

SUNDARAM INFOTECH SOLUTIONS LIMITED

5th Annual Report 2009-10



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. Brahmayya & Co., Chennai
Chartered Accountants

Registered Office

21, Patullos Road, Chennai 600 002

Corporate Office

Desabandhu Plaza, 2nd Floor
47, Whites Road, Chennai 600 014
Tel : 044 28514066
Fax : 044 28412171
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 Fifth Annual Report and Audited Accounts of the Company for the year ended 31st March, 2010.

The summarised financial results of the Company are given hereunder:

(Rs. in lakhs)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Total Income	1882.40	906.03
Total Expenditure	1746.37	1350.16
Profit / (Loss) before Tax	136.03	(444.13)
Taxation	5.24	(0.88)
Profit / (Loss) after Tax	130.79	(443.25)

REVIEW OF OPERATIONS

During the year under review, your Company achieved 108% increase in its revenue compared to the previous year and posted operating profits. This was accomplished in spite of challenging economic conditions particularly in India & Middle East. Also, the Company implemented a cost management program which helped the overall performance.

Customer satisfaction, delivery excellence, process improvements etc. continue to be key operational focus areas. Significant efforts were made to improve the sales focus to ensure long term growth.

Considerable efforts are underway to scale up on business areas where we have been able to deliver consistently and also to explore new business opportunities such as Retail & Distribution, Customer Relationship Management etc. Also, to address the market opportunities in the Lending Industry where we have significant domain expertise, a major project has been initiated to develop SmartLend3G on the latest technologies.

DIRECTOR

Sri K. Swaminathan, 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 profit 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 2009-10, expenditure in foreign currencies amounted to Rs.269.64 lakhs and foreign currency earnings amounted to Rs.832.36 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: 21st May 2010

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 2010, 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 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 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 2010;
 - b) in the case of the Profit and Loss Account, of the profit 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.

For **BRAHMAYYA & CO.,**
Chartered Accountants
Registration Number: 000511S
L. RAVI SANKAR
Partner
Membership No.25929

Place : Chennai
Date : 21st May, 2010

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 are noticed on physical verification of stock as compared to the book records.
3.
 - a)
 - i) The Company has taken a unsecured loan from a Company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year was Rs.14,74,94,000/-. The balance outstanding at the end of the year was Rs.12,50,00,000/-.
 - 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, 2010 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.
12. The Company has an overdraft facility from a bank, apart from the above, the Company does not have any borrowing from financial institutions or by issue of debentures.
13. The Company has availed term loan during the year and utilized for the purpose for which the loan has been obtained.
14. According to the information and explanation given to us, the Company has not utilized funds raised on short term basis for long term investment.
15. 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) raised funds during the year.
 - d) issued any debentures during the year.
 - e) raised monies by public issue during the year.
16. The Company is not a chit fund / nidhi / mutual benefit fund or society.
17. 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.
18. 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.
19. 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 xiii and xviii of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

For **BRAHMAYYA & CO.,**
 Chartered Accountants
 Registration Number: 000511S
L. RAVI SANKAR
 Partner
 Membership No.25929

Place : Chennai
 Date : 21st May, 2010

Balance Sheet

as at 31st March, 2010

	Schedule	31.03.2010 Rs.	31.03.2009 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
b) Unsecured Loans	3	12,50,00,000	14,59,94,000
3 Deferred Tax Liability (net)	4A	4,05,283	–
Total		<u>16,54,05,283</u>	<u>19,18,12,123</u>
II APPLICATION OF FUNDS			
1 Fixed Assets			
a) Gross Block	5	1,46,42,495	1,40,75,978
b) Less: Depreciation		<u>1,10,64,716</u>	<u>87,66,163</u>
c) Net Book Value		35,77,779	53,09,815
2 Investments			
a) Investments		–	–
3 Deferred Tax Asset(net)	4B	–	1,18,803
4 Current Assets, Loans and Advances			
a) Current Assets	6	2,56,70,079	3,70,19,938
b) Loans and Advances	7	<u>2,10,08,117</u>	<u>1,16,29,196</u>
	(A)	<u>4,66,78,196</u>	<u>4,86,49,134</u>
Less: Current Liabilities and Provisions			
a) Current Liabilities	8	2,28,41,062	1,33,67,824
b) Provisions		–	–
	(B)	<u>2,28,41,062</u>	<u>1,33,67,824</u>
Net Current Assets	(A–B)	2,38,37,134	3,52,81,310
5 Miscellaneous Expenditure			
a) Preliminary expenses (to the extent not written off or adjusted)	9	–	32,645
b) Debit balance in Profit and Loss Account		<u>13,79,90,370</u>	<u>15,10,69,550</u>
Total		<u>16,54,05,283</u>	<u>19,18,12,123</u>

As per our report of even date Attached
For **Brahmayya & Co.**,
Chartered Accountants
L. Ravi Sankar
Partner
Chennai
21st May, 2010

Malli J Sivakumar
Chief Executive Officer
K. Rajagopal
Secretary

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

Profit and Loss Account

for the year ended 31st March 2010

	Schedule	2009-10 Rs.	2008-09 Rs.
<u>INCOME</u>			
Income from Operations	10	18,61,83,694	8,71,00,312
Other Income	11	20,56,137	35,02,596
Total	(A)	<u>18,82,39,831</u>	<u>9,06,02,908</u>
<u>EXPENDITURE</u>			
Software license	12	1,82,29,737	1,44,81,265
Financial Expenses	13	1,34,44,576	1,09,44,044
Establishment Expenses	14	11,00,08,518	8,14,37,197
Administrative and Other Expenses	15	2,53,06,678	2,45,13,028
Bad Debts		51,63,127	3,00,000
Preliminary expenses		32,645	32,646
Depreciation		24,51,284	33,08,083
Total	(B)	<u>17,46,36,565</u>	<u>13,50,16,263</u>
Profit / (Loss) before Tax	(A-B)	<u>1,36,03,266</u>	<u>(4,44,13,355)</u>
Less: Taxation			
Minimum Alternate Tax		6,12,648	-
Deferred tax		5,24,086	(4,21,583)
Fringe Benefit Tax		-	3,33,565
Add: MAT Credit Entitlement		6,12,648	-
Profit / (Loss) after Tax		<u>1,30,79,180</u>	<u>(4,43,25,337)</u>
Balance Loss brought forward from previous year		15,10,69,550	10,67,44,213
Loss for the year carried to Balance Sheet		<u>13,79,90,370</u>	<u>15,10,69,550</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
Basic and Diluted earnings per share (in Rupees)		3.27	(11.08)

As per our report of even date Attached
For **Brahmayya & Co.,**
Chartered Accountants
L. Ravi Sankar
Partner
Chennai
21st May, 2010

Malli J Sivakumar
Chief Executive Officer
K. Rajagopal
Secretary

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

SCHEDULES

(In Rupees)

	31.03.2010	31.03.2009
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 Limited and its nominees)	4,00,00,000	4,00,00,000
	<u>4,00,00,000</u>	<u>4,00,00,000</u>
2 Secured Loan		
From Scheduled Bank	-	58,18,123
	<u>-</u>	<u>58,18,123</u>
3 Unsecured Loan		
From Holding Company - Sundaram Finance Limited	12,50,00,000	14,59,94,000
	<u>12,50,00,000</u>	<u>14,59,94,000</u>
4 Deferred Tax Asset / Liability		
4(A) Deferred Tax Liability (net)		
Deferred Tax Liability - Depreciation	8,76,970	-
Less: Deferred Tax Asset - Employee Benefits	4,71,687	-
	<u>4,05,283</u>	<u>-</u>
4(B) Deferred Tax Asset(net)		
Deferred Tax Asset - Employee Benefits	-	7,47,037
Less: Deferred Tax Liability - Depreciation	-	6,28,234
	<u>-</u>	<u>1,18,803</u>

(in Rs.)

5. Fixed Assets

DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	Cost as at 31.03.2009	Additions	Deductions	Cost as at 31.03.2010	Upto 31.03.2009	Additions	Deductions	Upto 31.03.2010	At at 31.03.2010	As at 31.03.2009
Own Assets										
Computer System	86,86,716 (86,59,644)	41,431 (27,072)	2,01,058 (-)	85,27,089 (86,86,716)	62,14,006 (45,71,211)	9,86,908 (16,42,795)	1,52,731 (-)	70,48,183 (62,14,006)	14,78,906 (24,72,710)	24,72,710 (40,88,433)
Office Equipment	1,96,111 (1,66,311)	39,655 (29,800)	- (-)	2,35,766 (1,96,111)	1,49,104 (43,348)	46,163 (1,05,756)	- (-)	1,95,267 (1,49,104)	40,499 (47,007)	47,007 (1,22,963)
Furniture and Fixtures	55,037 (55,037)	67,712 (-)	- (-)	1,22,749 (55,037)	45,048 (42,841)	69,515 (2,207)	- (-)	1,14,563 (45,048)	8,186 (9,989)	9,989 (12,196)
Plant and Machinery	1,25,150 (1,25,150)	- (-)	- (-)	1,25,150 (1,25,150)	33,471 (18,658)	12,753 (14,813)	- (-)	46,224 (33,471)	78,926 (91,679)	91,679 (1,06,492)
Intangible Assets										
Computer Software	12,81,835 (12,81,835)	- (-)	- (-)	12,81,835 (12,81,835)	7,49,998 (3,22,720)	3,12,253 (4,27,278)	- (-)	10,62,251 (7,49,998)	2,19,584 (5,31,837)	5,31,837 (9,59,115)
Leased Assets										
Computers	34,29,529 (34,29,529)	6,18,777 (-)	- (-)	40,48,306 (34,29,529)	14,47,261 (4,22,175)	9,44,974 (10,25,086)	- (-)	23,92,235 (14,47,261)	16,56,071 (19,82,268)	19,82,268 (30,07,354)
Office Equipments	3,01,600 (3,01,600)	- (-)	- (-)	3,01,600 (3,01,600)	1,27,275 (37,127)	78,718 (90,148)	- (-)	2,05,993 (1,27,275)	95,607 (1,74,325)	1,74,325 (2,64,473)
Total	1,40,75,978	7,67,575	2,01,058	1,46,42,495	87,66,163	24,51,284	1,52,731	1,10,64,716	35,77,779	53,09,815
Previous year	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

Figures in brackets relate to previous year.

(In Rupees)

SCHEDULES

	31.03.2010		31.03.2009	
6 Current Assets				
Stock-in-trade		–		47,017
Sundry Debtors:				
Outstanding for a period exceeding six months	2,70,595		87,70,461	
Others	2,20,68,360	2,23,38,955	2,51,51,744	3,39,22,205
Cash and bank balances:				
Cash on hand	4,000		4,000	
With Scheduled banks in Current Account	33,27,124	33,31,124	30,46,716	30,50,716
		2,56,70,079		3,70,19,938
7 Loans and Advances				
Advances and deposits recoverable in cash or in kind or for value to be received		44,98,657		30,26,479
Advance Tax and Tax Deducted at Source (Net of provision for Taxation)		1,58,79,330		85,85,235
Advance Fringe Benefit Tax (Net of provision)		17,482		17,482
MAT Credit Entitlement		6,12,648		–
		2,10,08,117		1,16,29,196
8 Current Liabilities*				
Sundry Creditors				
– For expenses		1,20,31,322		62,76,072
– For other finance		54,23,596		70,91,752
Income received in advance		53,86,144		–
		2,28,41,062		1,33,67,824
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund				
9 Miscellaneous Expenditure				
Preliminary expenses incurred		32,645		65,291
Less: Written off during the year		32,645		32,646
		–		32,645

SCHEDULES

	2009-10	2008-09
(In Rupees)		
10 Income from Operations		
Services	15,92,58,789	6,60,32,313
Sale of software license	2,69,24,905	2,10,67,999
	<u>18,61,83,694</u>	<u>8,71,00,312</u>
11 Other Income		
Interest receipts	1,74,009	10,612
Dividend Income	1,70,638	-
Profit on sale and lease back of assets	1,85,899	2,12,893
Gain on Exchange Fluctuation	15,10,358	32,77,840
Miscellaneous Income	15,233	1,251
	<u>20,56,137</u>	<u>35,02,596</u>
12 Software License		
Opening Stock	47,017	-
Add: Purchase of Software License	1,81,82,720	1,45,28,282
Less: Closing Stock	-	47,017
	<u>1,82,29,737</u>	<u>1,44,81,265</u>
13 Financial Expenses		
Interest on Fixed Loans	1,31,12,616	1,02,77,656
Other Financial Expenses	3,31,960	6,66,388
	<u>1,34,44,576</u>	<u>1,09,44,044</u>
14 Establishment Expenses		
Salaries and other allowances	10,55,40,054	7,81,14,264
Company's contribution to Provident Fund, Gratuity, Superannuation and Employees' State Insurance Schemes	33,84,902	26,23,811
Staff welfare expenses	10,83,562	6,99,122
	<u>11,00,08,518</u>	<u>8,14,37,197</u>
15 Administrative and other expenses		
Rent	13,72,176	48,28,260
Communication expenses	5,16,966	5,64,569
Electricity expenses	4,56,192	8,71,871
Travelling and conveyance	1,31,51,795	1,07,07,753
Insurance	3,23,860	3,55,661
Repairs and Maintenance	14,48,877	15,16,040
Professional fees	13,55,950	15,94,249
Rates & Taxes	90,435	2,04,810
Loss on exchange fluctuation	32,26,685	17,31,331
Loss on sale of Asset	22,556	-
Miscellaneous expenses	33,41,186	21,38,484
	<u>2,53,06,678</u>	<u>2,45,13,028</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, Computer System and Office Equipment taken on finance lease are capitalised 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.

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.

The Company also contributes to a government administered Employees Pension Scheme under the Employees Provident Fund Act and Employee's State Insurance schemes on behalf of its employees.

(ii) Superannuation:

The Company makes fixed contribution as a percentage on salary to the Superannuation Fund, which is administered by trustees and managed by the Life Insurance Corporation of India(LIC). The above contribution are charged to the Profit and Loss Account.

SCHEDULES

16. NOTES TO THE ACCOUNTS (Contd.)

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	10,81,560	8,62,393
2 to 5 years	20,92,670	18,81,763
Above 5 years	Nil	Nil

2.3 (a) Sundry Debtors includes the following balance due from Company's under the same Management:

Income Receivable	Sundaram BNP Paribas Fund Services Limited	Rs.5,60,545/-
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(b) Sundry Creditors includes the following balance due to Company's under the same Management:

Payroll processing charges	Sundaram Business Services Limited	Rs. 20,736/-
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SCHEDULES

16. NOTES TO THE ACCOUNTS (Contd.)

2.4 Advance Tax and TDS receivable is net off of provision for Taxation of Rs.6,24,545/- (31.03.2009 Rs. NIL)

2.5 Advance Fringe Benefit tax is net off of provision for tax of Rs.13,04,000/- (31.03.2009 Rs.13,04,000/-)

3. PROFIT AND LOSS ACCOUNT

3.1 Income from Trading:

The details relating to trading items are as under:

	2009-10		2008-09	
	Qty	Rs.	Qty	Rs.
Opening Stock	2	47,017	–	–
Purchases	490	1,81,82,720	604	1,45,28,282
Sales	492	2,69,24,905	602	2,10,67,999
Closing Stock	–	–	2	47,017

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

(In Rupees)

	2009-10	2008-09
Statutory Audit	50,000	25,000
Tax Audit	15,000	8,000
Certification	50,000	5,000
Service Tax	11,845	3,914

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)

	2009-10	2008-09
Company's Contribution to		
a) Superannuation Fund	1,69,371	1,32,377
b) Provident Fund	10,91,033	9,38,956
c) Employees' State Insurance	67,643	57,099

SCHEDULES
16. NOTES TO THE ACCOUNTS (Contd.)

ii) Defined Benefit Plan:

Gratuity
A. Reconciliation of opening and closing balances of present value of the defined benefit obligation (In Rupees)

	2009-10	2008-09
Present value of obligations as at beginning of the year	9,88,871	6,62,977
Interest cost	79,110	53,038
Current service cost	4,28,241	3,27,431
Benefits paid	82,399	0
Actuarial loss on obligation	3,37,839	54,575
Present value of obligations as at the end of the year	17,51,662	9,88,871

B. Reconciliation of opening and closing balances of fair value of Plan Assets Fund maintained by LIC

(In Rupees)

	2009-10	2008-09
Fair value of plan assets as at beginning of the year	8,34,688	4,96,488
Expected return on plan assets	1,50,507	51,014
Contributions	15,34,067	2,82,376
Benefits paid	82,399	0
Actuarial gain on plan assets	0	4,810
Fair value of plan assets as at the end of the year	24,36,863	8,34,688

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

(In Rupees)

	2009-10	2008-09
Present value of obligations as at the end of the year	17,51,662	9,88,871
Fair value of plan assets as at the end of the year	24,36,863	8,34,688
Net liability recognized in the balance sheet	6,85,201	1,54,183

D. Expenses recognized in the profit and loss statement

(In Rupees)

	2009-10	2008-09
Current Service cost	4,28,241	3,27,431
Interest Cost	79,110	53,038
Expected return of plan assets	(1,50,507)	(51,014)
Net Actuarial(gain) / loss recognized in the year	3,37,839	(59,385)
Expenses to be recognized in the profit and loss account	6,94,683	2,70,070

E. Details showing fair value of plan assets

(In Rupees)

	2009-10	2008-09
Fair value of plan assets as at beginning of the year	8,34,688	4,96,488
Actual return on plan assets	1,50,507	55,824
Contributions	15,34,067	2,82,376
Benefits paid	82,399	0
Fair value of plan assets as at the end of the year	24,36,863	8,34,688

SCHEDULES

16. NOTES TO THE ACCOUNTS (Contd.)

F. Actuarial Gain/Loss recognized (In Rupees)

	2009-10	2008-09
Actuarial gain (loss) on obligation	3,37,839	(54,575)
Actuarial gain on plan assets	0	4,810
Total gain / (loss) for the year	(3,37,839)	59,385
Actuarial gain / (loss) recognized in the year	(3,37,839)	59,385

G. Actuarial assumptions

	31-03-2010	31-03-2009
Discount Rate	8.0%	8.0%
Salary Increment	5.0%	5.0%
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 accumulated losses exceeding the paid-up equity share capital as the management is continuing with its initiatives for productivity improvement, pricing and cost control measures which are likely to have further 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 Limited
Sundaram BNP Paribas Fund 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:				
Sundaram Finance Limited	7,12,88,587 (2,47,61,594)			7,12,88,587 (2,47,61,594)
Sundaram BNP Paribas Fund Services Limited		54,63,183 (25,70,235)		54,63,183 (25,70,235)
EXPENSES				
Rent				
Sundaram Finance Limited	— (47,02,518)			— (47,02,518)
Lease Rent				
Sundaram Finance Limited	2,56,271 (2,63,197)			2,56,271 (2,63,197)
Payroll Processing				
Sundaram Business Services Limited	— (54,214)	1,21,881 (53,240)		1,21,881 (1,07,454)
Interest				
Sundaram Finance Limited	1,31,12,616 (1,02,47,245)	— (30,411)		1,31,12,616 (1,02,77,656)

(In Rupees)

Nature of Transactions	Holding Company	Fellow Subsidiaries	Associate	Total
ASSETS				
Income Receivables as on 31.03.2010				
Sundaram Finance Limited	19,19,221 (1,69,84,078)			19,19,221 (1,69,84,078)
Sundaram BNP Paribas Fund Services Limited		5,60,545 (—)		5,60,545 (—)
LIABILITIES				
Payroll Processing charges Outstanding as on 31.03.2010				
Sundaram Business Services Limited		20,736 (—)		20,736 (—)
LOAN				
Received during the year:				
Sundaram Finance Limited	15,00,000 (7,45,00,000)	— (50,00,000)		15,00,000 (7,95,00,000)
Repaid during the year:				
Sundaram Finance Limited	2,24,94,000 (18,75,000)	— (50,00,000)		2,24,94,000 (68,75,000)
Outstanding as on 31.03.2010:				
Sundaram Finance Limited	12,50,00,000 (14,59,94,000)	— (—)		12,50,00,000 (14,59,94,000)

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):

	2009-10	2008-09
A. Profit/(Loss) for the year after taxation (In Rs.)	1,30,79,180	(4,43,25,337)
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. Basic and diluted earnings per share (A/B) (In Rupees)	3.27	(11.08)

4.5 Expenditure in foreign currency (on accrual basis):

	2009-10	2008-09
Professional and consultancy fee (Rs.)	34,39,822	5,81,895
Other matters – Purchase of Software, Marketing, traveling etc. (Rs.)	2,35,24,626	1,55,43,919

4.6 Earnings in Foreign Currency (on accrual basis):

Sale of Software License and Services (Rs.)	8,32,36,131	3,81,55,507
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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

21st May, 2010

Malli J Sivakumar

Chief Executive Officer

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=""/> <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=""/> <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=""/>
Bonus Issue	Private Placement
<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=""/> <input type="text" value=""/>	<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=""/> <input type="text" value=""/>
Pursuant to Scheme of Amalgamation	
<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=""/> <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=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="5"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="5"/>
Sources of Funds	Reserves & Surplus
Paid up Capital	<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=""/> <input type="text" value=""/>
<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=""/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>
<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=""/> <input type="text" value=""/>	Investments
Applications of Funds	<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=""/> <input type="text" value=""/>
Net Fixed Assets	Misc. Expenditure
<input type="text" value=""/> <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="5"/> <input type="text" value="7"/> <input type="text" value="8"/>	<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=""/> <input type="text" value=""/>
Deferred Tax Asset (Net)	
<input type="text" value=""/> <input type="text" value=""/> <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="5"/>	
Net Current Assets	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="7"/>	
Accumulated Loss	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="0"/>	

IV Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="7"/>
+ - Profit / (Loss) Before Tax	+ - Profit / (Loss) After Tax
<input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="3"/>	<input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="9"/>
(Please tick appropriate box + for profit, - for loss)	
Earnings Per Share Rs. Ps.	Dividend Rate %
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="."/> <input type="text" value="2"/> <input type="text" value="7"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>

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

Item Code No. (ITC Code) Not Applicable

Product / Service Description

S	O	F	T	W	A	R	E		S	E	R	V	I	C	E	S			
P	U	R	C	H	A	S	E		A	N	D		S	A	L	E		O	F
S	O	F	T	W	A	R	E		L	I	C	E	N	S	E				
O	T	H	E	R		I	T		S	O	L	U	T	I	O	N	S		

CASH FLOW STATEMENT

For Year Ended 31/03/2010

	2009–10 Rs.		2008–09 Rs.
A) CASH FLOW FROM OPERATING ACTIVITIES:			
Net Profit/(Loss)	1,30,79,180		(4,43,25,337)
Add: Preliminary expenses written off	32,645		32,646
Provision for Taxation	5,24,086		(88,018)
	<u>1,36,35,911</u>		<u>(4,43,80,709)</u>
Add: Financial Expenses	1,34,44,576	2,70,80,487	1,09,44,044
Depreciation		24,51,284	33,08,083
Interest Received		(1,74,009)	(10,612)
Dividend Received		(1,70,638)	–
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		<u>2,91,87,124</u>	<u>(3,01,39,194)</u>
(Increase) Decrease in Current Asset and Loans and Advances	22,60,329		(2,60,25,791)
(Increase) Decrease in Stock-on-purchase	47,017		(47,017)
Increase (Decrease) in Current Liabilities	94,73,238	1,17,80,584	(19,97,890)
Cash generated from Operations		<u>4,09,67,708</u>	<u>(5,82,09,892)</u>
Financial Expenses		(1,34,44,576)	(1,09,44,044)
Direct Taxes Paid		(56,000)	(4,82,000)
NET CASH FROM OPERATING ACTIVITIES (A)		<u>2,74,67,132</u>	<u>(6,96,35,936)</u>
B) CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(7,19,248)	(56,872)
Purchase of Investments		(7,85,00,000)	–
Sale of Investments		7,85,00,000	–
Interest Received		1,74,009	10,612
Dividend Received		1,70,638	–
NET CASH FROM INVESTING ACTIVITIES (B)		<u>(3,74,601)</u>	<u>(46,260)</u>
C) CASH FROM FINANCING ACTIVITIES			
Proceeds from issue of Equity Shares		–	–
Increase (Decrease) in long term borrowings		(2,68,12,123)	7,02,69,336
NET CASH FROM FINANCING ACTIVITIES (C)		<u>(2,68,12,123)</u>	<u>7,02,69,336</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)		<u>2,80,408</u>	<u>5,87,140</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>30,50,716</u>	<u>24,63,576</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>33,31,124</u>	<u>30,50,716</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Current Account with Banks		34,61,566	29,75,224
Effect of Foreign Exchange rates on Cash and Cash Equivalents		(1,34,442)	71,492
Cash, Stamps and Stamp Papers on Hand		4,000	4,000
		<u>33,31,124</u>	<u>30,50,716</u>

As per our report of even date Attached
For **Brahmayya & Co.**,
Chartered Accountants
L. Ravi Sankar
Partner
Chennai
21st May, 2010

Malli J Sivakumar
Chief Executive Officer

K. Rajagopal
Secretary

T. T. Srinivasaraghavan

Srinivas Acharya

S. Venkatesan

K. Swaminathan
Directors

SUNDARAM INFOTECH SOLUTIONS LIMITED