



12th Annual Report 2008-09

SANKHYA INFOTECH LIMITED

Regd Office: 2nd Floor, Seven Hills Plaza
S.D.Road, Secunderabad, AP. India 500 003
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FINANCIAL HIGHLIGHTS 2008-09

(Rs. In lakhs)

FINANCIAL HIGHLIGHTS	2008-09	2007-08
Total Income	4187.67	3620.32
Total Expenditure	3171.44	2473.97
Earnings Before Depreciation, Interest and Tax	1016.23	1146.35
Depreciation	274.89	94.97
Interest	168.06	105.50
Provision for Tax	130.67	43.58
Profit after Tax	442.62	902.29
Equity Share Capital	850.00	850.00
Reserves and Surplus	4030.66	3588.04
Capital Employed	6256.60	5521.35
Gross Fixed assets	3609.51	3022.98
Net Fixed Assets	2401.16	2089.53
Total Assets	6256.60	5521.35
KEY INDICATORS		
Earnings per share Rs.	5.97	10.62
Cash Earnings per Share Rs.	8.44	11.73
Book Value per Share Rs.	49.10	52.21
EBDIT/Gross Turnover %	24.35	31.66
Net Profit Margin %	10.61	24.92



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
(upto 29.08.2009)

Dr. Sridhar Seshadri

Mr.N.Rangachari

Dr. Santanu Paul
(w.e.f 29.08.2009)

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
T: 91+40+27814217
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Email: investors@sankhya.net
URL: <http://www.sankhya.net>

REGISTRARS & TRANSFER AGENTS
CANBANK COMPUTER SERVICES LTD.,
J P ROYALE, 1ST FLOOR, # 218, 2nd Main,
Sampige Road,(Near 14th Cross),
Malleswaram, **Benguluru- 560 003.**
Tel : 91-80-23469661 / 62, 23469664 / 65
Fax : 91-80-23469667 / 668
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:

The Bombay Stock Exchange Ltd
The Bhubaneswar Stock Exchange Ltd.

**NOTICE**

Notice is hereby given that the 12th Annual General Meeting of the Members of **SANKHYA INFOTECH LIMITED** will be held on Wednesday 30th September 2009 at **11.30 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 2009 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 appoint a Director in place of Dr.Sridar Seshadri, who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint M/s.P.Murali & Co. Chartered Accountants as Statutory Auditors of the Company to hold office from the Conclusion of this Annual General Meeting to the Conclusion of next Annual General Meeting at such remuneration as may be mutually agreed in place of M/s.Satyanarayana & Co. who have expressed their unwillingness to continue as Auditors.

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.Santanu Paul who was appointed by the Board as an Additional Director of the Company with effect from 29th August, 2009 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."

5. **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 94 and all other applicable provisions of the Companies Act, 1956, read with the Article No.7 of the Articles of Association of the Company, the existing Authorized Share Capital of the Company be and is hereby increased from Rs.15,00,00,000/- (Rupees Fifteen Crores Only) divided into 1,50,00,000 (One Crore Fifty Lakhs) Equity Shares of Rs.10/- (Rupee Ten) each to Rs.18,00,00,000/- (Rupees Eighteen Crores Only) divided into 1,80,00,000 (One Crore Eighty Lakhs) Equity Shares of Rs.10/- (Rupee Ten) each ranking *pari passu* with the existing Equity Shares of the Company.

RESOLVED FURTHER THAT in accordance with the provisions of Section 16 and all other applicable provisions, if any, of the Companies Act, 1956, the Clause V (i) of the Memorandum of Association of the Company be and is hereby altered by substituting the following new clause V (i) in place of the existing Clause V (i) thereof:

V. *The authorized share capital of the company is Rs.18,00,00,000/- (Rupees Eighteen Crores only) divided into 1,80,00,000 equity shares of Rs. 10/- (Rupees Ten only) each with the rights, privileges*

and conditions attaching thereto as are provided by the regulations of the Company for the time being, with power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company.

RESOLVED FURTHER THAT in accordance with the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Article 3 of the Articles of Association of the Company be and is hereby altered by substituting the following new Article 3 in place of the existing Article 3 thereof:

3. *The Authorized Share Capital of the Company is Rs.18,00,00,000/- (Rupees Eighteen Crores Only) divided into 1,80,00,000 (One Crore Eighty Lakhs) Equity Shares of Rs.10/- (Rupee Ten) each."*

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 Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, read with the enabling provisions of the Memorandum and Articles of Association of the Company and subject to the regulations/rules/guidelines issued by the Securities and Exchange Board of India (SEBI), Listing Agreement entered into with the Stock Exchange (s) and subject to such approvals, consents, permissions and sanctions of all other appropriate and/or concerned authorities and departments, if any, and subject to such conditions and modifications as may be prescribed by any of them in granting such approvals, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "Board" which term shall be deemed to include any Committee constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution), to offer, issue, allot and deliver **40,50,000** (Forty Lakhs Fifty only) warrants on preferential basis convertible into **40,50,000** (Forty Lakhs Fifty only) Equity Shares of Rs.10/- each (i.e., one Equity Share for every One warrant issued and allotted) at a Price of Rs.27/- (Rupees Twenty Seven Only) per Equity Share (i.e., at a Premium of Rs.17/- (Rupees Seventeen Only) Per Equity Share) to the following promoters/promoter group:

S.No.	Name of the Proposed Allottee	No. of Warrants to be allotted
1.	Mr. N.RAMAKRISHNA RAO	6,75,000
2.	Mrs.N.PARVATAVARDHANI	6,75,000
3.	Mr.N.SRINIVAS	6,75,000
4.	Mrs.N.INDIRA RAMANI	6,75,000
5.	Mr.N.SRIDHAR	6,75,000
6.	Mrs.N.GAYATRI.	6,75,000



for cash which shall upon conversion rank pari-passu with the existing equity shares of the Company, in such form and manner and upon such terms and conditions as the Board may in its absolute discretion deem fit, at a price of not less than the price as on "Relevant Date" determined in terms of Clause 13.1.1 of SEBI (Disclosure and Investor Protection) Guidelines, 2000.

RESOLVED FURTHER THAT the 'Relevant Date' for the purpose of determining the issue price of warrants, in pursuance of SEBI (Disclosure and Investor Protection) Guidelines, 2000 will be 28th August, 2009.

RESOLVED FURTHER THAT

- a) Each Warrant convertible into equity shares (i.e. 1 equity shares for 1 warrants issued) as mentioned above can be exercised in one or more tranches at any time within a period of 18 months from the date of allotment of such warrants and on such other terms and conditions, subject to SEBI (Disclosure and Investor Protection) Guidelines, 2000, as may be applicable, from time to time.
- b) The aforementioned allottee shall have to pay a minimum 25% of the warrant offer price as application money towards the warrants i.e., a minimum of Rs.6.75/- Paise Only.
- c) The warrant holder shall, on the date of conversion, pay the balance 75% of the consideration towards the subscription to each equity share.
- d) The amount paid on issue of warrants shall be forfeited if the warrants are not exercised within a period of 18 months from the date of allotment of warrants.
- e) Equity shares to be issued and allotted by the Company on exercising of the option against the warrants shall rank pari-passu in all respects with the existing fully paid-up Equity Shares of the Company.

RESOLVED FURTHER THAT the Board do seek listing of the equity shares allotted pursuant to the conversion of aforesaid warrants at Bombay Stock Exchange Limited, Mumbai, where the equity shares of the Company are already listed or may be listed and at any other Stock Exchange(s) which the Board in its own discretion deems fit and necessary.

RESOLVED FURTHER THAT for the purpose of giving effect to the resolution above, the Board of Directors be and is hereby authorized to finalize and execute all documents, deeds and writings as may be necessary, which includes but not limited to preparing, executing and filing necessary applications / forms / returns / documents to the Registrar of Companies, Stock Exchange(s), National Securities Depository Limited (NSDL), Central Depository Services (India) Limited (CDSL) and / or such other statutory authorities as may be necessary from time to time and take such steps and actions and give such directions as it may in its absolute discretion deem necessary and to settle any question (s), difficulty or doubt that may arise in this regard without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly

by the authority of this resolution and to delegate all or any of the powers to any Director (s) or authorized person (s) to give effect to the above resolution.

The Board / Committee be and is hereby authorized to accept the terms, conditions and stipulations made by the regulatory authorities while granting approval to the Company for the issue of securities as aforesaid."

7. 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 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") (including any statutory amendment, modification or reenactment to the Act or the Guidelines for the time being in force) and subject to such approvals, permissions, sanctions and subject to such conditions and modifications as may be prescribed or imposed by the above authorities while granting such approval, permissions and sanctions, approval and consent of the company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board" which terms shall be deemed to include any committee include ESOP Compensation Committee of the Board), to the proposed ESOP Scheme 2009 and to create, offer, issue and allot in one or more tranches under the said proposed ESOP Scheme 2009 at any time to or for the benefit of employees and directors of the company such number of equity shares and /or equity linked instruments including options and / or other instrument or securities which could give rise to the issue of equity shares (hereinafter collectively referred to as "securities") of the Company initially not exceeding 5% of the paid up equity share capital of the company as on 29th August, 2009, at such price and on such terms and conditions as may be fixed or determined by the Board in accordance with the guidelines or other applicable provisions of any law as may be prevailing at that time.

RESOLVED FURTHER that the Board be and is hereby authorized to formulate, evolve, decide upon and bring into effect any Scheme (hereinafter referred to as "the ESOP Scheme - 2009") on such terms and conditions as contained in the relevant Explanatory Statement to this notice and to make any modification(s), change(s), variation(s), alteration(s) or revision(s) in terms and conditions of the scheme from time to time including but not limited to amendments with respect to vesting period, exercise price, eligibility criteria, vesting schedule or to suspend, withdraw or revive the ESOP Scheme 2009.

RESOLVED FURTHER that the said securities may be allotted in accordance with the ESOP Scheme 2007 through an existing trust or a trust which may be set up in any permissible manner and that the ESOP Scheme 2009 may also envisage for providing any financial assistance to the trust to acquire, purchase or subscribe securities of the Company.

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RESOLVED FURTHER that the new equity shares to be issued and allotted by the company in the manner aforesaid shall rank pari passu in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER that the Board be and is hereby authorized to take all necessary steps for listing of the securities allotted under the ESOP Scheme 2009 on the Stock Exchanges where the existing securities of the company are listed as per the provision of the Listing Agreements with the concerned stock exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER that for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the members of the company in this regard."

By Order of the Board of Directors
N Sridhar
Managing Director & CEO

Date : 29th August 2009

Place: Secunderabad

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 Special Business 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 26th September 2009 to 30th September 2009 (both days inclusive).

Members are requested to intimate immediately any change in their address to the Share Transfer Agents Address: **M/s. Canbank Computer Services Ltd., (A Subsidiary of Canara Bank), JP Royale, 1st Floor, # 218, 2nd Main Sampige Road, (Near 14th Cross), Malleswaram, BENGULURU - 560003. Tel: +91 802 3469661 / 62, 2349664/65 Fax: +91 802 3469667 / 68** and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants without any delay.

5. Members / Proxies are requested to bring the Attendance slip duly filled in
6. 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.
7. 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 Ltd., (A Subsidiary of Canara Bank), JP Royale, 1st Floor, # 218, 2nd Main Sampige Road, (Near 14th Cross), Malleswaram, BENGULURU - 560003. Tel: +91 802 3469661 / 62, 2349664/65 Fax: +91 802 3469667 / 68** 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 LTD.,

Unit: M/s. Sankhya Infotech Ltd

J P ROYALE, 1ST FLOOR, # 218, 2nd Main,
Sampige Road, (Near 14th Cross),
Malleswaram, **Benguluru - 560 003.**

Tel : 91-80-23469661 / 62, 23469664 / 65

Fax : 91-80-23469667 / 668

Email Id : canbank_computer@dataone.in

URL: www.canbankrta.com



EXPLANATORY STATEMENT

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

Item # 4

The members are informed that the in view of the expansion plans and to strengthen the Board in addition to observe the prudent Corporate Governance Practice, the Board proposed to appoint Dr.Santanu Paul as an additional director of the Company whose proficiency and knowledge will significantly 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 4.

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

Item # 5

The present Authorized Share Capital of the Company is Rs.15,00,00,000(Rupees Fifteen Crores Only) divided into 1,50,00,000 (One Crore Fifty lakhs) Equity Shares of Rs.10/- (Rupee Ten) each.

It is now proposed to Increase the Authorized Share Capital to Rs.18,00,00,000/- (Rupees Eighteen Crores Only) divided into 1,80,00,000 (One Crore Eighty Lakhs) Equity Shares of Rs.10/- (Rupee Ten) each ranking pari passu with the existing Equity Shares of the Company. Increase of Authorized Share Capital of the Company requires the approval of members by way of an Ordinary Resolution pursuant to Section 94 of the Companies Act, 1956. Consequent to increase of Authorized Share Capital, the Articles of Association of the Company needs to be altered and which requires the approval of members by Special Resolution pursuant to Section 31 of the Companies Act, 1956. Hence the above resolutions are submitted to meeting for members' approval. The Board of Directors recommends the resolutions for your approval.

A copy of the present Memorandum and Articles of Association of the Company is available for inspection at the registered office in all working days

during business hours up to the day of the meeting.

None of the Directors of the Company are concerned or interested extend to the extent they may participate in the increases capital when issued and allotted by the Company.

Item # 6

Your Company expansion plans and to mitigate the expenses your Directors after necessary estimation opined to issue convertible warrants to finance the execution of the plans. It is proposed to create, offer, issue and allot **40,50,000** (Forty Lakhs Fifty Thousand only) warrants convertible into One equity shares of Rs.10/- each fully paid-up for every one warrants issued and allotted to the following promoters/promoters group on preferential basis:

S.No.	Name of the Proposed Allottee	No. of Warrants to be allotted
1.	Mr. N.RAMAKRISHNA RAO	6,75,000
2.	Mrs.N.PARVATAVARDHANI	6,75,000
3.	Mr.N.SRINIVAS	6,75,000
4.	Mrs.N.INDIRA RAMANI	6,75,000
5.	Mr.N.SRIDHAR	6,75,000
6.	Mrs.N.GAYATRI.	6,75,000

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

a) Object of issue:

The object of the proposed preferential offer is to augment resources for expansion and acquisition plans and other general corporate purposes of the Company.

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

Promoters/promoters group of the Company is intending to subscribe **40,50,000** (Forty Lakhs Fifty Thousand only) warrants to be converted into equity shares **in the ratio of 1 warrant for 1 equity shares** within 18 months from the date of issue. Further, the Promoter may convert the warrants in one or more trenches such that they shall not acquire the voting rights so as to attract the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

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c) Shareholding pattern before and after the issue of warrants to be converted into equity shares within 18 months from the date of the allotment of the warrants:

Sr. No.	Category	Pre- issue		Post- issue	
		No. of shares held	% of holding	No. of shares held	% of holding
A	Shareholding of Promoters and Promoter Group				
1	Indian Promoters *	2705384	31.83	6755384	53.83
2	Foreign Promoters	—	—	—	—
	Sub-total (A)				
B1	Public shareholding	2705384	31.83	2705384	53.83
3	Institutions	—	—	—	—
a.	Financial Institutions/Banks	3300	0.04	3300	0.03
b.	Mutual Funds and UTI	—	—	—	—
c.	Venture Capital Funds	—	—	—	—
d.	FIIIs	—	—	—	—
e.	Others	—	—	—	—
	Foreign Companies	—	—	—	—
	Sub-total (B1)	3300	0.04	3300	0.03
2	Non-institutions				
a.	Private Corporate Bodies	949568	11.17	949568	7.57
b.	Indian Public	4348458	51.16	4348458	34.65
c.	NRIIs and OCB	355862	4.19	355862	2.84
d.	Clearing members	34205	0.40	34205	0.27
e.	Others	103228	1.21	103228	0.82
	Sub-total (B2)	5791321	71.66	5791321	46.15
	Sub-total (B = B1+B2)	5794621	71.70	5794621	46.18
	Total (A+B)	8500005	100	12550005	100.00
C	Shares held by custodians and against which depository receipts have been issued	NIL	NIL	NIL	NIL
	Grand total (A+B+C)	8500005	100	12550005	100.00

* Shares totaling to 10,56,900 are pledged to State Bank of India, Commercial Br., Secunderabad.

Notes:

- The above table has been prepared on the basis of the shareholding pattern as on 29th August, 2009 prior to the date of issue of warrants.
- The Promoters/Promoters Group of the Company would have subscribed to and been allotted **40,50,000** (Forty Lakhs Fifty Thousand Only) warrants to be converted into **40,50,000** (Forty Lakhs Fifty Thousand Only) equity shares of Rs.10/- each fully paid, of the Company within 18 months from the date of the allotment of the warrants. In the event for any reason, they does not or are unable to subscribe to and/or are not allotted the warrants, the shareholding pattern in the above table would undergo corresponding changes.



d) Proposed time within which the allotment shall be completed

The allotment of the warrants shall be completed within 15 days from the date of passing of resolution in the Annual General Meeting. Provided that where the issue of warrants on preferential basis is pending on account of pendency of any approval of such issue by any regulatory authority or the Central Government, the issue of warrants shall be completed within 15 days from the date of such approval.

e) Identity of proposed allottee(s) of warrants and the percentage of the post-issue capital that may be held by them on conversion of the warrants into Equity Shares of the Company

The proposed 40,50,000 warrants are to be issued to Promoters/Promoters Group of the Company as mentioned elsewhere in this notice/explanatory statement in the ratio mentioned in the aforementioned resolution.

f) Change in the composition of the Board of Directors and control of the Company

There will not be any change in the composition of the Board of Directors and control of the Company on account of the proposed preferential issue of warrants.

g) Non-transferability of the securities

The warrants allotted on a preferential basis and the shares allotted pursuant to exercise of option attached to warrants issued on preferential basis as above shall be locked-in for a period of three year from the date of their allotment as per the provisions of Clause 13.3.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

h) Price at which allotment is proposed

The aforesaid securities (warrants) are proposed to be issued at a price of not less than **Rs. 27/-**, which is the price determined by considering 29th August, 2009 as the **Relevant Date** determined as per the pricing formula prescribed in Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines 2000. As per SEBI Guidelines the price for issue of the Securities shall not be less than the higher of the following:

- The average of the weekly high and low of the closing prices of the related shares quoted on the Stock Exchange during the six months preceding the relevant date; or
- The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date.

A copy of the certificate of the Company Auditor with respect to the issue price, as per the SEBI guidelines shall be placed before the shareholders at the meeting.

The **relevant date** for the purpose of determining the issue price of the warrants is **29th August, 2009**, which is 30 days prior to the date of the Annual General Meeting where the

approval of shareholders will be obtained for issue of warrants. As per Section 81 (1A) of the Companies Act 1956, approval of the shareholders in the General Meeting is required for the issue of shares by way of preferential allotment as stated in the resolution. Hence, consent of the shareholders by way of special resolution is being sought for the issue of such warrants on preferential basis.

The Board recommends the resolution for approval.

All Directors are interested in the resolution to the extent of their shareholding.

Item # 7

ESOP Scheme 2009: The Company has always believed in rewarding its employee for their continuous hard work, dedication and support, which has led the company on a growth path. To enable more and more employees to enjoy the fruits of the phenomenal growth that the company has witnessed in the recent past, it is proposed to implement an ESOP Scheme. The main objective of the scheme is to give employees, who are performing well, a certain minimum opportunity to gain from the Company's performance thereby acting as a retention tool and to attract best talent available in the market.

Stock Options have long been recognized internationally, as an effective instrument, to align the interest of employees with those of the company and its shareholders, providing an opportunity to employees to share the growth of the company, and to create long term wealth in the hands of employees. Stock Options create a sense of ownership between the company and its employees, paving the way for a unified approach to the common objective of enhancing overall shareholder value.

The Board therefore proposed to evolve an Employee Stock Option Scheme (hereinafter referred to as "the ESOP Scheme-2009") for the benefit of permanent Employees and Directors of the Company and such other persons/entities as may be prescribed by SEBI from time to time, and in accordance with the provisions of prevailing regulations.

The following explanatory statement sets out the various disclosures as required by clause 6 of the Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (herein after referred to as "the Guidelines").

The salient features of the ESOP Scheme are as under:

A) Total number of options to be granted

- The total number of options to be granted under this scheme shall initially not exceed 5% of the total paid up equity share capital of the company as on 29th August, 2009
- The Board may with the approval of the shareholders increase the maximum number of options under the ESOP Scheme 2009 at any time
- One option entitles the holder of the options to apply for one equity share of the company.

B) Identification of classes of employees entitled to participate in the ESOP