



**FOURTH  
ANNUAL REPORT  
2000-2001**

**BOARD OF DIRECTORS****N. Ramakrishna Rao****N. Srinivas****N. Sridhar****Nikesh. K. Shah****Dr. V.A. Sastry****Capt. J.R.D. Rao***Chairman**Managing Director**Executive Director &  
Chief Executive Officer**Director**Director**Director***Regd Office:**

24, Metro Cottages  
Chintamaniswar Mandir Road  
BHUBANESWAR - ORISSA  
INDIA - 751001

**Corporate office:**

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url : www@sankhyainfotech.com

**AUDITORS**

M/s. Prayaga & Company  
Chartered Accountants  
5-2-392/5, Hyderabadasti,  
R.P. Road  
Secunderabad-500 003

**BANKERS**

**Andhra Bank**  
R P Road  
Secunderabad-500 003

**DEPOSITARY REGISTRAR & SHARE TRANSFER AGENT:****M/s. AARTHI CONSULTANTS PVT LTD.**

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**NOTICE**

**NOTICE** is hereby given that the Fourth Annual General Meeting of the Company will be held on Thursday, the 27th September 2001, at Hotel Swosti, Bhubaneswar, Orissa at 9.00 AM to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Balance Sheet as at 31st March 2001, Profit & Loss Account for the year ended on that date and the Reports of the Auditors and Directors thereon.
2. To appoint Director in place of Mr. N.Sridhar who retires by rotation and being eligible offers himself for reappointment, and to appoint him as a Director not liable to retire by rotation.
3. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS**

4. To consider and if thought fit pass with or without modifications the following resolution as an Ordinary Resolution: "RESOLVED that Dr. V.A.Sastry be and is hereby appointed as Director of the Company, liable to retire by rotation."
5. To consider and if thought fit pass with or without modifications the following resolution as an Ordinary Resolution: "RESOLVED that Capt. J.R.D.Rao be and is hereby appointed as Director of the Company, liable to retire by rotation."

**NOTES:**

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the company.
2. Duly executed instrument of proxy should be deposited with the company at least 48 hours before the commencement of the meeting.
3. An explanatory statement as required by Section 173 of the Companies Act, 1956 is annexed and forms a part of this Notice.
4. All those members wishing to ask questions during Annual General Meeting should forward them to the Registered Office, 7 days before the date of Annual General Meeting.

**EXPLANATORY STATEMENT**

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

**Item No.4:**

At a meeting of the Board of Directors of the Company held on the 30th March 2001, Dr.V.A.Sastry has been appointed as Additional Director in accordance with Section 260 of the Companies Act, 1956. He holds office up to the forthcoming Annual General Meeting. The company has received notices under Section 257 of the Companies Act, 1956 from some members of the company proposing the appointment of Dr.V.A.Sastry as Director of the company.

Your Board recommends that the resolution be passed.

None of the Directors except Dr.V.A.Sastry is interested in the proposed resolution.

**Item No.5:**

At a meeting of the Board of Directors of the Company held on the 24th May 2001, Capt J.R.D.Rao has been appointed as Additional Director in accordance with Section 260 of the Companies Act, 1956. He holds office up to the forthcoming Annual General Meeting. The company has received notices under Section 257 of the Companies Act, 1956 from some members of the company proposing the appointment of Capt J.R.D.Rao as Director of the company.

Your Board recommends that the resolution be passed.

None of the Directors except Capt J.R.D.Rao is interested in the proposed resolution.

By order of the Board

**For Sankhya Infotech Limited**

**N. Srinivas**

Managing Director

## 4th REPORT OF THE BOARD OF DIRECTORS

To

The Members

Your Directors have pleasure in placing before you their 4th Annual Report, which relates to the operations of your Company for the year ended 31st March 2001.

**FINANCE AND ACCOUNTS**

The Audited Balance Sheet of your Company as at 31st March 2001 and the Profit & Loss Account for the year ended on that date are being circulated with this Report.

As can be seen from the Accounts, the financial results for the year under review have been as follows.

**PARTICULARS**

	<b>Rs. Lacs</b> <b>2000-2001</b>	<b>Rs. Lacs</b> <b>1999-2000</b>
Income from operations	<b>378.07</b>	459.59
Other Income	<b>151.51</b>	6.83
<b>TOTAL INCOME</b>	<b>529.59</b>	466.42
Profit before Depreciation and Tax	<b>271.20</b>	126.35
Less Depreciation for the year	<b>147.62</b>	75.75
Profit before Tax	<b>123.58</b>	50.60
Less Net Provision for Taxation	<b>9.00</b>	(-9.80)
<b>Profit after Tax</b>	<b>114.58</b>	60.40

**DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors wish to state as follows:

1. In the preparation of the annual accounts, the applicable accounting standards had been followed, along with proper explanation relating to material departures.
2. 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 of the company for the year.
3. 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.
4. The Directors have prepared the annual accounts on a going concern basis.

**VARIATIONS FROM THE PROJECTIONS MADE IN THE PROSPECTUS**

There have been significant variations from the projections of profitability made in the Prospectus issued by the Company. The details of the variations, and the explanation of the Board of Directors for the same are given below: **Rs. Lacs**

Particulars	As per projections	Actuals	Variation	Percentage of Variation
Overseas Sales	583.00	193.25	389.75	66.85% (-ve)
Domestic Sales	242.00	184.84	57.16	23.62% (-ve)
Services and Training	125.00	Nil	125.00	100% (-ve)
Total Expenses	819.48	406.01	413.47	50.45% (+ve)
Profit before Tax	130.52	123.58	6.94	5.32% (-ve)

The adverse variation in the performance has been mainly due to the following factors:

1. There was a delay in finalization of some of the overseas orders, resulting in the company not being able to raise the invoices during the year under review. Work in respect of these orders, partially completed is reflected under the Head "Work in progress" to the extent of Rs.177.67 lacs under current assets. Your Company will derive the benefit of these projects during the current financial year.
2. Due to a shift in the market scenario in the software development, your Directors have consciously decided to suspend the activity of services and training, since it was found that the expenditure under this activity was found to be not commensurate with the revenue and profit margins.
3. Your Directors are pleased to report that there are confirmed orders valued at Rs.800 Lacs as on the date of this Report, and orders of an estimated value of Rs.400 Lacs are in advanced stage of negotiation.
4. Your Directors also wish to report that the Bench Time of the technical personnel caused by the delays in obtaining confirmed orders from overseas clients was gainfully utilized in Product Development activities, particularly in the field of aviation. Your company has been able to develop over 12 products, some of which are briefly described in [ Refer Annexure I].

All the products detailed therein cater to specific niche applications in the aviation industry. Efforts to market these products have commenced during the current financial year, and the results of the Product Development activity are likely to accrue shortly.

In view of what has been explained above, your Directors are confident that the shortfall in the performance for the year under review will be more than made up during the current financial year, and the results are likely to match, or even surpass the performance projections for the year 2001 -02.

**Dividends**

In view of the need to conserve the resources to finance the new operations, your Directors wish not to recommend any dividend for the year under review.

**Public Issue Proceeds:**

As reported in the last Annual Report, your Directors are pleased to note that the Public Issue of Shares by your company for an amount of Rs.167.00 lacs received overwhelming response and the allotment of shares was made on 24th April 2001. The proceeds of the public issue amounted to only 19.1% of the total project cost of Rs. 874.68 lacs. The amount has been utilized under different heads of the project cost.

Your Directors wish to report that the project cost as per the prospectus envisaged an expenditure of Rs.98.77 lacs for the Software Development Centers at Bhubaneswar, Visakhapatnam and Bangalore. On review of the present market situation, and in the interest of achieving a more effective control of the operations, your directors now intend postponing the opening of the software development centers in these 3 locations. Instead, it is proposed that the software development center at Hyderabad should be further expanded.

The prospectus also envisaged an expenditure of Rs.127.52 lacs for the Overseas establishment. An amount of Rs.38.88 lacs has so far been spent on this account.

On 31/03/2001, the amount of Rs.186.94 lacs was lying in the Fixed Deposit account with the banks.

**Buy-Back of Shares:**

There were no proposals for Buy back of shares during the year under review.

**DIRECTORS**

Mr. N. Sridhar retires by rotation at the ensuing Annual General Meeting, and is eligible for reappointment. Since the total strength of the Board is now 6, and two Directors can be non-rotational Directors, it is proposed that while reappointing Mr. N Sridhar who is a whole time Director may be made not liable to retire by rotation.

The Board appointed Dr. V.A.Sastry as an Additional Director of the Company on the 30th March, 2001. As per the provisions of Section 260 of the Companies Act, 1956, Dr. V.A.Sastry holds office as Director till the date of the ensuing Annual General Meeting. Appropriate resolutions are being proposed at the Annual General Meeting for the appointment of Dr. V A Sastry as a Director of the Company.

An ME from Indian Institute of Science, Bangalore and a PhD from University of Waterloo in Canada, Dr. Sastry is an acknowledged expert in software and simulation technologies.

Dr. V.A. Sastry has worked with many organizations of repute in India and abroad and was the director of Infosys Technologies Ltd., before launching his own Consulting organization, Musa Software Engineering P. Ltd.

Dr. Sastry is a renowned consultant of various IT organizations and has trained and steered more than 40 companies through ISO certification. Sankhya has also availed the services of Dr. Sastry for preparing the company for ISO certification.

Your directors feel that Induction of Dr. V.A. Sastry to your board will enhance the knowledge and expertise base at the board level.

The Board appointed Capt. J R D Rao as an Additional Director of the Company on 24th May, 2001. As per the provisions of Section 260 of the Companies Act, 1956, Capt. J R D Rao holds office as Director till the date of the ensuing Annual General Meeting. Appropriate resolutions are being proposed at the Annual General Meeting for the appointment of Dr.Sastry as a Director of the Company.

Capt. J.R.D. Rao is a veteran pilot of repute and had a distinguished career in the Aviation Industry, after he obtained a Commercial Pilot License from United Kingdom.

He has over 22000 hours of flying experience to his credit and has rich experience of the operational, administrative and technical aspects of Aviation. Capt. J.R.D. Rao has served Indian Airlines Limited with distinction and held various Senior Management positions, culminating in his appointment as Dy. Managing Director of Indian Airlines and Managing Director of Alliance Air.

Since Aviation Industry is one of the niche areas of operations of Sankhya the presence of Capt. J.R.D. Rao would add stature and prestige to the company and also enrich its capabilities.

**AUDITORS**

M/s Prayaga & Company, Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting. A Letter has been received from them stating that their reappointment, if made, shall be in accordance with the provisions of Section 224 of the Companies Act, 1956. Your Directors recommend that the Auditors be reappointed.

**CORPORATE GOVERNANCE [Refer Annexure II]**

The Report on Corporate Governance as required by Clause 49 of the Listing Agreement is enclosed as Annexure II to this Report.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT [Refer Annexure III]**

The Management Discussion and Analysis Report is enclosed as Annexure III to this Report.

**PARTICULARS OF EMPLOYEES [Refer Annexure IV]**

The particulars of employees who, during the year under review were in receipt of remuneration as envisaged by Section 217 (2)(a) and (b) of the Companies Act, 1956, are enclosed in Annexure IV to this Report.

**ADDITIONAL PARTICULARS [ Refer Annexure V]**

The additional particulars as required by Section 217(1)(e) of the Companies Act, 1956 are contained in Annexure V to this Report.

**ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation of the excellent support received from the employees, shareholders and valuable customers in the endeavors of the Board.

For and on behalf of the Board of Directors

**N RAMAKRISHNA RAO**

Chairman

Place: Secunderabad

Date : 27th June 2001.

### **AUDITORS CERTIFICATE**

The Members

Sankhya Infotech Limited

We have examined the compliance of conditions of corporate Governance by Sankhya Infotech Limited, as stipulated in clause 49 of the Listing agreement of the company with "The Bhubaneswar Stock Exchange Ltd. The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an explanation of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **Prayaga & Co.**  
Chartered Accountants

Place: Secunderabad  
Date: 27th June 2001

**G.S.S.SRINIVAS**  
Partner.

### **Annexure I to the Directors' Report**

#### **Products:**

##### **1. Web Roster & WAP Roster**

This project is an extension of the crew scheduling system. The crew would be able to monitor his schedule on the web whenever he wants. The crew can also view the details of other crew members flying with him and the details of his medical, refresher and leave applied. The WAP roster is also the same as web except for the crew would be having the information on his cell phone.

##### **2. Flight Planning**

The aviation industry employs the most sophisticated and state of the art technology in just every department to

- \* Ensure the safety of passengers which is paramount importance
- \* Adhere strictly to the declared time schedules.

The above two goals notwithstanding, the primary objective is to MAXIMIZE PAYLOAD. One of the most important facets of aviation, Flight Planning aims to do just that.

##### **3. Chalet**

Chalet 2.0 Decision support system and Management system is the partner needed to stop worrying about functioning of a hotel and start a personalized attention to the guests.

##### **4. e2a**

e2a.com is being built as a comprehensive online multi-hosting community to service any corporate for efficient HRM. Target customers for this portal will include

- § Any corporate worldwide who deals with Human Resources
- § A secondary market of HR consultants and agencies
- § A secondary market of individuals

Services. e2a.com will provide a variety of revenue-generating, mission-critical services to each of these target audiences. These revenue-generating services include

- (1) Project management (2) People Management [Online recruitment and Selection process] (3) Performance evaluation (4) Knowledge management [Online training, solution sharing etc.,] (5) Payroll processing.



**Annexure II to the Directors' Report**  
**REPORT ON CORPORATE GOVERNANCE**

**1. COMPANY'S PHILOSOPHY**

The Company's philosophy on the Code of Corporate Governance is one of whole-hearted commitment to the Code in letter and spirit. Utmost efforts are being made to adhere to all the mandatory and recommendatory requirements of the Code. However, in spite of the best intentions, it has not been possible to comply with the requirements due to the reasons detailed below:

**2. BOARD OF DIRECTOR'S**

No	Category	Name
1	Promoter Executive Director	N.SRINIVAS N.SRIDHAR
2	Promoter non Executive Director	N.RAMAKRISHNARAO
3	Non Promoter Independent Directors	NIKESH K SHAH Dr.V.A.SASTRY Capt.J.R.D.RAO

Name of the Director	Attendance particulars		No of other Directorships and Committee member / Chairmanship		
	Board Meetings	Last AGM	Other Directorships	Committee memberships	Committee chairmanships
N.RAMAKRISHNA RAO	4	Yes	None	1	1
N.SRINIVAS	6	Yes	None	1	None
N.SRIDHAR	6	Yes	None	None	None
NIKESH K SHAH	5	—	1	None	None
DR.V.A.SASTRY *	1	—	1	1	None
CAPT.J.R.D.RAO #	None	—	None	1	None

\* Appointed as additional director during year.

# Appointed as additional director in May 2001.

**3. AUDIT COMMITTEE**

The constitution of the Audit Committee had to be preceded by the induction of suitable persons for appointment as independent non-executive Directors. The search for such persons was on for some time. It was only in March that the Board could appoint Dr. V A Sastry as a Director, and Capt. JRD Rao was inducted to the Board on 24th May, 2001. As soon as the non executive Directors were inducted, an Audit Committee was constituted on the 24th May, 2001 with Capt. JRD Rao as the Chairman and Dr. V A Sastry and Mr. N Ramakrishna Rao as members.

The Audit Committee has so far held two meetings, and the Board has accepted all its recommendations.

**4. REMUNERATION COMMITTEE.**

For the same reasons cited above, the Remuneration Committee of the Board could be constituted only on the 24th May, 2001. This Committee, under the Chairmanship of Dr. V A Sastry, and with Capt. JRD Rao and Mr. N Srinivas Managing Director as members, has met once, and would be presenting its recommendations on the remuneration policy for the company as a whole, by end of August, 2001. Your Directors shall be pleased to report about the further progress at the next available opportunity.