

## 8<sup>th</sup> Annual Report 2004 - 2005



### **Sankhya Infotech Ltd.**

#### **Regd Office:**

2<sup>nd</sup> Floor, Seven Hills Plaza

S.D.Road, SECUNDERABAD

AP. INDIA 500 003.

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**Annual General Meeting**

Friday, the 23<sup>rd</sup> December 2005 at 3.00 pm,  
At Taj Tristar Hotel, Secunderabad - 500 003.

## FINANCIAL HIGHLIGHTS 2004-05

<i>FINANCIAL HIGHLIGHTS</i>	<b>2004-05</b>	<b>2003-04</b>
Turnover	1300.92	1243.19
Earnings before Depreciation, Interest and Tax	318.76	384.93
Depreciation	44.24	65.61
Interest	78.37	23.58
Misc Expenditure W/O	-	26.83
Provision for Tax	-	20.44
Profit after Tax	196.15	248.47
Equity Share capital	667.83	667.83
Reserves and surplus	1379.61	1163.01
Net worth	2661.86	2227.64
Gross Fixed Assets	1497.12	1120.45
Net Fixed Assets	797.6	465.17
Total Assets	2661.86	2227.64
<i>KEY INDICATORS</i>		
Earnings per share Rs.	2.94	3.72
Cash Earnings per share Rs.	4.77	5.76
Turnover per share Rs.	19.48	18.62
Book Value per share Rs.	3.07	2.74
Debt: Equity Ratio	0.98	0.45
EBDIT / Gross Turnover %	24.50	30.96
Net Profit Margin %	15.08	19.99
RONW %	7.37	11.15



**COMPANY INFORMATION :**

**BOARD OF DIRECTORS**

**N. Ramakrishna Rao**

Chairman

**N. Srinivas**

Vice Chairman

**N. Sridhar**

Managing Director &  
Chief Executive Officer

**Capt.JRD.Rao**

Director

**J. Bhadra Kumar**

Director

**"Padmashri" N.R. Mohanty** (from 18.06.2005)

Director

**AUDIT COMMITTEE**

N. Ramakrishna Rao

J. Bhadra Kumar

Capt.JRD Rao

**SHAREHOLDERS'/**

**INVESTORS GRIEVANCE COMMITTEE**

N. Ramakrishna Rao

Capt.JRD.Rao

N.Srinivas

**REMUNERATION COMMITTEE**

Capt.J.R.D.Rao

J. Bhadra Kumar

"Padmashri" N.R. Mohanty (from 18.06.2005)

**REGISTERED OFFICE**

2<sup>nd</sup> Floor, Seven Hills Plaza, S.D.Road,  
SECUNDERABAD. AP INDIA 500 003.

Tel: 91+40+55318866

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Email: [investors@sankhya.net](mailto:investors@sankhya.net)

<http://www.sankhya.net>

**REGISTRARS & TRANSFER AGENTS**

M/s. Aarthi Consultants (P) Ltd.,

1-1-285, Domalguda, HYDERABAD – AP INDIA

Tel: 91+40+27634445,

Fax: 91+40+27632184

Email: [aarcons@hd2.dot.net.in](mailto:aarcons@hd2.dot.net.in)

<http://www.aarti.com>

**BANKERS**

Andhra Bank

State Bank of India

**AUDITORS**

M/s. O.M. Kejriwal & Co.

Chartered Accountants

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## NOTICE

Notice is hereby given that the Eighth Annual General Meeting of the Members of **SANKHYA INFOTECH LIMITED** will be held on Friday, December 23rd, 2005 at 3.00 p.m. at Taj Tristar Hotel, Secunderabad 500 003 to transact the following business.

### Ordinary Business

1. To receive, consider and adopt the Profit & Loss Account for the year ended on 31<sup>st</sup> March 2005 and the Balance Sheet as on that date together with Schedules and Annexures thereto and the Report of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. J. Bhadra Kumar who retires by rotation and being eligible offers himself for re-appointment.
3. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED that pursuant to section 225 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Satyanarayana & Co., Chartered Accountants be and is hereby appointed as Statutory Auditors in place of M/s. O.M. Kejriwal & Co retiring Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General meeting of the Company on such remuneration as shall be fixed by the Board of Directors".

### Special Business

4. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. N. Ranjan Mohanty who was appointed as an additional director pursuant to Section 260 of the Companies Act, 1956 with effect from 18<sup>th</sup> June 2005 and who ceases the office at the commencement of this meeting and in respect of whom the Company received a notice proposing his candidature for the position of director, be and is hereby appointed as a director of the company whose office is liable to retire by rotation."

5. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Mr. N. Srinivas be and is hereby re-appointed as the Vice-Chairman for a further term of 3 years with effect from 1<sup>st</sup> December 2005 and who is in whole time employment of the Company.

RESOLVED FURTHER THAT pursuant to Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Mr. N. Srinivas shall be entitled to the remuneration on the following terms and conditions with effect from 1<sup>st</sup> April 2005 till 31<sup>st</sup> March 2008 and the said remuneration shall be paid subject to the limits as specified pursuant to section 309 of the Companies Act, 1956:

**SALARY:** Rs.2.00 (Rupees Two Lacs) per month inclusive of all perquisites.

**COMMISSION:** @ 2% on the net profits of the Company calculated as per the provisions of section 349 & 350 of the Companies Act, 1956.

He shall also be eligible to the following perquisites, which shall not be included in the computation of the ceiling specified above.

- Company's contribution to the Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and Encashment of earned leave as per the rules of the Company. Encashment of leave at the end of the tenure will not be included in the computation of ceiling on perquisites.

RESOLVED FURTHER that Rs. 2.00 Lacs per month shall be paid and allowed as a minimum remuneration during the currency of tenure of his office as Vice-Chairman, notwithstanding the absence or inadequacy of profits in any accounting year as long as the minimum remuneration is within the prescribed limits under Section II of Part II of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps and do all such acts, deeds, matters and things as may be considered necessary, proper and expedient to give effect to this resolution."

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Mr. N. Sridhar be and is hereby re-appointed as Managing Director and Chief Executive Officer (CEO) of the Company for a term of 3 years with effect from 1<sup>st</sup> December 2005.

RESOLVED FURTHER THAT pursuant to Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Mr. N. Sridhar shall be entitled to the remuneration on the following terms and conditions with effect from 1<sup>st</sup> April



2005 till 31<sup>st</sup> March 2008 and the said remuneration shall be paid subject to the limits as specified pursuant to section 309 of the Companies Act, 1956:

**SALARY:** Rs.2.00 (Rupees Two Lacs) per month inclusive of all perquisites.

**COMMISSION:** @ 2% on the net profits of the Company calculated as per the provisions of section 349 & 350 of the Companies Act, 1956.

He shall also be eligible to the following perquisites, which shall not be included in the computation of the ceiling specified above.

- Company's contribution to the Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and Encashment of earned leave as per the rules of the Company. Encashment of leave at the end of the tenure will not be included in the computation of ceiling on perquisites.

RESOLVED FURTHER that Rs. 2.00 Lacs per month shall be paid and allowed as a minimum remuneration during the currency of tenure of his office as the Managing Director and Chief Executive Officer (CEO), notwithstanding the absence or inadequacy of profits in any accounting year as long as the minimum remuneration is within the prescribed limits under Section II of Part II of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps and do all such acts, deeds, matters and things as may be considered necessary, proper and expedient to give effect to this resolution."

7. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

**"RESOLVED THAT** in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and also provisions of any other applicable laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to such approvals, consents, permissions and sanctions of the Government of India, Securities and Exchange Board of India (SEBI) and all other appropriate and/or concerned authorities, and subject to such conditions and modifications, as may be prescribed by any of them in granting such approvals, consents, permissions and

sanctions which may be agreed to by the Board of Directors of the Company ('Board') (which term shall be deemed to include any Committee which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution), which the Board be and is hereby authorized to accept, if it thinks fit in the interest of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to issue, offer and allot on a preferential basis 18,21,705 (Eighteen Lakhs twenty one thousand seven hundred and five shares only) Equity shares of Rs.10/- each at a price of Rs. 40/- per share (including a premium of Rs. 30/- per share) a price which is computed in accordance with the SEBI (Disclosure and Investor Protection) Guidelines 2000 to the following persons:

Sl. No	Name of the Investor	Shares	Total
1	Promoters		821,705
	N. Srinivas	410,853	
	N. Sridhar	410,852	
2	Indian Public		1,000,000
	Sumant Kapoor	330,000	
	JN Padmaja	170,000	
	A Vellayan	168,750	
	A Venkatachalam	168,750	
	V Arunachalam	37,500	
	V Narayanan	37,500	
	AV Arunachalam	37,500	
	Lalitha Vellayan	25,000	
	Meyammai Venkatachalam	25,000	

RESOLVED FURTHER THAT the equity shares so issued shall rank *pari-passu* with the existing equity shares of the Company.

RESOLVED FURTHER THAT the Relevant date for the purpose of determining the issue price under SEBI Guidelines for Preferential Issue shall be 9<sup>th</sup> November 2005.

RESOLVED FURTHER THAT the Board be and are hereby authorized to do all such acts, deeds and things as may be necessary to give effect to this resolution and accept any alteration(s) or amendment(s) or corrections as they may deem fit and appropriate and give such directions/instructions as may be necessary to settle any questions, difficulties or doubts that may arise in regard to the offer, issue or allotment of the said securities and also to seek listing of such securities at the Stock Exchanges where the existing securities are listed."

For and on behalf of Board of Directors  
Sd/-

Place: Secunderabad N. Sridhar  
Date : 28<sup>th</sup> October 2005 Managing Director & CEO

**NOTES:**

1. A MEMBER WHO IS ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES, TO ATTEND AND VOTE INSTEAD OF HIMSELF, THE PROXY NEED NOT BE A MEMBER OF THE COMPANY
2. Proxies in order to be effective should be lodged not less than 48 hours before the commencement of the meeting.
3. Explanatory Statement stating all the material facts relating to the aforesaid special business contained in item # 4, 5 & 6 pursuant to Section 173(2) of the Companies Act, 1956 is annexed herewith.
4. The Register of Members and Share Transfer Books of the Company will be closed from Friday, November 25, 2005 to Monday, November 28, 2005 (both days inclusive).
5. Members are requested to intimate immediately any change in their address to the Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants without any delay.
6. Brief particulars of directors recommended for appointment or seeking re-appointment is included in the Corporate Governance of this Report.

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**EXPLANATORY STATEMENT**

**Pursuant to Section 173(2) of the Companies Act, 1956**

**Item # 4**

In order to be in line with good Corporate Governance Practice, pursuant to clause 49 of the Listing Agreement and to broad base the Board with more number of Independent and Non-Executive Directors, Board has inducted Mr. N. Ranjan Mohanty, who is an independent and Non-Executive director with effect from 18th June 2005.

The Company has received a notice from the member under Section 257 of the Companies Act 1956 along with the necessary deposit proposing the candidature of above director. The Board recommends the resolution for the approval of the members.

None of the Directors except Mr. N. Ranjan Mohanty is concerned / interested in the above resolution.

**Item # 5**

Mr. N. Srinivas is the promoter director of the company and has been associated with the Company in various capacities. He has been appointed as a Vice Chairman of the Company in the Board Meeting held on 24th January 2003 with effect 23<sup>rd</sup> January 2003 for a term of 3 years.

Further, the Board of Directors at their meeting held on 28<sup>th</sup> October 2005 propose to reappoint and revise the remuneration and consider that the re-appointment of Mr. N. Srinivas as a Vice Chairman will be in the best interest of the Company and recommend the resolution set out in Item No. 5 of the Notice for your approval.

As required under Schedule XIII of the Companies Act, 1956, the Remuneration Committee has approved his remuneration in their meeting held on 28<sup>th</sup> October 2005.

The appointment and revision of remuneration are subject to the approval of the Members and hence the Board recommends the resolutions set forth in item # 5 for members' approval.

Mr. N. Srinivas, Mr. N. Sridhar and Mr. N. Ramakrishna Rao being relatives are concerned / interested in the above resolution.

**Item # 6**

Mr. N. Sridhar is the promoter director of the company and has been associated with the Company in various capacities

since inception. He has been appointed as a Managing Director & CEO in the Board Meeting held on 24th January 2003 with effect 23<sup>rd</sup> January 2003 for a term of 3 years.

Further, the Board of Directors at their meeting held on 28<sup>th</sup> October 2005 propose to re-appoint and revise the remuneration and consider that the reappointment of Mr. N. Sridhar as a Managing Director & CEO will be in the best interest of the Company and recommend the resolution set out in Item No.6 of the Notice for your approval.

As required under Schedule XIII of the Companies Act, 1956, the Remuneration Committee has approved his remuneration in their meeting held on 28<sup>th</sup> October 2005.

The appointment and revision of remuneration are subject to the approval of the Members and hence the Board recommends the resolutions set forth in item # 6 for members' approval.

Mr. N. Srinivas, Mr. N. Sridhar and Mr. N. Ramakrishna Rao being relatives are concerned / interested in the above resolution.

**Statement required as per Clause (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956 is as follows:**

**I. General Information:****(1) Nature of industry**

The company is engaged in eLearning Application Practices, Resource Optimization, solutions and specialized IT Services.

**(2) Date of commencement of commercial production**

The company was incorporated as Sankhya Infotech Ltd., a Public Limited Company on 21<sup>st</sup> July 1997 vide registration no. 15-05006 in the state of Orissa. The Company has obtained the Certificate of Commencement of Business from the Registrar of Companies (ROC), Orissa on 25<sup>th</sup> August 1997. However, the Company shifted its registered office from the State of Orissa to the State of Andhra Pradesh vide Company Law Board, Kolkata Order dated 24<sup>th</sup> November 2004. The Registrar of Companies, Andhra Pradesh, Hyderabad has recorded on 18<sup>th</sup> February 2005 of its shift from Bhubaneswar.

The Company commenced the commercial production on 5<sup>th</sup> March, 1999.



**(3) Financial performance:**

(Rs. In Lacs)

Particulars	30 <sup>th</sup> Sep 05	31 <sup>st</sup> Mar 05	31 <sup>st</sup> Mar 04
Revenue	604.72	1300.92	1240.64
PBDT	217.75	240.94	334.53
Depreciation	22.40	44.07	65.60
Taxation	1.31	—	20.44
Net Profit	194.04	196.87	248.47

**(4) Export performance and net foreign exchange earnings:**

Major Portion of the total earnings of the Company is in the foreign exchange only. As on 31<sup>st</sup> March 2005, the total foreign earnings of the Company are Rs.1299 Lakhs and the CIF Value of imports is Rs.7.75 Lakhs.

**(5) Foreign investments or collaborators, if any.**

As on 11<sup>th</sup> November, 2005 NRI holding is 61100 equity shares in the Company, which is equivalent to 0.91% of the Share Capital of the Company.

**II. Information about the appointee:****(1) Background details:****Mr. N. Srinivas**

Mr. N. Srinivas aged 46 years is the promoter director of the Company. He is a Post Graduate in Commerce and post graduate Diploma in Computer Science. He has over 14 years of experience in the field of Information Technology Industry right since 1985. He has authored articles on Management and vision and has contributed to the administrative and financial growth of the company.

**Mr. N. Sridhar**

Mr. N. Sridhar, aged 42 years is the promoter director of the Company. He is a Post Graduate in Computer Science. Before promoting Sankhya Infotech Limited, his last assignment was at Complex Management Consultants, Hyderabad where he worked as a Programmer in 1984. Entrepreneurial in nature he started the Sankhya brand of computer software services in 1985. He has several accomplishments to his credit including a number of research papers, thesis and articles. He has a patent registered in his name for the Software product called "SIMS ..." dealing in specialized barcode Technology under the title "Methods of Encryption and Decryption for generation of Class B Bar Codes" issued by the Registrar of Copyrights, New Delhi.

He has extensively studied the operations, logistic, and air safety management aspects of the civil aviation industry using Operational Research and Linear Programming Methodologies. These principles have a great relevance in the general transportation sector also. He has authored several technical papers and continues to inspire Research and Development activity of the company. He has created the concept, assisted in the designing and development of the world's first ever CBT's on the net.

He also heads a Core Group which consists of five members of R & D team developing innovative products and giving technical strategies for the development teams in project handling.

**(2) Past remuneration:**

Mr. N. Srinivas Vice Chairman and Mr. N. Sridhar, Managing Director & CEO were drawing a consolidated remuneration of Rs. 6.00 Lacs per annum each.

**(3) Job profile and their suitability**

- Mr. N. Srinivas, Vice-Chairman is the promoter director of the Company. He has been serving the company since then. He is in-charge for the Accounts, Finance, Audit and Compliance aspects of the Company.
- Mr. N. Sridhar, Managing Director is the promoter director of the Company. He has been serving the company since then. He heads the Production, technical and administration and other operational affairs of the Company.

**(4) Remuneration proposed:**

- A consolidated remuneration of Rs.2.00 Lacs per month (inclusive of all perks) plus 2% commission on the net profits of the Company with effect from 1<sup>st</sup> April 2005 is proposed to be paid to Mr. N. Srinivas Vice Chairman.
- A consolidated remuneration of Rs.2.00 Lacs per month (inclusive of all perks) plus 2% commission on the net profits of the Company with effect from 1<sup>st</sup> April 2005 is proposed to be paid to Mr. N. Sridhar, Managing Director & CEO.

**(5) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin):**

Remuneration drawn by persons having similar profile and position is almost Rs.15 lacs per month.



**(6) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.**

Apart from receiving remuneration and holding equity shares of the Company Mr. N. Srinivas & Mr. N. Sridhar are not having any other pecuniary relationship with the Company. The company does not have any other managerial personnel other than Mr. N. Srinivas & Mr. N. Sridhar.

October 2005 and it is disclosed in the Resolution given in Item 5 & 6 of this notice.

**Item # 7:**

To augment resources to meet the long term working capital needs, to utilize the funds for the growth prospects of the company and for the other corporate purposes, your Company proposes to offer, issue and allot 18,21,705 Equity Shares of Rs. 10/- each at a price of Rs. 40/- per share including premium of Rs. 30/- per share to the persons specified on preferential allotment basis.

**III. Other information:**

**(1) Reasons for inadequate profits:**

The Company has been focusing on development of niche products for the transport and aviation industry. Any product development company has to spend heavily on the development of the same in the initial years and hence in adequacy of profits.

The information as required under Clause 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines 2000 for the preferential issue are as under:

**a) Object of Issue**

The objects of the proposed issue of Equity shares is to augment resources to meet the long term working capital needs, to utilize the funds for the growth prospects of the company and for other corporate purposes.

**(2) Expected increase in productivity and profits in measurable terms.**

(Rs. Lacs)

	2006-07	2005-06
Turnovers	27.00	18.00
Net Profits	8.10	5.4

**b) Intention of the Promoters/Directors/Key Management persons to subscribe to the offer:**

Mr. N Sridhar & Mr. N. Srinivas, Promoter directors of the Company are intending to subscribe for the equity shares on preferential basis.

**III Disclosures:**

The remuneration has been decided by the Remuneration Committee in their meeting held on 28<sup>th</sup>

**c) Shareholding pattern before and after issue of equity shares on preferential basis:**

Category	Number of shares held	% of holding	Number of shares held	% of holding
<b>Promoter's Holding</b>				
Promoter's				
Indian Promoters	2131580	31.92	2953285	34.74
Foreign Promoters				
Persons acting in concert	290000	4.34	290000	3.41
<b>Sub- Total</b>	<b>2421580</b>	<b>36.26</b>	<b>3243285</b>	<b>38.15</b>
<b>Non- Promoters holding</b>				
Institutional Investors	0		0	0.00
Mutual Funds and UTI	0		0	0.00
Banks, Financial Institutions, Insurance Companies (Central State Gov. Institutions / Non- Government Institutions)	3300	0.05	3300	0.04
FIs			0	
<b>Sub-Total</b>	<b>3300</b>	<b>0.05</b>	<b>3300</b>	<b>0.04</b>
Others				
Private Corporate Bodies	542304	8.12	542304	6.38
Indian Public	3650016	54.65	4650016	54.71
NRIs/ OCBs	61100	0.91	61100	0.72
Any other (Please specify)	-	-		
<b>Sub-Total</b>	<b>4253420</b>	<b>63.69</b>	<b>5253420</b>	<b>61.81</b>
<b>Grand Total</b>	<b>6678300</b>	<b>100</b>	<b>8500005</b>	<b>100</b>