



## **3i INFOTECH LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
MARCH 31, 2011**

**R.G.N. Price & Co.**  
Simpsons' Buildings  
861, Anna Salai  
Chennai – 600 002.  
email: [price@vsnl.com](mailto:price@vsnl.com)

**Lodha & Company**  
6, Karim Chambers  
40, A. Doshi Marg  
Mumbai - 400 001.  
email: [mumbai@lodhaco.com](mailto:mumbai@lodhaco.com)

## **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 and a Joint Venture collectively referred to as 'the 3i Infotech Group' as at March 31, 2011, the Consolidated Profit & Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These 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 5 subsidiaries, whose financial statements reflect total assets of Rs. 785.44 crores as at March 31, 2011 and total revenue of Rs. 895.02 crores for the year ended on March 31, 2011, have been jointly audited with other auditor.  
b) We have not audited the financial statements of:  
  
12 subsidiaries included in the consolidated financial results whose financial statements reflect total assets of Rs. 1494.70 crores as at March 31, 2011; as well as the total revenue of Rs. 675.63 crores for the year ended March 31, 2011. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of such other auditors.
4. *The financial statements of a joint venture in Nigeria, whose financial statements reflect total assets of Rs. 1.88 crores as at March 31, 2011 and total revenue of Rs. 1.13 crores representing 47.5 percentage share of the group, for the year ended on March 31, 2011, has 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 and AS 27 - Reporting of Interests in Joint Ventures prescribed by Companies (Accounting Standards) Rules, 2006 as amended from time to time.



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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 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 March 31, 2011;
- (ii) in the case of Consolidated Profit and Loss account, of the profit of the 3i Infotech Group for the year 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 year ended on that date.

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

Firm Registration No: 002785S  
Chartered Accountants

*Mahesh Krishnan*

**Mahesh Krishnan**

Partner  
Membership No. 206520

Place: Dubai  
Date: April 22, 2011



**For LODHA & CO.**

Firm Registration No: 301051E  
Chartered Accountants

*R.P. Baradiya*

**R.P. Baradiya**

Partner  
Membership No. 44101

Place: Dubai  
Date: April 22, 2011



**3i INFOTECH LIMITED**  
**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011**

₹ Crores

	Schedule	As at March 31, 2011	As at March 31, 2010
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds :</b>			
A. Share Capital	I	291.99	268.76
B. Reserves and Surplus	II	998.17	724.71
		<u>1290.16</u>	<u>993.47</u>
<b>2. Minority Interest</b>		1.40	8.19
<b>3. Loan Funds :</b>			
A. Secured Loans	III	1268.63	954.65
B. Unsecured Loans	IV	1113.77	1204.36
		<u>2382.40</u>	<u>2159.01</u>
<b>4. Premium payable on Redemption of FCCB</b>		152.45	123.73
		<u>3826.41</u>	<u>3284.40</u>
<b>I. APPLICATION OF FUNDS</b>			
<b>1. Goodwill arising on consolidation</b>		1833.89	1,810.71
<b>2. Fixed Assets :</b>			
A. Gross Block	V	694.59	644.55
B. Less : Depreciation		<u>353.27</u>	<u>270.46</u>
C. Net Block		341.32	374.09
D. Capital Work-in-Progress		60.65	39.40
E. Assets held for disposal		-	15.00
		<u>401.97</u>	<u>428.49</u>
<b>3. Investments</b>	VI	28.63	10.10
<b>4. Deferred Tax Asset (net)</b>		120.49	112.65
<b>5. Current Assets, Loans and Advances</b>			
<b>A. Current Assets :</b>			
a. Inventories		4.86	3.88
b. Sundry Debtors		643.36	542.60
c. Unbilled Revenues		334.93	284.41
d. Cash and Bank Balances		<u>202.81</u>	<u>189.60</u>
		1185.96	1,020.49
<b>B. Loans and Advances</b>		678.64	503.56
		<u>1864.60</u>	<u>1,524.05</u>
<b>Less: Current Liabilities and Provisions :</b>			
<b>A. Current Liabilities</b>			
		359.60	541.91
<b>B. Provisions</b>			
		63.57	59.69
		<u>423.17</u>	<u>601.60</u>
<b>Net Current Assets</b>		<u>1441.43</u>	<u>922.45</u>
		<u>3826.41</u>	<u>3,284.40</u>
<b>Significant Accounting Policies and Notes to Accounts</b>			
	XIII		

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

As per our attached report of even date

For Lodha & Co.  
Chartered Accountants

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

For and on behalf of the Board

Mehesh Krishnan

V. Srinivasan

Dileep C. Choksi

V Srinivasan  
Managing Director

Dileep C. Choksi  
Director & Chairman  
of Audit Committee

R P Baradiya  
Partner  
Dubai, April 22, 2011

Mahesh Krishnan  
Partner



Amar Chintopanah  
Deputy Managing Director & CFO

Shivanand R Shettigar  
Company Secretary



**3i INFOTECH LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED MARCH 31, 2011**

		₹ Crores	
	Schedule	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>INCOME:</b>			
Income from Operations	IX	2,569.75	2,448.54
Other Income	X	17.73	20.21
<b>Total Income</b>		<b>2,587.48</b>	<b>2,468.75</b>
<b>EXPENDITURE:</b>			
Operating, Selling & Other expenses	XI	2,065.64	1,965.61
<b>Total Expenditure</b>		<b>2,065.64</b>	<b>1,965.61</b>
<b>Profit before interest, depreciation and amortisation</b>		<b>521.84</b>	<b>503.14</b>
Interest		160.13	144.83
Depreciation and amortisation		100.50	81.41
<b>Profit Before Taxation</b>		<b>261.21</b>	<b>276.90</b>
Provision for Taxes	XII	7.64	10.95
<b>Profit After Taxation &amp; Before Exceptional Items</b>		<b>253.57</b>	<b>265.95</b>
Add/(Less): Exceptional Items (Refer Note no.2.6 (i) & (ii))		-	27.86
(Less): Impact of Discontinuing Operations (Refer Note no.2.7)		-	(260.46)
Add/(Less): Minority Shareholders' Interest		(1.06)	0.11
<b>Net Profit After Minority Interest</b>		<b>252.51</b>	<b>33.46</b>
Add: Balance of profit brought forward		223.25	299.18
(Less): Reversal of profit on sale of IPR		-	(18.27)
Add: FCCB redemption reserve written back		-	234.16
<b>Profit available for appropriation</b>		<b>475.76</b>	<b>548.53</b>
<b>Less: Appropriations</b>			
General Reserve		6.00	6.00
FCCB Redemption Reserve		-	53.66
Proposed Dividend - Equity Shares		28.80	25.32
Residual Dividend		3.46	0.02
Proposed Dividend - Preference Shares		1.03	1.03
Interim Dividend - Preference Shares		5.32	5.32
Corporate Dividend Tax		6.20	5.38
Balance carried over to Balance Sheet		424.95	451.80
		<b>475.76</b>	<b>548.53</b>
<b>Earnings per Share</b>			
Equity shares, par value Rs 10 each			
<b>Before Exceptional Items</b>			
Basic (Rs.)		12.81	17.21
Diluted (Rs.)		12.75	17.00
<b>After Exceptional Items</b>			
Basic (Rs.)		12.81	1.73
Diluted (Rs.)		12.75	1.71

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 & Co.  
Chartered Accountants

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

For and on behalf of the Board

R P Baradiya  
Partner  
Dubai, April 22, 2011

Mahesh Krishnan  
Partner



V. Srinivasan

V Srinivasan  
Managing Director

Amar Chintopanth

Amar Chintopanth  
Deputy Managing Director & CFO

Dileep C. Choksi

Dileep C. Choksi  
Director & Chairman

Shivanand R. Shettigar  
Company Secretary

**3i INFOTECH LIMITED**
**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED MARCH 31, 2011**

	₹ Crores	
	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>A Cash Flow from Operating Activities :</b>		
Profit before Taxation & Exceptional items	261.21	276.90
Adjustments for:		
Depreciation/Amortization	100.50	81.41
Foreign Exchange loss/(gain)	(2.99)	(8.46)
Loss/(Profit) on sale/discarding of fixed assets	0.82	2.75
Dividend Income	(0.77)	(1.50)
Interest earned	(5.60)	(2.73)
Interest paid	160.13	144.83
Provision for doubtful debts	13.07	13.93
<b>Operating Profit before Working Capital Changes</b>	<b>526.37</b>	<b>507.13</b>
Adjustments for:		
Trade and Other Receivables	(343.48)	(137.13)
Inventories	(0.98)	7.18
Trade Payables and Other Liabilities (Refer note no 4)	215.77	27.65
	<b>(128.69)</b>	<b>(102.30)</b>
<b>Cash generated from Operations</b>	<b>397.68</b>	<b>404.83</b>
Income Taxes (including FBT (paid)/refund received)	(46.61)	(62.60)
<b>Net cash from Operating Activities - A</b>	<b>351.07</b>	<b>342.23</b>
<b>B Cash Flow from Investing Activities :</b>		
Acquisitions/earnout paid	(74.35)	(252.90)
Purchase of fixed assets(including Capital Work-in-Progress & advances)	(86.98)	(169.80)
Sale of fixed assets	23.18	3.54
Purchase of Investments/application money	(310.00)	(256.04)
Sale of Investments	325.05	256.04
Dividend received	0.77	1.50
Loans and advances (given)/received back	(0.07)	0.01
Interest received	5.60	2.73
<b>Net cash used in Investing Activities - B</b>	<b>(116.80)</b>	<b>(414.92)</b>



3i INFOTECH LIMITED

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED MARCH 31, 2011

	₹ Crores	
	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>C Cash Flow from Financing Activities :</b>		
Proceeds from issue of Equity Share Capital	1.58	2.50
Proceeds from issue of QIP	179.99	317.81
QIP issue expenses	(15.08)	(10.53)
Payment towards FCCB Buy Back	-	(54.55)
Proceeds from/(Repayment of) borrowings -net	(148.22)	(71.23)
Premium paid on FCCB redemption	(36.35)	-
Dividends paid (including taxes)	(40.96)	(30.37)
Interest paid	(161.68)	(145.14)
<b>Net Cash from Financing Activities - C</b>	<b>(220.72)</b>	<b>8.49</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>13.55</b>	<b>(64.20)</b>
<b>Cash and Cash Equivalents as at beginning<sup>1</sup></b>	<b>180.56</b>	<b>244.76</b>
<b>Cash and Cash Equivalents as at end<sup>2</sup></b>	<b>194.11</b>	<b>180.56</b>

Notes :

- The above Cash Flow Statement has been prepared under the 'Indirect Method'.
- Margin money of Rs.8.70 crores (as at Mar 31, 2010 - Rs.15.54 crores) and monies lying in escrow account of Rs.Nil (as at Mar 31, 2010 - Rs.Nil) has been excluded from Cash and Cash equivalents and included in Trade and Other Receivables.
- Mutual Fund Units of Liquid funds of Rs.Nil (as at Mar 31, 2010 - Rs.6.50 crores) has been included in Cash and Cash equivalents.
- Trade payables and other liabilities includes borrowings payable within three months Rs.328 crores (as at Mar 31, 2010 - Rs.190 crores).
- Refer note no. 2.7 regarding discontinuing of operations.
- Previous years' figures have been regrouped / rearranged wherever necessary to conform to the current years' 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 Lodha & Co.  
Chartered Accountants

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

For and on behalf of the Board

*R P Baradiya*

R P Baradiya  
Partner  
Dubai, April 22, 2011

*Mahesh Krishnan*

Mahesh Krishnan  
Partner

*V. Srinivasan*

V Srinivasan  
Managing Director

*Amar Chintopan*

Amar Chintopan  
Deputy Managing Director & CFO

*Dileep C. Choksi*

Dileep C. Choksi  
Director & Chairman  
of Audit Committee

*Shivanand R. Shetkar*

Shivanand R. Shetkar  
Company Secretary



	As at March 31, 2011	As at March 31, 2010
<b>I Share Capital</b>		
<b>Authorised</b>		
300,000,000 Equity shares of Rs.10 each (as at Mar 31, 2010 - 300,000,000 of Rs.10 each)	300.00	300.00
 200,000,000 Cumulative Preference shares of Rs.5 each	100.00	100.00
	<u>400.00</u>	<u>400.00</u>
<b>Issued, Subscribed &amp; Paid-up</b>		
191,986,549 Equity shares of Rs.10 each <sup>1</sup> (as at Mar 31, 2010 - 168,759,946 Equity shares )	191.99	168.76
 200,000,000 6.35% Cumulative Preference shares of Rs.5 each <sup>2</sup>	100.00	100.00
	<u>291.99</u>	<u>268.76</u>

**Notes :**

1. Of the above, 84,788,331 Equity shares are allotted as fully paid-up Bonus shares (as at Mar 31, 2010 - 84,788,331 shares) by capitalisation of Securities Premium Account and accumulated profits. Also refer note no.2.3 regarding shares issued through QIP and note no. 2.13 regarding ESOP and note no. 2.5 regarding FCCB.

2. The Preference Shares are redeemable at par on expiry of nine years from the date of allotment i.e. Mar 31, 2003.

**II Reserves and Surplus****a Securities Premium Account**

Balance as per last Balance Sheet	470.46	212.95
Add: Received on allotment of equity shares under ESOP	1.25	1.99
Add: Received on Qualified Institutional Placement issue (QIP)	157.09	280.31
(Less): Utilised towards QIP issue expenses	(15.08)	(10.53)
(Less): Utilised towards premium payable on redemption of FCCB	(69.50)	(14.26)
	<u>544.22</u>	<u>470.46</u>

**b General Reserve**

Balance as per last Balance Sheet	31.00	25.00
Add/(Less): Transferred from Profit & Loss Account	6.00	6.00
	<u>37.00</u>	<u>31.00</u>

**c Translation Reserve**

Adjusted against Profit and Loss Account balance (contra)	(8.00)	(228.55)
	<u>8.00</u>	<u>228.55</u>
	-	-

**d FCCB Redemption Reserve**

Balance as per last Balance Sheet	-	180.50
Add: Transferred from Profit and Loss Account	-	53.66
(Less): Transferred to Profit and Loss Account	-	(234.16)
	-	-

**e Profit and Loss Account**

Balance as per annexed account	424.95	451.80
Add/(Less) - Transferred from Translation Reserve (contra)	(8.00)	(228.55)
	<u>416.95</u>	<u>223.25</u>
	<u>998.17</u>	<u>724.71</u>



	₹ Crores	
	As at March 31, 2011	As at March 31, 2010
<b>III Secured Loans</b>		
Term Loans	1,073.96	741.25
Cash Credit	194.67	213.40
	<b>1,268.63</b>	<b>954.65</b>

## Notes :

## 1. Security and terms &amp; conditions for Term Loans :

- a. Rs. 250 crores (as at Mar 31, 2010 - Rs.NIL) secured by first pari passu charge over all movable tangible fixed assets and immovable fixed assets of the Company located at its offices at Navi Mumbai & Goregaon.  
A part of this loan (Rs.125 crores) is further secured by pledge of the shares held by the Company in its subsidiary, 3i Infotech (UK) Ltd.
- b. Rs.125.00 crores (as at Mar 31, 2010 - 125.00 crores) is secured by subordinated charge over all movable tangible fixed assets and immovable fixed assets of the Company located at its offices at Navi Mumbai & Goregaon.
- c. Rs. 53.00 crores (as at Mar 31, 2010 - 53.00 crores) loan is secured by way of pari passu charge on book debts.
- d. Rs. NIL (as at Mar 31, 2010 - Rs. 43.55 crores) loan is secured/ to be secured by way of Equitable Mortgage of certain properties of the Company situated at Navi Mumbai.
- e. Rs.1.99 crores (as at Mar 31, 2010 - Rs. 1.80 crores) loan is secured by way of hypothecation on certain Company owned vehicles.
- f. Rs. 115 crores (as at Mar 31, 2010 - Rs.NIL) secured by Hypothecation charge over the Intellectual Property Rights of our software products namely Orion and Premia.
2. Certain non-fund facilities of Rs.46.83 crores (as at Mar 31, 2010 - Rs.40.04 crores) and Cash Credit are secured by way of floating charge on book debts.
3. Rs.451.68 crores (as at Mar 31,2010 - Rs.472.81 crores) is secured by way of first charge on all the fixed and current assets and pledge of shares of some of the subsidiaries Companies.
- 4.Rs.52.76 crores (as at Mar 31, 2010 - Rs. 45.09) is secured by way of assignment of future receivables and corporate guarantees by ultimate holding company namely 3i Infotech Limited
- 5.Rs.24.53 crores loan is secured by way of first charge on book debts.

## IV Unsecured Loans

Foreign Currency Convertible Bonds (Refer note no.2.5)	428.23	510.98
Loans from banks	685.31	692.85
Others	0.23	0.53
	<b>1,113.77</b>	<b>1,204.36</b>





## ₹ Crores

1 Buildings- Leasehold include:  
(i) Rs.20.85 crores (as at Mar 31, 2010 Rs.20.85 crores), Accumulated Depreciation - Rs.3.58 crores (as at Mar 31, 2010 Rs.3.22 crores) and Net Value Rs.17.27 crores (as at Mar 31, 2010 Rs.17.63 crores) being lease premium paid in respect of building taken on lease for sixty years.  
(ii) Rs.11.49 crores (as at Mar 31, 2010 Rs.11.49 crores), Accumulated Depreciation Rs.3.49 crores (as at Mar 31, 2010 Rs.2.05 crores) and Net Value Rs.8.00 crores (as at Mar 31, 2010 Rs.9.44 crores) being lease premium paid in respect of building taken on lease for ninety nine years.



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

₹ Crores

	As at March 31, 2011	As at March 31, 2010
<b>VI Investments</b>		
<b>Non-Trade, Unquoted and Fully Paid-up</b>		
<b>Long Term Investments</b>		
In Companies		
a. 200,000 Equity Shares of Sriankan Rs.10 each of First Capital Asset Management Co. Ltd., Sri Lanka	0.10	0.10
b. 37,500 Equity Shares of Egyptian Pounds 100 each of Nile Information Technology	3.52	3.50
c. National Savings Certificate	0.01	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)
e. 250,00,000 Redeemable Non Convertible Zero Coupon Preference Shares of Rs 10 each of eMudhra Consumer Services Ltd. (Refer note no. 2.4.4 (b))	25.00	-
	<u>28.63</u>	<u>3.60</u>
<b>Current Investments</b>		
In Mutual fund units	-	6.50
<b>Aggregate value of Investments</b>	<u>28.63</u>	<u>10.10</u>
\$ Rs.0.00 denotes figures less than Rs.50,000		
<b>VII Current Assets, Loans and Advances</b>		
<b>A Current Assets</b>		
a) Inventories	4.86	3.88
b) Sundry Debtors	643.36	542.60
c) Unbilled Revenues	334.93	284.41
<b>d) Cash and Bank Balances :</b>		
i. Cash on hand	0.17	0.24
ii. Balances with banks:		
in current accounts *	158.10	129.00
in deposit accounts	35.84	44.82
in margin money accounts	8.70	15.54
	<u>202.64</u>	<u>189.36</u>
	<u>202.81</u>	<u>189.60</u>
	<u>1,185.96</u>	<u>1,020.49</u>
	2.35	0.14
* Includes cheques on hand and remittances-in-transit		
<b>B Loans and Advances</b>		
(Unsecured, Considered good)		
Loans to staff	0.35	0.29
Advance tax and tax deducted at source (net of provisions of Rs.78.41 crores; previous year Rs.98.47 crores)	78.61	50.30
MAT Credit Receivable	70.40	67.56
Deposits	88.95	77.43
Advances recoverable in cash or in kind or for value to be received	440.33	307.98
	<u>678.64</u>	<u>503.56</u>
	<u>1,864.60</u>	<u>1,524.05</u>
<b>VII Current Liabilities and Provisions</b>		
<b>A Current Liabilities</b>		
Acceptances	103.42	26.55
Sundry creditors	176.83	437.28
Advances received from Customers (including unearned income)	34.77	9.86
Interest accrued but not due	0.32	1.87
Other liabilities	44.26	66.35
	<u>359.60</u>	<u>541.91</u>
<b>B Provisions</b>		
Provision for employee benefits	28.91	28.87
Proposed dividend (including tax thereon)	34.66	30.82
	<u>63.57</u>	<u>59.69</u>
	<u>423.17</u>	<u>601.60</u>

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

## SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	₹ Crores	
	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>IX Income from Operations</b>		
IT Solutions	1,749.81	1,533.02
Transaction Services	819.94	915.52
	<u>2,569.75</u>	<u>2,448.54</u>
<b>X Other Income</b>		
Interest	5.60	2.73
Dividend - on current investment (Non-Trade)	0.77	1.50
Foreign exchange gain (net)	2.99	8.46
Miscellaneous income	8.37	7.52
	<u>17.73</u>	<u>20.21</u>
<b>XI Operating, Selling and Other expenses</b>		
Salary and related expenses	1,228.01	1,201.94
Recruitment and training expenses	5.38	3.09
Cost of third party products/outsourced services	453.64	447.84
Rent	131.39	90.02
Insurance	11.93	11.17
Travelling and conveyance	70.88	63.09
Electricity charges	16.08	15.36
Rates and taxes	9.68	7.50
Communication expenses	28.29	26.24
Loss on sale/discarding of Fixed Assets (net)	0.82	2.75
Printing and stationery	12.27	6.25
Repairs and maintenance - building	6.92	3.99
Directors' Commission	0.30	1.00
Legal and professional charges	22.00	18.71
Bank charges and other financial charges	20.63	18.45
Selling and distribution expenses	16.72	15.84
Bad debts written off	16.94	11.56
Less: Provision withdrawn	(16.94)	(11.56)
Provision for doubtful debts	13.07	13.93
Miscellaneous expenses	17.63	18.44
	<u>2,065.64</u>	<u>1,965.61</u>
<b>XII Taxes</b>		
Provision for tax -		
Deferred taxes (net)	(8.95)	(6.10)
Current tax	47.78	43.12
MAT credit entitlement	(28.74)	(27.23)
Pertaining to earlier years written off/(back)	(2.45)	1.16
	<u>7.64</u>	<u>10.95</u>



## **3i INFOTECH LIMITED**

### **XIII SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2011.**

#### **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 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.
- 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 Company, 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 Company'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 year have been consolidated from the respective dates of their acquisition.

### 1.5 Members of the Group:

3i Infotech's subsidiaries & step down subsidiaries are listed below:

<b>SI No.</b>	<b>Entity</b>	<b>Country of incorporation</b>	<b>Percentage of holding</b>	<b>Date of acquisition/ establishment</b>
1	3i Infotech Inc. (f) & (g)	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 Asia Pacific Pte Ltd	Sep 26, 2002
4	3i Infotech (UK) Ltd.	UK	100% held by Parent Company	Apr 1, 2005
5	3i Infotech (Thailand) Ltd.	Thailand	100% held by 3i Infotech Asia Pacific Pte Ltd	May 12, 2005
6	3i Infotech Consulting Inc. (f)	USA	100% held by 3i Infotech Inc.	Sep 26, 2005
7	3i Infotech Services SDN BHD (formerly known as Datacons Asia Pacific SDN BHD)	Malaysia	100% held by 3i Infotech Asia Pacific Pte Ltd	May 11, 2006
8	Delta Services (India) Private Ltd. (a), (d) & (l)	India	100% held by 3i Infotech Consultancy Services Ltd.	July 28, 2006
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. (k)	India	100% held by Parent Company	Nov 7, 2006
15	E-Enable Technologies Pvt. Ltd. (k)	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 (Middle East) FZ LLC	Apr 27, 2007
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 3i Infotech BPO Ltd.	May 28, 2007
24	aok In-house Factoring Services Pvt. Ltd. (a)	India	100% held by 3i Infotech BPO Ltd.	May 28, 2007
25	KNM Services Pvt. Ltd. (k)	India	100% held by Parent Company	May 28, 2007
26	Lantern Systems Inc. (g)	USA	100% held by J&B Software (Canada) Inc	Apr 1, 2007
27	3i Infotech Kazakhstan LLC.	Kazakhstan	100% held by 3i Infotech Holdings Private Limited	Jun 28, 2007
28	3i Infotech (Middle East) FZ LLC.	UAE	100% held by 3i Infotech Holdings Private Limited	Sep 25, 2007
29	ePower Inc. (g)	USA	100% held by J&B Software (Canada) Inc	Sep 19, 2007



30	Manipal Informatics Pvt. Ltd. <b>(d) &amp; (l)</b>	India	100% held by 3i Infotech Consultancy Services Ltd.	Aug 3, 2007
31	HCCA Business Services Pvt. Ltd.	India	100% held by 3i Infotech BPO Ltd.	Aug 29, 2007
32	Taxsmile.com India Pvt. Ltd. <b>(e)</b>	India	100% held by 3i Infotech Consumer Services Ltd.	Sep 7, 2007
33	CCH Prosystem India Private Limited (formerly known as Antariksh Interactive Pvt. Ltd.) <b>(e)</b>	India	70% held by Taxsmile .com India Pvt. Ltd.	Sep 7, 2007
34	Access Matrix Technologies Pvt. Ltd. <b>(e)</b>	India	100% held by Taxsmile .com India Pvt. Ltd	Sep 7, 2007
35	J&B Software Inc.	USA	100% held by 3i Infotech Financial Software Inc.	Nov 6, 2007
36	J&B Software (Canada) Inc.	Canada	100% held by J&B Software Inc.	Nov 6, 2007
37	Objectsoft Group Inc. <b>(g)</b>	USA	100% held by J&B Software (Canada) Inc	Dec 19, 2007
38	3i Infotech Consultancy Services Ltd. <b>(a), (d) &amp; (l)</b>	India	100% held by Parent Company	Nov 30, 2007
39	3i Infotech BPO Ltd. (formerly known as Linear Financial and Management Systems Pvt. Ltd.) <b>(a)</b>	India	100% held by Parent Company	Dec 3, 2007
40	3i Infotech (Flagship-UK) Limited (formerly known as 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. <b>(h)</b>	India	100% held by Parent Company	Mar 11, 2008
45	Locuz Enterprise Solutions Ltd. <b>(b)</b>	India	74% held by Parent Company	May 8, 2008
46	3i Infotech Consulting Services SDN BHD <b>(j)</b>	Malaysia	100% held by 3i Infotech SDN BHD	May 2, 2008
47	J&B Software India Pvt. Ltd.	India	100% held by Parent Company	Nov 6, 2007
48	FinEng Solutions Pvt. Ltd. <b>(c)</b>	India	100% held by Parent Company	Jun 9, 2008
49	Regulus Group LLC.	USA	100% held by Regulus Holdings Inc	Jun 10, 2008
50	Regulus Integrated Solutions LLC.	USA	100% held by Regulus Group LLC	Jun 10, 2008
51	Regulus West LLC.	USA	100% held by Regulus Group LLC	Jun 10, 2008
52	Regulus America LLC.	USA	100% held by Regulus Group LLC	Jun 10, 2008
53	Regulus Tristate LLC.	USA	100% held by Regulus Group LLC	Jun 10, 2008
54	eMudhra Consumer Services Ltd. (formerly known as 3i Infotech Consumer Services Ltd.) <b>(e)</b>	India	100% held by Parent Company	Jun 16, 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
58	Regulus BPO Limited	India	100% held by Regulus Holdings Inc.	Mar 24, 2011



Investment in joint venture is listed below:

<u>SI No.</u>	<u>Entity</u>	<u>Country of incorporation</u>	<u>Percentage of holding</u>	<u>Date of acquisition/ establishment</u>
1	Process Central Limited (JV in Nigeria) (i)	Nigeria	47.50% held by 3i Infotech (Middle East) FZ LLC	May 17, 2010

- (a) In April 2010, the Parent Company has sold its investment in aok In-house Factoring Services Private Ltd. to 3i Infotech BPO Ltd. and in May 2010, Delta Services (India) Private Ltd. to 3i Infotech Consultancy Services Ltd.
- (b) Refer note no. 2.4.1
- (c) Refer note no. 2.4.2
- (d) In May 2010, Delta Services (India) Private Ltd. has sold its investment in Manipal Informatics Private Ltd. to 3i Infotech Consultancy Services Ltd.
- (e) In December 2010, the Parent Company has sold its investment in eMudhra Consumer Services Ltd. (formerly known as 3i Infotech Consumer Services Ltd.) and its subsidiary and step down subsidiaries to Indus Innovest Holdings Private Ltd. Refer note 2.4.4.
- (f) 3i Infotech Consulting Inc. have been merged with 3i Infotech Inc. effective from December 31, 2010 and consequently the assets and liabilities have been transferred to 3i Infotech Inc.
- (g) Lantern Systems Inc., ePower Inc. & Objectsoft Group Inc. have been merged with 3i Infotech Inc. effective from December 31, 2010 and consequently the assets and liabilities pertaining to those entities which were hitherto owned by J&B Software (Canada) Inc have been transferred to 3i Infotech Inc.
- (h) Share purchase agreement dated December 29, 2010 has been signed between 3i Infotech Insurance & Re-insurance Brokers Ltd. and Aretha Advisors pursuant to which the shares of 3i Infotech Insurance & Re-insurance Brokers Ltd. have been sold off to Aretha Advisors on December 31, 2010. Refer note 2.4.5
- (i) Refer note 2.4.6
- (j) 3i Infotech Consulting Services SDN BHD has been closed with effect from December 20, 2010.
- (k) Stex Software Pvt. Ltd., E-Enable Technologies Pvt. Ltd. and KNM Services Pvt. Ltd. have been merged with 3i Infotech Ltd. effective from April 01, 2010 and consequently the assets and liabilities have been transferred to 3i Infotech Ltd.
- (l) Delta Services (India) Private Ltd. and Manipal Informatics Pvt. Ltd. have been merged with 3i Infotech Consultancy Services Ltd. effective from April 01, 2009 and consequently the assets and liabilities have been transferred to 3i Infotech Consultancy Services Ltd.



## **1.6 Revenue recognition**

### **a) Revenue from IT solutions:**

Revenue from IT solutions comprises of revenue from Software Products, IT Services and Sale of Hardware/Outsourced Software.

- i) Revenue from Software Products is recognized on delivery/installation, as per the predetermined/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.
- ii) 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.
- iii) Revenue from supply of Hardware, Software License/Term License/Other Materials incidental to the aforesaid services recognized based on delivery/installation, as the case may be. Recovery of incidental expenses is added to respective revenue.

### **b) Revenue from Transaction Services:**

Revenue from Transaction Services and Other Service contracts is recognized based on transactions processed or manpower deployed.

## **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, Business & Commercial Rights are capitalized at the acquisition price.

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

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.

Acquired software are amortized at lower of the estimated life of the product 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 life 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	1 – 6

## 1.9 Investments

Trade investments are the investments made to enhance the Parent 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 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.

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 is recognized in the Profit & Loss account. Overseas 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 actuarial valuation done by the Life Insurance Corporation of India (LIC) at the beginning of the year, based upon which, the Parent Company contributes to the Scheme with LIC. The Parent Company also provides for the additional liability over the amount contributed to LIC based on the actuarial valuation done by an independent valuer using the Projected Unit Credit Method.

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

Liability for Gratuity for employees is provided 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 to the Trust/Government administered Trust. In the 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 Company make monthly contribution to the 3i Infotech Provident Fund Trust equal to a specified percentage of the covered employee's salary. The Parent Company also contributes to a Government administered pension fund on behalf of its employees.

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 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 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**

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

### 2.2 Capital commitments and contingent liabilities

	₹ Crores	
	As at March 31, 2011	As at March 31, 2010
<b>Capital Commitments*</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	2.96	6.92
<b>Contingent Liabilities</b>		
Outstanding guarantees	20.40	7.19
Premium on redemption of FCCB (Refer Note No. 2.5)	43.32	84.21
<b>Estimated amount of claims against the Group not acknowledged as debts in respect of :</b>		
-Disputed Income Tax matter	8.02	5.75
-Disputed Sales Tax matter	2.12	1.08
-Customer claims	0.37	0.20
-Others**	83.56	18.38

\*Except where amount is not ascertainable in respect of acquisition as mentioned in note no.2.4.1

\*\*Includes expenses of legal cases relating to Registrar & Transfer Services, which are reimbursable by the Principal to the extent of ₹0.74 crores (as at Mar 31, 2010 - ₹1.21 crores).

### 2.3 Qualified Institutional Placement Issue -

During the year, the Parent Company has issued and allotted 22,900,099 fully paid-up Equity Shares at a price of ₹78.60 per Equity Share (including premium of ₹68.60 per Equity Share) aggregating ₹179.99 crores on April 7, 2010. These shares rank pari passu with the existing shares of the Parent Company with respect to dividend.

2.4.1 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% of the paid-up equity capital of Locuz Enterprise Solutions Ltd.) for a consideration of ₹6.93 crores. In November, 2009, the Parent Company acquired further 25% stake in Locuz Enterprise Solutions Limited for a consideration of ₹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. In September 2010, the Parent Company acquired further 23% stake in Locuz Enterprise Solutions Limited for a consideration of ₹10.55 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.



**2.4.2 a)** 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% of the paid-up equity capital of FinEng Solutions Private Limited) for a consideration of ₹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 ₹3.67 crores. As agreed in the Share Purchase Agreement, in October 2009 the Parent Company made an upside payment of ₹2.71 crores to the Promoter Shareholders of FinEng Solutions Private Limited. In June 2010, the Parent Company acquired the balance 40% stake for a consideration of ₹15.86 crores.

**b)** In July 2010, the Parent Company entered into business purchase agreement with FinEng Solutions Private Limited. The Parent Company has acquired / assumed the assets and liabilities at their respective book values.

**2.4.3** The Board of directors of the Parent Company have approved the Amalgamation of J&B Software India Private Limited (J&B) with the Parent Company. In this regard, the Parent Company has received an in-principle approval from the Stock Exchange. The Parent Company is now in the process of filing a single petition for J & B in Madras High Court.

**2.4.4 a)** During the year, the Parent Company has sold its 100% stake in eMudhra Consumer Services Ltd. (formerly known as 3i Infotech Consumer Services Ltd.) (including its subsidiaries) at a value of ₹29.88 crores, out of which ₹6.00 crores has been received in the current year and balance consideration of ₹23.88 crores will be received as per the terms of agreement before December 2011; and

**b)** Other receivable amounts of ₹25.00 crores from eMudhra Consumer Services Ltd. (formerly known as 3i Infotech Consumer Services Ltd.) have been converted into Zero Coupon Non Convertible Redeemable Preference Shares, redeemable by December 14, 2015.

**2.4.5** During the year, the Parent Company has sold its 100% stake in its subsidiary 3i Infotech Insurance & Reinsurance Brokers Ltd. for a consideration of ₹0.05 crores. The difference between the carrying value of investment and sale proceeds is accounted as loss on sale of investment and charged to Profit and loss account.

**2.4.6** In February 2010, 3i Infotech (Middle East) FZ LLC, Soft Solutions Ltd, Skye Bank PLC and Unity Bank PLC entered into a joint venture contract for the establishment of Joint Venture Company in Lagos, Nigeria. In pursuance to this, a Joint Venture Company, Process Central Limited was set up in Nigeria in May 2010, wherein the 3i Infotech (Middle East) FZ LLC interest in the equity was 47.50% and other partners having share of 17.5% each. 3i Infotech (Middle East) FZ LLC would have an option to raise its stake to 51% from 47.50% within 3 years.

In July 2010, 3i Infotech (Middle East) FZ LLC has invested USD 285,000 being 60% of the Group's share of interest in Equity of the Joint Venture.

The aggregate amounts of the assets, liabilities, income and expenses related to Group's share were as under:

	₹ Crores	
	As at March 31, 2011	As at March 31, 2010
Assets	0.91	-
Liabilities	0.26	-



₹ Crores		
	For the year ended March 31, 2011	For the year ended March 31, 2010
Income	0.56	-
Expense	1.19	-

₹ Crores		
	As at March 31, 2011	As at March 31, 2010
Contingent Liability	-	-
Capital Commitments	-	-

## 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:

	First Issue	Third Issue	Fourth Issue
Issue currency	USD	EURO	USD
Issue size	50 million	30 million	100 million
Issue date	March 16, 2006	April 02, 2007	July 26, 2007
Maturity date	March 17, 2011	April 03, 2012	July 27, 2012
Coupon rate	Zero coupon	Zero coupon	Zero coupon
Conversion price-post bonus	Rs. 115.00	Rs. 154.32	Rs. 165.94
Fixed exchange rate of conversion	Rs. 44.35	Rs. 57.60	Rs. 40.81
Early redemption option *	Yes	Yes	Yes
Conversions as at – <b>March 31, 2011</b>	29.80 million	NIL	NIL
March 31, 2010	29.80 million	NIL	NIL
Bought back as at – <b>March 31, 2011</b>	NIL	10.00 million	33.63 million
March 31, 2010	NIL	10.00 million	33.63 million
Contingent premium payable as at – (₹ Crores) <b>March 31, 2011</b>	Nil	10.12	33.20
March 31, 2010	14.62	19.45	50.14

Note - The second issue was converted into equity as per the terms of the issue. Out of 50 million of first issue, 29.80 million was converted as per the terms of issue and the balance was redeemed and premium of ₹36.35 crores has been adjusted from Premium payable on Redemption of FCCB

\* Subject to certain criteria as per offer document.

- 2.6 (i) During the previous year, the Parent Company has bought back and cancelled FCCBs (out of the third and the fourth issues) of face value of EURO 6,000,000 and USD 8,500,000 equivalent to ₹82.42 crores at a discount resulting in reduction of liability by ₹29.19 crores. The same has been shown as exceptional income in the Profit & Loss account.



- (ii) During the previous year, the Parent Company has incurred an amount of ₹1.33 crores towards professional fees in respect of the aforesaid buyback. The same has been shown as exceptional expenditure in the Profit & Loss account.

2.7 During the previous year the company had exited from agreements with various State Governments in respect of setting up an operating Citizen Service Centers and loss of ₹260.46 Crores was thereon disclosed as 'Impact Of Discontinuing Operations'

2.8 **Goodwill arising on consolidation:**

	₹ Crores	
	As at March 31, 2011	As at March 31, 2010
<b>Opening balance</b>	<b>1,810.71</b>	1,700.40
Add: Additions during the year	<b>0.48</b>	336.00
Add/(Less): Translation Reserve	<b>22.70</b>	(225.69)
<b>Closing balance</b>	<b>1,833.89</b>	1,810.71

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 period's/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 ₹0.50 crores starting from December 4, 2000 for Land and ₹15.62 crores starting from March 13, 2000 and ₹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:

	₹ Crores	
	As at March 31, 2011	As at March 31, 2010
Within one year	<b>83.25</b>	89.75
Later than one year and not later than five years	<b>107.21</b>	105.24
Later than five years	<b>27.33</b>	25.70

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:

	₹ Crores	
	As at March 31, 2011	As at March 31, 2010
Within one year	<b>106.51</b>	65.78
Later than one year and not later than five years	<b>158.25</b>	116.40
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:

₹ Crores

Deferred Tax Asset:	As at March 31, 2011	Current Year (Charge)/Credit #	As at March 31, 2010
Unabsorbed losses/depreciation	88.38	27.31	61.26
Expenses allowable on payment & others	31.00	5.83	25.93
<b>Deferred Tax Liability:</b>	<b>119.38</b>	<b>33.14</b>	<b>87.18</b>
Fixed Asset (Depreciation/amortization)	(1.11)	(24.19)	(25.46)
<b>Net Deferred Tax (Liability)/Asset</b>	<b>120.49</b>	<b>8.95</b>	<b>112.65</b>

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

## 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:



		For the year ended March 31, 2011	For the year ended March 31, 2010
Profit as per accounts (₹ Crores)		253.57	265.95
Minority shareholder's Interest (₹ Crores)		(1.06)	0.11
Net profit after minority interest (₹ Crores)		252.51	266.06
Less: Dividend on preference shares paid (incl. corporate taxes) (₹ Crores)		(6.21)	(6.21)
Less: Dividend on preference shares accrued but not declared (incl. Corporate taxes) (₹ Crores)		(1.20)	(1.22)
Profit attributable to Equity Shareholders (₹ Crores)	A	245.10	258.63
Add: Profit/(Loss) due to Exceptional items and impact of discontinuing operations (after considering Provision for contingency) (₹ Crores)		-	(232.60)
Profit attributable to Equity Shareholders after exceptional items and impact of discontinuing operations (₹ Crores)	B	245.10	26.03
Weighted average number of Equity Shares outstanding (Nos.)	C	19,13,76,215	15,03,19,823
Add: Effect of dilutive issues of options		8,03,053	18,39,361
Diluted weighted average number of Equity Shares outstanding (Nos.)	D	19,21,79,268	15,21,59,184
Nominal value of Equity Shares (₹)		10.00	10.00
Before exceptional items and impact of discontinuing operations			
Basic Earnings Per Share (₹)	A/C	12.81	17.21
Diluted Earnings Per Share (₹)	A/D	12.75	17.00
After exceptional items and impact of discontinuing operations			
Basic Earnings Per Share (₹)	B/C	12.81	1.73
Diluted Earnings Per Share (₹)	B/D	12.75	1.71

### 2.13 Employee Stock Option Plan (ESOP):

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 Parent 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) and Weighted Average Exercise Price (WAEP):

	As at March 31, 2011		As at March 31, 2010	
	Options	WAEP (₹)	Options	WAEP (₹)
Options outstanding beginning of the year	2,51,65,924	105.29	2,67,37,126	105.87
Granted during the year	25,000	76.00	9,45,000	83.16
Exercised during the year	(3,26,504)	48.27	(5,09,000)	49.16
Forfeited/lapsed during the year	(26,23,100)	120.16	(20,07,202)	116.88
Options outstanding end of year*	2,22,41,320	104.34	2,51,65,924	105.29
Vested options pending exercise	1,88,58,820	101.58	1,68,00,424	96.25

\*Includes 3,187,000 options granted to managing director/whole time directors and non-executive directors (for the year ended March 31, 2010 3,767,000 options).

Weighted average market price of the shares with respect to stock options exercised during the year ended March 31, 2011 is ₹60.28 (for the year ended March 31, 2010 is ₹76.68).

The following summarizes information about stock options outstanding:

**As at March 31, 2011**

Range of Exercise Price	Number of shares arising out of options	Weighted average remaining life (years)	Weighted average exercise price (₹)
₹37 to ₹50	43,62,010	4	49.30
₹57 to ₹150	1,78,79,310	6	117.76

**As at March 31, 2010**

Range of Exercise Price	Number of shares arising out of options	Weighted average remaining life (years)	Weighted average exercise price (₹)
₹37 to ₹50	47,20,714	5	48.93
₹57 to ₹150	2,04,45,210	7	118.33

**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 ₹58.00 to ₹143.38 using the Black - Scholes pricing model. The Parent 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 March 31, 2011	As at March 31, 2010
Dividend yield	1.15% - 2.84%	1.15% - 2.84%
Expected volatility	50.63% - 57.91%	50.63% - 57.91%
Risk-free interest rate	5.71% - 6.36%	5.71% - 6.36%
Expected life of Option	3 - 10 yrs	3 - 10 yrs



**Impact of Fair value method on Net profit and EPS and before exceptional items & impact of discontinuing operations**

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

	₹ Crores	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Profit attributable to Equity Shareholders	245.10	258.63
Less: Stock based compensation expense determined under fair value based method	4.98	14.70
Net Profit :	240.12	243.93
Basic earning per share (as reported)	12.81	17.21
Basic earning per share (under fair value method)	12.55	16.23
Diluted earning per share (as reported)	12.75	17.00
Diluted earning per share (under fair value method)	12.49	16.03

**2.14 Related Party Transactions:**

Directors/Key Management Personnel: Mr. V Srinivasan (Managing Director), Mr. Amar Chintopanth (Deputy Managing Director & CFO), Mr. Anirudh Prabhakaran (Executive Director & President – South Asia (till November 2, 2010)).

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 year:

**For the year ended March 31, 2011**

	₹ Crores			
	Salary & other allowances	PF & other contributions	Perquisites	Total
V Srinivasan	8.78	-	-	8.78
Amar Chintopanth	3.41	0.12	0.01	3.54
Anirudh Prabhakaran **	1.79	0.02	0.01	1.82

**For the year ended March 31, 2010**

	₹ Crores			
	Salary & other allowances	PF & other contributions	Perquisites	Total
V Srinivasan *	13.87	-	-	13.87
Amar Chintopanth	3.10	0.11	0.01	3.22
Anirudh Prabhakaran	1.54	0.03	0.01	1.58



\* Includes ₹4.93 crores being Employee share based payment.

\*\* Includes ₹0.33 crores severance compensation

\*\* Till November 2, 2010

	₹ Crores	
	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>Directors, Key Management Personnel and their relatives:</b>		
Expenses	0.33	0.62
<b>Enterprise in which relative of key managerial personnel has substantial interest</b>		
Income	-	0.09

	₹ Crores	
	Outstanding balance as at March 31, 2011	Outstanding balance as at March 31, 2010
<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:

- The Parent Company has started reporting two Operating Segments, "IT Solutions" and "Transaction Services" from this period as against to the segments "IT Products", "IT Services" and "Transaction Services" hitherto being reported.
- As the Parent Company has increasingly commenced providing bundled solutions to clients, combining products & services, the management is viewing the entire IT business as a solution based segment. The change in reporting segment is in line with this change in the business offering.



	₹ Crores	
	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>c) Segment Revenues:</b>		
IT Solutions	1,749.81	1,533.02
Transaction Services	819.94	915.52
<b>Total Revenues</b>	<b>2,569.75</b>	<b>2,448.54</b>
<b>d) Segment Results (Gross Profit):</b>		
IT Solutions	807.65	703.31
Transaction Services	245.81	289.83
<b>Total Segment Results</b>	<b>1,053.46</b>	<b>993.14</b>
<b>Unallocable expenses:</b>		
Operating, Selling and Other expenses	549.35	510.21
Interest	160.13	144.83
Depreciation & Amortization	100.50	81.41
Operating Profit	243.48	256.69
Other Income	17.73	20.21
Profit Before Taxation	261.21	276.90
Less : Taxes	7.64	10.95
Profit After Taxation	253.57	265.95
Add : Exceptional items and impact of discontinuing operations	-	(232.60)
Profit After Taxation, Exceptional items and impact of discontinuing operations	253.57	33.35
Add : Share of Profit in Associate	-	-
Less : Minority Shareholder's interest	1.06	(0.11)
Net Profit after Minority Interest, Exceptional items and impact of discontinuing operations	252.51	33.46

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

- e) Considering the nature of the Group's business, the assets and liabilities cannot be identified to any specific business segment.
- f) Disclosure of details of Secondary segments, being geographies, is as under:

	₹ Crores	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Revenues		
- South Asia	706.01	614.20
- Unites States of America	1,328.00	1,369.12
- Middle East, Africa, Russia and CIS	262.99	217.10
- APAC	119.70	91.34
- Western Europe	153.05	156.78
<b>Total Revenues</b>	<b>2,569.75</b>	<b>2,448.54</b>



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

Residual dividend of ₹4.03 crores (inclusive of tax ₹0.57 crore) (for the year ended March 31, 2010 ₹0.02 crores (inclusive of tax ₹0.00 crore)), is appropriated out of Profit & Loss account.

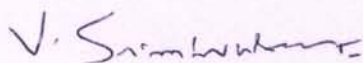
- 2.17 Amount of exchange difference (net) credited to Profit & Loss account during the year ended March 31, 2011 is ₹2.99 crores (for the year ended March 31, 2010 credited ₹8.46 crores).

- 2.18 a) Figures for the previous year have been re-grouped/re-arranged, wherever considered necessary to conform to current year's presentation.

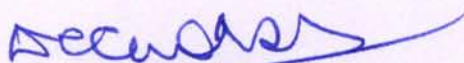
b) ₹0.00 crores denotes figures less than ₹50,000.

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

**For and on behalf of the Board**



**V. Srinivasan**  
Managing Director



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



**Amar Chintopanth**  
Deputy Managing Director & CFO



**Shivanand R. Shettigar**  
Company Secretary

Dubai, April 22, 2011