

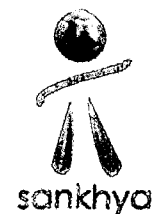
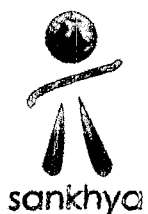


11th Annual Report 2007-08



SANKHYA INFOTECH LIMITED

Legd Office:
nd Floor, Seven Hills Plaza
.D.Road, Secunderabad
P. India 500 003
el: 91+40+27814217,
ax: 91+40+27819191
mail: info@sankhya.net,
URL: www.sankhya.net





Sl. No	Particulars	Page No
1.	Financial Highlights & Key Indicators	2
2.	Company Information	3
3.	Notice	4
4.	Directors' Report	6
5.	Management Discussion & Analysis	10
6.	Report on Corporate Governance	12
7.	Auditors' Certificate on Corporate Governance	17
8.	Auditors' Report on Financial Statements	18
9.	Balance Sheet	21
10.	Profit and Loss Account	22
11.	Schedules forming part of Balance Sheet and Profit and Loss Account.	23
12.	Significant Accounting Policies and Notes on Accounts	27
13.	Cash Flow Statement	31
14.	Balance Sheet Abstract & Company's General Business Profile	32
15.	Auditors' Report on Consolidated Financial Statements	33
16.	Consolidated Balance Sheet	34
17.	Consolidated Profit and Loss Account	35
18.	Schedules forming part of Consolidated Balance Sheet & Profit and Loss Account	36
19.	Significant Accounting Policies and Notes on Accounts	40
20.	Consolidated Cash Flow Statement	44
21.	Sankhya US Corporation, USA - Financial Statements for the year ended 31 st March 2008	45
22.	Sankhya Information Technologies (India) Private Limited - Financials for the year ended 31 st March 2008	52
23.	Sankhya SARL, France - Financials for the year ended 31 st March 2008	59
24.	ECS Mandate Form	63

**FINANCIAL HIGHLIGHTS 2007-08**

(Rs. In lakhs)

FINANCIAL HIGHLIGHTS	2007-08	2006-07
Total Income	3620.32	2,630.96
Total Expenditure	2473.97	1,755.60
Earnings Before Depreciation, Interest and Tax	1146.35	875.36
Depreciation	94.97	104.33
Interest	105.50	47.27
Provision for Tax	43.58	13.57
Profit after Tax	902.29	710.19
Equity Share Capital	850.00	850.00
Reserves and Surplus	3588.04	2805.08
Capital Employed	5521.35	4,260.50
Gross Fixed assets	3022.98	2,220.59
Net Fixed Assets	2089.53	1382.11
Total Assets	5521.35	4,260.50
KEY INDICATORS		
Earnings per share Rs.	10.62	8.36
Cash Earnings per share Rs.	11.73	9.58
Book Value per share Rs.	52.21	43.00
EBDIT/Gross Turnover %	31.66%	33.27%
Net Profit Margin %	24.92%	26.99%

**COMPANY INFORMATION**(as on 30th October 2008)**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
(upto 30th October 2008)

Dr. Sridhar Seshadri

Mr. N. Rangachari
(Addl. Director from 27th May 2008)

BOARD COMMITTEES**AUDIT COMMITTEE**

1. Mr. N Rangachari - Chairman
2. Dr. Sridhar Seshadri - Member
3. Mr. J. Bhadra Kumar - Member
4. Mr. N. Srinivas - Member

**SHAREHOLDERS/
INVESTORS GRIEVANCE COMMITTEE**

1. Mr. J. Bhadra Kumar - Chairman
2. Mr. N. Srinivas - Member
3. Mr. N. Sridhar - Member

REMUNERATION COMMITTEE

1. Mr. N.R. Mohanty - Chairman
2. Dr. Sridhar Seshadri - Member
3. Mr. N. Rangachari - Member

COMPENSATION COMMITTEE

1. Mr. N.R. Mohanty - Chairman
2. Mr. J. Bhadra Kumar - Member
3. Mr. N. Sridhar - Member

REGISTERED OFFICE

2nd Floor, Seven Hills Plaza,
S.D.Road, Secunderabad, AP India 500 003
Tel: 91+40+ 27814217 / 27897910
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: 080-25320541/42/43
Fax: 080-25320544
Email id: canbank_computer@dataone.in
URL: www.canbankrta.com

BANKERS

State Bank of India
Commercial Branch
Begumpet
Secunderabad

AUDITORS

M/s. Satyanarayana & Co
Chartered Accountants
Secunderabad

LISTING

Bombay Stock Exchange Ltd.
The Bhubaneswar Stock Exchange Ltd.



NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Members of **SANKHYA INFOTECH LIMITED** will be held on Friday, **28th November 2008 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 2008 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. N.R.Mohanty, 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 an Ordinary Resolution:

"RESOLVED THAT Mr. N. Rangachari who was appointed by the Board as an Additional Director of the Company with effect from 27th May, 2008 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 and whose office is subject to liable to retire by rotation."

By Order of the Board of Directors

Place: Secunderabad
Date : 30th October 2008

N Sridhar
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 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 Saturday, the 22nd November 2008 to Friday, 28th November 2008 (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, 2008 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 22nd November 2008.
 - 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 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

In order to be in line with good Corporate Governance Practice, the Board has inducted Mr. N. Rangachari, as an Additional Director on 27th May 2008 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 5.

None of the Directors except Mr.N.Rangachari may be deemed to be concerned or interested in the Resolution.

By Order of the Board of Directors

Place: Secunderabad
Date: 30th October 2008

N Sridhar
Managing Director & CEO



DIRECTORS' REPORT

To the Members

On behalf of the board of directors of your company it is indeed my privilege to present the 11th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2008.

Key highlights for the year 2007-2008 are as follows:

- Top line growth 37.34%
- Earnings growth 27.04%
- Listing on the Bombay Stock Exchange

FINANCIAL HIGHLIGHTS 2007-08

(Rs. in Lakhs)

FINANCIAL HIGHLIGHTS	2007-08	2006-07
Income from Operations	3,608.04	2,621.20
Other Income	12.28	9.76
Total Income	3,620.32	2,630.96
Total Expenditure	2,473.97	1,755.60
Earnings before Depreciation, Interest & Tax	1,146.35	875.36
Depreciation	94.97	104.33
Interest	105.50	47.27
Profit Before Tax	945.88	723.76
Provision for Tax (including FBT)	43.58	13.57
Profit after Tax	902.29	710.19
Earnings Per Share	10.62	8.36

During the Financial Year 2007-2008, the Company recorded a Total Income of Rs.3,620.32 lakhs (out of which export income accounted for Rs. 3201.70 lakhs) compared to Rs.2630.96 Lakhs for the previous Financial Year, registering an impressive growth of 37.60%. The increase in income was achieved due to vigorous efforts put in by the management team.

The Profit before Interest, Depreciation and Tax is Rs.1146.35 Lakhs compared to Rs.875.36 Lakhs that of previous year resulting in spurt in the Earning per Equity Share to Rs. 10.62 from Rs.8.36 in the previous year.

OPERATIONS

Your Company's operations have gained significant momentum under the current financial year, the management team kept clear goals and has been successful in achieving in its effort to offer its products

and services to wider customer base, acquiring new and long term customer contracts.

Your company has been able to expand to the US market with impressive long term contracts during the current financial year. Your company's expanded focus on its traditional base of Europe and Middle East have brought good sales volumes that have contributed significantly to the business.

Indian contracts have been steadily growing in the current financial year. The company successfully completed a major project for Online Examinations for the Directorate of Naval Education.

DIVIDEND

The board of directors of your company is pleased to recommend a dividend of 12% on the paid-up Equity Share Capital of the Company for the financial year ended 31st March 2008.

OUTLOOK

The management team of the company has embarked on an aggressive strategy for rapid expansion of markets both horizontally and vertically. As a first step the target market has been expanded and re-categorized as under:

- Transportation Aerospace and Defense
- Manufacturing and Energy
- Education and Finance

Your company's flagship product suite SILICON™ is now available to each target segments. Your company's strength is in the area of professional simulation & training business. Professional Simulation & Training area are rapidly expanding and offers tremendous potential to further growth of your company.

Your company has established a strategic sales team with the clear focus to gain long term contracts from all the three areas. Your company has major plans to expand its distribution network with collaborations, strategic partnerships and joint ventures.

The Company is confident of achieving higher sales and profitability by expanding sales operations to all the three verticals and adding new long term clients. The software products business of your company is now being made available as "Software as a Service (SaaS). Initial results are highly encouraging. With SaaS model the company is targeting multiple geographies around the world for offering both its SILICON™ suite of products and its Resource Optimization tools.

LISTING @ BSE

It is my pleasure to inform you that your company has kept its promise to list the stock of the company's equity at the Bombay Stock Exchange. Your Company's Equity



Shares have been listed with the Bombay Stock Exchange Limited (BSE) and trading has commenced with effect from 14th May 2008.

SUBSIDIARY COMPANIES

A statement pursuant to Section 212 of the Companies Act 1956 containing details of the Subsidiary Companies is annexed to this Report.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared by your Company in accordance with the requirements of the Accounting Standards 21, 23 & 27 issued by the Institute of Chartered Accountants of India.

The Audited Consolidated Financial Statements together with Auditors' Report thereon forms part of the Annual Report.

UTILISATION OF PROCEEDS OF PREFERENTIAL ALLOTMENT

During the financial year 2005-2006 the Company raised an amount of Rs.728.68 Lakhs by allotment of 18,21,705 Equity Shares of Rs.10/- each at a premium of Rs. 30/- per share. The proceeds of the preferential issue were utilized as under:

(Rs in Lakhs)

Particulars	2005-06	2006-07	2007-08	Total
Funds raised	728.68	-	-	728.68
Funds utilized				
Capital Expenditure	-	18.08	-	18.08
Revenue Expenditure	47.35	649.73	13.52	710.60
Un utilized	681.33	13.52	Nil	Nil

DEPOSITS

The Company has not accepted any Deposits from the Public during the year pursuant to Section 58A of the Companies Act, 1956.

DIRECTORS

Mr. N. Rangachari was appointed as an additional director by the Board w.e.f 27th May 2008. In terms of Section 260 of the Companies Act, he holds office upto the date of the ensuing annual general meeting. Notice as required under Section 257 of the Companies Act has been received proposing his candidature along with necessary deposit.

Mr. N. R. Mohanty, Director retires by rotation at the

ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Brief resume of the Directors proposed to be appointed, nature of their expertise in specific functional areas and names of companies in which they hold Directorship and Membership / Chairmanship of Board Committees as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are provided in the Report of Corporate Governance forming part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

1. In the preparation of Annual Accounts, the applicable Accounting Standards have been followed and that there are no material departures from the same.
2. Directors have selected the appropriate Accounting Policies and applied consistently and have 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 as at 31st March 2008, and of the profit of the Company for that period.
3. Proper and sufficient care has been taken 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 Annual Accounts have been prepared on a going concern basis.

AUDITORS

The Company's auditors M/s. Satyanarayana & Co., Chartered Accountants retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The Company has received a certificate from the auditors to the effect that their re-appointment, if made, would be in accordance with Section 224(1B) of the Companies Act 1956.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

i. Conservation of Energy

Your company's operations are software oriented and not energy intensive. Adequate measures are taken to conserve energy wherever possible.

ii. Technology absorption

- a. Research & Development: During the year R & D wing of the Company was engaged in supporting all the businesses through innovations and



undertook multifold research activities and presented papers in International Seminars. Some of the developments have resulted in brining efficiency in the products development cycle and efficiency of the productivity of the software that are under implementation.

- b. Benefits derived from the previous years Research and Development have started showing its returns in faster implementation cycles and customer acceptance.
- c. Future plan of action: The Company continues to put its efforts in Research and Development
- d. Expenditure on R & D: Nil

III. Foreign exchange earnings and outgo

(Rs. In Lakhs)

Particulars	Year ended	
	31-Mar-08	31-Mar-07
Earnings	3201.70	2,530.12
Expenditure	1809.47	1724.09

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate Report on Corporate Governance is enclosed forming part of the Annual Report.

A Certificate from a firm of Chartered Accountants in whole time practice confirming compliance with conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to this Report.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors Report for the year ended 31st March 2008.

Name	Qualification	Date of Joining/ Nature of Employment	Designation	Previous Employer	Experience	% of equity shares held by employee in the Company	Age	Remuneration
N. Srinivas	M.Com.	21.07.1997 / Contractual	Vice Chairman	Sankhya Management Services Ltd	20 yrs	9.66	48	Rs.24.00 Lakhs
N. Sridhar	M. Sc	21.07.1997 / Contractual	Managing Director & CEO	Sankhya Management Services Ltd	20 yrs	9.65	44	Rs.24.00 Lakhs
Rakesh D. Jayal	M.A.	06.03.2006 / Contractual	Chief Marketing	LML Limited	24 yrs	Nil	57	Rs.36.00 Lakhs

INDUSTRIAL RELATIONS

Your Company enjoys cordial employee relations, marked by empowerment and delegation.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge the unstinted support extended by the esteemed Customers, Bankers and Institutions.

Your Directors also are pleased to record their appreciation for the services rendered by the Employees at all levels in bringing about a better performance.

Your Directors express their thanks to the Company's Shareholders, and the Investors for their sustained confidence in the Management of the Company.

For and on behalf of the Board of Directors

Place: Secunderabad
Date : 30th May, 2008

N R Mohanty
Chairman

**Statement pursuant to Section 212 of the Companies Act 1956 of Subsidiary Companies**

Sl. No	Particulars	1	2	3
1	Name of Subsidiary	Sankhya SARL, France	Sankhya Information Technologies (India) Private Limited	Sankhya US Corporation
2	Financial year end	31 st March, 2008	31 st March, 2008	31 st March, 2008
3	Extent of interest of the Holding Company in the capital of the Subsidiary.	100%	100%	100%
4	Date from which it became a subsidiary	13 th April 2005	01 st May 2006	17 th August 2006
5	Net aggregate amount of Subsidiary's profit or loss not dealt with in the Holding Company's accounts.			
	Current year	*	*	15,582,963
	Previous year	*	*	5,875,029
6	Net aggregate of the Subsidiary's profit less losses dealt with in the Holding Company's Accounts:			
	Current year	Nil	Nil	Nil
	Previous year	Nil	Nil	Nil

* Sankhya SARL, France and SITPL are yet to commence its commercial operations

For and on behalf of the Board of Directors

Place: Secunderabad
Date : 30th May, 2008

N R Mohanty
Chairman