

**SUNDARAM INFOTECH SOLUTIONS LIMITED**

*6th Annual Report 2010-11*



## **Board of Directors**

T. T. Srinivasaraghavan

Srinivas Acharya

S. Venkatesan

K. Swaminathan

## **Chief Executive Officer**

Malli J. Sivakumar

## **Secretary**

K. Rajagopal

## **Bankers**

State Bank of Travancore

Tamilnad Mercantile Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

## **Auditors**

M/s. Brahmayya & Co., Chennai

Chartered Accountants

## **Registered Office**

21, Patullos Road, Chennai 600 002

## **Corporate Office**

Desabandhu Plaza, 2nd Floor

47, Whites Road, Chennai 600 014

Tel : 044 28514066

Fax : 044 28412171

Email : [info@sundaraminfotech.in](mailto:info@sundaraminfotech.in)

**Website: [www.sundaraminfotech.in](http://www.sundaraminfotech.in)**

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**SUNDARAM INFOTECH SOLUTIONS LIMITED**

A wholly-owned subsidiary of



**SUNDARAM FINANCE LIMITED**

**Contents**

Director's Report	3
Auditor's Report	4
Balance Sheet	6
Profit and Loss Account	7
Schedules	8
Balance Sheet Abstract and Company's General Business Profile	21
Cash Flow Statement	22

## Directors' Report

Your Directors have pleasure in presenting the Sixth Annual Report and Audited Accounts of the Company for the year ended 31st March, 2011.

The summarised financial results of the Company are given hereunder:

(₹ in lakh)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Total Income	21,21.94	18,82.40
Total Expenditure	20,40.82	17,46.37
Profit before Tax	81.12	1,36.03
Less: Taxation	8.96	11.37
Add: MAT Credit Entitlement	10.49	6.13
Profit after Tax	82.65	1,30.79

### REVIEW OF OPERATIONS

During the year under review, your Company achieved 12.73% increase in its revenue compared to the previous year. The Company added 14 new clients during the year and made deeper inroads into the Australian market. To focus on specific markets, Strategic Business Units with P&L responsibilities were created.

During the year, your Company made significant progress to develop the next generation software solution for Lending Companies. The plan is to launch it during the second quarter of next year and we have started getting enquiries from India and abroad.

### DIRECTOR

Sri Srinivas Acharya, retires by rotation and, being eligible, offers himself for re-election. Necessary resolution is submitted for your approval.

### DIRECTORS' RESPONSIBILITY STATEMENT

Your directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- 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 of the Company for that period;

- 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
- they have prepared the annual accounts on a going-concern basis.

### 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 2010-11, expenditure in foreign currencies amounted to ₹ 384.43 lakhs and foreign currency earnings amounted to ₹ 919.51 lakhs.

### PERSONNEL

None of the employees of the Company is in receipt of remuneration in excess of the revised 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 Brahmayya & Co, Chartered Accountants, Chennai, retire and are eligible for reappointment. A certificate under Section 224(1B) of the Companies Act, 1956 has been received from them.

### 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.

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

Chennai 600 002  
 Date: 12th May 2011

Directors

# 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 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year on that date, annexed thereto which we have signed under reference to this report. 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. We draw attention to note 4.1 of Schedule 16 to the financial statements regarding the financial statements being prepared on a "going concern" basis despite accumulated losses exceeding the share capital in view of the measures contemplated by the Company.
5. 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 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 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 2011;
    - b) in the case of the Profit and Loss Account, of the profit 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.

For **BRAHMAYYA & CO.**,  
Chartered Accountants  
Firm Regn. No.000511S  
**L. RAVI SANKAR**  
Partner  
Membership No.25929

Place : Chennai  
Date : 12th May 2011

## 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) The Inventory has been physically verified during the year by the management. In our opinion, the frequency of physical verification is reasonable compared to inventory level.
  - b) The procedures of physical verification of inventories for the year under review followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) The Company is maintaining records of inventory. No material discrepancies have been noticed on physical verification of stock as compared to the book records.
3.
  - a)
    - i) The Company has taken unsecured loan from one Company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year was ₹ 12,50,00,000/-. The balance outstanding at the end of the year was ₹ 12,40,00,000/-.
    - 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) (a) to (d) of paragraph 4 of the order are not applicable.
4. 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.
5. 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.
6. The Company has not accepted deposits from public.
7. The Company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
8. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
9.
  - 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, 2011 for a period of more than six months from the date they become payable.
10. 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.
11. The Company has accumulated losses at the end of the financial year and has not incurred cash loss during the current year.
12. The Company has an overdraft facility from a banker, apart from the above, the Company does not have any borrowing from financial institutions or by issue of debentures.
13. 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 during the year.
  - f) raised monies by public issue during the year.
14. The Company is not a chit fund / nidhi / mutual benefit fund or society.
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 xiii and xviii of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

For **BRAHMAYYA & CO.**,  
Chartered Accountants  
Firm Regn. No.000511S

**L. RAVI SANKAR**

Partner

Membership No.25929

Place : Chennai  
Date : 12th May 2011

## Balance Sheet

as at 31st March, 2011

	Schedule	31.03.2011	31.03.2010
		₹	₹
<b>I SOURCES OF FUNDS</b>			
<b>1 Shareholders' Funds</b>			
a) Share Capital	1	4,00,00,000	4,00,00,000
b) Reserves and Surplus		—	—
<b>2 Loan Funds</b>			
a) Secured Loans	2	1,06,63,484	—
b) Unsecured Loans	3	12,40,00,000	12,50,00,000
<b>3 Deferred Tax Liability (net)</b>	4	2,52,126	4,05,283
<b>Total</b>		<u>17,49,15,610</u>	<u>16,54,05,283</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1 Fixed Assets</b>	5		
a) Gross Block		2,94,25,382	1,46,42,495
b) Less: Depreciation		1,32,25,282	1,10,64,716
c) Net Book Value		1,62,00,100	35,77,779
<b>2 Investments</b>		—	—
<b>3 Current Assets, Loans and Advances</b>			
a) Current Assets	6	2,37,97,417	2,56,70,079
b) Loans and Advances	7	3,14,51,355	2,10,08,117
	(A)	<u>5,52,48,772</u>	<u>4,66,78,196</u>
Less: Current Liabilities and Provisions			
a) Current Liabilities	8	2,62,58,318	2,28,41,062
b) Provisions		—	—
	(B)	<u>2,62,58,318</u>	<u>2,28,41,062</u>
Net Current Assets	(A-B)	2,89,90,454	2,38,37,134
<b>4 Miscellaneous Expenditure</b>			
a) Preliminary expenses (to the extent not written off or adjusted)	9	—	—
b) Debit balance in Profit and Loss Account		12,97,25,056	13,79,90,370
<b>Total</b>		<u>17,49,15,610</u>	<u>16,54,05,283</u>

As per our report of even date Attached  
For **Brahmayya & Co.**,  
Chartered Accountants  
Registration Number: 000511S  
**L. Ravi Sankar**  
Partner  
Membership No. 25929  
Chennai  
12th May 2011

**Malli J Sivakumar**  
Chief Executive Officer  
  
**K. Rajagopal**  
Secretary

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

SUNDARAM INFOTECH SOLUTIONS LIMITED

## Profit and Loss Account for the year ended 31st March 2011

	Schedule	2010-11 ₹	2009-10 ₹
<b><u>INCOME</u></b>			
Income from Operations	10	21,02,09,416	1861,83,694
Other Income	11	19,85,153	20,56,137
<b>Total</b>	<b>(A)</b>	<b><u>21,21,94,569</u></b>	<b><u>1882,39,831</u></b>
<b><u>EXPENDITURE</u></b>			
Cost of Purchases	12	3,31,01,629	182,29,737
Financial Expenses	13	1,10,24,605	134,44,576
Establishment Expenses	14	11,88,72,409	1100,08,518
Administrative and Other Expenses	15	3,84,68,652	253,06,678
Bad Debts		6,46,991	51,63,127
Preliminary expenses		-	32,645
Depreciation		19,68,126	24,51,284
<b>Total</b>	<b>(B)</b>	<b><u>20,40,82,412</u></b>	<b><u>1746,36,565</u></b>
<b>Profit before Tax</b>	<b>(A-B)</b>	<b><u>81,12,157</u></b>	<b><u>136,03,266</u></b>
Less: Taxation			
Minimum Alternate Tax		10,49,526	612,648
Deferred tax		(1,53,157)	524,086
Fringe Benefit Tax		-	-
		<u>8,96,369</u>	<u>1,136,734</u>
Add: MAT Credit Entitlement		10,49,526 (1,53,157)	612,648 5,24,086
<b>Profit after Tax</b>		<b><u>82,65,314</u></b>	<b><u>130,79,180</u></b>
Balance brought forward from previous year		13,79,90,370	1510,69,550
<b>Balance carried to Balance Sheet</b>		<b><u>12,97,25,056</u></b>	<b><u>1379,90,370</u></b>
Notes to the Accounts	16		
Earnings per Equity Share (Refer Note 4.4 Schedule 16)			
Face Value per Equity Share (in ₹)		10	10
Number of Equity Shares		40,00,000	40,00,000
Basic and Diluted earnings per share (in ₹)		2.07	3.27

As per our report of even date Attached  
For **Brahmayya & Co.**,  
Chartered Accountants  
Registration Number: 000511S  
**L. Ravi Sankar**  
Partner  
Membership No. 25929  
Chennai  
12th May 2011

**Malli J Sivakumar**  
Chief Executive Officer  
**K. Rajagopal**  
Secretary

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



## SCHEDULES

(In ₹)

	31.03.2011	31.03.2010
<b>1 Share Capital</b>		
<b>Authorised</b>		
40,00,000 Equity Shares of ₹ 10/- each	4,00,00,000	4,00,00,000
<b>Issued and Subscribed</b>		
40,00,000 Equity Shares of ₹ 10/- each	4,00,00,000	4,00,00,000
<b>Paid-up Capital</b>		
40,00,000 Equity Shares of ₹ 10/- each fully paid-up (The Equity Shares are held by Holding Company - Sundaram Finance Limited and its nominees)	4,00,00,000	4,00,00,000
	<b>4,00,00,000</b>	<b>4,00,00,000</b>
<b>2 Secured Loan</b>		
From a Scheduled Bank	1,06,63,484	-
	<b>1,06,63,484</b>	<b>-</b>
<b>3 Unsecured Loan</b>		
From Holding Company - Sundaram Finance Limited	12,40,00,000	12,50,00,000
	<b>12,40,00,000</b>	<b>12,50,00,000</b>
<b>4 Deferred Tax Asset/Liability</b>		
<b>Deferred Tax Liability (net)</b>		
Deferred Tax Liability - Depreciation	6,62,893	8,76,970
Less: Deferred Tax Asset - Employee Benefits	4,10,767	4,71,687
	<b>2,52,126</b>	<b>4,05,283</b>

(in ₹)

**5. Fixed Assets**

DESCRIPTION	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK			
	Cost as at 31.03.2010	Additions	Deductions	Cost as at 31.03.2011	Upto 31.03.2010	Additions	Deductions	Upto 31.03.2011	At at 31.03.2011	As at 31.03.2010
<b>Own Assets:</b>										
Computer System	85,27,089 (86,86,716)	65,838 (41,431)	- (2,01,058)	85,92,927 (85,27,089)	70,48,183 (62,14,006)	6,38,805 (9,86,908)	- (1,52,731)	76,86,988 (70,48,183)	9,05,939 (14,78,906)	14,78,906 (24,72,710)
Office Equipment	2,35,766 (1,96,111)	2,49,117 (39,655)	- (-)	4,84,883 (2,35,766)	1,95,267 (1,49,104)	66,893 (46,163)	- (-)	2,62,160 (1,95,267)	2,22,723 (40,499)	40,499 (47,007)
Furniture and Fixtures	1,22,749 (55,037)	69,842 (67,712)	- (-)	1,92,591 (1,22,749)	1,14,564 (45,048)	71,320 (69,515)	- (-)	1,85,884 (1,14,563)	6,707 (8,186)	8,185 (9,989)
Plant and Machinery	1,25,150 (1,25,150)	- (-)	- (-)	1,25,150 (1,25,150)	46,223 (33,471)	10,979 (12,753)	- (-)	57,202 (46,224)	67,948 (78,926)	78,927 (91,679)
<b>Intangible Assets:</b>										
Computer Software	12,81,835 (12,81,835)	- (-)	- (-)	12,81,835 (12,81,835)	10,62,251 (7,49,998)	2,19,578 (3,12,253)	- (-)	12,81,829 (10,62,251)	6 (2,19,584)	2,19,584 (5,31,837)
<b>Leased Assets:</b>										
Computers	40,48,306 (34,29,529)	37,78,321 (6,18,777)	- (-)	78,26,627 (40,48,306)	23,92,235 (14,47,261)	10,96,501 (9,44,974)	- (-)	34,88,736 (23,92,235)	43,37,891 (16,56,071)	16,56,071 (19,82,268)
Office Equipments	3,01,600 (3,01,600)	- (-)	- (-)	3,01,600 (3,01,600)	2,05,993 (1,27,275)	56,490 (78,718)	- (-)	262,483 (2,05,993)	39,117 (95,607)	95,607 (1,74,325)
Total	1,46,42,495	41,63,118	-	1,88,05,613	1,10,64,716	21,60,566	-	1,32,25,282	55,80,331	35,77,779
Work in progress - Software	-	1,06,19,769	-	1,06,19,769	-	-	-	-	106,19,769	-
Grand Total	1,46,42,495	1,47,82,887	-	2,94,25,382	1,10,64,716	21,60,566	-	1,32,25,282	162,00,100	35,77,779
Previous year	1,40,75,978	7,67,575	2,01,058	1,46,42,495	87,66,163	24,51,284	1,52,731	1,10,64,716	35,77,779	53,09,815

Figures in brackets relate to previous year.

Depreciation on assets used for development of Computer Software amounting to ₹ 1,92,440/- (Previous Year - ₹ 0/-) taken to Work in progress

(In ₹)

**SCHEDULES****6 Current Assets****Sundry Debtors**

Outstanding for a period exceeding six months

5,17,817

2,70,595

Others

1,85,54,570

1,90,72,387

2,20,68,360

2,23,38,955

**Cash and bank balances**

Cash on hand

4,000

4,000

With Scheduled banks in

– Current Account

28,47,704

24,37,090

– With Non-Scheduled banks

18,73,326

47,25,030

8,90,034

33,31,124

**2,37,97,417****2,56,70,079****7 Loans and Advances**

Advances and deposits recoverable in cash

or in kind or for value to be received

59,51,684

44,98,657

Advance Tax and Tax Deducted At Source

(Net of provision for Taxation)

2,38,23,655

1,58,79,330

Advance Fringe Benefit Tax (Net of provision)

13,842

17,482

MAT Credit Entitlement

16,62,174

6,12,648

**3,14,51,355****2,10,08,117****8 Current Liabilities\***

Sundry Creditors

– For expenses

1,38,92,233

1,20,31,322

– For other finance

53,75,202

22,49,406

Income received in advance

5,59,688

53,86,144

Liability for Leased Assets

64,31,195

31,74,190

**2,62,58,318****2,28,41,062**

\* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund

**9 Miscellaneous Expenditure**

Preliminary expenses incurred

–

32,645

Less: Written off during the year

–

32,645

**–****–**

**SCHEDULES**

	2010-11	2009-10
		(In ₹)
<b>10 Income from Operations</b>		
Services	16,37,96,217	15,92,58,789
Sale of software license	4,31,44,929	2,69,24,905
Sales of Hardware	32,68,270	-
	<b><u>21,02,09,416</u></b>	<b><u>18,61,83,694</u></b>
<b>11 Other Income</b>		
Interest on Income Tax Refund	3,58,656	1,74,009
Dividend Income	-	1,70,638
Profit on sale and lease back of assets	1,33,406	1,85,899
Gain on Exchange Fluctuation	14,83,581	15,10,358
Miscellaneous Income	9,510	15,233
	<b><u>19,85,153</u></b>	<b><u>20,56,137</u></b>
<b>12 Cost of Purchases</b>		
Opening Stock	-	-
Add: Purchase of Software License	3,00,02,795	1,82,29,737
Less: Closing Stock	-	-
	<b><u>3,00,02,795</u></b>	<b><u>1,82,29,737</u></b>
Opening Stock	-	-
Add: Purchase of Hardware	30,98,834	-
Less: Closing Stock	-	-
	<b><u>30,98,834</u></b>	<b><u>-</u></b>
	<b><u>3,31,01,629</u></b>	<b><u>1,82,29,737</u></b>
<b>13 Financial Expenses</b>		
Interest on Fixed Loans	99,46,520	1,31,12,616
Other Financial Expenses	10,78,085	3,31,960
	<b><u>1,10,24,605</u></b>	<b><u>1,34,44,576</u></b>
<b>14 Establishment Expenses</b>		
Salaries and other allowances	11,45,68,504	10,55,40,054
Company's contribution to Provident Fund, Gratuity, Superannuation and Employees' State Insurance Schemes	30,85,807	33,84,902
Staff welfare expenses	12,18,098	10,83,562
	<b><u>11,88,72,409</u></b>	<b><u>11,00,08,518</u></b>
<b>15 Administrative and other expenses</b>		
Rent	34,31,387	13,72,176
Lease Rent	3,68,455	2,56,271
Communication expenses	6,34,756	5,16,966
Electricity expenses	19,13,015	4,56,192
Travelling and conveyance	1,87,46,933	1,31,51,795
Insurance	4,92,135	3,23,860
Repairs and Maintenance	14,29,810	14,48,877
Professional fees	70,04,966	13,55,950
Rates and Taxes	96,829	2,83,167
Loss on exchange fluctuation	10,57,477	32,26,685
Loss on sale of Asset	-	22,556
Miscellaneous expenses	32,92,889	28,92,183
	<b><u>3,84,68,652</u></b>	<b><u>2,53,06,678</u></b>

---

## **SCHEDULES**

### **16. 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.

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amount of revenues and expenses during the year and disclosure of contingent liabilities as at that date. The estimates and assumption used in these financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the financial statements.

#### **1.2 Income Recognition:**

Income from sales and services is accounted on accrual basis.

#### **1.3 Inventory**

Stock-in-trade is valued at lower of cost and net realisable value.

#### **1.4 Fixed Assets and Depreciation:**

Fixed assets other than assets taken on lease 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 ₹ 5000 or less are written down in the year of acquisition to ₹ 1.

In accordance with Accounting Standard – AS 19 – Leases, Computer System and Office Equipment taken on finance lease are capitalised and depreciated over the lease period.

#### **1.5 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.

#### **1.6 Foreign Currency Transactions:**

Transactions in foreign currencies are accounted at the prevailing rates of exchange on the date of the transaction. Monetary items denominated in foreign currencies are restated at the prevailing rates of exchange at the Balance Sheet date. Gain or Loss arising out of fluctuations in exchange rates are accounted for in the Profit and Loss Account.

#### **1.7 Employee Benefits:**

##### **A) Short Term Employee Benefits:**

Short Term Employee Benefits expected to be paid for the services rendered by employees are recognized during the period when the services are rendered.

## **SCHEDULES**

### **16. NOTES TO THE ACCOUNTS (Contd.)**

#### **B) Post employment benefits:**

##### **Defined Contribution Plan**

##### **i) Provident Fund**

The Company contributes to a Government administered Provident Fund.

The Company also contributes to a government administered Employees Pension Scheme under the Employees Provident Fund Act and and Employee's State Insurance schemes on behalf of its employees.

##### **ii) Superannuation**

The Company makes fixed contribution as a percentage on salary to the superannuation fund, which is administered by trustees and managed by the Life Insurance Corporation of India (LIC). The above contribution are charged to the Profit and Loss Account.

##### **Defined Benefit Plan**

##### **i) Gratuity**

The Company makes an annual contribution to a Gratuity Fund administered by trustees and managed by LIC. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at balance sheet date, determined every year by LIC using the Projected Unit Credit method.

##### **ii) Leave Encashment**

Liability on account of encashment of leave of employees is provided on actuarial basis.

The actuarial gain/loss arising in the above benefit plans has been duly recognized in the Profit and loss account.

#### **1.8 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.

#### **1.9 Intangible Assets:**

Items of Computer software acquired are recorded as intangible assets and their cost is amortized over their expected useful life of three to five years.

#### **1.10 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.

## SCHEDULES

### 16. NOTES TO THE ACCOUNTS (Contd.)

#### 1.11 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.

1.12 Preliminary Expenses incurred for the incorporation of the Company are written off in five equal installments.

#### 2. BALANCE SHEET

##### 2.1 Secured Loans:

From a Scheduled Bank: The cash credit facility is secured by book debts.

##### 2.2 Disclosure in respect of finance lease contracts as per Accounting Standard – AS 19 – Leases:

The future minimum lease payments payable under non-cancellable finance lease are as follows:

	Future Lease payments ₹	Principal Outstanding ₹
Upto 1 year	20,54,100	15,75,755
2 to 5 years	43,77,095	37,34,931
Above 5 years	Nil	Nil

2.3 Sundry Debtors include the following balance due from the Company's under the same Management

Income Receivable	Sundaram BNP Paribas Fund Services Limited	₹ 7,31,289
-------------------	---	------------

2.4 Bank balances with Non-Scheduled Bank under Current assets includes: (In ₹)

Name of the Bank	Balance as on 31.03.2011	Maximum balance Outstanding	Balance as on 31.03.2010	Maximum balance Outstanding
HSBC - Australia	10,63,181	94,98,069	1,96,427	20,54,986
HSBC – USA	3,10,555	4,68,722	2,82,133	20,49,588
HSBC - Singapore	4,99,590	23,30,831	4,11,474	12,43,091

2.5 Advance Tax and TDS receivable is net off of provision for Taxation of ₹ 16,62,174/- (31.03.2010 – ₹ 6,12,648/-)

2.6 Advance Fringe Benefit tax is net off of provision for tax of ₹ 8,25,640/- (31.03.2010 – ₹ 13,04,000/-)

**SCHEDULES**
**16. NOTES TO THE ACCOUNTS (Contd.)**
**3. PROFIT AND LOSS ACCOUNT**
**3.1 Income from Trading:**

The details relating to trading items are as under:

Software	2010-11		2009-10	
	Qty	₹	Qty	₹
Opening Stock	–	–	2	47,017
Purchases	627	3,00,02,795	490	1,81,82,720
Sales	627	4,31,44,929	492	2,69,24,905
Closing Stock	–	–	–	–

  

Hardware	2010-11		2009-10	
	Qty	₹	Qty	₹
Opening Stock	–	–	–	–
Purchases	488	30,98,835	–	–
Sales	488	32,68,270	–	–
Closing Stock	–	–	–	–

**3.2 Miscellaneous expenses under “Administrative and other expenses” include Remuneration to Auditors towards:**

(In ₹)

	2010-11	2009-10
Statutory Audit	50,000	50,000
Tax Audit	15,000	15,000
Certification	50,000	50,000
Service Tax	11,845	11,845

**3.3 Profit arising out of sale and leaseback of fixed assets has been recognized over the lease period in proportion to the depreciation charged on those assets, as required by Accounting Standard – AS 19 – Leases.**
**3.4 Employee Benefits:**
**i) Defined Contribution Plan:**

(In ₹)

	2010-11	2009-10	2008-09	2007-08
a) Contribution to Provident Fund	14,17,475	10,91,033	9,38,956	8,83,760
b) Contribution to Pension Fund	13,75,175	10,75,946	9,52,807	10,03,180
c) Contribution to Employees’ State Insurance	2,87,682	67,643	57,099	60,864
d) Contribution to Superannuation Fund	2,05,244	1,69,371	1,32,377	63,090



**SCHEDULES****16. NOTES TO THE ACCOUNTS (Contd.)**

ii) Defined Benefit Plan:

**Gratuity**

A. Reconciliation of opening and closing balances of present value of the defined benefit obligation. (In ₹)

	2010-11	2009-10
Present value of obligations as at beginning of the year	17,51,662	9,88,871
Interest cost	1,40,133	79,110
Current service cost	5,02,766	4,28,241
Benefits paid	(76,523)	82,399
Actuarial loss on obligation	1,98,633	3,37,839
Present value of obligations as at the end of the year	25,16,671	17,51,662

B. Reconciliation of opening and closing balances of fair value of Plan Assets Fund maintained by LIC (In ₹)

	2010-11	2009-10
Fair value of plan assets as at beginning of the year	24,36,863	8,34,688
Expected return on plan assets	2,22,840	1,50,507
Contributions	1,59,145	15,34,067
Benefits paid	(76,523)	82,399
Actuarial gain on plan assets	—	—
Fair value of plan assets as at the end of the year	27,42,325	24,36,863

C. Reconciliation of present value of defined benefit obligation and fair value of plan assets to the assets and liabilities

(In ₹)

	2010-11	2009-10
Present value of obligations as at the end of the year	25,16,671	17,51,662
Fair value of plan assets as at the end of the year	27,42,325	24,36,863
Net liability recognized in the balance sheet	2,25,654	6,85,201

D. Expenses recognized in the profit and loss statement

(In ₹)

	2010-11	2009-10
Current Service cost	5,02,766	4,28,241
Interest Cost	1,40,133	79,110
Expected return of plan assets	(2,22,840)	(1,50,507)
Net Actuarial (gain)/loss recognized in the year	1,98,633	3,37,839
Expenses to be recognized in the profit and loss	6,18,692	6,94,683

**SCHEDULES**
**16. NOTES TO THE ACCOUNTS (Contd.)**
**E. Details showing fair value of plan assets (In ₹)**

	2010-11	2009-10
Fair value of plan assets as at beginning of the year	24,36,863	8,34,688
Actual return on plan assets	2,22,840	1,50,507
Contributions	1,59,145	15,34,067
Benefits paid	(76,523)	82,399
Fair value of plan assets as at the end of the year	27,42,325	24,36,863

**F. Actuarial Gain/Loss recognized (In ₹)**

	2010-11	2009-10
Actuarial gain (loss) on obligation	1,98,633	3,37,839
Actuarial gain/(loss) on plan assets	—	—
Total gain/ (loss) for the year	(1,98,633)	(3,37,839)
Actuarial gain/(loss) recognized in the year	(1,98,633)	(3,37,839)

G. Actuarial assumptions	31-03-2011	31-03-2010
Discount Rate	8.0%	8.0%
Salary Increment	6.0%	5.0%
Expected return on plan assets	8.0%	8.0%

Mortality rates

Based on LIC (1994-1996)

- \* The estimates of future salary increases considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors like supply and demand in the employment market.

Amount for the current and previous three years as follows:

Particulars	2010-11	2009-10	2008-09	2007-08
Defined Benefit Obligation	25,16,671	17,51,662	9,88,871	6,62,977
Plan Assets	27,42,325	24,36,863	8,34,688	4,96,488
Surplus/(Deficit)	2,25,654	6,85,201	1,54,183	1,66,489
Experience adjustments on plan liabilities	1,98,633	3,37,839	54,575	2,37,236
Experience adjustments on plan assets	0	0	4,810	747

**4. GENERAL**

- 4.1 The accounts of the Company have been prepared on a “going concern” basis notwithstanding the accumulated losses exceeding the paid-up equity share capital as the management is continuing with its initiatives for productivity improvement, pricing and cost control measures which are likely to have a further favourable impact on the financial position of the Company.

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## SCHEDULES

### 16. NOTES TO THE ACCOUNTS (Contd.)

4.2 Related Party disclosures: In accordance with the Accounting Standard – AS 18 – Related Party Disclosures, the details of related parties and the transactions with related parties are given below.

<b>Holding Company:</b>	Sundaram Finance Limited
<b>Fellow Subsidiaries:</b>	Sundaram BNP Paribas Home Finance Limited
	Sundaram Asset Management Company Limited
	Sundaram Trustee Company Limited
	Sundaram Finance Distribution Limited
	IGF Services Limited
	Sundaram Business Services Limited
	Infreight Logistics Solutions Limited
	Professional Management Consultants Limited
	Sundaram BNP Paribas Fund Services Limited
	Sundaram Parekh Warehousing Services Limited
	Sundaram Insurance Broking Services Limited
<b>Associate:</b>	Sundaram Mutual Fund
<b>Key Management Personnel:</b>	Mr. Malli J. Sivakumar, Chief Executive Officer.

**SCHEDULES**
**16. 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 ₹)

Nature of Transactions	Holding Company	Fellow Subsidiaries	Associate	Total
<b>INCOME</b>				
<b>Income from Operations:</b>				
Sundaram Finance Limited	9,41,86,497 (7,12,88,587)			9,41,86,497 (7,12,88,587)
Sundaram BNP Paribas Fund Services Limited		27,88,935 (54,63,183)		27,88,935 (54,63,183)
Sundaram BNP Paribas Home Finance Limited		1,98,540 (-)		1,98,540 (-)
<b>EXPENSES</b>				
<b>Lease Rent &amp; Branch Rent</b>				
Sundaram Finance Limited	15,53,815 (2,56,271)			15,53,815 (2,56,271)
<b>Web Maintenance charges, other expenses</b>				
Sundaram Finance Limited	6,61,304 (-)			6,61,304 (-)
<b>Payroll Processing</b>				
Sundaram Business Services Limited	- (-)	1,58,776 (1,21,881)		1,58,776 (1,21,881)
<b>Interest</b>				
Sundaram Finance Limited	99,46,521 (1,31,12,616)	(-) (-)		99,46,521 (1,31,12,616)
<b>ASSETS</b>				
<b>Income Receivables as on 31.03.2011</b>				
Sundaram Finance Limited	11,88,759 (19,19,221)			11,88,759 (19,19,221)
Sundaram BNP Paribas Fund Services Limited		7,31,289 (5,60,545)		7,31,289 (5,60,545)
<b>LIABILITIES</b>				
<b>Payroll Processing charges Outstanding as on 31.03.2011</b>				
Sundaram Business Services Limited		14,725 (20,736)		14,725 (20,736)
<b>LOAN</b>				
<b>Received during the year</b>				
Sundaram Finance Limited	- (15,00,000)	- (-)		- (15,00,000)
<b>Repaid during the year</b>				
Sundaram Finance Limited	10,00,000 (2,24,94,000)	(-) (-)		10,00,000 (2,24,94,000)
<b>Outstanding as on 31.03.2011</b>				
Sundaram Finance Limited	12,40,00,000 (12,50,00,000)	(-) (-)		12,40,00,000 (12,50,00,000)

No amount has been written off/written back during the year.  
 Figures in brackets pertaining to Previous year.

## SCHEDULES

### 16. NOTES TO THE ACCOUNTS (Contd.)

4.3 There is no amount due to Small Scale Industries in terms of "The Micro, Small and Medium Enterprises Development Act, 2006".

4.4 Earnings per share (Basic and Diluted):

	2010-11	2009-10
A. Profit for the year after taxation (In ₹)	82,65,314	1,30,79,180
B. Total number of equity shares of ₹ 10/- each outstanding at the end of the year (in numbers)	40,00,000	40,00,000
C. Basic and diluted earnings per share (A/B) (In ₹)	2.07	3.27

4.5 Expenditure in foreign currency (on accrual basis):

	2010-11	2009-10
Professional and consultancy fee (₹)	45,29,795	34,39,822
Other matters – Purchase of Software, Marketing, traveling etc. (₹)	3,39,12,729	2,35,24,626

4.6 Earnings in Foreign Currency (on accrual basis):

Sale of Software License and Services (₹)	9,19,50,693	8,32,36,131
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4.7 Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

4.8 Figures have been rounded off to the nearest rupee.

Signatures to Schedules 1 to 16

As per our report of even date Attached

For **Brahmayya & Co.,**

Chartered Accountants

Registration Number: 000511S

**L. Ravi Sankar**

Partner

Membership No. 25929

Chennai

12th May 2011

**Malli J Sivakumar**

Chief Executive Officer

**K. Rajagopal**

Secretary

**T. T. Srinivasaraghavan**

**Srinivas Acharya**

**S. Venkatesan**

**K. Swaminathan**

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. 

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 State Code 

1	8
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Balance Sheet Date 

3	1
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0	3
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2	0	1	1
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Date                      Month                      Year

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

Public Issue	Rights Issue																				
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Bonus Issue	Private Placement																				
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Pursuant to Scheme of Amalgamation																					
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**III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

	Total Assets																				
Total Liabilities	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> 1 7 4 9 1 6																				
Sources of Funds	Reserves & Surplus																				
Paid up Capital	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> N I L																				
Secured Loans	Unsecured Loans																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> 1 0 6 6 3											<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> 1 2 4 0 0 0										
Applications of Funds	Investments																				
Net Fixed Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> N I L																				
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Deferred Tax Asset (Net)	Misc. Expenditure																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> 2 5 2											<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> N I L										
Net Current Assets																					
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Accumulated Loss																					
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> 1 2 9 7 2 5																					

**IV Performance of Company (Amount in Rs. Thousands)**

Turnover	Total Expenditure																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> 2 1 2 1 9 5											<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> 2 0 4 0 8 2										
+ - Profit / (Loss) Before Tax	+ - Profit / (Loss) After Tax																				
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(Please tick appropriate box + for profit, - for loss)

Earnings Per Share                      Rs.                      Ps.                      Dividend Rate %

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 2 . 0 7                      

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

Item Code No. (ITC Code)                      Not Applicable

Product / Service Description

S	O	F	T	W	A	R	E		S	E	R	V	I	C	E	S			
P	U	R	C	H	A	S	E		A	N	D		S	A	L	E		O	F
S	O	F	T	W	A	R	E		L	I	C	E	N	S	E				
O	T	H	E	R		I	T		S	O	L	U	T	I	O	N	S		

# CASH FLOW STATEMENT

## For Year Ended 31/03/2011

	2010 – 11 ₹	2009 – 10 ₹
<b>A) CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit	82,65,314	1,30,79,180
Add: Preliminary expenses written off	–	32,645
Provision for Taxation	(1,53,157)	5,24,086
	81,12,157	1,36,35,911
Add: Financial Expenses	1,10,24,605	1,34,44,576
Depreciation	19,68,126	24,51,284
Interest Received	3,58,656	1,74,009
Dividend Received	–	1,70,638
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>2,07,46,232</b>	<b>2,91,87,124</b>
(Increase) Decrease in Current Asset and Loans and Advances	(71,76,670)	22,60,329
(Increase) Decrease in Stock-on-purchase	–	47,017
Increase (Decrease) in Current Liabilities	34,17,256	94,73,238
Cash generated from Operations	1,69,86,818	4,09,67,708
Financial Expenses	1,10,24,605	1,34,44,576
Direct Taxes Paid	–	56,000
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>59,62,213</b>	<b>2,74,67,132</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	1,45,90,447	7,19,248
Purchase of Investments	–	7,85,00,000
Sale of Investments	–	7,85,00,000
Interest Received	3,58,656	1,74,009
Dividend Received	–	1,70,638
<b>NET CASH FROM INVESTING ACTIVITIES (B)</b>	<b>(1,42,31,791)</b>	<b>(3,74,601)</b>
<b>C) CASH FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Equity Shares	–	–
Increase (Decrease) in long term borrowings	96,63,484	(2,68,12,123)
<b>NET CASH FROM FINANCING ACTIVITIES (C)</b>	<b>96,63,484</b>	<b>(2,68,12,123)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)</b>	<b>13,93,906</b>	<b>2,80,408</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>33,31,124</b>	<b>30,50,716</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>47,25,030</b>	<b>33,31,124</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
Current Account with Banks	44,62,981	34,61,566
Effect of Foreign Exchange rates on Cash and Cash Equivalents	2,58,049	(1,34,442)
Cash, Stamps and Stamp Papers on Hand	4,000	4,000
	47,25,030	33,31,124

As per our report of even date Attached  
For **Brahmayya & Co.**,  
Chartered Accountants  
Registration Number: 000511S  
**L. Ravi Sankar**  
Partner  
Membership No. 25929  
Chennai  
12th May 2011

**Malli J Sivakumar**  
Chief Executive Officer  
  
**K. Rajagopal**  
Secretary

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

SUNDARAM INFOTECH SOLUTIONS LIMITED