



*10th
Annual report
2006-07*



INNOVATIONS FOR A SMART FUTURE

Sankhya Infotech Limited

Regd Office:

2nd Floor, Seven Hills Plaza
S.D.Road, SECUNDERABAD
A.P. INDIA 500 003
Tel: 91+40+27814217, Fax: 91+40+27819191
Email: info@sankhya.net
www.sankhya.net



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**FINANCIAL HIGHLIGHTS 2006-07**

(Rs. In lakhs)

FINANCIAL HIGHLIGHTS	2006-07	2005-06
Total Income	2,630.96	1,535.34
Total Expenditure	1,755.60	1,178.93
Earnings Before Depreciation, Interest and Tax	875.36	356.41
Depreciation	104.33	34.63
Interest	47.27	45.99
Provision for Tax	13.57	5.38
Profit after Tax	710.19	270.40
Equity Share Capital	850.00	850.00
Reserves and Surplus	2,805.08	2,196.52
Capital Employed	4,260.50	3,600.85
Gross Fixed assets	2,220.59	1,952.52
Net Fixed Assets	1,382.11	1,218.37
Total Assets	4,260.50	3,600.85
KEY INDICATORS		
Earnings per share Rs.	8.36	3.90
Cash Earnings per Share Rs.	9.58	4.39
Book Value per Share Rs.	43.00	35.84
EBDIT/Gross Turnover %	33.27%	23.21%
Net Profit Margin %	26.99%	17.61%



COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. N Ramakrishna Rao
Chairman-Emeritus

Mr. N R Mohanty
Chairman

Mr. N Srinivas
Vice Chairman

Mr. N Sridhar
Managing Director &
Chief Executive Officer

Mr. J Bhadra Kumar

Mr. M Yugandhar

Dr. Sridhar Seshadri
(Addl. Director from 26th October 2006)

AUDIT COMMITTEE

Dr. Sridhar Seshadri
Mr. J Bhadra Kumar
Mr. N Srinivas

SHAREHOLDERS'/ INVESTORS GRIEVANCE COMMITTEE

Mr. M Yugandhar
Mr. N R Mohanty
Mr. N Srinivas

REMUNERATION COMMITTEE

Mr. N R Mohanty
Mr. J Bhadra Kumar
Dr. Sridhar Seshadri

COMPENSATION COMMITTEE

Mr. N Srinivas
Mr. N R Mohanty
Mr. M Yugandhar

REGISTERED OFFICE

2nd Floor, Seven Hills Plaza,
S.D.Road, Secunderabad, AP India 500 003
Tel: 91+40+66318866 / 27814217
Fax: 91+40+27819191
Email: investors@sankhya.net
URL: <http://www.sankhya.net>

REGISTRARS & TRANSFER AGENTS

M/s. Canbank Computer Services Limited
Naveen Complex, 4th floor, #14 M.G Road,
Bangalore-560001.
Tel: 91+80-25320541/42/43
Fax: 91+80-25320544
Email id: canbank_computer@dataone.in
URL: www.canbankrta.com
(w.e.f: 8th July 2006)

BANKERS

State Bank of India
Commercial Branch
Begumpet
Secunderabad

AUDITORS

M/s. Satyanarayana & Co
Chartered Accountants
Secunderabad



NOTICE

Notice is hereby given that the Tenth Annual General Meeting of the Members of **SANKHYA INFOTECH LIMITED** will be held on Friday, **28th September 2007** at **10.00 a.m.** at **Hotel Taj Tristar, Secunderabad-500003** to transact the following business.

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at 31st March 2007 and Profit & Loss Account for the year ended on that date together with Schedules thereto and the reports of Board of Directors' and Auditors' thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. J. Bhadrā Kumar, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

Special Business

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 & 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Mr. N Srinivas, Vice Chairman shall be entitled to the following remuneration on such terms and conditions as mentioned below for a term of 3 years with effect from 1st April 2008."

Terms and conditions of extension of Appointment of Mr. N. Srinivas as Vice Chairman of the Company with effect from 1st April 2008 till 31st March 2011

- a. Salary :
Rs.3.00 Lakhs (Rupees Three Lakhs) per month inclusive of all Allowances and perquisites
- b. Commission :
@ 5% on the net profits of the Company beyond Rs. 7.50 Crores, calculated as per the provisions of section 349 & 350 of the Companies Act, 1956 (i.e. upto a net profit of Rs. 7.50 crores per annum no commission is payable).

- c. 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
- 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 notwithstanding anything hereinabove stated where in any financial year during the tenure as the Vice-Chairman, the Company has no profits or its profits are inadequate Mr. N Srinivas shall be paid remuneration by way of salary, allowances and perquisites not exceeding the maximum limits as prescribed under Section II Part II of Section XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors be and are 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 198, 269, 309 & 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Mr. N. Sridhar, Managing Director & Chief Executive Officer (CEO) shall be entitled to the following remuneration on such terms and conditions as mentioned below for a term of 3 years with effect from 1st April 2008."

Terms and conditions of extension of Appointment of Mr. N. Sridhar, Managing Director & Chief Executive Officer (CEO) of the Company with effect from 1st April 2008 till 31st March 2011.



a. Salary :

Rs.3.00 Lakhs (Rupees Three Lakhs) per month inclusive of all Allowances and perquisites

b. Commission :

@ 5% on the net profits of the Company beyond Rs. 7.50 Crores, calculated as per the provisions of section 349 & 350 of the Companies Act, 1956 (i.e. upto a net profit of Rs. 7.50 crores per annum no commission is payable).

c. 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
- 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 notwithstanding anything hereinabove stated where in any financial year during the tenure as the Managing Director and Chief Executive Officer (CEO), the Company has no profits

or its profits are inadequate Mr. N Sridhar shall be paid remuneration by way of salary, allowances and perquisites not exceeding the maximum limits as prescribed under Section II Part II of Section XIII of the Companies Act, 1956.

"RESOLVED FURTHER THAT the Board of Directors be and are 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 an Ordinary Resolution:

"RESOLVED THAT Dr. Sridhar Seshadri who was appointed by the Board as an Additional Director of the Company with effect from 26th October, 2006 and who holds office upto the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a member under Section 257 of the act proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company.

By Order of the Board of Directors

Place: Secunderabad

N Sridhar

Date: 4th September, 2007

Managing Director & CEO

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES, TO ATTEND AND VOTE ON POLL, INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The instrument appointing proxy should, however, be deposited at the registered office of the Company not later than 48 hours before the scheduled commencement of the meeting.

2. Corporate members are requested to send a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General Meeting.
3. Explanatory Statement stating all the material facts relating to the aforesaid Special Business contained in item # 5, 6 & 7 pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will be closed from Wednesday, the 26th September 2007 to Friday, 28th September 2007 (both days inclusive).
5. Members are requested to intimate immediately any change in their address to the Share Transfer Agents **M/s. Canbank Computer Services Limited**, Address: **Naveen Complex, 4th floor, # 14 M. G. Road, BANGALORE – 560 001** 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. Members / Proxies are requested to bring the Attendance slip duly filled in
7. Dividend for the year ended 31st March, 2007 as recommended by the Directors of the Company if approved at the meeting will be paid within the prescribed time to,
 - a. Those members whose names appear in the Company's Register of Members on 26th September 2007 and
 - b. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per the details furnished by National Securities Depository

Limited and / or Central Depository Services (India) Limited for this purpose.

8. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.
9. Members may please note that the dividend warrant shall be payable at the designated branches of the bank for an initial period of three months only. Thereafter, the dividend warrant on revalidation is payable at limited centers/ branches of the bank. The Members are, therefore, advised to encash dividend warrant within the initial validity period.
10. We wish to inform you that our Company shares have already been admitted in both M/s National Securities Depository Ltd. { NSDL } and Central Depository Services India Ltd. { CDSL } for the purpose of holding and trading of the shares in electronic mode. The ISIN allotted to M/s Sankhya Infotech Limited is **INE877A01013**. Members who are holding shares in physical form are advised in their own interest to immediately apply for Dematerialization of their shares to hold the same in an electronic form.

In order to dematerialize your shares and convert them into the electronic form, you are requested to open a Beneficiary Account with a Depository Participant (DP) and submit a dematerialization request along with the original share certificate(s) to a DP with whom you open a Beneficiary Account. The DP in turn will send your share certificate(s) to **M/s. Canbank Computer Services Limited, Naveen Complex, 4th floor, #14 M.G. Road, Bangalore – 560001, Tel: 91+80-25320541-43** for dematerialization of shares. Thereafter, you will receive a confirmation from the DP that the shares have been dematerialized and held in the electronic form, subject to meeting the entire statutory requirement for conversion from physical mode to the electronic mode.



For further clarification, if any, please feel free to write to our Registrar & Share Transfer Agent at the following address:

CANBANK COMPUTER SERVICES LIMITED

Unit: M/s Sankhya Infotech Limited
Naveen Complex, 4th Floor, # 14,
M G Road, Bangalore 560 001
Phone Nos. 25320541-43 Fax No. 25320544
E-mail: canbank_computer@dataone.in

EXPLANATORY STATEMENT

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

Item # 5

Mr. N Srinivas, Vice Chairman and Promoter Director of the Company has been rendering valuable advice and guidance to the Board since the inception and has in particular, contributed extensively in the areas of Finance and Administration. He is a Post Graduate in Commerce and a Post Graduate Diploma in Computer Science. He has more than 16 years of experience in the field of Information Technology. He authored various articles on Management and Vision.

Mr. N Srinivas has been associated with the Company in various capacities. He was re-appointed as Vice Chairman of the Company for a term of 3 years with effect from 1st December, 2005 and at a fixed remuneration payable from 1st April 2005 up till 31st March 2008. Based on the recommendation of the Remuneration Committee, the Board of Directors at their meeting held on 11th August, 2007 considered the proposal to revise the remuneration. The Board recommends the resolution set out at Item No.5 for adoption.

Except Mr. N Srinivas, Mr. N Sridhar and Mr. N Ramakrishna Rao, no other Director may be deemed to be concerned or interested in the Resolution.

Item # 6

Mr. N Sridhar, Managing Director & CEO is a promoter Director of the Company and has been associated with the Company in various capacities since the inception. He is a Post Graduate in Computer Science. Before promoting Sankhya

Infotech Limited, he was associated with Comptex Management Consultants, Hyderabad. His entrepreneurial talent gave way to 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 registered patent for the Software product namely "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 concept, assisted in design and development of the world's first ever CBT's on the net.

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

Mr. N Sridhar was reappointed as a Managing Director & CEO for a term of 3 years with effect from 1st December 2005 on a fixed remuneration payable from 1st April 2005 up till 31st March 2008. Based on the recommendation of the Remuneration Committee, the Board of Directors at their meeting held on 11th August, 2007 considered the proposal to revise the remuneration. The Board recommends the adoption of the Resolution set out at Item 6.

Except Mr. N Srinivas, Mr. N Sridhar and Mr. N Ramakrishna Rao, no other Director may be deemed to be concerned or interested in the Resolution.

**ADDITIONAL INFORMATION**

For the Items No # 5 & 6, 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:

(Rs. in Lakhs)

1. Nature of Industry	The Company is into simulation, e-Learning Application Practices, Resource Optimization Solutions and Specialized IT Services.			
2. Financial performance	Particulars	31st March 2007	31st March 2006	31st March 2005
	Revenue	2,630.96	1,535.34	1,300.92
	PBDT	828.09	310.41	240.40
	Depreciation	104.33	34.63	44.24
	Taxation	13.57	5.38	--
	Net Profit	710.19	270.40	196.16
3. Export performance	Particulars	31st March 2007	31st March 2006	31st March 2005
	FOB Value of Exports	2,530.12	1,482.02	1,299.39
4. Foreign investments or collaborators, if any	None at present.			

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

Mr. N Srinivas, Vice Chairman. Details are provided under the Explanatory Statements in item No. 5

Mr. N Sridhar, Managing Director and CEO Details are provided under the Explanatory Statements in item No. 6

(2) Past remuneration:

Mr. N Srinivas Vice Chairman - Rs.24 Lakhs per annum.

Mr. N Sridhar, Managing Director & CEO – Rs 24.00 Lakhs per annum.

(3) Job profile and their suitability:

Day to day Management of the business of the Company. Their vast experience in the software industry and sound knowledge of principles of management and marketing render them suitable for their respective positions.

(4) Remuneration proposed:

A consolidated remuneration of Rs.3.00 Lakhs per month (inclusive of all allowances and perquisites) plus @ 5% Commission on the net profits of the Company beyond Rs. 7.50 Crores, calculated as per the provisions of section 349 & 350 of the Companies Act, 1956 (i.e. upto a net profit of Rs. 7.50 crores per annum no commission is payable) is proposed to be payable to Mr. N Srinivas, Vice Chairman.



A consolidated remuneration of Rs.3.00 Lakhs per month (inclusive of all allowances and perquisites) plus @ 5% Commission on the net profits of the Company beyond Rs. 7.50 Crores, calculated as per the provisions of section 349 & 350 of the Companies Act, 1956 (i.e. upto a net profit of Rs. 7.50 crores per annum no commission is payable) is proposed to be payable to Mr. N Sridhar, Managing Director and 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 far above the remuneration being paid to them.

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

Apart from receiving remuneration, Mr. N Srinivas & Mr. N Sridhar are not having any pecuniary relationship with the Company. The Company does not have any other managerial personnel except Mr. N Srinivas & Mr. N Sridhar.

Item # 7

In order to be in line with good Corporate Governance Practice, the Board has inducted Dr. Sridhar Seshadri as an Additional Director at the Board Meeting held on 26th October 2006 whose expertise and knowledge will greatly benefit the Company. The Company has received a notice under Section 257 of the Companies Act 1956 along with the necessary deposit proposing the candidature of above Director. The Board recommends the adoption of the Resolution set out at Item 7.

None of the Directors except Dr. Sridhar Seshadri may be deemed to be concerned or interested in the Resolution.

By Order of the Board of Directors

Place: Secunderabad
Date: 4th September, 2007

N Sridhar
Managing Director & CEO