



# 13<sup>th</sup> Annual Report 2009-10

## **SANKHYA INFOTECH LIMITED**

**Corp. Office:** 2<sup>nd</sup> Floor, Seven Hills Plaza  
S.D.Road, Secunderabad, AP. India 500 003  
Tel: 91+40+27814217,  
Fax: 91+40+27819191  
URL: [www.sankhya.net](http://www.sankhya.net)  
Email: [investors@sankhya.net](mailto:investors@sankhya.net)

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**FINANCIAL HIGHLIGHTS 2009-10**

(Rs. In lakhs)

<b>FINANCIAL HIGHLIGHTS</b>	<b>2009-10</b>	<b>2008-09</b>
Total Income	<b>4080.86</b>	4187.67
Total Expenditure	<b>3204.44</b>	3171.44
Earnings Before Depreciation, Interest and Tax	<b>876.42</b>	1016.23
Depreciation	<b>248.16</b>	274.89
Interest	<b>208.40</b>	168.06
Provision for Tax	<b>71.36</b>	130.67
Other Provisions	<b>74.83</b>	0.00
Profit after Tax	<b>273.63</b>	442.62
Equity Share Capital	<b>850.00</b>	850.00
Reserves and Surplus	<b>4304.30</b>	4030.66
Capital Employed	<b>7173.22</b>	6256.60
Gross Fixed assets	<b>3843.51</b>	3609.51
Net Fixed Assets	<b>2387.01</b>	2401.16
Total Assets	<b>7173.22</b>	6256.60
<b>KEY INDICATORS</b>		
Earnings per share Rs.	<b>3.22</b>	5.97
Cash Earnings per Share Rs.	<b>6.14</b>	8.44
Book Value per Share Rs.	<b>48.01</b>	49.10
EBDIT/Gross Turnover %	<b>21.48</b>	24.35
Net Profit Margin %	<b>6.71</b>	10.61

## 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

#### Dr. Sridhar Seshadri

#### Mr.Santhana Krishnan

(Additional Director w.e.f 30.01.2010)

#### Ms.Kavita Prasad

(Additional Director w.e.f 01.05.2010)

### BOARD COMMITTEES

#### AUDIT COMMITTEE

1. Mr.Santhana Krishnan - Chairman
2. Dr Sridhar Seshadri - Member
3. Mr.N.Srinivas - Member

#### SHAREHOLDERS'/INVESTORS GRIEVANCE COMMITTEE

1. Mr. Santhana Krishnan - Chairman
2. Ms. Kavita Prasad - Member
3. Mr. N. Srinivas - Member
4. Mr. N. Sridhar - Member

### REMUNERATION COMMITTEE

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

#### Compensation Committee

1. Mr. N R Mohanty - Chairman
2. Mr. Santhana Krishnan - Member
3. Mr. N.Sridhar - Member

#### Registered Office

D.No. 12-10-416/8B

Namalagundu, Secunderabad.

T: 91+40+27814217

F: 91+40+27819191

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

URL: <http://www.sankhya.net>

#### REGISTRARS & TRANSFER AGENTS

##### CANBANK COMPUTER SERVICES LTD.,

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

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

Fax : 91-80-23469667 / 668

Email Id : [canbank\\_computer@dataone.in](mailto:canbank_computer@dataone.in)

URL: [www.canbankrta.com](http://www.canbankrta.com)

#### BANKERS

##### State Bank of India

Commercial Branch

Begumpet

Secunderabad

#### AUDITORS

M/s. P. Murali & Co

Chartered Accountants

Secunderabad

#### LISTING:

The Bombay Stock Exchange Ltd

## NOTICE

Notice is hereby given that the 13th Annual General Meeting of the Members of SANKHYA INFOTECH LIMITED will be held on Thursday 30th September 2010 at 10.00 a.m. at Taj Tristar Hotel, Secunderabad- 500003 to transact the following business.

### Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at 31st March 2010 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 Mr. N. Ramakrishna Rao, who retires by rotation, and being eligible, but not 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.

### 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 Ms. Kavita Prasad who was appointed by the Board as an Additional Director of the Company with effect from 30th April, 2010 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

N Sridhar

Date : 14th August 2010

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 # 4 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 27th September 2010 to 30th September 2010 (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, Bengaluru - 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 Ms. Kavita Prasad 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.

By Order of the Board of Directors

Place: Secunderabad

N Sridhar

Date : 14th August 2010

Managing Director & CEO

**DIRECTORS' REPORT****To the Members**

Your Directors have pleasure in presenting this 13th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2010. As members would have noticed the company has gone through challenging times during the past one year. While the global recession and its effect has been significant in itself, we also faced problem from the Income Tax case that had raised a demand of over Rs.7.09 Crores (Refer page 14 of Annual Report 2008-2009). The good news is that the company has won the appeal against this Income Tax order with no tax liability for the demand. The company's results for the year 2009-10 are as under:

**FINANCIAL HIGHLIGHTS 2009-10** (Rs. in Lakhs)

<b>FINANCIAL HIGHLIGHTS</b>	<b>2009-10</b>	<b>2008-09</b>
Income from Operations	<b>4077.95</b>	4173.28
Other Income	<b>2.90</b>	14.39
Total Income	<b>4080.86</b>	4187.67
Total Expenditure	<b>3204.44</b>	3171.44
Earnings before Depreciation, Interest & Tax	<b>876.42</b>	1016.23
Depreciation	<b>248.16</b>	274.89
Interest	<b>208.40</b>	168.06
Profit Before Tax	<b>419.87</b>	573.28
Provision for Tax (including FBT)	<b>71.36</b>	130.67
Profit after Tax	<b>273.63</b>	442.62
Earnings Per Share	<b>3.22</b>	5.97

During the Financial Year 2009-10, the Company recorded a Total Income of Rs.4,077.95 lakhs (out of which Export Income accounted for Rs.3,386.01lakhs) compared to Rs.3,944.62 Lakhs for the previous Financial Year. The Profit before Interest, Depreciation and Tax is Rs.876.42 Lakhs compared to Rs.1,016.23 Lakhs and the Earning per Equity Share to Rs.3.22 from Rs.5.97 in the previous year.

**OPERATIONS**

The order book of the company is robust and stands at Rs.104 Crores at the end of the current financial year. The company has added three new customers for courseware development. The company has secured a contract in the area of advance-distributed simulation from a defense public sector undertaking of India. The company has achieved one new license sales for the SILICON™ products during this financial year. The company has completed the implementation of its ongoing project with Kingfisher Airlines. Due to general slowdown of the industry, the company faced slowdown in award of work packages for existing contracts and

approval of completed work packages from the customers. This has been particularly significant in the area aerospace and defense industry customers. The company's cash flows have been affected due to the income tax order and some of the measures taken by the authorities, this in turn affected schedule of deliveries. This has also been a contributing factor for modest performance during the current financial year.

**PREFERENTIAL OFFER:**

The company has obtained the shareholders consent for issue of 22,69,400 convertible warrants on preferential basis to Non-promoters and 30,00,600 convertible warrants to Promoters through postal ballot on 27th July 2010.

The Company has made in-principle approval application with the Bombay Stock Exchange Limited, Mumbai for listing of the aforesaid warrants allotment. Once BSE Approves the proposal, the Board will allot the afore mentioned Convertible Warrants to promoters and Non-promoters.

**OUTLOOK**

Your company enjoys the unbroken patronage of Fortune 500 companies for the past several years. Contracts with these customers are renewed and are current for the next five to seven years. Order book position therefore is good and going ahead further efforts would improve the position of the company. The company is consistently winning new customers. The company therefore is optimistic of bright outlook based on the above two factors. Further, efforts restructure the business model and improve productivity would not only help win new business but also yield better financial results.

**SUBSIDIARY COMPANIES**

The Financial details of the subsidiary companies as well as the extent of holdings therein are provided in a separate section of the Annual report. The Company received permission (vide letter No 47/646/2010-CLIII Dt 27/07/2010) from Central Government Under Section 212(8) of Companies Act, 1956, exempting from attaching a copy of Balance Sheet, Profit and Loss Account and schedules thereof, Director's Report and Auditors Report of the subsidiary Companies and other documents required to be attached under section 212(1) of the Act to the Balance Sheet of the Company. Accordingly the said documents are not attached with the Balance Sheet of the Company. The Annual Accounts of the subsidiary Companies are available for inspection by any member / investor and the Company will make available these documents / details upon request by any member of the Company or its subsidiaries interested in obtaining the same. However the data of the subsidiaries has been furnished along with the statement pursuant to Section 212 of the Companies Act, 1956 forming part of the

Annual Report. Further pursuant to Accounting Standard (AS)-21 issued by the Institute of Chartered Accountants of India, your company has presented the Consolidated Financial Statements which include financial information relating to its subsidiaries and forms part of the Annual 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.

### **DEPOSITS**

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

### **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 2009, 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.

### **THE BOARD OF DIRECTORS**

Mr. N. Ramakrishna Rao, retires by rotation at the ensuing Annual General Meeting and is not offering himself for reappointment due to professional obligations.

Mr. Santhana Krishnan, who was appointed as Additional Director of the Company, on 30th January 2010, shall continue to hold the office of Director until the ensuing 13th Annual General Meeting of the Company, in accordance with Section 260 of the Companies Act, 1956 and not received a notice from a Member under Section 257 of the Act proposing his candidature for the office of Director.

Ms.Kavita Prasad has been appointed as an Additional Director by the Board on 1st May, 2010 and has been proposed for regularisation in ensuing Annual General Meeting.

Mr.N.Rangachari & Dr.Santanu Paul tendered resignations as Directors of the Company which was accepted by the Board in its meeting held on 30th January, 2010.

### **AUDITORS**

The Company's auditors M/s. P.Murali&Co., Chartered Accountants retire at the ensuing Annual General Meeting and expressed their willingness to continue as Auditors of the Company.

### **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. Foreign exchange earnings and outgo**

(Rs. in Lacs)

Particulars	Year ended	
	31- Mar-10	31-Mar-09
Earnings	3386.01	3944.62
Expenditure	2746.54	2629.13

The following are missing in the Directors Report:

### **MANAGEMENT DISCUSSION & ANALYSIS**

Pursuant to the provisions of Clause 49 of the Listing Agreement, a report on Management Discussion & Analysis is enclosed as Annexure 2 to this Report.

### **CEO's DECLARATION**

Pursuant to the provisions of Clause 49(I)(D)(ii) of the Listing Agreement, a declaration by the Managing Director and CEO of the Company declaring that all the members of the Board and the Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company, is enclosed as Annexure 4 to this Report.

### **CORPORATE GOVERNANCE**

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate Report on Corporate Governance is enclosed as Annexure 3 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 as Annexure 5.



**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 2010.

Name	Qualifications	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	21 yrs	9.66	50	Rs.36.07 Lakhs
N. Sridhar	M. Sc	21.07.1997 / Contractual	Managing Director & CEO	Sankhya Management Services Ltd	21 yrs	9.65	46	Rs.36.07 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  
Dated: 14<sup>th</sup> August 2010

N R Mohanty  
Chairman

**Annexure - 1**

**Statement pursuant to Section 212 of the Companies Act 1956 related to Subsidiary Companies**  
(Amount in Rs.)

Sl. No	Particulars	1	2	3
1	Name of Subsidiary	Sankhya SARL, France	Sankhya Information Technologies (India) Private Limited (SITPL)	Sankhya US Corporation
2	Financial year end	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2010
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 <sup>th</sup> April 2005	01 <sup>st</sup> May 2006	17 <sup>th</sup> August 2006
5	Net aggregate amount of Subsidiary's profit or loss not dealt with in the Holding Company's accounts.			
	Current year	*	*	-9,41,987
	Previous year	*	*	-34,22,798
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  
Dated: 14<sup>th</sup> August 2010

N R Mohanty  
Chairman

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**Annexure - 2**

**Resolution of the Income Tax case:** The Company has won the appeal against the order of the Income Tax order that claimed approximately Rs.7crores. As reported during the previous two Annual Reports the company was defending an improper interpretation of the provisions of Section 10A before the Hon'ble Appeals Commissioner. Growth of your company for this year was hampered due to the challenges the company faced from the Income Tax Department that we have reported in our Annual Report for the year 2008-2009 on page 14. The Income Tax department has applied several measures that have seriously affected the cash flows of the company and correspondingly the growth of the company.

The company has engaged the services of the best tax consultants and fiercely defended the improper interpretations of the Income Tax provisions before the Hon'ble Income Tax Appeals Commissioner. In the month of December 2009, the company was successful in getting 100% relief on the demand of around Rs.7.09 crores that was raised on the company cumulatively for five assessment years.

**Performance during the year:** Despite the challenges of both the industrial recession and others, your company has achieved nearly around 97% of the previous year turnover. The company has retained all its customers and added new five customers. The first of the three phases of business restructuring plan was partly completed in this year. Your company has strengthened the products and their offering. This has been well received by the customers. Streamlining of solutions to cater to B2B and B2C markets has been successful. Implementation of our products to Kingfisher Airlines SaaS model has been very successful. Full-scale retail launch of our products and services is due, and like to be taken up during coming years.

Your company has conducted an evaluation of the domestic and international potential for its Skill Development courseware and learning management tools. The results show bright potential for the company's products and services in Skill Development for Skill Development.

The second phase of business restructuring would be taken up during the years 2010-2011, while completing the unfinished tasks of the first phase. In the second phase, the company would like to augment the team, reorganize the marketing and sales strategy and pursue long-term strategic customer acquisition. The company intends to foray into Financial Sector in a big way with both its Simulation and Training content.

The company has achieved impressive results in the Advanced Simulation Lab (ASL). The company has completed development and handover of seven

electronic warfare simulators for one of the defense public sector undertaking. This was a significant achievement considering the fact that the ASL was started only one year ago. ASL also achieved two orders directly from Indian Army during this year.

SILICON™ suite of products are now strengthened and are now available in multiple operating system platforms. SILICON™ products are now available for multiple industrial domains. With robust product line that can cater to multiple markets and operating systems, your company has unassailable market leadership in the Training Management, Learning Management and Online Assessment space.

**Business Perspective:** The year has opened several business opportunities that are being vigorously pursued. Efforts of the team has been to stay focused to long term strategic and continuous revenue stream led business. The company has a strong order book and further interest from potential customers is strong. Business perspective of your company is therefore very good.

Foray into SaaS model has been successful; therefore, this business model would be expanded for products. The company is in dialogue with major cloud computing infrastructure providers for a potential direct sale of our Skill Development products and courseware.

The company is confident of concluding an MoU with at least one of the major Indian Defense PSU in the area of Simulation & Training.

**Awards and Recognition :**

The Company is in the process of getting recognition as a Research organization from Government of India.

**Competition:**

The Company has successfully been able to meet the growing demands of the existing and prospective customers in bringing our products and services which take care of the future requirements.

**Risks:**

The uncertainty in Global situations may result in lower margins, and late realizations which can hamper the cash flows.

**Internal Controls:**

There are adequate internal control system at all levels of the company.

**Human Resources:**

The Board conveys its sincere appreciation for the excellent and dedicated efforts put in by the employees inspite of the challenges faced by the Company.



**CORPORATE GOVERNANCE REPORT FOR THE YEAR 2009-10**

(As required under clause 49 of the Listing Agreement entered into with the Stock Exchanges)

Your Company endeavors to maintain the highest levels of transparency, accountability and equity in all operations and interactions with stakeholders.

**REPORT ON CORPORATE GOVERNANCE**

The Company' has complied with the requirements of Corporate Governance in terms of Clause 49 of the Listing agreement.

**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. It is firmly believed that good governance practices would ensure efficient conduct of the affairs of the Company and help the Company, achieve its goal of maximizing value for all its stakeholders. The Company maintains highest business ethics and complies with all the statutory and regulatory requirements.

All the relevant Corporate Governance standards have been fully adhered to.

**2. BOARD OF DIRECTORS**

FIVE (5) Board Meetings were held during the year 2009-10 (i.e., from 1st April, 2009 to 31st March, 2010) on the following dates:-

24th April 2009, 29th June 2009, 29th August 2009, 24th October 2009 & 30th January 2010.

**Composition and category of the Board of Directors is as follows:-**

Name & Designation	Category	No of Meetings held during the Last Financial Year	No of Meetings attended	Attendance at the Last Annual General Meeting held on 30-11-09	No of Directorships in other public companies		No of Committee positions held in other public Companies @	
					Chairman	Member	Chairman	Member
N RAMAKRISHNA RAO CHAIRMAN-EMERITUS	NED	5	1	YES	NIL	1	NIL	NIL
N R MOHANTY CHAIRMAN	NED-I	5	4	NO	NIL	5	NIL	1
N SRINIVAS VICE –CHAIRMAN	WTD	5	4	YES	NIL	1	NIL	NIL
N SRIDHAR MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER	WTD	5	5	YES	NIL	NIL	NIL	NIL
DR. SRIDHAR SESHADRI DIRECTOR	NED-I	5	0	NO	NIL	NIL	NIL	NIL
MR. SANTHANA KRISHNAN DIRECTOR	NED-I	5	1	NO	NIL	NIL	NIL	NIL
MS. KAVITA PRASAD DIRECTOR	NED-I	0	0	NO	NIL	NIL	NIL	NIL

**NED** – Non Executive Director **WTD** – Whole Time Director **NED-I** – Non Executive Director – Independent  
**WTD-I** - Whole Time Director - Independent.

@Chairmanship/ membership in Investor Grievances Committee and Audit Committee are only considered.

**A. Relationship or transactions of the Non Executive Directors, vis-à-vis the Company.**

Independent Non-Executive Directors of the Company do not have any pecuniary relationship with the Company other than the sitting fee payable to them.

**B. Code of Conduct**

The Company has established a Code of Conduct for its Board Members and Senior Management personnel.

The Code of Conduct for the Board Members and Senior Management personnel is posted on the Company's Website [www.sankhya.net](http://www.sankhya.net).

All the Board Members and Senior Management personnel have complied with the Code of Conduct.

### C. Profile of Directors

Mr. N. Ramakrishna Rao is aged about 76 years and is a graduate in Arts. He had 36 yrs of successful career in Indian Railways. During his tenure he won numerous awards including one for excellence in work bestowed by his Excellency Dr. Shankar Dayal Sharma, the then Governor of Andhra Pradesh. He is one of the promoter Director of the Company.

Ms. Kavita Prasad

Ms. Kavita Prasad is a promoter Director of HBL, looking after Finance and Export in HBL

### 3. AUDIT COMMITTEE

The Board of Directors of the Company have re-constituted the Audit Committee on 30th January 2010. The Terms of reference of the Audit Committee covers the matters specified for Audit Committees under clause 49 of the Listing agreement and also as required under Section 292A of the Companies Act, 1956.

The Audit Committee comprises of the following members

1. Mr. Santhana Krishnan - Independent Director & Chairman
2. Dr. Sridhar Seshadri - Independent Director & Member  
(by his authorized Appointee as an alternate Director)
3. Mr. N. Srinivas - Member

Five (5) Meetings were held during the year 2009-10 (i.e., from 1st April, 2009 to 31st March, 2010) on the following dates:-

24th April 2009, 29th June 2009, 29th August 2009, 24th October 2009 & 30th January 2010.

### 4. SUBSIDIARY COMPANIES

The Company has following subsidiaries:

Sankhya SARL, France.

Sankhya US Corporation, USA;

Sankhya Information Technologies (India) Private Limited

The Audit Committee reviews the financial statements of the Subsidiaries M/s Sankhya SARL, France, Sankhya US Corporation and Sankhya Information Technologies (India) Pvt Ltd.

### 5. REMUNERATION

Remuneration Committee

The Company reconstituted the Remuneration Committee on 30th May 2009 consisting of the following Independent Non Executive Directors:

- i. Mr. N.R. Mohanty - Chairman
- ii. Dr. Sridhar Seshadri - Member
- iii. Mr. Santhana Krishnan - Member

#### Details of Remuneration paid to all the Directors during the year 2009-10

Name & Designation	Category	Salary	Allowance / Perquisites	Commission	Total
Mr. N RAMAKRISHNA RAO Chairman Emeritus	NED	—	—	—	—
Mr. N R MOHANTY Chairman	NED-I	—	—	—	—
Mr. N SRINIVAS Vice –Chairman	WTD	36,00,000	7,200	—	36,07,200
Mr. N SRIDHAR Managing Director & C.E.O	WTD	36,00,000	7,200	—	36,07,200
Dr. SRIDHAR SESHADRI Director	NED-I	—	—	—	—
Mr. SANTHANA KRISHNAN Director	NED-I	—	—	—	—
Ms. KAVITA PRASAD Director	NED-I	—	—	—	—