

SUNDARAM INFOTECH SOLUTIONS LIMITED

2nd Annual Report 2006-07



BOARD OF DIRECTORS

T. T. Srinivasaraghavan

Srinivas Acharya

S. Venkatesan

K. Swaminathan

BANKERS

State Bank of Travancore

AUDITORS

M/s. Brahmaya & Co., Chennai
Chartered Accountants

REGISTERED OFFICE

21, Patullos Road

Chennai 600 002

SUNDARAM INFOTECH SOLUTIONS LIMITED

A wholly-owned subsidiary of



SUNDARAM FINANCE LIMITED

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Directors' Report

Your Directors have pleasure in presenting the Second Annual Report and Audited Accounts of the Company for the year ended 31st March, 2007.

The summarised financial results of the Company, are given hereunder:

(Rs. in lakhs)

Particulars	Year ended 31.03.2007	Period ended 31.03.2006
Total Income	682.98	326.91
Total Expenditure	1081.15	396.53
Loss before Tax	(398.17)	(69.62)
Taxation	12.16	1.19
Loss after Tax	(410.33)	(70.81)

REVIEW OF OPERATIONS

Sundaram Infotech Solutions Limited has made strident progress during the financial year 2006-07 building on the early successes in the previous year. The revenues earned during the year at Rs.682.98 lakhs and proposals have been submitted to the extent of Rs. 1200 lakhs.

The ERP Division of the company recorded many successful project completions, winning appreciation from its customers. The company earned the distinction of achieving the full implementation of the latest version of Axapta 4.0, the first for Microsoft India and this feat was accomplished within 4 months of the launch in India. The initiatives taken to achieve geographical expansion have started maturing to produce results. In the Middle East Asia, the first ever order for Microsoft in Oman as well as in Qatar for the ERP solution was won by your company. The branch offices of SISL have been officially registered in Australia and Singapore. Dedicated sales teams have started working in these geographies and the current year revenues are expected to show a healthy increment over the previous year. The Axapta Center of Excellence has started offering training programmes outside India and training sessions for Microsoft partners in Jordan and Saudi Arabia have been successfully completed. Quality initiatives have been launched with vigour and concerted efforts are being taken to secure Software Engineering Institute - capability maturity model (SEI-CMMI) certification by the end of this financial year.

SHARE CAPITAL

During the year, the Paid-up Capital was increased from Rs.1.00 cr. to Rs.1.90 cr.

DIRECTORS

Sri Srinivas Acharya and Sri K. Swaminathan retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) that they have taken proper and sufficient care 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; and
- (iv) that they have prepared the annual accounts on a going-concern basis.

SECRETARIAL COMPLIANCE CERTIFICATE

In accordance with Section 383A of the Companies Act, 1956, the Secretarial Compliance Certificate is attached with this report.

INFORMATION AS PER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956

Your Company has no activity relating to conservation of energy or technology absorption. During 2006-07, expenditure in foreign currencies amounted to Rs.214.83 lakhs and foreign currency earnings amounted to Rs.284.69 lakhs.

PERSONNEL

None of the employees of the Company is in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956.

DEPOSITS

Your Company has not accepted any public deposit during the period under review.

AUDITORS

M/s Brahmaya & Co, Chartered Accountants, Chennai, Statutory Auditors of your Company, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from them to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1)(b) of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Directors thank the holding company, Sundaram Finance Ltd. for its support. They also wish to place on record their appreciation of all the employees of the Company for their sincere and dedicated service.

Chennai 600 002
Date: 24th May 2007

T. T. Srinivasaraghavan
Srinivas Acharya
S. Venkatesan
K. Swaminathan
Directors

Secretarial Compliance Certificate

Name of the Company : SUNDARAM INFOTECH SOLUTIONS LIMITED
Registration No. : U72200TN2005PLC056969
Authorized Capital : Rs.4,00,00,000/-
Paid-up Capital : Rs.1,90,00,000/-

To,
The Members
Sundaram Infotech Solutions Limited
21, Patullos Road,
Chennai – 600 002.

I have examined the registers, records, books and papers of **SUNDARAM INFOTECH SOLUTIONS LIMITED** (the Company), as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the year ended **31st March 2007**. In my opinion and to the best of information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company is a Public limited Company and has the minimum prescribed paid-up capital.
4. The Board of Directors duly met Eight (8) times on 19th May 2006, 28th September 2006 (2 meetings), 29th December 2006, 31st January 2007, 22nd March 2007 and 30th March 2007 (2 meetings) in respect of which meetings proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its Register of Members during the year ended 31st March 2007.
6. The First Annual General Meeting for the period commencing from 19th July 2005 to 31st March 2006 was held on 30th June 2006 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. Two Extra-Ordinary General Meetings were held on 28th September 2006 and 22nd March 2007 during the year ended 31st March 2007 and the resolution passed thereat was duly recorded in the Minutes Book maintained for the purpose.
8. The Company has not advanced any loans or given any guarantees or provided any securities to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contract falling within the purview of Section 297 of the Act.
10. The Company has made necessary entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of directors, members or Central Government.
12. The Company has not issued any duplicate share certificates during the year ended 31st March 2007.
13. The Company:
 - (i) has delivered all the certificates on allotment of securities and on lodgement thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act.
 - (ii) has not deposited any amount in a separate bank account as no dividend was declared during the year ended 31st March 2007.
 - (iii) was not required to post warrants to any member of the Company as no dividend was declared during the year ended 31st March 2007.
 - (iv) has issued shares during the year ended 31st March 2007 and has not declared any dividend, issued any debentures and has not accepted any deposits hence, the question of transfer of dividend to unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund does not arise.
 - (v) has duly complied with the requirements of Section 217 of the Act.

14. The Board of Directors of the Company is duly constituted and the appointment to the Board has been duly made and registered.
15. The Company has not appointed any Managing Director / Whole-time Director / Manager during the year under review.
16. The Company has not appointed any sole selling agent during the financial year ended 31st March 2007.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director and / or such authorities prescribed under the various provisions of the Act during the financial year ended 31st March 2007.
18. The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has issued 30,00,000 equity shares during the financial year ended 31st March 2007.
20. The Company has not bought back any shares during the year under review and hence the question of complying with the buy back provisions does not arise.
21. The Company has no preference share capital and has not issued debentures and hence the question of redemption of preference shares/ debentures during the year under review does not arise.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the year ended 31st March 2007.
24. The amount borrowed by the company from directors, members, public, financial institutions, banks and others during the financial year ended 31st March 2007 is/are within the borrowing limits of the company and that necessary resolutions as per Section 293(1)(d) of the Act have been passed in duly convened extra-ordinary general meeting.
25. The Company has not made loans and investments or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the Register kept for the purpose.
26. During the year under review, the Company has altered the provisions of its Memorandum of Association with respect to share capital of the Company during the year under scrutiny and complied with the provisions of the Act.
27. During the year under review, the Company has altered the provisions of its Articles of Association with respect to share capital of the Company after obtaining approval of members in the general meeting held on 22nd March 2007 and the amendments to the articles of association have been duly registered with the Registrar of Companies.
28. There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the year ended 31st March 2007, for offences under the Act.
29. The Company has not received any money as security from its employees during the year ended 31st March 2007.
27. The Company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

CHENNAI
DATE: 19th April 2007

MALINI SESHADRI, A.C.S.
No. 5493 CP1323

Annexure A to Secretarial Compliance Certificate

Registers as maintained by the Company during the year ended 31st March, 2007

Sl. No.	Section Number	Name of the Register
1.	–	Share Transfer Register
2.	150	Register of Members
3.	193	Minutes of the meetings of Board of directors
4.	193	Minutes of the meetings of the Members
5.	303	Register of Directors
6.	307	Register of Directors' Shareholding
7.	372A	Register of Investments / Loans / Guarantees and Securities
8.	–	Board Meeting Attendance Register
9.	–	General Meeting Attendance Register
10.	–	Common Seal Register

Chennai

Date: 19th April 2007

MALINI SESHADRI, A.C.S.

No. 5493 CP1323

Annexure B to Secretarial Compliance Certificate

Returns/Documents/forms filed with the Registrar of Companies, Regional Director,
Central Government or other authorities during the year ended 31st March 2007

REGISTRAR OF COMPANIES

Sl. No	Form No.	Relevant Section	Description
1.	23AC	220	Balance Sheet for the financial year ended 31st March 2006.
2.	62	383A	Compliance Certificate issued by Ms Malini Seshadri, Practising Company Secretary, for the period ended 31st March 2006.
3.	32	303	Appointment of Shri S Venkatesan.
4.	20B	159	Annual Return made upto 30th June 2006 (Date of AGM).
5.	23	192	Ordinary Resolution under Section 293 (1) (d) of the Companies Act, 1956 authorising the Board of Directors to borrow money upto Rs.10.00 cr.
6.	DIN 3	266D	Intimating Director Identification Number

REGIONAL DIRECTOR

NIL

CENTRAL GOVERNMENT & OTHER AUTHORITIES

NIL

Chennai
Date: 19th April 2007

MALINI SESHADRI, A.C.S.
No. 5493 CP1323

Auditors' Report

To the Members of M/s.Sundaram Infotech Solutions Limited

1. We have audited the attached Balance Sheet of Sundaram Infotech Solutions Limited, (the Company) as at 31st March 2007, the Profit and Loss Account and the Cash Flow Statement of the company for the year on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'order') issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, (the Act) we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 4. Further to our comments in the Annexure referred to above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
 - (v) on the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956, and
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2007;
 - (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Chennai
24th May 2007

For **BRAHMAYYA & CO.**,
Chartered Accountants

L. RAVI SANKAR

Partner
Membership No.25929

Annexure to the Auditors' Report referred to in Paragraph 3 of our Report of even date

1. The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of fixed assets. No discrepancies noticed on such verification. There was no disposal of fixed assets during the year.
2. a) (i) The Company has taken a unsecured loan from a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year was Rs.6,00,00,000/-. The balance outstanding at the end of the year was Rs.5,93,75,000/-.
 - (ii) Based on the information and explanations given to us, the rate of interest and other terms and conditions of the loan are prima-facie not prejudicial to the interest of the company.
 - (iii) Apart from the above, the company has not taken any loans, secured or unsecured from companies or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b) In our opinion and according to the information and explanations given to us, the company has not granted any loan secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clauses (iii) (b) and (iii) (d) of paragraph 4 of the order are not applicable.
3. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of fixed assets and sale of services. During the course of our audit, no major weaknesses have been noticed in the internal controls and therefore the reporting of the same does not arise.
4. In our opinion, and according to the information and explanations given to us, the transactions that need to be entered into a register in pursuance of Section 301 of the Act have been so entered.
5. The company has not accepted deposits from public.
6. The company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
7. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
8. a) According to the records of the company, income tax, sales tax and service tax was regularly deposited during the period with the appropriate authorities.
- b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, sales tax and service tax which are outstanding as at 31st March, 2007 for a period of more than six months from the date they become payable.
9. According to the records of the company and the information and explanations given to us, there are no dues of income tax, sales tax and service tax which have not been deposited on account of any dispute. The Central Government has not notified the rules pertaining to the quantum and means of payment of cess payable under Section 441A of the Act and therefore, no remittance has been made.
10. The company has accumulated losses at the end of the financial year and has incurred cash loss during the current year.
11. The company does not have any borrowing from financial institutions, banks or by issue of debentures.
12. According to the information and explanations given to us, the company has not:
 - a) granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
 - b) given any guarantees for loan taken by others from banks or financial institutions.
 - c) availed any term loan during the year.
 - d) raised funds during the year.
 - e) issued any debentures.
 - f) raised monies by public issue during the year.
13. The company is not a chit fund / nidhi / mutual benefit fund or society.
14. The company has issued equity shares to the existing equity shareholders on a "Rights Basis" during the year. Based on the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
15. Based on our examination of records and information and explanations given to us, proper records have been maintained of the transactions and contracts relating to dealing in securities and timely entries have been made therein. The securities have been held by the company in its own name.
16. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.
17. In our opinion and according to the information and explanations given to us, the nature of the company's business / activities during the year have been such that clauses ii and xiii of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the company.

For **BRAHMAYYA & CO.,**
Chartered Accountants

L. RAVI SANKAR

Partner

Membership No.25929

Chennai
24th May 2007

Balance Sheet

as at 31st March, 2007

	Schedule	31.03.2007 Rs.		31.03.2006 Rs.
I SOURCES OF FUNDS				
1 Shareholders' Funds				
a) Share Capital	1	1,90,00,000		1,00,00,000
b) Reserves and Surplus		–		–
2 Loan Funds				
a) Secured Loans		–		–
b) Unsecured Loans	2	5,93,75,000		1,50,00,000
3 Deferred Tax Liability (Net) :				
Deferred Tax Liability		7,43,725		10,825
Less: Deferred Tax Asset		55,615		–
		<u>6,88,110</u>		<u>10,825</u>
Total		<u>7,90,63,110</u>		<u>2,50,10,825</u>
II APPLICATIONS OF FUNDS				
1 Fixed Assets				
a) Gross Block	3	92,95,323		1,20,600
b) Less: Depreciation		20,38,451		4,020
c) Net Book Value		<u>–</u>	72,56,872	<u>–</u>
				1,16,580
2 Investments				
		–		–
3 Current Assets, Loans and Advances				
a) Current Assets	4	59,45,956		8,99,588
b) Loans and Advances	5	2,87,55,728		2,49,29,299
	(A)	<u>3,47,01,684</u>		<u>2,58,28,887</u>
Less: Current Liabilities and Provisions				
a) Current Liabilities	6	1,14,11,635		81,36,369
b) Provisions	7	–		10,000
	(B)	<u>1,14,11,635</u>		<u>81,46,369</u>
Net Current Assets	(A-B)	2,32,90,049		1,76,82,518
4 Miscellaneous Expenditure				
a) Preliminary expenses (to the extent not written off or adjusted)	8	97,936		1,30,581
b) Debit balance in Profit and Loss Account		<u>4,84,18,253</u>	4,85,16,189	<u>70,81,146</u>
		<u>4,85,16,189</u>		<u>72,11,727</u>
Total		<u>7,90,63,110</u>		<u>2,50,10,825</u>

As per our report of even date Attached
For **Brahmayya & Co.**,
Chartered Accountants
L. Ravi Sankar
Partner

Chennai,
24th May 2007

T.T. Srinivasaraghavan

Srinivas Acharya

K. Swaminathan

S. Venkatesan
Directors

Profit and Loss Account

for the year ended 31st March 2007

	Schedule	2006-07 Rs.	2005-06 Rs.
<u>INCOME</u>			
Income from Operations	9	6,81,51,198	3,25,44,686
Other Income	10	1,46,428	1,45,828
Total	(A)	<u>6,82,97,626</u>	<u>3,26,90,514</u>
<u>EXPENDITURE</u>			
Software license	11	1,16,45,557	80,45,292
Marketing and Selling Expenses		9,65,610	78,38,424
Financial Expenses	12	29,00,353	89,585
Establishment Expenses	13	6,05,78,146	1,46,06,758
Administrative and Other Expenses	14	2,99,58,463	90,36,111
Preliminary expenses written off		32,645	32,645
Depreciation		20,34,431	4,020
Total	(B)	<u>10,81,15,205</u>	<u>3,96,52,835</u>
Loss before Tax	(A-B)	<u>(3,98,17,579)</u>	<u>(69,62,321)</u>
Taxation			
Current tax		-	-
Deferred tax		8,31,504	10,825
Fringe Benefit Tax		3,84,075	1,08,000
Loss after Tax		<u>(4,10,33,158)</u>	<u>(70,81,146)</u>
Balance Loss brought forward from previous year		70,81,146	-
Add: Transitional adjustment in respect of AS-15 (revised) Employee Benefits		3,03,949	-
Loss for the year carried to Balance Sheet		<u>(4,84,18,253)</u>	<u>(70,81,146)</u>
Notes to the Accounts	15		
Earnings per Equity Share (Refer Note 4.3 Schedule 15)			
Face Value per Equity Share (in Rupees)		10	10
Number of Equity Shares		40,00,000	10,00,000
Weighted Average Number of Equity Shares		10,04,932	9,14,063
Basic and Diluted earnings per share (in Rupees)		(40.83)	(7.75)

As per our report of even date Attached
For **Brahmayya & Co.**,
Chartered Accountants
L. Ravi Sankar
Partner

Chennai,
24th May 2007

T.T. Srinivasaraghavan

Srinivas Acharya

K. Swaminathan

S. Venkatesan
Directors

SCHEDULES

(In Rupees)

	31.03.2007	31.03.2006
1 Share Capital		
Authorised		
40,00,000 Equity Shares of Rs. 10/- each	4,00,00,000	1,00,00,000
Issued and Subscribed		
40,00,000 Equity Shares of Rs. 10/- each	4,00,00,000	1,00,00,000
Paid-up Capital		
10,00,000 Equity Shares of Rs. 10/- each fully paid-up	1,00,00,000	1,00,00,000
30,00,000 Equity Shares of Rs. 10/- each (Rs. 3/- Per Share paid) (The entire shares are held by the holding company - Sundaram Finance Limited and its nominees)	90,00,000	-
	1,90,00,000	1,00,00,000
2 Unsecured Loan		
From the holding company - Sundaram Finance Ltd.	5,93,75,000	1,50,00,000
	5,93,75,000	1,50,00,000

3. Fixed Assets

(in Rs.)

DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION			NET BLOCK	
	Cost as at 31.03.2006	Addition during the year	Deduction during the year	Cost as at 31.03.2007	Upto 31.03.2006	During the year	Upto 31.03.07	At at 31.03.2007	As at 31.03.06
Computer System	1,20,600 (-)	84,72,097 (1,20,600)	-	85,92,697 (1,20,600)	4,020 (-)	18,46,736 (4,020)	18,50,756 (4,020)	67,41,941 (1,16,580)	1,16,580 (-)
Office Equipment	-	31,087	-	31,087	-	31,079	31,079	8	-
Furniture & Fixture	-	55,037	-	55,037	-	40,145	40,145	14,892	-
Plant & Machinery	-	1,25,150	-	1,25,150	-	1,451	1,451	1,23,699	-
Intangible Assets									
Computer Software	-	4,91,352	-	4,91,352	-	1,15,020	1,15,020	3,76,332	-
Total	1,20,600	91,74,723	-	92,95,323	4,020	20,34,431	20,38,451	72,56,872	1,16,580
Previous year		(1,20,600)		(1,20,600)		(4,020)	(4,020)	(1,16,580)	

SCHEDULES

	31.03.2007		31.03.2006	
	Rs.		Rs.	
4 Current Assets				
Cash and bank balances				
With Scheduled banks in				
Current Account	59,41,956		8,95,588	
Cash on hand	4,000	59,45,956	4,000	8,99,588
		59,45,956		8,99,588
5 Loans and Advances				
Advances and deposits recoverable in cash				
or in kind or for value to be received		54,82,854		2,18,886
Income Receivable		2,14,35,338		2,44,25,319
Tax Deducted At Source		18,29,129		2,85,094
Advance Fringe Benefit Tax (Net of provision)		8,407		–
		2,87,55,728		2,49,29,299
6 Current Liabilities				
Sundry Creditors				
- For expenses		20,48,295		78,959
- For other finance		93,63,340		80,57,410
		1,14,11,635		81,36,369
7 Provisions				
Provision for Fringe Benefit Tax (Net of advance tax)		–		10,000
		–		10,000
8 Miscellaneous Expenditure				
Preliminary expenses incurred		1,30,581		1,63,226
Less: Written off during the year / period		32,645		32,645
		97,936		1,30,581

SCHEDULES

	31.03.2007	31.03.2006
		(In Rupees)
9 Income from Operations		
Services	4,84,49,648	1,88,82,436
Sale of software license	1,97,01,550	1,36,62,250
	<u>6,81,51,198</u>	<u>3,25,44,686</u>
10 Other Income		
Interest receipts (Tax Deducted at Source - Nil)	822	1,35,434
Dividend Income	1,45,108	10,394
Miscellaneous Income	498	-
	<u>1,46,428</u>	<u>1,45,828</u>
11 Software License		
Purchase of Software License	1,16,45,557	80,45,292
	<u>1,16,45,557</u>	<u>80,45,292</u>
12 Financial Expenses		
Interest on Fixed Loans	27,39,645	63,699
Other Financial Expenses	1,60,708	25,886
	<u>29,00,353</u>	<u>89,585</u>
13 Establishment Expenses		
Salaries and other allowances	5,72,86,398	1,36,97,025
Company's contribution to Provident Fund and Superannuation	19,56,855	5,01,181
Staff welfare expenses	12,16,161	1,99,617
Gratuity	1,18,732	2,08,935
	<u>6,05,78,146</u>	<u>1,46,06,758</u>
14 Administrative and other expenses		
Rent	81,70,725	37,09,200
Communication expenses	2,05,845	2,31,562
Electricity expenses	21,80,255	8,82,131
Travelling and conveyance	1,34,33,649	30,46,265
Insurance	3,81,851	42,839
Repairs	27,52,650	17,269
Professional fees	5,40,960	4,00,851
Miscellaneous expenses	22,92,528	7,05,994
	<u>2,99,58,463</u>	<u>90,36,111</u>

SCHEDULES

15. NOTES TO THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 The financial statements are prepared and presented under the historical cost convention and on the accrual basis of accounting and they comply with the relevant provisions of the Companies Act, 1956 and the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), as applicable.

1.2 Income Recognition:

Income from sales and services are accounted on accrual basis.

1.3 Fixed Assets and Depreciation:

Fixed assets are stated at historical cost less accumulated depreciation.

Depreciation on assets is provided on the Written Down Value Method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets acquired costing Rs.5000 or less are written down in the period of acquisition to Re.1.

1.4 Valuation of Investments:

Long-term investments are stated at cost and provision for diminution in value, other than temporary, is considered wherever necessary.

Current investments are valued at lower of cost and market value/net asset value.

1.5 Retirement Benefits:

a) The Company's liability towards gratuity to the employees is covered by a Group Policy with Life Insurance Corporation of India.

b) The Company contributes to a group policy with Life Insurance Corporation of India towards a Superannuation Scheme for its employees.

c) Liability on account of encashment of leave to employees is provided on the basis of an actuarial valuation as on 31st March 2007.

1.6 Taxation:

Current Tax is provided on the taxable income for the year.

Deferred Tax Liabilities on the timing difference are fully provided for. Deferred Tax Assets are recognised on the consideration of prudence.

1.7 Intangible Assets:

Items of Computer software acquired are recorded as intangible assets and their cost is amortised over their expected useful life.

1.8 Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of the net selling price of the assets and their value in use.

1.9 Provisions:

Provisions are recognised when the company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

1.10 Preliminary Expenses incurred for the incorporation of the company are written off in five equal installments.

2. BALANCE SHEET

2.1 The authorised Share Capital was increased to Rs.4,00,00,000 during the year.

2.2 Advance Fringe Benefit tax is net of provision of Rs.4,92,075.

SCHEDULES

15. NOTES TO THE ACCOUNTS (Contd.)

2.3 In accordance with the Accounting Standard (AS-22) "Accounting for taxes on Income" - issued by ICAI, the details of Deferred Tax liabilities/Assets arising on account of timing difference is as follows:

	Balance as on	
	31.03.2007	31.03.2006
Deferred Tax Liability – Depreciation	Rs. 7,43,725	Rs. 10,825
Deferred Tax Asset (Employee Benefits)	Rs. 55,615	–

3. PROFIT AND LOSS ACCOUNT

3.1 Income from Trading:

The details relating to trading items are as under:

	2006-07		2005-06	
	Qty	Rs.	Qty	Rs.
Purchases	408	1,16,45,557	185	80,45,292
Sales	408	1,97,01,550	185	1,36,62,250

3.2 Miscellaneous expenses under "Administrative and other expenses" include:

	2006-07 (Rs.)	2005-06 (Rs.)
Remuneration to Auditors towards:		
Statutory Audit	15,000	5,000
Tax Audit	5,000	3,000
Certification	15,000	–
Service Tax	4,326	979

4. GENERAL

4.1 Related Party disclosures: In accordance with the Accounting Standard 18 - 'Related Party Disclosures', issued by ICAI, the details of related parties and the transactions with related parties are given below.

Holding Company:

Sundaram Finance Ltd.

Fellow Subsidiaries:

Sundaram Home Finance Ltd.

Sundaram BNP Paribas Asset Management Company Ltd.

Sundaram BNP Paribas Trustee Company Ltd.

Royal Sundaram Alliance Insurance Company Ltd. (till 23/11/06).

Sundaram Finance Distribution Ltd.

IGF Services Ltd.

Sundaram Business Services Ltd.

Infreight Logistics Solutions Ltd. (from 24/11/06).

Associate:

Sundaram BNP Paribas Mutual Fund.

SCHEDULES
15. NOTES TO THE ACCOUNTS (Contd.)

The nature and volume of transactions of the company during the year, with the related parties are as follows.

(In Rupees)

Nature of Transactions	Holding Company	Fellow Subsidiaries	Associate	Total 2006-07
INCOME				
Income from Operations		8,09,933 (4,30,000)		8,09,933 (4,30,000)
EXPENSES				
Insurance		2,33,443 (22,727)		2,33,443 (22,727)
Rent	81,70,725 (37,09,200)			81,70,725 (37,09,200)
Payroll Processing	1,28,065 (27,054)			1,28,065 (27,054)
Interest	27,39,572 (63,699)			27,39,572 (63,699)

(In Rupees)

Nature of Transactions	Holding Company	Fellow Subsidiaries	Associate	Total 2006-07
ASSETS				
Investment in Trust Securities			4,70,00,000 (40,00,000)	4,70,00,000 (40,00,000)
Disinvestments in Trust Securities			4,71,45,108 (40,10,394)	4,71,45,108 (40,10,394)
Income Receivables		1,39,864 (2,80,000)		1,39,864 (2,80,000)
LIABILITIES				
Equity contribution	1,90,00,000 (1,00,00,000)			1,90,00,000 (1,00,00,000)
Loan	5,93,75,000 (1,50,00,000)			5,93,75,000 (1,50,00,000)

No amount has been written off/written back during the year.

- 4.2 a) The company does not owe any amount to a Small Scale Industrial Undertaking.
- b) There is no amount due to Small Scale Industries in terms of "The Micro, Small and Medium Enterprises Development Act, 2006".

SCHEDULES
15. NOTES TO THE ACCOUNTS (Contd.)
4.3 Earnings per share (Basic and Diluted):

	2006-07	2005-06
A. Loss for the year after taxation (Rs.)	(4,10,33,158)	(70,81,146)
B. Total number of equity shares of Rs. 10/- each outstanding at the end of the year (in numbers)	40,00,000	10,00,000
C. Weighted average number of equity shares (10,00,000 equity shares of Rs. 10/- per share for full year and 30,00,000 equity shares of Rs. 3/- per share for 2 days)	10,04,932	-
D. Weighted average number of equity shares (10,00,000 equity shares at Rs. 10/- per share for 234 days)	-	9,14,063
E. Basic and diluted earnings per share (Rs.) (A/C) (40.83) (A/D) (7.75)		

4.4 Expenditure in foreign currency (on accrual basis):

	2006-07	2005-06
Professional and consultancy fee (Rs.)	22,37,815	3,73,797
Other matters – Marketing, traveling etc. (Rs.)	1,92,45,508	1,68,10,611

4.5 Earnings in Foreign Currency (on accrual basis):

Sale of Software License and Services (Rs.)	2,84,68,928	1,25,58,833
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4.6 Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

4.7 The figures of the previous accounting period pertain to the period from 19th July 2005 (date of incorporation) to 31st March 2006. Therefore, the figures are not comparable to those of the current accounting year.

4.8 Figures have been rounded off to the nearest rupee.

Signatures to Schedules 1 to 15

As per our report of even date Attached
For **Brahmayya & Co.**,
Chartered Accountants
L. Ravi Sankar
Partner

Chennai,
24th May 2007

T.T. Srinivasaraghavan

Srinivas Acharya

K. Swaminathan

S. Venkatesan
Directors

Balance Sheet Abstract and Company's General Business Profile

Information as required under part IV of the Schedule VI of the Companies Act, 1956

I Registration Details

Registration No. State Code

Balance Sheet Date

Date Month Year

II Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	Rights Issue
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>
Bonus Issue	Private Placement
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Pursuant To Scheme of Amalgamation	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	

III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="3"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="3"/>
Sources of Funds	Reserves & Surplus
Paid up Capital	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>	
Defereed Tax Liabilities	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="8"/>	
Applications of Funds	Unsecured Loans
Secured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="5"/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	Investments
Net Fixed Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="7"/>	Misc. Expenditure
Net Current Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="8"/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="0"/>	
Accumulated Loss	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="8"/>	

IV Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="8"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="5"/>
+ - Profit / (Loss) Before Tax	+ - Profit / (Loss) After Tax
<input type="text" value=""/> <input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="7"/>	<input type="text" value=""/> <input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="3"/>
(Please tick appropriate box + for profit, - loss)	
Earnings Per Share Rs. Ps.	Dividend Rate %
<input type="text" value=""/> - <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="8"/> <input type="text" value="3"/>	<input type="text" value=""/> - <input type="text" value=""/> <input type="text" value=""/>

V Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code)

CASH FLOW STATEMENT

For Year Ended 31/03/2007

	2006-07 Rs.		2005-06 Rs.
A) CASH FLOW FROM OPERATING ACTIVITIES:			
Net Loss	(4,10,33,158)		(70,81,146)
Add: Preliminary expenses written off	32,645		32,645
Provision for Taxation	12,15,579		1,18,825
	(3,97,84,934)		(69,29,676)
Add: Financial Expenses	29,00,353	(3,68,84,581)	89,585
Depreciation		20,34,431	4,020
Interest / Dividend Received		(1,45,930)	(1,45,828)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		(3,49,96,080)	(69,81,899)
(Increase) Decrease in Loans and Advances	(38,18,022)		(2,49,29,299)
Increase (Decrease) in Current Liabilities	28,17,098	(10,00,924)	(1,67,92,930)
Cash generated from Operations		(3,59,97,004)	(2,37,74,829)
Financial Expenses		(29,00,353)	(89,585)
Direct Taxes Paid		(4,02,482)	(98,000)
Preliminary expenses paid		-	(1,63,226)
NET CASH FROM OPERATING ACTIVITIES (A)		(3,92,99,839)	(2,41,25,640)
B) CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(91,74,723)	(1,20,600)
Purchase of Investments		(4,70,00,000)	(1,40,01,000)
Sale of Investments		4,70,00,000	1,40,01,000
Interest / Dividend Received		1,45,930	1,45,828
NET CASH FROM INVESTING ACTIVITIES (B)		(90,28,793)	25,228
C) CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of Equity Shares		90,00,000	1,00,00,000
Increase (Decrease) in long term borrowings		4,43,75,000	1,50,00,000
NET CASH FROM FINANCING ACTIVITIES (C)		5,33,75,000	2,50,00,000
NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)		50,46,368	8,99,588
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		8,99,588	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		59,45,956	8,99,588
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Current Account with Banks		59,41,956	8,95,588
Cash, Stamps and Stamp Papers on Hand		4,000	4,000
		59,45,956	8,99,588

As per our report of even date Attached
For **Brahmayya & Co.**,
Chartered Accountants
L. Ravi Sankar
Partner

Chennai,
24th May 2007

T.T. Srinivasaraghavan

Srinivas Acharya

K. Swaminathan

S. Venkatesan
Directors