



## **3i INFOTECH LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER AND NINE MONTHS PERIOD  
ENDED DECEMBER 31, 2009**

**R.G.N. Price & Co.**  
Simpsons' Buildings  
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## **AUDITORS' REPORT**

**To**  
**The Board of Directors of 3i Infotech Limited**

1. We have audited the attached Consolidated Balance Sheet of 3i Infotech Limited (the 'Parent Company'), its subsidiaries collectively referred to as 'the 3i Infotech Group' as at December 31, 2009, the Consolidated Profit & Loss Account and also the Consolidated Cash Flow Statement for the quarter and nine months period ended on that date annexed thereto. These interim Financial Statements are the responsibility of the Parent Company's management and have been prepared by them on the basis of separate financial statements and other financial information regarding components. 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 management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. a) The financial statements of 2 subsidiaries, whose financial statements reflects total assets of Rs.535.58 crores as at December 31, 2009 and total revenue of Rs. 146.06 crores and Rs 465.96 crores for the quarter and nine months period ended on December 31, 2009 respectively, have been jointly audited with other auditor.  
  
b) We have not audited the financial statements of:  
  
29 subsidiaries included in the consolidated quarterly financial results whose financial statements reflect total assets of Rs. 2,126.77 crores as at December 31, 2009; as well as the total revenue for the quarter and nine months period ended December 31, 2009 of Rs. 259.19 crores and Rs. 763.39 crores respectively, other auditors whose reports have been furnished to us have audited these financial statements and other financial information, and our opinion is based solely on the report of such other auditors.
4. *The financial statements of two subsidiaries in Cyprus and China (from November, 2009), whose financial statements reflect total assets of Rs 40.47 crores as at December 31, 2009 and total revenue of Rs. 1.63 crores and RS. 2.99 crores for the quarter and nine months period ended on December 31, 2009 respectively have not been audited. Our opinion is solely based on the management certificate provided to us.*

5. We report that the consolidated financial statements have been prepared by the Parent Company's management in accordance with the requirements of the Accounting Standards (AS) 21 - Consolidated Financial Statements prescribed by Companies (Accounting Standards) Rules, 2006 as amended from time to time *subject to what is stated in para 4 above.*
6. *Subject to the matter referred to in paragraph 4 above,* based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached interim Consolidated Financial Statements read together with notes appearing in Schedule XIII of Significant Accounting Policies and Notes to Accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of Consolidated Balance Sheet, of the state of affairs of the 3i Infotech Group as at December 31, 2009;
  - (ii) in the case of Consolidated Profit and Loss account, of the profit of the 3i Infotech Group for the quarter and nine months period ended on that date; and
  - (iii) in the case of Consolidated Cash Flow Statement, of the cash flows of the 3i Infotech Group for the quarter and nine months period ended on that date.

**For R.G.N. Price & CO.**  
Chartered Accountants

**For LODHA & CO.**  
Chartered Accountants

**S. Krishnan**  
Partner  
Membership No. 10962  
Mumbai  
Date: January 22, 2010

**R.P. Baradiya**  
Partner  
Membership No. 44101  
Mumbai  
Date: :January 22, 2010

**3i INFOTECH LIMITED**  
**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2009**

Rs. in Crores

	Schedule	As at Dec 31, 2009	As at Dec 31, 2008	As at March 31, 2009
<b>I. SOURCES OF FUNDS</b>				
<b>1. Shareholders' Funds :</b>				
A. Share Capital	I	268.69	230.75	230.75
B. Reserves and Surplus	II	1,081.13	636.46	806.26
		<u>1,349.82</u>	<u>867.21</u>	<u>1,037.01</u>
<b>2. Minority Interest</b>	III	7.73	18.79	21.16
<b>3. Loan Funds :</b>				
A. Secured Loans	IV	883.19	672.52	939.37
B. Unsecured Loans	V	1,288.82	1,415.91	1,262.67
		<u>2,172.01</u>	<u>2,088.43</u>	<u>2,202.04</u>
<b>4 Premium payable on Redemption of FCCB</b>		119.82	109.45	109.45
		<u>3,649.38</u>	<u>3,083.88</u>	<u>3,369.66</u>
<b>II. APPLICATION OF FUNDS</b>				
<b>1. Goodwill arising on consolidation</b>		1,854.71	1,599.03	1,700.40
<b>2. Fixed Assets :</b>				
A. Gross Block	VI	886.71	652.66	799.73
B. Less : Depreciation		305.60	209.17	233.01
C. Net Block		<u>581.11</u>	<u>443.49</u>	<u>566.72</u>
D. Capital Work-in-Progress		138.78	170.50	125.65
		<u>719.89</u>	<u>613.99</u>	<u>692.37</u>
<b>3. Investments</b>	VII	105.95	3.35	3.60
<b>4. Deferred Tax Asset (net)</b>		45.68	39.04	38.61
<b>5. Current Assets, Loans and Advances</b>				
<b>A. Current Assets :</b>				
a. Inventories		4.79	9.91	11.06
b. Sundry Debtors		485.38	440.39	483.10
c. Unbilled Revenues		254.20	338.57	277.36
d. Cash and Bank Balances		222.75	208.70	319.61
		<u>967.12</u>	<u>997.57</u>	<u>1,091.13</u>
<b>B. Loans and Advances</b>				
		<u>482.16</u>	<u>314.83</u>	<u>331.54</u>
		<u>1,449.28</u>	<u>1,312.40</u>	<u>1,422.67</u>
<b>Less: Current Liabilities and Provisions :</b>				
<b>A. Current Liabilities</b>				
	IX	485.66	446.03	426.83
<b>B. Provisions</b>				
		40.47	37.90	61.16
		<u>526.13</u>	<u>483.93</u>	<u>487.99</u>
<b>Net Current Assets</b>		<u>923.15</u>	<u>828.47</u>	<u>934.68</u>
		<u>3,649.38</u>	<u>3,083.88</u>	<u>3,369.66</u>

**Significant Accounting Policies  
and Notes to Accounts**

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date  
For Lodha & Company  
Chartered Accountants

For R.G.N. Price & Co.  
Chartered Accountants

For and on behalf of the Board

V Srinivasan  
Managing Director & CEO

Dileep C. Choksi  
Director & Chairman  
of Audit Committee

R P Baradiya  
Partner  
Membership No : 44101

S Krishnan  
Partner  
Membership No. 10962

Amar Chintopanth  
Executive Director and CFO

Shivanand R Shettigar  
Company Secretary

Mumbai, January 22, 2010

**3i INFOTECH LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE QUARTER AND PERIOD ENDED DECEMBER 31, 2009.**

		Rs. in Crores				
	Schedule	For the quarter ended Dec 31, 2009	For the quarter ended Dec 31, 2008	For the period ended Dec 31, 2009	For the period ended Dec 31, 2008	For the year ended March 31, 2009
<b>INCOME:</b>						
Income from Operations	X	596.21	608.82	1,820.25	1,678.88	2,285.64
Other Income	XI	5.65	6.78	15.90	15.22	19.06
<b>Total Income</b>		<b>601.86</b>	<b>615.60</b>	<b>1,836.15</b>	<b>1,694.10</b>	<b>2,304.70</b>
<b>EXPENDITURE:</b>						
Operating, Selling & other expenses	XII	476.58	498.82	1,461.21	1,363.50	1,851.22
<b>Total Expenditure</b>		<b>476.58</b>	<b>498.82</b>	<b>1,461.21</b>	<b>1,363.50</b>	<b>1,851.22</b>
<b>Profit before interest, depreciation and amortisation</b>		<b>125.28</b>	<b>116.78</b>	<b>374.94</b>	<b>330.60</b>	<b>453.48</b>
Interest		36.22	25.35	106.72	67.01	94.95
Depreciation and amortisation (Refer Note no. 2.7)		21.89	19.57	80.90	46.72	70.06
<b>Profit Before Taxation</b>		<b>67.17</b>	<b>71.86</b>	<b>187.32</b>	<b>216.87</b>	<b>288.47</b>
Provision for Taxes						
- Deferred Taxes (net)		(0.36)	1.36	(8.66)	3.36	4.23
- Current Taxes		11.58	5.03	35.07	27.19	38.33
- Fringe Benefit Tax		-	0.57	-	1.74	2.33
- Mat Credit Entitlement		(5.50)	(4.78)	(20.59)	(15.43)	(23.30)
- Pertaining to earlier years written off		-	(0.06)	(0.13)	0.24	0.46
<b>Profit After Taxation &amp; Before Exceptional items</b>		<b>61.45</b>	<b>69.74</b>	<b>181.63</b>	<b>199.77</b>	<b>266.42</b>
Add : Exceptional Income (Refer Note no.2.6(ii))		-	-	29.19	-	77.05
(Less) : Exceptional expenditure (Refer Note no.2.6 (ii) & 2.7)		(10.92)	-	(12.25)	-	(51.09)
<b>Profit After Exceptional Items</b>		<b>50.53</b>	<b>69.74</b>	<b>198.57</b>	<b>199.77</b>	<b>292.38</b>
Add: Share of profit in Associate		-	-	-	-	0.25
Less/(Add):Minority Shareholders' Interest		(10.43)	5.22	(2.07)	8.25	10.62
<b>Net Profit After Minority Interest</b>		<b>60.96</b>	<b>64.52</b>	<b>200.64</b>	<b>191.52</b>	<b>282.01</b>
<b>Earnings per Share</b>						
Equity shares, par value Rs 10 each						
<b>Before Exceptional items</b>						
Basic (Rs.)		4.15	4.79	12.35	14.23	19.02
Diluted (Rs.)		4.09	4.79	12.19	13.94	19.02
<b>After Exceptional items</b>						
Basic (Rs.)		3.50	4.79	13.52	14.23	21.01
Diluted (Rs.)		3.46	4.79	13.35	13.94	21.01

Significant Accounting Policies and Notes to Accounts XIII

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date  
For Lodha & Company  
Chartered Accountants

For R.G.N. Price & Co.  
Chartered Accountants

For and on behalf of the Board

V Srinivasan  
Managing Director & CEO

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Director & Chairman of  
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R P Baradiya  
Partner  
Membership No : 44101

S Krishnan  
Partner  
Membership No. 10962

Amar Chintopanth  
Executive Director and CFO

Shivanand R Shettigar  
Company Secretary

Mumbai, January 22, 2010

**3i INFOTECH LIMITED**
**CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE QUARTER AND PERIOD ENDED DECEMBER 31, 2009.**

	For the quarter ended Dec 31, 2009	For the quarter ended Dec 31, 2008	For the period ended Dec 31, 2009	For the period ended Dec 31, 2008	Rs. in Crores For the year ended March 31, 2009
<b>A Cash Flow from Operating Activities :</b>					
Profit before Taxation & Exceptional items	67.17	71.86	187.32	216.87	288.47
<i>Adjustments for:</i>					
Depreciation / Amortization	21.89	19.57	80.90	46.72	70.06
Foreign Exchange loss / (gain)	(1.64)	(0.43)	(5.08)	(6.09)	(8.31)
Loss / (Profit) on sale / discarding of fixed assets	(0.04)	0.07	0.26	0.10	1.04
Dividend Income	(1.06)	(0.04)	(1.17)	(0.29)	(0.29)
Interest earned	(0.52)	(0.54)	(1.42)	(1.88)	(2.00)
Interest Paid	36.22	25.35	106.72	67.01	94.95
Credit balances / excess provision written back (net)	-	-	(1.32)	-	-
Provision for doubtful debts	2.69	2.73	12.27	15.40	18.38
Share of profit in Associate	-	-	-	-	0.25
Impairment of acquired software & losses on foreclosure of contracts	-	-	-	15.21	15.21
<b>Operating Profit before Working Capital Changes</b>	<b>124.71</b>	<b>118.57</b>	<b>378.48</b>	<b>353.05</b>	<b>477.76</b>
<i>Adjustments for:</i>					
Trade and Other Receivables	(19.40)	(57.19)	(121.51)	(260.48)	(260.75)
Inventories	0.77	(0.33)	6.26	(9.91)	(11.06)
Trade Payables and Other Liabilities	(15.61)	86.76	65.84	370.92	364.04
	<b>(34.24)</b>	<b>29.24</b>	<b>(49.41)</b>	<b>100.53</b>	<b>92.23</b>
<b>Cash generated from Operations</b>	<b>90.47</b>	<b>147.81</b>	<b>329.07</b>	<b>453.58</b>	<b>569.99</b>
Income Taxes (including FBT (paid) / refund received)	(17.50)	(4.35)	(59.58)	(32.59)	(46.09)
<b>Net cash from Operating Activities - A</b>	<b>72.97</b>	<b>143.46</b>	<b>269.49</b>	<b>420.99</b>	<b>523.90</b>
<b>B Cash Flow from Investing Activities :</b>					
Acquisitions / earnout paid during the period	(84.56)	(15.38)	(197.02)	(532.33)	(572.22)
Purchase of fixed assets(including Capital Work-in-Progress & advances)	(53.39)	(113.87)	(149.32)	(389.72)	(485.98)
Sale / write off of fixed assets	5.65	1.38	6.03	1.49	14.53
Purchase of Investments / application money	-	(30.03)	-	(145.87)	(146.87)
Sale of Investments	-	30.03	-	146.19	147.19
Dividend received	1.06	0.04	1.17	0.29	0.29
Loans and advances (given) / received back	0.17	0.14	0.06	(0.18)	(0.11)
Interest received	0.52	0.54	1.42	1.88	2.00
<b>Net cash used in Investing Activities - B</b>	<b>(130.55)</b>	<b>(127.15)</b>	<b>(337.66)</b>	<b>(918.25)</b>	<b>(1,041.17)</b>

### 3i INFOTECH LIMITED

#### CONSOLIDATED CASH FLOW STATEMENT

FOR THE QUARTER AND PERIOD ENDED DECEMBER 31, 2009.

	Rs. in Crores				
	For the quarter ended Dec 31, 2009	For the quarter ended Dec 31, 2008	For the period ended Dec 31, 2009	For the period ended Dec 31, 2008	For the year ended March 31, 2009
<b>C Cash Flow from Financing Activities :</b>					
Proceeds from issue of Equity Share Capital	1.28	0.03	319.97	1.21	1.20
QIP issue expenses	-	-	(10.53)	-	
Payment towards FCCB Buy Back (including advisory, legal, Professional fee Refer note no. 2.5)	-	-	(54.55)	-	(127.03)
Proceeds from / (Repayment of) borrowings -net	(91.51)	37.33	(8.01)	516.88	753.06
Dividends paid (including taxes)	(1.87)	(1.87)	(28.52)	(28.51)	(30.39)
Interest paid	(34.94)	(23.78)	(105.82)	(65.96)	(93.28)
<b>Net Cash from Financing Activities - C</b>	<b>(127.04)</b>	<b>11.71</b>	<b>112.54</b>	<b>423.61</b>	<b>503.56</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(184.62)</b>	<b>28.02</b>	<b>44.37</b>	<b>(73.64)</b>	<b>(13.71)</b>
<b>Cash and Cash Equivalents as at beginning<sup>3</sup></b>	<b>473.75</b>	<b>156.81</b>	<b>244.76</b>	<b>258.47</b>	<b>258.47</b>
<b>Cash and Cash Equivalents as at end<sup>2,4</sup></b>	<b>289.12</b>	<b>184.83</b>	<b>289.12</b>	<b>184.83</b>	<b>244.76</b>

**Notes :**

- The above Cash Flow Statement has been prepared under the 'Indirect Method'
- Margin money of Rs. 12.49 crores (as at Dec 31, 2008 - Rs.23.87 crores and as at Mar 31, 2009 - Rs. 17.50 crores) and monies lying in escrow account of (as at Mar 31, 2009 - Rs. 57.35 crores) has been excluded from Cash and Cash equivalents and included in Trade and Other Receivables.
- The cash and cash Equivalents at the beginning of the period includes Rs. 317.81 crores being proceeds from issue of QIP allotments.(refer note no. 2.3)
- Mutual Fund Units of Liquid funds of Rs. 102.35 crores (as at Dec 31 2008 - Nil and Mar 31, 2009 - Nil) has been included in Cash and Cash equivalents
- Previous period / year's figures have been regrouped / rearranged wherever necessary to conform to the current period's presentation.

**Significant Accounting Policies and Notes to Accounts (Refer Schedule No XIII)**

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date

For and on behalf of the Board

For Lodha & Company  
Chartered Accountants

For R.G.N. Price & Co.  
Chartered Accountants

V Srinivasan  
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Amar Chintopanth  
Executive Director and CFO

Shivanand R Shettigar  
Company Secretary

Mumbai, January 22, 2010

**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**Rs. in Crores**

	As at Dec 31, 2009	As at Dec 31, 2008	As at March 31, 2009
<b>I Share Capital</b>			
<b>Authorised</b>			
300,000,000 Equity shares of Rs. 10 each ( 300,000,000 equity shares as at Dec 31, 2008; as at Mar 31, 2009 - 300,000,000 of Rs. 10 each)	300.00	300.00	300.00
200,000,000 Cumulative Preference shares of Rs.5 each	100.00	100.00	100.00
	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>
<b>Issued, Subscribed &amp; Paid - up</b>			
168,694,196 Equity shares of Rs. 10 each ( 130,750,946 Equity shares as at Dec 31, 2008; (130,750,946 equity shares as at Mar 31, 2009)	168.69	130.75	130.75
200,000,000 6.35% Cumulative Preference shares of Rs.5 each	100.00	100.00	100.00
	<b>268.69</b>	<b>230.75</b>	<b>230.75</b>
Notes :			
1. Of the above, 84,788,331 Equity shares are allotted as fully paid-up Bonus shares (as at Dec 31, 2008 - 84,788,331 shares;as at Mar 31, 2009 - 84,788,331 shares) by capitalisation of Securities Premium Account and accumulated profits.Also refer note no. 2.3 regarding shares issued through QIP.			
2. The Preference Shares are redeemable at par on expiry of nine years from the date of allotment i.e. Mar 31, 2003.			
<b>II Reserves and Surplus</b>			
<b>a Securities Premium Account</b>			
Balance as per last Balance Sheet	212.95	285.17	285.17
Add : Received on allotment of equity shares under ESOS	1.71	0.99	0.99
Add : Received during the period on Qualified Institutional Placement issue (QIP)	280.31		
Less : Utilised towards QIP issue expenses (QIP)	(10.53)	-	-
Add/(Less) : written back/(Utilised) towards premium payable on redemption of FCCB	(10.37)	73.21	(73.21)
	<b>474.07</b>	<b>212.95</b>	<b>212.95</b>
<b>b General Reserve</b>			
Balance as per last Balance Sheet	25.00	16.00	16.00
Add : Transferred from Profit & Loss Account	-	-	9.00
	<b>25.00</b>	<b>16.00</b>	<b>25.00</b>
<b>c Translation Reserve</b>			
Balance brought forward from previous period/year	88.63		(24.78)
Movement during the period /year	(163.00)		113.41
	(74.37)	9.32	88.63
Adjusted against Profit and Loss Account balance (Contra)	74.37	(9.32)	-
	-	-	88.63
<b>d FCCB Redemption Reserve</b>			
Balance as per last Balance Sheet	180.50	44.84	44.84
Transferred from/ (to) Profit and Loss Account	53.67	130.79	135.66
	<b>234.17</b>	<b>175.63</b>	<b>180.50</b>
<b>e Profit and Loss Account</b>			
Profit brought forward as per last Balance Sheet	299.18	167.45	192.23
Less : Reveral of profit on sale of IPR (Refer Note no. 2.4.9 (b))	(18.27)		-
Add : Profit for the period/year	200.64	191.52	282.01
	<b>481.55</b>	<b>358.97</b>	<b>474.24</b>
Translation reserve adjusted	(74.37)	9.32	-
	<b>407.18</b>	<b>368.29</b>	<b>474.24</b>
<b>Less: Appropriations</b>			
- General Reserve	-	-	9.00
- FCCB Redemption Reserve	53.67	130.79	135.66
- Proposed Dividend - Equity Shares	-	-	19.61
- Residual Dividend Paid	0.02	0.02	0.02
- Proposed Dividend - Preference Shares	1.06	1.06	1.03
- Interim Dividend - Preference Shares	3.72	3.72	5.32
- Corporate Dividend Tax	0.82	0.82	4.42
	<b>59.29</b>	<b>136.41</b>	<b>175.06</b>
	<b>347.89</b>	<b>231.88</b>	<b>299.18</b>
	<b>1,081.13</b>	<b>636.46</b>	<b>806.26</b>



**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Rs. in Crores</b>		
	As at <b>Dec 31, 2009</b>	As at Dec 31, 2008	As at March 31, 2009
<b>III Minority Interest</b>	<b>7.73</b>	18.79	21.16
<b>IV Secured Loans</b>			
Term Loans	<b>788.81</b>	558.99	798.82
Cash Credit	<b>94.38</b>	113.53	140.55
	<b>883.19</b>	672.52	939.37
Notes :			
1. Security and terms & conditions for Term Loans :			
a. Rs. 1.58 crores (as at Dec 31, 2008 - Rs. 1.55 crores; as at Mar 31, 2009 - Rs. 1.49 crores) loan is secured by way of hypothecation on certain Company owned vehicles.			
b. Rs. 71.34 crores (as at Dec 31, 2008 - Rs. 80.01 crores; as at Mar 31, 2009 - Rs. 95.04 crores) loan is secured/ to be secured by way of Equitable Mortgage of certain properties of the Company situated at Navi Mumbai & Mumbai.			
c. Nil (as at Dec 31, 2008 - Rs.50 crores; as at Mar 31, 2009 - Rs.50 crores) loan is secured by way of hypothecation on certain movable project assets.			
d. Rs. 71.47crores (as at Dec 31, 2008 - Rs. 2.45 crores; as at Mar 31, 2009 - Rs. 0.11 crores) loan is secured by way of floating charge on certain book debts of Parent and two subsidiaries.			
e. Rs. 331.85 crores (as at Dec 31, 2008 - Rs. Nil; as at Mar 31, 2009 - Rs.443.48 crores) is secured by way of pledge of shares of 3i Infotech Financial Software Inc, Regulus Group and also secured by guarantees of certain subsidiaries.The guarantees are secured by subordinated charge by hypothecation of material tangible and intangible fixed assets of Guarantors and mortgage of immovable properties of the Parent Company.			
f. Rs. 312.57 crores(as at Dec 31, 2008 - Rs. 424.98 crores; as at Mar 31, 2009 - Rs. 208.70 crores) is secured as subordinated charge by hypothecation of material tangible and intangible fixed assets of 3i Infotech Financial Software Inc, 3i Infotech Limited and other Guarantors and mortgage of immovable properties of the Parent.			
2. Certain non-fund facilities of Rs. 40.42 crores (as at Dec 31, 2008 - Rs. 31.87 crores; as at Mar 31, 2009 - Rs.36.72 crores) and Cash Credit are secured by way of floating charge on book debts.			
<b>V Unsecured Loans</b>			
Foreign Currency Convertible Bonds ( Refer note no. 2.5)	<b>540.36</b>	807.87	672.78
Loans from banks	<b>697.20</b>	606.43	588.92
Commercial paper	<b>50.00</b>	-	-
Others	<b>1.26</b>	1.61	0.97
	<b>1,288.82</b>	1,415.91	1,262.67

## SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## VI Fixed Assets

Particulars	GROSS BLOCK				DEPRECIATION / AMORTISATION						NET BLOCK			Rs. in Crores
	As at	Adjustments	Additions	Ded / Adj	As at	Upto	Adjustments	For the	Ded / Adj	Upto	As at	As at	As at	
	April 1, 2009	during the period*	during the period	during the period	December 31, 2009	Mar 31, 2009	during the period*	period	during the period	December 31, 2009	December 31, 2009	Dec 31,2008	Mar 31, 2009	
<b>Intangible assets</b>														
Goodwill	1.79	-	-	-	1.79	1.63	-	0.20	0.27	1.56	0.23	0.34	0.16	
Software Products														
-Meant for sale	7.94	-	-	-	7.94	2.17	-	-	-	2.17	5.77	5.76	5.77	
- Others	198.12	-	37.02	17.83	217.31	43.82	-	20.83	(10.14)	74.79	142.52	73.14	154.30	
Business & Commercial Rights	49.66	-	-	-	49.66	23.56	-	3.50	0.27	26.79	22.87	28.18	26.10	
<b>Tangible assets</b>														
Land - Leasehold	0.52	-	-	-	0.52	0.08	-	0.01	-	0.09	0.43	0.44	0.44	
- Freehold	2.08	-	-	(0.01)	2.09	-	-	-	-	-	2.09	1.86	2.08	
Buildings - Owned	1.49	-	-	0.72	0.77	0.27	-	0.02	0.16	0.13	0.64	1.29	1.22	
- Leasehold <sup>1</sup>	32.34	-	-	-	32.34	5.28	-	0.99	-	6.27	26.07	27.57	27.20	
Leasehold Improvements	60.40	-	2.61	3.19	59.82	16.03	-	2.10	(2.72)	20.85	38.97	38.94	44.23	
Plant & Machinery / Electrical Installations	29.14	-	0.20	(65.61)	94.95	8.79	-	2.84	(7.38)	19.01	75.94	12.91	20.35	
Computers	142.73	-	33.85	(64.44)	241.02	88.19	-	20.11	3.18	105.12	135.90	54.48	54.54	
Furniture & Fixtures	36.81	-	0.42	(15.69)	52.92	12.59	-	2.82	(5.00)	20.41	32.51	17.80	24.22	
Office Equipment	22.50	-	0.71	0.35	22.86	7.65	-	16.83	14.14	10.34	12.52	11.72	14.85	
Vehicles	10.55	-	1.94	1.25	11.24	3.26	-	0.83	0.27	3.82	7.42	9.25	7.29	
Project Assets <sup>2</sup>	203.66	-	45.10	157.28	91.48	19.69	-	9.82	15.26	14.25	77.23	159.81	183.97	
Total	799.73	-	121.85	34.87	886.71	233.01	-	80.90	8.31	305.60	581.11	443.49	566.72	
Previous period	366.52	64.18	201.40	(20.56)	652.66	152.53	6.76	46.72	(3.16)	209.17	443.49			
Previous year	366.52	67.30	363.79	(2.12)	799.73	152.53	6.76	70.06	(3.66)	233.01	566.72			
Capital work - in - progress (including Capital Advances) #	125.65	-	120.00	106.87	138.78	-	-	-	-	-	138.78	170.50	125.65	

\* pertains to adjustments arising out of merger /acquisitions

1 Buildings- Leasehold include:

(i) Rs.20.85 crores (as at Dec 31, 2008 Rs. 20.85 crores;as at Mar 31, 2009 Rs. 20.85 crores), Accumulated Depreciation - Rs.3.14 crores (as at Dec 31, 2008 Rs.2.79 crores;as at Mar 31, 2009 Rs.2.88 crores) and Net Value Rs.17.71 crores ( as at Dec 31, 2008 Rs.18.06 crores;as at Mar 31, 2009 Rs.17.97 crores) being lease premium paid in respect of building taken on lease for sixty years.

(ii) Rs.11.49 crores (as at Dec 31, 2008 Rs.11.49 crores; as at Mar 31, 2009 Rs.11.49 crores), Accumulated Depreciation Rs.3.13 crores ( as at Dec 31, 2008 Rs.1.97 crores;as at Mar 31, 2009 Rs.2.26 crores) and Net Value Rs.8.36 crores ( as at Dec 31, 2008 Rs.9.52 crores;as at Mar 31, 2009 Rs.9.23 crores) being lease premium paid in respect of building taken on lease for ninety nine years.

2 'Project assets' includes assets purchased for contracts entered into with various state governments for e-governance projects.Certain assets are liable to be transferred to the respective

Governments at various points of time as per the terms of the relevant agreements.The details whereof are as under:

(i) Computers of Rs.66.21 crores ( as at Dec 31, 2008 Rs.86.62 crores;as at Mar 31, 2009 Rs. 107.25 crores), Accumulated Depreciation - Rs.11.45 crores ( as at Dec 31, 2008 Rs.7.33 crores; as at Mar 31, 2009 Rs.11.61 crores) and Net Value Rs.54.76 crores ( as at Dec 31, 2008 Rs.79.29 crores;as at Mar 31, 2009 Rs.95.64 crores).

(ii) Plant & Machinery / Electrical Installations of Rs.23.70 crores ( as at Dec 31, 2008 Rs.67.15 crores;as at Mar 31, 2009 Rs. 78.92 crores ), Accumulated Depreciation - Rs. 2.68 crores (as at Dec 31, 2008 Rs.3.18 crores;as at Mar 31, 2009 Rs. 6.50 crores) and Net Value Rs.21.02 crores ( as at Dec 31, 2008 Rs.63.97 crores;as at Mar 31, 2009 Rs.72.42 crores).

(iii) Furniture & Fixtures of Rs.1.57 crores ( as at Dec 31, 2008 Rs.17.28 crores;as at Mar 31, 2009 Rs 17.49 crores ), Accumulated Depreciation - Rs.0.12 crores ( as at Dec 31, 2008 Rs. 0.73 crores;as at Mar 31, 2009 Rs.1.58 crores) and Net Value Rs.1.45 crores ( as at Dec 31, 2008 Rs.16.55 crores;as at Mar 31, 2009 Rs.15.91 crores).

(iv) Also refer note no 2.7

(v) Interest and finance cost capitalized during the period ended Dec 31, 2009 Rs.15.44 crores ( during the period ended Dec 31, 2008 Rs. 2.99 crores;during the year ended Mar 31, 2009 Rs.6.46 crores)

3 Capital work- in- progress comprise

-advance towards project assets Rs.77.02 crores ( as at Dec 31, 2008 Rs. 59.95 crores; as at Mar 31, 2009 Rs. 70.36 crores)

-others Rs. 1.58 crores ( as at Dec 31, 2008 Rs. 2.50 crores; as at Mar 31, 2009 Rs.1.53 crores)

\$ Rs. 0.00 crores denotes figures less than Rs.50,000

**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**Rs. in Crores**

	As at Dec 31, 2009	As at Dec 31, 2008	As at March 31, 2009
<b>VII Investments</b>			
<b>Non-Trade ,Unquoted and Fully Paid-up</b>			
<b>Long Term Investments</b>			
In Companies			
a. 200,000 Equity Shares of Srilankan Rs.10 each of First Capital Asset Management Co. Ltd., Sri Lanka	0.10	0.10	0.10
b. 37,500 Equity Shares of Egyptian Pounds 100 each of Nile Information Technology	3.50	3.25	3.50
c. National Savings Certificate*	0.00	0.00	0.00
d. 8% holding in Four Seasons Software, LLC, a 'S' corporation, Connecticut, USA Less : Provision for diminution in the value thereof	2.10 2.10	2.10 2.10	2.10 2.10
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Current Investments</b>			
In Mutual Fund units (Repurchase value as on December 31, 2009 Rs. 102.35 crores)	102.35	-	-
<b>Aggregate value Investments</b>	<u>105.95</u>	<u>3.35</u>	<u>3.60</u>
\$ Rs. 0.00 denotes figures less than Rs. 50000			
<b>VIII Current Assets, Loans and Advances</b>			
<b>A Current Assets</b>			
a) Inventories	4.79	9.91	11.06
b) Sundry Debtors	485.38	440.39	483.10
c) Unbilled Revenues	254.20	338.57	277.36
d) Cash and Bank Balances :			
i. Cash on hand	0.22	0.66	0.25
ii. Balances with banks:			
in current accounts *	166.63	163.71	226.09
in deposit accounts	19.92	20.46	18.42
in escrow account	23.49	-	57.35
in margin money accounts	12.49	23.87	17.50
	<u>222.54</u>	<u>208.04</u>	<u>319.36</u>
	<u>222.75</u>	<u>208.70</u>	<u>319.61</u>
	<u>967.12</u>	<u>997.57</u>	<u>1,091.13</u>
* Includes cheques on hand and remittances - in - transit	0.24	4.36	7.53
<b>B Loans and Advances</b> (Unsecured, Considered good)			
Loans to staff	0.24	0.36	0.30
Advance tax and tax deducted at source (net of provisions of Rs.85.42 crores; previous period RS.57.47 crores previous year Rs.64.64 crores)	57.04	31.70	32.52
MAT Credit Receivable	59.30	28.85	36.99
Deposits	80.27	67.31	72.37
Advances recoverable in cash or in kind or for value to be received	285.30	186.61	189.36
	<u>482.16</u>	<u>314.83</u>	<u>331.54</u>
	<u>1,449.28</u>	<u>1,312.40</u>	<u>1,422.67</u>

**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**Rs. in Crores**

	As at Dec 31, 2009	As at Dec 31, 2008	As at March 31, 2009
<b>IX Current Liabilities and Provisions</b>			
<b>A Current Liabilities</b>			
Acceptances	24.09	8.60	13.45
Sundry creditors	331.51	352.45	304.03
Advances received from Customers (including unearned income)	37.63	10.57	30.93
Interest accrued but not due	3.07	1.57	2.18
Other liabilities	89.36	72.84	76.24
	<u>485.66</u>	<u>446.03</u>	<u>426.83</u>
<b>B Provisions</b>			
Provision for employee benefits	28.85	29.05	28.62
Provision for warranty	10.39	7.61	8.40
Proposed dividend (including tax thereon)	1.23	1.24	24.14
	<u>40.47</u>	<u>37.90</u>	<u>61.16</u>
	<u>526.13</u>	<u>483.93</u>	<u>487.99</u>

\$ Rs. 0.00 denotes figures less than Rs. 50000

**3i INFOTECH LIMITED**  
**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Rs. in Crores</b>				
	<b>For the quarter ended Dec 31, 2009</b>	<b>For the quarter ended Dec 31, 2008</b>	<b>For the period ended Dec 31, 2009</b>	<b>For the period ended Dec 31, 2008</b>	<b>For the year ended March 31, 2009</b>
<b>X Income from Operations</b>					
Software Products	193.06	202.84	580.67	602.18	811.23
IT / IT Enabled Services	164.66	197.29	568.70	572.04	748.17
Transaction Services	238.49	208.69	670.88	504.66	726.24
	<u>596.21</u>	<u>608.82</u>	<u>1,820.25</u>	<u>1,678.88</u>	<u>2,285.64</u>
<b>XI Other Income</b>					
Interest	0.52	0.54	1.42	1.88	2.00
Dividend - on current investment (Non-Trade)	1.06	0.04	1.17	0.29	0.29
Profit on sale of fixed assets (net)	0.04	-	-	-	-
Credit balances / excess provision written back (net)	-	-	1.32	-	-
Foreign Exchange gain (net)	1.64	0.43	5.08	6.09	8.31
Miscellaneous income	2.39	5.77	6.91	6.96	8.46
	<u>5.65</u>	<u>6.78</u>	<u>15.90</u>	<u>15.22</u>	<u>19.06</u>
<b>XII Operating, Selling and Other Expenses</b>					
Salary and related expenses	307.81	275.79	890.27	732.53	997.09
Recruitment and Training Expenses	0.58	3.70	2.07	8.09	10.12
Cost of third party products / outsourced services	97.33	134.38	351.04	374.60	512.66
Rent	21.45	22.03	66.74	64.20	86.91
Insurance	2.16	6.11	8.14	13.09	19.95
Travelling and conveyance	15.30	20.80	45.47	60.56	78.91
Electricity Charges	3.80	4.76	11.45	12.37	16.63
Rates and taxes	2.71	1.75	5.67	4.90	5.94
Communication expenses	6.54	6.79	18.31	18.52	24.66
Loss on sale/discarding of Fixed Assets (net)	-	0.07	0.26	0.10	1.04
Printing and stationery	0.86	2.04	3.02	4.65	7.21
Repairs and maintenance - building	0.79	0.85	2.47	2.33	3.07
Directors' Commission	-	-	-	-	0.70
Foreign Exchange Loss (net)	-	-	-	-	-
Legal and professional charges	4.73	6.42	13.09	11.99	17.01
Bank Charges and other financial charges	5.10	1.54	10.73	4.18	5.69
Selling and distribution expenses	2.38	7.60	9.09	12.99	17.46
Bad debts written off	2.09	2.05	5.71	3.49	9.02
Less: Provisions withdrawn	(2.09)	(2.05)	(5.71)	(3.49)	(9.02)
Provision for doubtful debts	2.69	2.73	12.27	15.40	18.38
Impairment of acquired software & losses on foreclosure of contracts (net of reversal of contingency provision of Rs 12.01 crores)	-	-	-	15.21	15.21
Miscellaneous Expenses	2.35	1.46	11.12	7.79	12.58
	<u>476.58</u>	<u>498.82</u>	<u>1,461.21</u>	<u>1,363.50</u>	<u>1,851.22</u>

### **3i INFOTECH LIMITED**

#### **XIII SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS AS AT AND FOR THE PERIOD ENDED DECEMBER 31, 2009.**

##### **1. SIGNIFICANT ACCOUNTING POLICIES**

###### **1.1 Overview of the Group**

3i Infotech Limited ('Parent') was promoted by erstwhile ICICI limited. The Parent and its subsidiaries, associate and joint venture are collectively referred to as 'the Group'. The Group is a global information technology conglomerate headquartered in Mumbai, India. The Group undertakes sale of software products, software development and consulting services, IT enabled managed services and Transaction services.

###### **1.2 Basis of preparation of consolidated financial statements**

The consolidated financial statements are prepared and presented under historical cost convention, on the accrual basis of accounting, in accordance with the accounting principles generally accepted in India ('GAAP') and in compliance with the Accounting Standards ('AS') issued by The Companies (Accounting Standards) Rules, 2006, to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard required a change in accounting policy hitherto in use.

###### **1.3 Use of estimates**

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosures of an item or information in the financial statements are made relying on these estimates. Any revision to accounting estimates is recognized prospectively.

###### **1.4 Principles of consolidation**

The consolidated financial statements include the financial statements of "The Parent" and all its subsidiaries, which are more than 50% owned or controlled and have been prepared in accordance with the consolidation procedures laid down in AS 21- 'Consolidated Financial Statements'.

The consolidated financial statements have been prepared on the following basis:

- The financial statements of the Parent and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting profits in full. Unrealized losses resulting from intra-group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group.
- In accordance with AS 27- "Financial Reporting of Interests in Joint Ventures", the Group has accounted for its proportionate share of interest in a joint venture by the proportionate consolidation method. The joint venture arrangement has been more fully described in Note below (refer note 2.4.9).
- Associate: Investment in associate companies have been accounted under the equity method as per AS 23- "Accounting for Investments in Associates".
- The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent for its standalone financial statements.
- The consolidated financial statements are prepared using uniform accounting policies across the Group.  
Goodwill arising on consolidation

The excess of cost to the Parent, of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in subsidiaries was made, is recognized in the financial statements as goodwill and in the case where equity exceeds the cost; the same is being adjusted in the said goodwill. The Parent's portion of equity in the subsidiaries is determined on the basis of the value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

- Entities acquired during the period/ year has been consolidated from the respective dates of their acquisition.

#### 1.5 Members of the Group:

3i Infotech's subsidiaries, step down subsidiaries, associate and joint venture are listed below:

<u>Sl No.</u>	<u>Entity</u>	<u>Country of incorporation</u>	<u>Percentage of holding</u>	<u>Date of acquisition/ establishment</u>
1	3i Infotech Inc.	USA	100% held by 3i Infotech Holdings Private Limited	Jan 7, 2000
2	3i Infotech Asia Pacific Pte Ltd.	Singapore	100% held by Parent Company	Nov 8, 2000
3	3i Infotech SDN BHD	Malaysia	100% held by 3i Infotech Pte Ltd.	Sep 29, 2002
4	3i Infotech (UK) Ltd.	UK	100% held by Parent Company	April 1, 2005
5	3i Infotech (Thailand) Ltd.	Thailand	100% held by 3i Infotech Pte Ltd.	May 12, 2005
6	3i Infotech Consulting Inc.	USA	100% held by 3i Infotech Inc.	Sep 26, 2005
7	Datacons Asia Pacific SDN BHD	Malaysia	100% held by 3i Infotech Pte Ltd.	May 11, 2006
8	Delta Services (India) Pvt. Ltd.	India	100% held by Parent Company	Jun 30, 2009
9	3i Infotech Trusteeship Services Ltd.	India	100% held by Parent Company	Aug 31, 2006
10	3i Infotech (Western Europe) Holdings Ltd.	UK	100% held by 3i Infotech (UK) Limited	Oct 20, 2006
11	3i Infotech (Western Europe) Group Ltd.	UK	100% held 3i Infotech (Western Europe) Holdings Limited	Oct 20, 2006
12	Rhyme Systems Ltd.	UK	100% held by 3i Infotech (Western Europe) Group Limited	Oct 20, 2006
13	3i Infotech (Western Europe) Ltd.	UK	100% held by 3i Infotech (Western Europe) Group Limited	Oct 20, 2006
14	Stex Software Pvt. Ltd.	India	100% held by Parent Company	Nov 7, 2006
15	E-Enable Technologies Pvt. Ltd.	India	100% held by Parent Company	Nov 20, 2006
16	3i Infotech Holdings Pvt. Ltd.	Mauritius	100% held by Parent Company	Nov 20, 2006
17	3i Infotech Financial Software Inc.	USA	100% held by 3i Infotech Holdings Private Limited	Dec 18, 2006
18	3i Infotech Saudi Arabia LLC	Saudi Arabia	100% held by Parent Company	Dec 24, 2006
19	3i Infotech (Africa) Ltd.	Kenya	100% held by 3i Infotech	April 27, 2007

			(Middle East) FZ LLC	
20	Black Barret Holdings Ltd.	Cyprus	100% held by 3i Infotech Holdings Private Limited	May 8, 2007
21	Professional Access Software Development Pvt. Ltd.	India	100% held by Black Barret Holdings Limited	May 8, 2007
22	Professional Access Ltd.	USA	100% held by 3i Infotech Holdings Private Ltd.	May 8, 2007
23	aok In-house BPO Services Ltd.	India	100% held by Parent Company	Jun 30, 2009
24	aok In-house Factoring Services Pvt. Ltd.	India	100% held by Parent Company	Jun 30, 2009
25	KNM Services Pvt. Ltd.	India	100% held by Parent Company	May 29, 2007
26	Lantern Systems Inc. *	USA	100% held by 3i Infotech Inc.	April 3, 2009
27	3i Infotech Kazakhstan LLC.	Kazakhstan	100% held by 3i Infotech Holdings Private Limited	June 29, 2007
28	3i Infotech (Middle East) FZ LLC.	UAE	100% held by 3i Infotech Holdings Private Limited	July 1, 2007
29	ePower Inc. *	USA	100% held by 3i Infotech Inc.	April 3, 2009
30	Manipal Informatics Pvt. Ltd.	India	100% held by Delta Services (I) Pvt. Ltd.	July 29, 2007
31	HCCA Business Services Pvt. Ltd.	India	100% held by Parent Company	Jun 30, 2009
32	Taxsmile.com India Pvt.Ltd	India	100% held by 3i Infotech Consumer Services Ltd.	Sep 1, 2007
33	Antriksh Interactive Pvt. Ltd.	India	100% held by Taxsmile .com India Pvt. Ltd.	Sep 1, 2007
34	Access Matrix Technologies Pvt. Ltd.	India	100% held by Taxsmile .com India Pvt. Ltd.	Sep 1, 2007
35	J&B Software Inc.	USA	100% held by 3i Infotech Financial Software Inc.	Nov 1, 2007
36	J&B Software (Canada) Inc.	Canada	100% held by J&B Software Inc.	Nov 1, 2007
37	Objectsoft Group Inc. *	USA	100% held by 3i Infotech Inc.	April 3, 2009
38	3i Infotech Consultancy Services Ltd.	India	100% held by Parent Company	Nov 13, 2007
39	3i Infotech BPO Limited.(formerly known as Linear Financial and Management Systems Pvt. Ltd.)	India	100% held by Parent Company	Dec 1, 2007
40	Exact Technical Services Ltd.	UK	100% held by 3i Infotech (Western Europe) Ltd.	Jan 29, 2008
41	3i Infotech Framework Ltd.	UK	100% held by 3i Infotech (Western Europe) Ltd.	Feb 8, 2008
42	3i Infotech (Australia) Pty. Ltd.	Australia	100% held by 3i Infotech Asia Pacific Pte Ltd.	Feb 5, 2008
43	3i Infotech Services (Bangladesh) Pvt. Ltd.	Bangladesh	100% held by Parent Company	Mar 4, 2008
44	3i Infotech Insurance & Re-insurance Brokers Ltd.	India	100% held by Parent Company	March 11, 2008
45	Locuz Enterprise Solutions Ltd.	India	51% held by Parent Company	May 8, 2008
46	3i Infotech Consulting Services SDN BHD	Malaysia	100% held by 3i Infotech SDN BHD	May 2, 2008
47	J&B Software India Pvt. Ltd.	India	100% held by Parent Company	June 1, 2008



48	Fineng Solutions Pvt. Ltd.	India	60% held by Parent Company	June 9, 2008
49	Regulus Group LLC	USA	100% held by Regulus Holdings Inc.	June 10, 2008
50	Regulus Integrated Solutions LLC	USA	100% held by Regulus Group LLC	June 10, 2008
51	Regulus West LLC	USA	100% held by Regulus Group LLC	June 10, 2008
52	Regulus America LLC	USA	100% held by Regulus Group LLC	June 10, 2008
53	Regulus Tristate LLC	USA	100% held by Regulus Group LLC	June 10, 2008
54	3i Infotech Consumer Services Ltd.	India	100% held by Parent Company	June 26, 2008
55	Elegon Infotech Ltd. #	China	100% held by Parent Company	July 10, 2008
56	Regulus Holdings Inc.	USA	100% held by 3i Infotech Financial Software Inc.	Oct 31, 2008
57	Regulus Group II LLC	USA	100% held by Regulus Holdings Inc.	Jun 30, 2009

\* During the period, 3i infotech(Middle East) FZ LLC transferred its entire membership interest in Objectsoft Group Inc., ePower Inc. and Lantern Systems Inc. to 3i Infotech Inc.

\*\* Objectsoft Global Services Inc has been merged with Objectsoft Group Inc.

\*\*\* Nile Information Technology (Nile) was considered as an Associate till June 2009. The Group ceases to have significant influence during the period; hence the investment in Nile is now considered as a non-trade Investment.

# Refer note no. 2.4.9

## 1.6 Revenue Recognition

Revenue from software products is recognized on delivery/installation, as per the pre determined/laid down policy across all geographies or lower, as considered appropriate by the management on the basis of facts in specific cases. Maintenance revenue in respect of products is deferred and recognized ratably over the period of the underlying maintenance agreement.

Revenue from IT services is recognized either on time and material basis or fixed price basis or based on certain measurable criteria as per relevant agreements. Revenue on time and material contracts is recognized as and when services are performed. Revenue on fixed-price contracts is recognized on the percentage of completion method. Provision for estimated losses, if any, on such uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

Revenue from transaction services and other service contracts is recognized based on transactions processed or manpower deployed.

Revenue from supply of Hardware/Outsourced Software License/Term License/other materials is incidental to the aforesaid services recognized based on delivery/installation, as the case may be. Recovery of incidental expenses is added to respective revenue.

## 1.7 Unbilled and Unearned Revenue:

Revenue recognized over and above the billings on a customer is classified as “unbilled revenue” while billing over and above the revenue recognized in respect of a customer is classified as “unearned revenue”.

## 1.8 a. Fixed Assets

Intangible: Purchased software meant for in house consumption and significant upgrades thereof, Goodwill and Business & Commercial Rights are capitalized at the acquisition price.

Acquired software/products meant for sale are capitalized at the acquisition price.

Costs in respect of Software development are charged to Profit & Loss account as and when incurred.

Tangible: Fixed Assets are stated at cost, which comprises of purchase consideration and other directly attributable cost of bringing an asset to its working condition for the intended use.

Advances given towards acquisition of fixed assets and the cost of assets not ready for use as at the balance sheet date are disclosed under capital work-in-progress.

## b. Depreciation/Amortization:

Leasehold land, leasehold building and improvements thereon are amortized over the period of lease or the life given below whichever is lower.

Business & Commercial Rights are amortized at lower of the period the benefits arising out of these are expected to accrue and ten years, while purchased software meant for in house consumption and significant upgrades thereof and Goodwill arising on merger/acquired Goodwill is amortized over a period of five years.

Project Assets/acquired software are amortized at lower of the estimated life of the product /project and five years.

Depreciation on other fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. In the case of some subsidiary companies, it is provided on straight line basis over the estimated useful lives of the assets given herein below:

Fixed Asset	Useful life in years
Leasehold improvements	1 – 5
Furniture, Fixtures and Equipment	3 – 8
Vehicles	3 – 8
Computers	3 – 6

## 1.9 Investments

Trade investments are the investments made to enhance the Company’s business interest. Investments are either classified as current or long-term based on the management’s intention at the time of purchase. Long-term investments are carried at cost and provision is made to recognize any decline, other than temporary, in the value of such investments.

Current investments are carried at the lower of the cost and fair value and provision is made to recognize any decline in the carrying value. Cost of overseas investment comprises the Indian Rupee value of the consideration paid for the investment.

## **1.10 Accounting for Taxes on Income**

Provision for current income tax is made on the basis of the estimated taxable income for the period/year in accordance with the specific applicable laws.

MAT credit asset pertaining to the Parent and its Indian subsidiary company is recognized and carried forward only if there is a reasonable certainty of it being set off against regular tax payable within the stipulated statutory period.

Provision for Fringe Benefit Tax (FBT) is made in accordance with the Income Tax Act, 1961.

Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized and carried forward only if there is a reasonable/virtual certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

The deferred tax assets/liabilities and tax expenses are determined separately for the Parent and each subsidiary company, as per their applicable laws and then aggregated.

## **1.11 Translation of Foreign Currency Items**

Transactions in foreign currency are recorded at the rate of exchange in force on the date of the transactions. Current assets, current liabilities and borrowings denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet. The resultant gain/loss are recognized in the Profit & Loss account. Overseas equity investments are recorded at the rate of exchange in force on the date of allotment/acquisition.

All the activities of the foreign operations are carried out with a significant degree of autonomy. Accordingly, as per the provisions of AS 11 "Effects of changes in foreign exchange rates", these operations have been classified as 'Non integral operations' and therefore all assets and liabilities, both monetary and non-monetary, are translated at the closing rate while the income and expenses are translated at the average rate for the period/year. The resulting exchange differences are accumulated in the Foreign Currency Translation Reserve.

## **1.12 Accounting of Employee Benefits**

### **Employee Benefits in India**

#### **a) Gratuity**

##### **(i) Parent**

The Parent Company provides for gratuity, a defined benefit retirement plan, covering eligible employees. Liability under gratuity plan is determined on the actuarial valuation done using Projected Unit Credit Method based upon which, the Company contributes to the Scheme with LIC .

##### **ii) Subsidiaries**

Liability for Gratuity for employees is provided quarterly on the basis of the actuarial valuation at the year end.

**b) Superannuation**

Certain employees in India are also participants in a defined superannuation contribution plan. The Parent contributes to the scheme with Life Insurance Corporation of India on a monthly basis. The Parent has no further obligations to the plan beyond its monthly contributions.

**c) Provident fund****(i) Parent**

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. In case of Trust, aggregate contribution along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the Parent make a monthly contribution to the Provident Fund Trust/Government administered trust equal to a specified percentage of the covered employee's salary.

The interest rate payable by the trust to the beneficiaries every year is being notified by the Government. The Parent has an obligation to make good the shortfall, if any, between the return from investments of the trust and the notified interest rate. Such shortfall is charged to Profit & Loss account in the period/year it is determined.

**(ii) Subsidiaries**

Contribution is made to the state administered fund as a percentage of the covered employees' salary.

**d)** Liability for leave encashment/entitlement for employees is provided on the basis of the actuarial valuation at the period/year end.

**e)** All actuarial gains/losses are charged to revenue in the period/year these arise.

**Employee Benefits in the Foreign Branch**

In respect of employees in foreign branches, necessary provision has been made based on the applicable laws. Gratuity/leave encashment for employees in the foreign branches is provided on the basis of the actuarial valuation at the year end.

All actuarial gains/losses are charged to revenue in the period/year these arise.

**Employee Benefits in Foreign Subsidiary Companies/Joint Venture**

In respect of employees in Foreign Subsidiary Companies, contributions to defined contribution pension plans are recognized as an expense in the Profit & Loss account as incurred.

Liability for leave encashment is provided on the basis of actual eligibility at the period/year end.

**1.13 Provisions, Contingent Liabilities and Contingent Assets**

- i. Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources
- ii. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.
- iii. Contingent Assets are neither recognized nor disclosed in the financial statements.

#### **1.14 Borrowing Costs**

Borrowing costs directly attributable to acquisition, construction and production of qualifying assets are capitalized as a part of the cost of such asset up to the date of completion. Other borrowing costs are charged to the Profit & Loss account.

#### **1.15 Impairment of Assets**

In accordance with AS 28 on 'Impairment of Assets', where there is an indication of impairment of the Group's assets related to cash generating units, the carrying amounts of such assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized in the Profit & Loss account whenever the carrying amount of such assets exceeds its recoverable amount. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to the extent of the carrying value of the asset that would have been determined (net of amortization/depreciation) had no impairment loss been recognized.

#### **1.16 a) Securities Issue Expenses**

Securities issue expenses, Issue expenses including expenses incurred on increase in authorized share capital and premium payable on securities are adjusted against Securities Premium Account.

#### **b) Premium payable on FCCB**

Premium payable on redemption of FCCB is amortized proportionately till the date of redemption and is adjusted against the balance in Securities Premium account.

#### **1.17 Lease**

Where the Group has substantially acquired all risks and rewards of ownership of the assets, leases are classified as financial lease. Such assets are capitalized at the inception of the lease, at the lower of fair value or present value of minimum lease payment and liability is created for an equivalent amount. Each lease rental paid is allocated between liability and interest cost so as to obtain constant periodic rate of interest on the outstanding liability for each period / year.

Where significant portion of risks and reward of ownership of assets acquired under lease are retained by lessor, leases are classified as Operating lease. Equalized lease rentals for such leases are charged to Profit & Loss account.

#### **1.18 Earnings Per Share**

In determining the earnings per share, the Company considers the net profit after tax and post tax effect of any extra-ordinary/exceptional item is shown separately. The number of shares considered in computing basic earnings per share is the weighted average number of shares outstanding during the period / year. The number of shares considered for computing diluted earnings per share comprises the weighted average number of shares used for deriving the basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares which includes potential FCCB conversions. The number of shares and potentially dilutive equity shares are adjusted for any stock splits and bonus shares issues.

#### **1.19 Inventories**

Inventories consist of postage, paper, envelopes, hardware and supplies, and are stated at cost (computed on first in first out or weighted average basis as the case may be) or net realizable value, whichever is lower.

## 2. NOTES TO ACCOUNTS

2.1 Figures for the previous period/year have been re-grouped/re-arranged, wherever considered necessary, to conform to current period/year's presentation. The current period/year's figures are not comparable with those of the previous period/year to the extent of acquisitions made by the Group during the current year and those made during the previous period / year.

### 2.2 Capital commitments and contingent liabilities

	Rs. in Crores		
	As at Dec 31, 2009	As at Dec 31, 2008	As at March 31, 2009
<b>Capital Commitments*</b>			
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	30.15	53.04	127.14
<b>Contingent Liabilities</b>			
Outstanding guarantees	7.36	3.13	6.70
- Premium on redemption of FCCB (Refer Note No. 2.5)	99.99	219.72	165.21
Estimated amount of claims against the Group not acknowledged as debts in respect of :			
-Disputed demands for Income Taxes	25.85	2.59	2.76
-Disputed Sales Tax matter	1.08	1.08	-
- Customer claims	7.10	0.02	0.02
- Others**	19.00	0.79	19.99

\*Including commitments pertaining to acquisitions, except where amount is not ascertainable as mentioned in note no.2.4.

\*\*Includes claim in respect of legal cases relating to Registrar & Transfer Services, which are reimbursable by the Principal to the extent of Rs. 1.15 crores (as at Dec 31, 2008 – Rs. 0.36 cores and as at March 31, 2009 - Rs.0.34 crores).

2.3 Pursuant to the shareholders' approval at the Annual General Meeting held on July 28, 2009, the Committee of the Board of Directors of the Parent Company has, at its meeting held on September 25, 2009, issued and allotted 37,500,000 fully paid-up Equity Shares, at a price of Rs.84.75 per Equity Share (including a premium of Rs.74.75 per Equity Share), aggregating to Rs. 317.81 crores. Out of the said proceeds, Rs. 264.90 crores have been applied towards the objects of issue (including Rs. 10.53 crores of the issue expenses) and the balance of Rs. 52.91 crores, which is yet to be utilised, is parked in short term liquid investment.

2.4.1 Effective April 2009, the Parent Company acquired balance 49% of paid up capital of

- a) aok In-house BPO Services Limited, New Delhi, for a consideration of Rs 15.67 crores.
- b) aok In-house Factoring Services Pvt. Limited, New Delhi, for a consideration of Rs 2.41 crores.
- c) Delta Services (India) Pvt Ltd, Mumbai, (DSIPL) for a consideration of Rs 14.75 crores.
- d) HCCA Business Services Private Ltd., Mumbai, for a consideration of Rs 13.50 crores.

Excess of consideration over the value of the net worth is shown as goodwill arising on consolidation.

- 2.4.2** In April 2008, the Parent Company entered into a share purchase agreement with the owners of Locuz Enterprise Solutions Ltd., Hyderabad, to acquire the 260,000 shares (representing 26.00% of the paid up equity capital of Locuz Enterprise Solutions Ltd.) for a consideration of Rs.6.93 crores. In November, 2009, the Parent Company acquired further 25% stake in Locuz Enterprise Solutions Limited for a consideration of Rs 5.32 crores along with a commitment to acquire the balance of the paid up capital at a future date for additional consideration payable on achieving certain measurable criteria such as future revenue/profitability etc., as per the agreement.

Excess of consideration over the value of the net worth of Locuz is shown as goodwill arising on consolidation.

- 2.4.3** In May 2008, the Parent Company entered into a share purchase agreement with the owners of FinEng Solutions Private Limited, Mumbai to acquire the 60,165 shares (representing 51.00% of the paid up equity capital of FinEng Solutions Private Limited) for a consideration of Rs 17.73 crores. In June 2009, the Parent Company has acquired additional 9% of the paid up capital of FinEng Solutions Private Limited for a consideration of Rs 3.67 crores. As agreed in the Share Purchase Agreement, in October 2009 the Company made an upside payment of Rs. 2.71 crores to the Promoter Shareholders of FinEng Solutions Private Limited. The Parent Company has a commitment to acquire the balance of the paid up capital at a future date for additional consideration payable on achieving certain measurable criteria such as future revenue/profitability etc., as per the agreement.

Excess of consideration over the value of the net worth of FinEng is shown as goodwill arising on consolidation.

- 2.4.4** In July, 2009, Regulus Holding, Inc., acquired membership interest in Regulus Group II LLC for a consideration of USD 9.25 million (approximately equivalent to INR 44.99 crores) and possible obligations of USD 9.91 million (approximately equivalent to INR 47.90 crores).

Accordingly, consideration paid (net of assets acquired) and further expenditure incurred of USD 4.69 million (out of possible obligations) as been recognized as goodwill aggregating to INR 72.10 crores arising on consolidation.

The balance of possible obligations of USD 5.22 million (approximately equivalent to INR Rs, 38.04 crores) has been shown under capital commitments and will be accounted as goodwill arising on consolidation as and when determined/incurred.

- 2.4.5** In September 2007, the Parent Company entered into a share purchase agreement with the owners of Taxsmile.com India Pvt. Ltd., Mumbai, to acquire the 1,040,000 shares (representing 26% of the paid up equity capital of Taxsmile.com India Pvt. Ltd., Mumbai) for a consideration of Rs 2.08 crores. In May 2009, the Parent Company acquired additional 25% of the paid up capital for a consideration of Rs 2.00 crores along with a commitment to acquire the balance of the paid up capital at a future date for additional consideration payable on achieving certain measurable criteria such as future revenue/ profitability etc., as per the agreement. In October 2009, the Parent Company acquired the balance 49% stake for a consideration of Rs. 3.92 crores. The Parent Company vide a Share Purchase Agreement dated December 30, 2009 has transferred entire investment in Taxsmile.com India Pvt. Ltd. to its wholly owned subsidiary 3i Infotech Consumer Services Limited.

Excess of consideration over the value of the net worth of Taxsmile.com India Pvt. Ltd. is shown as goodwill arising on consolidation.

**2.4.6** In May 2007, 3i Infotech Holdings Private Limited, Mauritius, entered into a share purchase agreement with the owners of Professional Access Limited to acquire 51 shares (representing 51% of the paid up equity capital of Professional Access) for a consideration of USD 2.04 million along with a commitment to acquire the balance 49% of the paid up capital at a future date for further consideration payable on achieving certain measurable criteria such as future revenue/profitability etc., as per the agreement. In November 2009, 3i Infotech Holdings Private Limited acquired the balance 49% stake for a consideration of USD 2.45 million.

Excess of consideration over the value of the net worth of Professional Access is shown as goodwill arising on consolidation.

**2.4.7** In May 2007, 3i Infotech Holdings Private Limited, Mauritius, entered into a share purchase agreement with the owners of Black Barret Holdings Limited to acquire 510 shares (representing 51% of the paid up equity capital of Black Barret) for a consideration of USD 10.20 million along with a commitment to acquire the balance 49% of the paid up capital at a future date for further consideration payable on achieving certain measurable criteria such as future revenue/profitability etc. In November 2009, 3i Infotech Holdings Private Limited acquired the balance 49% stake for a consideration of USD 27.55 million.

Excess of consideration over the value of the net worth of Black Barret is shown as goodwill arising on consolidation.

**2.4.8** The Board of directors of the Parent Company have approved the Amalgamation of KNM Services Private Limited (KNM), Stex Software Private Limited (Stex), E-Enable Technologies Private Limited (E-Enable) and J&B Software India Private Limited (J&B) with the Parent Company. In this regard, the Parent Company has received the in principle approval from both the Stock Exchanges. The Parent Company is in process of filing a joint petition with KNM, Stex and E-Enable before the Bombay High Court and a single petition for J & B in Madras High Court.

**2.4.9 (a)** In May 2008, 3i Infotech Ltd. and Yucheng Technologies Limited, China (Yucheng) entered into a joint venture contract for the establishment of Joint Venture Company in China. In pursuance to this, a Joint Venture Company, Elegon Infotech Limited (Elegon) was set up in China in August 2008, wherein the Company's interest in the equity was 51%. In June 2009, an Equity Transfer Agreement was signed between the Company and Yucheng, whereby, the entire 49% interest held by Yucheng was acquired by the Company for a total consideration of Rs 5.93 crores. In November 2009, Elegon Infotech Limited has become a wholly-owned subsidiary of after obtaining necessary approvals.

The aggregate amounts of the assets, liabilities, income and expenses related to Group's share till it was considered as JV are as under:

<b>Rs.in Crores</b>			
	<b>As at Dec 31, 2009</b>	As at Dec 31, 2008	As at March 31, 2009
Assets	-	20.09	22.27
Liabilities	-	19.28	21.68



<b>Rs. in Crores</b>					
	<b>For the quarter ended Dec 31, 2009</b>	For the quarter ended Dec 31, 2008	For the period ended Dec 31, 2009	For the period ended Dec 31, 2008	For the year ended March 31, 2009
Income	-	0.01	0.74	0.01	0.50
Expense	-	2.52	4.18	2.59	4.71

<b>Rs. in Crores</b>			
	<b>As at Dec 31, 2009</b>	As at Dec 31, 2008	As at Mar 31, 2009
Contingent Liability	-	NIL	NIL
Capital Commitments	-	NIL	NIL

(b) Income for the period ended includes Rs. Nil (for the period ended Dec 31, 2008 Rs.17.40 crores, for the year ended March 31,2009 Rs.18.27 crores ) arising out of transfer of Intellectual Property Rights and marketing rights in certain products to the Joint Venture which was recoverable as per the Joint Venture Agreement. During the quarter, consequent to Elegon becoming a wholly owned subsidiary as mentioned above, the aforesaid income included in opening reserves and corresponding assets have been reversed on consolidation.

#### **2.5 Foreign Currency Convertible Bonds (FCCB):**

The Parent Company has issued Foreign Currency Convertible Bonds (FCCB) at different points of time, the details of such FCCB issues are summarized as follows:

	<b>First Issue</b>	<b>Second Issue</b>	<b>Third Issue</b>	<b>Fourth Issue</b>
Issue currency	USD	EURO	EURO	USD
Issue size	50 million	15 million	30 million	100 million
Issue date	Mar 16, 2006	Oct 16, 2006	Apr 2, 2007	Jul 26, 2007
Maturity date	Mar 17, 2011	Oct 17, 2011	Apr 3, 2012	Jul 27, 2012
Coupon rate	Zero coupon	1.50%	Zero coupon	Zero coupon
Conversion price–post bonus	Rs. 115.00	Rs. 95.00	Rs. 154.32	Rs. 165.94
Fixed exchange rate of conversion	Rs. 44.35	Rs. 58.28	Rs. 57.60	Rs. 40.81
Early redemption option *	Yes	Yes	Yes	Yes
Conversions as at –				
Dec 31, 2009	29.80 million	15.00 million	NIL	NIL
Dec 31, 2008	29.80 million	15.00 million	NIL	NIL
March 31, 2009	29.80 million	15.00 million	NIL	NIL
Bought back as at –				
Dec 31, 2009	NIL	NIL	10.00 million	33.63 million
Dec 31, 2008	NIL	NIL	NIL	NIL
March 31, 2009	NIL	NIL	4.00 million	25.13 million
Contingent premium payable as at - (Rs. in crores)				
Dec 31, 2009	17.11	NIL	24.23	58.65
Dec 31, 2008	17.94	NIL	54.16	147.62
March 31, 2009	19.92	NIL	41.83	103.46

\* Subject to certain criteria as per offer document.

- 2.6 (i)** During the period ended December 2009, the Parent Company has bought back and cancelled FCCBs (out of the third and the fourth issues) of face value of EUR 6,000,000 and USD 8,500,000 equivalent to Rs. 82.42 crores (for the year ending March 31, 2009, EURO 4,000,000 and USD 25,133,000 equivalent to Rs. 152.99 crores) at a discount resulting in reduction of liability by Rs 29.19 crores (for the year ending March 31, 2009, Rs. 77.05 crores). The same has been shown as exceptional income in the Profit & Loss account.
- (ii)** The Parent Company has incurred an amount of Rs. 1.32 crores towards professional fees (for the year ending March 31, 2009 Rs.51.09 crores towards the advisory fees, legal & other professional fees and other expenses for various financial restructuring assignments including fee and other expenses) in respect of the aforesaid buyback. The same has been shown as exceptional expenditure in the Profit & Loss account.
- 2.7** Commencing from March 2007, the Parent Company had entered into Agreements with some State Governments towards setting up and operating Citizen Service Centers across those states for providing certain government services as well as non-government retail services to consumers.

The total investment made by the Company in setting up those centers including the amount lying in Capital Work- in- Progress as on December 31, 2009 is Rs. 325.78 crores.

During the current quarter, the Parent Company decided to exit from the Master Service Agreements (MSA) of some of the State Governments by paying a penalty/compensation of Rs. 10.92 crores under these contracts which has been charged fully into the Profit & Loss account and disclosed as an exceptional item.

The Parent Company however, continues to provide non-government retail services in those states.

Further, during the current quarter, for the assets not being used for government services on account of the above said exit from MSA's and upon release from obligations with regard to surrender of those assets to state Governments, the estimated useful life has been re-assessed with effect from April 1, 2009. This has resulted in a write back of depreciation of Rs. 7.92 crores. These assets are consequently classified as normal business assets and are expected to have economic useful life longer than the five year period estimated earlier.

**2.8 Goodwill arising on consolidation:**

	<b>Rs. in Crores</b>		
	<b>As at Dec 31, 2009</b>	As at Dec 31, 2008	As at March 31, 2009
<b>Opening balance</b>	<b>1,700.40</b>	1,003.10	1,003.10
Add: Additions during the period / year	<b>276.01</b>	500.55	540.45
Add:(Less) Translation Reserve	<b>(121.70)</b>	95.38	156.85
<b>Closing balance</b>	<b>1,854.71</b>	1,599.03	1,700.40

- 2.9 (a)** In the opinion of the Board, the investments, current assets, loans and advances are realizable at a value, which is at least equal to the amount at which these are stated, In the ordinary course of business and provision for all known and determined liabilities are adequate and not in excess of the amount stated.

- (b) The accounts of certain Sundry Debtors, Creditors, Loans & Advances and Banks are however, subject to confirmations/reconciliations and consequent adjustments, if any. The management does not expect any material difference affecting the current year's financial statements on such reconciliation/adjustments.

## 2.10 Leases:

### a. Operating Lease:

(i) The Parent Company has acquired certain Land and Building under a lease arrangement for a period of sixty years at a premium of Rs.0.50 crores starting from December 4, 2000 for Land and Rs.15.62 crores starting from March 13, 2000 and Rs.5.05 crores from March 1, 2003 for building and the same is being amortized over the lease period. All other lease arrangements in respect of properties are renewable/cancelable at the Group's and/or lessors' option as mutually agreed. The future lease rental payment that the Group is committed to make is:

	Rs. in Crores		
	As at Dec 31, 2009	As at Dec 31, 2008	As at March 31, 2009
Within one year	113.13	75.28	102.30
Later than one year and not later than five years	123.62	96.14	132.82
Later than five years	2.78	-	-

ii) The Group avails from time to time non-cancelable long-term leases for computers, furniture & fixtures and office equipments. The total of future minimum lease payments that the Group is committed to make is:

	Rs. in Crores		
	As at Dec 31, 2009	As at Dec 31, 2008	As at March 31, 2009
Within one year	49.56	22.41	25.74
Later than one year and not later than five years	91.34	49.09	43.97
Later than five years	-	-	-

### b. Financial Lease

There were no material financial leases entered into by the Group.

## 2.11 Deferred Taxation:

The break – up of net deferred tax liability/(asset) for the Group is as under:

	Rs. in Crores		
Deferred Tax Asset:	As at Dec 31, 2009	Current Period (Charge)/Credit#	As at March 31, 2009*
Unabsorbed losses /depreciation	69.20	26.45	49.21
Expenses allowable on payment and others	31.99	(2.07)	33.29
	<b>101.19</b>	<b>24.38</b>	<b>82.50</b>
Deferred Tax Liability:			
Fixed Assets (Depreciation / Amortization)	55.51	15.71	43.89
<b>Net Deferred Tax (Liability) / Asset</b>	<b>45.68</b>	<b>8.66</b>	<b>38.61</b>

# Exclude exchange gain/loss in respect of foreign subsidiaries.

\*Includes deferred tax balance in respect of companies acquired during the year.

## 2.12 Earnings Per Share:

The earnings per share have been computed in accordance with the 'AS 20 – Earnings per share'.

The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

		<b>For the quarter ended Dec 31, 2009</b>	For the quarter ended Dec 31, 2008	<b>For the period ended Dec 31, 2009</b>	For the period ended Dec 31, 2008	For the year ended March 31, 2009
Profit as per accounts (Rs. in crores) (Including profit from Associate)		61.45	69.74	181.63	199.77	266.67
Minority shareholder's Interest (Rs. in crores)		10.43	(5.22)	2.07	(8.25)	(10.62)
Net profit after minority interest (Rs. in crores)		71.88	64.52	183.70	191.52	256.05
Less: Dividend on preference shares paid (incl. corporate taxes)		(0.63)	(0.63)	(4.36)	(4.36)	(6.21)
Less: Dividend on preference shares accrued but not declared (incl. Corporate taxes)		(1.24)	(1.24)	(1.24)	(1.24)	(1.22)
Profit attributable to Equity Shareholders before exceptional items (Rs. in crores)	A	70.01	62.65	178.10	185.92	248.62
Add: Less Profit / loss due to Exceptional items (after considering Provision for contingency) (Rs. In crores)		(10.92)	-	16.94	-	25.96
Profit attributable to Equity Shareholders after exceptional	B	59.09	62.65	195.04	185.92	274.58

items (Rs. In crores)						
Weighted average number of Equity Shares outstanding (Nos.)	C	168,630,584	130,749,841	144,296,115	130,678,665	130,696,488
Add: Effect of dilutive issues of options		2,335,395	17,274	1,788,800	2,667,204	-
Diluted weighted average number of Equity Shares outstanding (Nos.)	D	170,965,978	130,767,115	146,084,915	133,345,869	130,696,488
Nominal value of Equity Shares (Rs.)		10	10	10	10	10
Before exceptional items Basic Earnings Per Share (Rs.)	A / C	4.15	4.79	12.35	14.23	19.02
Diluted Earnings Per Share (Rs.)	A / D	4.09	4.79	12.19	13.94	19.02
After exceptional items Basic Earnings Per Share (Rs.)	B / C	3.50	4.79	13.52	14.23	21.01
Diluted Earnings Per Share (Rs.)	B / D	3.46	4.79	13.35	13.94	21.01

### 2.13 Employee Stock Option Plan:

The Parent Company's Employees Stock Option Plan provides for issue of equity option up to 25% of the paid-up Equity Capital to eligible employees. The scheme covers the managing director, whole time directors and the employees of the subsidiaries, the erstwhile holding Company and subsidiaries of the erstwhile holding Company, apart from the employees of the Company. The options vest in a phased manner over three years with 20%, 30% and 50% of the grants vesting at the end of each year from the date of grant and the same can be exercised within ten years from the date of the grant by paying cash at a price determined on the date of grant.

### Method used for accounting for the share based payment plan:

The Parent Company has elected to use the intrinsic value method to account for the compensation cost of stock options to employees of the Parent Company. Intrinsic value is the amount by which the quoted Market price of the underlying share as on the date of grant exceeds the exercise price of the option.

Summary of the options outstanding under the Employees Stock Option Plan (ESOP):

	As at Dec 31, 2009		As at Dec 31, 2008		As at Mar 31, 2009	
	Options	Weighted average exercise price (Rs.)	Options	Weighted average exercise price (Rs.)	Options	Weighted average exercise price (Rs.)
Options outstanding at beginning of the period/year	26,337,126	105.35	24,051,354	104.20	24,051,354	104.20
Granted during the period /year	680,000	79.47	5,000,000	116.00	5,000,000	116.00
Bonus issue during the period /year	-	-	-	-	-	-
Exercised during the period /year	( 443,250)	47.98	(215,761)	56.02	(215,761)	56.02
Forfeited/lapsed during the period /year	(1,314,952)	111.84	(2,001,217)	114.56	(2,498,467)	119.88
Options outstanding at end of the period /year*	25,258,924	105.30	26,834,376	105.39	26,337,126	105.35
Vested options pending exercise	16,541,424	95.03	11,878,024	81.48	11,710,899	81.10

\*Includes 3,767,000 options granted to managing director/whole time directors and non-executive directors (for the period ended Dec 31, 2008 2,888,600 options and for the year ended March 31, 2009 3,587,000 options).

Weighted average Market price of the shares with respect to stock options exercised during the period ended Dec 31, 2009 is Rs.75.24 (during the period ended Dec 31, 2008 Rs.90.01 and during the year ended March 31, 2009 Rs.75.68).

The following summarizes information about stock options outstanding:

**As at Dec 31, 2009**

Range of Exercise Price	Number of shares arising out of options	Weighted average remaining life (years)	Weighted average Exercise Price (Rs.)
Rs 37 to Rs 50	4,783,214	5	48.94
Rs 57 to Rs 150	20,475,710	7	118.41

**As at Dec 31, 2008**

Range of Exercise Price	Number of shares arising out of options	Weighted average remaining life (years)	Weighted average Exercise Price (Rs.)
Rs 37 to Rs 50	5,434,166	6	48.84
Rs 57 to Rs 150	21,400,210	8	119.75

**As at March 31, 2009**

Range of Exercise Price	Number of shares arising out of options	Weighted average remaining life (years)	Weighted average exercise price (Rs.)
Rs 37 to Rs 50	5,344,466	6	48.85
Rs 57 to Rs 150	20,992,660	8	119.74

**Fair Value methodology for the option**

The fair value of options used to compute net income and earnings per equity share have been estimated on the dates of each grant within the range of Rs. 3.37 to Rs. 61.15 using the Black - Scholes pricing model. The Company estimated the volatility based on the historical share prices. The various assumptions considered in the pricing model for the options granted under ESOP are:

	As at Dec 31, 2009	As at Dec 31, 2008	As at Mar 31, 2009
Dividend yield	1.83%	1.39%	1.72%
Expected volatility	10% - 15.10%	10% - 24.40%	10% - 27.50%
Risk-free interest rate	6.32% - 8.25%	6.32% - 8.25%	6.32% - 8.25%
Expected life of Option	3 – 10 yrs	3 - 10 yrs	3 – 10 yrs

**Impact of Fair value method on Net profit and EPS**

Had the compensation cost for the Parent Company's Stock Option Plan outstanding been determined based on the fair value approach, the Company's net profit income and earnings per share would have been, as indicated below:

	<b>Rs. in Crores</b>		
	For the period ended Dec 31, 2009	For the period ended Dec 31, 2008	For the year ended March 31, 2009
Profit attributable to Equity Shareholders before exceptional items	178.10	185.92	248.62
Add: Stock-based employee compensation expense included in net income	-	-	-
Less: Stock based compensation expense determined under fair value based method	5.86	6.09	8.03
Net Profit :	172.24	179.83	241.09
Basic earning per share (as reported)	12.35	14.23	19.02
Basic earning per share (under fair value method)	11.94	13.76	18.41
Diluted earning per share (as reported)	12.19	13.94	19.02
Diluted earning per share (under fair value method)	11.79	13.49	18.41

## 2.14 Related Party Transactions:

Directors/Key Management Personnel: Mr. V Srinivasan (Managing Director & Chief Executive Officer), Mr. Amar Chintopanth (Executive Director & CFO), Mr. Anirudh Prabhakaran (Executive Director & President – South Asia).

Joint Venture – Elegon Infotech Ltd, China (till September 2009)

Enterprise in which relative of key managerial personnel has substantial interest – Cadenza Solutions Private Limited

The following transactions were carried out with the related parties in the ordinary course of business during the period/year:

	<b>Rs. in Crores</b>				
	<b>For the quarter ended Dec 31, 2009</b>	For the quarter ended Dec 31, 2008	For the period ended Dec 31, 2009	For the period ended Dec 31, 2008	<b>For the year Ended March 31, 2009</b>
<b>Joint Venture - Elegon Infotech Ltd.</b>					
Purchase of Services	-	-	0.67	-	-
Transfer of IPR					18.30
Income	-	-	-	19.02	
<b>Directors, Key Management Personnel and their relatives:</b>					
Remuneration/fees	0.43	0.89	4.65	6.40	7.42
Expenses	0.11	0.01	0.59	0.03	0.65
<b>Enterprise in which relative of key managerial personnel has substantial interest</b>					
Income	0.09	-	0.09	-	-

	<b>Rs. in Crores</b>		
	<b>Outstanding balance as at Dec 31, 2009</b>	Outstanding balance as at Dec 31, 2008	Outstanding balance as at March 31, 2009
<b>Joint Venture – Elegon Infotech Ltd.</b>			
Receivables	-	19.02	20.11
<b>Enterprise in which relative of key managerial personnel has substantial interest</b>			
	0.02	-	-

Related party as identified by the management and relied upon by the auditors.



No balances in respect of the related parties have been provided for/written back/ written off except as stated above.

## 2.15 Disclosures pursuant to AS 17 – Segment Reporting:

- a) IT Service, Software Products and Transaction Service businesses have been considered as primary segments. The Profit & Loss account of the reportable segments is set out here below:

	Rs. in Crores				
	For the quarter ended Dec 31, 2009	For the quarter ended Dec 31, 2008	For the period ended Dec 31, 2009	For the period ended Dec 31, 2008	For the year ended March 31, 2009
<b>b) Segment Revenues:</b>					
Software Products	193.06	202.84	580.67	602.18	811.23
IT / IT Enabled Services	164.66	197.29	568.70	572.04	748.17
Transaction Services	238.49	208.69	670.88	504.66	726.24
<b>Total Revenues</b>	<b>596.21</b>	<b>608.82</b>	<b>1820.25</b>	<b>1,678.88</b>	<b>2285.64</b>
<b>c) Segment Results (Gross Profit):</b>					
Software Products	102.17	105.73	296.20	324.56	439.12
IT / IT Enabled Services	64.01	69.23	229.85	206.87	270.89
Transaction Services	78.09	61.24	210.02	146.92	209.85
<b>Total Segment Results</b>	<b>244.27</b>	<b>236.20</b>	<b>736.07</b>	<b>678.35</b>	<b>919.86</b>
<b>Unallocable expenses:</b>					
Selling and Other expenses	124.64	126.20	377.03	362.97	485.44
Interest	36.22	25.35	106.72	67.01	94.95
Depreciation & Amortization	21.89	19.57	80.90	46.72	70.06
Operating Profit	<b>61.52</b>	65.08	<b>171.42</b>	201.65	<b>269.41</b>
Other Income	5.65	6.78	15.90	15.22	19.06
Profit Before Taxation	<b>67.17</b>	<b>71.86</b>	<b>187.32</b>	<b>216.87</b>	<b>288.47</b>
Less / (Add) Taxes	5.72	2.12	5.69	17.10	22.05
Profit After Taxation	<b>61.45</b>	<b>69.74</b>	<b>181.63</b>	<b>199.77</b>	<b>266.42</b>
Add : Exceptional items	(10.92)	-	16.94	-	25.96
Profit After Taxation & After Exceptional items	<b>50.53</b>	<b>69.74</b>	<b>198.57</b>	<b>199.77</b>	<b>292.38</b>
Add : Share of Profit in Associate		-			0.25
Less : (Add) Minority Shareholders' Interest	(10.43)	5.22	(2.07)	8.25	10.62
Net Profit after Minority Interest and exceptional items	<b>60.96</b>	64.52	<b>200.64</b>	<b>191.52</b>	<b>282.01</b>

Note: The segment operating profit is arrived at before allocating certain expenses to segments and such unallocable expenses are separately disclosed as 'Selling and Other expenses'.

d) Considering the nature of the Group's business, the assets and liabilities cannot be identified to any specific business segment.

e) Disclosure of details of Secondary segments, being geographies, is as under:

<b>Rs. in Crores</b>					
Revenues	<b>For the quarter ended Dec 31, 2009</b>	For the quarter ended Dec 31, 2008	<b>For the period ended Dec 31, 2009</b>	For the period ended Dec 31, 2008	For the year ended March 31, 2009
- South Asia	158.18	149.15	479.10	474.09	639.74
- Unites States of America	342.71	332.12	1013.66	819.19	1157.82
- Middle East, Africa, Russia and CIS	43.35	62.82	161.46	170.30	236.90
-APAC	22.88	30.66	70.19	87.34	103.93
- Western Europe	34.74	34.07	111.74	127.96	166.31
<b>Total Revenues</b>	<b>601.86</b>	<b>608.82</b>	<b>1836.15</b>	<b>1,678.88</b>	<b>2304.70</b>

**2.16** Residual Dividend represents dividend on shares issued (entitled to previous period dividend) between the date of proposed dividend and record date.

Residual dividend of Rs 0.02 crores (inclusive of tax) (for the period ended Dec 31, 2008 Rs.0.02 crores, for the year ended March 31, 2009 Rs.0.02 crores), is appropriated out of Profit & Loss account.

**2.17** Provision for Warranty and Contingencies:

<b>Rs. in Crores</b>			
<b>Warranty</b>	As at Dec 31, 2009	As at Dec 31, 2008	As at March 31, 2009
Opening Balance	8.40	5.51	5.51
Provisions made during the period /year	2.38	2.52	4.87
Provision written back during the period / year	0.45	0.42	1.98
Closing Balance	10.39	7.61	8.40

<b>Rs. in Crores</b>			
<b>Contingencies</b>	As at Dec 31, 2009	As at Dec 31, 2008	As at March 31, 2009
Opening Balance	-	12.01	12.01
Provisions made during the period /year	-	-	-
Provision written back during the period / year	-	12.01	12.01
Closing Balance	-	-	-

**2.18** Amount of exchange difference (net) credited to Profit & Loss account during the period ended Dec 31, 2009 is Rs. 5.08 crores (for the period ended Dec 31, 2008 credited Rs.6.09 crores and for the year ended March 31, 2009 credited is Rs.8.31 crores).

**Signatures to Schedules "I" to "XIII"**

**For and on behalf of the Board**

**V. Srinivasan**  
**Managing Director & CEO**

**Dileep C. Choksi**  
**Director & Chairman of Audit Committee**

**Amar Chintopanth**  
**Executive Director & CFO**

**Shivanand R. Shettigar**  
**Company Secretary**

**January 22, 2010**