

## DIRECTORS' REPORT

The Directors have pleasure in submitting the Thirteenth Annual Report and Accounts of Larsen & Toubro Infotech Limited for the year ended March 31, 2010.

### FINANCIAL RESULTS

	Rs. Lakhs	
	2009-2010	2008-2009
Revenue from IT services	1,77,676.48	1,77,406.45
Revenue from Engineering services	–	17,677.37
Total Revenue	1,77,676.48	1,95,083.82
Other Income	3,497.21	2,452.45
<b>Total Income</b>	<b>1,81,173.69</b>	<b>1,97,536.27</b>
<b>Operating Profit (PBIDT)</b>	<b>36,574.22</b>	<b>34,306.60</b>
Less : Interest	275.12	828.06
Less : Depreciation and amortization	4,823.74	4,535.90
<b>Profit Before Tax (PBT)</b>	<b>31,475.36</b>	<b>28,942.64</b>
Less: Provision for Tax (including Rs. 6 Lakhs for Wealth Tax and previous year 0.21 Lakh)	3,361.63	2,460.46
<b>Profit After Tax (PAT)</b>	<b>28,113.73</b>	<b>26,482.18</b>
Add : Balance brought forward from previous year	51,701.01	29,959.92
<b>Balance available for disposal which Directors appropriate as follows :</b>	<b>79,814.74</b>	<b>56,442.10</b>
Interim Dividend	8,011.48	1,580.27
Tax on Dividend	1,361.55	268.57
Transfer to General Reserve	3,000.00	2,892.25
<b>Balance to be carried forward</b>	<b>67,441.71</b>	<b>51,701.01</b>

### DIVIDEND

The Directors have paid an interim dividend of Rs. 25 per share on 3,22,50,000 Equity shares of Rs. 5 each on pro-rata basis. *(Previous year an Interim dividend of Rs. 5 per share on 3,22,50,000 Equity shares of Rs. 5 each).*

The Directors do not recommend any final dividend.

### BUSINESS

The Company has achieved revenues of Rs. 1,77,676 Lakhs from IT services during the year 2009-2010 *(previous year Rs. 1,77,406 Lakhs)*. Engineering services business is now being billed directly by the parent company for which the Company had a marketing agreement till last year.

Domestic Revenue has gone up during the year to Rs. 9,395 Lakhs as compared to Rs. 8,073 Lakhs in 2008-2009.

Operating profit (PBIDT) is higher at Rs. 36,574 Lakhs (20.2% of revenues) as against Rs. 34,307 Lakhs (19.1% of revenues adjusted for engineering services) in 2008-2009 (increase of 6.6 % over previous year). Profit after tax is Rs. 28,114 Lakhs as against Rs. 26,482 Lakhs in 2008-2009 (increase of 6.2 % over previous year). Earnings per share are at Rs. 87.73 per Equity share of Rs. 5 each.

In the first full year after the global meltdown, the year 2009-2010 was challenging in terms of maintaining a healthy growth rate. Besides the freeze exercised by global clients on discretionary spending, the Company also experienced a substantial shift in the composition of revenue in favour of offshore. The share of offshore Revenues as percentage of total revenues has gone up from 45% in the previous year to 49% in the year 2009-2010. The total person months billed has gone up by 8 %, but as a result of the shift in the onsite: offshore ratio, the growth in revenues has been marginal. The strategy of the Company to focus on Middle East and Africa has paid dividends. Revenue contribution from Middle East and Africa stands at 4% in the year 2009-2010 as against 2% in the previous year. The slowdown in USA's economy was reflected in the revenue contribution from North America which has come down to 66% in the year 2009-2010 from 67% for the year 2008-2009. While Europe accounted for 15% of the revenues *(previous year 14%)*, 8% of the revenues *(previous year 9%)* came from Japan and SE Asia. The share of fixed-price component of the business has increased to 30% as compared to 16% during the previous year.

The total export client base at the end of year stood at 170 of which about 16% are in the Global Fortune 500 list. While the number of clients contributing more than USD 5 million remained at 21, the contribution of the top 5 clients reduced from 46% in the previous year to 39% during the year.

During the year, the Company's service areas have been amplified by newer offerings like Business Analytics and System Integration. The objective behind these initiatives is to establish L&T Infotech as a complete IT services and solutions provider.

### INCREASE IN SHARE CAPITAL

In July 2009, the Company made the third call of Rs. 98.15 per share on the 22,50,000 partly paid-up shares issued to its Holding Company, Larsen & Toubro Limited, aggregating to Rs. 2,208.37 Lakhs. Out of the third call amount of Rs. 2,208.37 Lakhs, an amount of Rs. 20.25 Lakhs (Re. 0.90 per share) and Rs. 2,188.12 Lakhs (Rs. 97.25 per share) was allocated to share capital and share premium respectively. With the Company making the fourth and final call in September 2009 of Rs. 34.35 per share aggregating to Rs. 772.87 Lakhs, all the 22,50,000 shares have been fully paid-up. Out of the fourth and final call of Rs. 772.87 Lakhs, an amount of Rs. 7.87 Lakhs (Re. 0.35 per share) and Rs. 765 Lakhs (Rs. 34 per share) was allocated to share capital and share premium respectively.

Consequently, the paid-up equity share capital of the Company as on March 31, 2010 stand increased to Rs. 1,612.50 Lakhs.

### DIVIDEND

The Directors have paid an Interim Dividend at the rate of 500 % on the paid-up equity share capital of the Company. The 22,50,000 partly paid-up equity shares of the Company which were fully paid up during the year were eligible for dividend on pro-rata basis.

The dividend payment has resulted in an outflow of Rs. 8,011.48 Lakhs towards dividend (*previous year Rs. 1,580.27 Lakhs*) and Rs. 1,361.55 Lakhs towards dividend tax (*previous year Rs. 268.57 Lakhs*) making a total outflow of Rs. 9,373.03 Lakhs (*previous year Rs. 1,848.84 Lakhs*).

### CAPITAL EXPENDITURE

As at March 31, 2010, the gross fixed and intangible assets stood at Rs. 42,143 Lakhs (*previous year Rs. 38,239 Lakhs*) out of which assets amounting to Rs. 3,904 Lakhs (*previous year Rs. 3,965 Lakhs*) were added during the year.

### PEOPLE

In the year that saw a sea change in the IT Services sector business, the focus on human resource management became all the more important. The aim was to recruit, retain, nurture and engage all employees to enable them to deliver the maximum for the organization.

While recruitment focus was on acquiring the talent with the right knowledge and skills, efforts were taken to ensure that the manpower strength was gainfully utilized. Employees were provided a learning environment wherein focus was on multi-skilling, cross- skilling and other capability enhancement initiatives. Focus on programs like leadership development and account management skills were strengthened to support future growth plans.

With changing dynamics of business environment, talent engagement initiatives were driven with a renewed vigour. While internal communication channels spanned broader and deeper to sense every pulse of the organization, talent engagement as a whole became a collaborative effort with concentrated participation from all spheres of the organization.

### INFRASTRUCTURE

As of March 31, 2010, the total available capacity is 13,88,927 sq.ft with 11,866 seats. The Company is investing in state-of-the-art delivery centers to scale up to address its clients requirements. During the year 2009-2010, the Company spent about Rs. 171 million for construction of facilities at Chennai which are expected to be ready for use during FY 2010-2011.

### BRANDING

The Company has taken decisive and structured steps to strengthen its brand globally. In order to strengthen its branding efforts, the Company has launched focused communications vehicles for the analyst and advisory community and a co-branded newsletter with the global analyst firm is on the anvil. It has also intensified the efforts to increase its presence at key international conferences and seminars. The overall business strategy is being infused with structured plans to increase its visibility in the minds of prospective clients, and employees, as also the key influencers.

Internally, the Company launched and operationalized Specialized Marketing Services (SMS) for streamlining the design, content and research services across the organization in order to bring in economy of scale and efficiency and in turn improve our brand. SMS also ensures that the brand identity is administered across all areas consistently.

The Company has also started leveraging the new online social media to enhance its brand.

### QUALITY INITIATIVES

- In 2009-2010, the Company continued its focus on various ISO standards such as ISO 9001:2008 (Quality Management System), ISO 27001:2005 (Information Security Management System) and ISO 20001:2005 (IT Service Management) through surveillance audits by reputed external auditors.
- To reinforce its focus on environment, the Company also got certified on ISO 14001 (Environmental Health and Safety standards). The Company also has a plan to extend the scope of the environment & security practices further based on ISO18000 (Occupational Health And Safety Management System)
- In year 2009-2010 the focus of improvement was on improvement in software processes using CMMI model for Development. The Company has aligned its QMS based on CMMI expectations and initiated the formal appraisal process based on CMMI v1.2 (Dev).

## LARSEN & TOUBRO INFOTECH LIMITED

- This year the Company embarked on its major process improvement initiative of development of Process Framework (PFW), a comprehensive process covering all the functions in the organization with :
  - Apex layer addressing business planning and improvement cycle
  - Business unit level processes for BU management, marketing, contract acquisition
  - Support units processes

### AWARDS / RECOGNITIONS

During the year, the Company won the marketing excellence award from the Pune-based Indira Management Institute (Strategic partners of the CMO council of USA and India). The Company's in-house Ezine VOICEXpress won an award in an all-India contest organized by the Association of Business Communicators of India (ABCI).

### EMPLOYEE STOCK OPTION SCHEMES

#### (I) Employee Stock Ownership Scheme ('ESOS Plan')

The Company had instituted the Employee Stock Ownership Scheme (ESOS) in April 2001. The total options outstanding under various series of the scheme as on March 31, 2010 amounted to Rs. 25,84,459. During the year, 61,250 options were granted, while 9,300 options have lapsed. None of the options were exercised during the year.

#### (II) Employees Stock Ownership Scheme – 2006 U.S. Stock Option Sub-Plan ('Sub-Plan')

The Company had instituted the Employees Stock Ownership Scheme – 2006 U.S. Stock Option Sub-Plan ('Sub-Plan') for the employees and Directors of its subsidiary, GDA Technologies Inc, USA. Under the said plan, options granted and outstanding as at the end of the year stood at 96,500 options. Out of the same, 58,693 options have been vested while 37,807 options remain unvested as at the end of the year.

### DEPOSITS

During the period under review, the Company has not accepted any deposits from the public.

### CORPORATE GOVERNANCE REPORT

A report on Corporate Governance is given separately in this Annual Report.

### AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

### DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure A forming part of this report.

### PERSONNEL

The Board of Directors wishes to express its appreciation to all the employees of the Company for their outstanding contribution to the operations of the Company during the year.

The information required under Section 217(2A) of the Companies Act, 1956 & the rules made thereunder, is given in a separate Annexure to this Report and forms part of the Report. None of the employees listed in the said Annexure is related to any Director of the Company. The same will be furnished to the shareholders on request. The erstwhile Department of Company Affairs has amended the Companies (Particulars of Employees) Rules, 1975 to the effect that particulars of employees of companies engaged in Information Technology sector posted and working outside India not being Directors or their relatives, drawing a remuneration of more than Rs. 24 lakhs per annum or Rs. 2 lakhs per month, as the case may be, need not be included in the statement. Accordingly, the statement included in this report does not contain the particulars of employees who are posted and working outside India.

### SUBSIDIARY COMPANIES

As on March 31, 2010, your Company had 5 subsidiaries. During the year, a new Company by the name Larsen & Toubro Infotech LLC was incorporated in the State of Delaware, USA as wholly owned subsidiary of the Company.

There has not been any other material change in the nature of business of the subsidiaries.

As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts, the Reports of the Board of Directors and Auditors of the subsidiaries are annexed.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) which was introduced by the Companies (Amendment) Act, 2000, your Directors confirm that:-

- (i) in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure;
- (ii) the Directors had 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 as on March 31, 2010 and of the profit or loss of the Company for the year ended March 31, 2010;
- (iii) the Directors 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;
- (iv) the Directors have prepared the annual accounts on a going concern basis; and
- (v) that proper systems are in place to ensure compliance of all laws applicable to the Company.

## DIRECTORS

Mr. Samir Desai and Mr. Y. M. Deosthalee retire by rotation from the Board of Directors and are eligible for re-appointment at the ensuing Annual General Meeting of the Company.

## STATUTORY AUDITORS

The Auditors, M/s. Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The Company has obtained a certificate from the Auditors certifying its independence and arm's length relationship with the Company. The Company does not advocate rotation of the Auditors as envisaged in the guidelines in the view of domain knowledge acquired by the auditors over a period of time. However, the signing partners are rotated at regular frequency.

## CORPORATE GOVERNANCE VOLUNTARY GUIDELINES

In addition to the applicable provisions of the Companies Act, 1956, the Company is also complying with major clauses of the Corporate Governance Voluntary Guidelines.

We have reported in Corporate Governance Report, the extent of our compliance of the Corporate Governance Voluntary Guidelines. The details of all the related party transactions form part of the accounts as required under AS 18 and the same are reflected in note no 17 forming part of the accounts.

## ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by the Customers, Bankers, Vendors and Academic Institutions.

The Directors also acknowledge the support and co-operation from the Government of India and the Governments of various countries, the concerned State Governments and other Government Departments and Governmental Agencies.

For and on behalf of the Board

**V. K. MAGAPU**  
*Director / Manager*

**Y. M. DEOSTHALEE**  
*Director*

*Place : Mumbai*  
*Date : May 4, 2010*

**ANNEXURE TO DIRECTORS' REPORT****ANNEXURE – A****INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2010****A. Conservation of energy**

The Company's operations are not energy-intensive. However, measures have been taken to reduce energy consumption, such as installation of express feeder to ensure uninterrupted power supply and thereby avoiding need for use of DG sets, ensuring appropriate lower load during non-peak hours.

**B. Technology absorption**

Efforts made in technology absorption as per Form B of the Annexure

Details furnished in Form B

**C. Foreign exchange earnings and outgo**

- (a) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans

The Company exports customised software and professional services mainly to North America, Europe, South Africa, Middle East, Japan, Korea, Australia and Singapore. The Company plans to conduct road shows in USA to promote offshore execution of software services from India. It also maintains constant contact with prospective clients / alliance partners for its offerings by way of participation in International Trade Fairs.

**2009-2010 (Rs. Lakhs)**

(b) Total foreign exchange used and earned	Used	70,001.76
	Earned	1,69,513.00

**FORM B****(Disclosure of particulars with respect to Technology Absorption)  
Research and Development (R&D)**

- |  |   |                |
|--|---|----------------|
| <ol style="list-style-type: none"> <li>1. Specific areas in which R&amp;D carried out by the Company</li> <li>2. Benefits derived as a result of the above R&amp;D</li> <li>3. Future plan of action</li> <li>4. Expenditure on R&amp;D               <ol style="list-style-type: none"> <li>a) Capital</li> <li>b) Recurring</li> <li>c) Total</li> <li>d) Total R&amp;D expenditure as a percentage of total Turnover</li> </ol> </li> </ol> | } | Not Applicable |
|--|---|----------------|

**Technology absorption, adaptation and innovation**

1. Efforts in brief made towards technology absorption, adaptation and innovation

The Company operates Centres of Excellence in respect of emerging and existing technologies which collate, disseminate and spread knowledge to all employees in the Company. Employees are trained using state-of-the-art methodologies, which results in better productivity. The Company has created a software component library to ensure reusability of software and consistency in implementation. These find particular use in B2B marketplace implementations where adherence to standards and compatibility with different platforms is very important.

2. Benefits derived as a result of the above efforts

Repeat business, expansion into various new technology domains and productivity improvements through use of latest software tools.

## ANNEXURE TO DIRECTORS' REPORT

### CORPORATE GOVERNANCE REPORT

The Company derives its values from the rich legacy of fair and transparent governance and disclosure practices followed by the L&T group. In line with the group philosophy, the Company constantly endeavours to benchmark itself with the best practices in the IT-industry.

#### BOARD OF DIRECTORS

The roles and offices of Chairman and Chief Executive is separated. Mr. A. M. Naik is the Chairman of the Board whereas Mr. Sudip Banerjee is the Chief Executive Officer of the Company.

The Board comprises of 6 Directors, of which, 4 Directors are Executive Directors on the Board of the parent company, Larsen & Toubro Limited and 2 are Independent Directors. The Board is chaired by Mr. A. M. Naik as Non-Executive Chairman and the number of Independent Directors is 1/3rd of the total number of Directors.

The Board meets at least 4 times a year and the maximum gap between two meetings is less than four months. During the year 2009-2010, four meetings of the Board of Directors were held on May 26, 2009, July 13, 2009, October 21, 2009 and January 6, 2010. These were well attended.

The composition of the Board, the other directorships and Committee memberships of the Board members and their attendance at the Board Meetings held during the year is as follows:

Name	Directorships in other Companies*	Attendance at Board Meetings
Mr. A. M. Naik	2	4
Mr. Y. M. Deosthalee	10	4
Mr. R. N. Mukhija	1	4
Mr. V. K. Magapu	2	4
Mr. Samir T. Desai	NIL	3
Dr. S. Rama Iyer	5	4

(\*) This does not include private companies, foreign companies and companies under Section 25 of the Companies Act, 1956.

The Company has apprised its Board members about the restriction on number of other directorships and expects in due course to comply with the same.

#### AUDIT COMMITTEE

The Audit Committee comprises of Mr. Y. M. Deosthalee, Mr. R. N. Mukhija and Mr. V. K. Magapu, majority of whom represent non-executive Directors of the Company with Mr. Y. M. Deosthalee as its Chairman. The role, terms of reference, the authority and power of the Audit Committee are in conformity with the requirements of the Companies Act, 1956.

#### COMPENSATION AND NOMINATION COMMITTEE

The Company has a Compensation and Nomination Committee (C&N Committee) comprising of majority of non-executive Directors of the Company. The Committee comprises of Mr. A. M. Naik, Mr. Y. M. Deosthalee and Mr. V. K. Magapu. The terms of reference of Compensation and Nomination Committee are as follows:

- to review, assess and recommend to the Board the appointment of Executive and Non-Executive Directors
- to review, assess and approve the recommendations made by the Chief Executive Officer for the appointment or promotion of senior managerial personnel and approve their compensation packages
- to consider and approve Employee Stock Option Schemes and to administer and supervise the same

#### REMUNERATION OF DIRECTORS & SENIOR MANAGEMENT

The remuneration policy of Directors is decided by the C&N Committee. All the Directors are paid sitting fees for attending the meetings of the Board. Presently, no other remuneration is payable to Directors.

The structure of pay for senior management and other employees is based on the Company policy evolved over a period of time. The objectives of the remuneration policy are to motivate the employees to excel in their performance, recognize their contribution, retain talent and reward merit. Remuneration of employees largely consists of base remuneration and performance incentives. The component of remuneration vary for different grades and are governed by industry pattern, qualifications, experience, responsibilities handled, individual performance, etc. Periodical presentations are made to the C&N Committee and the Board on HR policies.

#### RESPONSIBILITIES OF THE BOARD

Presentations to the Board in areas such as financial results, budgets, business prospects, etc. give the Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable/ discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions.

## LARSEN & TOUBRO INFOTECH LIMITED

The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

### GENERAL BODY MEETINGS

The details of last three Annual General Meetings of the Company are as under:

Year	Venue of AGM	Date
2006-2007	L&T House, Ballard Estate, Mumbai – 400 001.	September 25, 2007
2007-2008	L&T House, Ballard Estate, Mumbai – 400 001.	May 21, 2008
2008–2009	L&T House, Ballard Estate, Mumbai – 400 001.	August 18, 2009

### COMPLIANCE MONITORING SYSTEM

The Company believes that statutory compliance has become a catalyst for Corporate Governance and that a good statutory compliance system has become vital for effective conduct of business operations. As a major portion of the Company's business is conducted abroad, apart from ensuring compliance with Indian statutes, the Company also has to comply with the statutes of the countries where the Company has presence.

Keeping this in mind, the Company has voluntarily instituted a Compliance Monitoring System. Under this system, the Company Secretary, presents a certificate at the Board Meetings of the Company every quarter, confirming that the Company has complied with all the relevant provisions and requirements of various statutes as they are applicable to various businesses of the Company in India and abroad as well as with the contractual obligations binding on the Company. The Company Secretary furnishes the Certificate to the Board based on certificates received from various compliance owners representing business units / overseas offices and domestic support functions.

As regards to the services availed from the professional service providers engaged in various countries, the Company follows a practice of obtaining compliance certificates from them on quarterly basis.

During the year, the Company has automated its Compliance Monitoring system by rolling out Compliance Portal. The portal provides the users a web-based access with access controls based on a defined authorization matrix. Besides connecting all the compliance owners across time zones to a common corporate platform, the portal is expected to serve as a repository of the compliance exercise yielding substantial saving in resources and efforts for tracking compliance going forward.

### INTERNAL AUDITORS

The inhouse Internal Audit department provides Internal Audit services to the Company.

### INTERNAL CONTROL

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management system.

### SECRETARIAL AUDIT

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial Department of Larsen & Toubro Limited, which has competent professionals to carry out the said audits.



## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO INFOTECH LIMITED

We have audited the attached Balance Sheet of LARSEN & TOUBRO INFOTECH LIMITED as at March 31, 2010 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
  - a) 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;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956; and
  - e) on the basis of written representations received from Directors as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2010, from being appointed as Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

We report that in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule P and the notes appearing thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2010;
- ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

Place : Mumbai  
Date : May 4, 2010

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our report of even date)

- (i)
  - (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
  - (b) The assets were physically verified by management during the year. In our opinion, the frequency of such verification is reasonable. We were informed that no material discrepancies were noticed on such verification.
  - (c) Fixed assets disposed off during the year are not substantial in relation to the Company and do not affect the going concern status of the Company.
- (ii) The Company has no inventories and hence reporting under paragraphs 4(ii)(a), (b) and (c) is not applicable.
- (iii) We are informed by management that there are no companies, firms or other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.



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- (v) We are informed by management that there are no companies, firms or other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- (vi) The Company has not accepted any deposits in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- (vii) We are of the opinion that the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) We are informed by management that the Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- (ix) (a) According to the information and explanations given to us and as per the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty and other statutory dues outstanding as at March 31, 2010 for a period of more than six months from the date they became payable. We were informed by management that there are no dues payable under the Employees State Insurance Act.
- (b) According to the information and explanations given to us and according to the records of the Company, there are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax and Excise Duty that have not been deposited with the appropriate authorities on account of any dispute except as follows:

Name of the statute	Nature of the disputed dues	Amount (Rs.)*	Period to which the amount relates	Forum where disputes are pending
Central Sales Tax Act and Local Sales Tax Act	Sales Tax on export sales, business rights, interest and penalty	1,16,64,192	2002-2003	Deputy Commissioner (Appeals)
Income Tax Act, 1961	Deductibility of software expenses and benefits under Section 10A	1,32,69,480	2005-2006	Commissioner (Appeals)
	Interest	76,10,294	2002-2003 and 2005-2006	

\*Net of pre-deposit paid in getting the stay / appeal admitted

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current financial year or in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holder as at the Balance Sheet date.
- (xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) The Company is not dealing in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, we are of the opinion that the Company has applied term loans for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company did not have any outstanding secured debentures during the year. Accordingly, no securities have been created.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 4, 2010

**BALANCE SHEET AS AT MARCH 31, 2010**

	Schedule	As at 31.03.2010 Rupees	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees	As at 31.03.2009 Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A	161,250,000		158,437,500	
Reserves and Surplus	B	9,429,564,504		5,537,783,297	
Employee Stock Options Outstanding		278,678,066		245,366,877	
Less : Deferred employee compensation expense		(35,382,359)		(44,942,413)	
			9,834,110,211		5,896,645,261
<b>Loan Funds</b>					
Secured Loans	C	445,777,956		1,221,800,925	
Unsecured Loans	D	—		654,529	
			445,777,956		1,222,455,454
<b>Deferred purchase consideration payable</b> (see Schedule P, note 23)			—		342,360,000
<b>TOTAL</b>			<b>10,279,888,167</b>		<b>7,461,460,715</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>Tangible Assets</b>					
Tangible Assets	E1				
Gross Block		3,027,826,150		2,862,396,530	
Less : Depreciation		1,767,177,505		1,498,625,810	
Net Block		1,260,648,645		1,363,770,720	
Capital work-in-progress		178,307,557		25,903,420	
			1,438,956,202		1,389,674,140
<b>Intangible Assets</b>					
Intangible Assets	E2				
Gross Block		1,186,491,624		961,536,241	
Less : Amortisation		828,668,116		677,554,405	
Net Block		357,823,508		283,981,836	
Capital work-in-progress		52,785,750		41,325,000	
			410,609,258		325,306,836
<b>Investments</b>	F		2,811,223,762		2,229,275,185
<b>Deferred tax asset (net)</b> (see Schedule P, Note 13)			11,159,690		7,404,283
<b>Current Assets, Loans and Advances</b>					
Sundry Debtors	G	3,607,286,390		4,161,961,252	
Unbilled Revenues		841,142,262		624,513,325	
Cash and Bank Balances	H	1,539,713,432		1,115,417,346	
Loans and Advances	I	3,900,344,482		3,181,887,259	
		9,888,486,566		9,083,779,182	
<b>Less : Current Liabilities and Provisions</b>					
Current Liabilities	J	3,124,608,220		4,691,141,778	
Provisions		1,155,939,091		882,837,133	
		4,280,547,311		5,573,978,911	
<b>Net Current Assets</b>			5,607,939,255		3,509,800,271
<b>TOTAL</b>			<b>10,279,888,167</b>		<b>7,461,460,715</b>
<b>CONTINGENT LIABILITIES</b>					
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>AND NOTES TO ACCOUNTS</b>					
	P				

The Schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 4, 2010

**S. S. PRABHUDESAI**  
Company Secretary

Place : Mumbai  
Date : May 4, 2010

**V. K. MAGAPU**  
Director / Manager

**Y. M. DEOSTHALEE**  
Director