Longterm Investments (Unquoted)</b>			
Investments in Wholly Owned Subsidiaries			
- Sankhya SARL, France		1,72,920	1,72,920
- Sankhya US Corporation, US		46,71,607	46,71,607
- Sankhya Information Technologies, Hyd		10,00,000	10,00,000
<b>Total</b>		<b><u>58,44,527</u></b>	<b><u>58,44,527</u></b>
<b>CURRENTS ASSETS, LOANS AND ADVANCES</b>	<b>6</b>		
A. Cash and Bank Balances			
Cash on Hand		36,072	34,290
Bank			
- in Current Account		9,98,132	13,58,975
- in Overseas Account		1,03,925	62,904
- Un Paid Dividend A/c		5,56,282	6,19,535
<i>Sub-total</i>		<u>16,94,411</u>	<u>20,75,704</u>
B. Work in Process (at cost)		16,67,35,714	9,46,75,672
C. Sundry Debtors			
(Un-secured and considered good)			
- Exceeding Six Months		2,76,49,733	3,52,12,630
- Less than Six Months		<u>21,63,69,559</u>	<u>19,16,04,397</u>
<i>Sub-total</i>		<u>24,40,19,292</u>	<u>22,68,17,027</u>
D. Loans & Advances			
- Advances for Expenditure		29,54,787	25,93,722
- Deposits		47,34,894	71,00,000
- Advance Taxes & TDS		-	5,84,798
- Prepaid Expenses		-	11,09,254
- Advance to Sankhya US (wos)		<u>5,40,50,991</u>	<u>5,52,50,884</u>
<i>Sub-total</i>		<u>6,17,40,672</u>	<u>6,66,38,657</u>
<b>Total</b>		<b><u>47,41,90,089</u></b>	<b><u>39,02,07,060</u></b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>	<b>7</b>		
- Sundry Creditors		3,15,09,972	1,79,99,082
- Provisions		<u>2,31,24,808</u>	<u>3,09,08,733</u>
<b>Total</b>		<b><u>5,46,34,780</u></b>	<b><u>4,89,07,815</u></b>

## Schedules Forming Part of Profit &amp; Loss

(Rs)

Particulars	Sch	Year Ended 31-Mar-10	Year Ended 31-Mar-09
<b>INCOME</b>	<b>8</b>		
<b>SOFTWARE INCOME</b>		<b>40,77,95,492</b>	<b>41,73,27,793</b>
Domestic Income		6,91,94,203	2,28,65,266
Export Income		33,86,01,289	39,44,62,527
Gross Income:		40,77,95,492	41,73,27,793
<b>OTHER INCOME</b>	<b>9</b>	<b>2,90,422</b>	<b>14,39,357</b>
Misc. Income		3,900	15,841
Foreign Exchange Fluctuation		2,86,522	2,23,623
Interest on Advances to WOS		-	11,99,893
<b>TOTAL INCOME</b>		<b>40,80,85,914</b>	<b>41,87,67,150</b>
<b>EMPLOYEE COST</b>	<b>10</b>	<b>3,14,07,617</b>	<b>3,49,62,557</b>
Employee Benefits		17,29,184	14,78,583
Salaries		2,23,80,205	2,57,58,923
Staff Welfare Expenses		81,328	68,702
Staff Recruitment & Training Expenditure		2,500	4,41,949
Managerial Remuneration		72,14,400	72,14,400
<b>OPERATIONS &amp; OTHER EXPENSES<sup>11</sup></b>		<b>30,98,76,042</b>	<b>29,89,87,064</b>
<b>OVERSEAS COST</b>		<b>27,46,54,140</b>	<b>26,29,13,693</b>
<b>ADMINISTRATIVE COST</b>		<b>1,17,08,236</b>	<b>1,39,44,515</b>
Communication Charges		3,48,384	1,16,368
Computer Maintenance & Others		40,44,838	49,57,687
Other Administrative Cost		11,98,263	14,24,797
Advertisement		1,39,477	2,31,930
Audit Remuneration		1,10,300	1,10,300
Audit Expenses		902	2,422
Bank Charges		1,60,069	10,14,651
Board Meeting Expenses		1,15,000	87,500
Books & Periodicals		1,596	1,320
Business Promotion		41,008	1,84,124
Electricity		8,55,081	10,12,424
Insurance		1,33,032	60,484
Membership & Subscriptions		-	84,944
Miscellaneous Expenditure		52,320	22,146
Office Maintenance		8,72,995	8,80,301
Postage & Courier		1,01,265	2,07,215
Printing & Stationery		1,40,128	1,85,549
Rates & Taxes		4,12,455	3,11,060
Rents		25,66,968	26,72,760
Telephones Charges		3,35,160	3,52,424
Travel & Conveyance		78,995	24,109
<b>SELLING &amp; MARKETING EXPENDITURE</b>		<b>26,74,150</b>	<b>53,23,173</b>
Other Exp		15,414	23,171
Travel Expenditure		26,58,736	53,00,002
<b>FINANCIAL CHARGES</b>		<b>2,08,39,515</b>	<b>1,68,05,683</b>
<b>TOTAL EXPENDITURE</b>		<b>34,12,83,659</b>	<b>33,39,49,621</b>

**Cash Flow Statement for the Year Ended 31 March, 2010****(Rs)**

<b>Particulars</b>	<b>Year Ended 31-Mar-10</b>	<b>Year Ended 31-Mar-09</b>
<b>A. CASH FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) after tax and extra Ordinary Items	2,73,64,203	4,42,62,116
<b>Adjustment for:</b>		
Depreciation	2,48,14,802	2,74,88,892
Interest	2,08,39,515	1,68,05,683
<b>Operating Profit Before WC Changes</b>	<b><u>7,30,18,519</u></b>	<b><u>8,85,56,692</u></b>
<b>Adjustment for:</b>		
Trade and Other Receivables	-1,23,04,279	-4,43,60,776
Work In Progress	-7,20,60,042	-2,20,00,000
Trade payables	57,26,966	1,72,63,482
<b>Net Cash Flow from Operating Activities</b>	<b><u>-56,18,836</u></b>	<b><u>3,94,59,398</u></b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Assets Additions	-3,82,21,560	-9,70,52,510
Change in Investments	-	2,96,56,530
<b>Net Cash from/(Used) in Investing Activities</b>	<b><u>-3,82,21,560</u></b>	<b><u>-6,73,95,980</u></b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Short term borrowings	6,42,98,620	2,92,62,737
Interest & dividend and tax on dividend	-2,08,39,516	-1,68,05,683
<b>Net Cash from/(Used) in Financing Activities</b>	<b><u>4,34,59,103</u></b>	<b><u>1,24,57,054</u></b>
<b>Opening Cash and Cash Equivalents</b>	<b>20,75,704</b>	<b>1,75,55,233</b>
<b>Net increase in Cash and Cash Equivalents</b>	<b><u>-3,81,293</u></b>	<b><u>-1,54,79,529</u></b>
<b>Closing Cash and Cash Equivalents</b>	<b><u>16,94,411</u></b>	<b><u>20,75,704</u></b>

As per our report of even date

for M/s.P. Murali & Co  
Chartered Accountants

for and on behalf of the Board

P. Murali Mohana Rao  
Partner  
Membership No.: 23412N R Mohanty  
ChairmanN. Sridhar  
Managing Director & CEOPlace : Hyderabad  
Date : 22<sup>nd</sup> May 2010

## 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.
- 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 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 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 difference from those at which they were initially recorded during the year, or reported in previous financial expenses in the year in which they arise.

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.1.15 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-10	31-Mar-09
Computers	-	-
Air Conditioner	-	31,000
Software	2,34,00,000	5,86,21,510
<b>Total</b>	<b>2,34,00,000</b>	<b>5,86,52,510</b>

**2. Investments**

Investments in wholly owned subsidiary are at cost

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

The Income Tax appeal for the Financial Year 2001-02 to 2005-06 is won by the Company. The Assessing officer has passed Consequential orders with the following demand.

Rectification petition U/s. 154 of IT Act, has been filed for deletion of the Current demand in the Consequential order. The same is pending. Amount demanded is as follows:- (Rs.)

Asst. Year	Principal Amount (Rs.)	Interest (Rs.)	Less : U/s. 140A	Less- U/s 143(1)	Total
2002-03	2,23,434	1,56,540			3,79,974
2003-04	10,69,836	6,09,806			16,79,642
2004-05	22,46,303	10,10,836			32,57,139
2005-06	5,38,620	1,77,744	-34,855		6,81,509
2006-07	4,06,335	1,57,700	-5,07,585	-42,200	11,250
<b>Total</b>	<b>44,84,528</b>	<b>21,09,596</b>	<b>-5,42,440</b>	<b>-42,200</b>	<b>60,08,914</b>

**4. Overseas Cost**

Overseas Cost includes (Rs. in Lakhs)

Particulars	31-Mar-10	31-Mar-09
Employee Cost	1514.28	1450.40
Business Expenses	1232.26	1178.73

**a) Secured Loans:**

An amount of Rs.1201.84 lakhs is outstanding in Working Capital Loan availed from State Bank of India, Commercial Branch, Secunderabad as at the end of March 31, 2010.

**b) Unsecured Loans:**

The Company has taken loans from seven persons and the amount outstanding at the end of the year is Rs.817.09 lakhs.

**6. Directors Remuneration**

(Rs.)

Particulars	31-Mar-10	31-Mar-09
Salary including allowances		
Vice Chairman	36,07,200	36,07,200
Managing Director & CEO	36,07,200	36,07,200

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-10	31-Mar-09
As Auditors	75,000	75,000
Certification Fee	25,000	25,000
Service Tax	10,300	12,240
<b>Total</b>	<b>1,10,300</b>	<b>112,240</b>



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

Particulars	As at 31-Mar-10	As at 31-Mar-09
<b>Sankhya US Corporation, USA</b>	-	296.57

These amounts are to be returned.

**9. Earnings Per Share**

Particulars	31-Mar-10	31-Mar-09
Net profit for the Year (Rs.in Lakhs)	<b>442.62</b>	442.62
Weighted Average No. of Shares outstanding during the year	<b>85,00,005</b>	85,00,005
Earnings Per Share (Rs.)	<b>3.22</b>	5.97
Nominal Value of the Share(Rs.)	<b>10</b>	10

**10. Related Party Disclosures**
**a) Related Parties**

SI.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.)

SI.No.	Name	31-03-2010	31-03-2009
1.	Sankhya SARL France – (Investment)	<b>172,920</b>	172,920
2.	Sankhya US Corporation (Investment)	<b>46,71,607</b>	46,71,607
	Advance for Expenses	<b>5,40,50,991</b>	5,40,50,991
	Interest on Advance	-	11,99,893
3.	Sankhya Information Technologies (India) Pvt Ltd - (Investment)	<b>10,00,000</b>	10,00,000

**Key Managerial Personnel** (Rs.)

SI.No.	Name	31-03-2010	31-03-2009
1.	Sri N. Ramakrishna Rao (Sitting fee)	<b>Nil</b>	Nil
2.	Sri N.Srinivas (Remuneration)	<b>36,07,200</b>	36,07,200
3.	Sri N.Sridhar (Remuneration)	<b>36,07,200</b>	36,07,200

**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>31.03.2010</b>	<b>3416.12</b>	<b>661.83</b>	<b>4077.95</b>
31.03.2009	3847.90	325.38	4173.28
Operating Profit <b>31.03.2010</b>	<b>731.74</b>	<b>141.77</b>	<b>873.51</b>
31.03.2008	923.73	78.11	1001.85

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" amount to Rs.2,76,49,733/-. The Company referred the same for Arbitration for canceling the contract.

**15. Balance Confirmation**

Balances as appearing under Unsecured Loan creditors, Sundry Debtors, Capital Work In process, Work in process, Loans and advances are subject to Confirmation and / or reconciliation if any.

**16. Income Tax**

The Company has Income Tax Payable amounting to Rs.225.68 lakhs.

**17. Unclaimed Dividend**

The Company has an amount of Rs.5.57 lakhs representing unclaimed Dividend.

**18. 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

for **M/s. P. Murali & Co.**

Chartered Accountants

Regn. No. : 00725S

**P. Murali Mohana Rao**

Partner

Membership No.: 23412

Place : HYDERABAD

Date : 22<sup>nd</sup> May, 2010

for and on behalf of the Board

**N R Mohanty**

Chairman

**N. Sridhar**

Managing Director & CEO

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

I.	Registration Details:	
	Registration No:	01-45306
	State Code	01
	Balance Sheet Date:	31 <sup>st</sup> March 2010.
	Capital Raised during the year	[Rupees ('000)]
	Public Issue	Nil
	Pref Issue	Nil
	Rights Issue	Nil
	Bonus Issue	Nil
	Private Placement	Nil
III.	Position of Modification and deployment of Funds	
	Total Assets	717323
	Total Liabilities	717323
	Sources of Funds	
	Paid Up Capital	85000
	Share Application Money	Nil
	Secured Loans	120184
	Reserves & Surplus	430430
	Application of Funds	
	Net Fixed Assets	384351
	Net Current Assets	419555
	Miscellaneous Expenditure	Nil
IV.	Performance of the Company	
	Turnover	407795
	Profit / Loss before tax	41987
	Earnings per share in Rs.(Annualized)	3.22
	Dividend	Nil
V.	Generic Name of Three Principle products / Services of the Company (as per monetary terms)	
	Item Code No: [ITC CODE]	Nil

As per our report of even date

**for M/s. P. Murali & Co.**  
Chartered Accountants  
Regn. No. : 00725S

for and on behalf of the Board

**P. Murali Mohana Rao**  
Partner  
Membership No.: 23412

**N R Mohanty**  
Chairman

**N. Sridhar**  
Managing Director & CEO

Place : HYDERABAD  
Date : 22<sup>nd</sup> May, 2010

**CONSOLIDATED AUDITORS REPORT**

To.  
The Board of Directors,  
**Sankhya Infotech Limited.**

Consolidated Financial Statements of **SANKHYA INFOTECH LIMITED.** and its subsidiaries.

We have examined the attached Consolidated Balance Sheet of **M/s. SANKHYA INFOTECH LIMITED** ('the Company') and its wholly owned subsidiaries as at 31st March, 2010 and the Consolidated Profit & Loss Account for the year ended on the date annexed thereto and Consolidated Cash flow Statement for the period ended on that date. These Consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a 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. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of its subsidiaries Sankhya SARL France and Sankhya US Corporation as at 31st March, 2010. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 for Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) in the case of the Consolidated balance Sheet, of the consolidated state of affairs of the company and its subsidiaries as at 31st March, 2010.
- (b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of the Company and its subsidiaries for the year then ended and
- (c) In the case of the consolidated cash flows Statement, of the Consolidated Cash flows of the company and its subsidiaries for the year then ended.

For M/s. P. MURALI & CO.,  
CHARTERED ACCOUNTANTS.

Regn.No:007257S

P.Murali Mohana Rao

Partner

Membership No:23412

Place : Hyderabad  
Date : 22<sup>nd</sup> May, 2010

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs.)

Particulars	Sch	As at 31-Mar-10	As at 31-Mar-09
<b>SOURCES OF FUNDS</b>			
Shareholder's Fund			
Equity Share Capital	1	8,50,00,050	8,50,00,050
Reserves & Surplus	2	40,46,70,922	37,82,48,706
Total		<b>48,96,70,972</b>	<b>46,32,48,756</b>
Share application money			
Loan Fund	3		
Secured Loan		12,01,84,371	11,73,03,540
Unsecured Loan		8,17,08,287	2,02,90,498
<b>TOTAL OF SOURCES</b>		<b>69,15,63,630</b>	<b>60,08,42,794</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	4		
Gross Block		38,43,50,865	36,09,50,864
Less: Accu. Depreciation		14,56,49,115	12,08,34,313
Capital work in progress		5,32,21,560	3,84,00,000
Net Block		<b>29,19,23,310</b>	<b>27,85,16,551</b>
Current Assets, Loans and Advances	5	45,43,42,079	37,19,91,306
Less: Current Liabilities and Provisions	6	5,48,89,805	4,98,46,491
Net Current Assets		<b>39,94,52,274</b>	<b>32,21,44,815</b>
Misc. Expenditure (to the extent not written off)		1,88,046	1,81,428
<b>TOTAL OF APPLICATION</b>		<b>69,15,63,630</b>	<b>60,08,42,794</b>
Significant accounting policies & notes to accounts	11		

As per our report of even date

**for M/s.P. Murali & Co**  
Chartered Accountants

for and on behalf of the Board

**P. Murali Mohana Rao**  
Partner  
Membership No.: 23412

**N R Mohanty**  
Chairman

**N. Sridhar**  
Managing Director & CEO

Place : Hyderabad  
Date : 22<sup>nd</sup> May 2010

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**
**(Rs.)**

Particulars	Sch	Year Ended 31-Mar-10	Year Ended 31-Mar-09
<b>INCOME</b>			
Software Income	7	40,77,95,492	41,73,27,793
Other Income	8	<u>2,90,422</u>	<u>14,39,357</u>
<b>TOTAL INCOME</b>		<b><u>40,80,85,914</u></b>	<b><u>41,87,67,150</u></b>
<b>EXPENDITURE</b>			
Employee Cost	9	3,27,54,737	3,63,37,240
Operations & Other Expenses	10	31,06,70,801	30,10,35,179
<b>Total Expenditure</b>		<b><u>34,34,25,538</u></b>	<b><u>33,73,72,419</u></b>
<b>Profit Before Depreciation &amp; Taxes</b>		<u>6,46,60,376</u>	<u>8,13,94,731</u>
Depreciation		<u>2,48,14,802</u>	<u>2,74,88,892</u>
<b>Profit Before Tax</b>		<b><u>3,98,45,574</u></b>	<b><u>5,39,05,839</u></b>
Provision for			
Income Tax - Current Year		71,35,632	64,95,335
- Earlier Year		-	64,43,581
Fringe Benefit Tax		-	1,27,605
Other Provision		<u>62,87,726</u>	-
<b>Net Profit</b>		<b><u>2,64,22,216</u></b>	<b><u>4,08,39,318</u></b>
<b>Profit After Tax &amp; Prior Period Adjustments</b>		<b><u>2,64,22,216</u></b>	<b><u>4,08,39,318</u></b>
<b>Amount transferred to Balance Sheet</b>		<b><u>2,64,22,216</u></b>	<b><u>4,08,39,318</u></b>
<b>EPS</b>		<b>3.11</b>	<b>4.80</b>
Significant accounting policies & notes on accounts	11		

As per our report of even date

**for M/s.P. Murali & Co**  
Chartered Accountants

for and on behalf of the Board

**P. Murali Mohana Rao**  
Partner  
Membership No.: 23412

**N R Mohanty**  
Chairman

**N. Sridhar**  
Managing Director & CEO

Place : Hyderabad  
Date : 22<sup>nd</sup> May 2010

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rs.)

Particulars	Sch	As at 31-Mar-10	As at 31-Mar-09
<b>EQUITY SHARE CAPITAL</b>	<b>1</b>		
<b>A. Authorized Capital</b>		15,00,00,000	15,00,00,000
15,000,000 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)		28,27,97,135	24,19,57,817
- Add: Profit for the Year		<u>2,64,22,216</u>	<u>4,08,39,318</u>
<b>Total</b>		<u>40,46,70,922</u>	<u>37,82,48,706</u>
<b>LOAN FUND</b>	<b>3</b>		
<b>Secured Loans</b>			
<b>Working Capital Loan from SBI</b>		12,01,84,371	11,73,03,540
(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)			
Sub-total		12,01,84,371	11,73,03,540
<b>Unsecured Loans</b>		8,17,08,287	2,02,90,498
<b>Total</b>		<u>20,18,92,658</u>	<u>13,75,94,038</u>

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

S. No.	Name of the Asset	GROSS BLOCK (AT COST)			DEPRECIATION			Net Block		
		Rate %	As at 01-Apr-09	Additions During the Year	As at 31-03-2010	As at 01-Apr-09	For the Period ending 31.03.10	As at 31-Mar-10	AS AT 31-3-2010	AS AT 31-3-2009
1	Plant & Machinery	15.33%	65,80,812		65,80,812	48,79,528	2,60,807	51,40,335	14,40,477	17,01,284
2	Air Conditioners	15.33%	11,98,555		11,98,555	9,07,640	44,597	9,52,237	2,46,318	2,90,915
3	Computers	40.00%	3,39,65,257		3,39,65,257	3,31,69,947	3,18,124	3,34,88,071	4,77,186	7,95,310
4	Projector	20.00%	3,41,108		3,41,108	2,65,714	15,079	2,80,793	60,315	75,394
5	Furniture	18.10%	1,65,08,690		1,65,08,690	1,38,77,848	4,76,182	1,43,54,031	21,54,659	26,30,842
6	Vehicles	25.89%	6,91,709		6,91,709	6,46,746	11,641	6,58,387	33,322	44,963
	Software Products :									
7	- Silicon LMS/QT	40.00%	7,16,19,450		7,16,19,450	4,14,63,026	1,20,62,570	5,35,25,595	1,80,93,855	3,01,56,424
8	- Silicon LCMS	40.00%	4,10,00,000		4,10,00,000	2,50,92,603	63,62,959	3,14,55,562	95,44,438	1,59,07,397
9	- Sage CRM Server 200	40.00%	4,20,944		4,20,944	2,91,159	51,914	3,43,073	77,871	1,29,785
10	- Flight Dispatcher	40.00%	5,03,00,000		5,03,00,000		50,30,000	50,30,000	4,52,70,000	5,03,00,000
11	- Silicon ATHENA **	40.00%	11,42,73,910		11,42,73,910				11,42,73,910	11,42,73,910
12	- Service Capture ##	40.00%	1,400		1,400	582	818	1,400	-	818
13	- Tally 9 Gold Multi User ##	40.00%	9,360		9,360	5,080	4,280	9,360	-	4,280
14	- Teamprise / Eclipse 3.0 ##	40.00%	9,960		9,960		9,960	9,960	-	9,960
15	- Vstudio Team Ed(5 Users)	40.00%	4,08,200		4,08,200	1,92,536	86,266	2,78,802	1,29,398	2,15,664
16	- Adobe Ilog Elixir with Media Kit ##	40.00%	31,960		31,960	12,784	19,176	31,960	-	19,176
17	- Device Lock Software ##	40.00%	72,800		72,800	29,120	43,680	72,800	-	43,680
18	- Logitek G 25 Maming Wheel ##	40.00%	16,750		16,750		16,750	16,750	-	16,750
19	- IRMAO **	40.00%	2,35,00,000		2,35,00,000				2,35,00,000	2,35,00,000
20	-Cruise Simulator**	40.00%		2,34,00,000	2,34,00,000				2,34,00,000	-
	<b>Total</b>		<b>36,09,50,865</b>	<b>2,34,00,000</b>	<b>38,43,50,865</b>	<b>12,08,34,313</b>	<b>2,48,14,802</b>	<b>14,56,49,115</b>	<b>23,87,01,750</b>	<b>24,01,16,552</b>
	<b>Previous Year</b>		<b>30,22,98,355</b>	<b>5,86,52,510</b>	<b>36,09,50,865</b>	<b>9,33,45,421</b>	<b>2,74,88,892</b>	<b>12,08,34,313</b>	<b>24,01,16,552</b>	<b>20,89,52,934</b>

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

2 ## 100% Depreciation made during current financial year.



## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rs.)

Particulars	Sch	As at 31-Mar-10	As at 31-Mar-09
<b>CURRENTS ASSETS, LOANS AND ADVANCES</b>	<b>5</b>		
A. Cash and Bank Balances			
Cash on Hand		36,072	2,07,280
Bank			
- in Current Account		18,15,322	3,78,37,833
- in Overseas Account		1,03,925	62,904
Sub-total		<u>19,55,319</u>	<u>3,81,08,017</u>
B. Work in Process (at cost)		16,67,35,714	9,46,75,672
C. Sundry Debtors			
(Un-secured and considered good)			
- Exceeding Six Months		2,76,49,733	3,52,90,346
- Less than Six Months		21,63,69,559	19,16,04,397
Sub-total		<u>24,40,19,292</u>	<u>22,68,94,743</u>
D. Loans & Advances			
- Advances for Expenditure		3,68,96,861	35,18,822
- Deposits		47,34,894	71,00,000
- Advance Taxes & TDS		-	5,84,798
- Prepaid Expenses		-	11,09,254
Sub-total		<u>4,16,31,755</u>	<u>1,23,12,874</u>
<b>Total</b>		<u><b>45,43,42,079</b></u>	<u><b>37,19,91,306</b></u>
<b>CURRENT LIABILITIES AND PROVISIONS</b>	<b>6</b>		
- Sundry Creditors		3,17,64,997	1,88,25,279
- Provisions		2,31,24,808	3,10,21,212
<b>Total</b>		<u><b>5,48,89,805</b></u>	<u><b>4,98,46,491</b></u>

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

(Rs.)			
Particulars	Sch	Year Ended 31-Mar-10	Year Ended 31-Mar-09
<b>INCOME</b>			
Software Income	7	40,77,95,492	41,73,27,793
Domestic Income		6,91,94,203	2,28,65,266
Export Income		33,86,01,289	39,44,62,527
Other Income	8	2,90,422	14,39,357
<b>Total Income</b>		<b>40,80,85,914</b>	<b>41,87,67,150</b>
<b>EXPENDITURE</b>			
<b>EMPLOYEE COST</b>	<b>9</b>	<b>3,27,54,737</b>	<b>3,63,37,240</b>
Employee Benefits		17,29,184	14,78,583
Salaries		2,37,27,325	2,71,33,606
Staff Welfare Expenses		81,328	68,702
Staff Recruitment & Training Expenditure		2,500	4,41,949
Managerial Remuneration		72,14,400	72,14,400
<b>OPERATION AND OTHER EXPENSES</b>	<b>10</b>	<b>31,06,70,801</b>	<b>30,10,35,179</b>
<b>OVERSEAS COST</b>		<b>27,46,54,140</b>	<b>26,29,13,693</b>
<b>ADMINISTRATIVE COST</b>		<b>1,25,02,996</b>	<b>1,45,01,297</b>
Advertisement		1,62,987	2,58,752
Audit remuneration		1,60,202	1,62,722
Bank Charges		1,69,958	10,22,579
Board Meeting expenses		1,15,000	87,500
Books & Periodicals		1,596	1,320
Business Promotion		41,008	1,84,124
Communication Charges		3,48,384	1,16,368
Computer Maintenance & Others		40,44,838	49,57,687
Other Administrative Cost		11,98,263	14,24,797
Electricity		8,55,081	10,12,424
Insurance		3,78,142	2,70,694
Membership & Subscriptions		-	84,944
Miscellaneous Expenditure		52,320	22,146
Office maintenance		8,72,995	8,80,301
Postage & Courier		1,01,265	2,07,215
Printing & stationery		1,42,628	1,89,049
Rates & Taxes		5,68,715	4,86,670
Rents		25,66,968	26,72,760
Telephones Charges		3,86,770	4,35,136
Travel & conveyance		3,35,875	24,109
<b>SELLING &amp; MARKETING EXPENDITURE</b>		<b>26,74,150</b>	<b>56,14,613</b>
Other Exp		15,414	23,171
Travel Expenditure		26,58,736	55,91,442
<b>FINANCIAL CHARGES</b>		<b>2,08,39,515</b>	<b>1,80,05,576</b>
<b>Total Expenditure excluding Depreciation</b>		<b>34,34,25,538</b>	<b>33,73,72,419</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:**

1. 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. **Fixed Assets**  
During the year fixed assets have been added to the extent Rs.234.00 lakhs comprising of Computers Software.
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	Service	Aviation	Total
Revenue			
<b>31.03.2010</b>	<b>3416.12</b>	<b>661.83</b>	<b>4077.95</b>
31-03-2009	3847.90	325.38	4173.28
Segment Operating Profit			
<b>31.03.2010</b>	<b>713.81</b>	<b>138.29</b>	<b>852.10</b>
31-03-2009	903.26	76.38	979.64

8. Related Party Disclosures

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

a. Related Parties

SI.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.)

SI.No.	Name	31-03-2010	31-03-2009
1.	Sankhya SARL France – Investment	172,920	172,920
2.	Sankhya US Corporation Investment	46,71,607	46,71,607
	Advances Given	5,40,50,991	5,40,50,991
	Interest	-	11,99,893
	Amount Receivable towards interest	-	11,99,893
3.	Sankhya Information Technologies (India) Pvt Ltd - Investment	10,00,000	10,00,000

c. Key Managerial Personnel

(Rs.)

SI.No.	Name	31-03-2010	31-03-2009
1.	Sri N. Ramakrishna Rao (Sitting fee)	Nil	4,000
2.	Sri N.Srinivas (Remuneration)	36,07,200	36,07,200
3.	Sri N.Sridhar	36,07,200	36,07,200

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-10	31- Mar-09
Net profit for the Year (Rs.)	264.22	408.39
Weighted Average No. of Shares outstanding during the year	85,00,005	85,00,005
Earnings Per Share (Rs.)	3.11	4.80
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 cancelling the contract.

12. Regrouping

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

for M/s. P. Murali & Co.  
Chartered Accountants  
Regn. No. : 00725S

for and on behalf of the Board

**P. Murali Mohana Rao**  
Partner  
Membership No.: 23412

**N R Mohanty**  
Chairman

**N. Sridhar**  
Managing Director & CEO

Place : HYDERABAD  
Date : 22<sup>nd</sup> May 2010

**CONSOLIDATED CASH FLOW STATEMENT FOR YEAR ENDED 31 MARCH 2010 (Rs.)**

	Year Ended 31st March 2010	Year Ended 31stMar2009
<b>A. CASH FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) after tax and extra Ordinary Items	2,64,22,216	4,08,39,318
<b>Adjustment for:</b>		
Depreciation	2,48,14,802	2,74,88,892
Interest	2,08,39,515	1,80,05,576
<b>Operating Profit Before WC Changes</b>	<b>7,20,76,533</b>	<b>8,63,33,786</b>
<b>Adjustment for:</b>		
Trade and Other Receivables	(4,64,43,430)	1,13,25,098
Work In Progress	(7,20,60,042)	(2,20,00,000)
Trade payables	50,43,315	1,74,95,658
<b>Net Cash Flow from Operating Activities</b>	<b>(4,13,83,624)</b>	<b>9,31,54,542</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Assets Additions	(3,82,21,560)	(9,70,52,510)
Change in Investments		
<b>Net Cash from/(Used) in Investing Activities</b>	<b>(3,82,21,560)</b>	<b>(9,70,52,510)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Short term borrowings	6,42,98,620	2,92,62,737
Increase in Misc. Expenditure	(6,620)	(6,625)
Interest & dividend and tax on dividend	(2,08,39,515)	(1,80,05,576)
<b>Net Cash from/(Used) in Financing Activities</b>	<b>4,34,52,485</b>	<b>1,12,50,536</b>
<b>Opening Cash and Cash Equivalents</b>	3,81,08,018	3,07,55,450
<b>Net increase in Cash and Cash Equivalents</b>	<b>(3,61,52,699)</b>	<b>73,52,568</b>
<b>Closing Cash and Cash Equivalents</b>	<b>19,55,319</b>	<b>3,81,08,018</b>

As per our report of even date  
for M/s. P. Murali & Co.  
Chartered Accountants  
Regn. No. : 00725S

for and on behalf of the Board

**P. Murali Mohana Rao**  
Partner  
Membership No.: 23412

**N R Mohanty**  
Chairman

**N. Sridhar**  
Managing Director & CEO

Place : HYDERABAD  
Date : 22<sup>ND</sup> May 2010

**DETAILS OF THE SUBSIDIARIES**

( Amount in Rs.)

Sl. No	Particulars	SANKHYA SARL FRANCE	SANKHYA US CORPORATION US	SANKHYA INFORMATION TECHNOLOGIES	SANKHYA CONSOLIDATED
		31-Mar-10	31-Mar-10	31-Mar-10	31-Mar-10
a)	Capital	1,72,920	5,15,657	10,00,000	8,50,00,050
i)	Share application Money	-	41,55,950	-	-
ii)	Loan Fund	-	5,40,50,991	-	-
b)	Reserves	-	-	-	40,46,70,922
c)	Total Assets	1,72,920	5,87,22,598	10,00,000	69,15,63,630
d)	Total Liabilities	1,72,920	5,87,22,598	10,00,000	69,15,63,630
e)	Details of Investment (except incase of investment in subsidiaries)	-	-	-	-
f)	Turnover	-	-	-	40,77,95,492
g)	Profit before Taxation	-	-21,41,880	-	3,98,45,574
h)	Provision for Taxation	-	-	-	71,35,632
i)	Other provision	-	-	-	62,87,726
j)	Pior Period Exp	-	11,99,893	-	-
k)	Profit after Taxation	-	-9,41,987	-	2,64,22,216
l)	Proposed Dividend	-	-	-	-

**ATTENDANCE SLIP**  
**SANKHYA INFOTECH LIMITED**

Corp. 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 13th ANNUAL GENERAL MEETING of the Company held on Thursday, the 30<sup>th</sup> September, 2010 at 10.00 a.m.at Taj Tristar Hotel, Secunderabad- 500003.

Signature of the Share holder or Proxy

\*Applicable for investors holding shares in Dematerialized form

**PROXY FORM**

**SANKHYA INFOTECH LIMITED**

Corp. 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 13<sup>th</sup> ANNUAL GENERAL MEETING to be held on Thursday, the 30<sup>th</sup> September, 2010 at 10.00 a.m.at Taj Tristar Hotel, Secunderabad- 500003 or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

\* 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.

**Sankhya Infotech Limited**  
**Electronic Clearing Service Mandate Form**

<b>CANBANK COMPUTER SERVICES LTD.,</b> J P ROYALE, 1ST FLOOR, # 218, 2nd Main, Sampige Road, (Near 14th Cross ), Malleswaram, Bengaluru - 560 003. Tel : 91-80-23469661 / 62, 23469664 / 65 Fax : 91-80-23469667 / 668 Email Id : canbank_computer@dataone.in URL: www.canbankrta.com (In case of Physical Holding)	To The Depository Participant Concerned (In case of Electronic Holding)
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Dear Sir,

Form for Electronic Clearing Services for payment of dividend

Please fill in the information in CAPITAL LETTERS. Please TICK wherever is applicable.

**1. For shares held in physical form**

Registered Folio No. :

**2. For shares held in electronic form**

(Shareholders holding shares in electronic form should forward this form to their respective Depository participant)

DP ID	I	N																	
-------	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Client ID																				
-----------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

3. First Shareholder's Name: Shri / Smt. / Kum. / M/s. \_\_\_\_\_

4. First Shareholder's Address : \_\_\_\_\_

Pin Code \_\_\_\_\_

5. Particulars of bank :

Bank Name																			
Branch Name & Address																			
Branch Code																			
(9 Digits code number appearing on the MICR Band of the cheque supplied by the Bank. Please attach a Xerox copy of a cheque or a blank cheque of your bank duly cancelled for ensuring accuracy of the bank name, branch name and code number)																			
Account Type		Savings						Current							Cash Credit				
Account no. (as appearing in the cheque book)																			

6. Date from which the mandate should be effective : \_\_\_\_\_

I hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I shall not hold Sankhya Infotech Limited or Canbank Computer Services Limited responsible. I also undertake to advise any change in the particulars of my account to facilitate updation of records for purpose of credit of dividend amount through ECS.

PLACE:

DATE:

\_\_\_\_\_

(Signature of shareholder)

Printed Matter  
Book Post

To,

If undelivered Please return to :



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