



Annual Report 2008-09

**Cranes Software International Limited**

Enterprise Analytics and Engineering Simulation Software & Solutions



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It is how innovative  
we get when  
we are between glancing at the  
**SPEED** gauge and  
gauging the depth that determines  
*how we deliver*



At its foundation, Cranes Software is a Company that is built on the wheels of innovation. A judicious pool of scientists, mathematicians and engineers have been participating collectively since inception, to take the Company to greater heights year after year. As a result, Cranes has emerged as a dominant player in the niche yet lucrative areas of engineering simulation and enterprise data analytics. The robust growth and successful financial performance that your Company has delivered over the past year are a testimony to the same.

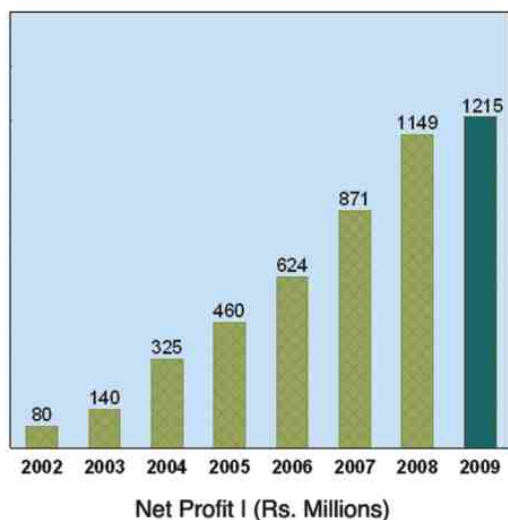
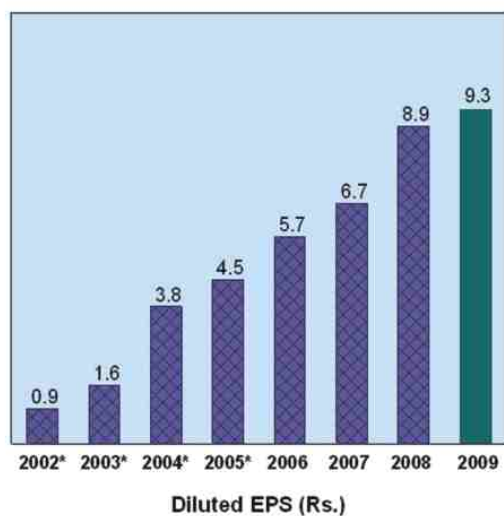
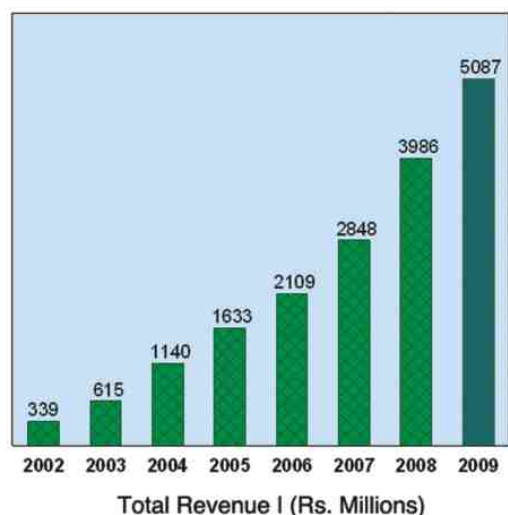
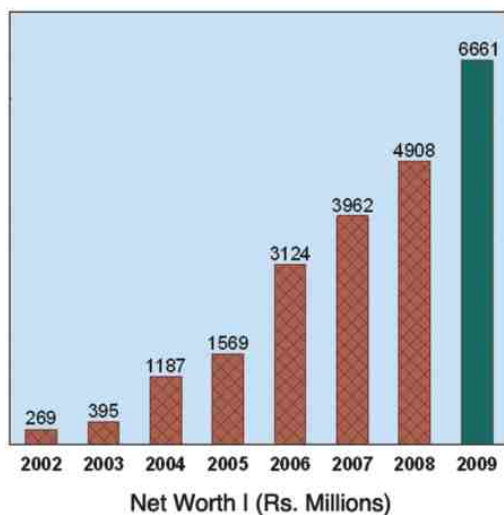
Innovation is not only about catering to various stated and unstated needs, but also creating a platform to enable the Company to sail through bad weather. The management has spent greater effort in the year under review for this very purpose of streamlining operations and enhancing efficiencies to negotiate any economic challenges that have come its way. Meanwhile, we have continued to expand business by venturing into new spaces namely real time business intelligence, forming alliances as well as releasing upgrades of our existing products.

Despite the volatile market environment witnessed over the past year, your Company delivered a stellar growth of 33% in its top line. Revenues increased from Rs. 3,986 million in the previous year to Rs. 5,289 million in the current fiscal. Net profit after tax reported for the year at Rs. 1,213 million translating to earnings of Rs. 9.36 on an expanded capital basis. The Company integrated the acquisition of Cubeware, which is now fully revenue accretive to Cranes' top-line.

Over the years, Cranes has acquired a portfolio of IPs, which are rendered commercially viable, as well as built an impressive library of reusable components. In our endeavor to align the efforts of product offerings with their respective target markets, the Company streamlined its operations into three revenue centric groups of Engineering, Analytics and Technology. Each division has an array of businesses that are capable of being run independently. Going forward, as these businesses grow in scale and become individual profit centers, the Company will leverage their potential to further strengthen our balance sheet and deliver sustainable growth.



Year ended March 31	RS. MILLION								
	2002	2003	2004	2005	2006	2007	2008	2009	
Total Revenues	339.6	615.5	1140.6	1633.8	2109.8	2848.6	3986.4	5288.5	
Total Expenditure	229.8	396.0	777.6	1038.3	1297.3	1839.5	2650.6	3955.7	
Profit Before Tax	109.8	219.5	363.0	595.5	812.5	1009.1	1335.8	1332.	
Tax Expenses	29.7	79	37.4	135	190.5	144	186.1	119.6	
Net Profit	80.1	140.5	325.6	460.5	624.9	871.2	1149.7	1215.0	
Paid up Equity Share Capital	8.42	8.42	10.17	10.17	22.73	22.93	22.93	23.55	
Net Worth	269.6	395.5	1187	1569.3	3124.4	3962.7	4908.7	6661.0	
Diluted Earnings Per Share	9.83	16.31	38.29	45.27	5.77	6.69	8.85	9.36	



All graphs in this Annual Report are powered by SigmaPlot, a proprietary product of Cranes Software



## Chairman's Message

### Dear Shareholders,

It is with pleasure that I invite you to go through this Annual Report and learn how your Company has performed during the last financial year. I am sure that you will be more than happy to see a robust growth even in the times of uncertain economic conditions that we are all very aware of. All businesses around the world have been affected by the global meltdown the individual analysis is generally restricted to the evaluation of the severity.

The core business of a Company forms its DNA that also defines its vulnerability in the face of an onslaught of any epidemic. Choosing the core business carefully is akin to designing your immune system and as you can see, our selection of core business in engineering and scientific software space has held us in good stead.

As any other business, we have been affected by the current global business climate as well, but the effect has been largely on short term parameters such as cash flow, rather than on the demands of our core products and services. In the technology space, every global meltdown since world war II has, if anything only increased the demands on innovation and technical solutions. The current financial crisis is no exception. Now there is increased demand on analytical tools all over the world, in almost every sphere of human activity, for better assessment of risks, early detection of signatures of impending disasters, pattern recognition, scenario planning and incredible amounts of simulations. With three broad divisions of Cranes-Analytics, Engineering, and Technology-your Company has positioned itself really well to meet the increased demands from society in these difficult times and in this process deliver value for your investments as well.

You are aware that your Company has grown to its current strengths through a series of acquisitions. All our acquisitions have been, of course, in the chosen areas of our core business. These acquisitions have thus resulted in accumulation of quite a few technologies. Our fervent desire is to integrate these technologies and leverage cross fertilization. In the software technology space, this is typically a non trivial task as the basic architectures are many times incompatible. Bringing them on common architectural platforms requires quite a bit of R & D. This activity requires investments of both resources and time. This is where I see most of our challenges in coming years. How well we do this integration and use synergies to deliver new products is what will define our future path. We are, fortunately, set on the right path and, with your continued support and encouragement, we should not only weather the current storms but come out ahead when the sun shines again in the global business world.

  
**Rudra Pratap**  
Chairman





## Managing Director's Message

### Dear Shareholders,

I take great pleasure in reporting to you that your Company has performed stably in the face of the tumultuous global financial storm that has been a setback for so many. I believe this has been a result of our focused two pronged strategy which combined a steadfast commitment to enhance efficiencies through rigorous cost management and consolidation in operations with concurrently investing in newer segments like real time business intelligence and launching superior product upgrades, to build sustainable competitive advantage in our business.

In times of uncertainty and shallow visibility, your Company continues to witness healthy demand for its software products. As conceivable, demand had softened initially at the start of the year, but has since accelerated as witnessed by our 33% expansion in the top line. The management has strategically directed all its efforts to consolidate operations with a purpose to create a robust platform to thwart any recessionary challenges by improving productivity of resources.

Meanwhile, mindful of the need to strengthen its competitive position and presence, Cranes continued to extend and deepen the management and overall talent pool. Your Company has a judicious mix of over 1130 people that consist of scientists, mathematicians, highly skilled tech architects, and software engineers. We place great value on the quality of our human capital and look to ensure that we retain our 'best of breed' caliber. Our efforts are bearing fruit-your Company prides itself on having one of the lowest attrition rates in the industry, which is a function of the highly intellectually stimulating career that Cranes has to offer.

### Financial Performance

In the financial year 2008-09, consolidated revenues have grown by 33% to Rs. 5,289 million from Rs. 3,986 million in the previous financial year. Revenues from overseas are up 41% to Rs. 4,509 million while our proprietary business has increased by 40% to Rs. 4536 million for the period under review.

Operating profit for the year is up 18% from Rs. 2,038 million in FY2007-08 to Rs. 2,402 million in the current financial year with healthy margins of over 45%. Net profit after tax for the year is at Rs. 1,215 million translating to earnings of Rs. 9.36 on an expanded capital basis.

Over the years, Cranes has been delivering consistent growth and has maintained operating efficiencies even during the most challenging times, as is a testimony of its performance over the last year. Since inception, the Company has been in an aggressive growth mode acquiring an impressive portfolio of intellectual properties to be an end to end solutions provider in enterprise applications, knowledge management, business intelligence & analytics and engineering services and performance management. However, the Company has spent the last year consolidating its operations across geographies and will continue to exercise strong restraint to reduce costs and improve efficiencies.

### Business Initiatives

In the year gone by, Cranes furthered its engagement with its clientele by releasing product upgrades and forming strategic alliances with leading Companies to expand its suite of product offerings. Additionally, as I discussed earlier your Company adopted several measures to cut costs and enhance productivity in response to the global crisis. We believe that these initiatives of streamlining operations will improve profitability and business efficiencies.

The Company has been rationalizing across geographies by consolidating operations of its subsidiaries to single offices from various different locations. Let me share with you some of the initiatives we have taken - we shifted our engineering and technology operations to our own





state-of-the-art office premises. This 35,000 sq. ft. campus has already started paying dividends-despite the obvious financial savings this fully equipped state-of-the-art campus has helped centralize resources and enabled far more productive and efficient use of resources.

One of the toughest challenges encountered as result of the global crisis, the consequent increase in interest rates and tighter liquidity, is the burden on cash flows due to the significant rise in average collection period. Your Company has since implemented stringent measures like curtailing supplies to distributors with long pending dues, as well as devised a framework such as appointing master distributors who are capable of opening letters of credit in our favor and have their own lines of financing, to clean the supply chain.

In the year under review, Cranes successfully acquired Cubeware, a business intelligence product company headquartered in Rosenheim, Germany. This acquisition is a perfect strategic fit for Cranes Software as it will propel growth and help address strong market opportunities in the real time business intelligence and enterprise business application space. Although we did face challenges integrating the acquisition initially as the business was adversely impacted by the global slump, Cranes has since exercised superior operational control by achieving economies of scale in newer geographies across various verticals.

During the year, in collaboration with Ohio based Rescentris, the Company introduced a new product called SigmaCERF - an Electronic Lab Notebook (ELN) and knowledge management platform for life science research organizations. Through this alliance, the Company has forayed into the highly lucrative ELN space, which industry experts predict is one of the fastest technology growth areas. Cranes has also entered into an agreement with Siemens PLM Software, a business unit of the Siemens Industry Automation Division and a leading global provider of product lifecycle management (PLM) software and services. As per this agreement, Cranes will sell the full suite of Siemens PLM Software solutions in India, thereby strengthening its position in the engineering simulations space. Last but not the least, Cranes' subsidiary, Proland Software entered into a partnership with VirusBuster, a Hungarian based security solutions provider. With this alliance, Proland has increased its portfolio of security solutions to its customers and expanded its presence from a predominantly home user base to the enterprise segments.

One of Cranes' strongest virtues is the commitment towards its customers in offering the latest technological enhancements and features of its products. In the year gone by, the Company released its potent die analysis solution, eta/DYNAFORM Version 5.7 with over 90 new and enhanced features. This latest offering will enable Cranes to address some long standing requirements of the manufacturing and automobile sectors. The Company also launched its latest in finite element modeling software, ETA/VPG™ 3.4 with NISA Solver, which allows engineers to create complex finite element models faster than ever before.

To cater to the growing needs of the Linux community, Cranes released its latest NISA Version 16.0. With over 40 new or improved features, this version for Linux will also give the Company deeper entrants into the CAE industry. During the year, the Company also launched NISA Design Studio Version 16, the latest in its range of engineering products for the civil & structural engineering community.

Over the years, Cranes has won many awards and has been duly recognized for its outstanding achievements for innovation and leadership. The Company's award winning proprietary products like Systat and NISA are leaders in their domain, signifying their continued popularity amongst focused user segments. In the year gone by, Cranes' scientific graphing and data analysis software, Sigmaplot 11 was honored by Scientific Computing Magazine's Reader's Choice Award 2008 in the 'Graphing' and 'Statistical Analysis' categories. Sigmaplot is Cranes' premier graphing application and is used by more than 250,000 scientists, researchers and engineers across a wide spectrum of disciplines for data and statistical analysis. During this year, the best New Software Innovation award was acquired by ETA DYNAFORM 5.6. The award was granted by Precision Metal forming Association (PMA), a full-service trade association representing the \$91-billion Metal forming Industry in North America.

### **The Road Ahead**

Cranes will continue to manage operating levers to derive optimum efficiencies in an uncertain environment. Strategically, our endeavor is to expand our Enterprise Analytics business to newer geographies like the Middle East and the Near East while further penetrate our engineering side of the business in markets of India, US, China and Japan. Concomitantly our focus will continue to be on consolidating and strengthening our growth platform by integrating and optimally leveraging our acquisitions and operations so as to make Cranes a lean, hungry and strong organization. These acquisitions in due course after attaining scale are capable of being individual profit centers and capable of being run independently. In an endeavor to achieve the next level of growth, we may look at monetizing some of these businesses. As I write this, there is a lot of news of 'green shoots' and improving data. This is encouraging and while real growth and demand traction may take a little longer, let me assure you that your Company continues to be bullish on its opportunities going forward and is employing all its time and resources in enhancing growth and value for all its stakeholders.

I will end by thanking all our shareholders, employees, customers, vendors and all others associated with the Company for their continuing support and encouragement and look forward to improved performance in the coming year.

**Asif Khader**  
Managing Director





Board of Directors	Dr. Rudra Pratap	–	Chairman
	Mr. Asif Khader	–	Co-founder & Managing Director
	Mr. Mukkaram Jan	–	Co-founder & Director
	Mr. Mueed Khader	–	Director
	Mr. Richard Gall	–	Director
	Mr. Ronald Brown	–	Director
	Mr. Ajay Singh	–	Director
	Mr. Mirza Yawar Baig	–	Director
	Dr. Manju Bansal	–	Director
	Dr. Peter Ryser	–	Director
Company Secretary	Mr. B. Parasuram		
Bankers	HSBC Bank		
	Bank of India		
	The Jammu & Kashmir Bank Ltd.		
	State Bank of Travancore		
	IDBI Bank Ltd.		
	Yes Bank		
	State Bank of India		
	Canara Bank		
	Allahabad Bank		
Auditors	S. Janardhan & Associates		
	Chartered Accountants		
	Apt. Nos. 104 & 203, Embassy Centre		
	No. 11, Crescent Road, Bangalore - 560 001.		
Registered Office	Cranes Software International Ltd.		
	#29, 7 <sup>th</sup> Cross, 14 <sup>th</sup> Main		
	Vasanth Nagar, Bangalore - 560 052.		
Registrars	Alpha Systems Pvt. Ltd.		
	#39, Ramana Residency,		
	4th Cross, Sampige Road,		
	Malleswaram, Bangalore - 560 003.		
Website	<a href="http://www.cranessoftware.com">www.cranessoftware.com</a>		

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SYSTAT, TableCurve 2D, TableCurve 3D and PeakFit are registered trademarks of Systat Software Inc.

All other company and product names are trademarks and/or registered trademarks of their respective owners.

(All references in this report to Cranes Software International Limited prior to 2001-2002 refer to the erstwhile Cranes Software International Limited before amalgamation.)



# **FINANCIAL STATEMENTS**

2008-09

## REPORT OF THE BOARD OF DIRECTORS

To the Members of Cranes Software International Limited,

Your Directors have pleasure in presenting to you the Twenty-fourth Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31, 2009 by itself and its fifteen subsidiaries, viz.

1. Systat Software Asia Pacific Ltd., India
2. Systat Software Inc., USA
3. Cranes Software International Pte Ltd., Singapore
4. Systat Software GmbH, Germany
5. Cranes Software Inc., USA.
6. Analytix Systems Pvt Ltd., India
7. Tilak Autotech Pvt Ltd., India
8. Proland Softwares Pvt Ltd., India
9. Caravel Info Systems Pvt Ltd., India
10. Engineering Technology Associates Inc., USA (WOS of Cranes Software Inc., USA)
11. Dunn Solutions Group Inc., USA (WOS of Cranes Software Inc., USA)
12. Cranes Software UK Ltd., United Kingdom (WOS of Systat Software Inc., USA)
13. Engineering Technology Associates (Shanghai) Inc., China (WOS of Engineering Technology Associates Inc., USA)
14. Cubeware GmbH, Germany (WOS of Systat Software GmbH, Germany)
15. Esqube Communciation Solutions Pvt Ltd., India

The Audited Accounts for the same period, of the above subsidiary companies have also been incorporated as per relevant regulations in the Consolidated Financial Statements, also being presented.

Financial Performance	(Rs. in Million)			
	2008-09	2007-08	2008-09	2007-08
			Consolidated	
Sales and Operating Revenues	3,768.56	2,820.88	5,288.56	3,986.42
Profit before tax	1,306.44	1,132.37	1,332.81	1,341.73
Taxes	150.00	183.23	117.81	191.97
Profit after tax	1,156.44	949.14	1,215.00	1,149.76
Net Profit attributable to shareholders	1,154.54	949.14	1,214.18	1,149.81
Surplus brought forward	1,388.84	900.68	1,535.59	846.77
Amount available for appropriation	2,543.37	1,849.82	2,749.77	1,996.58

### Business

During the year, your Company, on a standalone basis, achieved a Sales and Operating Revenue of Rs. 3,768.56 million from Rs. 2,820.88 million – a growth rate of 34%. The Profit before Tax increased by 15% from Rs. 1,132.37 million to Rs.1,306.44 million while Net Profit increased to Rs.1,154.54 million from Rs. 949.14 million (higher by 22%).

On a consolidated basis, during the year, your Company together with its above named subsidiaries, achieved a Sales and Operating Revenue of Rs.5,288.56 million from Rs. 3,986.42 million– a growth rate of 33% while Net Profit increased from Rs 1,149.81 million to Rs.1,214.18 million.

### Operations

During the year under review, your Company acquired Cubeware GmbH a Company based in Rosenhiem, Germany through its Subsidiary - Systat Software GmbH, on a Cash cum Share deal aggregating to Euro 18 million, of which Euro 12 million is payable in cash, and shares of your Company aggregating to Euro 6 million were issued, on getting the approval of FIPB.

During the year under review, the operations of the Company were shifted from Shankar Narayana Building to our own premises at Bannerghatta Road, this new location will consolidate operations and thereby save costs. Consequently, the registered office of the Company and its Indian subsidiaries were shifted to #29, 7<sup>th</sup> Cross, 14<sup>th</sup> Main, Vasanthnagar, Bangalore – 560 052 so as to consolidate all corporate functions at one location.

### Appropriation

Your Directors are pleased to recommend a dividend of 10% (Rs. 0.20 per share) on the equity shares for the year under review.



The amount on account of the above Dividend including Dividend Tax and Surcharge thereon on distributed profits works out to Rs.27.56 million, leaving the Company with Rs.2,515.81 million, of which Rs. 300 million is transferred to General Reserve and the balance of Rs.2,215.81 million is retained as surplus in the Profit and Loss Account.

### **Subsidiary Companies / Joint Ventures**

As per Sec 212(1) of the Companies Act, 1956 the Company is required to attach to its accounts, the Directors Report, Profit & Loss Account, Balance Sheet of each of the above subsidiaries. Your Company applied to the Government of India seeking an exemption from such attachment since the Company is presenting its Consolidated Financial Statements in the Annual Report. The Company received approval for the same and hence the financial statements of the subsidiaries are not enclosed. As per the terms of this approval, certain details relating to the subsidiaries are being published in the Consolidated Financial Statements section. The Annual Accounts and the related information on the subsidiaries are available for inspection at the Registered Office of the Company and copies shall be provided on request.

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, your Directors have pleasure in attaching the Consolidated Financial Statements which form a part of the Annual Report and Accounts. This along with the Company's results, we believe, present a full view of the state of affairs of the Company.

### **Deposits**

Your Company has not accepted deposits from the public during the current year.

### **Directorate**

Mr. Mirza Yawar Baig and Mr. Ajay Singh retire by rotation in the forthcoming Annual General Meeting. Mr. Mirza Yawar Baig, being eligible, offers himself for re-appointment. Mr. Ajay Singh has expressed his intention not to seek re-appointment. Your Company has been immensely benefited from the insights of Mr. Ajay Singh and the Board places on record their deep appreciation for the services rendered by him during his tenure on the Board.

### **Conservation of Energy**

Even though the operations of your Company are not energy-intensive, adequate measures have been taken to reduce energy consumption by using efficient equipments. Since it is a software products Company, primarily dealing with scientific and engineering software products and product related projects, energy cost forms a very small part of total cost and its impact on total cost is not material.

### **Research & Development Activities**

At Cranes, we are committed to building a strong R&D culture from day one and have set clear R&D goals. In order to achieve these goals, Cranes has focused on furthering the efficacies of R&D activities as well as building synergies among multiple-impact technologies. The statement giving information as required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 is enclosed to this report.

### **Foreign Exchange Earnings and Outgo**

Foreign exchange earned (FOB) during 2008-09 is Rs. 3,028.63 million and foreign exchange outgo is Rs. 1,052.64 million during the year.

### **Employees**

The particulars of employees as per Section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975 is enclosed.

### **Directors' Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies Act 1956, the Directors hereby confirm that they have:

- i. Followed the applicable accounting standards in the preparation of the annual accounts;
- ii. Selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for the year under review;
- iii. Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and detecting fraud and other irregularities;
- iv. Prepared the accounts for the financial year on a 'going concern' basis.

### **Corporate Governance**

A detailed report on Corporate Governance & Management Discussion and Analysis are attached.

The Board members and the Senior Management Personnel have affirmed compliance with the Code of Conduct. Declaration of Confirmation by the Managing Director to this effect is annexed hereto.

### **Auditors**

The auditors of the Company, Messrs. S.Janardhan & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment. The declaration under Section 224(1)(B) of the Companies Act 1956 has been received from them.

### **Acknowledgement**

Your Directors wish to place on record their sincere appreciation for the assistance and co-operation received from Banks, Financial Institutions, Government, Customers, Suppliers, Business Partners and Shareholders for the year under review.

Your Directors also wish to place on record their appreciation for the contribution made by employees at all levels of the Company, whose committed efforts are a reflection of our results and look forward to their continued support.

for and on behalf of the Board

Bangalore  
July 30, 2009

Asif Khader  
Managing Director

Mukkaram Jan  
Director



## Form – B

Information as per section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2009.

### Research & Development Activities and Technology Absorption :

Cranes' business model 'Acquire-Enhance-Expand' is based on acquisition of technologically superior IPs, re-engineering them to add new features and functionalities, and expansion to the global market. While this in itself involves a significant amount of R&D, Cranes has also taken some dedicated in-house initiatives in selected technology areas such as Wireless Communication Systems and LAN test solutions.

Your Company, in association with the Centre for Sponsored Schemes and Projects of Indian Institute of Science (IISc), Bangalore, has helped set up a MEMS (Micro-Electro-Mechanical systems) design and characterization laboratory at the IISc campus. Here Cranes works alongside cutting edge researchers to create an IP portfolio in MEMS and Nanotechnology, evaluate the commercial potential of research and chart out development paths for future products. This is in line with our vision and commitment to support and nurture the ecosystem of research and innovation that drives technology based economies. The Indian Institute of Science and the Company will jointly own the Intellectual Property rights and patents for technologies and products developed by this lab.

During the year, your Company put significant effort in initiating to major research efforts, in addition to the regular research activities in its well established business units such as SYSTAT, Sigma Plot, etc. A small nanotechnology team was established with complete focus on research and development in the area of nanotech instrumentation. This area was chosen based on our experience with Micro Electro Mechanical System (MEMS) technology over the last five years and our proven strength in software development for scientific visualization. The nanotech team was established to focus on Scanning Probe Microscopy and an appropriate lab was established in the Cranes Innovation Center located at the Indian Institute of Science campus. The nanotech team has worked relentlessly to produce a prototype of one of the microscopes with a goal of achieving a few nanometer resolutions, and your Company has been successful in this endeavor.

The research work with several other divisions of the company, notably Caravel and Wireless are in progress to take advantage of the existing expertise in associated areas. In particular, Caravel participated in the development of key electronics components. It is envisaged that the Sigma team will get involved in developing proprietary imaging software for the instruments developed by the groups. The last quarter of the year however, saw a considerable slow down on the activities of the group due to inevitable effect of overall business slow down on the research and development activities.

Another major R&D initiative was taken by the NISA group in engineering to tie up with the IISc on a joint software product development in the area of Microsystems Analysis and Design. This is a major rational effort funded by a national program, NPMASS, to create a microsystem module that can plug into the existing robust engine of NISA to give users a reliable design platform. This initiative involves a large team of researchers from IISc and a team of professional software developers from NISA. This project is scheduled to be completed in four years.

The goal of Cranes' R&D initiatives is not about conjuring up pictures of the future, though that is part of what is done, but is more about systematic and continuous surveillance of future markets, identification of the discontinuities that are bound to crop up and the resultant technological requirements, and creation of technological models that we must come up with to cater to requirements across the globe. In turn, we are creating new business avenues to explore opportunities for products, systems and services for as diverse an industry spectrum as possible for your Company.

For and on behalf of the Board

Bangalore  
July 30, 2009

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

## DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its employees and all Board Members and Senior Management.

I confirm that the Company has in respect of the financial year ended March 31, 2009, received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Personnel means the employees in Executive Vice President Cadre and Company Secretary as on March 31, 2009.

For Cranes Software International Ltd.,

Bangalore  
July 30, 2009

**Asif Khader**  
Managing Director

## ANNEXURE TO DIRECTORS' REPORT

Information as per Sec 217(2a) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 and forming part of the Directors Report for the year ended March 31, 2009

Sl. No.	Name	Designation	Qualifications	Age in Years	Remuneration	Total Exp. In Years	Date of Joining	Particulars of the previous employment
<b>a) Employed for the full Financial Year</b>								
1	Asif Khader	Managing Director	B.E., PG Dip in Stat.	43	2,916,804	19	30-Apr-02	Erstwhile Cranes Software International Limited
2	Mukkaram Jan	Whole-Time Director	BCom	43	2,916,804	19	30-Apr-02	Erstwhile Cranes Software International Limited
3	Mueed Khader	Whole-Time Director	BSc, Dip in Computer Science	38	2,916,804	12	30-Apr-02	Erstwhile Cranes Software International Limited
4	Syed Aarif Hashmi	Sr. Vice President	B.E	45	3,405,948	19	04-Sep-00	Senior Vice President - Systat Software Asia Pacific Ltd.
5	Shankar H	Executive Vice President & CFO	B.TECH (IIT M) and PG DIPLOMA (IIM A) in Business Administration	59	3,151,063	35	10-May-04	Managing Director - Saint-Gobain Sepr Refractories India Limited
6	Rajeeva Laxman Karandikar	Executive VP & Head Analytic Practice	PH.D. (ISI C) & M.STAT (ISI C)	52	5,476,017	30	02-May-06	Professor - ISI New Delhi
7	Amlan Kusum Nayak	Associate Vice president - Development	PHD (IIT M) & M.TECH (IIT M)	45	2,738,544	20	20-Sep-02	Project Manager - Eval Technologies
<b>b) Employess for part of the year under review and was in receipt of remuneration in the aggregate of not less than Rs.2.00 lakhs per month</b>								
1	Srinivas Bhogle	Vice President - Analytics	PHD, MPHIL, MSTAT, & BSTAT	52	1,655,842	25	01-Oct-97	Scientist in Grade 4 - NAL
2	Akhilesh Khazanchi	Executive VP - Global HR And Corp. Affairs	B.A, Masters in Per. Mgmt. & IR, Dip. in Training and Dev & Dip. in Labour Law and Welfare	45	2,677,012	22	12-Oct-06	Director - HR - Equinox Global Services
3	Krishna Lakshmi Narasimhan	Sr. Vice President - Corporate Business Development	B.TECH (IIT M) & MBA (Insead)	48	1,892,089	26	05-Oct-05	Executive Vice President - Gavs Information Services Pvt. Ltd.

Note :

a) Remuneration show above comprises basic salary, allowances and taxable value of perquisites

b) Except persons mentioned in Sl No.1 & 3, above who are related to each other as per Section 6 read with Schedule 1A of the Companies Act, 1956, none of the other employees are related to any Director of the Company.

For and on behalf of the Board

Bangalore  
July 30, 2009

**ASIF KHADER**  
MANAGING DIRECTOR

**MUKKARAM JAN**  
DIRECTOR



## CORPORATE GOVERNANCE REPORT 2008-09

### (ANNEXURE TO DIRECTORS' REPORT)

The Corporate Philosophy, as enshrined in its mission statement of "Exploring for a Better Tomorrow" is to optimize and increase the value to all stakeholders, creditors, employees and the society at large through adherence to corporate values, codes of conduct and other standards of behaviour. The Company seeks to ensure professionalism in all its dealings. The Board believes in conforming to, and exceeding wherever possible, the prevalent mandatory guidelines on Corporate Governance.

#### Board of Directors:

The composition of the Board is as follows:

##### Promoter Group:

Asif Khader  
Mukkaram Jan  
Mueed Khader

##### Non- Executive Directors:

Dr. Rudra Pratap  
Richard Gall  
Ronald Brown  
Ajay Singh - Independent Director  
Mirza Yawar Baig - Independent Director  
Dr. Manju Bansal - Independent Director  
Dr. Peter Ryser - Independent Director

#### Details of Board Meetings held during the year:

The Board met 5 times during the year, as follows :

During the quarter ended June 30, 2008	June 26, 2008
During the quarter ended September 30, 2008	July 31, 2008
During the quarter ended December 31, 2008	October 30, 2008
During the quarter ended March 31, 2009	January 29, 2009 March 13, 2009

#### Details of attendance at Board Meetings and last AGM and details of memberships in other Boards and Board Committees:

The Board being represented by members from various parts of the world, it may not be possible for all to be physically present at all Board Meetings; such Directors who are unable to be present invariably participate in the proceedings through telephonic conference calls.

Name of the Director	Date of Appointment	No. of Board Meetings attended	Whether attended last AGM	Membership in other Boards <sup>1</sup>	Committees <sup>2</sup> Membership	Chairmanship
Dr. Rudra Pratap	June 21, 2002	5	Yes	-	3	1
Asif Khader	April 30, 2002	5	Yes	6	1	-
Mukkaram Jan	April 30, 2002	5	Yes	7	2	1
Mueed Khader	April 30, 2002	5	Yes	6	-	-
Richard Gall	May 16, 2002	5	Yes	-	-	-
Ronald Brown	November 21, 2002	5	Yes	-	-	-
Ajay Singh	February 18, 2003	-	No	1	2	2
Mirza Yawar Baig	March 31, 2003	5	Yes	-	2	-
Dr. Manju Bansal	March 31, 2004	5	Yes	-	2	-
Dr. Peter Ryser	March 29, 2005	5	Yes	-	-	-

#### Audit Committee:

The scope of reference of the committee, inter alia, includes:

- Review of audit with Statutory Auditors & Internal Auditors.
- Limited Review of quarterly accounts with Statutory Auditors.
- Review of annual financial statements with auditors and management before submission to the Board.
- Review of adequacy of internal control systems and internal audit function.
- Other matters as set out in the Listing Agreement and Section 292A of the Companies Act, 1956.

<sup>1</sup> Excludes companies exempted under Sec 278 of the Companies Act, 1956 and Foreign Companies.

<sup>2</sup> Membership in Audit Committee, Remuneration Committee and Investor Grievance Committee only considered.

The Committee consists of the following directors :

Ajay Singh	–	Chairman
Mirza Yawar Baig	–	Member
Dr. Rudra Pratap	–	Member
Dr. Manju Bansal	–	Member

The Committee met five times during the year. The dates of the meetings with details of attendance of the directors thereat is given below:

Name of the Director	June 26, 2008	July 31, 2008	October 30, 2008	January 29, 2009	March 13, 2009
Ajay Singh	–	–	–	–	–
Dr. Rudra Pratap	Yes	Yes	Yes	Yes	Yes
Mirza Yawar Baig	Yes	Yes	Yes	Yes	–
Dr. Manju Bansal	Yes	Yes	Yes	Yes	Yes

The Company Secretary is the Secretary of the Committee.

The Statutory Auditors and Mr. H Shankar, CFO, attended all the meetings.

#### Remuneration Committee:

The Board has constituted a Remuneration Committee under the provisions of Schedule XIII of the Companies Act, 1956 to finalize and propose the remuneration for Wholetime Directors and Managing Director. The Committee consists of Mr. Ajay Singh (Chairman), Dr. Rudra Pratap, Mr. Mirza Yawar Baig and Dr. Manju Bansal. The Committee met on June 26, 2008 to consider the commission to be paid to the Wholetime Directors. Dr. Rudra Pratap, Mr. Mirza Yawar Baig and Dr. Manju Bansal were present for the meeting. The Company pays remuneration by way of salary, perquisites and allowances and a commission to the Managing Director and the Wholetime Directors.

The details of remuneration of the managerial personnel for the year 2008-09 is given in 21.2 of Notes on Accounts.

#### For Non-Executive Directors:

No fixed remuneration is paid to the Non-executive Directors, they are paid commission as a percentage of the net profits, as decided by the Board, but within the limits set under the provisions of the Sec 309 of the Companies Act, 1956. The payment of Commission was approved by the Shareholders at the AGM held on September 11, 2006. The basis of determining the specific amount of commission payable to these directors is related to their attendance at meetings, contribution at meetings as perceived by the Board and the extent of consultations with them outside the meetings. The details of commission payable to the non-executive directors for the year is given below:

Name of the Director	Commission in Rs.
Dr. Rudra Pratap	975,000
Richard Gall	500,000
Ronald Brown	515,000
Dr. Manju Bansal	580,000
Mirza Yawar Baig	875,000
Dr. Peter Ryser	530,000
Ajay Singh	225,000
<b>Total</b>	<b>4,200,000</b>

The Non Executive Directors do not hold any shares of the company in their names.

#### Share Holder Grievance Committee:

The Company has a Shareholder Grievance Committee consisting of Dr. Rudra Pratap, Mr. Mukkaram Jan and Mr. Asif Khader to look into the grievances of investors. During the year there were no unresolved grievances from the investors / shareholders as on March 31, 2009.

The Company has designated an email id exclusively for redressal of Investor Grievances, viz., [investor.grievances@cranessoftware.com](mailto:investor.grievances@cranessoftware.com) in compliance with clause 47(f) of the listing agreement for speedy redressal of investor grievances.

### Annual General Meetings:

Details of last three Annual General Meetings and the Special Resolutions passed there at are as under:

Date of AGM	Time	Venue	Special Resolutions passed
September 11, 2006	3.00 p.m.	Hotel Le Meridien, 28, Sankey Road, Bangalore – 560 052	a) Issue of ESOPs for employees of the Company and its subsidiaries. b) Payment of Commission to Non-executive Directors. c) Issue of shares on preferential basis to strategic investors
September 13, 2007			Increase in the limit to accept investment from FII's from 49% to 60%.
September 29, 2008			Issue of shares on Preferential basis for consideration other than Cash as part consideration for the acquisition of Cubeware GmbH.

For AGM 2009, the Company does not have any proposal for postal ballot.

### Disclosures:

During the year the Company did not enter into any transactions of material nature with any of the Promoters, Directors, Management or relative etc., which may have potential conflict with the interest of the Company.

### Insider Trading:

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Company has adopted a code of conduct for prevention of insider trading and the required disclosure practices.

### Means of Communication:

The quarterly results are published generally in 'Business Standard' & 'Samyukta Karnataka' (Kannada). The results are also updated on the corporate website ([www.cranessoftware.com](http://www.cranessoftware.com)). The quarterly results and the shareholding pattern are uploaded in the website of SEBI under EDIFAR Menu.

### General Shareholder Information

a <b>24<sup>th</sup> Annual General Meeting</b> Date and Time Venue	On Tuesday, September 29, 2009 at 3.00 p.m. Hotel Capitol, Raj Bhavan Road, Bangalore - 560 001
b <b>Financial Calendar</b> Audited Annual Results – 2008-09 Unaudited results for the quarter ending June 30, 2009 Unaudited results for the quarter ending September 30, 2009 Unaudited results for the quarter ending December 31, 2009 Audited Annual Results - 2009-10	June 30, 2009 Last week of July, 2009 Last week of October, 2009 Last week of January, 2010 First week of June, 2010
c <b>Book closure date</b>	September 24, 2009 to September 29, 2009 (both days inclusive)
d <b>Dividend payment date</b>	On or after October 5, 2009
e <b>Listing of Equity shares</b> Name and address of Stock Exchange	Stock Code
<b>Bombay Stock Exchange Ltd. (BSE)</b> P J Towers, Dalal Street, Mumbai - 400 001 <b>National Stock Exchange of India Ltd. (NSE)</b> Exchange Plaza, Bandra Kurla Complex Bandra (E), Mumbai - 400 051 The Listing Fees has been paid to all the Stock Exchanges	512093 CRANESSOFT – EQ
f <b>Website of the Company</b>	<a href="http://www.cranessoftware.com">www.cranessoftware.com</a>
g <b>Registrar and Transfer Agents</b>	Alpha Systems Private Limited No. 30, Ramana Residency, 4th Cross Sampige Road, Malleswaram, Bangalore - 560 003
h <b>Demat ISIN Number allotted to the Company</b>	INE234B01023

The Company came out with a Euro 42 million, 2.50% Foreign Currency Convertible Bond (FCCBs) issue during 2005-06, the FCCBs are listed at the Singapore Stock Exchange. The FCCBs are convertible into shares or GDRs and the GDRs would be listed at the Luxembourg Stock Exchange and the shares with BSE & NSE in India. As of date no conversions have taken place.

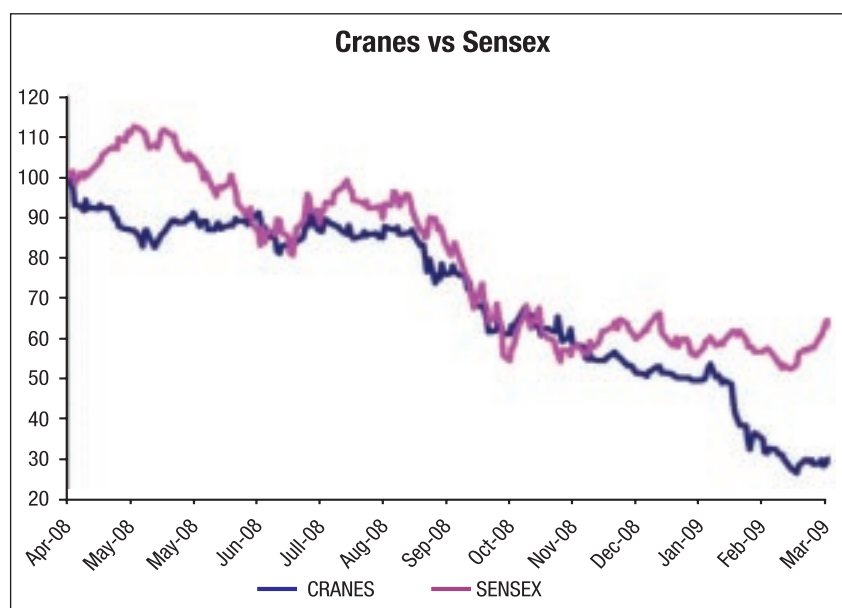


### Share Price Data:

The Share price data on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) during the year 2008-09 is given below :

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
Apr-08	143.75	118.55	144.00	110.60
May-08	129.00	111.00	128.00	112.40
Jun-08	129.00	114.50	132.00	115.00
Jul-08	136.00	110.05	129.00	109.00
Aug-08	126.90	114.15	135.00	114.20
Sep-08	123.95	101.30	124.00	93.50
Oct-08	108.00	76.00	109.15	77.00
Nov-08	97.00	79.00	96.40	77.65
Dec-08	87.95	65.00	88.65	69.05
Jan-09	76.30	66.00	80.00	65.65
Feb-09	75.45	41.55	75.45	41.50
Mar-09	47.00	35.20	47.05	35.25

A comparison of the share price movement on BSE compared with the BSE SENSEX is given below :



### Registrar & Transfer Agents:

Share Transfer work is being done by M/s Alpha Systems Pvt. Ltd, No.30 Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore – 560 003 who are SEBI registered Registrars & Transfer Agents for both physical and demat shares.

### Share Transfer System:

The power to approve transfer of shares has been delegated by the Board to the Share Transfer committee. Share transfers are processed within 15 days from their receipt.

### Secretarial Audit:

As required by SEBI Circular No. D&CC/FITTC/CIR-16/2002 dt. 31.12.2002, secretarial audit was carried out by a Practicing Company Secretary on quarterly basis to reconcile the total admitted capital with both the depositories and the total issued and listed capital. The total number of shares in physical form and the total number of dematerialized shares held with the depositories were in agreement with the total issued / paid-up capital.

### Compliance with Corporate Governance Norms:

The Board periodically reviews the compliance of all applicable laws and gives appropriate directions wherever necessary.

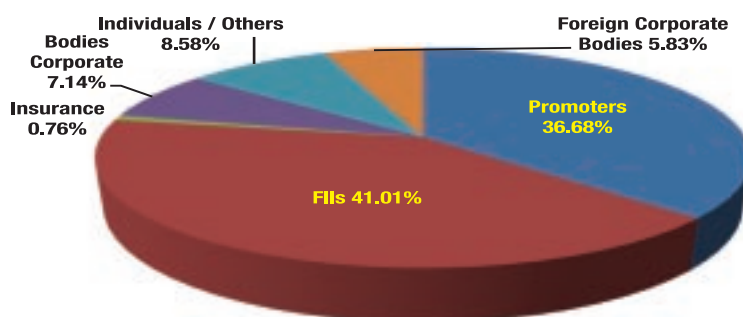
A Certificate from the Managing Director and Chief Financial Officer on the financial statements were placed before the Board.

The Company has complied with all mandatory requirements of Corporate Governance norms as enumerated in Clause 49 of the listing agreements with stock exchanges. The Company has obtained a certificate from the statutory auditors of the Company regarding compliance with the provisions of the above clause and the same is attached hereto.

#### Distribution of Shareholdings as on March 31, 2009:

No. of shares held	Folios		Shares	
	Number	% to Total	Number	% to Total
upto 500	3,589	85.01	442,192	0.38
501 - 1000	247	5.85	208,593	0.18
1001 - 2000	122	2.89	196,216	0.16
2001 - 3000	47	1.11	120,633	0.10
3001 - 4000	27	0.64	97,683	0.08
4001 - 5000	24	0.57	116,464	0.10
5001 - 10000	40	0.95	314,409	0.27
10001 & above	126	2.98	116,270,660	98.73
<b>Total</b>	<b>4,222</b>	<b>100.00</b>	<b>117,766,850</b>	<b>100.00</b>

#### Pattern of Share Holding as on March 31, 2009



#### Dematerialisation of Shares:

The Company has entered into necessary agreements with NSDL & CDSL for dematerialization of shares held by investors. As of March 31, 2009 about 97% of the Company's shares are held in dematerialised form.

#### Office Locations:

Being a scientific software products Company, it has its product development center at Bangalore and offices at New Delhi, Hyderabad and Pune.

#### Address for Communication:

- To the Company:  
H Shankar  
Compliance Officer,  
Cranes Software International Ltd.  
# 29, 7<sup>th</sup> Cross, 14<sup>th</sup> Main, Vasanth Nagar  
Bangalore – 560 052.
- To the Registrar & Transfer Agent – for Share Transfers / Transmissions..etc  
Vijay Gopal  
Vice President  
Alpha Systems Pvt. Ltd  
No. 30, Ramana Residency  
4<sup>th</sup> Cross, Sampige Road  
Malleswaram,  
Bangalore – 560 003.

## AUDITOR'S CERTIFICATE

(Under Clause 49 of the Listing Agreement)

To the Members of Cranes Software International Limited, Bangalore.

We have examined the compliance of conditions of Corporate Governance by CRANES SOFTWARE INTERNATIONAL LIMITED, for the year ended 31.3.2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us:

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for S.JANARDHAN & ASSOCIATES  
CHARTERED ACCOUNTANTS

**(BALAKRISHNA S.BHAT)**  
PARTNER  
Membership No.202976

Bangalore  
July 30, 2009





## MANAGEMENT DISCUSSION AND ANALYSIS

(Annexure to Directors' Report)

Note: This discussion covers the consolidated financial performance of Cranes Software International Limited and its subsidiaries)

### OVERVIEW

Cranes Software International Limited (NSE: CRANESSOFT; BSE 512093), a USD 110.9 million Company (as on March 31, 2009), develops and globally markets engineering simulation and enterprise data analytics software and services. Over the past decade, having transitioned from a third party distributor, the Company has successfully accumulated a portfolio of proprietary products with deep domain knowledge in the areas of engineering simulation and statistical analytics. In doing so, Cranes has effectively established itself as a global IP driven products and solutions provider.



## GLOBAL BUSINESS ENVIRONMENT

The Software Products Industry in India is emerging as one of the highest growth avenues within the IT space. Over 250 product companies have mushroomed over the last three years while the industry is growing at an annual CAGR of 44%. According to NASSCOM, the product segment in India has the potential to grow 10 times its current size to become a USD 12 billion over the next decade. Under the aegis of an established ecosystem, the industry has gained in momentum and scale to cater to the growing requirements of different markets around the world. Cranes Software is at the forefront to capitalize on this growing business demand and emerge as a leading global software product Company in the lucrative space of engineering simulation and enterprise data analytics.





## BUSINESS INITIATIVES

The year gone by can be characterized as one of consolidation in operations. Given the weakness in the global business environment at the beginning of the fiscal year, the management at Cranes Software had clearly defined its priorities and the tools it would adopt to counter the challenges ahead. Moreover, given our aggressive growth path with several acquisitions across geographies, we believe there is a need to consolidate and put in place a strong platform for continued growth. In the past year, our endeavor has been to streamline the supply chain, cost control management, improve operating efficiencies, continue to launch newer versions of our proprietary software, and strengthen our position in the high growth avenues of engineering simulations and scientific analytics.

To begin with, your Company has shifted the engineering and technology operations to its own state of art office on Bannerghatta road in Bangalore. This 35,000 sq. ft. campus has an exclusive parking of 7,300 sq ft, a spacious cafeteria of 5,300 sq ft, a full fledged communication center and other modern amenities to address the futuristic requirements of the organization. In conjunction with our priority to cut costs, this office premise will result in better use of resources and enable speedy and cost effective communication to onsite employees and global customers.

In order to cope with the unprecedented global financial instability, Cranes has taken strict measures to reduce the significant rise in the average collection period, which is a direct consequence of the current economic recession. Since a majority of our revenues come from exports, we have faced the greatest challenge in this segment of our business. The average collection period from this segment rose significantly at the behest of the global financial instability. In this regard, the Company is aggressively cleaning up the supply chain by curtailing supplies to distributors with long collection dues and establishing stringent guidelines and a framework to minimize bad debt such as appointing master distributors who are capable of opening letters of credit in our favor and having their own lines of financing. Additionally, the Company is enhancing its interface with customers for direct sale of proprietary products particularly where management decisions have impacted distributor sales and in locations where it has close proximity to direct offices.”





## ACQUISITIONS

In fiscal 2008-09, Cranes Software completed the acquisition of Cubeware GmbH, a business intelligence product Company, through its wholly owned subsidiary, Systat Software GmbH. With this acquisition, Cranes has expanded its portfolio in the emerging business space of real time business intelligence, data mining and statistical solution products for enterprise business applications. Headquartered in Rosenheim, Germany, Cubeware's product portfolio includes a leading edge BI Front-End 'Cubeware Cockpit V6pro', a high-powered ETL tool 'Cubeware Importer', a special interface for SAP 'Cubeware Connectivity for SAP Solutions' as well as a broad range of business content.

One of the challenges we initially faced post Cubeware acquisition was seamless integration of operations and achieving economies of scale. This was due to the global slowdown that had a larger adverse impact on solutions & services business than product licenses business. Since then, we have focused on strengthening operational control by consolidating the cost structure while at same time achieving economies of scale in Cubeware to newer geographies like India, Asia-Pac and the Middle East and across various verticals. By harnessing Cubeware's business intelligence expertise and Cranes wide network reach, we believe that we can draw multifold synergies and expand business to cater to the growing demand.



## ALLIANCES

Cranes has over the years formed several strategic alliances with leading Companies in the scientific analytics and engineering simulations domain. The goal has always been to expand customer footprint by anticipating and addressing all the stated as well as unstated needs of scientists and engineers. The Company has embarked on this growth map by filling in technology gaps to be present in the entire spectrum of the value chain. In the year gone by, Cranes entered into an agreement with Siemens PLM Software, a business unit of the Siemens Industry Automation Division and a leading global provider of product lifecycle management (PLM) software and services. This agreement enables Cranes to be present in every stage of the product lifecycle process by offering entire suite of Siemens industry leading PLM Software solutions in India. With this alliance, Cranes has expanded its customer base and forayed into the larger enterprise space.

In May 2009, Cranes Software's subsidiary, Systat Software, collaborated with US based Rescentris, Inc. to globally offer a joint product SigmaCERF™ - an Electronic Lab Notebook (ELN) and knowledge management platform for life science research organizations. Collaborative Electronic Research Framework (CERF) is a unique ELN solution designed specifically for scientists and R&D organizations. Rescentris' expertise in providing CERF electronic laboratory notebook and scientific content management software solutions coupled with Cranes' global sales and support infrastructure will strengthen our presence in the life sciences space. The ELN market is poised for significant growth as biotech organizations strive for maximum efficiency and safe access to IP records.

More recently, Cranes' Bangalore based subsidiary, Proland Software entered into a partnership with Hungarian based security solutions provider, VirusBuster. Proland has substantial experience and knowledge of the antivirus market and owns the widely successful Protector Plus range of anti-virus software products. This alliance will create multifold synergies, a stronger technical collaboration and result in better utilization of resources. Partnering with VirusBuster has increased Proland's existing product portfolio to a wider selection of security solutions for its customers. The Company has also expanded its presence from a predominantly home user base to the enterprise segments.





## NEW PRODUCT LAUNCHES

In sync with our thirst for innovation, Cranes has a relentless commitment to offer customers with the latest features and enhancements by constantly releasing newer versions of our portfolio of products. During the year, the Company launched NISA DesignStudio Version 16, the latest in its range of engineering products for the civil and structural engineering community. This new product includes many critical enhancements and marks a significant improvement over the previous version with excellent reporting and graphing features and automatically generated AutoCAD® drawings. NISA DesignStudio was first launched in 2006 to address the needs of individual and upcoming structural engineers who predominantly analyze and design multistoried buildings, apartment complexes and industrial enclosures made of RCC & steel. Since then, the product has become widely popular and the newest version will significantly increase productivity of our customers.

With the launch of NISA Version 16.0, Cranes furthered its engagement with the Linux community that can now access all the benefits currently available to Windows users. This latest version has over 40 new features with remarkable improvements in element model interoperability and performance, non-linear static analysis and a faster multi-core solver for the Structural, Fluid, Heat and EMAG (Electromagnetic) Modules in 32 bit O/S.

In April 2008, Cranes announced the release of its latest offering in finite element modeling software, eta/VPG version 3.4 with NISA solver. This product development software has over 63 new or improved functions and also features the debut of integrated linear static and Eigen value modules thus allowing engineers to create and visualize accurate and complete simulations for expert insight into their designs.

The latest offering from the Cranes' Engineering stable is its powerful die analysis solution eta/DYNAFORM Version 5.7. This upgrade has over 90 new and enhanced features and will help increase manufacturing efficiency and productivity by addressing some of the long standing requirements of the Manufacturing and Automobile sectors.





## SWOT ANALYSIS OVERVIEW

### Strengths

Cranes Software's principal strengths are its expertise, experience and deep domain knowledge in the niche field of engineering simulations and enterprise data analytics. Your Company has an eminent pool of human capital comprising of scientists, mathematicians and computer engineers. Over 70% of our employees are post graduates with many possessing a PHD degree. The Company has a full fledged R&D center established in Bangalore to develop product upgrades, and conduct research in new technologies.

Over the years, Cranes has accumulated a vast resource of intellectual property and acquired the skills to innovate on IPs and render them commercially viable. By anticipating and addressing the needs of scientists and engineers, the Company has built a dominant position in sectors of aerospace, automotive and electrical engineering, life sciences, pharma, telecom, BFSI and consumer research. Cranes' clientele are an elite list of top-notch Companies like GE, Delphi System, Texas Instruments, Apple Computers, Hewitt Packard, Honeywell, AT&T, Massachusetts University of Technology, Carnegie Mellon University, U.S. Department of Agriculture, and Larsen & Toubro among others.

Cranes has a wide distribution network with a global sales and support infrastructure across 39 countries in the world. The Company has direct presence in USA, UK, UAE, China, Malaysia, Germany, Canada, Singapore and India.

### Opportunities

Opportunities lie in abundance as the software industry is witnessing a fundamental shift from IT enabled business automation to IT enabled real time decision support systems. A new paradigm is emerging where instead of merely routing data and information to users, the analytics platform will provide intelligent decision criteria based on real-time, quick analysis of reams of stored data residing in data warehouses, disparate data bases. Cranes is well positioned and equipped with deep domain knowledge to exploit the wave of opportunities in this space.

The Company will continue to engage with leading technology players across the world and will leverage its recognized brand value and extensive sales network to form strategic alliances in niche areas of engineering simulation and scientific analytics.

Cranes has been pioneering investments in future technologies such as micro-electrical systems (MEMS) and nanotechnology. The Company has been collaborating with Indian Institute of Science on research on MEMS sensors for acoustic applications and ultrasound imaging, besides developing analysis tools and software for specific needs of the engineers working in this area. Although efforts in this regard will take time to fructify, Cranes is accumulating a rich source of intellectual property rights which will serve the Company well to fuel future growth.

### Threats

The catastrophic financial tsunami that has befallen the entire global community has left the Company vulnerable to the economic uncertainties that accompany it. Since a majority of our revenues comes from exports, in the current scenario, Cranes' cash flows have been most affected due to the economic recession. While the continued robust demand for our products is promising, the collection period from debtors has risen considerably. The Company has taken strict measures to counter this challenge by implementing a framework to clean the supply chain and streamline operations. Cranes has temporarily curtailed supplies to distributors with long collection delays and also appointed master distributors who are capable of opening letters of credit in our favor and having their own lines of financing.

Initiatives of consolidation and rationalization in operations are being taken to enhance efficiencies across geographies. For instance, the Company has merged product and engineering operations from various locations in the US and UK to one location in both countries. Similarly Cranes has vacated out of high cost office premises in Bangalore, India and move all technology and engineering operations to our own office premise. Many such initiatives to have a clean and strong balance sheet are being implemented and have already started to pay dividends.

Given our high exposure to revenues from overseas, the Company is also susceptible to currency exchange risks. Our policy on hedging is that it is not a profit center but a risk management tool and the management has created a robust mechanism to counter volatility from currency fluctuations.





## THE ROAD AHEAD

Having streamlined its product offerings into revenue centric groups of Engineering, Analytics and Technology, Cranes will continue to monetize the product asset base of software components while expanding solutions segment of the business through a larger network of partnerships and third party alliances. Today, we are building a strong organization with multiple businesses across target markets of automotive and aerospace in the Engineering domain as well as pharmaceutical, environmental science, social science, telecom and BFSI within the Analytics space. These businesses in due course will become individual profit centers, which we will then look to monetize to strengthen our cash flows and enable higher growth in the solutions business. These initiatives, we believe, will not only help the Company ably counter the volatile and dynamic environment but also build a strong infrastructure with high caliber of people so that the organization reaches new levels of success.



## AWARDS AND RECOGNITION

In a testimony of our achievements and an endless spirit to strive for excellence, Cranes has over the years been commemorated with several awards and accolades in many different categories. The 'United Kingdom Trade and Investment Award' was bestowed upon us for our exceptional entrepreneurial and innovative talent while Marico Foundation and Business World honored us with the 'Innovation for India Award' for our unique 'Acquire-Enhance-Expand' business model.

The Company has been repeatedly commended in the past for its various award winning software products such as NISA Civil and Systat. Most recently, Cranes' premier graphing application, SigmaPlot 11 won the Scientific Computing Magazine's 'Reader's Choice Award 2008' in the 'Graphing' and 'Statistical Analysis' categories. The latest release of its kind by Systat Software, SigmaPlot is the most advanced scientific graphing and data analysis software available that allows its users to present their data using exact, publication-quality graphs. During this year, the best New Software Innovation award was acquired by ETA DYNAFORM 5.6. The award was granted by Precision Metal forming Association (PMA), a full-service trade association representing the \$91-billion Metal forming Industry in North America.

## Financial Perspective

### Source of Funds:

#### Share Capital

The Company's authorized share capital is Rs. 350 million comprising 165 million equity shares of Rs. 2/- each and 200,000 preference shares of Rs. 100/- each.

During the year under review the Company issued and allotted 30,98,880 equity shares of Rs. 2/- each fully paid-up for consideration other than Cash being part consideration for the acquisition of Cubeware GmbH, by its wholly owned subsidiary Systat Software GmbH.

#### Reserves and Surplus

The Company's total reserves and surplus for fiscal 2008-09 stood at Rs. 6,425.44 million, increasing by Rs. 1,746.06 million from Rs. 4,679.38 million in the previous fiscal year. The major contributors to such an increase were retention of the year's profits (increase in balance of profit & loss account) of Rs. 886.62 million, increase in share premium account (receipts on issue of preferential allotment) of Rs. 381.16 million, increase in general reserve of Rs. 300.00 million and growth in foreign currency translation reserve of Rs. 178.28 million.

#### Loan Funds

Total loan funds outstanding at the end of fiscal 2008-09 amounted to Rs. 8,238.45 million from Rs. 5,847.69 million at the end of FY2008. Total loan funds comprise of Rs. 3,957.33 million of secured loans and Rs. 4,281.12 million of unsecured loans.

Out of total increase of Rs. 2,390.76 million in loan funds at the close of the year, Rs. 1,698.89 million were towards secured loans while the remaining Rs. 691.87 million was in the form of unsecured loans.

Working capital loans (secured loans) increased by Rs. 553.84 million to Rs. 2,214.91 million while short term loans (unsecured loans) grew by Rs. 695.31 million at the end of FY2009.

#### Deferred Tax Liability

The deferred tax liability increased by Rs. 53.10 million to Rs. 578.61 million as the Company continued to invest in the expansion of its asset base.

### Application of Funds:

#### Fixed Assets

The Company's gross block of assets expanded by Rs. 1,135.93 million to Rs. 6,364.89 million during FY2009. Capital work in progress was higher by Rs. 223.26 million to Rs. 3,389.88 million compared to Rs. 3,166.62 million in the previous year. Substantial part of this is invested into future version development, following a clearly defined strategy. Some of the software developed has been launched during the year while others are in the pipeline for subsequent launch as per plan. Depreciation charged on the asset base was higher at Rs. 768.99 million in FY 2009 compared to Rs. 568.34 million in the previous year. Computer software (IP) is a significant component of the asset base.

#### Investments

The Company's investments were modestly higher by Rs. 1.67 million to Rs. 3.89 million during FY2009.

#### Inventories

The Company's inventory position was up 126% at Rs. 37.02 million compared to Rs. 16.36 million at the close of last year.

#### Sundry Debtors

During the year under review, Sundry debtors increased to Rs. 3,794.97 million at the close of FY2009 compared to Rs. 1,550.17 million a year ago. Day's sales outstanding (DSO) for the Company stood at 258 days compared to 143 days in the previous year.

#### Cash and Bank Balances

Cash and Bank balances were at Rs. 2,501.00 million compared to Rs. 2,808.74 million last year.

#### Loans and Advances

Loans and advances were up from Rs. 400.53 million to Rs. 1,358.87 million in the current year. The major contributor to this significant rise was the increase in 'Advances recoverable in cash or kind or for value to be received', which was up by Rs. 947.85 million.

#### Current Liabilities

Sundry creditors increased by Rs. 511.61 million to Rs. 1,429.32 million from Rs. 917.71 million at close of the previous year.

## Provisions

Provisions increased to Rs. 178.87 million at the close of FY2009 from Rs. 162.44 million a year ago.

## Miscellaneous Expenditure

Miscellaneous expenditure (to the extent not written off and adjusted) reduced to Rs. 8.71 million from Rs. 164.69 million at close of last year on account of a reduction in 'Deferred revenue expenditure' by Rs. 155.98 million.

## Operating Results

### Income

The Company reported a growth of 32.7% in revenues to Rs. 5,288.56 million in FY2009 from Rs. 3,986.42 million in FY2008. Revenues from overseas were up 41% to Rs. 4,508.58 million and constitute 88.6% of total revenues. Exports comprised 85% of the year's total revenues.

The software training and services amounted to Rs. 48.00 million in the current fiscal under review, down 28% from Rs. 66.86 million last year. A decline in student registrations in Varsity and reduced campus recruitments has led to the fall in training earnings. Over the years, Cranes' varsity training program has been widely popular among engineering and science students who want customized training on a variety of tools in embedded engineering, digital signal processing (DSP), real time operating systems code generation (RTOS) and math simulation. With the rapid rise in number of graduates seeking employment every year, the opportunity potential for an even higher upswing in the varsity plans are immense.

Cranes has an immense talent pool of researchers who have a strong academic background in teaching and developing course ware, in addition to providing domain specific consulting on the use of stat and math modeling. Going forward, Cranes Varsity will also expand into providing customized training on the use of its statistical suite of tools for data analytics that can be applied across social sciences, life sciences and pharmaceutical, retail and marketing, telecom and financial services domains.

### Business-wise Revenue Analysis (Rs. Million)

	FY2007	FY2008	FY2009
Proprietary Products	2,252	3,247	4536
Product Alliances	491	607	474
Training & Services	94	98	78
<b>TOTAL</b>	<b>2,837</b>	<b>3,952</b>	<b>5088</b>

### Expenditure

During FY2009, cost of good sold increased by 41.6% to Rs. 1,122.21 million largely on account of increase in direct expenses. This represents the cost of shrink-wrapped software products sold in India for third parties through the Company's multiple distribution alliances together with direct costs involved in the manufacture and logistics of distribution of proprietary products.

Personnel costs were up 53% at Rs. 804.37 million and represented 15.2% of total revenues. Administrative expenses increased by 52.1% to Rs. 960.00 million and were 18.1% of total revenues. These increases were largely attributed to the increase in staff and other operational expenditure incurred for the Cubeware acquisition. Total human resources strength expanded from 1040 last year to 1130 people.

Depreciation charged during FY2009 amounted to Rs. 769.00 million, an increase of 35% in line with the growth and investments needed thereon.

### Profit Analysis

Cranes posted profit before tax of Rs. 1,332.81 million in FY2009. Current income tax was Rs. 117.81 million as against Rs. 191.97 million last year. There was a considerable decrease in deferred tax from Rs. 161.95 million to Rs. 55.96 million. Fringe benefit tax also fell to Rs. 2.75 million in the current fiscal under review.

The Company earned a net profit of Rs. 1,215.00 million, up 5.7% from Rs. 1,149.76 million in FY2008. This translated into fully diluted EPS of Rs. 9.36 for the fiscal year ended March 31, 2009.

### Liquidity

The Company's cash and cash equivalents were at Rs. 2,501.00 million compared to Rs. 2,808.74 million in the previous year. This 11.0% decline was primarily due to a significant increase in cash requirements for operating activities.

In FY2009, negative cash flow of (Rs. 80.32 million) resulted from operating activities mainly on account of significant increase in debtors and loans & advances. The operating profit before working capital charges was higher by 18% at Rs. 2,402.00 million but the large adjustments for working capital including inventory, debtors and loan & advances adversely impacted the cash flow from operations.



In line with our efforts to consolidate operations, the Company reduced its investments by 30% to Rs. 1,964.58 million mainly on account our strategy to cut down on expenses related to acquisition of property and other fixed assets.

The Company's net cash generated from financing activities was up 130.1% at Rs. 1,749.62 million.

#### **Internal Control Systems**

Having grown to a sizeable operation, the management has focused on augmenting its internal control systems and processes to support further growth opportunities. To this effect, the Company got certified under ISO 9001 standards in FY2002 and later the company was assessed at SEICMM Level 5 during FY 2005. The Company has also obtained certification under ISO 27001 Information Security Management System in FY 2006 and has initiated SEI-CMMi Level 5 assessment for its processes.

#### **Human Resources**

The Company continues to focus on business expansion while limiting the resources deployed to achieve such expansion. Its manpower strength increased to 1130 in the current year. The mix of such members consists of Domain Experts as also technology architects apart from Sales and Marketing personnel manning the global offices. Acquisitions made in the year also served to augment manpower strength and quality.

#### **Safe Harbor**

Certain statements in this release concerning our growth prospects are forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties, including government actions; local political or economic developments; technological risks; risks inherent in the Company's growth strategy; dependence on certain clients; dependence on availability of technical consultants and other factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statements. The Company undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

## AUDITOR'S REPORT

To

The members of Cranes Software International Limited

1. We have audited the attached Balance Sheet **M/s. Cranes Software International Limited**, as at 31<sup>st</sup> March 2009, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2009;
    - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For S.JANARDHAN & ASSOCIATES  
Chartered Accountants

**Balakrishna S. Bhat**

Partner

Membership No.202976

Bangalore  
June 30, 2009

## ANNEXURE

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
 (b) All the Assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.  
 (c) The Company has not disposed off substantial part of fixed assets during the year and therefore do not affect the going concern assumption.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
 (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
 (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has not granted/taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. In view of the above, clause 4 (iii) (b), (c), (d), (f) and (g) of the said order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts and arrangements referred to in section 301 of the Companies Act 1956 have been entered in the register required to be maintained under that section.  
 (b) In our opinion and according to the information and explanations given to us, the contracts and arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposit from the public and as such the provisions of clause 4(vi) of the said Order are not applicable.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records as required under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- (ix) (a) According to the information and explanations given to us, undisputed statutory dues including, Provident Fund, Investor Education and Protection Fund, Employees' state Insurance, Income Tax, Sales Tax, Service Tax, Wealth Tax, Customs duty and Cess have generally been regularly deposited by the company with the appropriate authorities.  
 (b) According to the information and explanations given to us, details of dues of Sales tax, Service tax, Income tax, Customs duty, Wealth tax, and Cess, which have not been deposited on account of any dispute are given below

(Rs. in Million)

Particulars	Period to which amount relates	Forum where dispute is pending	Amount
Income Tax	2004-05 to 2007-08	Commissioner of Income Tax, Appeals – IV	114.20
Income Tax	2005-06 to 2006-07	Commissioner of Income Tax, Appeals – I	366.20
Sales Tax	2005-06 to 2007-08	Commissioner of Commercial Taxes, Appeals	10.42



- (x) The Company does not have accumulated losses, as at March 31, 2009. The Company has not incurred cash losses in the financial year covered by our audit and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to any financial institution and banks wherever applicable. There are no debenture holders as at the balance sheet date.
- (xii) According to information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanation given to us, the Company is not a chit fund or a Nidhi /mutual benefit fund/ society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to information and explanations given to us, and as per our examination of relevant records, the terms and conditions on which guarantees are given are not prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) During the year, the Company has not raised any funds by issue of debentures.
- (xx) During the year covered by our audit report, the company has not raised any money by way of public issue.
- (xxi) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, no fraud on or by the Company, has been noticed or reported during the year.

For S.JANARDHAN & ASSOCIATES  
Chartered Accountants

**Balakrishna S. Bhat**  
Partner  
Membership No.202976

Bangalore  
June 30, 2009

## BALANCE SHEET

AS AT MARCH 31, 2009

(In Rupees)

PARTICULARS	Sch.No.	Current Year	Previous Year
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	235,533,700	229,335,940
Reserves and Surplus	2	6,088,641,390	4,580,499,172
		<b>6,324,175,090</b>	<b>4,809,835,112</b>
<b>Loan Funds</b>			
Secured Loans	3	3,269,222,842	2,258,438,794
Unsecured Loans	4	4,163,257,578	3,470,172,616
		<b>7,432,480,420</b>	<b>5,728,611,410</b>
<b>Deferred Tax Liability (Net)</b>		<b>509,513,157</b>	<b>453,727,914</b>
<b>TOTAL</b>		<b>14,266,168,667</b>	<b>10,992,174,436</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	4,927,529,005	4,278,020,136
Less : Accumulated Depreciation		2,216,328,341	1,502,980,994
Net Block		<b>2,711,200,664</b>	<b>2,775,039,142</b>
Capital Work in Progress		<b>2,696,489,636</b>	<b>2,609,798,478</b>
		<b>5,407,690,300</b>	<b>5,384,837,620</b>
<b>Goodwill</b>		<b>387,360,000</b>	—
<b>Investments</b>	6	<b>801,271,307</b>	<b>801,348,647</b>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	13,816,078	11,676,206
Sundry Debtors	8	3,913,892,752	1,191,398,806
Cash and Bank Balances	9	2,410,413,464	2,718,783,330
Loans and Advances	10	2,005,720,647	1,297,001,769
		8,343,842,941	5,218,860,111
<b>Less : Current Liabilities &amp; Provisions</b>	11		
Current Liabilities		508,629,044	398,307,412
Provisions		165,793,257	162,186,950
		674,422,301	560,494,362
<b>Net Current Assets</b>		<b>7,669,420,640</b>	<b>4,658,365,749</b>
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	12	<b>426,420</b>	<b>147,622,420</b>
<b>Significant Accounting Policies</b>	20		
<b>Notes to Accounts</b>	21		
<b>TOTAL</b>		<b>14,266,168,667</b>	<b>10,992,174,436</b>

Schedules Nos. 1 to 12 and 20 & 21 form an integral part of Balance Sheet

As per our report of even date  
For S.Janardhan & Associates  
Chartered Accountants

For and on behalf of the Board

**Balakrishna S. Bhat**  
Partner  
Membership No. 202976

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Parasuram B**  
Company Secretary

Bangalore  
June 30, 2009

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2009

(In Rupees)

PARTICULARS	Sch.No.	Current Year		Previous Year	
<b>INCOME</b>					
Sales	13	3,581,345,441		2,789,382,102	
Other Income	14	187,210,613	3,768,556,054	31,499,598	2,820,881,700
<b>EXPENDITURE</b>					
Cost of Goods Sold	15	428,888,869		345,240,380	
Personnel Expenses	16	425,110,665		306,819,108	
Administrative Expenses	17	611,989,780		397,388,969	
Interest and Financial Charges (Net)	18	282,089,085		132,357,922	
Depreciation		714,036,429		506,704,562	
			2,462,114,828		1,688,510,941
<b>PROFIT BEFORE TAX</b>			1,306,441,226		1,132,370,759
Tax Expenses	19		150,000,000		183,227,935
<b>PROFIT AFTER TAX</b>			1,156,441,226		949,142,824
Add /(Less) : Adjustments relating to earlier years			(1,904,983)		–
<b>NET PROFIT</b>			1,154,536,243		949,142,824
Add : Balance brought forward from previous year			1,388,835,038		900,679,164
Profit available for appropriation			2,543,371,281		1,849,821,988
<b>Appropriations</b>					
Proposed Equity Dividend			23,553,370		137,601,564
Tax on Dividend			4,002,895		23,385,386
General Reserve - Transfer			300,000,000		300,000,000
Balance carried to Balance Sheet			2,215,815,016		1,388,835,038
			2,543,371,281		1,849,821,988
<b>Earnings Per Share (Rs.)</b>					
– Basic			9.80		8.28
– Diluted			8.93		7.35
<b>Significant Accounting Policies</b>	20				
<b>Notes to Accounts</b>	21				

Schedule Nos 13 to 21 form an integral part of the Profit and Loss Account

As per our report of even date  
For S.Janardhan & Associates  
Chartered Accountants

For and on behalf of the Board

**Balakrishna S. Bhat**  
Partner  
Membership No. 202976

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Parasuram B**  
Company Secretary

Bangalore  
June 30, 2009



## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2009

(In Rupees)

PARTICULARS	Current Year	Previous Year
<b>SCHEDULE NO.1: SHARE CAPITAL</b>		
<b>AUTHORISED:</b>		
165,000,000 Equity shares of Rs.2/- each [Previous year 165,000,000 Equity shares of Rs.2/- each]	330,000,000	330,000,000
200,000 Preference shares of Rs.100/- each [Previous year 200,000 Preference shares of Rs.100/- each]	20,000,000	20,000,000
<b>TOTAL</b>	<b>350,000,000</b>	<b>350,000,000</b>
<b>ISSUED, SUBSCRIBED &amp; PAID-UP</b>		
117,766,850 (Previous year 114,667,970) Equity shares of Rs.2/- each fully paid up. [Of the above -	235,533,700	229,335,940
i) 40,912,200 (Previous year 40,912,200) Equity shares of Rs.2/- each fully paid up were issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Limited with the company.		
ii) 56,833,985 (Previous year 56,833,985) were issued & allotted as fully paid up Bonus shares by capitalisation of Reserves.		
iii) 30,98,880 (previous year NIL) equity shares of Rs. 2/- each fully paid-up were issued for consideration other than Cash as part consideration for the acquisition of Cubeware GmbH, by its wholly owned subsidiary Systat Software GmbH.]		
<b>TOTAL</b>	<b>235,533,700</b>	<b>229,335,940</b>
<b>SCHEDULE NO.2: RESERVES AND SURPLUS</b>		
(a) Securities Premium Account		
Opening Balance	1,528,664,134	1,588,664,134
Add : Receipts on issue of preferential allotment	381,162,240	—
	1,909,826,374	1,588,664,134
Less: Transfer to FCCB Premium Redemption Reserve	60,000,000	60,000,000
	1,849,826,374	1,528,664,134
(b) FCCB Premium Redemption Reserve		
Opening Balance	120,000,000	60,000,000
Add: Transfer from Share Premium account	60,000,000	60,000,000
	180,000,000	120,000,000
(c) General Reserve		
Opening Balance	1,543,000,000	1,243,000,000
Add : Transfer from Profit and Loss Account	300,000,000	300,000,000
	1,843,000,000	1,543,000,000
(d) Balance in profit and loss account	2,215,815,016	1,388,835,038
<b>TOTAL</b>	<b>6,088,641,390</b>	<b>4,580,499,172</b>
<b>SCHEDULE NO.3: SECURED LOANS</b>		
From Banks		
Working Capital Loans	1,801,101,388	1,661,069,128
Term Loans	1,464,797,448	590,940,174
Vehicle Loans	3,324,006	6,429,492
(For Security, refer Note No.21.4)		
<b>TOTAL</b>	<b>3,269,222,842</b>	<b>2,258,438,794</b>
<b>SCHEDULE NO.4: UNSECURED LOANS</b>		
From Banks		
Short Term Loans	1,844,283,519	1,148,970,027
From Others	2,318,974,059	2,321,202,589
<b>TOTAL</b>	<b>4,163,257,578</b>	<b>3,470,172,616</b>

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2009

### SCHEDULE NO 5 : FIXED ASSETS

(In Rupees)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	COST AS ON April 1, 2008	ADDITIONS	DELETIONS	TOTAL AS ON March 31, 2009	UPTO April 1, 2008	For the year	WITHDRAWN	TOTAL UPTO March 31, 2009	AS ON March 31, 2009	AS ON March 31, 2008
LAND & BUILDING	44,104,262	66,982,121	–	111,086,383	–	801,583	–	801,583	110,284,800	44,104,262
FURNITURE & FIXTURES	43,761,175	23,023,094	–	66,784,269	13,725,444	3,783,496	–	17,508,940	49,275,329	30,035,731
COMPUTERS	120,813,248	13,346,286	25,988	134,133,546	73,411,285	11,712,022	1,565	85,121,742	49,011,804	47,401,963
COMPUTER SOFTWARE	4,018,494,537	513,994,713	–	4,532,489,250	1,404,991,161	693,266,900	–	2,098,258,061	2,434,231,189	2,613,503,376
PLANT & MACHINERY	29,811,127	34,031,452	56,250	63,786,329	5,625,792	2,632,015	10,102	8,247,705	55,538,624	24,185,335
VEHICLES	20,934,708	–	1,786,559	19,148,149	5,207,104	1,835,612	677,415	6,365,301	12,782,848	15,727,604
TECHNICAL BOOKS	101,079	–	–	101,079	20,208	4,801	–	25,009	76,070	80,871
<b>TOTAL</b>	<b>4,278,020,136</b>	<b>651,377,666</b>	<b>1,868,797</b>	<b>4,927,529,005</b>	<b>1,502,980,994</b>	<b>714,036,429</b>	<b>689,082</b>	<b>2,216,328,341</b>	<b>2,711,200,664</b>	<b>2,775,039,142</b>
<b>PREVIOUS YEAR</b>	3,297,382,368	1,095,423,707	114,785,939	4,278,020,136	1,002,571,644	506,704,562	6,295,212	1,502,980,994	2,775,039,142	2,294,810,724

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2009

(In Rupees)

PARTICULARS	Current Year	Previous Year
<b>SCHEDULE NO.6: INVESTMENTS</b>		
<b>Long-Term - Investment (Unquoted - at cost)</b>		
<b>Subsidiaries</b>		
Systat Software, Inc. USA 974,166 Equity shares of face value USD 1/- each fully paid up (Previous year 974,166 Equity shares of face value USD 1/- each fully paid up)	185,117,768	185,117,768
Systat Software Asia Pacific Limited 380,000 Equity Shares of Rs.10/- each fully paid up (Previous year 380,000 Equity shares of Rs.10/- each fully paid up)	3,800,000	3,800,000
Systat Software Gmbh-Germany 1 Equity Share of 25,000 Euros fully paid up (Previous year 1 Equity share of 25,000 Euros fully paid up)	1,447,500	1,447,500
Cranes Software International Pte Limited - Singapore 165,692 Equity shares of Singapore Dollar 1/- each fully paid up. (Previous year 165,692 Equity shares of Singapore Dollar 1/- each fully paid up)	4,430,582	4,430,582
Cranes Software Inc (erstwhile NISA Software Inc) 26,91,855 Equity shares of USD 1 each fully paid up (Previous year 26,91,885 Equity shares of USD 1 each fully paid up)	450,072,825	450,072,825
Tilak Auto Tech Private Limited 1,000 Equity Shares of Rs. 100/- each fully paid up (Previous Year 1,000 Equity shares of Rs.100/- each fully paid up)	5,162,487	5,162,487
Analytix Systems Private Limited 20,000 Equity Shares of Rs. 10/- each fully paid up (Previous Year 20,000 Equity shares of Rs.10/- each fully paid up)	63,000,000	63,000,000
Caravel Info Systems Pvt Ltd 1,20,000 Equity Shares of Rs. 10/- each fully paid up (Previous Year 1,20,000 Equity shares of Rs.10/- each fully paid up)	36,233,187	36,233,187
Proland Software Pvt Ltd 4,840 Equity Shares of Rs. 100/- each fully paid up (Previous Year 4,840 Equity shares of Rs.100/- each fully paid up)	31,889,280	31,889,280
Esqube Communication Solutions Private Limited 8,942 Equity shares of Rs.10/- each fully paid up (Previous Year 8,942 Equity shares of Rs.10/- each fully paid up)	17,977,989	17,977,989
<b>Others</b>		
S-Wave Systems Pvt. Ltd Nil (Previous Year 1,000 Equity shares of Rs.10/- each fully paid up)	-	100,000
Cranes Software Middle East LLC - UAE 147 Equity shares of UAE Dirham 1,000/- each fully paid up (Previous Year 147 Equity shares of UAE Dirham 1,000/- each fully paid up)	1,786,172	1,786,172
<b>Current Investment (Quoted)</b> (Valued at lower of cost or fair value)		
Mutual Funds (Refer Note No 21.7)	353,517	330,858
<b>TOTAL</b>	<b>801,271,307</b>	<b>801,348,647</b>
<b>SCHEDULE NO.7: INVENTORIES</b> (Valued at lower of cost or net realisable value)		
Stock - in - trade	13,816,078	11,676,206
<b>TOTAL</b>	<b>13,816,078</b>	<b>11,676,206</b>
<b>SCHEDULE NO.8: SUNDRY DEBTORS</b> (Unsecured - Considered Good)		
(a) Debts outstanding for a period exceeding six months	2,092,637,189	70,877,889
(b) Others debts	1,821,255,563	1,120,520,917
<b>TOTAL</b>	<b>3,913,892,752</b>	<b>1,191,398,806</b>

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2009

(In Rupees)

PARTICULARS	Current Year	Previous Year
<b>SCHEDULE NO.9: CASH AND BANK BALANCES</b>		
(a) Balances with Scheduled Banks in Indian Rupees		
(i) Current Accounts	26,137,270	350,885,110
(ii) Deposit Accounts	2,383,226,643	2,358,706,735
(iii) Dividend Accounts	975,227	990,887
(b) Balances with Scheduled Banks in Foreign Currency		
(i) Current Accounts	74,148	8,200,011
(c) Cash on Hand	176	587
<b>TOTAL</b>	<b>2,410,413,464</b>	<b>2,718,783,330</b>
<b>SCHEDULE NO.10: LOANS AND ADVANCES</b>		
(unsecured, considered good)		
(a) Loans and Advances to subsidiaries	960,196,671	1,059,978,431
(b) Advances recoverable in cash or kind or for value to be received	835,645,638	35,524,276
(c) Deposits	46,378,338	80,828,503
(d) Advance payment of tax (net)	–	21,170,559
(e) MAT Credit Entitlement	163,500,000	99,500,000
<b>TOTAL</b>	<b>2,005,720,647</b>	<b>1,297,001,769</b>
<b>SCHEDULE NO.11: CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
(i) Sundry Creditors		
Dues of Micro, Small and Medium enterprises (Refer Note No.21.8)	–	–
Dues of Others	492,606,575	389,784,463
Current Account with Directors	15,000,000	7,500,000
(ii) Unclaimed Dividend	1,022,469	1,022,949
<b>TOTAL</b>	<b>508,629,044</b>	<b>398,307,412</b>
<b>PROVISIONS</b>		
(a) Proposed Equity Dividend (including tax)	50,941,651	160,986,950
(b) Income Tax (Net of Advances)	44,569,606	–
(c) Fringe Benefit Tax (Net of Advances)	282,000	1,200,000
(d) Provision for warranty claims	70,000,000	–
<b>TOTAL</b>	<b>165,793,257</b>	<b>162,186,950</b>
<b>SCHEDULE NO.12 : MISCELLANEOUS EXPENDITURE</b>		
<i>(To the extent not written off or adjusted)</i>		
Deferred Revenue Expenditure	147,622,420	307,520,936
Less : Written off during the year	147,196,000	159,898,516
<b>TOTAL</b>	<b>426,420</b>	<b>147,622,420</b>



## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2009

(In Rupees)

PARTICULARS	Current Year	Previous Year
<b>SCHEDULE - 13: SALES</b>		
<b>Software Sales &amp; Services</b>		
Exports	3,028,625,219	2,066,993,887
Domestic	504,723,891	655,524,007
	3,533,349,110	2,722,517,894
Software Training	47,996,331	66,864,208
<b>TOTAL</b>	<b>3,581,345,441</b>	<b>2,789,382,102</b>
<b>SCHEDULE - 14: OTHER INCOME</b>		
Dividend received	22,660	887,677
Commission Received	4,795,291	7,709,814
Rent Received	1,407,756	–
Gain on Forex Transactions	180,984,906	10,191,250
Misc Income	–	464,699
Income on Sale of Interest in Subsidiary	–	12,246,158
<b>TOTAL</b>	<b>187,210,613</b>	<b>31,499,598</b>
<b>SCHEDULE -15: COST OF GOODS SOLD</b>		
Opening Stock	11,676,206	15,447,654
ADD: Purchases	403,353,000	309,821,928
ADD: Direct Expenses	27,675,741	31,647,004
	442,704,947	356,916,586
LESS: Closing Stock	13,816,078	11,676,206
<b>TOTAL</b>	<b>428,888,869</b>	<b>345,240,380</b>
<b>SCHEDULE -16: PERSONNEL EXPENSES</b>		
Salaries and Other Allowances	386,124,855	261,995,051
Contribution to Provident and other funds	23,361,434	25,464,112
Staff Welfare	15,624,376	19,359,945
<b>TOTAL</b>	<b>425,110,665</b>	<b>306,819,108</b>
<b>SCHEDULE -17: ADMINISTRATIVE EXPENSES</b>		
General Expenses	293,522,251	105,030,418
Auditor's Remuneration (Refer Note No. 21.11)	1,305,937	1,294,988
Sales Commission	1,444,219	23,570,347
Insurance	565,700	894,123
Office Rent	90,472,536	33,772,246
Electricity and Water Charges	11,755,450	9,730,710
Rates and Taxes	1,295,379	574,258
Director's remuneration (Refer Note No. 21.2)	12,432,012	11,826,926
Travelling and Conveyance	44,130,562	42,892,137
Repairs and Maintenance (Refer Note No. 21.10)	3,108,771	3,248,900
Deferred Revenue Expenditure written off	147,196,000	159,898,516
Commission to Non-Whole Time Directors	4,200,000	4,200,000
Loss on Sale of Asset	560,963	455,400
<b>TOTAL</b>	<b>611,989,780</b>	<b>397,388,969</b>
<b>SCHEDULE -18: INTEREST &amp; FINANCIAL CHARGES (Net)</b>		
Fixed Loans	308,584,199	173,928,588
Others	175,894,464	161,240,845
	<b>484,478,663</b>	<b>335,169,433</b>
Less : Interest received on Fixed Deposit [TDS :Rs.45,716,827] [Previous Year TDS : Rs.42,115,670]	202,389,578	202,811,511
<b>TOTAL</b>	<b>282,089,085</b>	<b>132,357,922</b>
<b>SCHEDULE -19: TAX EXPENSES</b>		
Income Tax	155,373,000	128,000,000
MAT Credit Entitlement	(64,000,000)	(99,500,000)
Deferred Tax	55,785,243	150,000,000
Fringe Benefit Tax	2,582,000	4,500,000
Taxation Adjustment of Previous year	214,757	117,935
Wealth Tax	45,000	110,000
<b>TOTAL</b>	<b>150,000,000</b>	<b>183,227,935</b>

## **SCHEDULE NO. 20**

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **20. SIGNIFICANT ACCOUNTING POLICIES**

##### **20.1. Basis of Accounting**

The financial statements are prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), Companies (Accounting Standards) Rules, 2006 and guidelines issued by the Securities and Exchange Board of India.

##### **20.2. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities on the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current & future periods.

##### **20.3. Revenue Recognition**

- i. Revenue from sale of products is recognized, in accordance with the sales contract, on delivery of goods to the Customer. Revenue from product sales are shown net of taxes.
- ii. Revenue on Software Development services comprises revenue priced on time and material and fixed-price contracts. Revenue priced on time and material contracts are recognized as related services are performed. Revenue from fixed-price, fixed time-frame contracts is recognized in accordance with the percentage of completion method.
- iii. Revenue from Technical Service, Training, support and other services is recognized as the related services are performed over the duration of the contract/course.
- iv. Dividend is recognized when the right to receive the dividend is established at the balance sheet date.

##### **20.4. Cash flow statement**

Cash flows are reported using the indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and the changes during the period in inventories and operating receivables and payables. The cash flows from regular revenue generating, investing and financing activities of the Company are shown separately.

##### **20.5. Fixed Assets and Capital Work-in-progress**

- i. Fixed Assets are stated at historical cost less accumulated depreciation. Cost includes all expenses incurred to bring the assets to its present location and condition. During the year exchange differences on translation of foreign currency loans obtained to purchase fixed assets from countries outside India are recognized in Profit and Loss account.
- ii. Interest on borrowed money allocated to and utilized for fixed assets, pertaining to the period up to the date the fixed asset is ready for its intended use, is capitalized.
- iii. Advances paid towards the acquisition of fixed assets outstanding as of each balance sheet date and the cost of fixed assets not ready for its intended use before such date are disclosed under Capital Work-in-progress.

##### **20.6. Intangible Assets**

- i. All intangible assets are stated at cost less accumulated amortization.
- ii. The cost of acquired intangible assets is the consideration paid for acquisition and other incidental costs incurred to bring the intangible asset for its intended use.
- iii. Internally generated intangible assets are valued at cost which were incurred during the development phase of intangibles which comprises of expenditure on materials and services used or consumed, salaries and other employment related cost of personnel engaged in development of intangible asset, other direct expenditures and overheads that are necessary for the generation of the intangible asset and that can be allocated on a reasonable basis.
- iv. Interest on borrowed money allocated to and utilized for intangible assets, pertaining to the period up to the date the intangible asset is ready for its intended use, is capitalized in accordance with Accounting Standard-16.
- v. Amount paid towards the acquisition of intangible assets, which is not put to use as at reporting date and the cost of intangible assets not ready for its intended use before such date are disclosed under Capital Work-in-progress.

##### **20.7. Research and Development**

- i. The Company in association with the Centre for Sponsored Schemes and Projects of Indian Institute of Science, Bangalore has set up a designing and testing laboratory. The Indian Institute of Science and the Company will jointly own the Intellectual Property rights and patents for technologies and products developed by the laboratory.

- ii. The Company, also in association with Indian Institute of Science, and Society for Innovation and Development has entered into Collaborative Research Programme called “Cranes –I I Sc” Research Programme. The Parties shall be joint owners of any Intellectual Property Rights and Inventions that may be realized through this programme.
- iii. Research cost relating to the above are charged to Profit and Loss account and the expenditure incurred relating to the Development phase are treated as advances in Capital Work-in-progress and will be capitalized when the intangible asset is ready for use as per the criteria laid down by AS-26.

#### **20.8. Depreciation and Amortization**

- i. Depreciation is provided on Straight Line method at the rates prescribed under Schedule XIV of the Companies Act, 1956. In respect of assets purchased / sold during the year, depreciation is charged on a pro-rata basis.
- ii. The Management estimates the useful life of Customized software/commercial rights procured for specific application as 3 years and accordingly amortizes over their estimated useful life on a straight line basis.
- iii. Depreciation on individual low cost assets (costing less than Rs.5,000) is provided for in full in the year of purchase irrespective of date of installation.
- iv. Other Intangible assets are amortized over their respective individual estimated useful life on a straight-line basis, commencing from the date the asset is available to the Company for its use.
- v. After recognition of impairment loss, the depreciation charge for the asset is on the revalued amount prospectively over the remaining useful life of the asset.

#### **20.9. Impairment of Assets**

The Company assesses at each balance sheet date using internal and external sources, whether there is any indication that an asset (both tangible and intangible) may be impaired. If any such indications exist, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

#### **20.10. Inventories**

Inventories comprises of Third Party software products and Own software products

- i. Own software products which are developed/being developed are valued at allocated cost on specific identification method or net realizable value whichever is lower.
- ii. Third party software products are valued at cost or net realizable value, whichever is lower. The cost formula used is weighted average basis.

Net realizable value is the estimated selling price in ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale. The cost of inventories is net of VAT credit.

#### **20.11. Investments**

Investments are either classified as current or long-term based on the management's intention at the time of purchase.

- i. Long term investments are stated at cost less provision for diminution in the value of such investments. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature.
- ii. Current investments are carried at the lower of cost or fair value. Any reduction in carrying amount and any reversals of such reduction are charged or credited to the profit and loss account.
- iii. Investments in Foreign Subsidiaries are reflected at the exchange rates prevailing on the date of transactions.

#### **20.12. Effect of Exchange Fluctuation on foreign currency transactions**

- i. Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction.
- ii. Exchange differences are recorded when the amount actually received on sales or actually paid when the expenditure is incurred, is converted into Indian Rupees.
- iii. Exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.
- iv. Period-end balances of monetary foreign currency assets and liabilities are translated at the closing rate. The resulting exchange difference is recognized in the profit and loss account.



- v. Non – Monetary assets & liabilities are translated at the rate prevailing on the date of transaction.
- vi. Foreign currency translation differences relating to liabilities incurred for acquiring fixed assets are recognized in Profit and Loss account.

#### **20.13. Employee Benefits**

##### **i. Post-employment benefit plans**

Contributions to defined retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions. For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

##### **ii. Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

##### **iii. Long-term employee benefits**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

#### **20.14. Income Tax/ Deferred Tax**

- i. Current tax is calculated in accordance with the provisions of the Income Tax Act, 1961.
- ii. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profit offered for income taxes and the profit as per the financial statements. Deferred tax in respect of timing difference which originate during the tax holiday period but reverse after the tax holiday period is recognized in the year in which the timing difference originate. For this purpose the timing difference which originates first is considered to reverse first. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the year of charge. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.
- iii. Minimum alternate tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.
- iv. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance taxes paid and income tax provisions arising in the same tax jurisdiction.
- v. The Company offsets deferred tax assets and deferred tax liabilities relating to taxes on income levied by the same governing taxation laws.

#### **20.15. Fringe Benefit Tax**

Consequent to the introduction of Fringe Benefit tax effective April 1, 2005, in accordance with the guidance note on accounting for Fringe Benefit Tax issued by the ICAI, the Company makes provision for Fringe Benefit Tax on accrual basis.

#### **20.16. Provisions and Contingent Liabilities**

The Company creates a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

## 20.17. Earnings per Share

- i. Basic Earnings per share is calculated by dividing the net earning available to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year.
- ii. Diluted Earnings per share is calculated by dividing the net earnings available to existing and potential Equity Shareholders by aggregate of the weighted average number of Equity Shares considered for deriving 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 (FCCB). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

## 20.18. Leases

- i. Lease arrangements where substantial risk and rewards incidental to ownership of on asset, vests with the lessor, such leases are recognized as operating leases.
- ii. Lease payments under operating lease are recognized as an expense in the profit and loss account.

## SCHEDULE NO.21

### NOTES ON ACCOUNTS

#### 21.1. Contingent liabilities not provided for and Capital commitments

(Rs. in Million)

Particulars	Current Year	Previous Year
a. Contingent liabilities not provided for		
I. Outstanding guarantees and counter guarantees	2449.91	466.38
II. Bills discounted	535.71	–
b. Claims against the Company not acknowledged as debts on Tax matters in dispute under appeal	490.82	14.96
Estimated amount of contracts remaining to be executed on capital account not provided for	13.29	49.18

#### 21.2. Managerial Remuneration

The aggregate managerial remuneration under Section 198 of the Companies Act, 1956 to the directors including managing director is :

(Rs. in Million)

Particulars	Current Year	Previous Year
Managing Director		
– Basic Salary	1.20	1.15
– House Rent Allowance	0.48	0.46
– Special Allowance	1.22	1.12
– Contribution to Provident Fund	0.14	0.14
– Commission	1.10	1.10
Total Remuneration (a)	4.14	3.97
Whole-time Directors		
– Basic Salary	2.40	2.27
– House Rent Allowance	0.96	0.91
– Special Allowance	2.44	2.21
– Contribution to Provident Fund	0.29	0.27
– Commission	2.20	2.20
Total Remuneration (b)	8.29	7.86
Total Managerial Remuneration (a + b)	12.43	11.83

Computation of Net profit in accordance with section 349 of the companies Act,1956 and Calculation of Commission payable to Non whole time directors as per Sec 309(4) of the Companies Act, 1956.

(Rs. in Million)

Particulars	Current Year
Profit before taxation	1306.44
<b>Add:</b>	
Directors remuneration	9.13
Provision for commission payable to Directors	7.50
Loss on sale of fixed assets (net) as per Sec. 350 of the Companies Act 1956	0.56
Depreciation as per profit and loss account	714.04
<b>Less:</b>	
Profit on sale of Mutual Fund	–
Profit on sale of interest in subsidiary	–
Depreciation as per Sec. 350 of the Companies Act 1956	(714.04)
<b>Net profit as per Sec 349 of the Companies Act, 1956</b>	<b>1323.63</b>
<b>@ 1% of Net profit U/s 349 of the Companies Act 1956.</b>	<b>13.24</b>
Commission to Non Whole time Directors provided for (Previous year 4.20)	4.20
Commission to Whole time Directors provided for (Previous year 3.30)	3.30

### 21.3. Activities in foreign currency

(Rs. in Million)

Particulars	Current Year	Previous Year
Earnings in Foreign Currency – FOB value of exports	3028.63	2066.99
Expenditure incurred in Foreign Currency	1052.64	2952.88
Capital Goods (valued on CIF basis)	553.57	2533.11
Trading Goods (valued on CIF basis)	241.25	293.30
Travelling, Boarding & Lodging Expenses	10.45	5.99
Marketing Expenses	117.65	8.80
Legal/Professional/Consultancy Expenses	3.22	35.68
Dividend	0.96	1.90
Interest	80.83	43.46
Commission & Brokerage	0	28.20
Others	44.71	2.44

### 21.4. Security for borrowings

- Working Capital and Term Loans:** Bank finances are secured by hypothecation of stocks of software, book debts and collaterally secured by properties; personally guaranteed by Whole time Directors and also have additional collateral security by way of pledge of promoters share for a part amount.
- Vehicle Loans:** Finance for purchase of vehicles are secured by hypothecation of respective vehicles.
- Finances availed from UPS Capital Business Credit are personally guaranteed by Whole time Directors.

### 21.5. Debtors and Creditors; Loans and Advances

Periodically, the Company evaluates all Debtors and Creditors balances. However, some of these are subject to confirmation.

All Current Assets, Loans and advances, have at least the value as stated in the Balance Sheet if realized in the ordinary course of the Business.

#### 21.6.1. Dues from Subsidiary Companies are as under:

(Rs. in Million)

Particulars	Current Year	Previous Year
Caravel Info Systems Pvt. Ltd.,	1.01	0
Cranes Software International Pte. Ltd.,	0.94	0
Cranes Software UK Ltd (Systat software UK Ltd)	15.24	14.20
Dunn Solutions Group Inc.,	12.34	0
Esqube Communication Solutions Pvt Ltd	0.03	0
Engineering Technology Associates Inc., USA	6.13	0
Proland Software Pvt Ltd	0.31	0
Systat Software GmbH, Germany	14.39	27.35
Systat Software Inc, USA	352.25	171.70
<b>Total</b>	<b>402.64</b>	<b>213.25</b>



**21.6.2. Loans & advances include, due from Companies under the same management, as under (Disclosure required by Clause 32 of the Listing Agreement):**

(Rs. in Million)

Particulars	Current Year	Maximum amount outstanding during the current year	Previous Year	Maximum amount outstanding during the previous year
Cranes Software International Pte Ltd-Singapore	51.12	51.12	5.07	5.07
Cranes Software Inc (NISA Software Inc)	39.36	179.58	124.83	143.69
Tilak Auto Tech Pvt. Ltd	19.82	19.82	15.90	15.90
Cranes Software UK Ltd	–	–	13.79	13.79
Systat Software GmbH, Germany	0.58	0.58	6.00	6.00
Systat Software Inc USA	682.90	682.90	649.39	649.39
Proland Software Pvt Ltd	3.94	15.22	0.07	0.07
Esqube Communication Solutions Pvt Ltd	24.69	24.69	14.90	14.90
Caravel Info System Pvt Ltd	8.68	16.84	16.84	16.84
Systat Software Asia Pacific Limited	9.38	9.38	–	–
<b>Total</b>	<b>840.47</b>	<b>1000.13</b>	<b>846.79</b>	<b>865.65</b>

**21.7. Current Investments (Quoted) - In Money market Mutual funds**

(Rs. in million)

PARTICULARS	No. of Units	Face value (Rs.)	Current year	Previous year
ING Vysya Liquid Fund Institutional - Daily Dividend Reinvestment	35184	10	0.35	0.33
ING Vysya Floating Rate Fund - Daily Dividend	165	10	0.00	0.00
Aggregate Fair value of quoted investments			0.35	0.33
Aggregate cost of quoted investment			0.35	0.33

**21.8. Dues to Small-scale industrial undertakings**

- As at March 31, 2009 and March 31, 2008, the Company has no outstanding dues exceeding Rs. 1 Lakh for more than 30 days to Small Scale Industrial undertaking.
- There are no micro and small enterprises, to whom the Company owes dues, for more than 45 days as at March 31, 2009. This information as required to be disclosed under the Micro Small & Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

**21.9. Quantitative Details**

The Quantitative details of sales and certain information as required under paragraphs 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956 are as follows:

**Current year**

Item Description	Opening Stock April 1, 2008	Receipts	Issues	Balance as on March 31,2009
Matlab Media CD Kits	0	526	524	2
Dongles	17	50	56	11
Matlab	89	451	478	62
Simulink	42	247	246	43
Toolboxes	505	711	878	338
DSP Starter kits	15	1224	1005	234
Calculators – TI	77	2506	2425	158
BWD	5399	3017	1429	6987
Dspace	0	27	27	0
Maple Soft	0	32	12	20
<b>Total</b>	<b>6144</b>	<b>8791</b>	<b>7080</b>	<b>7855</b>

## Previous Year

Item Description	Opening Stock April 1, 2007	Receipts	Issues	Balance as on March 31,2008
Matlab Media CD Kits	12	828	840	0
Dongles	0	404	387	17
Matlab	68	691	670	89
Simulink	33	394	385	42
Toolboxes	880	2873	3248	505
DSP Starter kits	209	996	1190	15
Statistics	222	0	222	0
Calculators – TI	30	1547	1500	77
BWD	0	5880	481	5399
Dspace	0	39	39	0
Mentorgraphic	0	3	3	0
Lyrtech	0	4	4	0
<b>Total</b>	<b>1,454</b>	<b>13,659</b>	<b>8,969</b>	<b>6,144</b>

The Company is in the business of software development and trading. Hence information on Licensed and installed capacity is not applicable.

### 21.10. Repairs and Maintenance includes

(Rs. in Million)

Particulars	Current Year	Previous Year
(i) Building	1.19	0.63
(ii) Machinery	0.30	0.75
(iii) Others	1.62	1.87
<b>Total</b>	<b>3.11</b>	<b>3.25</b>

### 21.11. Details of Auditors remuneration

(Rs. in Million)

Particulars	Current Year	Previous Year
Statutory Audit	0.45	0.45
Out of Pocket Expenses	0.05	0.03
Other services	0.81	0.82
<b>Total</b>	<b>1.31</b>	<b>1.30</b>

### 21.12. Dividends remitted in foreign currencies

	Number of Non-Resident Equity Shareholders	No of Equity Shares Held	Gross Amount of Dividend	
				(Rs. in Million)
			2008-09	2007-08
Dividend for 2007-08				
Paid in 2008-09	1	8,00,200	0.96	1.90
	(Previous Year 2)	(Previous Year 1,900,200)		

### 21.13. Reconciliation of basic and diluted shares used in computing earnings per share

(Rs. in Million except share data)

Particulars	Current Year	Previous Year
Net Profit for the period attributable to equity shareholders (A)	1154.54	949.14
Adjustment for interest on Foreign Currency convertible Bonds(FCCB) net of Taxes (B)	69.02	35.56
Net Profit for the period attributable to equity shareholders (after adjustment for diluted earnings) (A+B)	1223.56	984.70
Number of shares considered as basic weighted average shares outstanding (C)	117.77	114.67
Add: Effect of dilutive issues of shares (D)	19.24	19.24
Number of shares considered as weighted average shares and potential shares outstanding (C+D)	137.01	133.91
Basic Earnings per share (A/C)	9.80	8.28
Diluted Earnings per share (A+B)/(C+D)	8.93	7.35
Nominal Value per share	2.00	2.00

### 21.14. Deferred Tax Liability

Deferred taxes at the year end are attributable to the following:

(Rs. in Million)

Deferred Tax Asset	Current Year	Previous Year
Provision for Retirement Benefits	2.07	0.46
Deferred revenue expenditure	4.58	–
<b>(A) Total</b>	<b>6.65</b>	<b>0.46</b>
Deferred Tax Liabilities		
Difference between book and tax depreciation	516.16	449.62
Deferred revenue expenditure	–	4.56
<b>(B) Total</b>	<b>516.16</b>	<b>454.18</b>
Deferred Tax Liability (Net) (A-B)	509.51	453.72

### 21.15. Gratuity

(Rs. in Million)

	As at March 31, 2009
<b>(i) Change in Benefit Obligations:</b>	
Projected Benefit Obligation at the beginning of the year (April 1, 2008)	18.21
Service Cost	4.35
Interest Cost	1.33
Actuarial (gain) / loss on obligations	(7.94)
Benefit paid	(0.78)
<b>Projected Benefit Obligation, at the end of the year</b>	<b>15.17</b>
<b>(ii) Change in Plan Assets:</b>	
Fair value of Plan Assets at the beginning of the year (April 1,2008)	13.68
Expected return on Plan Assets	1.09
Employer's contributions	7.45
Benefit paid	(0.78)
Actuarial (gain) / loss on Plan Assets	(2.15)
<b>Fair value of Plan Assets, at the end of the year</b>	<b>19.29</b>
Excess of (obligation over plan assets) / plan assets over obligation	(4.12)
<b>(Accrued Liability) / Prepaid Benefit</b>	<b>(4.12)</b>

(iii)	<b>Net Gratuity and other cost for the year ended March 31, 2009</b>	
	Service Cost	4.35
	Interest on Defined Benefit Obligation	1.33
	Expected return on Plan Assets	(1.09)
	Net Actuarial (gain) / loss recognized in the year	(5.79)
	<b>Net Gratuity and other cost</b>	<b>(1.20)</b>
	<b>Actual Return on Plan Assets</b>	<b>(3.24)</b>
(iv)	Category of Assets as at March 31, 2009	
	Insurer Managed Funds	15.17
	<b>Total</b>	<b>15.17</b>
(v)	<b>Assumptions used in accounting for the Gratuity Plan</b>	
	Discount Rate	7.50%
	Salary escalation rate	5.00%
	Expected rate of return on Plan Assets	8.00%

#### 21.16. Obligations towards long term, non-cancellable operating leases

The Company has taken on non-cancellable operating leases certain offices, the future minimum lease payments in respect of which, as at the close of the year are as follows -

	(Rs. in Million)	
Lease obligation	Current Year	Previous Year
Due not later than one year	13.45	25.04
Due later than one year but not later than five years	Nil	27.12
Due after five years	Nil	Nil
<b>Total</b>	<b>13.45</b>	<b>52.16</b>

These lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period.

The rental expenses in respect of operating leases recognized in the profit and loss account are Rs.90.47 Million for the year ended March 31, 2009. (Previous year Rs.33.77 Million).

#### 21.17. Preferential Issue

The Company issued 1,000,000 Equity shares of Rs.2 each at a premium of Rs. 108 per share on preferential basis to strategic investors on September 22, 2006 amounting to Rs. 110 million. During October 2005, the Company had raised 1,200,000 equity shares of Rs.10 each at a premium of Rs.890 per share to promoters and strategic investors. Pending utilization, the aggregate amount of Rs.1190.00 Million is forming part of Balances with Scheduled Banks in Indian Rupees – Deposit Accounts as on March 31, 2009.

#### 21.18. Foreign currency convertible Bonds

The Company issued and allotted on March 17, 2006 Foreign Currency Convertible Bonds (Considered as non-Monetary liability) for Euro 42 Million (Equivalent to Rs. 2,270.10 Million) bearing an interest at 2.5% per annum payable half yearly. The bonds are convertible at any time on and after April 27, 2006 and till close of business on March 11, 2011 and were convertible into shares or GDRs at an initial conversion price of Rs. 143.293 per share with a fixed rate of exchange on conversion of Euro 1.00 = Rs. 52.6828. The outstanding bonds are redeemable at a premium of 12.833% on March 18, 2011. Further, based on the relevant clause of the issue document, conversion price has now been refixed at Rs.115. During the year ended 31 March 2009 there has been no conversion of the Bonds into Shares. If the outstanding bonds as on March 31, 2009 are converted into equity shares or GDRs, then the share capital of the Company will increase by 19,240,675 shares.

Proportionate Premium payable on redemption of FCCB of Rs 60 Million (Previous Year Rs.60 Million) has been transferred to FCCB Redemption reserve during the year out of share premium account. In the event that the conversion option is exercised by the holders of FCCB in the future, the amount of premium charged to the share premium account will be suitably adjusted in the respective years.

#### 21.19. Research & Development

Research & development expenditure recognized as expenses during the year amounted to Rs.3.71 million.



## 21.20. Related Party Disclosures

### Current Year

(Rs. in Million)

Particulars	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total Related Parties
Purchases of Goods/software	27.45	–	–	–	27.45
Sales of Goods/Software	87.30	–	–	–	87.30
Purchase of Fixed Assets	–	–	–	–	–
Sale of Fixed Assets	0.03	–	–	–	0.03
Investment in Subsidiary	–	–	–	–	–
Rendering of Services	147.68	–	–	–	147.68
Receiving of Services	115.86	–	–	–	115.86
Loans/advances/equity contributions given	188.94	–	–	–	188.94
Loans/advances/equity contributions taken	60.45	–	–	–	60.45
Directors Remuneration	–	–	9.13	–	9.13
Commission to Directors	–	–	3.30	–	3.30
Balance as on 31.03.09 receivable	1225.64	–	–	–	1225.64
Balance as on 31.03.09 payable	80.09	–	4.75	–	84.84

### Previous Year

(Rs. in Million)

Particulars	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total Related Parties
Purchases of goods/software	32.19	–	–	–	32.19
Sales of Goods	–	–	–	–	–
Purchase of Fixed Assets	–	–	–	–	–
Investment in Subsidiary	519.32	–	–	–	519.32
Rendering of Services	199.44	–	–	–	199.44
Receiving of Services	52.37	–	–	–	52.37
Loans/advances/equity contributions given	373.94	–	–	–	373.94
Loans/advances/equity contributions taken	–	–	–	–	–
Directors Remuneration	–	–	8.53	–	8.53
Commission to Directors	–	–	3.30	–	3.30
Balance as on 31.03.08 receivable	1060.04	–	–	–	1060.04
Balance as on 31.03.08 payable	–	–	3.30	–	3.30

#### Note:

#### Names of related parties and description of relationship

Holding Company Nil

#### Subsidiaries:

1. Systat Software Inc., USA
2. Systat Software Asia Pacific Limited
3. Cranes Software International Pte. Ltd, Singapore
4. Systat Software GmbH, Germany
5. Cranes Software Inc (NISA Software Inc., USA)
6. Analytix Systems Private Ltd
7. Tilak Autotech Private Ltd
8. Caravel Info Systems Pvt. Ltd.,
9. Proland Software Pvt. Ltd.,
10. Esqube Communication Solutions Pvt. Ltd.,

#### Step Subsidiaries:

1. Cranes Software UK Ltd.( Systat Software UK Ltd)
2. Dunn Solutions Group Inc.

3. Engineering Technology Associates Inc
4. Engineering Technology Associates (Shanghai) Inc., China
5. Cubeware GmbH

Key Management Personnel	Mr.Asif Khader Mr.Mukkaram Jan Mr.Mueed Khader
Relatives of Key Management Personnel	Nil
Other Related Parties	Orca Infotech Private Limited K&J Holdings Private Limited K &J Telecom Private Limited (Previously known as Jansons Telecom Pvt. Ltd.) Jansons Land & Property Development Private Limited SPSS South Asia Private Limited Keysoft Solutions Private Limited Spice Capital Fund Private Limited Sea Equity Enterprises Private Limited

In respect of the above parties, there is no provision for doubtful debts for the financial year and no amount has been written off/written back during the year in respect of debts due from/to them.

#### 21.21. Segment Reporting

The Company has identified geographic segments as its primary segment and Business segments as its secondary segment.

- |                    |   |
|--------------------|---|
| Primary Segments   | - a) Exports and b) Domestic                                    |
| Secondary Segments | - a) Proprietary Products and Services and b) Product Alliances |

#### Primary Segment Information - Geographical Segment

		(Rs. in Million)					
		Current Year			Previous Year		
SI.No.	Particulars	Export	Domestic	Total	Export	Domestic	Total
1	<b>Segment Revenue:</b>	3,028.63	552.72	3,581.35	2,066.99	772.39	2,789.38
2	<b>Segment Results</b>	1,303.23	98.09	1,401.32	1,055.08	209.65	1,264.73
	<b>Other Income</b>			185.31			–
	Operating Profit			1,586.63			1,264.73
	Interest Expenses			282.09			132.36
	Profit Before Tax			1,304.54			1,132.37
	Tax expenses			150.00			183.23
	<b>Profit after tax</b>			1154.54			949.14
3	<b>Segment Assets</b>	9,890.24	3,675.26	13,565.50	8,231.28	2,743.76	10,975.04
	Total Assets			14,940.59			11,552.67
	<b>Segment Liabilities</b>	64.88	11.45	76.33	40.57	10.14	50.71
	Total Liabilities			674.42			1,014.22
	<b>Segment Capital Employed</b>						
	(Segment Assets – Segment Liabilities)	9,825.36	3,663.81	13,489.17	8,190.71	2,733.62	10,924.33
4	<b>Segment Capital Expenditure</b>	552.08	97.43	649.51	810.61	284.81	1,095.42
5	<b>Segment Depreciation</b>	607.04	107.00	714.04	473.33	33.37	506.70

**Secondary Segment Information - Business Segment**

(Rs. in Million)

SL.No.	Particulars	Current Year		Previous Year	
		Proprietary products and services	Product Alliances	Proprietary products and services	Product Alliances
1.	Segment Revenue	3,063.17	518.18	2,190.46	598.92
2.	Segment Results	1,331.26	70.06	1,201.87	62.86
3.	Segment Assets	12,624.25	941.25	10,426.28	548.76
4.	Capital Expenditure	506.62	142.89	860.23	235.19

**21.22. Acquisitions / Divestments**

During the year, the Company, through its wholly owned subsidiary Systat Software GmbH acquired 100% of the shares of Cubeware GmbH

**21.23. Previous year's figures have been regrouped and reclassified wherever necessary**

As per our report of even date  
For S.Janardhan & Associates  
Chartered Accountants

For and on behalf of the Board

**Balakrishna S. Bhat**  
Partner

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Parasuram B**  
Company Secretary

Place: Bangalore  
Date: June 30, 2009

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I Registration Details

Registration # 3 1 6 2 1

State code 0 8

Balance sheet date 3 1 0 3 0 9

### II Capital raised during the year (Amount in Rs. Thousands)

Public issue Nil

Rights issue Nil

Bonus issue Nil

Private placement/Preferential issue 3 0 9 8 8 8 0

### III Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total liabilities 1 4 2 6 6 1 6 9

Total assets 1 4 2 6 6 1 6 9

#### Sources of funds

Paid up capital 2 3 5 5 3 4

Reserves & Surplus 6 0 8 8 6 4 1

Secured Loans 3 2 6 9 2 2 3

Unsecured loans 4 1 6 3 2 5 8

Deferred Tax Liability (Net) 5 0 9 5 1 3

#### Application of funds

Net fixed assets 5 7 9 5 0 5 1

Investments 8 0 1 2 7 1

Net current assets 7 6 6 9 4 2 1

Miscellaneous expenditure 4 2 6

\* Including capital work in progress

### IV Performance of the Company (Amount in Rs. Thousands)

Turnover 3 7 6 8 5 5 6

Total expenditure 2 4 6 2 1 1 5

(Please tick appropriate box + for profit, - for loss)

Profit / Loss before tax 1 3 0 6 4 4 1

Profit / Loss after tax 1 1 5 6 4 4 1

Earnings per share in Rs.

Dividend rate % 1 0 %

– Basic 9 . 8 0

– Diluted 8 . 9 3

### V Generic names of three principal products / services of the Company (As per monetary terms)

Item code # (ITC Code) 8 5 2 4 9 0 0 9

Product description S o f t w a r e

As per our report of even date  
For S.Janardhan & Associates  
Chartered Accountants

For and on behalf of the Board

**Balakrishna S. Bhat**  
Partner  
Membership No. 202976

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Parasuram B**  
Company Secretary

Bangalore  
June 30, 2009



## STATEMENT OF CASH FLOWS

(In Rupees)

PARTICULARS	Current Year	Previous Year
Cash flows from operating activities		
Net profit before taxation	1,306,441,226	1,132,370,759
<b>Adjustments for</b>		
Profit / Loss on sale of Investments / assets	560,963	(11,790,758)
Foreign Exchange Loss (Net)	7,071,751	5,531,936
Depreciation and amortization	714,036,429	506,704,562
Preliminary expenses	147,196,000	159,898,516
Dividend / interest income (Net)	(202,412,238)	(203,699,188)
Interest expense on borrowings	484,478,663	335,169,433
Operating profit before working capital changes	2,457,372,974	1,924,185,260
<b>Adjustments for working capital</b>		
Inventory	(2,139,872)	3,771,448
Debtors	(2,722,493,945)	(81,449,814)
Loans and advances	(708,718,878)	(181,584,274)
Current liabilities	110,322,112	186,322,917
Cash generated from operations	(865,657,790)	1,851,245,537
<b>Adjustments</b>		
Direct Taxes paid	(17,531,865)	(34,678,117)
<b>Net cash from Operating Activities</b>	<b>(848,125,924)</b>	<b>1,816,567,420</b>
Cash flows from investing activities		
Investments in Subsidiaries	–	(519,316,656)
Proceeds from sale of Investments	77,340	74,934,559
Dividend / Interest received	202,412,238	203,699,188
Proceeds from sale of Fixed assets	618,752	108,035,327
Acquisition of property, fixed assets (including advances)	(738,068,824)	(2,201,318,870)
<b>Net cash from Investing Activities</b>	<b>(534,960,494)</b>	<b>(2,333,966,452)</b>
<b>Cash flows from financing activities</b>		
Dividend and Dividend Tax	(137,602,044)	(133,267,189)
Interest on borrowed funds	(484,478,663)	(335,169,433)
Secured Loans / Borrowings	1,010,784,048	791,514,304
Unsecured Loans	693,084,963	322,931,918
<b>Net cash from Financing Activities</b>	<b>1,081,788,304</b>	<b>646,009,600</b>
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>(301,298,115)</b>	<b>128,610,568</b>
Exchange fluctuation difference on translation of foreign currency cash & Cash equivalents	(7,071,751)	(5,531,936)
<b>Opening cash and cash equivalents</b>	<b>2,718,783,330</b>	<b>2,595,704,698</b>
<b>Closing cash and cash equivalents</b>	<b>2,410,413,464</b>	<b>2,718,783,330</b>

As per our report of even date  
For S.Janardhan & Associates  
Chartered Accountants

For and on behalf of the Board

**Balakrishna S. Bhat**  
Partner  
Membership No. 202976

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Parasuram B**  
Company Secretary

Bangalore  
June 30, 2009

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT,1956 RELATING TO COMPANYS' INTEREST IN SUBSIDIARY COMPANIES:**

Name of the Subsidiary Company	Systat Software GmbH (Consolidated with Cubeware GmbH)	Systat Software Inc (Consolidated with Cranes Software UK Ltd)	Systat Software Asia Pacific Ltd	Cranes Software International Pte. Ltd	Caravel Info Systems Pvt.Ltd	Cranes Software Inc (Consolidated with Dunn Solutions Group Inc, Engg. Technology Associates Inc & China)	Tilak Autotech Pvt.Ltd	Analytix Systems Pvt.Ltd	Proland Software Pvt.Ltd	Esquebe Communication Solutions Pvt.Ltd
Financial period ended	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009
a) No. of shares held	1	974,166	380,000	165,692	120,000	2,691,855	1,000	20,000	4,840	8,942
b) Face value of per share	EURO 25,000	USD 1	INR 10	SGD 1	INR 10	USD 1	INR 100	INR 10	INR 100	INR 10
c) Extent of interest as at year end	100%	100%	100%	100%	100%	100%	100%	100%	100%	76%
The Net aggregate amount of Profits /(losses) of the subsidiary for the current period so far as it concerns the members of the holding company										
a) dealt with or provided for in the accounts of the holding company	-	-	-	-	-	-	-	-	-	-
b) Not dealt with or provided for in the accounts of the holding company	EURO (509,074)	USD (1,914,029)	INR (10,285,690)	SGD 459,058	INR (17,047,502)	USD (579,025)	INR (5,333,233)	INR (19,579)	INR (3,135,540)	INR (4,547,200)
Net aggregate Profits / (losses) for the previous financial years of the Subsidiary so far as it concerns the members of the holding company										
a) Dealt with or provided for in the accounts of the holding company	-	-	-	-	-	-	-	-	-	-
b) Not dealt with or provided for in the accounts of the holding company	EURO (102,490)	USD (1,553,731)	INR 1,833,335	SGD 677	INR (1,160,372)	USD (365,150)	INR (9,174,584)	INR (57,020)	INR (1,534,530)	INR (425,197)

For and on behalf of the Board

Place: Bangalore  
Date: June 30, 2009

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**CONSOLIDATED  
FINANCIAL STATEMENTS**  
2008-09

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have examined the attached Consolidated Balance Sheet of M/s Cranes Software International Limited, Bangalore and its subsidiaries as at 31<sup>st</sup> March, 2009, and Consolidated Profit and Loss account and Consolidated Cash flow statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on 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 financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that consolidated financial statements have been prepared by the Company's management in accordance with requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of M/s Cranes Software International Limited and its subsidiaries included in the Consolidated Financial Statements (Refer Note No.1 in Notes forming part of Account for the year ended March 31, 2009).

Based on our audit and on consideration of reports of other auditors on separate financial statements 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 give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. In the case of Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31<sup>st</sup> March, 2009;
- b. In the case of Consolidated Profit and Loss Account, of the consolidated profits of the Company and its subsidiaries for the year ended on that date; and
- c. In the case of Consolidated Cash Flow Statements, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

For S.JANARDHAN & ASSOCIATES  
CHARTERED ACCOUNTANTS

**Balakrishna S Bhat**  
Partner  
Membership No.202976

Bangalore  
June 30, 2009



## CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2009

(In Rupees)

PARTICULARS	Sch.No.	Current Year	Previous Year
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	235,533,700	229,335,940
Reserves and Surplus	2	6,425,445,332	4,679,383,459
		<b>6,660,979,032</b>	<b>4,908,719,399</b>
<b>Minority Interest</b>		–	<b>1,054,247</b>
<b>Loan Funds</b>			
Secured Loans	3	3,957,329,705	2,258,438,793
Unsecured Loans	4	4,281,125,144	3,589,250,678
		<b>8,238,454,849</b>	<b>5,847,689,471</b>
<b>Deferred Tax Liability (Net)</b>		<b>578,607,481</b>	<b>525,509,056</b>
<b>TOTAL</b>		<b>15,478,041,362</b>	<b>11,282,972,173</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	6,364,891,988	5,228,956,392
Less : Accumulated Depreciation		2,515,170,822	1,746,581,632
Net Block		<b>3,849,721,166</b>	<b>3,482,374,760</b>
Add : Capital Work in Progress		3,389,878,465	3,166,623,506
		<b>7,239,599,631</b>	<b>6,648,998,266</b>
<b>Goodwill on consolidation</b>		<b>2,158,210,755</b>	<b>779,937,348</b>
<b>Investments</b>	6	<b>3,893,566</b>	<b>2,222,530</b>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	37,015,765	16,364,372
Sundry Debtors	8	3,794,969,538	1,550,169,629
Cash and Bank Balances	9	2,500,985,179	2,808,739,168
Loans and Advances	10	1,358,873,642	400,532,672
		<b>7,691,844,124</b>	<b>4,775,805,841</b>
<b>Less : Current Liabilities &amp; Provisions</b>	11		
Current Liabilities		1,445,341,150	926,237,157
Provisions		178,874,110	162,441,787
		<b>1,624,215,260</b>	<b>1,088,678,944</b>
<b>Net Current Assets</b>		<b>6,067,628,864</b>	<b>3,687,126,897</b>
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	12	<b>8,708,546</b>	<b>164,687,132</b>
<b>Significant Accounting Policies</b>	20		
<b>Notes to Consolidated Accounts</b>	21		
<b>TOTAL</b>		<b>15,478,041,362</b>	<b>11,282,972,173</b>

Schedules Nos. 1 to 12 and 20 to 21 form an integral part of Balance Sheet

As per our report of even date  
For S.Janardhan & Associates  
Chartered Accountants

For and on behalf of the Board

**Balakrishna S. Bhat**  
Partner  
Membership No. 202976

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Parasuram B**  
Company Secretary

Bangalore  
June 30, 2009

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2009

(In Rupees)

PARTICULARS	Sch.No.	Current Year	Previous Year
<b>INCOME</b>			
Sales	13	5,087,925,452	3,952,448,782
Other Income	14	200,632,482	33,975,179
		<b>5,288,557,934</b>	<b>3,986,423,961</b>
<b>EXPENDITURE</b>			
Cost of Goods Sold	15	1,122,213,514	792,309,459
Personnel Expenses	16	804,366,475	525,226,251
Administrative Expenses	17	959,994,358	631,057,706
Interest and Financial Charges	18	300,181,589	133,703,233
Depreciation		768,990,701	570,220,990
Depreciation written back		—	(1,876,821)
		<b>3,955,746,637</b>	<b>2,650,640,818</b>
<b>PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS</b>		<b>1,332,811,297</b>	<b>1,335,783,143</b>
Add : Profit on Sale of interest in Subsidiary		—	5,948,124
<b>PROFIT BEFORE TAX</b>		<b>1,332,811,297</b>	<b>1,341,731,267</b>
Less : Tax Expenses	19	117,810,226	191,971,281
<b>PROFIT AFTER TAX</b>		<b>1,215,001,071</b>	<b>1,149,759,986</b>
Add /(Less) : Prior period adjustments		(1,878,895)	52,427
<b>PROFIT AFTER TAX AND PRIOR PERIOD ITEMS</b>		<b>1,213,122,176</b>	<b>1,149,707,559</b>
Add /(Less) : Share of Minority Interest		1,054,247	102,025
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>1,214,176,423</b>	<b>1,149,809,584</b>
Add: Balance brought forward from previous year		1,535,596,144	846,773,510
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>2,749,772,567</b>	<b>1,996,583,094</b>
<b>Appropriations</b>			
Proposed Equity Dividend		23,553,370	137,601,564
Tax on Dividend		4,002,895	23,385,386
Transfer to General Reserve		300,000,000	300,000,000
Balance carried to Balance Sheet		2,422,216,302	1,535,596,144
		<b>2,749,772,567</b>	<b>1,996,583,094</b>
<b>Earnings Per Share</b> (Face Value of Rs. 2/- each)			
— Basic		10.30	10.03
— Diluted		9.36	8.85
<b>Significant Accounting Policies</b>	20		
<b>Notes on Consolidated Accounts</b>	21		

Schedule Nos 13 to 21 form an integral part of the Profit and Loss Account

As per our report of even date  
For S.Janardhan & Associates  
Chartered Accountants

For and on behalf of the Board

**Balakrishna S. Bhat**  
Partner  
Membership No. 202976

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Parasuram B**  
Company Secretary

Bangalore  
June 30, 2009

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2009

(In Rupees)

PARTICULARS	Current Year	Previous Year
<b>SCHEDULE NO.1 SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
165,000,000 Equity Shares of Rs.2/- each [Previous year 165,000,000 Equity Shares of Rs.2/- each]	330,000,000	330,000,000
200,000 Preference Shares of Rs.100/- each [Previous year 200,000 Preference Shares of Rs.100/- each]	20,000,000	20,000,000
<b>TOTAL</b>	<b>350,000,000</b>	<b>350,000,000</b>
<b>ISSUED, SUBSCRIBED &amp; PAID-UP</b>		
117,766,850 (Previous year 114,667,970 ) Equity shares of Rs.2/- each fully paid up [Of the above 40,912,200 (Previous year 40,912,200) Equity shares of Rs.2/- each fully paid up issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Limited] (Of the above 56,833,985 were issued & allotted as fully paid up Bonus share by Capitalisation of Reserves)	235,533,700	229,335,940
<b>TOTAL</b>	<b>235,533,700</b>	<b>229,335,940</b>
<b>SCHEDULE NO.2: RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>	<b>576,353</b>	<b>576,353</b>
Share Premium Account		
Opening Balance	1,528,664,134	1,588,664,134
Add : Receipts on issue of preferential allotment	381,162,240	–
	1,909,826,374	1,588,664,134
Less: Transfer to FCCB Premium Redemption Reserve	60,000,000	60,000,000
	<b>1,849,826,374</b>	<b>1,528,664,134</b>
<b>FCCB Premium Redemption Reserve</b>		
Opening Balance	120,000,000	60,000,000
Add: Transfer from Share Premium account	60,000,000	60,000,000
	<b>180,000,000</b>	<b>120,000,000</b>
General Reserve		
Opening Balance	1,543,000,000	1,243,000,000
Add : Transfer from Profit and Loss Account	300,000,000	300,000,000
	<b>1,843,000,000</b>	<b>1,543,000,000</b>
Foreign Currency Translation reserve	<b>129,826,303</b>	<b>(48,453,172)</b>
Balance in profit and loss account	<b>2,422,216,302</b>	<b>1,535,596,144</b>
<b>TOTAL</b>	<b>6,425,445,332</b>	<b>4,679,383,459</b>
<b>SCHEDULE NO.3: SECURED LOANS</b>		
<b>From Banks</b>		
Working Capital Loans	2,214,909,084	1,661,069,127
Term Loans	1,738,773,955	590,940,174
Vehicle Loans	3,646,666	6,429,492
(For Security, refer Note No 21.3 )		
<b>TOTAL</b>	<b>3,957,329,705</b>	<b>2,258,438,793</b>

PARTICULARS	Current Year	Previous Year
<b>SCHEDULE NO.4: UNSECURED LOANS</b>		
<b>From Banks</b>		
Short Term Loans <i>(For Security, refer Note No.21.3)</i>	1,844,283,520	1,148,970,025
<b>From Others</b>		
<b>TOTAL</b>	<b>4,281,125,144</b>	<b>3,589,250,678</b>
<b>SCHEDULE NO.6: INVESTMENTS</b>		
<b>Long-Term Investment (unquoted)</b> (valued a cost)		
(i) in Government Securities		
National Savings Certificate	5,500	5,500
(ii) in trade		
Cranes Software Middle East LLC UAE 147 Equity Shares of UAE Dirham 1,000/- each fully paid up [Previous year 147 Equity shares of UAE Dirhams 1000 each fully paid] S.Wave Systems Private Limited Current Year (Nil) (Previous Year 1,000 Equity shares of Rs. 100/- each fully paid)	1,786,172	1,786,172
		100,000
<b>Current Investment (Quoted)</b> (Valued at lower of cost or fair value)		
Investment - Germany	1,748,376	-
Mutual Funds <i>(For Security, refer Note No. 21.6)</i>	353,518	330,858
<b>TOTAL</b>	<b>3,893,566</b>	<b>2,222,530</b>
<b>SCHEDULE NO.7: INVENTORIES</b> (Valued at lower of cost or net realisable value)		
Stock - in - trade	37,015,765	16,364,372
<b>TOTAL</b>	<b>37,015,765</b>	<b>16,364,372</b>
<b>SCHEDULE NO.8: SUNDRY DEBTORS</b> (Unsecured - Considered Good)		
Outstanding for period exceeding six months	2,099,274,532	71,933,524
Other debts	1,695,695,006	1,478,236,105
<b>TOTAL</b>	<b>3,794,969,538</b>	<b>1,550,169,629</b>



## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2009

### SCHEDULE NO 5 : FIXED ASSETS

(In Rupees)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	COST AS ON April 1, 2008	ADDITIONS	TRANSFER	DELETIONS	TOTAL AS ON March 31, 2009	UPTO April 1, 2008	For the year	TRANSFER	WITHDRAWN	TOTAL UPTO March 31, 2009	AS ON March 31, 2009	AS ON March 31, 2008
LAND & BUILDINGS	44,104,262	66,982,121	–	–	111,086,383	–	801,583	–	–	801,583	110,284,800	44,104,262
FURNITURE & FIXTURES	61,989,681	23,553,780	866,800	514,729	85,895,532	25,015,190	5,186,455	39,739	443,450	29,797,934	56,097,598	36,974,491
COMPUTERS	161,118,039	19,729,918	1,688,581	115,558	182,420,980	102,306,088	18,413,886	546,350	31,422	121,234,902	61,186,078	58,811,951
COMPUTER SOFTWARE	4,899,457,152	698,755,587	277,064,374	–	5,875,277,113	1,604,893,936	733,549,514	107,334	–	2,338,550,784	3,536,726,329	3,294,563,216
PLANT & MACHINERY	38,998,601	34,872,435	15,832,797	993,952	88,709,881	8,414,795	8,980,026	219,340	161,987	17,452,174	71,257,707	30,583,806
VEHICLE	23,288,657	–	–	1,786,558	21,502,099	5,951,623	2,059,237	–	677,415	7,333,445	14,168,654	17,337,034
<b>TOTAL</b>	<b>5,228,956,392</b>	<b>843,893,841</b>	<b>295,452,552</b>	<b>3,410,797</b>	<b>6,364,891,988</b>	<b>1,746,581,632</b>	<b>768,990,701</b>	<b>912,763</b>	<b>1,314,274</b>	<b>2,515,170,822</b>	<b>3,849,721,166</b>	<b>3,482,374,760</b>
PREVIOUS YEAR	3,472,866,338	1,928,136,259	(52,406,815)	119,639,390	5,228,956,392	1,145,219,710	570,220,990	39,440,948	8,300,016	1,746,581,632	3,482,374,760	2,327,646,628

PARTICULARS	Current Year	Previous Year
<b>SCHEDULE NO.9: CASH AND BANK BALANCES</b>		
(i) Balances with Scheduled Banks in Indian Rupees:		
Current Accounts	29,414,273	359,595,726
Deposit Accounts	2,386,609,362	2,361,590,949
Dividend Accounts	975,227	990,887
(ii) Balances with Scheduled Banks in Foreign Currency		
Current Accounts	83,869,677	86,550,404
Deposit Accounts	457	–
	2,500,868,996	2,808,727,966
(iii) Cash on Hand	116,183	11,202
<b>TOTAL</b>	<b>2,500,985,179</b>	<b>2,808,739,168</b>
<b>SCHEDULE NO.10: LOANS AND ADVANCES</b>		
<i>(unsecured, considered good)</i>		
(i) Advances recoverable in cash or kind or for value to be received	1,139,411,908	191,565,381
(ii) Deposits	52,328,579	88,296,732
(iii) Advance Tax ( Net of Provisions )	3,633,155	21,170,559
(iv) MAT Credit Entitlement	163,500,000	99,500,000
<b>TOTAL</b>	<b>1,358,873,642</b>	<b>400,532,672</b>
<b>SCHEDULE NO.11: CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES:</b>		
(i) Sundry Creditors		
Dues of Micro, Small and Medium enterprises	–	–
Dues of Other Creditors	1,429,318,681	917,714,208
(ii) Current Account with to Directors	15,000,000	7,500,000
(iii) Unclaimed Dividend	1,022,469	1,022,949
<b>TOTAL</b>	<b>1,445,341,150</b>	<b>926,237,157</b>
<b>PROVISIONS:</b>		
(i) Proposed Equity Dividend(including tax)	50,941,651	160,986,950
(ii) Income Tax (net of advances)	54,027,533	–
(iii) Provisions for warranty claims	70,000,000	–
(iv) Gratuity and other employee related provision	3,295,530	–
(v) Fringe Benefit Tax	609,396	1,454,837
<b>TOTAL</b>	<b>178,874,110</b>	<b>162,441,787</b>
<b>SCHEDULE NO.12 : MISCELLANEOUS EXPENDITURE</b>		
<i>(To the extent not written off or adjusted)</i>		
Deferred Revenue Expenditure	164,687,132	309,388,136
Add : Additions during the year	–	17,064,712
	164,687,132	326,452,848
Less : Written off during the year	155,978,586	161,765,716
<b>TOTAL</b>	<b>8,708,546</b>	<b>164,687,132</b>

## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2009

(In Rupees)

PARTICULARS	Current Year	Previous Year
<b>SCHEDULE - 13: SALES</b>		
<b>Software Sales &amp; Services:</b>		
Exports	4,508,582,741	3,198,449,801
Domestic	531,346,380	687,134,773
	5,039,929,121	3,885,584,574
<b>Software Training</b>	47,996,331	66,864,208
<b>TOTAL</b>	<b>5,087,925,452</b>	<b>3,952,448,782</b>
<b>SCHEDULE - 14: OTHER INCOME</b>		
Dividend received	22,660	887,677
Commission Received	4,795,291	7,709,814
Income on Sale of Interest in Subsidiary	–	12,246,158
Gain on Forex Transactions	182,781,648	10,191,250
Miscellaneous Income	13,032,883	2,940,280
<b>TOTAL</b>	<b>200,632,482</b>	<b>33,975,179</b>
<b>SCHEDULE -15: COST OF GOODS SOLD</b>		
Opening Stock	16,364,372	17,796,462
ADD: Purchases	387,997,823	380,947,054
ADD: Direct Expenses	754,867,084	409,930,315
	<b>1,159,229,279</b>	808,673,831
LESS: Closing Stock	37,015,765	16,364,372
<b>TOTAL</b>	<b>1,122,213,514</b>	<b>792,309,459</b>
<b>SCHEDULE -16: PERSONNEL EXPENSES</b>		
Salaries	726,649,090	455,250,716
Contribution to Provident and other Funds	29,137,090	32,099,681
Staff Welfare	48,580,295	37,875,854
<b>TOTAL</b>	<b>804,366,475</b>	<b>525,226,251</b>
<b>SCHEDULE -17: ADMINISTRATIVE EXPENSES</b>		
General Expenses	406,063,785	149,112,724
Auditors Remuneration	11,768,103	4,231,967
Sales Commission	12,995,441	56,894,345
Insurance	19,717,316	17,467,983
Office Rent	151,993,311	82,461,781
Advertisement	58,597,617	42,886,765
Electricity & Water Charges	15,379,942	10,686,355
Rates and Taxes	6,990,382	3,821,154
Directors Remuneration	12,432,012	11,826,926
Travelling and Conveyance	79,976,002	77,021,113
Repairs & Maintenance	4,136,112	4,171,592
Commission to Non-Whole Time Directors	4,200,000	4,200,000
Deferred Revenue and Amalgamation Expenses Written Off	155,978,586	161,765,716
Loss on sale of Asset	1,029,527	922,643
Legal, Professional & Consultancy Charges	16,808,413	–
Bad debts	1,927,809	3,586,642
<b>TOTAL</b>	<b>959,994,358</b>	<b>631,057,706</b>
<b>SCHEDULE -18: INTEREST &amp; FINANCIAL CHARGES (Net)</b>		
Fixed Loans	297,284,199	177,294,485
Others	206,262,677	162,824,367
	<b>503,546,876</b>	<b>340,118,852</b>
Less : Interest received on Fixed Deposit [TDS : Rs 45,716,827] [Previous Year TDS : Rs.42,115,670]	203,365,287	206,415,619
<b>TOTAL</b>	<b>300,181,589</b>	<b>133,703,233</b>
<b>SCHEDULE -19: TAX EXPENSES</b>		
Income Tax	122,845,413	124,669,926
Deferred Tax	55,958,330	161,951,780
Fringe Benefit Tax	2,746,726	4,621,640
Wealth Tax	45,000	110,000
MAT Credit Entitlement	(64,000,000)	(99,500,000)
Taxation Adjustment of Previous year	214,757	117,935
<b>TOTAL</b>	<b>117,810,226</b>	<b>191,971,281</b>

## SCHEDULE NO. 20

### SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED ACCOUNTS

#### 20.1 Basis of Preparation

The Consolidated Financial statements of the Company and its Subsidiaries are prepared under historical cost convention in accordance with the generally accepted accounting principles (GAAP) applicable in India and in accordance with the mandatory Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 and guidelines issued by the Securities and Exchange Board of India.

#### 20.2 Principles of consolidation

The Financial Statements of the Subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company.

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

- i. The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements.
- ii. The Consolidation of the financial statements of the holding company and its Subsidiaries is done to the extent possible on a line by line basis by adding together like items of assets, liabilities, income and expenses; inter group transactions, balances and unrealized inter company profits have been eliminated in the process of consolidation.
- iii. The excess of cost to the Company of its investments in subsidiary companies over its share of the equity of the subsidiary companies at the dates on which the investments in the subsidiary companies are made, is recognized as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investment in the Company, it is recognized as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statement.
- iv. The accounts of foreign Subsidiaries are classified as non-integral foreign operations and are translated into Indian Rupees (Reporting Currency) for Balance Sheet items using the currency exchange rates in effect at the Balance Sheet date. For revenues, cost and expenses, the simple average of the average monthly rates prevailing during the reporting period has been used.
- v. Minority interest in subsidiaries represents the minority shareholders proportionate share of the net asset and net income.

#### 20.3 Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as on the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

#### 20.4. Revenue Recognition

- i. Revenue from sale of products is recognized, in accordance with the sales contract, on delivery of goods to the Customer. Revenue from product sales are shown net of taxes.
- ii. Revenue on Software Development services comprises revenue priced on time and material and fixed-price contracts. Revenue priced on time and material contracts are recognized as related services are performed. Revenue from fixed-price, fixed time-frame contracts is recognized in accordance with the percentage of completion method.
- iii. Revenue from Technical Service, Training, support and other services is recognized as the related services are performed over the duration of the contract/course.
- iv. Dividend is recognized when the right to receive the dividend is established at the balance sheet date.

#### 20.5. Cash flow statement

Cash flows are reported using the indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and the changes during the period in inventories and operating receivables and payables. The cash flows from regular revenue generating, investing and financing activities of the Company are shown separately.

#### 20.6. Fixed Assets

##### (a) Tangible Fixed Assets

- i. Fixed Assets are stated at historical cost less accumulated depreciation. Cost includes all expenses incurred to bring the assets to its present location and condition. During the year, exchange differences on translation of foreign currency loans obtained to purchase fixed assets from countries outside India are recognized in Profit and Loss account.
- ii. Interest on borrowed money allocated to and utilized for fixed assets, pertaining to the period up to the date the fixed asset is ready for its intended use, is capitalized.
- iii. Advances paid towards the acquisition of fixed assets outstanding as of each balance sheet date and the cost of fixed assets not ready for its intended use before such date are disclosed under Capital Work-in-progress.

**(b) Intangible Assets**

- i. All intangible assets are stated at cost less accumulated amortization.
- ii. The cost of acquired intangible assets is the consideration paid for acquisition and other incidental costs incurred in bringing the intangible assets for its intended use.
- iii. Internally generated intangible assets are valued at cost which were incurred during the development phase of intangibles which comprises of expenditure on materials and services used or consumed, salaries and other employment related cost of personnel engaged in development of intangible asset, other direct expenditure and overheads that are necessary for the generation of the intangible asset and that can be allocated on a reasonable basis.
- iv. Interest on borrowed money allocated to and utilized for intangible assets, pertaining to the period up to the date the intangible assets is ready for its intended use is capitalized in accordance with Accounting Standard 16.
- v. Amount paid towards the acquisition of intangible assets, which is not put to use as at reporting date and the cost of intangible assets not ready for its intended use before such date are disclosed under Capital Work-in-progress.

**(c) Impairment of Assets**

The Company assesses at each balance sheet date using internal and external sources, whether there is any indication that an asset (both tangible and intangible) may be impaired. If any such indications exist, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to its less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. In respect of goodwill the impairment loss will be reversed only when it was caused by specific external events and their effects have been reversed by subsequent external events.

**20.7. Research and Development**

Research costs are charged to Profit and Loss account and the expenditure incurred relating to the development phase are treated as advances in Capital Work-in-progress and are capitalized when the intangible asset is ready for use.

**20.8. Depreciation and Amortization**

- i. Depreciation on tangible assets is provided on Straight Line method at the rate prescribed under the respective applicable laws in case of each subsidiary.
- ii. Other Intangible assets (other than goodwill) are amortized over their respective individual estimated useful lives on straight-line basis, commencing from the date the asset is available to the Company for its use as estimated by the management.
- iii. After recognition of impairment loss, the depreciation charge for the asset is on the revalued amount prospectively over the remaining useful life of the assets.

**20.9. Inventories**

Inventories comprises of Third Party software products and Own software products

- i. Own software products which are developed/being developed are valued at allocated cost on specific identification method or the net realizable value whichever is lower.
- ii. Third party software products are valued at cost or net realizable value, whichever is lower. The cost formula used is on weighted average basis.

Net realizable value is the estimated selling price in ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale. The cost of inventories is net of VAT Credit.

**20.10. Investments**

Investments are either classified as current or long term based on the management's intention at the time of purchase.

- i. Long term investments are stated at cost less provision for diminution in the value of such investments. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature.
- ii. Current investments are valued at lower of cost or fair value. Any reduction in carrying amount and any reversals of such reduction are charged or credited to the profit and loss account.

**20.11. Effect of Exchange Fluctuation on foreign currency transactions**

- i. Foreign currency transactions are recorded at exchange rate prevailing on the date of the transaction. Exchange differences are recorded when the amount actually received on sales or actually paid when the expenditure is incurred, is converted into Indian Rupees. Exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.
- ii. Non-Monetary assets and liabilities are translated at the rate prevailing on the date of transaction.
- iii. Period-end balances of monetary foreign currency assets and liabilities other than net investments in non-integral foreign operations are translated at the exchange rate prevailing on the balance sheet date. The resulting exchange difference is recorded in the profit and loss account.



- iv. For the purpose of the translation of financial statement of foreign subsidiaries, the same are classified as non-integral foreign operations. In case of non-integral foreign operation accounts, all assets and liabilities both monetary and non-monetary are translated at the closing rate. Items of income and expenses are translated at the average exchange rate for the period. Resulting exchange rate difference is accumulated in 'Foreign currency translation reserve' as a separate component of shareholders' funds, until the disposal of "Net investment in non-integral foreign operation".

#### 20.12. Employee Benefits

Retirement benefit plans, pension schemes and defined contribution plans, or funds are governed by the statutes of the countries in which the holding and subsidiaries are located and also as per the rules of the respective companies. Such contribution to the funds or future liability on actuarial valuation is charged to Profit and Loss account. In case of leave encashment, the Accrued liability is provided based on the unavailed leave to the credit of employees in accordance with the rules of respective subsidiary companies wherever applicable, whereas the holding company provides on the basis of actuarial valuations.

##### i. Post-employment benefit plans

Contributions to defined retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions. For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

##### ii. Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

##### iii. Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

#### 20.13. Income Tax

- i. Current income tax expenses comprises of taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expenses relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.
- ii. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profit offered for income taxes and the profit as per the financial statements. Deferred tax in respect of timing difference which originate during the tax holiday period but reverse after the tax holiday period is recognized in the year in which the timing difference originate. For this purpose the timing difference which originates first is considered to reverse first. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the year of change. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.
- iii. Minimum alternate tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.
- iv. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance taxes paid and income tax provisions arising in the same tax jurisdiction.
- v. The Company offsets deferred tax assets and deferred tax liabilities relating to taxes on income levied by the same governing taxation laws.

#### 20.14. Earnings per Share

- i. Basic Earnings per share is calculated by dividing the net earning available to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year.
- ii. Diluted Earnings per share is calculated by dividing the net earnings available to existing and potential Equity Shareholders by aggregate of the weighted average number of Equity Shares considered for deriving 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 (FCCB). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

## 20.15. Leases

- i. Lease arrangements where substantial risk and rewards incidental to ownership of an asset vests with the lessor, such leases are recognized as operating leases.
- ii. Lease payments under operating lease are recognized as an expense in the profit and loss account.

## SCHEDULE NO.21

### NOTES ON ACCOUNTS

#### 21.1 Particulars of the Subsidiary Companies considered in the consolidated financial statements and their reporting dates

Sl. No.	Name of Company	Country of incorporation	% of voting power held	Reporting date as at
i.	Systat Software Inc., USA	USA	100%	March 31, 2009
ii.	Cranes Software UK Limited (Earlier known as Systat Software UK Limited)	UK	Wholly Owned subsidiary of Systat Software Inc	March 31, 2009
iii.	Systat Software Asia Pacific Limited	India	100%	March 31, 2009
iv.	Systat Software GmbH	Germany	100%	March 31, 2009
v.	Cranes Software international Pte. Ltd.	Singapore	100%	March 31, 2009
vi.	Cranes Software Inc.,	USA	100%	March 31, 2009
vii.	Analytix Systems Private Limited	India	100%	March 31, 2009
viii.	Tilak Autotech Pvt Ltd	India	100%	March 31, 2009
ix.	Dunn Solutions Group Inc.,	USA	Wholly Owned subsidiary of Cranes Software Inc	March 31, 2009
x.	Caravel Info Systems Pvt Ltd	India	100%	March 31, 2009
xi.	Proland Software Pvt Ltd	India	100%	March 31, 2009
xii.	Engineering Technology Associates Inc. USA	USA	Wholly Owned subsidiary of Cranes Software Inc	March 31, 2009
xiii.	Engineering Technology Associates Inc. (Shanghai) Inc	China	Wholly Owned subsidiary of Engineering Technology Associates Inc, USA	March 31, 2009
xiv.	Esqube Communicaton Solutions Pvt Ltd	India	76%	March 31, 2009
xv.	Cubeware GmbH	Germany	Wholly owned subsidiary of Systat Software GmbH	March 31, 2009

During the period under review,

- i. The Company through its wholly owned subsidiary Systat Software GmbH, subscribed to 100% share capital of Cubewere GmbH. The Company provides computer aided engineering services and develops computer-engineering software.

#### 21.2 Contingent liabilities not provided for and Capital commitments

(Rs. in Million)

Particulars	Current Year	Previous Year
a. Contingent liabilities not provided for		
i. Outstanding guarantees and counter guarantees	2449.91	467.52
ii. Bills discounted	535.71	–
b. Claims against the Company not acknowledged as debts on Tax matters in dispute under appeal	490.82	14.97
Estimated amount of contracts remaining to be executed on capital account and not provided for	13.29	49.18

#### 21.3 Security for borrowings

- i) Working Capital and Term Loans: Bank finances are secured by hypothecation of stocks of software, book debts, and collaterally secured by properties; personally guaranteed by whole time Directors and also have additional collateral security by way of pledge of promoters share for part amount.

- ii) Vehicle Loans: Finance for purchase of vehicles are secured by hypothecation of respective vehicles.
- iii) Finances availed from UPS Capital Business Credit are personally guaranteed by Whole time Directors.

#### 21.4. Reconciliation of basic and diluted shares used in computing earnings per share

Particulars	(Rs. in Million)	
	Current Year	Previous Year
Net Profit for the period attributable to equity shareholders (A)	1214.17	1149.81
Adjustment for interest on Foreign Currency Convertible Bonds (FCCB) net of Taxes (B)	69.02	35.56
Net Profit for the period attributable to equity shareholders (after adjustment for diluted earnings) (A+B)	1283.19	1185.37
Number of shares considered as basic weighted average shares outstanding (C)	117.77	114.67
Add: Effect of dilutive issues of shares (D)	19.24	19.24
Number of shares considered as weighted average shares and potential shares outstanding (C+D)	137.01	133.91
Basic Earnings per share (A/C)	10.30	10.03
Diluted Earnings per share (A+B)/(C+D)	9.36	8.85
Nominal Value per share (Rs.)	2.00	2.00

#### 21.5 Current Investments (Quoted)- In Money Market Mutual Funds

Particulars	(Rs. in Million)			
	No. of Units	Face Value	Current year	Previous year
ING Vysya Liquid Fund Institutional-Daily Dividend Reinvestment	35184	10	0.35	0.33
ING Vysya Floating Rate Fund -Daily Dividend	165	10	0.00	0.00
Aggregate Fair value of quoted investments	–	–	0.35	0.33
Aggregate cost of quoted investments	–	–	0.35	0.33

#### 21.6. Preferential Issue:

The Company issued 1,000,000 Equity shares of Rs.2 each at a premium of Rs.108 per share on preferential basis to the strategic investors on September 22, 2006 amounting to Rs.110 million. During October 2005 the company raised 1,200,000 equity shares of Rs.10 each at a premium of Rs.890 per share to promoters and strategic investors. Pending utilization, the aggregate amount of Rs.1190.00 million is forming part of Balances with Scheduled Banks in Indian Rupees-Deposit Accounts as on March 31, 2009.

#### 21.7. Foreign currency convertible Bonds

The Company issued and allotted on March 17, 2006 Foreign Currency Convertible Bonds (Considered as non-Monetary liability) for Euro 42 Million (Equivalent for Rs. 2,270.10 Million) bearing an interest at 2.5% per annum payable half yearly. The bonds are convertible at any time on and after April 27, 2006 and till close of business On March 11, 2011 and were convertible into shares or GDRs at an initial conversion price of Rs. 143.293 per share with a fixed rate of exchange on conversion of Euro 1.00 = Rs. 52.6828. The outstanding bonds are redeemable at a premium of 12.833% on March 18, 2011. Further, based on the relevant clause of the issue document, conversion price has now been refixed at Rs.115. During the year ended 31 March 2009 there has been no conversion of the Bonds into Shares. If the outstanding bonds as on March 31, 2009 are converted into equity shares or GDRs, then the share capital of the Company will increase by 19,240,675 shares.

Proportionate Premium payable on redemption of FCCB of Rs 60 Million has been transferred to FCCB Redemption reserve during the year out of share premium account. In the event that the conversion option is exercised by the holders of FCCB in the future, the amount of premium charged to the share premium account will be suitably adjusted in the respective years.

## 21.8. Related Party Disclosures

Current Year						(Rs. in Million)
Particulars	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total Related Parties	
Directors Remuneration	–	–	9.13	–	9.13	
Commission to Directors	–	–	3.30	–	3.30	
Balance as on 31.03.09 payable	–	–	4.75	–	4.75	
Previous Year						(Rs. in Million)
Particulars	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total Related Parties	
Directors Remuneration	–	–	8.53	–	8.53	
Commission to Directors	–	–	3.30	–	3.30	
Balance as on 31.03.08 payable	–	–	3.30	–	3.30	

### Note:

Names of related parties and description of relationship

Key Management Personnel	Mr.Asif Khader Mr.Mukkaram Jan Mr.Mueed Khader
Relatives of Key Management Personnel	Nil
Other Related Parties	Orca Infotech Private Limited K&J Holdings Private Limited K&J Telecom Private Limited (Previously known as Jansons Telecom Pvt. Ltd.) Jansons Land & Property Development Private Limited SPSS South Asia Private Limited Keysoft Solutions Private Limited Spice Capital Fund Private Limited Sea Equity Enterprises Private Limited

In respect of the above parties, there is no provision for doubtful debts for the financial year and no amount has been written off/written back during the year in respect of debts due from/to them.

## 21.9. Segment Reporting

The Company has identified geographic segments as its primary segment and Business segments as its secondary segment.

Primary Segments - a) Exports and b) Domestic  
 Secondary Segments - a) Proprietary Products and Services and b) Product Alliances

### Primary Segment Information-Geographical Segment

(Rs. in Million)

SL.No.	Particulars	Current Year			Previous Year		
		Export	Domestic	Total	Export	Domestic	Total
1	Segment Revenue	4508.58	579.34	5087.92	3198.45	754.00	3952.45
2	Segment Results	1330.31	102.05	1432.36	1162.76	272.74	1435.50
	Other Income			200.63			33.98
	Operating Profit			1632.99			1469.48
	Interest Expenses			300.18			133.70
	Profit Before Tax			1332.81			1335.78
	Tax expenses			117.81			191.97
	Extraordinary items			-			5.95
	Profit after Tax			1215.00			1149.76
	Adjustments relating to earlier year			1.88			0.05
	Net Profit			1213.12			1149.71
3	Segment Assets	13970.92	1726.74	15697.66	8818.73	2939.57	11758.30
	Unallocated Corporate Assets			1404.60			613.36
	Total Assets			17102.26			12371.66
	Segment Liabilities	144.49	36.12	180.61	64.83	16.20	81.03
	Unallocated Corporate Liabilities			1443.61			1533.16
	Total Liabilities			1624.22			1614.19
	Capital Employed (Segment Assets – Segment Liabilities)	13826.43	1690.62	15517.05	8753.90	2923.37	11677.27
4	Capital Expenditure	826.25	109.68	935.93	1542.51	385.63	1928.14
5	Depreciation	615.64	153.35	768.99	532.73	37.49	570.22

### Secondary Segment Information - Business Segment

(Rs. in Million)

SL.No.	Particulars	Current Year		Previous Year	
		Proprietary Products and Services	Product Alliances	Proprietary Products and Services	Product Alliances
1.	Segment Revenue	4613.42	474.50	3345.11	607.34
2.	Segment Results	1375.42	56.94	1366.21	69.29
3.	Segment Assets	14755.80	941.86	11083.02	675.28
4	Capital Expenditure	798.82	137.11	1446.10	482.04

21.10. Previous year's figures have been regrouped and reclassified wherever necessary

As per our report of even date  
 For S.Janardhan & Associates  
 Chartered Accountants

For and on behalf of the Board

**Balakrishna S. Bhat**  
 Partner  
 Membership No. 202976

**Asif Khader**  
 Managing Director

**Mukkaram Jan**  
 Director

**Parasuram B**  
 Company Secretary

Bangalore  
 June 30, 2009



## STATEMENT OF CASH FLOWS

(In Rupees)

PARTICULARS	Current Year	Previous Year
<b>Cash flows from operating activities</b>		
Net profit before taxation, minority interest and exceptional items	1,332,811,297	1,341,731,267
<i>Adjustments for:</i>		
Prior period adjustment	(1,878,895)	(52,427)
Share of minority loss	1,054,247	102,025
Loss on sale of assets	1,029,527	922,643
Profit on sale of Investments	-	5,948,124
Exchange difference on translation of foreign currency cash & cash equivalents.	8,803,455	(48,668,221)
Depreciation and amortization	768,990,701	570,220,990
Preliminary expenses	155,978,586	161,765,716
Dividend / interest income (Net)	(203,387,947)	(207,303,296)
Interest expense on borrowings	503,546,876	340,118,852
Operating profit before working capital changes	2,566,947,847	2,164,785,672
<i>Adjustments for working capital</i>		
Inventory	(20,651,393)	1,432,090
Debtors	(2,244,799,909)	(481,251,973)
Loans and advances	(911,878,374)	(12,405,735)
Current liabilities	518,050,225	474,123,501
Cash generated from operations	(92,331,603)	2,146,683,555
<i>Adjustments</i>		
Direct Taxes paid	12,007,695	(124,038,973)
<b>Net cash flow from Operating Activities</b>	<b>(80,323,908)</b>	<b>2,022,644,582</b>
<b>Cash flows from investing activities</b>		
Purchase of Investments	-	(5,500)
Proceeds from sale of Investments	(1,671,036)	64,000,276
Dividend / Interest received	203,387,947	207,303,296
(Increase)/Decrease in deferred revenue expenditure	17,064,712	(17,064,712)
Proceeds from sale of Fixed assets	-	110,416,731
Acquisition of property, fixed assets (including advances)	(2,183,357,229)	(3,154,176,120)
<b>Net cash flow from Investing Activities</b>	<b>(1,964,575,606)</b>	<b>(2,789,526,029)</b>
<b>Cash flows from financing activities</b>		
Dividend and Dividend Tax	(137,602,044)	(133,267,189)
Interest on borrowed funds	(503,546,876)	(340,118,852)
Secured Loans / Borrowings	1,698,890,912	791,514,302
Unsecured Loans	691,874,466	442,009,981
<b>Net cash flow from Financing Activities</b>	<b>1,749,616,458</b>	<b>760,138,242</b>
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>(295,283,057)</b>	<b>(6,743,205)</b>
Exchange difference on translation of foreign currency cash & cash equivalents.	(12,470,931)	5,863,631
<b>Opening cash and cash equivalents</b>	<b>2,808,739,168</b>	<b>2,809,618,742</b>
<b>Closing cash and cash equivalents</b>	<b>2,500,985,179</b>	<b>2,808,739,168</b>

As per our report of even date  
For S.Janardhan & Associates  
Chartered Accountants

For and on behalf of the Board

**Balakrishna S. Bhat**  
Partner  
Membership No. 202976

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Parasuram B**  
Company Secretary

Bangalore  
June 30, 2009

**STATEMENT REGARDING SUBSIDIARY COMPANIES**

FOR THE YEAR ENDED MARCH 31, 2009

(Pursuant to approval No. 47/495/2009-CL-III dated July 8, 2009 received from the Ministry of Company Affairs under Section 212 (8) of the Companies Act, 1956.

(Rs. in Million)

Subsidiaries	Systat Software GmbH (Consolidated with Cubeware GmbH)	Systat Software Inc (Consolidated with Cranes Software UK. Ltd.)	Systat Software Asia Pacific Ltd	Cranes Software International Pte Ltd	Caravel Info Systems Pvt.Ltd	Cranes Software Inc (Consolidated with Dunn Solutions Group Inc, Engineering Technolgy Associate Inc & China)	Tilak Autotech Pvt. Ltd	Analytix Systems Pvt.Ltd	Proland Software Pvt.Ltd	Esqube Communication Solutions Pvt. Ltd
Reporting Currency	EURO	USD	INR	SGD	INR	USD	INR	INR	INR	INR
Exchange Rate in rupees as on March 31, 2009	67.48	50.95	1	34.32	1	50.95	1	1	1	1
Issued & Subscribed capital	1.45	185.61	3.80	4.43	1.20	477.39	0.10	0.20	0.48	0.12
Reserves	(33.09)	(157.50)	(8.45)	14.81	0.24	(41.57)	(14.23)	1.35	3.24	(10.25)
Total Assets	1425.12	1,270.17	82.61	217.42	11.86	1,299.89	19.97	1.55	14.39	35.54
Total Liabilities	1425.12	1,270.17	82.61	217.42	11.86	1,299.89	19.97	1.55	14.39	35.54
Investments	1212.33	–	–	–	–	–	–	–	–	–
Turnover	702.86	340.09	–	62.67	24.40	1,128.00	2.94	–	5.36	4.96
Profit /(loss) before taxation	(36.44)	(107.71)	(10.29)	17.01	(7.70)	(37.13)	(5.33)	(0.02)	(2.21)	(4.48)
Provision for taxation	(4.57)	(19.68)	–	2.22	(0.65)	(10.50)	–	–	0.93	0.07
Profit / (loss) after taxation	(31.87)	(88.03)	(10.29)	14.79	(7.05)	(26.63)	(5.33)	(0.02)	(3.14)	(4.55)
Proposed dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Country	Germany	USA	India	Singapore	India	USA	India	India	India	India

For and on behalf of the Board

Place: Bangalore  
Date: July 30, 2009

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

# **Cranes Software International Limited**

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