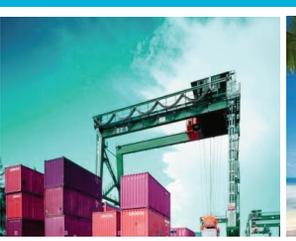
KALE

Industry Solutions, Customised Approach

24th ANNUAL REPORT

2009-10


KALE CONSULTANTS LIMITED

CMYK

CORPORATE OFFICE & DEVELOPMENT CENTRE

Thane

1st Floor, Modi House,
Eastern Express Highway,
Naupada,
Thane(W) - 400 602, India
Tel:+ 91-22-6780 8888
Fax:+ 91-22-6780 8899

DEVELOPMENT CENTRE

Pune

Kale Enclave, 685/2B & 2C,
1st Floor, Sharada Arcade,
Satara Road,
Pune 411 037, India
Tel:+ 91-20-6608 3777
Fax:+ 91-20-2423 1639

MPS

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Akruti Trade Centre, Road No. 7,
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Fax:+ 44 20 8783 2391

CMYK

Kale Consultants Limited

Board of Directors

Narendra Kale	Chairman
Vipul Jain	Managing Director
K.K. Nohria	Director
Prabhakar Deodhar	Director
Pravin Gandhi	Director

Auditor

M/s. D.G. Kurundwadkar
Chartered Accountant

Company Secretary

Ninad Umranikar

Bankers

State Bank of India
Axis Bank Ltd.
Citibank N.A.
ICICI Bank Ltd.

Registered Office

Kale Enclave, 685/2B & 2C,
1st Floor, Sharada Arcade,
Satara Road,
Pune - 411 037.
Tel. No. +91 20 6608 3777
Fax No. +91 20 2423 1639
Website : www.kaleconsultants.com

Registrar and Share Transfer Agent

Karvy Computershare Pvt. Ltd.,
Plot No. 17 to 24,
Near Image Hospital,
Vittalrao Nagar, Madhapur,
Hyderabad - 500 081.
Tel. : +91-40-2342 0815 /2342 0817
Fax : +91-40-2342 0814

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Letter to Shareholders

Dear Shareholders,



The Year in Perspective

The year 2009-10 has been a very challenging period for the Airline industry because of the impact of the Global Economic Crisis. Despite such trying environment, we have grown our revenues as well as profits.

We also saw increasing traction in our core Revenue Accounting portfolio. We signed on six new customers for Passenger Revenue Accounting including marquee names such as Air Berlin, LOT Polish Airlines and Vietnam Airlines. Similarly we gained customers such as LAN Chile and United Airlines for our proration solutions and Jet Airways for Sales Audit.

Our relationship with IATA continues to grow – volumes for the IATA First and Final™ service, which is powered by our product continue to grow. We are now processing close to 40 million tickets per annum through the industry approved proration engine.

During the year, IATA - the representative body of the airline industry, initiated a significant industry project – the Simplified Interline Settlement (SIS). When fully implemented, SIS is expected to save the industry over USD 500 million per year in operating efficiencies and reduced costs. Kale has the distinction of being the prime technology provider for this prestigious project, receiving a boost to its leadership in the airline solutions domain.

To meet constantly evolving industry needs, Kale is expanding it's solution footprint. During the year, we introduced new solutions that address key business needs for the airline industry. The DSS/Analytics offering is a core set of Decision Support Systems backed by Data Analytics. We have also introduced Financial Management Solutions, which address cost control and performance measurement initiatives for airlines.

During the last year, the airline industry had encountered extreme business conditions – downturn at one end and recovery at the other. The fact that we continue to win new customers under such trying external environment is not only due to the innovative and distinctive solution portfolio, but also our business models which give customers choice and the options to avoid capital cost and allow business benefits to pay for the transformation.

Today, Kale's software solutions can be used by customers in three delivery models – 1) licenced and deployed on customer's infrastructure and data center, 2) availed on a hosted basis where the application is deployed on Data Centers and 3) where the entire business process is outsourced to Kale. The three models represent choices that enable the customer to avoid capital costs and the level of outsourcing. These business models and the flexibility to move between them coming from a single service provider is a "first" in the industry and a unique and distinctive strength of Kale.

Looking Ahead

The airline industry is evolving. The traditional legacy carriers are being challenged by the low cost carriers. The resultant is a new breed of hybrid carriers – which offer the best of both worlds. Consolidation and collaboration are keywords in the industry today. And even though the industry is seeking simplification of processes – complexities exist. The industry is setting its hopes on careful capacity management and focus on cost efficiency for bottom-line improvement in years to come and Kale is well positioned to work alongside airlines to make this a reality.

The time ahead looks promising. We have consolidated internally and aligned ourselves to maximize opportunities.

Addressing Social Change

I would like to bring to your attention to the engaging work we do as part of our corporate social responsibility program. This year Catalysts for Social Action, the NGO that we support, took many significant steps to advance the cause of adoption and child welfare. Prominent among these were the release of a book titled 'A Family for every child', which presents stories from the heart of couples who have adopted, single parents, adopted children and even the relinquishing mother. The book

also covers the adoption scenario in India and what can be done to improve the same.

CSA was also invited to a special meeting with the Prime Minister, in response to the petition which garnered over 10,000 signatures from across the country – on the status of child care and adoption in India. These milestones during the year have given us hope that we are on the right direction and we intend to drive a positive change in the lives of destitute and orphaned children.

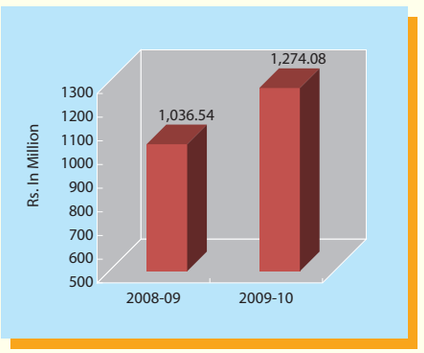
FY 2010-11 marks 25 years of Kale's operations – I am sure the journey has been truly fruitful and engaging for all our stakeholders. We look ahead to more promising times and I am sure we will continue to receive your support and encouragement in years to come.

Thanks and regards,

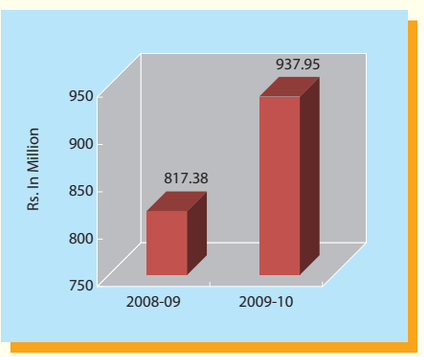


Vipul Jain
CEO & Managing Director

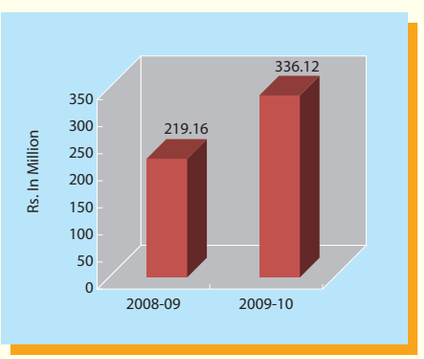
Financial Highlights



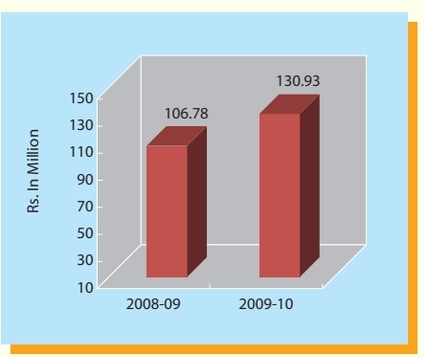
Total Revenue increased by 23%



Operating Expenses increased by 15%



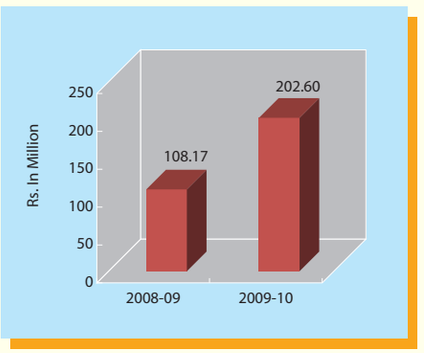
PBIDT increased by 53%



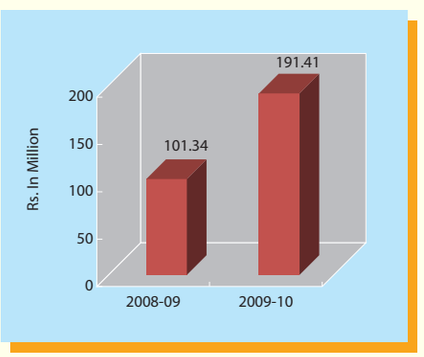
Depreciation , Amortisation & Impairment Cost increased by 23%

Financial Highlights

Kale Consultants Limited



Operating Profit Before Tax increased by 87%



Profit After Tax increased by 89%

Performance Indicators

Rs. In Million

Sr No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	Total Revenue	637.19	808.28	872.38	1,036.54	1,274.08
2	Operating Revenue	625.84	795.06	861.86	1,026.22	1,267.30
3	PBIDT	178.41	206.42	190.53	219.16	336.12
4	Operating PBT	69.62	88.62	71.95	108.17	202.60
5	PAT	64.84	80.47	166.28	101.34	191.41
6	Net Fixed Assets	419.97	446.56	344.74	351.62	297.90
7	Borrowings	120.85	101.01	65.60	30.23	45.65
8	Equity Capital	128.46	132.21	133.51	133.62	138.15
9	Net Worth	629.29	696.23	849.93	933.59	1,123.57
10	Capital Employed	750.14	797.25	915.53	963.82	1,169.21
11	EPS-Diluted (Rs)	5.17	6.09	11.96	7.40	13.52

Directors' Report

To,
The Members,

Your Directors are pleased to present the Twenty Fourth report on the business and operations of the Company for the year ended March 31, 2010.

Financial Results Rs. in Million

Particulars	2009–10	2008–09
Total Revenue		
- Domestic	313.62	319.97
- Export	953.68	706.25
- Other Income	6.78	10.32
Total	**1,274.08**	**1,036.54**
Total Expenditure	**937.95**	**817.38**
PBIDT	**336.12**	**219.16**
Interest	2.59	4.21
Depreciation and Impairment	62.08	42.74
Amortisation of Product Cost	68.85	64.04
Profit Before Tax	**202.60**	**108.17**
Provision for Tax	13.50	0.04
Provision for Fringe Benefit Tax	-	4.15
Deferred Tax	(2.31)	2.65
Profit After Tax	**191.41**	**101.34**
Add/(Less) : Prior Period Items	3.06	(2.50)
Profit brought forward from earlier year	419.34	336.14
Profit available for appropriation		
Appropriations:		
- Transferred to/(from) General Reserves	14.58	-
- Proposed Dividend	27.63	13.36
- Dividend Tax	4.59	2.27
- Balance Transferred to Balance Sheet	567.01	419.34

Dividend

Your Directors are pleased to recommend a dividend of Rs. 2/- per equity share for the financial year ended March 31, 2010.

Operating Results and Business:

The Company has shown robust growth in the financial year 2009-10. During the year under review, the total revenues of the Company grew by Rs. 237.53 million from Rs. 1,036.54 million to Rs. 1274.08 million, an increase of 22.92% over the previous year.

The Company's total expenditure for the year ended March 31, 2010 stood at Rs. 937.95 million compared to Rs. 817.38 million in the previous year, an increase of 14.75%.

The Profit before tax increased from Rs. 336.12 million in the previous year to Rs. 219.16 million, a steep growth of 53.37%.

Airlines Practice:

During the year the Company introduced new and innovative solutions for the industry. The company intends to partner customers through the journey from 'Data' to 'Decision' following the path of 'Information', 'Knowledge' and 'Intelligence'. Further additions include a suite of Financial Management solutions like (Direct Operating Costs) DoC, Payables Audit Service, Flight Profitability Systems and Financial Dashboards.

Logistics Practice:

In line with its commitment to the industry, the Company launched a first-of-its-kind study titled the "Technology Adoption Index for the Logistics industry" (TAIL). The study included a detailed study covering over 235 companies, in an attempt to arrive at a simple integrated measure of technology adoption in the Indian logistics industry. The index will now serve as an industry benchmark for logistics companies to derive their technology effectiveness and business competitiveness.

Travel Practice:

During the year, the Company launched its premier offering for travel operators. The integrated travel technology solution – titled RAINBOW™ automates the front, mid and back office functions of a typical Travel Management Company. RAINBOW's multi-product distribution framework allows product distribution via traditional and online channels.

Customers:

- **IATA's SIS platform for the airline industry** : The International Air Transport Association (IATA) has chosen Kale as the prime technology supplier for the development of its industry-wide interline settlement platform Simplified Interline Settlement (SIS) initiative.
- **LOT Polish Airlines - Passenger Revenue Accounting solution :** REVERA® Kale's comprehensive new generation solution to help airline automate and increase efficiencies in their existing PRA processes. The solution will be deployed as a hosted model, giving the airline better control on costs and access to best practice data center capabilities.
- **Jet Airways - Zero Octa for audit services :** Jet Airways, India's premier international airlines has selected Zero Octa, the specialist audit subsidiary of Kale Consultants Ltd, and the leading provider of revenue recovery and

audit services to airlines globally, to audit its passenger accounting results.

- **A leading European airline - Passenger Revenue Accounting solution :** The large European carrier has selected Kale's REVERA® for its passenger revenue accounting requirements on licensed basis.
- **A leading South - East Asian airline - PRA and CRA :** The South-East Asian flag carrier has selected Kale's REVERA® & AMBER® solutions for its passenger & cargo revenue accounting requirements. The airline will deploy these solutions on licensed basis.
- **A leading African airline - outsourced PRA :** The flag carrier has outsourced its Passenger Revenue Accounting to Kale MPS.
- **Leading Indian logistics player :** One of India's oldest and leading logistics businesses has chosen Kale's suite of logistics solutions, which include – FMS (Freight Management System), CAPELLA (CFS/ICD Management System) and its integrated accounting package.

Subsidiaries:

During the year, Kale Softech Inc., (KSI) has signed up three new customers and significantly grew revenue from existing ones. The total number of customers in the Americas has grown to thirteen. While growing the revenue in the financial year, the new contracts also give the Company healthy secured revenue for the forthcoming years.

The company will continue to focus on pursuing opportunities in the Travel & Transportation industry for software solution and outsourced services in local markets.

During the year, Kale Technologies Ltd has ceased it's operation and applied for a strike off.

Your Company has obtained exemption from Central Government under section 212(8) of the Companies Act, 1956 from attaching a copy of the Balance sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of all the subsidiary companies. These documents can be requested by any member, investor of the company. Further, in line with the Listing Agreement and in accordance with the Accounting standard 21 (AS-21), Consolidated Financial Statements prepared by the Company include financial information of it subsidiaries.

Directors

Mr. Narendra Kale retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

An alumnus of Harvard University, IIT Kanpur and COEP, Mr. Kale has over thirty years of experience in the Information Technology area with major focus on design of application software products and projects for service industries. Mr. Kale is founder / co-founder of quite a few successful software and services companies. He has worked with large international IT consulting companies like TCS as well academic institutes like University of Pune.

He has received several awards and prizes for excellence in education and entrepreneurship including the distinguished alumnus award for excellence in entrepreneurship from IIT Kanpur in 2007. He is also a member of hall of fame at IIT Kanpur and COEP. He is the champion for entrepreneurship for an initiative by PANIIT. He is the chairperson for COEP foundation and an adjunct professor of entrepreneurship at COEP. He is the co-founder of Bhau Institute of Innovation, Entrepreneurship and Leadership a unique institute set up at COEP.

He combines professional passion with social compassion to apply modern technological alternatives to solve social issues and harness opportunities. He is actively involved in healthcare and educational activities for social uplift programs in India. He is also the charter member of TiE, Indus entrepreneur's network.

Mr. Narendra Kale is a director in the following companies:

Private Limited Company	Public Limited Company	Other Bodies Corporate
Kale Logistics Solutions Private Limited	Kale Consultants Limited	Kale Softech, Inc.

Mr. Kale holds 1,043,000 equity shares in the Company.

Auditors

M/s. D. G. Kurundwadkar, Chartered Accountant, Auditor of the Company, retires at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Directors' Responsibility Statement

Your Directors confirm that –

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- the directors had 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.
- the directors had prepared the annual accounts on a going concern basis.

Human Resource

The Board has not granted any options during the year under review. Following are the details required to be given under the SEBI (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999:

Kale Consultants Limited ESOP Scheme, 2003

During the year 79,236 options were exercised (Previous year 11,141) giving rise to 79,236 fully paid up equity shares of Rs. 10/- each. All these equity shares have been listed on the National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Pune Stock Exchange Limited.

Kale Consultants Limited ESOP Scheme, 2006

During the year 3,875 options were exercised (Previous year NIL) giving rise to 3,875 fully paid up equity shares of Rs. 10/- each. All these equity shares have been listed on the National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Pune Stock Exchange Limited.

a) Options granted during the year	NIL
b) Pricing formula	Options have not been granted during the year.
c) Options vested	Under Kale Consultants Limited ESOP Scheme, 2003, a total number of 292,666 options have vested during the year. Out of these vested options, 3,649 options have lapsed till March 31, 2010. Under Kale Consultants Limited ESOP Scheme, 2006, a total number of 426,625 options have vested during the year. Out of these vested options, 3,875 options have lapsed till March 31, 2010.
d) Options exercised	Under Kale Consultants Limited ESOP Scheme, 2003, 79,236 options have been exercised during the year. Under Kale Consultants Limited ESOP Scheme, 2006, 3,875 options have been exercised during the year.
e) The total number of shares arising as a result of exercise of options	Under Kale Consultants Limited ESOP Scheme, 2003, the options exercised during the year have given rise to 79,236 equity shares. Under Kale Consultants Limited ESOP Scheme, 2006, the options exercised during the year have given rise to 3,875 equity shares.
f) Options lapsed	Under Kale Consultants Limited ESOP Scheme, 2003, till date, a total number of 1,257,957 options have lapsed, including those vested. Under Kale Consultants Limited ESOP Scheme, 2006, till date, a total number of 145,000 options have lapsed, including those vested.
g) Variation of terms of options	No variation of terms of options were made during the year.
h) Money realised by exercise of options	During the year, Rs. 3,325,906.05 have been realised by exercise of options under Kale Consultants Limited ESOP Scheme, 2003. During the year, Rs. 163,912.50 have been realised by exercise of options under Kale Consultants Limited ESOP Scheme, 2006.