

SUNDARAM INFOTECH SOLUTIONS LIMITED

4th Annual Report 2008-09



Board of Directors

T. T. Srinivasaraghavan

Srinivas Acharya

S. Venkatesan

K. Swaminathan

Chief Executive Officer

Malli J. Sivakumar

Secretary

K. Rajagopal

Bankers

State Bank of Travancore

Tamilnad Mercantile Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Auditors

M/s. Brahmaya & Co., Chennai
Chartered Accountants

Registered Office

21, Patullos Road, Chennai 600 002

Corporate Office

901-906, Nineth Floor, Raheja Towers

177, Anna Salai, Chennai 600 002

Tel : 044 28604066

Fax : 044 2860 4237

Email : info@sundaraminfotech.in

Website: www.sundaraminfotech.in

SUNDARAM INFOTECH SOLUTIONS LIMITED

A wholly-owned subsidiary of



SUNDARAM FINANCE LIMITED

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Directors' Report

Your Directors have pleasure in presenting the Fourth Annual Report and Audited Accounts of the Company for the year ended 31st March, 2009.

The summarised financial results of the Company, are given hereunder:

(Rs. in lakhs)

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
Total Income	906.03	871.29
Total Expenditure	1350.16	1453.62
Loss before Tax	444.13	582.33
Taxation	(0.88)	0.93
Loss after Tax	443.25	583.26

REVIEW OF OPERATIONS

In spite of very challenging times for Indian Information Technology Services industry during 2008-09, Sundaram Infotech Solutions Ltd (SISL) earned revenues of Rs. 906.03 lakhs. A major exercise is underway to significantly improve the customer satisfaction levels and improve customer service by establishing a dedicated group for Delivery Excellence. Significant efforts are put into business development group to identify market opportunities and effectively address them.

During the year, SISL was able to win deals from leading companies against stiff competition. SISL sees big delays in finalizing deals by prospective customers and hopes to be able to close more business as market conditions improve.

DIRECTOR

Sri S. Venkatesan, retires by rotation and, being eligible, offers himself for re-election. Necessary resolution is submitted for your approval.

DIRECTORS' RESPONSIBILITY STATEMENT

Your directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of

the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;

- they have taken proper and sufficient care 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; and
- they have prepared the annual accounts on a going-concern basis.

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

Your Company has no activity relating to conservation of energy or technology absorption. During 2008-09, expenditure in foreign currencies amounted to Rs.161.26 lakhs and foreign Currency earnings amounted to Rs.381.56 lakhs.

PERSONNEL

None of the employees of the Company is in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956.

DEPOSITS

Your Company has not accepted any public deposit during the period under review.

AUDITORS

M/s Brahmayya & Co, Chartered Accountants, Chennai, retire and are eligible for reappointment. A certificate under Section 224(1B) of the Companies Act, 1956 has been received from them.

ACKNOWLEDGEMENT

Your Directors thank the holding company, Sundaram Finance Ltd. for its support. They also wish to place on record their appreciation of all the employees of the Company for their sincere and dedicated service.

T. T. Srinivasaraghavan
Srinivas Acharya
S. Venkatesan
K. Swaminathan
 Directors

Chennai 600 002
 Date: 22nd May 2009

Auditors' Report

To the Members of M/s.Sundaram Infotech Solutions Limited

1. We have audited the attached Balance Sheet of Sundaram Infotech Solutions Limited, (the Company) as at 31st March 2009, the Profit and Loss Account and the Cash Flow Statement of the Company for the year on that date, annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, (the Act) we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. We draw attention to note 4.1 of Schedule 16 to the financial statements regarding the financial statements being prepared on a "going concern" basis despite accumulated losses exceeding the share capital in view of the measures contemplated by the Company.
5. 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 and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
 - (v) on the basis of written representations received from the directors, as on 31st March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956, and
 - (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 2009;
 - (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Chennai
22nd May 2009

For **BRAHMAYYA & CO.**,
Chartered Accountants
L. RAVI SANKAR
Partner
Membership No.25929

Annexure to the Auditors' Report referred to in Paragraph 3 of our Report of even date

1. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of fixed assets. No discrepancies noticed on such verification. There was no disposal of fixed assets during the year.
2.
 - a) The Inventory has been physically verified at the year end by the management. In our opinion, the frequency of physical verification is reasonable compared to inventory level.
 - b) The procedures of physical verification of inventories for the year under review followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company is maintaining records of inventory. No material discrepancies have been noticed on physical verification of stock as compared to the book records.
3. a)
 - (i) The Company has taken unsecured loans from two companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year was Rs.15,09,94,000/-. The balance outstanding at the end of the year was Rs.14,59,94,000/-.
 - (ii) Based on the information and explanations given to us, the rate of interest and other terms and conditions of the loan are prima-facie not prejudicial to the interest of the Company.
 - (iii) Apart from the above, the Company has not taken any loans, secured or unsecured from companies or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b) In our opinion and according to the information and explanations given to us, the Company has not granted any loan secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clauses (iii) (c) and (iii) (d) of paragraph 4 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and sale of services. During the course of our audit, no major weaknesses have been noticed in the internal controls and therefore the reporting of the same does not arise.
5. In our opinion, and according to the information and explanations given to us, the transactions that need to be entered into a register in pursuance of Section 301 of the Act have been so entered.
6. The Company has not accepted deposits from public.
7. The Company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
8. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
9.
 - a) According to the records of the Company, income tax, sales tax and service tax was regularly deposited during the period with the appropriate authorities.
 - b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, sales tax and service tax which are outstanding as at 31st March, 2009 for a period of more than six months from the date they become payable.
10. According to the records of the Company and the information and explanations given to us, there are no dues of income tax, sales tax and service tax which have not been deposited on account of any dispute.
11. The Company has accumulated losses at the end of the financial year and has incurred cash loss during the current year.
12. The Company has an overdraft facility from a banker, apart from the above, the Company does not have any borrowing from financial institutions or by issue of debentures.
13. According to the information and explanations given to us, the Company has not:
 - a) granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
 - b) given any guarantees for loan taken by others from banks or financial institutions.
 - c) availed any term loan during the year.
 - d) raised funds during the year.
 - e) issued any debentures during the year.
 - f) raised monies by public issue during the year.
14. The Company is not a chit fund / nidhi / mutual benefit fund or society.
15. Based on our examination of records and information and explanations given to us, proper records have been maintained of the transactions and contracts relating to dealing in securities and timely entries have been made therein. The securities have been held by the Company in its own name.
16. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.
17. In our opinion and according to the information and explanations given to us, the nature of the company's business/ activities during the year have been such that clauses ii, xiii and xviii of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

For **BRAHMAYYA & CO.**,
Chartered Accountants

L. RAVI SANKAR

Partner

Membership No.25929

Chennai
22nd May 2009

Balance Sheet

as at 31st March, 2009

	Schedule	31.03.2009 Rs.	31.03.2008 Rs.
I SOURCES OF FUNDS			
1 Shareholders' Funds			
a) Share Capital	1	4,00,00,000	4,00,00,000
b) Reserves and Surplus		-	-
2 Loan Funds			
a) Secured Loans	2	58,18,123	81,73,786
b) Unsecured Loans	3	14,59,94,000	7,33,69,000
3 Deferred Tax Liability (net)	4	-	3,02,780
Total		<u>19,18,12,123</u>	<u>12,18,45,566</u>
II APPLICATION OF FUNDS			
1 Fixed Assets			
a) Gross Block	5	1,40,75,978	1,40,19,106
b) Less: Depreciation		<u>87,66,163</u>	<u>54,58,080</u>
c) Net Book Value		53,09,815	85,61,026
2 Investments			
		-	-
3 Deferred Tax Asset (net)	4	1,18,803	-
4 Current Assets, Loans and Advances			
a) Current Assets	6	30,97,733	24,63,576
b) Loans and Advances	7	4,55,51,401	1,93,77,175
	(A)	<u>4,86,49,134</u>	<u>2,18,40,751</u>
Less: Current Liabilities and Provisions			
a) Current Liabilities	8	1,33,67,824	1,53,65,715
b) Provisions		-	-
	(B)	<u>1,33,67,824</u>	<u>1,53,65,715</u>
Net Current Assets	(A-B)	3,52,81,310	64,75,036
5 Miscellaneous Expenditure			
a) Preliminary expenses (to the extent not written off or adjusted)	9	32,645	65,291
b) Debit balance in Profit and Loss Account		<u>15,10,69,550</u>	<u>10,67,44,213</u>
Total		<u>19,18,12,123</u>	<u>12,18,45,566</u>
Notes to the Accounts	16		

As per our report of even date Attached
For **Brahmayya & Co.**,
Chartered Accountants
L. Ravi Sankar
Partner
Chennai
22nd May, 2009

K. Rajagopal
Secretary

T. T. Srinivasaraghavan
Srinivas Acharya
S. Venkatesan
K. Swaminathan
Directors

Profit and Loss Account

for the year ended 31st March 2009

	Schedule	2008-09 Rs.	2007-08 Rs.
<u>INCOME</u>			
Income from Operations	10	8,71,00,312	8,59,06,000
Other Income	11	35,02,596	12,23,448
Total	(A)	<u>9,06,02,908</u>	<u>8,71,29,448</u>
<u>EXPENDITURE</u>			
Software license	12	1,44,81,265	1,55,32,072
Financial Expenses	13	1,09,44,044	53,22,776
Establishment Expenses	14	8,14,37,197	7,18,17,191
Administrative and Other Expenses	15	2,45,13,028	4,85,36,962
Bad Debts Written off		3,00,000	–
Preliminary expenses written off		32,646	32,645
Depreciation		33,08,083	41,20,732
Total	(B)	<u>13,50,16,263</u>	<u>14,53,62,378</u>
Loss before Tax	(A-B)	<u>4,44,13,355</u>	<u>5,82,32,930</u>
Taxation			
– Deferred tax		(4,21,583)	(3,85,330)
– Fringe Benefit Tax		3,33,565	4,78,360
Loss after Tax		<u>4,43,25,337</u>	<u>5,83,25,960</u>
Balance of Loss brought forward from previous year		10,67,44,213	4,84,18,253
Loss for the year carried to Balance Sheet		<u>15,10,69,550</u>	<u>10,67,44,213</u>
Notes to the Accounts	16		
Earnings per Equity Share (Refer Note 4.4 Schedule 16)			
Face Value per Equity Share (in Rupees)		10	10
Number of Equity Shares		40,00,000	40,00,000
Weighted Average Number of Equity Shares		40,00,000	33,15,574
Basic and Diluted earnings per share (in Rupees)		(11.08)	(17.59)

As per our report of even date Attached
For **Brahmayya & Co.**,
Chartered Accountants
L. Ravi Sankar
Partner
Chennai
22nd May, 2009

K. Rajagopal
Secretary

T. T. Srinivasaraghavan
Srinivas Acharya
S. Venkatesan
K. Swaminathan
Directors

SCHEDULES

(In Rupees)

	31.03.2009	31.03.2008
1 Share Capital		
Authorised		
40,00,000 Equity Shares of Rs. 10/- each	<u>4,00,00,000</u>	<u>4,00,00,000</u>
Issued and Subscribed		
40,00,000 Equity Shares of Rs. 10/- each	4,00,00,000	4,00,00,000
Paid-up Capital		
40,00,000 Equity Shares of Rs. 10/- each fully paid-up (The Equity shares are held by Holding Company - Sundaram Finance Ltd and its Nominees)	4,00,00,000	40,000,000
	<u>4,00,00,000</u>	<u>40,000,000</u>
2 Secured Loan		
From a Scheduled Bank	58,18,123	81,73,786
	<u>58,18,123</u>	<u>81,73,786</u>
3 Unsecured Loan		
From the Holding Company - Sundaram Finance Ltd	14,59,94,000	7,33,69,000
	<u>14,59,94,000</u>	<u>7,33,69,000</u>
4 Deferred Tax Asset/Liability (net)		
Deferred Tax Asset - Employee Benefits and Lease Rent	7,47,037	1,41,979
Less: Deferred Tax Liability - Depreciation	6,28,234	4,44,759
	<u>1,18,803</u>	<u>(3,02,780)</u>

(in Rs.)

5. Fixed Assets

DESCRIPTION	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK			
	Cost as at 31.03.2008	Additions	Deductions	Cost as at 31.03.2009	Upto 31.03.2008	Additions	Deductions	Upto 31.03.2009	At at 31.03.2009	As at 31.03.2008
Own Assets										
Computers	86,59,644 (85,92,697)	27,072 (33,64,571)	- (32,97,624)	86,86,716 (86,59,644)	45,71,211 (18,50,756)	16,42,795 (34,15,093)	- (6,94,638)	62,14,006 (45,71,211)	24,72,710 (40,88,433)	40,88,433 (67,41,941)
Office Equipment	1,66,311 (31,087)	29,800 (4,14,070)	- (2,78,846)	1,96,111 (1,66,311)	43,348 (31,079)	1,05,756 (18,734)	- (6,465)	1,49,104 (43,348)	47,007 (1,22,963)	1,22,963 (8)
Furniture and Fixtures	55,037 (55,037)	- (-)	- (-)	55,037 (55,037)	42,841 (40,145)	2,207 (2,696)	- (-)	45,048 (42,841)	9,989 (12,196)	12,196 (14,892)
Plant and Machinery	1,25,150 (1,25,150)	- (-)	- (-)	1,25,150 (1,25,150)	18,658 (1,451)	14,813 (17,207)	- (-)	33,471 (18,658)	91,679 (1,06,492)	1,06,492 (1,23,699)
Intangible Assets –										
Computer Software	12,81,835 (4,91,352)	- (7,90,483)	- (-)	12,81,835 (12,81,835)	3,22,720 (1,15,020)	4,27,278 (2,07,700)	- (-)	7,49,998 (3,22,720)	5,31,837 (9,59,115)	9,59,115 (3,76,332)
Leased Assets –										
Computers	34,29,529 (-)	- (34,29,529)	- (-)	34,29,529 (34,29,529)	4,22,175 (-)	10,25,086 (4,22,175)	- (-)	14,47,261 (4,22,175)	19,82,268 (30,07,354)	30,07,354 (-)
Office Equipment	3,01,600 (-)	- (3,01,600)	- (-)	3,01,600 (3,01,600)	37,127 (-)	90,148 (37,127)	- (-)	1,27,275 (37,127)	1,74,325 (2,64,473)	2,64,473 (-)
Total	1,40,19,106	56,872	-	1,40,75,978	54,58,080	33,08,083	-	87,66,163	53,09,815	85,61,026
Previous year	92,95,323	83,00,253	35,76,470	1,40,19,106	20,38,451	41,20,732	7,01,103	54,58,080	85,61,026	72,56,872

Figures in brackets relate to previous year.

(In Rupees)

SCHEDULES**6 Current Assets**

	31.03.2009		31.03.2008	
Stock-in-trade		47,017		–
Cash and bank balances:				
Cash on hand	4,000		4,000	
With Scheduled banks in Current Account	30,46,716	30,50,716	24,59,576	24,63,576
		<u>30,97,733</u>		<u>24,63,576</u>

7 Loans and Advances

Advances and deposits recoverable in cash or in kind or for value to be received		30,26,479		19,79,681
Income Receivable		3,39,22,205		1,23,13,089
Tax Deducted At Source		85,85,235		50,72,358
Advance Fringe Benefit Tax (Net of provision)		17,482		12,047
		<u>4,55,51,401</u>		<u>1,93,77,175</u>

8 Current Liabilities*

Sundry Creditors				
– For expenses		62,76,072		57,42,030
– For other finance		70,91,752		96,23,685
		<u>1,33,67,824</u>		<u>1,53,65,715</u>

* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund

9 Miscellaneous Expenditure

Preliminary expenses		65,291		97,936
Less: Written off during the year		32,646		32,645
		<u>32,645</u>		<u>65,291</u>

SCHEDULES

	2008-09	2007-08
(In Rupees)		
10 Income from Operations		
Services	6,60,32,313	6,25,72,899
Sale of software license	2,10,67,999	2,33,33,101
	<u>8,71,00,312</u>	<u>8,59,06,000</u>
11 Other Income		
Interest receipts	10,612	11,519
Dividend Income	–	1,05,615
Profit on sale and lease back of assets	2,12,893	87,679
Gain on Exchange Fluctuation	32,77,840	8,97,806
Miscellaneous Income	1,251	1,20,829
	<u>35,02,596</u>	<u>12,23,448</u>
12 Software License		
Purchase of Software License	1,44,81,265	1,55,32,072
	<u>1,44,81,265</u>	<u>1,55,32,072</u>
13 Financial Expenses		
Interest on Fixed Loans	1,07,19,958	50,83,929
Other Financial Expenses	2,24,086	2,38,847
	<u>1,09,44,044</u>	<u>53,22,776</u>
14 Establishment Expenses		
Salaries and other allowances	7,81,14,264	6,82,03,296
Company's contribution to Provident Fund, Superannuation and Employees' State Insurance Schemes	23,53,741	23,62,071
Staff welfare expenses	6,99,122	9,07,159
Gratuity	2,70,070	3,44,665
	<u>8,14,37,197</u>	<u>71,817,191</u>
15 Administrative and other expenses		
Rent	48,28,260	1,42,74,015
Communication expenses	5,64,569	12,59,856
Electricity expenses	8,71,871	25,37,300
Travelling and conveyance	1,07,07,753	1,89,29,626
Insurance	3,55,661	4,18,964
Repairs and Maintenance	15,16,040	32,97,908
Professional fees	15,94,249	43,85,594
Rates and Taxes	2,04,810	42,545
Loss on exchange fluctuation	17,31,331	13,78,542
Miscellaneous expenses	21,38,484	20,12,612
	<u>2,45,13,028</u>	<u>4,85,36,962</u>

SCHEDULES

16. NOTES TO THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

- 1.1 The financial statements are prepared and presented under the historical cost convention and on the accrual basis of accounting and they comply with the relevant provisions of the Companies Act, 1956.

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amount of revenues and expenses during the year and disclosure of contingent liabilities as at that date. The estimates and assumption used in these financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the financial statements.

- 1.2 Income Recognition:

Income from sales and services are accounted on accrual basis.

- 1.3 Inventory:

Stock-in-trade is valued at lower of cost and net realisable value.

- 1.4 Fixed Assets and Depreciation:

Fixed assets other than assets taken on lease are stated at historical cost less accumulated depreciation.

Depreciation on assets is provided on the Written Down Value Method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets acquired costing Rs. 5000 or less are written down in the year of acquisition to Re.1.

In accordance with Accounting Standard – AS 19 – Leases, the Company has capitalized Computer System and Office Equipment taken on finance lease as Fixed Assets and depreciated over the lease period.

- 1.5 Valuation of Investments:

Long-term investments are stated at cost and provision for diminution in value, other than temporary, is considered wherever necessary.

Current investments are valued at lower of cost and market value/net asset value.

- 1.6 Foreign Currency Transactions:

Transactions in foreign currencies are accounted at the prevailing rates of exchange on the date of the transaction. Monetary items denominated in foreign currencies are restated at the prevailing rates of exchange at the Balance Sheet date. Gain or Loss arising out of fluctuations in exchange rates are accounted for in the Profit and Loss Account.

Exchange difference on forward exchange contracts, entered into for hedging foreign exchange fluctuation risk in respect of asset/liability are recognized in the Profit and Loss Account in the reporting period in which the exchange rate changes. Premium on forward exchange contracts is expensed over the tenure of the contract.

- 1.7 Employee Benefits:

A) Short Term Employee Benefits:

Short Term Employee Benefits expected to be paid for the services rendered by employees are recognized during the period when the services are rendered.

B) Post employment benefits:

Defined Contribution Plan

- i) Provident Fund

The Company contributes to a Government administered Provident Fund, Pension Fund and Employees State Insurance on account of its employees.

SCHEDULES

16. NOTES TO THE ACCOUNTS (Contd.)

ii) Superannuation

Fixed contributions to the superannuation fund which is administered by trustees and managed by the Life Insurance Corporation of India (LIC) are charged to the Profit and Loss Account. The Company does not have liability for future Superannuation Fund benefits other than its annual contributions and recognizes such contributions as an expenses in the period in which it is incurred.

Defined Benefit Plan

i) Gratuity

The Company makes an annual contribution to a Gratuity Fund administered by trustees and managed by LIC. The company accounts its liability for future gratuity benefits based on actuarial valuation, as at balance sheet date, determined every year by LIC using the Projected Unit Credit method.

ii) Leave Encashment

Liability on account of encashment of leave of employees is provided on actuarial basis.

The actuarial gain/loss arising in the above benefit plans has been duly recognized in the Profit and loss account.

1.8 Taxation:

Current Tax is provided on the taxable income for the year.

Deferred Tax Liabilities on the timing difference are fully provided for. Deferred Tax Assets are recognised on the consideration of prudence.

1.9 Intangible Assets:

Items of Computer software acquired are recorded as intangible assets and their cost is amortized over their expected useful life.

1.10 Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of the net selling price of the assets and their value in use.

1.11 Provisions:

Provisions are recognised when the company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

1.12 Preliminary Expenses incurred for the incorporation of the company are written off in five equal installments.

2. BALANCE SHEET

2.1 Secured Loans:

From a Scheduled Bank: The cash credit facility is secured by book debts.

2.2 In respect of leased assets forming part of fixed assets, the Company has committed future lease payments as detailed below

	Future Lease payments Rs.	Principal Outstanding Rs.
Upto 1 year	9,22,230	6,92,558
2 to 5 years	24,54,395	21,75,233
Above 5 years	Nil	Nil

2.3 Advance Fringe Benefit tax is net of provision for tax of Rs.13,04,000 (31.03.2008 – Rs.9,70,435)

SCHEDULES

16. NOTES TO THE ACCOUNTS (Contd.)

3. PROFIT AND LOSS ACCOUNT

3.1 Income from Trading:

The details relating to trading items are as under:

	2008-09		2007-08	
	Qty	Rs.	Qty	Rs.
Purchases	604	1,45,28,282	814	1,55,32,072
Sales	602	2,10,67,999	814	2,33,33,100

3.2 Miscellaneous expenses under "Administrative and other expenses" include Remuneration to Auditors towards:

(In Rupees)

	2008-09	2007-08
Statutory Audit	25,000	25,000
Tax Audit	8,000	8,000
Certification	5,000	25,000
Service Tax	3,914	7,169

3.3 Profit arising out of sale and leaseback of fixed assets has been recognized over the lease period in proportion to the depreciation charged on those assets, as required by Accounting Standard – AS 19 – Leases.

3.4 Employee Benefits:

i) Defined Contribution Plan:

(In Rupees)

	2008-09	2007-08
Company's Contribution to		
i) Superannuation Fund	1,32,377	63,090
ii) Provident Fund	9,38,956	8,83,760
iii) Employees State Insurance	57,099	60,864

ii) Defined Benefit Plan:

Gratuity

A. Reconciliation of opening and closing balances of present value of the defined benefit obligation

(In Rupees)

	2008-09	2007-08
Present value of obligations as at beginning of the year	6,62,977	3,31,356
Interest cost	53,038	18,826
Current service cost	3,27,431	2,36,232
Benefits paid	0	1,60,673
Actuarial loss on obligation	54,575	2,37,236
Present value of obligations as at the end of the year	9,88,871	6,62,977

SCHEDULES
16. NOTES TO THE ACCOUNTS (Contd.)
B. Reconciliation of opening and closing balances of fair value of Plan Assets Fund maintained by LIC

(In Rupees)

	2008-09	2007-08
Fair value of plan assets as at beginning of the year	4,96,488	3,58,236
Expected return on plan assets	51,014	30,867
Contributions	2,82,376	2,67,311
Benefits paid	0	1,60,673
Actuarial gain on plan assets	4,810	747
Fair value of plan assets as at the end of the year	8,34,688	4,96,488

C. Reconciliation of present value of defined benefit obligation and fair value of plan assets to the assets and liabilities

(In Rupees)

	2008-09	2007-08
Present value of obligations as at the end of the year	9,88,871	6,62,977
Fair value of plan assets as at the end of the year	8,34,688	4,96,488
Net liability recognized in the balance sheet	1,54,183	1,66,489

D. Expenses recognized in the profit and loss statement

(In Rupees)

	2008-09	2007-08
Current Service cost	3,27,431	2,36,232
Interest Cost	53,038	18,826
Expected return of plan assets	(51,014)	(30,867)
Net Actuarial (gain)/loss recognized in the year	(59,385)	2,36,489
Expenses to be recognized in the profit and loss	2,70,070	4,60,680

E. Details showing fair value of plan assets

(In Rupees)

	2008-09	2007-08
Fair value of plan assets as at beginning of the year	4,96,488	3,58,236
Actual return on plan assets	55,824	31,614
Contributions	2,82,376	2,67,311
Benefits paid	0	1,60,673
Fair value of plan assets as at the end of the year	8,34,688	4,96,488

F. Actuarial Gain/Loss recognized

(In Rupees)

	2008-09	2007-08
Actuarial gain (loss) on obligation	(54,575)	(2,37,236)
Actuarial gain on plan assets	4,810	747
Total gain / (loss) for the year	59,385	(2,36,489)
Actuarial gain / (loss) recognized in the year	59,385	(2,36,489)

SCHEDULES

16. NOTES TO THE ACCOUNTS (Contd.)

G. Actuarial assumptions

	31-03-2009	31-03-2008
Discount Rate	8.0%	8.0%
Salary Increment	5.0%	4.5%
Expected return on plan assets	8.0%	8.0%
Mortality rates	Based on LIC (1994-1996)	

4. GENERAL

4.1 The accounts of the company have been prepared on a “going concern” basis notwithstanding the loss incurred during the year and the accumulated losses exceeding the paid-up equity share capital as the management is contemplating measures such as productivity improvement, pricing and cost control measures which are likely to have a favourable impact on the financial position of the company.

4.2 Related Party disclosures: In accordance with the Accounting Standard – AS 18 – Related Party Disclosures, the details of related parties and the transactions with related parties are given below.

Holding Company:

Sundaram Finance Limited

Fellow Subsidiaries:

Sundaram BNP Paribas Home Finance Limited

Sundaram BNP Paribas Asset Management Company Limited.

Sundaram BNP Paribas Trustee Company Limited

Sundaram Finance Distribution Limited

LGF Services Limited

Sundaram Business Services Limited

Infreight Logistics Solutions Limited

Professional Management Consultants Private Limited

Sundaram Securites Services Limited

Associate:

Sundaram BNP Paribas Mutual Fund

Key Management Personnel:

Mr. Malli J. Sivakumar, Chief Executive Officer

SCHEDULES
16. NOTES TO THE ACCOUNTS (Contd.)

The nature and volume of transactions of the company during the year, with the related parties are as follows.

(In Rupees)

Nature of Transactions	Holding Company	Fellow Subsidiaries	Associate	Total
INCOME				
Income from Operations	2,47,61,594 (1,25,07,529)	25,70,235 (-)		2,73,31,829 (1,25,07,529)
EXPENSES				
Rent	47,02,518 (1,42,74,015)			47,02,518 (1,42,74,015)
Payroll Processing	54,214 (1,00,150)	53,240		1,07,454 (1,00,150)
Interest	(1,02,47,245) (47,25,032)	(30,411) (-)		(1,02,77,656) (47,25,032)

(In Rupees)

Nature of Transactions	Holding Company	Fellow Subsidiaries	Associate	Total
ASSETS				
Investment in Trust Securities			(-) (2,47,00,000)	(-) (2,47,00,000)
Disinvestments in Trust Securities			(-) (2,48,05,615)	(-) (2,48,05,615)
Income Receivables as on 31.03.2009	1,69,84,078 (3,45,950)			1,69,84,078 (3,45,950)
LOAN				
Received during the year	7,45,00,000 (3,40,00,000)	50,00,000 (-)		7,95,00,000 (3,40,00,000)
Repaid during the year	18,75,000 (2,00,06,000)	50,00,000 (-)		68,75,000 (2,00,06,000)
Outstanding as on 31.03.2009	14,59,94,000 (7,33,69,000)	(-) (-)		14,59,94,000 (7,33,69,000)

No amount has been written off/written back during the year.

Figures in brackets pertaining to Previous year.

SCHEDULES

16. NOTES TO THE ACCOUNTS (Contd.)

4.3 There is no amount due to Small Scale Industries in terms of "The Micro, Small and Medium Enterprises Development Act, 2006".

4.4 Earnings per share (Basic and Diluted):

	2008-09	2007-08
A. Loss for the year after taxation (In Rs.)	(4,43,25,337)	(5,83,25,960)
B. Total number of equity shares of Rs. 10/- each outstanding at the end of the year (in numbers)	40,00,000	40,00,000
C. Weighted average number of equity shares	40,00,000	33,15,574
D. Basic and diluted earnings per share (A/C) (In Rupees)	(11.08)	(17.59)

4.5 Expenditure in foreign currency (on accrual basis):

	2008-09	2007-08
Professional and consultancy fee (Rs.)	5,81,895	20,90,418
Other matters – Marketing, traveling etc. (Rs.)	1,55,43,919	2,40,50,765

4.6 Earnings in Foreign Currency (on accrual basis):

Sale of Software License and Services (Rs.)	3,81,55,507	4,66,67,985
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4.7 Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

4.8 Figures have been rounded off to the nearest rupee.

Signatures to Schedules 1 to 16

As per our report of even date Attached

For **Brahmayya & Co.,**

Chartered Accountants

L. Ravi Sankar

Partner

Chennai

22nd May, 2009

K. Rajagopal

Secretary

T. T. Srinivasaraghavan

Srinivas Acharya

S. Venkatesan

K. Swaminathan

Directors

Balance Sheet Abstract and Company's General Business Profile

Information as required under part IV of the Schedule VI of the Companies Act, 1956

I Registration Details

Registration No. State Code

Balance Sheet Date

Date Month Year

II Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	Rights Issue
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Bonus Issue	Private Placement
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Pursuant To Scheme of Amalgamation	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	

III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="0"/>
Sources of Funds	Reserves & Surplus
Paid up Capital	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>	Unsecured Loans
Secured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="4"/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="8"/>	Investments
Applications of Funds	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Net Fixed Assets	Misc. Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="3"/>
Deferred Tax Asset (Net)	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="9"/>	
Net Current Assets	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="1"/>	
Accumulated Loss	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="9"/>	

IV Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="3"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="6"/>
+ - Profit / (Loss) Before Tax	+ - Profit / (Loss) After Tax
<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="3"/>	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="5"/>

(Please tick appropriate box + for profit, - for loss)

Earnings Per Share Rs. Ps. Dividend Rate %

V Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code)

Product / Service Description

CASH FLOW STATEMENT

For Year Ended 31/03/2009

	2008-09 Rs.	2007-08 Rs.
A) CASH FLOW FROM OPERATING ACTIVITIES:		
Net Loss	(4,43,25,337)	(5,83,25,960)
Add: Preliminary expenses written off	32,646	32,645
Provision for Taxation	(88,018)	93,030
	<u>(4,43,80,709)</u>	<u>(5,82,00,285)</u>
Add: Financial Expenses	1,09,44,044 (3,34,36,665)	53,22,776 (5,28,77,509)
Depreciation	33,08,083	41,20,732
Interest Received	(10,612)	(11,519)
Dividend Received	-	(1,05,615)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(3,01,39,194)	(4,88,73,911)
(Increase) Decrease in Loans and Advances	(2,26,55,914)	1,26,27,922
(Increase) Decrease in Stock-on-purchase	(47,017)	-
Increase (Decrease) in Current Liabilities	<u>(19,97,890)</u>	<u>39,54,080</u>
Cash generated from Operations	(5,48,40,015)	(3,22,91,909)
Financial Expenses	(1,09,44,044)	(53,22,776)
Direct Taxes Paid	(38,51,877)	(37,27,729)
NET CASH FROM OPERATING ACTIVITIES (A)	(6,96,35,936)	(4,13,42,414)
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(56,872)	(54,24,886)
Purchase of Investments	-	(2,47,00,000)
Sale of Investments	-	2,47,00,000
Interest / Dividend Received	10,612	11,519
Interest / Dividend Received	-	1,05,615
NET CASH FROM INVESTING ACTIVITIES (B)	(46,260)	(53,07,752)
C) CASH FROM FINANCING ACTIVITIES		
Proceeds from issue of Equity Shares	-	2,10,00,000
Increase (Decrease) in long term borrowings	7,02,69,336	2,21,67,786
NET CASH FROM FINANCING ACTIVITIES (C)	7,02,69,336	4,31,67,786
NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)	5,87,140	(34,82,380)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	24,63,576	59,45,956
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	30,50,716	24,63,576
1) COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Current Account with Banks	25,69,082	23,88,084
Effect of Foreign Exchange rates on Cash and Cash Equivalents	4,77,634	71,492
Cash, Stamps and Stamp Papers on Hand	4,000	4,000
	<u>30,50,716</u>	<u>24,63,576</u>
2) Total Tax paid during the year includes Tax deducted at source for the financial year 2008-09 Rs. 35,12,877/-		

As per our report of even date Attached
For **Brahmayya & Co.**,
Chartered Accountants
L. Ravi Sankar
Partner

Chennai
22nd May, 2009

K. Rajagopal
Secretary

T. T. Srinivasaraghavan
Srinivas Acharya
S. Venkatesan
K. Swaminathan
Directors