

## Financial Highlights

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403.83

Turnover (Rs. Crores)

52.67

Profit after tax (Rs. Crores)

70

Dividend (%)

16.91

Earning per share (Rs.)

38.30

Book value per share (Rs.)

# Technology | Design | Solutions

Technology plays an integral role in our lives whether at work, home, play or on the road. At Tata Elxsi, we envision to make people's interaction with technology a richer and easier experience through our designs and solutions.

Our Mobile TV solutions from PDS are an example of seamless integration of broadcast and mobile technology to give the end user an infotainment experience on the move.

Similarly IDE's product packaging designs not only make the products look good, they are also ergonomically designed to suit the needs of the target consumer.

VCL is another example where stunning VFX and high tech animation bringing realism to story telling leaving the viewer spellbound.

A range of innovations under one banner - that is Tata Elxsi.

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Knowledge base of over **fifteen years in delivering product designs**, and a large talent pool of over **3500 technologists**.

**13 sales and support offices** in India and **20 international offices** for onsite and near shore support.

## Business Units

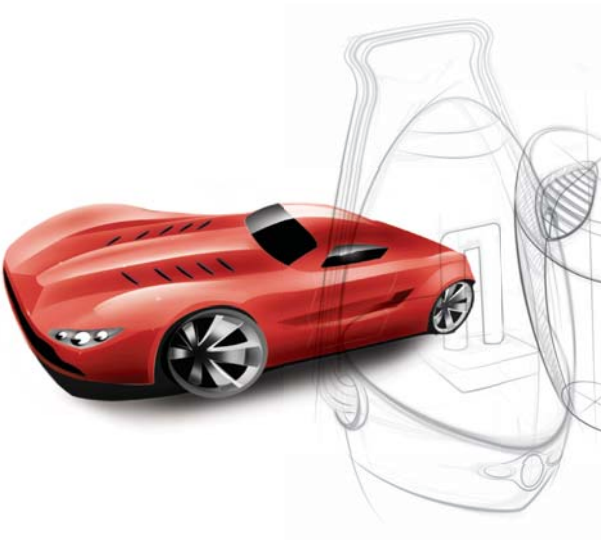


Embedded Product Design Services includes full service software, hardware, and system design and development programs for technology products.

Embedded Product Design Services offers a rich portfolio of reusable software components, ready-to-deploy product frameworks, licensable IPs (intellectual property) and product development services. It services sectors such as automotive, aerospace, consumer products, networking, semiconductors, multimedia, telecom, storage and instrumentation with cost effective product engineering, time-to-market advantage, multi-site delivery model and quality standards.

# Embedded Product Design Services

Embedded Product Design Services draws on its core domain and technology expertise in VLSI design, embedded software, networking, telecom, multimedia, storage, wireless and high-performance computing.





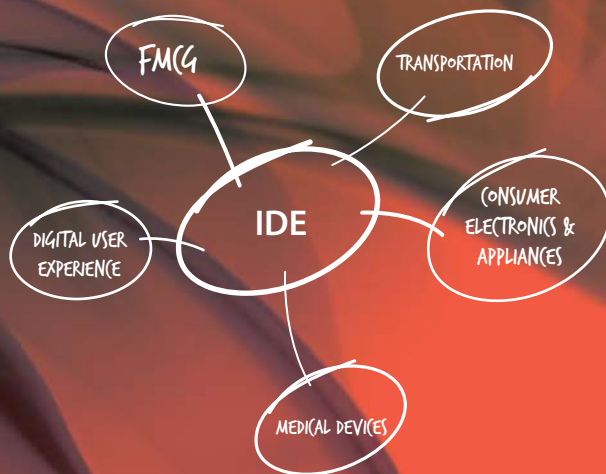
# Industrial Design Services

IDE - Innovation Design Engineering - the Industrial design division of Tata Elxsi provides end-to-end brand and product development services across industries- FMCG, Transportation, Consumer electronics & appliances, Digital user experience and Medical devices.

For over a decade, IDE, through its unique *i<sup>3</sup>* (i-cube) integrated design process, has helped global companies bring products to life through compelling designs that have further transformed into endearing brands.

IDE helps organizations optimize their product development by integrating the essential aspects of business/human/technical factors in the designs, thereby ensuring that their consumers have a truly engaging experience.

IDE's approach is sensitive to the business challenges that its clients face, ensuring they get a distinct competitive advantage in a dynamic market.



## Business Units



VCL- Visual Computing Labs- offers state of the art computer graphics, animation and special effects and has pioneered the use of latest technologies in VFX for Indian films.


VCL has enhanced and enriched the visual experience with cutting edge photo realistic solutions for 3D CGI environments; terrains, atmospherics and Artificial Intelligence based crowd control algorithms.

VCL has been associated with some of the biggest Indian film blockbusters: Ta Ra Rum Pum and Aaja Nach Le for Yash Raj Films; Gandhi - My Father for Anil Kapoor Productions; Taare Zameen Par with Aamir Khan and the big hit of 2008, Jodhaa Akbar directed by Ashutosh Gowariker and also been a part of several prestigious international projects, which include the big Hollywood hit of 2007 – Spiderman 3.

The highlight of the year was being conferred with the **National Award for 'Best Special Effects' for the film Anniyan at the 53rd National Film Awards**. The President of India, Smt. Pratibha Patil, presented this award. VCL also won nominations at Arena Animation CNBC - TV 18 Golden Cursor Animation Awards, Star Screen Awards, Filmfare Awards and Producers Guild Awards.

# Animation and Visual Effects





System Integration Services addresses enterprise and high performance computing markets with their range of hardware, networking products and storage solutions. In the media and entertainment sector it offers broadcast solutions to cater to setting up of a TV channel, data archival solutions and weather forecasting software. The division also has expertise in setting up Virtual Reality Centers for the benefit of the manufacturing, defense and automotive industries. It also addresses the CAD/CAM/CAE market for the above sectors.

This business unit caters to many prestigious public and private sector organizations and has a team of qualified and experienced sales and support professionals located across the country.

Professional Services Group (PSG) manages services and offshore/onsite support services for various clients across the world. PSG support team also provides comprehensive support solutions for a variety of IT environments encompassing various storage products, servers, operating systems, devices, networking and other applications for their client environment.

# Systems Integration Services



TATA ELXSI

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Driven by **Trust, Quality** and  
**Leadership** – the values  
championed by the **Tata Group** for  
over a 100 years.

## Board Of Directors

(as on 30 April 2008)



Mr. Syamal Gupta



Mr. S Ramadorai



Mr. Cyrus Pallonji Mistry



Mr. Hoshie Malgham



Mr. Patrick McGoldrick



Mr. Piyush G Mankad



Dr. R Natarajan



Mr. Sujit Gupta



Mr. Madhukar Dev

## Board of Directors

(as on 30 April 2008)

**Syamal Gupta**  
Chairman

**S Ramadorai**  
Vice Chairman

**C P Mistry**

**H H Malgham**

**P McGoldrick**

**P G Mankad**

**Dr. R Natarajan**

**Sujit Gupta**

**Madhukar Dev**  
Managing Director

## Statutory Committees

(Pursuant to the Listing Agreement with the Stock Exchanges)

### Audit committee

**H H Malgham**  
Chairman

**S Ramadorai**

**Dr. R Natarajan**

### Investor grievance committee

**P G Mankad**  
Chairman

**H H Malgham**

**Sujit Gupta**

**Vijay Krishnamurthy**  
CFO & Company Secretary

### Registrars & share transfer agents

**TSR Darashaw Limited**  
6-10, Haji Moosa Patrawala Ind. Estate  
20, Dr. E. Moses Road  
Mahalaxmi, Mumbai - 400 011

### Auditors

**Deloitte Haskins & Sells**  
Chartered Accountants

### Registered & corporate office

ITPB Road, Whitefield, Bangalore - 560 048, India

## NOTICE

Notice is hereby given that the **NINETEENTH ANNUAL GENERAL MEETING** of **TATA ELXSI LIMITED** will be held at St. John's Auditorium, 100 feet Road, Opp. BDA Complex, Koramangala, Bangalore - 560 034 on 22nd July 2008 at 12 noon to transact the following business :

1. To receive and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended March 31, 2008 and the Balance Sheet as at that date and the Auditor's Report thereon.
2. To declare dividend for the year ended 31st March 2008.
3. To appoint a Director in place of Mr. P.G. Mankad who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. P. McGoldrick who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Dr. R. Natarajan who retires by rotation and is eligible for reappointment.
6. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:  
"RESOLVED pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, that approval of the Company be and is hereby accorded to the renewal of the appointment of Mr. Madhukar Dev as Managing Director for a further term of three years from 16th January 2008 to 15th January 2011, on expiry of his current term on 15th January 2008, in the manner set out in the Explanatory Statement hereto and for this purpose, enter into an Agreement between the Company and Mr. Dev with liberty to the Board of Directors to alter, vary and modify the terms and conditions of appointment as may be agreed between the Board of Directors and Mr. Dev".
7. To appoint auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

**By Order of the Board of Directors**  
For **TATA ELXSI LIMITED**

**VIJAY KRISHNAMURTHY**  
*Chief Financial Officer*  
& *Company Secretary*

Mumbai, 30th April 2008

### **Registered Office:**

ITPB Road, Whitefield,  
Bangalore 560 048.

### **NOTES:**

- a) The relevant details in respect of item Nos. 3 to 5 above pursuant to Clause 49 of the Listing Agreement and in respect of the item of special business No. 6 are annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- c) Members desirous of getting any information in respect of the Accounts of the Company are requested to send their queries in writing to the Company at the Registered Office so as to reach at least 7 days before the date of the Meeting so that the required information can be made available at the Meeting.
- d) Members / Proxies attending the Meeting are requested to bring their copy of the Annual Report for reference at the Meeting as also the Attendance Slip duly filled in for attending the Meeting.
- e) Register of Members and Transfer Books of the Company will be closed from 11th July 2008 to 22nd July 2008 (both dates inclusive) for the purpose of determining the shareholders entitled to the payment of Dividend declared, if any, at the Annual General Meeting on 22nd July 2008 for the year ended March 31, 2008.

Dividend on shares, when declared, will be paid only to those members whose names are registered as such in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company on or before 10th July, 2008 and to the Beneficial Holders as per the Beneficiary List as on 10th July, 2008, provided by the NSDL and CDSL.

- f) **Members who have not received their dividend paid by the Company in respect of earlier years are requested to check with the Company's Registrars & Transfer Agents i.e. M/s. TSR Darashaw Ltd. 6-10 Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011.**

**Members are requested to note that in terms of Section 205C of the Companies Act, 1956 any dividend unpaid / unclaimed for a period of 7 years from the date these first became due for payment are required to be transferred to the Central Government to the credit of the Investor Education & Protection Fund. Thereafter, no claim shall be entertained in respect of the dividend transferred to the Fund.**

**Members who have not yet encashed their dividends for the financial year ended 31st March 2001 onwards are being individually intimated and are requested to make their claims to the Company's Registrars & Transfer Agents accordingly, without undue delay. It may be noted that the unclaimed dividend for the financial year ended 31st March 2001 and 31st March 2002 are due for transfer to the Investor Education & Protection Fund on 6th October 2008 and 23rd July 2009 respectively.**

#### **Explanatory Statement pursuant to Section 173 of the Companies Act, 1956**

##### **Item No. 6**

The Board of Directors have, on 2nd November 2007 and subject to members approval in general meeting, approved the renewal for a further term of three years of the appointment of Mr. Madhukar Dev as Managing Director on expiry of his current term on 15th January 2008, in the manner set out below:

- A. Tenure of appointment: From 16th January 2008 to 15th January 2011
- B. Nature of Duties: The Managing Director shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and exercise such powers as may be assigned to him, subject to the superintendence, control and directions of the Board in connection with and in the best interests of the Company.
- C. Remuneration: The Managing Director shall be entitled to such remuneration comprising basic salary, benefits, perquisites and allowances and incentive remuneration and/or commission including annual revisions thereof, as may be decided and recommended by the Remuneration Committee from time to time, within the limits prescribed under the Companies Act, 1956.
- D. Minimum Remuneration: Where in any financial year during the term of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of basic salary, benefits, perquisites and allowances and incentive remuneration as provided above and within the limits prescribed under the Companies Act, 1956.
- E. Other Terms:
- i. The Managing Director shall not become interested or otherwise concerned, directly or through his spouse or child, in any selling agency of the Company;
  - ii. The terms and conditions of the appointment of the Managing Director may be altered and varied from time to time by the Remuneration Committee/Board as it may, in its discretion, deem fit irrespective of the limits contained in Schedule XIII to the Companies Act, 1956 or any amendments or re-enactments made hereafter in this regard, in such manner as may be agreed to between the Remuneration Committee/Board and the Managing Director, subject to such approvals as may be required;
  - iii. The appointment may be terminated by either party giving to the other party six months' notice of such termination or the Company paying six months' remuneration in lieu thereof;
  - iv. The appointment of the Managing Director may be terminated by the Company without notice or payment in lieu of notice:
    - a. If the Managing Director is found guilty of gross negligence, default or misconduct in connection with or affecting the business of the Company; or
    - b. In the event of any serious repeated or continuing breach (after prior warning) or non-observance by the Managing Director of any of the stipulations contained in the Agreement to be executed between the Company and the Managing Director;
  - v. In the event the Managing Director is not in a position to discharge his official duties due to any physical or mental incapacity, the Board shall be entitled to terminate his contract on such terms as the Board may consider appropriate under the circumstances;

- vi. Upon termination by whatever means of the Managing Director's appointment:
  - a. The Managing Director shall immediately tender his resignation as Director of the Company and from such other offices held by him in the Company and other entities without any claim for compensation;
  - b. The Managing Director shall not without the consent of the Company at any time thereafter represent himself as connected with the Company;
- vii. The Managing Director is appointed as a Director by virtue of his employment in the Company and his appointment shall be subject to the provisions of Section 283(1)(l) of the Companies Act, 1956;
- viii. The Managing Director shall also ensure adherence to the Tata Code of Conduct;
- ix. If and when the Agreement expires or is terminated for any reason whatsoever, the Managing Director shall cease to be the Managing Director and shall also cease to be a Director. If at any time the Managing Director ceases to be a Director for any reason whatsoever, he shall also cease to be the Managing Director and the Agreement shall forthwith terminate. If at any time the Managing Director ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be a Director and Managing Director of the Company".

The Board commends the Resolution for approval by the Members.

Memorandum of Interest: None of the Directors of the Company except Mr. Dev is concerned or interested in the aforesaid renewal.

**By Order of the Board of Directors**  
For TATA ELXSI LIMITED

**VIJAY KRISHNAMURTHY**  
*Chief Financial Officer*  
& *Company Secretary*

Mumbai, 30th April 2008

**Registered Office:**

ITPB Road, Whitefield,  
Bangalore 560 048.

## ANNEXURE

Information pursuant to Clause 49 of the Listing Agreement regarding appointment of a new Director or reappointment of a Director

Name of the Director	P. G. Mankad	P. McGoldrick	R. Natarajan	Madhukar Dev
Date of Birth	18th November, 1941	8th September, 1949	9th January, 1941	2nd October, 1954
Date of appointment	2nd September, 2004	12th January, 1993	24th January, 2006	16th January 2002
Specialised Expertise	General Management	Computer Science	General Management	Information Technology and General Management
Qualifications	M.A.(History), IAS	Masters Degree in Computer Science from Stanford University, USA. Advanced Management Program 109 from Harvard Business School	Phd., M.A. Sc., M.E., B.E.	M.Sc., M.B.A.(IIM-B)
Directorships of other companies* as at 31st March 2008	Tata International Limited DSP-Merrill Lynch Fund Managers Ltd. Max India Limited Mahindra & Mahindra Financial Services Ltd. Kingfisher Airlines Ltd. ICRA Ltd. Noida Toll Bridge Company Ltd. UB (Holdings) Ltd. Mysore Cements Ltd. SRF Ltd.	Tata Technologies Limited	Rane Brake Linings Ltd. IP Rings Ltd.	Taco Saskaen Ltd.
Chairmanship/ Membership of other Committees** as at 31st March 2008	<b>Member – Audit Committee</b> Tata International Ltd. DSP-Merrill Lynch Fund Managers Ltd. Noida Toll Bridge Company Ltd. Mysore Cements Ltd. <b>Chairman - Investor Grievance Committee</b> Mysore Cements Ltd. <b>Member - Investor Grievance Committee</b> Max India Ltd.			
No. of shares held in the Company as on 31st March 2008	nil	nil	nil	1100

\* Excludes private/foreign companies

\*\* Only Audit and Shareholders/Investor Grievance Committees considered

## DIRECTORS' REPORT TO THE MEMBERS

1. Your Directors present the Nineteenth Annual Report together with the audited Statements of Accounts of your Company for the year ended March 31, 2008.

### 2. Financial Highlights

During the financial year 2007-08, the operations of your Company resulted in the following :

	(Rs. Crores)	
	2007-08	2006-07
Sales and Service	401.55	307.96
Other income	2.27	0.42
<b>Total Income</b>	<b>403.82</b>	<b>308.38</b>
Profit before financial expenses and depreciation	76.91	69.52
Less : Financial expenses	2.13	0.29
<b>Depreciation</b>	<b>13.44</b>	<b>8.70</b>
<b>Net profit for the year</b>	<b>61.34</b>	<b>60.53</b>
Less : Provision for Income tax	8.68	8.41
<b>Profit after tax</b>	<b>52.66</b>	<b>52.12</b>
Add: Profit brought forward	40.81	20.19
<b>Balance available for appropriation which has been appropriated as under:</b>	<b>93.47</b>	<b>72.31</b>
Dividend	21.80	21.80
Dividend Tax thereon	3.70	3.70
Transfer to General Reserve	6.00	6.00
Balance of Profit carried to Balance Sheet	61.97	40.81
Total Appropriations	93.47	72.31

### 3. Dividend

Your Directors recommend for your approval a dividend of 70% (Rs. 7.00 per share) [previous year 70% (Rs. 7.00) per share] for the year ended 31st March 2008, involving an outgo of Rs.21.80 crores (previous year Rs. 21.80 crores). Additionally, dividend distribution tax at 17 % (including surcharge) will involve an outlay of Rs. 3.70 crores (previous year Rs. 3.70 crore).

### 4. Review of Operations

Your Company delivers technology services to global customers in various industries.

During the year, new global markets were accessed and the range of offerings was widened, especially in the Product Design Services business. Also, with a view to augmenting its resource pool to provide for future accelerated growth, your Company increased the intake of engineering talent and subjected them to sustained and relevant training inputs. This initiative, while increasing your Company's costs in the year under review, is expected to accelerate the revenue growth in the years ahead. Substantial capital expenditure was also incurred in providing infrastructure – both in terms of workspace as well as computer hardware and software – in equipping your Company to take advantage of current and future market opportunities.

One of the significant events during the year was the steep and sudden appreciation of the rupee against various foreign currencies. While the appreciation was largely sustained throughout the year against the dollar and the pound, the appreciation reversed during the year in the case of the euro and the yen in the last few months of the year. The net effect of this has been to adversely impact your Company's turnover and value of receivables, in spite of the hedging activities undertaken during this period.

Some of the challenges continued to be faced by your Company in certain overseas geographies were the prolonged sales cycle, delays in the visa processing, steep and sudden currency fluctuations, withholding tax issues etc.. In the home country, the pressures continue to be faced in terms of scarcity of experienced talent, prolonged and costly training cycle required to equip the freshers with industry-relevant expertise etc.. Another growing trend is the tendency of overseas customers – both existing and potential – to set up subsidiaries and augment engineering staff in captive India development centers, thereby curtailing potential engagement opportunities for your Company in addressing their overseas product engineering needs. Your Company consequently seeks to engage with these subsidiaries for local outsourcing and accelerating their delivery requirements.

Another challenge faced by your Company, alongwith others in the industry, was the scheduled withdrawal of tax benefits under Section 10A of the Income Tax Act, 1961 from 1st April 2009, subsequently extended by the Central Government by one year. Hence, 2009-10

## **DIRECTORS' REPORT TO THE MEMBERS (Contd...)**

will be the last year for availing the concessional income tax treatment for IT companies. The option of moving into Special Export Zones (SEZ's) in order to continue availing concessional tax benefits, while under examination, is not expected to immediately lower the tax incidence.

In December 2007, your Company set up an overseas subsidiary company in Singapore, called Tata Elxsi (Singapore) Pte. Ltd., in order to engage in development of software and trading in computer hardware and software. Upto 31st March 2008, this company carried out limited activities.

More details are set out in the attached Management Discussion and Analysis Statement.

A business-wise analysis of your Company's two main segments viz. Software Development & Services and Systems Integration & Support follows hereunder.

### **Software Development & Services:**

The businesses constituting this segment are Product Design Services (Design & Development of Hardware and Software), Innovation Design Engineering (Mechanical Design with a focus on Industrial Design) and Visual Computing Labs Division (Animation and Special Effects). This business segment grew to Rs. 342.05 cr during 2007-08 from Rs. 262.58 cr in the previous year and segment results to Rs. 60.48 cr as compared to Rs. 61.66 cr during 2006-07.

### **Product Design Services:**

Your Company's Product Design Services (PDS) includes full service software, hardware, and system design and development programs for technology products. PDS offers a rich portfolio of reusable software components, ready-to-deploy product frameworks, licensable IPs (intellectual property) and product development services.

It services sectors such as automotive, aerospace, consumer products, networking, semiconductors, multimedia, telecom, storage and instrumentation with cost effective product engineering, time-to-market advantage, multi-site delivery model and quality standards. This business draws on its core domain and technology expertise in VLSI design, embedded software, networking, telecom, multimedia, storage, visual & high-performance computing, mechanical product design and digital content creation.

Apart from its services, your Company possesses an unique mix of licensable IP's and design frameworks enabling silicon/product companies and OEM's bring their ideas to life and slashing time - to - market schedules and costs.

New development centres were opened in Coimbatore and Hyderabad and the Bangalore centre capacity was substantially augmented. The first phase of your Company's Trivandrum centre, which was earlier working from hired premises, has been made operational during the year. This centre's capacity will be increased in phases over the next few years.

### **Innovation Design Engineering:**

This Division addresses industrial design and styling, and branding requirements of customers in automotive, consumer products, FMCG and medical devices industries. This business has delivered sustained growth, with new customer additions in each of the target industries across different geographies and is being increasingly viewed as the design partner of choice for several brand-focussed customers. The work done by this Division for a leading multinational FMCG company won the prestigious World Star award for package design.

### **Visual Computing Labs:**

VCL delivers 3D computer graphics, animation and special effects in the pre-production, production and post-production of content for the film, television, gaming and advertising industry.

During the year, VCL delivered high end special effects for several prestigious domestic commercial releases and also worked on India's first full-length and fully animated commercial film, co-produced by two leading – Indian and overseas – studios, which is scheduled for release during 2008-09, and will showcase its talents. Also during the year, VCL was awarded the National Award for best special effects at the 53rd National Awards function by the President of India.

### **Systems Integration & Support:**

This Group offers a wide range of technical computing solutions spanning high-end computing platforms, networking, mechanical design automation tools, enterprise storage solutions, digital media and life sciences solutions through its tie-ups with global leaders in these respective areas. During the year, the segment turnover and results were Rs. 59.50 cr and Rs. 9.81 cr respectively, compared to Rs. 45.39 cr and Rs. 6.95 cr respectively during 2006-07.

During the year, this business division has made a positive impact in the Virtual Reality solutions market and offered VR solutions to several prestigious customers. Progress was also recorded in the CAD/CAE solutions space and this offering is expected to maintain steady growth over the future years.

## **5. Finance**

Interest costs increased to Rs. 2.13 cr (previous year Rs.0.29 cr) mainly on account of the capacity building expenditure - both capital and revenue - incurred during the year to provide for future accelerated growth, as well as dividend payments.

## DIRECTORS' REPORT TO THE MEMBERS (Contd...)

### 6. Directors

Mr. E.A. K. Faizullabhoj, who was a Director of your Company from inception, stepped down on 8th April 2008 on reaching the retirement age laid down in the Group's Retirement Policy for Directors. Mr. Faizullabhoj has rendered useful services to the Board and the various Committees with which he was associated and your Board places on record its appreciation of the valuable contributions made by him during his tenure.

Mr. P.G. Mankad, Mr. P. McGoldrick and Dr. R. Natarajan retire by rotation and being eligible, offer themselves for reappointment.

### 7. Directors Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management, confirm that -

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- (iii) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.

### 8. Personnel

Your Company is a knowledge-driven company, and relies on the quality and size of its human capital for continued growth.

Your Company provides an employee-friendly and technically stimulating environment which are pre-requisites in attracting, retaining and motivating its employees for achieving higher levels of productivity. Continuous training programmes and other initiatives are undertaken on an ongoing basis to ensure and enhance the employee skill sets.

### 9. Disclosure of Particulars

Particulars required to be furnished under the Companies (Particular of Employees) Rules, 1975 and Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, to the extent applicable to the Company are given in the Annexure.

### 10. Subsidiary Company, Statement under Section 212 of the Companies Act, 1956 and Consolidated Financial Statements

As earlier mentioned, your Company incorporated a wholly owned subsidiary in Singapore on 4th December 2007. The first financial year of the subsidiary company will be from 4th December 2007 to 31st March 2009 and accordingly, the provisions of Section 212 of the Companies Act, 1956 relating to certain documents in respect of the subsidiary company to be attached to the Balance Sheet of the holding Company are not applicable for the year ended 31st March 2008.

As required pursuant to the Accounting Standards of the Institute of Chartered Accountants of India and the Listing Agreement with the Stock Exchanges, the stand-alone annual accounts of your Company alongwith the consolidated financial statements of your Company and the subsidiary company made upto 31st March 2008, are also presented.

### 11. Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, the Management Discussion & Analysis Statement, Corporate Governance Report and the Auditors' Certificate regarding Compliance of Conditions of Corporate Governance are part of this Annual Report.

### 12. Acknowledgements

The Directors wish to thank the Company's esteemed customers, associates, suppliers, and above all, its shareholders and investors for their continued support and co-operation.

On behalf of the Board of Directors

SYAMAL GUPTA  
Chairman

Mumbai, 30th April 2008

## ANNEXURE "A" TO DIRECTORS' REPORT

Particulars pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

### 1. Conservation of Energy

Though your Company does not have energy intensive operations, it continues to pursue energy conservation measures.

Energy conservation programs adopted by your Company are:

- (i) Continuous monitoring of energy consumption including space optimization to achieve energy efficiencies;
- (ii) Scheduled Preventive Maintenance for HVAC and other plant & machinery systems;
- (iii) Regular "Cost review" with action plans on effective utilization of Power during peak and non-peak seasons, including purchase/use of energy saving devices based on techno-commercial evaluation.

Your Company will continue to tightly monitor and control overall energy expenses, even as it is expected to increase in direct proportion to the increased infrastructure build-up and space utilization as part of its growth.

### 2. Technology Absorption

#### a. Research & Development

Your Company is knowledge driven, servicing customers for outsourced technology and product R&D and development of hardware and software for embedded products, such as multimedia and consumer electronics, automotive electronics, networking and telecom, semiconductor etc..

Your Company devotes a certain portion of its human capital in developing expertise in current and emerging technologies, through technology partnerships, active participation in technology forums, technology training and in-house R&D projects.

#### b. Benefits derived out of the above R & D

The in-house technology expertise development and R&D programs, allows your Company to deliver high value services to customers demanding expertise in current and latest technologies. This also provides your Company with a competitive edge in winning and retaining customers.

Further, some of these programs are aimed at developing technology Intellectual Property (IP), which provide for revenue maximization through IP licensing to customers and re-use for multiple customers. Your Company is engaged in IP development in communication and multimedia technologies.

#### c. Future plan of action

Your Company intends to continue building competencies and familiarity with technologies and standards, to help expand in-house expertise and the resource base of engineering staff. Your Company also plans to continue its active focus in developing technology IP, to provide customers with time-to-market and productivity advantages, and increased revenue through IP licensing.

#### d. Expenditure on R & D during the year

i. Capital	: Rs. 4.42 cr
ii. Recurring	: Rs. 9.24 cr
iii. Total	: Rs. 13.66 cr
iv. Total R & D expenditure as a percentage total turnover	: 3.39%

### 3. Technology absorption, adaptation and innovation

Your Company's quality systems are certified at the highest level of ISO 9001 and CMM I Level 5, with BS 7799 Security Standards alongwith mature processes, techniques and methodologies that have been implemented, continuously validated and refined, reflecting the enhancement of overall quality and productivity, and high degree of technology absorption, adaptation and innovation.

Your Company is also engaged in on-going efforts to study and track various emerging and evolving technology segments, to help identify technologies with market potential and develop in-house expertise, resulting in enhancement of addressable customer opportunities in the future.

### 4. Foreign Exchange earnings and outgo

Your Company's growing Services segment and also the agency business with overseas principals in the Systems Integration segment ensure a continued export thrust. The particulars of foreign exchange outgo and earnings are given in Item Nos. 21 and 22 of Schedule 17 to the Accounts.

## ANNEXURE “B” TO DIRECTORS’ REPORT

Information as per Section 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, 2008

SI No.	Name	Designation	Remuneration (Rs.)	Qualification	Experience (Yrs)	Commencement of Employment	Age (Yrs)	Particulars of Last Employment/Employer /Last Post & Period for which post held
1	Chandrashekar K	General Manager	2,920,207	B.Sc., MMS	21	10.05.1993	46	HCL-Hewlett Packard, Account Manager - 3 years.
2	Dev M	Managing Director	10,336,100	M.Sc., M.B.A	30	03.06.1991	53	Bennet Coleman & Co. Ltd- Chief Manager (RMD) - 1 year
3	Krishnamurthy V	CFO & Company Secretary	3,898,552	B.Com., FCA, FCS BGL	23	22.09.1999	48	Advanta India Ltd - General Manager (Finance) & Company Secretary - 5 years.
4	Natarajan R	General Manager - Trivandrum Centre	3,431,294	M.Tech	31	30.04.2001	53	Vikram Sarabhai Space Centre - Engineer - SG, Head - Flight Computer Division - 23 years
5	Nath A	GM & GBU Head India + West Asia	3,955,349	M.Sc. (Tech)	28	09.08.1999	52	Avnet Max Ltd., Head- Design Centre - 4 years
6	Pai Nitin	GM Marketing	2,570,233	B.E. (Hons)	16	20.05.1996	37	Bajaj Auto Ltd - AM (PE) - 4 years
7	Prakash S	GM & GBU Head Europe	3,825,307	M.E	19	08.02.1993	44	Hindustan Infomatics Ltd., Engineer.- 1 year
8	Prasad M M	Head - System Integration	2,956,232	B.E.	29	15.04.2002	52	MSC Software, Country Manager - 6 years
9	Rajesh Kumar	GM & GBU Head Americas	5,877,140	B.Tech.	24	10.04.1997	47	C-DAC, Team Coordinator (Visual computing and Multimedia), 8 years
10	Shah V	General Manager - Commercial	3,530,129	B.E.	22	27.08.2001	43	Selectiva Systems Incorporation, California - Vice-President - 2 years
11	Sondur A	General Manager - IDE	3,195,240	B.Sc.	24	04.02.2002	46	Harita Infoserve Ltd., Head-Business Development - 1 year
12	Sreenivas P	Technology Manager	2,967,408	B.E., M.E	21	08.05.1998	46	Maijosoft Systems, Project Manager - 1 year
13	Thangarajan M	General Manager - D&D Operations	4,554,087	B.E.	22	02.09.1996	44	Larsen & Toubro Ltd., - Sr. Executive-Quality Assurance-6 years

### Notes:

- None of the above employees are related to any Director of the Company.
- Remuneration received includes Salary, Commission, House Rent Allowance, Contribution to Provident, Superannuation and Gratuity Funds and other Perquisites evaluated in accordance with the Income-Tax Rules as applicable.

Mumbai  
April 30, 2008

**On behalf of the Board of Directors**  
**SYAMAL GUPTA**  
Chairman

### Affirmation regarding Compliance with the Code of Conduct

The Company has adopted a Code of Conduct for all its employees, including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors. Both these Codes are available on the Company's Website ([www.tataelxsi.com](http://www.tataelxsi.com)).

I hereby confirm that all Board members and Senior Management personnel have affirmed compliance with the Code of Conduct applicable to them in respect of the year ended 31st March 2008.

30th April 2008, Mumbai

**MADHUKAR DEV**  
Managing Director

## COMPLIANCE REPORT ON CORPORATE GOVERNANCE

### Mandatory Requirements:

1. **A brief statement on the Company's philosophy on code of governance.** Your Company believes in conducting its affairs with the highest levels of integrity, with proper authorisations, accountability and transparency. The business operations of your Company are conducted not to benefit any particular interest group but for the benefit of all stakeholders.

### 2. Board of Directors

The Company has a Non-Executive Chairman and the number of Independent Directors exceeds one-half of the total number of Directors. The number of Non-Executive Directors (NEDs) exceeds 50% of the total number of Directors. None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement with Stock Exchanges), across all the companies in which they are Directors. The necessary disclosures regarding Committee positions have been made by the Directors.

Five Board Meetings were held during the year 2007-08 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held were 20th April, 2007, 27th July, 2007, 30th October, 2007, 22nd January, 2008 and 27th March, 2008.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships held by them in other companies are given below:

Name	Category	No. of Board Meetings attended during 2007-08	Whether attended AGM held on 27th July 2007	No. of Chairmanships/Directorships in other Boards/Committees* of Companies**			
				Chairman of the Board	Chairman of the Committee	Member of the Board	Member of the Committee
Mr. Syamal Gupta (Chairman)	Not Independent/ Non-Executive	5	Yes	5	1	4	4
Mr. S Ramadorai (Vice Chairman)	Not Independent/ Non-Executive	2	Yes	2	1	10	2
Mr. E A K Faizullahoy <sup>§</sup>	Independent/ Non-Executive	5	Yes	-	-	1	-
Mr. Sujit Gupta	Independent/ Non-Executive	3	Yes	-	3	4	1
Mr. H H Malgham	Independent/ Non-Executive	5	Yes	-	2	3	1
Mr. P G Mankad	Independent/ Non-Executive	4	Yes	-	1	10	5
Mr. P McGoldrick	Independent/ Non-Executive	4	Yes	-	-	1	-
Mr. C P Mistry	Independent/ Non-Executive	4	Yes	-	-	9	2
Dr. R Natarajan	Independent/ Non-Executive	3	No	-	-	2	-
Mr. Madhukar Dev	Not Independent/ Managing Director	5	Yes	-	-	1	-

\* Only Audit and Investor Grievance Committees considered

\*\* Excludes private/foreign companies

§ Stepped down on 8th April 2008 on reaching the age of superannuation pursuant to the Tata Group Retirement Policy for Directors. The information as required under Annexure I to Clause 49 is being made available to the Board.

### 3. Audit Committee

The terms of reference of the Audit Committee mandated by the statutory and regulatory requirements, which are also in line with the mandate given by your Board of Directors, are:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

## COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)

- b. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;
- c. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- d. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
  - ii. Changes, if any, in accounting policies and practices and reasons for the same;
  - iii. Major accounting entries involving estimates based on the exercise of judgment by management;
  - iv. Significant adjustments made in the financial statements arising out of audit findings;
  - v. Compliance with listing and other legal requirements relating to financial statements;
  - vi. Disclosure of any related party transactions; and
  - vii. Qualifications in the draft audit report;
- e. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- f. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- g. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- h. Discussion with internal auditors any significant findings and follow up there on;
- i. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- j. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- k. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
- l. To review the functioning of the Whistle Blower mechanism;
- m. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee reviewed the reports of the internal auditors, the reports of the statutory auditors arising out of the quarterly, half-yearly and annual review of the accounts, considered significant financial issues affecting the Company and held discussions with the internal and statutory auditors and the Company management, during the year.

Four Audit Committee Meetings were held during the year 2007-08. The dates on which the Audit Committee Meetings were held were 19th April, 2007, 26th July, 2007, 29th October, 2007 and 21st January, 2008.

The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2007-08
1	Mr. H H Malgham, Chairman	Independent/Non-Executive	4
2	Mr. S Ramadorai	Not Independent / Non-Executive	1
3	Mr. E A K Faizullahoy	Independent / Non-Executive	4

#### 4. Remuneration Committee

The terms of reference mandated by your Board are:

- To decide the policy on specific remuneration packages for Managing/Executive Directors including pension rights and any compensation payments;
- To approve the terms of any Employee Stock Option Scheme or Plan as may be issued from time to time by the Company;

All Non-Executive Directors of your Company receive sitting fees for each meeting of the Board or Committee thereof attended by them. The net profits of the Company, not exceeding 1%, are distributable, as commission, amongst the Non-Executive Directors considering the special services and efforts rendered.

Other than sitting fees and commission on the net profits of the Company, no other remuneration is payable to the Non-Executive Directors for 2007- 08.

## COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)

One Remuneration Committee Meeting was held on 17th April 2007 during the year 2007-08.

The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2007-08
1	Mr. C P Mistry, Chairman	Independent/Non-Executive	1
2	Mr. Syamal Gupta	Not Independent/Non-Executive	1
3	Mr. S Ramadorai	Not Independent/Non-Executive	1

The remuneration earned during 2007 - 08 by the Non-Executive Directors is given below:

Sl. No.	Names of the Non-Executive Directors	Sitting Fees Rs.	Commission* Rs.
1	Mr. Syamal Gupta	50,000	12,50,000
2	Mr. S Ramadorai	35,000	8,00,000
3	Mr. E A K Faizullahoy	70,000	5,50,000
4	Mr. Sujit Gupta	15,000	2,25,000
5	Mr. H H Malgham	95,000	6,75,000
6	Mr. P G Mankad	35,000	2,25,000
7	Mr. P McGoldrick	20,000	2,25,000
8	Mr. C P Mistry	35,000	3,25,000
9	Dr. R Natarajan	15,000	2,25,000

\* subject to approval of the annual accounts at the forthcoming Annual General Meeting.

Details of remuneration for 2007- 08 in respect of Mr. Madhukar Dev, Managing Director, are given below:

Basic Salary Rs.	Commission Rs.	Contribution to Provident & other Funds Rs.	Other Allowances & Perquisites Rs.	Total Rs.
19,80,000/-	50,00,000/-	5,84,100/-	27,72,000/-	103,36,100/-

### 5. Investor Grievances Committee

The terms of reference mandated by your Board, which is also in line with the statutory and regulatory requirements, are:

- Redressing of Shareholders and Investors complaints;
- To ensure expeditious share transfers;
- To review status of legal cases involving the investors where the Company has been made a party.

Four Investor Grievance Committee Meetings were held during the year 2007-08. The dates on which the Investor Grievance Committee Meetings were held were 20th April, 2007, 27th July, 2007, 30th October, 2007 and 22nd January, 2008.

The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2007-08
1	Mr. E A K Faizullahoy, Chairman	Independent / Non-Executive	4
2	Mr. H H Malgham	Independent / Non-Executive	4
3	Mr. P G Mankad	Independent / Non-Executive	3

Name, designation & address of the Compliance Officer :

**Mr. Vijay Krishnamurthy**  
 Chief Financial Officer & Company Secretary  
 Tata Elxsi Ltd.,  
 ITPB Road, Whitefield, Bangalore – 560 048.  
 Phone : +91-80-22979736  
 Fax : +91-80-22979770  
 E-mail : [veekay@tataelxsi.co.in](mailto:veekay@tataelxsi.co.in)

## COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)

Details of complaints received and redressed during 2007-08 :

Opening Balance	Received during the year	Resolved during the year	Closing Balance
-	5	5	-

Complaints/correspondence are usually dealt with within 10 days of receipt and are completely resolved except in cases where litigation is involved.

Share transfer lodgements are processed within 20 days and returned except in cases where litigation is involved.

The following persons can also be contacted in case of investors grievances:

- Ms. Mary Alles (email:mary@tataelxsi.co.in;  
Phone: +91-080-22979789; Fax: +91-080-22979770)
- TSR Darashaw Ltd. (email: clc@tsrdarashaw.com  
Phone: +91-022-66568484; Fax: +91-022-66568494)

### 6. Other Committees

In addition to the above Committees, the Board has also constituted an Executive Committee, Ethics Committee, Legal Committee and a Nomination Committee. The Executive Committee reviews and guides the Company on various operational matters. The Ethics Committee reviews compliance by the Company and its employees with the Tata Code of Conduct and other Company Policies relating to ethical conduct. The Legal Committee monitors the legal compliances by the Company. The Nomination Committee is responsible for making recommendations regarding the composition of the Board and its Committees from time to time. The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

#### Ethics Committee

The Ethics Committee met on 27th March, 2008:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2007-08
1	Mr. H H Malgham, Chairman	Independent / Non-Executive	1
2	Mr. Madhukar Dev	Not Independent / Executive	1

#### Executive Committee

The Executive Committee met on the following dates: 11th December, 2007 and 27th March, 2008:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2007-08
1	Mr. Syamal Gupta, Chairman	Not Independent/Non-Executive	2
2	Mr. S Ramadorai	Not Independent/Non- Executive	2
3	Mr. H H Malgham	Independent/Non-Executive	2
4	Mr. Madhukar Dev	Not Independent/Executive	2

#### Legal Committee

The Legal Committee met on the following date: 26th July, 2007.

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2007-08
1	Mr. E A K Faizullahoy, Chairman	Independent/Non-Executive	1
2	Mr. H H Malgham	Independent/Non-Executive	1
3	Mr. Madhukar Dev	Not Independent/Executive	1

#### Nomination Committee

The Nomination Committee met on the following dates: 30th October, 2007 and 27th March, 2008.

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2007-08
1	Mr. C P Mistry, Chairman	Independent / Non-Executive	2
2	Mr. Syamal Gupta	Not Independent /Non-Executive	2
3	Mr. S Ramadorai	Not Independent /Non-Executive	1
4	Mr. H H Malgham	Independent /Non-Executive	2

## COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)

### 7. General Body Meetings

Particulars about the last three Annual General Meetings (AGM's) of the Company are:

Sl. No	AGM Particulars	Date	Venue	Time
1	18th AGM in respect of the year 2006-07	27th July 2007	St. John's Auditorium, Koramangala, Bangalore	12:00 noon
2	17th AGM in respect of the year 2005-06	28th July, 2006	Tata Elxsi Limited, Whitefield, Hoody, Bangalore	12:00 noon
3	16th AGM in respect of the year 2004-05	22nd July, 2005	Tata Elxsi Limited, Whitefield, Hoody, Bangalore	12:00 noon

No item of business, which required the members' approval through postal ballot, was transacted during 2007-08. Accordingly, the Companies (Postal Ballot) Rules 2001 is not applicable to the Company during the said year.

### 8. Disclosures

- There are no materially significant related party transactions during the year that have potential conflict with the interests of the Company at large;
- There has been no non-compliance or penalties or strictures imposed on the Company by any of the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years;
- The Company has adopted a Whistle Blower Policy which is permanently posted on the Company's intranet. All issues raised under the Whistle Blower Policy are directly reported to the Chairman of the Company's Audit Committee and no personnel has been denied access to the Audit Committee.
- The Company has complied with all the mandatory requirements and most of the non-mandatory requirements specified in the revised Clause 49 of the Listing Agreement.

### 9. Means of Communication

- The Company uses several modes of communicating with its external stakeholders such as announcements and press releases in newspapers, circular letters and other reports to the members, posting information on its website (www.tataelxsi.com), intimation to the Stock Exchanges, responding to analyst's queries etc.
- The Company's quarterly results are disseminated through all the modes mentioned above. Financial Express (English daily) and Sanjevani (vernacular daily) are usually the papers in which the quarterly results are published.
- The Company's Management Discussion & Analysis of the Business for the year ended 31st March, 2008 forms a part of this Annual Report and is given under the Section so captioned.

### 10. General Shareholders Information

Sl. No.	Salient Items of Interest	Particulars
i.	AGM Date, time and venue	22nd July 2008 at 12 noon at St. John's Auditorium, 100 feet Road, Opp. BDA Complex, Koramangala, Bangalore - 560 034
ii.	Financial Calendar	Year ending March 31, 2008
iii.	Date of Book Closure	11th to 22nd July 2008 (both dates inclusive)
iv.	Dividend Payment Date	23rd July 2008
v.	Listing on Stock Exchanges	<p><b>Bangalore Stock Exchange Limited</b>                      Stock Exchange Towers, 51, 1st Cross,                      J. C. Road                      Bangalore-560 027, India                      Tel. : +91-80-4157 5234                      Fax : +91-80-4157 5232</p> <p><b>Bombay Stock Exchange Limited</b>                      Phiroze Jeejeebhoy Towers, Dalal Street,                      Mumbai-400 001, India                      Tel. : +91-22-22721234                      Fax : +91-22-22722041</p> <p><b>The Delhi Stock Exchange Association Limited</b>                      DSE House, 3/1 ASAF Ali Road,                      New Delhi-110 002, India                      Tel. : +91-11-2329 2417                      Fax: +91-11-2329 2176</p> <p><b>The National Stock Exchange of India Limited</b>                      Exchange Plaza Plot No. C/1,                      G Block Bandra-Kurla Complex Bandra (East), Mumbai-400 051, India                      Tel. : +91-22-26598100                      Fax : +91-22-26598237</p>

## COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)

Sl. No.	Salient Items of Interest	Particulars
vi.	Stock Code	Bombay Stock Exchange Limited - 500408 National Stock Exchange of India Limited - TATA ELXSI
vii.	Registrar & Share Transfer Agents	TSR Darashaw Limited, 6-10, Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011
viii.	Share Transfer System	Shares lodged in physical form with the Company/its Registrars & Share Transfer Agents are processed and returned, duly transferred within 20 days normally, except in cases where litigation is involved. In respect of shares held in dematerialized mode, the transfer takes place instantaneously between the transferor, transferee and the Depository Participant through electronic debit/credit of the accounts involved.
ix.	Dematerialisation of shares and liquidity	As at March 31, 2008, 29054453 shares were held in dematerialized mode.
x.	Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity	There are no outstanding instruments and hence there will be no dilution of the equity.
xi.	Plant Locations	Your Company's development centers are located at the following addresses: a. ITPB Road, Hoody, Bangalore – 560 048; b. Brigade Tech Park, Whitefield Road, K.R.Puram, Bangalore - 560 066; c. Plot No.23-28, Techno Park Campus, Trivandrum - 695 581; d. "Gayatri", Technopark Campus, Trivandrum - 695 581; e. 'Guna Complex', Teynampet Chennai - 600 018; f. Alpha – 1 Building, GIGA Space, Nagar Road, Pune 411 014; g. "Amsri Shamira", Old Lancer Lines, Secunderabad - 500 025; h. "Rakavis Towers", 1065, Trichy Road, Coimbatore - 641 045 i. Boston House, Suren Road, Andheri (East), Mumbai - 400 093 j. Museshikosuji Fukokuseimei Building, Kawasaki - shi, Japan
xii.	Address for correspondence	ITPB Road, Hoody, Bangalore - 560 048

### Market Price Data: High/Low during each month of 2007-08 on the following exchanges:

Month	Mumbai			National		
	High (Rs.)	Low (Rs.)	Vol (No. of shares)	High (Rs.)	Low (Rs.)	Vol (No. of shares)
April 2007	350.00	273.00	1385868	350.00	274.00	2237255
May 2007	364.70	311.10	1567469	364.80	309.00	2149507
June 2007	351.00	320.00	466807	350.90	317.20	693779
July 2007	354.00	285.00	604084	353.00	282.40	908151
August 2007	320.85	282.80	751527	321.60	282.55	1015293
September 2007	322.00	290.00	267586	325.00	270.00	458819
October 2007	335.00	253.00	521405	335.00	240.05	699513
November 2007	263.90	231.00	508096	265.00	231.25	807829

**COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)**

Month	Mumbai			National		
	High (Rs.)	Low (Rs.)	Vol (No. of shares)	High (Rs.)	Low (Rs.)	Vol (No. of shares)
December 2007	303.00	240.00	703607	303.95	239.00	1108868
January 2008	310.00	175.00	676160	311.00	175.00	1018810
February 2008	219.00	189.00	270233	223.00	188.15	241340
March 2008	205.00	138.00	663898	202.95	126.65	695883

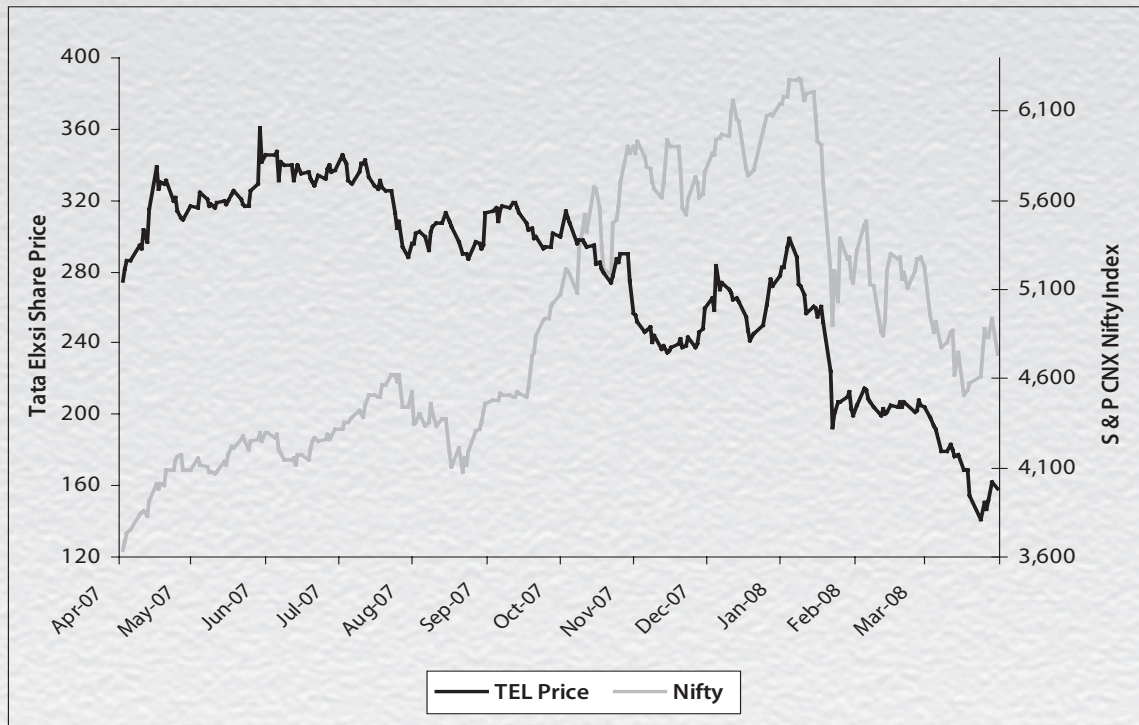
**Distribution of Shareholding as on March 31, 2008**

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1 - 500	48845	95.70	6862310	22.03
501 - 1000	1336	2.62	1076588	3.46
1001- 2000	484	0.95	725320	2.33
2001 - 3000	134	0.26	342756	1.10
3001 - 4000	66	0.13	235540	0.76
4001 - 5000	46	0.09	215989	0.69
5001 - 10000	73	0.14	534909	1.72
Over 10,000	58	0.11	21144808	67.91
<b>Total</b>	<b>51042</b>	<b>100</b>	<b>31138220</b>	<b>100</b>

**Categories of Shareholding as on March 31, 2008**

Category	No. of Shareholders	No. of Shares held	% of Shareholding
Individuals	49746	9293858	29.85
NRI's	346	121078	0.39
Companies	736	1728615	5.55
Tata Group	5	13542732	43.49
Mutual Funds, FI's, FII's	40	6350855	20.40
Clearing Member/Clearing House	169	101082	0.32
NSDL/CDSL transit position	0	0	0.00
<b>Total</b>	<b>51042</b>	<b>31138220</b>	<b>100.00</b>

**Tata Elxsi share price and Nifty Index movement**



## **Auditors' Certificate on Compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchanges**

### **TO THE MEMBERS OF TATA ELXSI LIMITED**

We have examined the compliance of conditions of corporate governance by **TATA ELXSI LIMITED**, for the year ended on 31 March 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India we have to state that based on the report given by the Registrars of the Company to the Investors' Grievance Committee as on 31 March 2008, there were no investor grievance matters against the Company remaining unattended / pending for more than 30 days.

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 **Deloitte Haskins & Sells**  
Chartered Accountants

**V Balaji**  
Partner

Membership No. 203685

Place: Bangalore  
Date: 30 April 2008

## MANAGEMENT DISCUSSION & ANALYSIS (MDA) FOR THE YEAR ENDED 31ST MARCH, 2008

### 1. Business Analysis

Your Company's operations are broadly broken up into two business segments i.e. Software Development & Services and Systems Integration & Support.

#### Software Development and Services:

This segment grew from Rs. 262.58 cr during 2006-07 to Rs. 342.05 cr in the year 2007-08 and segment results from Rs. 61.66 cr in 2006-07 to Rs. 60.48 cr

Software Development and Services is broken up into three distinct business groups:

#### Product Design Services:

This business unit is involved in designing technology products including hardware/software across the product lifecycle in industries such as Automotive, Consumer Electronics, Media, Networking, Semiconductor, Storage and Telecom. The range of services offered includes:

- Hardware design including VLSI, FPGA & Boards
- Development and integration of embedded software including firmware and middleware
- Development and integration of Device drivers and tools
- Full product and system-level integration

These services are enabled by technology and domain expertise in areas such as:

- Graphics, Imaging & Image Processing
- Multimedia
- DSP Software
- Routing & Switching
- VOIP
- Network Management
- Storage & File-systems
- Real time Control systems
- Scientific Computing
- Mobile TV
- Wireless

Your Company provides global customers with services towards technology product development and outsourced R&D, including Digital TV enabled products such as advanced displays and set-top boxes, multimedia and portable entertainment products such as audio and media players, consumer electronics such as digital video cameras, mobile phones etc..

Your Company enables value to its customers through the cost-effective and timely service delivery of its technology and domain expertise.

Your Company ensures this through delivery and quality processes that have been certified at the highest level of CMMI Level 5 and ISO 9001 alongwith information security systems that have been assessed at the highest level of BS 7799, and investing in continuous and ongoing technical training of its engineers, that helps build domain expertise in current and emerging technologies.

This technology and people development focus has helped in providing a diverse and rich environment to attract and retain engineering and technical talent.

The embedded electronics market is expected to register strong growth in segments such as Digital TV, portable entertainment and multimedia products and wireless phones. This is also expected to aid good growth in the semiconductor industry.

There is also an increasing trend towards use of reusable components and readymade IP blocks and design frameworks by product manufacturers to enable faster time-to-market and overall reduction in development costs.

## MANAGEMENT DISCUSSION & ANALYSIS (MDA) FOR THE YEAR ENDED 31ST MARCH, 2008 (Contd...)

Your Company has invested towards in-house R&D to enable creation of Intellectual Property (IP) and technology expertise in areas such as multimedia, networking, WIMAX, mobile TV, semiconductors and storage. These are available as off-the-shelf components that can be plugged into the customers' system or can be customized to meet specific needs of the system.

This technology expertise and IP is expected to contribute to revenues of this division in the following years, through licensing fees and services for integration and customization along with the licensing of these IPs and technologies.

Your Company will continue to invest in such R&D to help create domain expertise and licensable IP within the Company on emerging technologies in the targeted industry sectors.

### **Innovation Design Engineering:**

This business unit delivers integrated services towards complete mechanical product design, including styling and industrial design, branding and graphics, interface and usability for a wide variety of applications such as consumer products, electronic enclosures, FMCG packaging and transportation.

Your Company possesses a talented pool of industrial designers and product design engineers, servicing global customers in different industries such as Transportation, FMCG, Consumer electronics etc..

This group has enlarged the scope of its expertise in the previous year, to be able to provide customers with an integrated product design, graphics and branding service offering.

This group, based on its success during the year in significantly enhancing market appeal of certain FMCG products through innovative packaging design, is leveraging this experience to add value to its customers as a focused service offering.

Your Company has also leveraged synergies of this group with the Product Design Services group in addressing design requirements for certain global customers for whom the Product Design Services group does work.

### **Visual Computing Labs:**

This business unit provides services in the area of animation and special effects content creation for the advertising, television and motion pictures markets in India and overseas.

While your Company has firmly established itself as a leading studio for Indian customers for the domestic markets, the international markets pose a challenge, especially the US, where often the remuneration for the services provided by this division is linked to the commercial success of the project. Your Company has hitherto consciously stayed away from undertaking assignments based on this model where the risks are not commensurate with the revenue potential and is exploring ways of bridging this market requirement.

Further, there is scarcity of local expertise for high-end content development, considering the nascent nature of the organized industry in the country. This has also limited the ability to address overseas markets aggressively. Shortage of experienced talent has also aggravated the pressures of attracting and retaining talent.

In order to achieve world-class standards, this business continuously invests in latest hardware and software tools as well as training and expertise development of its manpower pool.

Your Company has entered into a technical training agreement with a reputed overseas University to provide critical skills and international exposure which is expected to add to the skills expertise of this Division.

Consequent to your Company working on creating India's first full-length animated feature film co-produced by a leading domestic and an international studio, there has been a spate of similar full-length animated films being announced by other domestic producers, which is opening up a new field for this Division's services domestically.

Apart from the business risks mentioned above, your Company also faces industry specific risks and challenges such as manpower attraction, upgradation and retention, rising wage bill, foreign currency exchange risks arising from the different countries in which your Company operates, visa processing delays in certain countries, growing tendency of overseas customers – existing and potential – to open captive development centers in India, which directly affects your Company's ability to provide offerings to these customers, withholding tax issues in certain countries, the scheduled withdrawal of tax benefits under Section 10A of the Income Tax Act, 1961 from 2010-11 onwards etc..

**MANAGEMENT DISCUSSION & ANALYSIS (MDA) FOR THE YEAR ENDED 31ST MARCH, 2008 (Contd...)**

Your Company has responded to these challenges in several ways. Recruitment and retention initiatives have been strengthened and made more innovative. Development Centres have been opened at several locations in order to better access local talent and also provide opportunities for existing talent to relocate for personal reasons, if need arises. Hedging transactions are regularly carried out to offset the adverse foreign currency fluctuations. Your Company is also working with the Indian subsidiaries of overseas customers by providing and augmenting niche technical services.

**Systems Integration and Support**

This segment recorded a turnover and results during the year of Rs. 59.50 cr and Rs. 9.81 cr respectively as compared with its turnover and results of Rs. 45.39 cr and Rs. 6.95 cr during 2006-07 and comprises of the Systems Integration, Customer Support and Professional Services Group businesses.

This segment offers turnkey solutions comprising of integration of hardware and software products sourced from global principals for domestic customers. The solutions are offered in the area of technical computing used in a wide range of industries such as automotive, pharmacy, defense, meteorology etc.. Your Company's technical solutions involve supply of different products sourced from different global principals based on a study of the customers engineering IT requirements. The challenges include the correct configuration of the solution, balancing different supply lead times of different products of the different principals, commercial negotiations and working capital management involved in the different credit periods of the customer and the vendor-principals. The domestic market currently offers substantial business opportunity due to increased engineering IT-related spending on infrastructure upgradation by both the public and private sectors. Your Company is also strengthening its marketing set-up to cater to the increased domestic potential.

After the warranty period of the products supplied, your Company earns support revenues through annual maintenance contracts. The challenge here is to provide support services at price levels which ensure a reasonable margin in the context of continually decreasing replacement costs of IT products which obviate the need for annual maintenance support.

The revenues from the System Integration business arise from rupee sales to customers who are not entitled to any duty exemption on the imported IT products and agency commission earned from its global principals on supplies made by them directly to customers who are entitled to duty exemption. Since the revenues of this business are a mix of rupee sales and agency commission, there is consequent volatility in the revenues due to a change in this mix based on the nature of orders executed in each quarter of the year. Volatility in the revenues also occur due to the varied nature of customer orders that are executed in each quarter.

The business group operates in an environment of high obsolescence due to continuous technological upgradations by its principals and other global players, consequent falling hardware and software prices and rapidly changing market scenarios. The Company delivers value to its customers by using its technical knowledge of the products and market trends and its alliances with global players to provide optimum cost-configuration-integration-maintenance solutions to its Indian customers to meet their requirements.

**2. Internal Control Systems and their Adequacy:**

The internal controls of your Company are continually reviewed based on the nature and spread of the business operations. Given the growing national and international operations of your Company, it was felt desirable to induct M/s. Deloitte, Haskins & Sells, a member firm of Deloitte for conducting the external audit and M/s. Ernst & Young for conducting the internal audit, of your Company.

Both these firms are reckoned amongst the Big 4 international accounting firms and are expected to contribute to your Company's internal controls and processes.

The internal controls of the Company are operated through multiple processes viz.

- a. an exhaustive system of internal checks and balances involving inter-dependencies of job responsibilities, which ensures that there are joint discussions and approvals before any financial commitments are made;
- b. periodic audits by the internal auditors covering various operational areas in rotation and by the statutory auditors and regular meetings of the Audit Committee of the Board of Directors who discuss with the auditors and the management regarding issues raised in the audit reports;
- c. implementation of an ERP system in phases has been initiated during the year.

With these ongoing initiatives, there are adequate internal control systems in the Company.

## MANAGEMENT DISCUSSION & ANALYSIS (MDA) FOR THE YEAR ENDED 31ST MARCH, 2008 (Contd...)

### 3. Financial Analysis:

The following are relevant financial performance details with respect to the operational performance of the Company:

#### Salient Financial Data relating to the Profit & Loss Account

Particulars	2007-08 Rs. Crores	2006-07 Rs. Crores	% change over previous year
Sales	401.55	307.96	30.39
Other Income	2.27	0.42	440.48
<b>Total Revenues</b>	<b>403.82</b>	<b>308.38</b>	<b>30.95</b>
Cost of Sales	44.90	36.10	24.38
Personnel	213.59	149.45	42.92
Overheads	68.42	53.32	28.32
Interest	2.13	0.28	660.71
Depreciation	13.44	8.70	54.48
<b>Total Expenditure</b>	<b>342.48</b>	<b>247.85</b>	<b>38.18</b>
<b>Profit before Tax</b>	<b>61.34</b>	<b>60.53</b>	<b>1.34</b>
Tax	8.68	8.41	3.21
<b>Profit after Tax</b>	<b>52.66</b>	<b>52.12</b>	<b>1.04</b>

#### Expenditure Analysis as a percentage of Income

2007-08	2006-07
%	%
99.44	99.86
0.56	0.14
<b>100.00</b>	<b>100.00</b>
11.12	11.71
52.89	48.46
16.94	17.29
0.53	0.09
3.33	2.82
<b>84.81</b>	<b>80.37</b>
<b>15.19</b>	<b>19.63</b>
2.15	2.73
<b>13.04</b>	<b>16.90</b>

#### Analysis:

##### a. Sales:

Sales increased in the domestic focussed Systems Integration & Support segment by 31% from Rs. 45.38 cr to Rs. 59.50 cr and by 30% in the predominantly export oriented Software Development & Services segment from Rs. 262.57 cr to Rs. 342.05 cr., notwithstanding the steep rupee appreciation against all the foreign currencies that the Company billed in and only partially offset by the depreciation against the Euro and Yen during the latter part of the year. The mix between the Software Development & Services and Systems Integration & Support Segments remained largely unchanged during the year at 85:15.

##### b. Other Income:

This comprises mainly of miscellaneous writebacks of old credit balances and interest on temporary surplus balances/tax refund.

##### c. Cost of Sales:

This has increased commensurate with the increase in the business in both the segments.

##### d. Personnel Expenses:

This has increased mainly due to accelerated recruitment and training expenses with a view to building capacity for future growth alongwith normal increase due to salary revisions and augmentation of overseas marketing and engineering staff to support the increased business.

##### e. Overheads

Account Head	Increase Rs. Cr	Decrease Rs. Cr	Remarks
Operating Lease Rentals	4.20	-	Due to additional premises taken on lease to cater to the increased employee strength and normal annual escalation in rent
Overseas Travel	2.92	-	Due to increase in onsite deployment and marketing visits
Power & Fuel	2.07	-	Consequent increase due to increase in premises taken on lease
Bad Debts	1.81	-	Non-payment due to unresolved technical issues
Repairs & Maintenance	1.25	-	Consequent increase due to increase in premises taken on lease

#### Significant Ratio Analysis

Particulars	Unit	2007-08	2006-07
Profit before Tax/Sales	%	15.28	19.66
Earning before Interest/Tax/Sales	%	15.81	19.75
Profit after Tax/Sales	%	13.11	16.92
Current Ratio	No. of times	2.00	1.30
Debt Equity Ratio	%	47.00	-
Earnings per Share	Rs.	16.92	16.74
Dividend per Share	Rs.	7.00	7.00
Book Value per Share	Rs.	38.21	29.73
Return on Net Worth	%	44.27	56.32
Return on Capital Employed	%	29.34	54.08

### 4. Human Resources:

The number of employees and consultants engaged by your Company as at 31st March 2008 was 3568 (31st March 2007: 2731 employees/consultants). A key challenge remains the attraction, upgradation and retention of human capital. Your Company seeks to achieve these objectives by offering a technically rich environment with cutting-edge projects for leading global technology companies, making significant investments in advanced software and hardware tools and technical training, setting up multi-locational delivery centres to tap local talent which also enable relocation opportunities in case of personal exigencies and sponsorship of general management education for the leadership team. Another key challenge is to ensure that while your Company grows in size and multi-locational spread, focus on individual employee needs are not diluted.

### 5. Quality Initiatives:

The Company has a very strong process orientation in the execution of its software projects and is a pioneer in the use of statistical methods of process controls. The Company is assessed at CMMI Level 5 certification which affirms your Company's capability to provide end-to-end design solutions that would match the customer requirements. Your Company has also received BS7799 certification which represents the highest level of information security processes followed by your Company.

## **AUDITORS' REPORT**

TO THE MEMBERS OF TATA ELXSI LIMITED

We have audited the attached Balance Sheet of **Tata Elxsi Limited** as at 31 March, 2008, the Profit and Loss Account and the Cash Flow Statement of the Company 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) 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;
- (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of the books;
- (c) 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;
- (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
- (e) on the basis of the written representations received from the directors, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2008 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956;
- (f) 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:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2008;
  - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells,**  
*Chartered Accountants*

Place: Bangalore  
Date: 30 April 2008

**V Balaji**  
*Partner*  
Membership No. 203685

## ANNEXURE TO AUDITORS' REPORT

### (Referred to in our report of even date)

The nature of the Company's business / activities during the year is such that clauses i(c), iii (b) to (d), (f) and (g), v, vi, viii, x, xii, xiii, xiv, xvi, xviii, xix and xx are not applicable to the Company.

- (i) In respect of its fixed assets:
- The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - The fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, the Company is in the process of completing the reconciliation of the assets verified with the fixed asset records and discrepancies, if any, identified on such reconciliation will be dealt with in the books of account on completion of the reconciliation.
- (ii) In respect of its inventories:
- As explained to us, the inventories were physically verified during the year by the management at reasonable intervals.
  - In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) The Company has neither accepted nor granted any loans from / to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal controls.
- (v) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- (vi) a) In respect of Statutory dues, according to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other material statutory dues with the appropriate authorities during the year.
- b) According to the information and explanations given to us, dues of sales tax, income tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute are as follows:

Nature of Dues	Amount in Rupees	Period to which the amount relates	Forum in which the dispute is pending
Sales Tax	138,909	Financial Years 1993-1994 & 1994-1995	Sales Tax Appellate Tribunal
Sales Tax	10,949	Financial Year 2003-2004	Commissioner of Sales Tax, Appeals
Wealth Tax	2,588,684	Financial Years 1993-1994 to 1998-1999	Commissioner of Income Tax, Appeals
Income Tax	8,767,846	Financial Year 2004-2005	Commissioner of Income Tax, Appeals

- (vii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions and banks.
- (ix) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from financial institutions, are not *prima facie* prejudicial to the interests of the Company.
- (x) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.
- (xi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**  
Chartered Accountants

**V Balaji**  
Partner  
Membership No. 203685

Place: Bangalore  
Date: 30 April 2008

**BALANCE SHEET AS AT MARCH 31, 2008**

	Schedules	As at March 31, 2008	Rs. lakhs As at March 31, 2007
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	3,113.82	3,113.82
Reserves and surplus	2	8,782.07	6,141.80
		<u>11,895.89</u>	<u>9,255.62</u>
<b>Loan funds</b>			
Secured loans	3	5,532.63	-
		<u>5,532.63</u>	<u>-</u>
<b>Deferred tax liability ( Net)</b>		<u>521.90</u>	<u>381.48</u>
<b>Total</b>		<u>17,950.42</u>	<u>9,637.10</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	4	15,303.25	10,411.84
Less: Depreciation and impairment		5,421.34	4,094.55
Net block		<u>9,881.91</u>	<u>6,317.29</u>
Capital work in progress (including advances)		167.82	947.32
		<u>10,049.73</u>	<u>7,264.61</u>
<b>Investments</b>	5	28.67	-
<b>Current assets, loans and advances</b>			
Inventories	6	16.60	37.42
Unbilled revenue		378.69	202.70
Sundry debtors	7	10,410.68	6,018.08
Cash and bank balances	8	2,120.14	2,010.10
Loans and advances	9	2,841.84	2,039.77
		<u>15,767.95</u>	<u>10,308.07</u>
<b>Less: Current liabilities and provisions</b>			
Current liabilities	10	4,451.49	4,873.12
Provisions	11	3,444.44	3,062.46
		<u>7,895.93</u>	<u>7,935.58</u>
<b>Net current assets</b>		<u>7,872.02</u>	<u>2,372.49</u>
<b>Total</b>		<u>17,950.42</u>	<u>9,637.10</u>
Significant accounting policies and notes on accounts	17		

The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.

As per our report of even date attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Syamal Gupta**

Chairman

**S Ramadorai**

Vice Chairman

**H H Malgham**

Director

**V Balaji**  
Partner

**Madhukar Dev**

Managing Director

Membership No: 203685

**V Krishnamurthy**

Chief Financial Officer  
& Company Secretary

Bangalore, April 30, 2008

Mumbai, April 30, 2008

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Schedules	March 31, 2008	Rs. lakhs March 31, 2007
<b>INCOME</b>			
Sales and services	12	40,155.19	30,796.30
Other income	13	227.31	42.39
<b>Total</b>		<b>40,382.50</b>	<b>30,838.69</b>
<b>EXPENDITURE</b>			
Cost of sales	14	4,489.51	3,610.29
Personnel expenses	15	21,359.20	14,945.37
Administration and selling expenses	16	6,842.10	5,331.89
Financial expenses		213.15	28.84
Depreciation/ Amortisation		1,344.13	869.69
<b>Total</b>		<b>34,248.09</b>	<b>24,786.08</b>
<b>Profit before tax for the year</b>		<b>6,134.41</b>	6,052.61
Provision for tax - Current		(886.76)	(732.00)
- MAT Credit		313.75	-
- Deferred		(179.71)	(33.92)
- Fringe benefit tax		(115.00)	(75.00)
<b>Net Profit for the year</b>		<b>5,266.69</b>	5,211.69
Profit brought forward		4,080.68	2,019.11
Balance available for appropriation		9,347.37	7,230.80
Less: Proposed dividend		2,179.68	2,179.68
Less: Dividend tax thereon		370.44	370.44
Less: Transfer to general reserve		600.00	600.00
Balance of profit carried to Balance Sheet		6,197.25	4,080.68
Earning per share of Rs. 10 each - basic and diluted ( Rs.)		16.91	16.74

Significant accounting policies and notes on accounts 17

The schedules referred to above and the notes thereon form an integral part of the Profit & Loss account.

As per our report of even date attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Syamal Gupta**

Chairman

**S Ramadorai**

Vice Chairman

**H H Malgham**

Director

**V Balaji**  
Partner

**Madhukar Dev**

Managing Director

Membership No.: 203685

**V Krishnamurthy**

Chief Financial Officer  
& Company Secretary

Bangalore, April 30, 2008

Mumbai, April 30, 2008

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008**

	2007-08	Rs. lakhs 2006-07
<b>A. Cash flows from operating activities</b>		
<b>Net Profit before tax</b>	<b>6,134.41</b>	<b>6,052.61</b>
Adjustment for:		
Depreciation	1,344.13	869.69
Interest income	(37.13)	(41.14)
Interest expense	213.15	28.84
Loss/(Profit) on sale of assets	(1.57)	1.57
Unrealised loss/(gains)	<u>64.06</u>	<u>27.69</u>
Operating profit before working capital changes	<u>7,717.05</u>	<u>6,939.26</u>
Decrease/(Increase) in sundry debtors	(4,460.95)	(1,382.15)
Decrease/(Increase) in inventories	20.82	(23.64)
Decrease/(Increase) in unbilled revenues	(175.99)	(202.70)
Decrease/(Increase) in loans and advances	(755.37)	379.63
Increase/(Decrease) in current liabilities	<u>(229.75)</u>	<u>1,296.61</u>
Cash inflow from operations	<u>2,115.81</u>	<u>7,007.01</u>
Income tax paid (including FBT)	<u>(674.09)</u>	<u>(896.64)</u>
<b>Net cash inflow from operating activities</b>	<u><b>1,441.72</b></u>	<u><b>6,110.37</b></u>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets/capital advances	(4,148.91)	(3,296.96)
Proceeds of sale of fixed assets	21.23	4.99
Interest received	37.13	41.14
Investment in Subsidiary Company	<u>(28.67)</u>	<u>-</u>
<b>Net cash outflow from investing activities</b>	<u><b>(4,119.22)</b></u>	<u><b>(3,250.83)</b></u>
<b>C. Cash flows from financing activities</b>		
Short term borrowings	5,532.63	-
Interest paid	(213.15)	(28.84)
Dividend paid	(2,161.50)	(1,991.98)
Tax on dividend paid	<u>(370.44)</u>	<u>(283.86)</u>
Net cash inflow/(outflow) from financing activities	<u>2,787.54</u>	<u>(2,304.68)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>110.04</b>	<b>554.86</b>
Cash and cash equivalents as at beginning of the year	<b>2,010.10</b>	<b>1,455.24</b>
Cash and cash equivalents as at end of the year	<b>2,120.14</b>	<b>2,010.10</b>

As per our report of even date attached

For and on behalf of the Board

 For **Deloitte Haskins & Sells**  
Chartered Accountants

**Syamal Gupta**
*Chairman*
**S Ramadorai**
*Vice Chairman*
**H H Malgham**
*Director*
**V Balaji**  
Partner

**Madhukar Dev**
*Managing Director*

Membership No: 203685

**V Krishnamurthy**
*Chief Financial Officer  
& Company Secretary*

Bangalore, April 30, 2008

Mumbai, April 30, 2008

## SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2008

	As at March 31, 2008	Rs. lakhs As at March 31, 2007
<b>1. SHARE CAPITAL</b>		
<b>Authorised :</b>		
350,00,000 equity shares of Rs. 10/- each	<u>3,500.00</u>	<u>3,500.00</u>
<b>Issued :</b>		
311,65,620 equity shares of Rs. 10/- each	<u>3,116.56</u>	<u>3,116.56</u>
<b>Subscribed and paid up :</b>		
311,38,220 equity shares of Rs.10/- each, fully paid up	<u>3,113.82</u>	<u>3,113.82</u>
<b>Total</b>	<u>3,113.82</u>	<u>3,113.82</u>
<b>2. RESERVES AND SURPLUS</b>		
<b>Capital reserve:</b>		
Subsidy received from Kerala State Government	25.00	25.00
<b>General reserve:</b>		
Opening balance	2,036.12	1,436.12
Less: Adjusted towards transitional liability for Gratuity as per Revised AS 15 "Employee Benefits" (Net of deferred tax asset Rs 39.29 Lakhs)	76.30	-
Add: Transferred from the Profit and Loss Account	<u>600.00</u>	<u>600.00</u>
	2,559.82	2,036.12
Surplus in Profit and Loss Account	6,197.25	4,080.68
<b>Total</b>	<u>8,782.07</u>	<u>6,141.80</u>
<b>3. SECURED LOANS</b>		
Working Capital Loans from Banks	5,532.63	-
Secured by hypothecation of stocks of raw materials, finished goods, consumable stores, book debts etc.; pari passu charge on immovable property at Karnataka and other movable properties		
<b>Total</b>	<u>5,532.63</u>	<u>-</u>

### 4. FIXED ASSETS

Rs. lakhs

Description	Gross Block			Depreciation Block					Net Block		
	As at April 1, 2007	Additions	Sale/ Adjustment	As at March 31, 2008	Upto March 31, 2007	For the Year	Sale/ Adjustment	Upto March 31, 2008	Provision for Impaired Assets	As at March 31, 2008	As at March 31, 2007
Land - Freehold	49.06	-	-	49.06	-	-	-	-	-	49.06	49.06
Land - Leasehold	82.50	-	-	82.50	4.54	3.30	-	7.84	-	74.66	77.96
Buildings	778.69	1,047.09	-	1,825.78	126.90	40.40	-	167.30	-	1,658.48	651.79
Improvements to leasehold premises	272.46	369.52	-	641.98	129.45	197.06	-	326.51	-	315.47	143.01
Plant and machinery	201.95	1.30	-	203.25	113.28	0.57	-	113.85	81.86	7.54	6.81
Computer equipment	4,484.28	1,286.77	1.69	5,769.36	2,082.90	639.94	1.36	2,721.48	-	3,047.88	2,401.38
Furniture and fixtures	934.20	579.62	3.97	1,509.85	286.66	73.78	2.95	357.49	-	1,152.36	647.54
Office equipment	493.98	117.04	-	611.02	80.39	26.01	-	106.40	-	504.62	413.59
Electrical installations	929.59	481.60	13.96	1,397.23	149.80	52.82	8.35	194.27	-	1,202.96	779.79
Airconditioners	405.17	334.58	-	739.75	66.02	24.10	-	90.12	-	649.63	339.15
Vehicles	39.32	24.00	17.38	45.94	14.10	4.10	4.68	13.52	-	32.42	25.22
Intangibles - Software	1,740.64	686.89	-	2,427.53	958.65	282.05	-	1,240.70	-	1,186.83	781.99
<b>Total</b>	10,411.84	4,928.41	37.00	15,303.25	4,012.69	1,344.13	17.34	5,339.48	81.86	9,881.91	6,317.29
Previous Year	7,768.75	2,664.23	21.14	10,411.84	3,157.58	869.69	14.58	4,012.69	81.86	6,317.29	-

**SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2008 (Contd...)**

	As at March 31, 2008	Rs. lakhs As at March 31, 2007
<b>5. INVESTMENTS</b>		
Long Term, Trade, Unquoted - Investment (at cost)		
100,000 Fully paid equity shares of Tata Elxsi (Singapore) Pte Ltd - a wholly owned subsidiary	28.67	-
<b>Total</b>	<u>28.67</u>	<u>-</u>
<b>6. INVENTORIES</b>		
Components and spares	16.60	37.42
<b>Total</b>	<u>16.60</u>	<u>37.42</u>
<b>7. SUNDRY DEBTORS</b>		
(Unsecured - considered good)		
Debts outstanding for a period exceeding six months	423.87	86.27
Other debts	9,986.81	5,931.81
<b>Total</b>	<u>10,410.68</u>	<u>6,018.08</u>
<b>8. CASH AND BANK BALANCES</b>		
Cash on hand	1.42	0.69
Cheques on hand	290.75	101.34
Funds in transit	763.47	322.48
Balances with scheduled banks		
- in current accounts - for unencashed debenture redemption, interest warrants and dividends	191.73	173.54
- in current accounts	172.60	1,187.80
- in deposit accounts	255.82	1.02
	<u>620.15</u>	<u>1,362.36</u>
Balances with non-scheduled banks - in current accounts	444.35	223.23
<b>Total</b>	<u>2,120.14</u>	<u>2,010.10</u>
<b>9. LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	1,051.89	835.42
Deposits	1,137.06	598.16
TDS/Advance tax paid (Net of provision for tax)	652.89	606.19
(Advances recoverable in cash or in kind include amounts due from a wholly owned subsidiary - Rs. 3.23 Lakhs (Previous Year Rs Nil). Maximum amounts outstanding during the year Rs. 3.23 Lakhs (Previous Year Rs. Nil)).		
<b>Total</b>	<u>2,841.84</u>	<u>2,039.77</u>

## SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2008 (Contd...)

	As at March 31, 2008	Rs. lakhs As at March 31, 2007
<b>10. CURRENT LIABILITIES</b>		
Sundry creditors - other than dues to Micro and Small Enterprises	3,414.73	3,431.68
Advance from customers	95.45	185.09
Investor Education and Protection Fund shall be credited by the following amounts when due:		
Unencashed debenture redemption, interest warrants and dividends	191.73	173.55
Unearned revenue	38.81	399.15
Other liabilities	710.77	683.65
<b>Total</b>	<u>4,451.49</u>	<u>4,873.12</u>
<b>11. PROVISIONS</b>		
Provision for leave encashment	478.27	352.45
Provision for gratuity	268.56	73.02
Provision for taxation	147.49	86.87
Proposed dividend	2,179.68	2,179.68
Tax on proposed dividend	370.44	370.44
<b>Total</b>	<u>3,444.44</u>	<u>3,062.46</u>

## SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	March 31, 2008	Rs. lakhs March 31, 2007
<b>12. SALES AND SERVICES</b>		
Sales and support (Net of returns)	4,085.93	3,077.88
Services	36,067.10	27,713.08
Computer systems rentals	2.16	5.34
<b>Total</b>	<u>40,155.19</u>	<u>30,796.30</u>
<b>13. OTHER INCOME</b>		
Interest from:		
- banks [Tax deducted at source Rs. 1.92 lakhs (Previous year Rs.5.49 lakhs)]	9.88	24.46
- others	27.25	16.68
	37.13	41.14
Miscellaneous income	190.18	1.25
<b>Total</b>	<u>227.31</u>	<u>42.39</u>
<b>14. COST OF SALES</b>		
Cost of traded goods	3,138.80	2,161.03
Spares, consumables and others	1,348.57	1,449.26
Lease charges	2.14	-
<b>Total</b>	<u>4,489.51</u>	<u>3,610.29</u>
<b>15. PERSONNEL COST</b>		
Salaries	18,586.44	13,110.85
Contribution to provident and other funds	1,195.90	834.41
Staff welfare expenses	283.49	192.62
Consultant fees for software development	1,293.37	807.49
<b>Total</b>	<u>21,359.20</u>	<u>14,945.37</u>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)**

	As at March 31, 2008	Rs. lakhs As at March 31, 2007
<b>16. ADMINISTRATION AND SELLING EXPENSES</b>		
Operating lease rentals	1,023.62	603.71
Rates and taxes	47.18	34.14
Power and fuel	556.15	349.30
Repairs and maintenance : building	40.88	20.24
plant and machinery	203.98	148.29
others	201.54	152.97
	<u>446.40</u>	321.50
Telephone, datalink, courier and postage	629.67	573.42
Inland travel and conveyance	466.58	387.21
Overseas travel	1,523.23	1,231.01
Advertisement and sales promotion expenses	263.05	262.94
Commission on sales	242.77	212.35
Hiring charges	21.09	36.49
Printing and stationery	78.87	82.92
Motor vehicle expenses	165.32	121.13
Recruitment	120.70	110.55
Training	220.98	251.46
Legal and professional charges	113.18	47.22
Secretarial charges	9.43	6.66
Insurance	80.43	57.65
Loss on sale of asset	-	1.57
Bank and other charges	36.35	46.73
Exchange loss (net)	411.57	405.93
Commission to non-executive directors	45.00	45.00
Auditors' remuneration	13.20	12.35
Bad debts/advances written off (net of credit balances)	219.68	38.26
General expenses	107.65	92.39
<b>Total</b>	<u>6,842.10</u>	<u>5,331.89</u>

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

### Schedule 17 - Significant Accounting Policies and Notes on Accounts

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of preparation

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting and comply with the accounting standards applicable in India and the provisions of the Companies Act, 1956.

##### 2. Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Example of such estimates include provisions for doubtful debts, employee benefits, provision for income taxes and the useful lives of fixed assets.

##### 3. Fixed assets

Fixed Assets are stated at cost, less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition.

Depreciation is provided on straight line method on pro rata basis in accordance with the provisions of Schedule XIV to the Companies Act, 1956, except that leasehold land and improvements to leasehold premises is depreciated over the lease period on straight-line basis.

If any addition to the fixed assets is made on or before 15th of the month, then full depreciation for that month is provided, otherwise no depreciation is provided for that month.

Capital advances represent outstanding advance paid to acquire fixed assets.

##### 4. Impairment of assets

At each Balance Sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflects the current market assessment of time value of money and the risks specific to the asset. Reversal of impairment loss is recognised immediately as income in the Profit and Loss Account.

##### 5. Leases

Where the Company, as a lessor, leases assets under finance leases such amounts are recognised as receivables at an amount equal to the net investment in the lease and the finance income is based on a constant rate of return on the outstanding net investment.

Lease arrangements where the risks and rewards incident to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rents under operating leases are recognised in the Profit and Loss account on a straight-line basis.

##### 6. Inventories

Components and spares are valued at lower of cost and net realizable value. Cost is determined on the basis of specific identification method.

Computer systems and software, components and spares intended for customer support are written off over the effective life of the systems maintained, as estimated by management.

##### 7. Income

###### *Sales*

Income from sales of goods is recognised upon passage of risks and rewards of ownership to the goods, which generally coincide with the delivery.

###### *Services*

a) Income from services is recognised upon rendering of the services. Income from maintenance contracts relating to the year is recognised when the contracts are entered into on a time proportionate basis.

b) Revenue from software development on fixed price, fixed time frame contracts is recognised as per the proportionate completion method. On time and materials contracts, revenue is recognised as the related services are rendered.

c) In respect of orders procured, for which sales are effected directly to the customers by the vendors, the Company accounts only for the commission, installation and other charges to which it is entitled.

##### 8. Employee benefits

###### a) Post-employment benefit plans

Contributions to defined contribution retirement benefit schemes are recognised 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. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

**SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)**

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.

b) 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.

c) 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 recognised as a liability at the present value of the defined benefit obligation at the Balance Sheet date.

**9. Research and Development**

Research and Development expenditure is recognised in the Profit and Loss Account when incurred. Assets acquired for research and development activity are capitalised and depreciated in the same manner as other fixed assets.

**10. Foreign currency transactions**

a) Income and expenses in foreign currencies are converted at exchange rates prevailing on the date of the transaction.

All foreign currency liabilities and assets are restated at the rates ruling at the year-end. Exchange differences arising on restatement/settlement of foreign currency balances are adjusted in the Profit and Loss Account.

Premium or discount on forward exchange contracts are amortized and recognised in the Profit and Loss Account over the period of the contract. Forward contracts and currency options outstanding at the Balance Sheet date, other than designated Cash Flow hedges, are stated at fair values and any gains or losses are recognised in the Profit and Loss Account.

b) In the case of non-integral operations, assets and liabilities are translated at the exchange rate prevailing on the Balance Sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations are included in 'Exchange Reserve' under Reserves and Surplus.

c) In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the Balance Sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations are charged to the Profit and Loss account.

**11. Taxation**

Current income tax expense comprises 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 expense relating to foreign operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Minimum Alternative Tax (MAT) paid in accordance to 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 recognised 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.

Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. 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.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

Advance taxes and provisions for current income taxes are presented in the Balance Sheet after offsetting advance taxes paid and income tax provisions arising in the same tax jurisdiction and the Company intends to settle the asset and liability on a net basis.

The Company offsets deferred tax assets and deferred tax liabilities if it has a legally enforceable right and these relate to taxes on income levied by the same governing taxation laws.

**12. Subsidies**

Subsidies not specifically related to fixed assets are credited to capital reserve.

Other revenue subsidies are credited to Profit and Loss Account or deducted from related expenses.

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)

### 13. Investments

Long-term investments are stated at cost, less provision for other than temporary diminution in value.

### 14. Other provisions and contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

### B. NOTES ON ACCOUNTS:

15. Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 819.61 lakhs (previous year Rs. 480.31 lakhs).

### 16. Contingent liabilities

- a) Disputed demands for Income Tax aggregates to Rs. 507.44 lakhs (previous year Rs. 382.88 lakhs).  
b) Disputed demands for Wealth Tax aggregates to Rs. 25.89 lakhs (previous year Rs. Nil).

#### Contingent liabilities (Contd...)

- c) Guarantees given to Housing Finance Company for housing loans availed by employees during their employment with the Company Rs. 227.79 lakhs (Previous year Rs. 275.44 lakhs).  
d) Disputed amount of Sales Tax aggregates to Rs. 1.50 lakhs (previous year Rs. 8.15 Lakhs).

17. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, as at March 31, 2008. This information has been determined to the extent such parties have been identified on the basis of information available with the Company and relied upon by the auditors.

18. Bank balances – Details of balances maintained with non-scheduled banks as on Balance Sheet date and the maximum balances with such banks during the year are as follows:

**Rs. lakhs**

Name of the non-scheduled banks	Balance as at March 31		Maximum balance held for the year ended March 31	
	2008	2007	2008	2007
HSBC London	117.40	54.80	192.64	81.73
Sumitomo Mitsui Banking Corporation Tokyo	0.21	2.56	106.87	958.71
Deutsche Bank AG Frankfurt	72.26	24.27	169.78	62.24
Bank of Tokyo (Mitsubishi)	254.48	141.60	1,466.66	1332.50
<b>Total</b>	<b>444.35</b>	<b>223.23</b>		

### 19. Particulars in respect of sales, stocks etc.

**Rs. lakhs**

Class of goods	Opening Stock		Closing Stock		Purchases		Sales	
	Nos.	Value	Nos.	Value	Nos.	Value	Nos.	Value
Computer systems, Peripherals, etc								
<b>2008 Workstations</b>	-	-	-	-	842	732.93	842	795.60
2007 Workstations	-	-	-	-	163	227.42	163	255.83
Softwares, Accessories, etc								
<b>2008</b>		-		-		2,405.87		3,290.33
2007		-		-		1,933.61		2,822.05
<b>Total</b>		-		-		<b>3,138.80</b>		<b>4,085.93</b>
(Previous year)		-		-		2,161.03		3,077.88

Quantities are expressed in terms of base units whereas the corresponding value includes peripherals, etc.

### 20. Imports (valued on the cost, insurance and freight basis)

**Rs. lakhs**

	2007-08	2006-07
Computer systems, peripherals, software, etc.	2,170.98	1,040.95
Capital goods	1,651.04	827.22
	<b>3,822.02</b>	<b>1,868.17</b>

**SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)**
**21. Expenditure in foreign exchange**

Overseas offices' expenses	<b>5,504.29</b>	4,777.28
Foreign travel	<b>1,000.14</b>	715.79
Other expenditure	<b>252.40</b>	231.49
	<b>6,756.83</b>	5,724.56

**22. Earnings in foreign currency**

Service income	<b>28,940.25</b>	21,692.08
Sales and support	<b>213.65</b>	270.66

**23. Particulars of earning per share**

Net profit for the year (Rs. Lakhs)	<b>5,266.69</b>	5,211.69
Number of equity shares	<b>3,11,38,220</b>	3,11,38,220
Nominal value of the shares (Rs.)	<b>10.00</b>	10.00
Earning per share (Rs.)	<b>16.91</b>	16.74

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

**24.** Provision for tax includes Rs. 190 lakhs (previous year Rs. 180 lakhs) in respect of overseas operations including Rs. Nil pertaining to earlier year (previous year Rs. 80 lakhs).

**25. Deferred tax liability**

	<b>Rs. lakhs</b>	
	<b>As at March 31, 2008</b>	As at March 31, 2007
Timing difference on account of depreciation	<b>(816.96)</b>	(565.14)
Other timing differences	<b>295.06</b>	183.66
<b>Total (net)</b>	<b>(521.90)</b>	(381.48)

**26. Adoption of Revised Accounting Standard**
*a) Treatment of Exchange Fluctuation :*

The Company has adopted the Accounting Standard-11 "The Effects of Changes in Foreign Exchange Rates" (AS-11) as issued under the Companies (Accounting Standards) Rules 2006, consequent to which exchange differences arising on restatement/payment of foreign currency liabilities contracted for purchase of fixed assets are charged to the Profit and Loss Account.

Prior to the adoption of AS-11, the Company adjusted the exchange differences arising on restatement/payment of such liabilities against the cost of the related asset. Consequent to change in the accounting policy, the profit before tax for the year and exchange gain is higher by Rs.1.90 Lakhs.

*b) Employee Benefits:*

The Company has adopted the revised Accounting Standard-15 "Employee Benefits" (AS-15) issued under the Companies (Accounting Standards) Rules, 2006, with effect from April 1, 2007. In accordance with the transitional provisions contained in the Accounting Standard, a liability of Rs. 76.30 Lakhs (net of deferred tax adjustment of Rs. 39.29 Lakhs) has been recognised towards the differential amount with respect to gratuity as at March 31, 2007. This transitional adjustment has been adjusted against the opening balance of General Reserve.

Prior to adoption of the AS-15, the Company was accruing for gratuity based on actuarial valuation, other than by the Projected Unit Cost Method. Consequent to the adoption of the revised accounting standard the profit before tax for the year is lower and the provision for Gratuity is higher by Rs. 49.97 Lakhs.

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)

### c) Defined Benefit Plans

Details of benefit cost and obligation under defined benefit plans - As per actuarial valuations as on March 31, 2008

Particulars	(Rs in lakhs)	
	Gratuity	
<b>I Components of employer expense</b>		
A Current Service cost		86.37
B Interest cost		31.37
C Expected return on plan assets		(12.35)
D Curtailment cost/(credit)		-
E Settlement cost/(credit)		-
F Past Service Cost		-
G Actuarial Losses/(Gains)		2.61
<b>H Total expense recognised in the Statement of Profit &amp; Loss</b>		<b>108.00</b>
<b>II Actual Contribution and Benefit Payments for period ended March 31, 2008</b>		
A Actual benefit payments		20.21
B Actual Contributions		28.04
<b>III Net asset/(liability) recognised in Balance Sheet as at March 31, 2008</b>		
A Present value of Defined Benefit Obligation (DBO)		(410.69)
B Fair value of plan assets		142.13
C Funded status [Surplus/(Deficit)]		-
D Unrecognised Past Service Costs		-
<b>E Net asset/(liability) recognised in Balance Sheet</b>		<b>(268.56)</b>
<b>IV Change in Defined Benefit Obligations during the year ended March 31, 2008</b>		
A Present Value of DBO at beginning of period		310.93
B Current Service cost		86.38
C Interest cost		31.37
D Curtailment cost/(credit)		-
E Settlement cost/(credit)		-
F Plan amendments		-
G Acquisitions		-
H Actuarial (gains)/ losses		2.22
I Benefits paid		(20.21)
<b>J Present Value of DBO at the end of period</b>		<b>410.69</b>
<b>V Change in Fair Value of Assets during the year ended March 31, 2008</b>		
A Plan assets at beginning of period		122.33
B Acquisition Adjustment		(0.38)
C Actual return on plan assets		12.35
D Actual Company contributions		28.04
E Benefits paid		(20.21)
<b>F Plan assets at the end of period</b>		<b>142.13</b>
<b>VI Actuarial Assumptions for Gratuity</b>		
		<b>Gratuity</b>
	<b>March 31, 2007</b>	<b>March 31, 2008</b>
A Discount Rate	8.05%	7.75%
B Expected Return on plan assets	7.50%	9.30%
C Salary escalation	6.00%	6.00%
D Mortality	LIC Mortality (1994-96) Table	
E Withdrawal Rates	21-30 years – 10%	
	31-40 years – 5%	
	41-50 years – 3%	
	51 & above – 2%	

### d) Defined contribution plans

The Company makes Provident Fund and Superannuation Fund contributions to defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Provident Fund scheme additionally requires the Company to guarantee payment of interest at rates notified by the Central Government from time to time. However, considering the size of the investment in the Provident Fund and the Provident Fund liabilities accrued to employees at the Balance Sheet date, the Company believes that there would not be any shortfall in the Fund balance and hence no actuarial valuation has been carried out towards interest payments to be made in the future.

**SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)**

The Company recognised Rs. 704.45 Lakhs (Previous year Rs. 454.99 Lakhs) for provident fund contributions and Rs. 156.98 Lakhs (Previous year: Rs. 111.33 Lakhs) for superannuation contributions in the Profit and Loss Account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

**27. Related party transactions**

The Company has entered into related party transactions whose details are given below:

			<b>Rs. in lakhs</b>	
<b>Name of related party</b>	<b>Nature of relation</b>	<b>Nature of Transaction</b>	<b>2007-08</b>	2006-07
Tata Elxsi (Singapore) Pte Ltd.	Subsidiary Company	Reimbursement of Expenses	<b>3.23</b>	-
		Outstanding receivables at the year end	<b>3.23</b>	-
Tata Consultancy Services Limited	Associate Company	Sales and Services	<b>186.13</b>	221.29
		Purchases	<b>19.94</b>	21.01
		Outstanding receivables at the year end	<b>16.69</b>	146.54
Tata Sons Limited.	Associate Company	Brand Fee and other services	<b>112.80</b>	92.02
		Outstanding payable at the year end	<b>112.80</b>	86.41
Mr. Madhukar Dev	Key management personnel	Managerial Remuneration	<b>53.36</b>	46.96
		Commission	<b>50.00</b>	45.00

Note: Related party relationship is as identified by the Company on the basis of information available with them and accepted by the auditors.

**28. a) Finance lease**

The Company has sold computer hardware/software and peripherals on hire-purchase basis. Future minimum lease payments receivable are as follows:

<b>As at March 31,</b>				
	<b>2008</b>		2007	
	<b>Present Value</b>		Present Value	
Minimum lease payment upto the end of the lease	-	-	32.50	31.45
Due not later than one year	-	-	32.50	31.45
Due later than one year, and not later than 5 years	-	-	-	-
Due later than 5 Years	-	-	-	-
Unearned finance income	-	-	-	1.05

**b) Operating Lease**

The Company has entered into operating leases in respect of office premises. The lease rentals charged to the Profit & Loss account in respect of these leases amount to Rs. 1,023.62 lakhs. (Previous Year Rs. 603.71 Lakhs)

Future minimum lease payments in respect of non cancellable leases are as follows:

			<b>Rs. Lakhs</b>	
<b>Particulars</b>	<b>As at</b>	<b>As at</b>		
	<b>March 31, 2008</b>	March 31, 2007		
Not later than one year	<b>589.83</b>	112.22		
Later than one year but not later than five years	<b>501.20</b>	262.55		
Later than five years	-	-		
<b>Total</b>	<b>1,091.03</b>	374.77		

**29. Segment reporting**

The Company's operations predominantly relate to providing systems integration and software development services in the Information Technology field. Accordingly the systems integration & support and software development & services comprise the primary basis for segmental information. The secondary segment is geographical, determined based on the location of the clients. Clients are classified as either India or overseas.

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)

Primary segment information			Rs. lakhs
	Systems Integration and Support	Software Development and Services	Total
Revenues	<b>5,949.84</b>	<b>34,205.35</b>	<b>40,155.19</b>
	(4,538.59)	(26,257.71)	(30,796.30)
Identifiable other income	<b>86.79</b>	<b>80.26</b>	<b>167.05</b>
	(16.44)	-	(16.44)
Identifiable operating expenses	<b>5,055.65</b>	<b>28,237.73</b>	<b>33,293.38</b>
	(3,860.26)	(20,091.48)	(23,951.74)
<b>Segmental operating income</b>	<b>980.98</b>	<b>6,047.88</b>	<b>7,028.86</b>
	(694.77)	(6,166.23)	(6,861.00)
Unallocable expenses:			
Interest and finance charges			<b>213.15</b>
			(28.84)
Other unallocable expenses (Net)			<b>681.30</b>
			(779.55)
<b>Total profit before tax</b>			<b>6,134.41</b>
Taxes			(6,052.61)
			<b>867.72</b>
			(840.92)
<b>Net income after taxes</b>			<b>5,266.69</b>
			(5,211.69)
Segment Assets	<b>3,415.51</b>	<b>11,397.65</b>	<b>14,813.16</b>
	(2,183.95)	(6,261.97)	(8,445.92)
Segment Liabilities	<b>2,205.55</b>	<b>1,752.56</b>	<b>3,958.11</b>
	(2,120.18)	(2,004.53)	(4,124.71)
Unallocable Assets			<b>11,033.19</b>
			(8,789.56)
Unallocable Liabilities			<b>3,937.82</b>
			(3,473.67)

Previous year's figures are shown in brackets.

Secondary segment information			Rs. lakhs
	India	Overseas	Total
Revenues	<b>11,719.73</b>	<b>28,435.46</b>	<b>40,155.19</b>
	(9,684.02)	(21,112.28)	(30,796.30)
Assets	<b>16,031.05</b>	<b>8,831.84</b>	<b>24,862.89</b>
	(10,811.83)	(4,898.72)	(15,710.55)
Unallocable assets			<b>983.46</b>
			(1,862.13)

Previous year's figures are shown in brackets.

**SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)**
**30. Derivative Financial Instruments**

Outstanding Forward Exchange Contracts, which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables, are as follows:

Currency	Forward Contracts	
	Japanese Yen	US Dollar
Amount	JPY 4,000 lakhs	USD 30 lakhs
Buy/Sell	Sell /Rs. 1,567.40 lakhs	Sell/Rs. 1,204.95 lakhs
Cross Currency	Indian Rupees	Indian Rupees

Forward Options (being a derivative instrument) outstanding at the year-end are as follows:

Currency	Option Contracts	
	Japanese Yen	US Dollar
Amount	JPY 11,750 lakhs	USD 160 lakhs
Buy/Sell	Sell @ Rs. 4,260.04 lakhs	Sell @ Rs. 6,312.00 lakhs
Cross Currency	Indian Rupees	Indian Rupees

The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

a) Amounts receivable in foreign currency on account of Export of goods: **(Fig in Lakhs)**

2007-08		2006-07	
Amount receivable in Foreign currency	Amount in Rs.	Amount receivable in Foreign currency	Amount in Rs.
Euro 30.04	1,854.27	Euro 13.37	778.58
GBP 9.87	785.00	GBP 4.53	388.63

b) Amounts payable in foreign currency on account of purchase of goods and services: **(Fig in Lakhs)**

2007-08		2006-07	
Amount payable in Foreign currency	Amount in Rs.	Amount payable in Foreign currency	Amount in Rs.
-	-	Euro 0.60	32.85
-	-	GBP 0.05	3.71
USD 11.58	465.18	USD 12.33	542.16

31. The details of provisions as required by the provisions of Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets" are as under; **Rs. Lakhs**

Nature of provision	Claims against the Company
Opening Balance	5.00
Additional provisioning (Including increases to existing provisioning)	-
Amounts used during the year	2.59
Amounts reversed during the year	2.41
Closing Balance	-

**32. Auditors' remuneration**

	Rs. lakhs	
	2007-08	2006-07
Audit fees	9.50	7.00
Tax audit fees	-	1.00
Fee for certification	0.75	3.00
Other services	1.50	-
Service Tax	1.45	1.35
	<b>13.20</b>	<b>12.35*</b>

\* Fees for 2006-07 relate to the fees of the erstwhile auditors.

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)

### 33. Managerial remuneration

The account includes managerial remuneration to the Managing Director under section 198 of the Companies Act 1956 amounting to Rs. 103.36 lakhs (Rs. 91.96 lakhs) inclusive of estimated monetary value of perquisites and benefits Rs. 33.56 lakhs (Rs. 29.54 lakhs) and commission of Rs. 50.00 lakhs (Rs. 45.00 lakhs) as well as commission to non-wholetime directors of Rs. 45.00 Lakhs (Rs. 45.00 lakhs), computed below:

	<b>Rs. Lakhs</b>	
	<b>2007-08</b>	2006-07
Profit before tax	<b>6,134.41</b>	6,052.61
Add: - Commission to non-executive Directors	<b>45.00</b>	45.00
- Managerial remuneration	<b>103.36</b>	91.96
- Directors sitting fees	<b>3.70</b>	4.25
	<b>6,286.47</b>	6,193.82
Less: - Profit/(Loss) on sale of assets	<b>1.57</b>	(1.57)
Net profit as computed under Section 349	<b>6,284.90</b>	6,195.39
Remuneration to whole time Director Eligible under section 309 - Restricted to -	<b>314.25</b> <b>103.36</b>	309.77 91.96
Commission payable to:		
a) Managing Director	<b>50.00</b>	45.00
b) Non- wholetime Directors @1% of the Net profits i.e., Rs. 62.85 lakhs (Rs. 61.95 lakhs) restricted to	<b>45.00</b>	45.00

### 34. Notes relating to Cash Flow Statement

- a) The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 – Cash Flow Statements as per the Companies (Accounting Standards) Rules, 2006.
- b) Cash and cash equivalents include balances with scheduled banks on dividend account Rs. 191.73 Lakhs (previous year Rs. 173.54 Lakhs) which are not available for use by the Company.
- c) Movement in sundry creditors is net off adjustment on adoption of the revised Accounting Standard 15 on Employee benefits

35. Figures for the previous year have been regrouped and rearranged wherever necessary to conform to the current year's classifications.

For and on behalf of the Board

**Syamal Gupta**

*Chairman*

**S Ramadorai**

*Vice Chairman*

**H H Malgham**

*Director*

**Madhukar Dev**

*Managing Director*

**V Krishnamurthy**

*Chief Financial Officer  
& Company Secretary*

Mumbai, April 30, 2008



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**AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF THE TATA ELXSI LIMITED**

1. We have audited the attached Consolidated Balance Sheet of TATA ELXSI LIMITED, ("the Company") and its subsidiary (the company and its subsidiary constitute "the Group") as at 31 March, 2008, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company management in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements".
4. Based on our audit 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 the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March, 2008;
  - b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
  - c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**  
*Chartered Accountants*

**V. Balaji**  
*Partner*  
Membership No. 203685

Place: Bangalore  
Date: 30 April 2008

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008**

	Schedules	Rs. lakhs As at March 31, 2008
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' funds</b>		
Share capital	1	3,113.82
Reserves and surplus	2	<u>8,800.93</u>
		<b>11,914.75</b>
<b>Loan funds</b>		
Secured loans	3	<u>5,532.63</u>
		<b>5,532.63</b>
<b>Deferred tax liability (Net)</b>		
		<u>521.90</u>
<b>Total</b>		<u><b>17,969.28</b></u>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed assets</b>		
Gross block	4	15,303.26
Less: Depreciation and impairment		<u>5,421.34</u>
Net block		<u>9,881.92</u>
Capital work in progress (including advances)		<u>167.82</u>
		<b>10,049.74</b>
<b>Current assets, loans and advances</b>		
Inventories	5	16.60
Sundry debtors	6	10,459.54
Unbilled revenue		378.69
Cash and bank balances	7	2,148.75
Loans and advances	8	<u>2,836.93</u>
		<b>15,840.51</b>
<b>Less: Current liabilities and provisions</b>		
Current liabilities	9	4,476.53
Provisions	10	<u>3,444.44</u>
		<b>7,920.97</b>
<b>Net current assets</b>		<u><b>7,919.54</b></u>
<b>Total</b>		<u><b>17,969.28</b></u>

Significant accounting policies and notes on accounts 16

The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.

As per our report of even date attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Syamal Gupta**

Chairman

**S Ramadorai**

Vice Chairman

**H H Malgham**

Director

**V Balaji**  
Partner

**Madhukar Dev**

Managing Director

Membership No: 203685

**V Krishnamurthy**

Chief Financial Officer  
& Company Secretary

Bangalore, April 30, 2008

Mumbai, April 30, 2008

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

Rs. lakhs

	Schedules	March 31, 2008
<b>INCOME</b>		
Sales and services	11	40,201.37
Other income	12	227.31
<b>Total</b>		<u>40,428.68</u>
<b>EXPENDITURE</b>		
Cost of sales	13	4,513.18
Personnel expenses	14	21,359.20
Administration and selling expenses	15	6,845.16
Financial expenses		213.15
Depreciation/Amortisation		1,344.13
<b>Total</b>		<u>34,274.82</u>
<b>Profit before tax for the year</b>		<b>6,153.86</b>
Provision for tax - Current		(888.33)
- MAT Credit		313.75
- Deferred		(179.71)
- Fringe benefit tax		(115.00)
<b>Net Profit for the year</b>		<u><b>5,284.57</b></u>
Profit brought forward		4,080.68
Balance available for appropriation		<u>9,365.25</u>
Less: Proposed dividend		2,179.68
Less: Dividend tax thereon		370.44
Less: Transfer to general reserve		600.00
Balance of profit carried to Balance Sheet		<u>6,215.13</u>
Earning per share of Rs. 10 each - basic and diluted (Rs.)		<u>16.97</u>

Significant accounting policies and notes on accounts 16

The schedules referred to above and the notes thereon form an integral part of the Profit & Loss account

As per our report of even date attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Syamal Gupta**

Chairman

**S Ramadorai**

Vice Chairman

**H H Malgham**

Director

**Madhukar Dev**

Managing Director

**V Krishnamurthy**

Chief Financial Officer  
& Company Secretary

**V Balaji**

Partner

Membership No: 203685

Bangalore, April 30, 2008

Mumbai, April 30, 2008

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008**

	Rs. lakhs
	2007-08
<b>A. Cash flows from operating activities</b>	
<b>Net Profit before tax</b>	<b>6,153.86</b>
Adjustment for:	
Depreciation	1,344.13
Interest income	(37.13)
Interest expense	213.15
Loss/(Profit) on sale of assets	(1.57)
Unrealised loss/(gains)	65.04
Operating profit before working capital changes	<u>7,737.48</u>
Decrease/(Increase) in sundry debtors	(4,509.81)
Decrease/(Increase) in inventories	20.82
Decrease/(Increase) in unbilled revenue	(378.69)
Decrease/(Increase) in loans and advances	(549.34)
Increase/(Decrease) in current liabilities	(204.71)
Cash inflow from operations	<u>2,115.75</u>
Income tax paid (including FBT)	(674.09)
<b>Net cash inflow from operating activities</b>	<u><b>1,441.66</b></u>
<b>B. Cash flows from investing activities</b>	
Purchase of fixed assets/capital advances	(4,148.91)
Proceeds of sale of fixed assets	21.23
Interest received	37.13
Net cash outflow from investing activities	<u>(4,090.55)</u>
<b>C. Cash flows from financing activities</b>	
Short term borrowings	5,532.63
Interest paid	(213.15)
Dividend paid	(2,161.50)
Tax on dividend paid	(370.44)
Net cash inflow from financing activities	<u>2,787.54</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>138.65</b>
Cash and cash equivalents as at beginning of the year	2,010.10
Cash and cash equivalents as at end of the year	<u>2,148.75</u>

Significant accounting policies and notes on accounts

16

As per our report of even date attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Syamal Gupta**  
**S Ramadorai**  
**H H Malgham**  
**Madhukar Dev**  
**V Krishnamurthy**

*Chairman*  
*Vice Chairman*  
*Director*  
*Managing Director*  
*Chief Financial Officer*  
*& Company Secretary*

**V Balaji**  
Partner  
Membership No: 203685

Bangalore, April 30, 2008

Mumbai, April 30, 2008

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

Rs. lakhs  
As at  
March 31, 2008

### 1 SHARE CAPITAL

**Authorised :**

350,00,000 equity shares of Rs. 10/- each

3,500.00

**Issued :**

311,65,620 equity shares of Rs. 10/- each

3,116.56

**Subscribed and paid up :**

311,38,220 equity shares of Rs.10/- each, fully paid up

3,113.82

**Total**

3,113.82

### 2 RESERVES AND SURPLUS

**Capital reserve:**

Subsidy received from Kerala  
State Government

25.00

**General reserve:**

Opening balance

2,036.12

Less: Adjusted towards transitional liability  
for Gratuity as per Revised AS 15 "Employee  
Benefits" (Net of deferred tax asset Rs 39.29 Lakhs)

76.30

Add: Transferred from the Profit and Loss Account

600.00

2,559.82

Foreign exchange translation reserve

0.98

Surplus in Profit and Loss Account

6,215.13

**Total**

8,800.93

### 3 SECURED LOANS

Working Capital Loans from Banks

5,532.63

Secured by hypothecation of stocks of raw materials, finished goods, consumable stores,  
book debts etc.; pari passu charge on immovable property at Karnataka and other movable properties

**Total**

5,532.63

### 4 FIXED ASSETS

Rs. Lakhs

Description	Gross Block				Depreciation Block				Provision for Impaired Assets	Net Block
	As at 1.4.2007	Additions	Sale/ Adjustment	As at 31.03.2008	Upto 31.3.2007	For the Year	Sale/ Adjustment	Upto 31.03.2008		As at 31.03.2008
Land - Freehold	49.06	-	-	49.06	-	-	-	-	-	49.06
Land - Leasehold	82.50	-	-	82.50	4.54	3.30	-	7.84	-	74.66
Buildings	778.69	1,047.09	-	1,825.78	126.90	40.40	-	167.30	-	1,658.48
Improvements to leasehold premises	272.46	369.52	-	641.98	129.45	197.06	-	326.51	-	315.47
Plant and machinery	201.95	1.30	-	203.25	113.28	0.57	-	113.85	81.86	7.54
Computer equipment	4,484.28	1,286.77	1.69	5,769.36	2,082.90	639.94	1.36	2,721.48	-	3,047.88
Furniture and fixtures	934.20	579.62	3.97	1,509.85	286.66	73.78	2.95	357.49	-	1,152.36
Office equipment	493.99	117.04	-	611.03	80.39	26.01	-	106.40	-	504.63
Electrical installations	929.59	481.60	13.96	1,397.23	149.80	52.82	8.35	194.27	-	1,202.96
Airconditioners	405.17	334.58	-	739.75	66.02	24.10	-	90.12	-	649.63
Vehicles	39.32	24.00	17.38	45.94	14.10	4.10	4.68	13.52	-	32.42
Intangibles - Software	1,740.64	686.89	-	2,427.53	958.65	282.05	-	1,240.70	-	1,186.83
<b>Total</b>	10,411.85	4,928.41	37.00	15,303.26	4,012.69	1,344.13	17.34	5,339.48	81.86	9,881.92

**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008 (Contd..)**

		Rs. lakhs
		As at
		March 31, 2008
<b>5</b>	<b>INVENTORIES</b>	
	Components and spares	16.60
	<b>Total</b>	<u>16.60</u>
<b>6</b>	<b>SUNDRY DEBTORS</b>	
	(Unsecured - considered good)	
	Debts outstanding for a period exceeding six months	423.87
	Other debts	10,035.67
	<b>Total</b>	<u>10,459.54</u>
<b>7</b>	<b>CASH AND BANK BALANCES</b>	
	Cash on hand	1.42
	Cheques on hand	290.75
	Funds in transit	763.47
	Balances with scheduled banks	
	- in current accounts - for unencashed debenture redemption, interest warrants and dividends	191.73
	-in current accounts	201.21
	-in deposit accounts	255.82
		<u>648.76</u>
	Balances with non-scheduled banks - in current accounts	444.35
	<b>Total</b>	<u>2,148.75</u>
<b>8</b>	<b>LOANS AND ADVANCES</b>	
	(Unsecured, considered good)	
	Advances recoverable in cash or in kind or for value to be received	1,048.66
	Deposits	1,137.06
	TDS/Advance tax paid (Net of provision for tax)	651.21
	<b>Total</b>	<u>2,836.93</u>
<b>9</b>	<b>CURRENT LIABILITIES</b>	
	Sundry creditors - other than dues to Micro and Small Enterprises	3,439.77
	Advance from customers	95.45
	Investor Education and Protection Fund shall be credited by the following amounts when due:	
	Unencashed debenture redemption, interest warrants and dividends	191.73
	Unearned revenue	38.81
	Other liabilities	710.77
	<b>Total</b>	<u>4,476.53</u>

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008 (Contd..)

	Rs. lakhs
	As at
	March 31, 2008
<b>10 PROVISIONS</b>	
Provision for leave encashment	478.27
Provision for gratuity	268.56
Provision for taxation	147.49
Proposed dividend	2,179.68
Tax on proposed dividend	370.44
<b>Total</b>	<b>3,444.44</b>

## SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Rs. lakhs
<b>11 SALES AND SERVICES</b>	
Sales and support (Net of returns)	4,132.11
Services	36,067.10
Computer systems rentals	2.16
<b>Total</b>	<b>40,201.37</b>
<b>12 OTHER INCOME</b>	
Interest from:	
- banks	9.88
(Tax deducted at source Rs. 1.92 lakhs)	
- others	27.25
	37.13
Miscellaneous income	190.18
<b>Total</b>	<b>227.31</b>
<b>13 COST OF SALES</b>	
Cost of traded goods	3,138.80
Spares, consumables and others	1,372.24
Lease charges	2.14
<b>Total</b>	<b>4,513.18</b>
<b>14 PERSONNEL COST</b>	
Salaries	18,586.44
Contribution to provident and other funds	1,195.90
Staff welfare expenses	283.49
Consultant fees for software development	1,293.37
<b>Total</b>	<b>21,359.20</b>



## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

### Schedule 16 - Significant Accounting Policies and Notes on Accounts

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of preparation

The consolidated financial statements of Tata Elxsi Limited and its subsidiary are prepared under the historical cost convention on the accrual basis of accounting and comply with the accounting standards applicable in India and the provisions of the Companies Act, 1956.

This being the first year of presenting Consolidated Financial Statements, comparative figures for the previous year is not given.

Following Companies are considered in the consolidated financial statements:

Name of the Entity	Country of Incorporation	% Ownership held either directly or through subsidiaries as at 31 March 2008
Tata Elxsi (Singapore) Pte Limited	Singapore	100%

##### 2. Principles of consolidation

The financial statements of the subsidiary company 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 financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated.
- ii) Minority interest is not computed as it is a wholly owned subsidiary.

##### 3. Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Example of such estimates include provisions for doubtful debts, employee benefits, provision for income taxes and the useful lives of fixed assets.

##### 4. Fixed assets

Fixed Assets are stated at cost, less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition.

Depreciation is provided on straight line method on pro rata basis in accordance with the provisions of Schedule XIV to the Companies Act, 1956, except that leasehold land and improvements to leasehold premises is depreciated over the lease period on straight-line basis.

If any addition to the fixed assets is made on or before 15th of the month, then full depreciation for that month is provided, otherwise no depreciation is provided for that month.

Capital advances represent outstanding advance paid to acquire fixed assets.

##### 5. Impairment of assets

At each Balance Sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflects the current market assessment of time value of money and the risks specific to the asset.

Reversal of impairment loss is recognised immediately as income in the Profit and Loss Account.

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)****6. Leases**

Where the Company, as a lessor, leases assets under finance leases such amounts are recognised as receivables at an amount equal to the net investment in the lease and the finance income is based on a constant rate of return on the outstanding net investment.

Lease arrangements where the risks and rewards incident to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rents under operating leases are recognised in the Profit and Loss Account on a straight-line basis.

**7. Inventories**

Components and spares are valued at lower of cost and net realizable value. Cost is determined on the basis of specific identification method.

Computer systems and software, components and spares intended for customer support are written off over the effective life of the systems maintained, as estimated by management.

**8. Income***Sales*

Income from sales of goods is recognised upon passage of risks and rewards of ownership to the goods, which generally coincide with the delivery.

*Services*

- a) Income from services is recognised upon rendering of the services. Income from maintenance contracts relating to the year is recognised when the contracts are entered into on a time proportionate basis.
- b) Revenue from software development on fixed price, fixed time frame contracts is recognised as per the proportionate completion method. On time and materials contracts, revenue is recognised as the related services are rendered.
- c) In respect of orders procured, for which sales are effected directly to the customers by the vendors, the Company accounts only for the commission, installation and other charges to which it is entitled.

**9. Employee benefits***a) Post-employment benefit plans*

Contributions to defined contribution retirement benefit schemes are recognised 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. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

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.

*b) 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.

*c) 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 recognised as a liability at the present value of the defined benefit obligation at the Balance Sheet date.

**10. Research and Development**

Research and Development expenditure is recognised in the Profit and Loss Account when incurred. Assets acquired for research and development activity are capitalised and depreciated in the same manner as other fixed assets.

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)

### 11. Foreign currency transactions

- a. Income and expenses in foreign currencies are converted at exchange rates prevailing on the date of the transaction.

All foreign currency liabilities and assets are restated at the rates ruling at the year end. Exchange differences arising on restatement/settlement of foreign currency balances are adjusted in the Profit and Loss Account.

Premium or discount on forward exchange contracts are amortized and recognised in the Profit and Loss Account over the period of the contract. Forward contracts and currency options outstanding at the Balance Sheet date, other than designated cash flow hedges, are stated at fair values and any gains or losses are recognised in the Profit and Loss Account.

- b. In the case of non-integral operations, assets and liabilities are translated at the exchange rate prevailing on the Balance Sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations are included in 'Exchange Reserve' under Reserves and Surplus.
- c. In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the Balance Sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations are charged to the Profit and Loss Account.

### 12. Taxation

Current income tax expense comprises 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 expense relating to foreign operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Minimum alternative tax (MAT) paid in accordance to 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 recognised 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.

Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. 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.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

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 and the Company intends to settle the asset and liability on a net basis.

The Company offsets deferred tax assets and deferred tax liabilities if it has a legally enforceable right and these relate to taxes on income levied by the same governing taxation laws.

### 13. Subsidies

Subsidies not specifically related to fixed assets are credited to capital reserve.

Other revenue subsidies are credited to Profit and Loss Account or deducted from related expenses

### 14. Investments

Long-term investments are stated at cost, less provision for other than temporary diminution in value.

### 15. Other provisions and contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)**

**B. NOTES ON ACCOUNTS**

**16. Contingent liabilities**

- a) Disputed demands for Income Tax aggregates to Rs. 507.44 lakhs.
- b) Disputed demands for Wealth Tax aggregates to Rs. 25.89 lakhs.
- c) Guarantees given to Housing Finance Company for housing loans availed by employees during their employment with the Company Rs. 227.79 lakhs.
- d) Disputed amount of Sales Tax aggregates to Rs. 1.50 lakhs.

**17. Particulars of earning per share**

	<b>2007-08</b>
Net profit for the year (Rs. Lakhs)	<b>5,284.57</b>
Number of equity shares	<b>3,11,38,220</b>
Nominal value of the shares(Rs.)	<b>10.00</b>
Earning per share (Rs.)	<b>16.97</b>

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

- 18.** Provision for tax includes Rs. 191.66 lakhs in respect of overseas operations.

**19. Deferred tax liability as at 31st March 2008.**

	Rs. Lakhs
Timing difference on account of depreciation	<b>(816.96)</b>
Other timing differences	<b>295.06</b>
<b>Total (net)</b>	<b>(521.90)</b>

**20. Adoption of Revised Accounting Standard**

a) *Treatment of Exchange Fluctuation :*

The Company has adopted the Accounting Standard-11 "The Effects of Changes in Foreign Exchange Rates" (AS-11) as issued under the Companies (Accounting Standards) Rules 2006, consequent to which exchange differences arising on restatement/payment of foreign currency liabilities contracted for purchase of fixed assets are charged to the Profit and Loss Account.

Prior to the adoption of AS-11, the Company adjusted the exchange differences arising on restatement/payment of such liabilities against the cost of the related asset. Consequent to change in the accounting policy, the profit before tax for the year and exchange gain is higher by Rs.1.90 Lakhs.

b) *Employee Benefits:*

The Company has adopted the revised Accounting Standard-15 "Employee Benefits" (AS-15) issued under the Companies (Accounting Standards) Rules, 2006, with effect from April 1, 2007. In accordance with the transitional provisions contained in the Accounting Standard, a liability of Rs. 76.30 Lakhs (net of deferred tax adjustment of Rs. 39.29 Lakhs) has been recognised towards the differential amount with respect to gratuity as at March 31, 2007. This transitional adjustment has been adjusted against the opening balance of General Reserve.

Prior to adoption of the AS-15, the Company was accruing for gratuity based on actuarial valuation, other than by the projected unit cost method. Consequent to the adoption of the revised accounting standard the profit before tax for the year is lower and the provision for Gratuity is higher by Rs. 49.97 Lakhs.

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)

c) *Defined Benefit Plans*

Details of benefit cost and obligation under defined benefit plans - As per actuarial valuations as on March 31, 2008

Particulars	(Rs in Lakhs)	
	Gratuity	
<b>I Components of employer expense</b>		
A Current Service cost		86.37
B Interest cost		31.37
C Expected return on plan assets		(12.35)
D Curtailment cost/(credit)		-
E Settlement cost/(credit)		-
F Past Service Cost		-
G Actuarial Losses/(Gains)		2.61
<b>H Total expense recognised in the Statement of Profit &amp; Loss</b>		<b>108.00</b>
<b>II Actual Contribution and Benefit Payments for period ended March 31, 2008</b>		
A Actual benefit payments		20.21
B Actual Contributions		28.04
<b>III Net asset/(liability) recognised in Balance Sheet as at March 31, 2008</b>		
A Present value of Defined Benefit Obligation (DBO)		(410.69)
B Fair value of plan assets		142.13
C Funded status [Surplus/(Deficit)]		-
D Unrecognised Past Service Costs		-
<b>E Net asset/(liability) recognised in Balance Sheet</b>		<b>(268.56)</b>
<b>IV Change in Defined Benefit Obligations during the year ended March 31, 2008</b>		
A Present Value of DBO at beginning of period		310.93
B Current Service cost		86.38
C Interest cost		31.37
D Curtailment cost/(credit)		-
E Settlement cost/(credit)		-
F Plan amendments		-
G Acquisitions		-
H Actuarial (gains)/ losses		2.22
I Benefits paid		(20.21)
<b>J Present Value of DBO at the end of period</b>		<b>410.69</b>
<b>V Change in Fair Value of Assets during the year ended March 31, 2008</b>		
A Plan assets at beginning of period		122.33
B Acquisition Adjustment		(0.38)
C Actual return on plan assets		12.35
D Actual Company contributions		28.04
E Benefits paid		(20.21)
<b>F Plan assets at the end of period</b>		<b>142.13</b>
<b>VI Actuarial Assumptions for Gratuity</b>		
	<b>Gratuity</b>	
	<b>March 31, 2007</b>	<b>March 31, 2008</b>
A Discount Rate	8.05%	7.75%
B Expected Return on plan assets	7.50%	9.30%
C Salary escalation	6.00%	6.00%
D Mortality	LIC Mortality (1994-96) Table	
E Withdrawal Rates	21-30 years – 10%	
	31-40 years – 5%	
	41-50 years – 3%	
	51 & above – 2%	

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)**

 d) *Defined contribution plans*

The Company makes Provident Fund and Superannuation Fund contributions to defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Provident Fund scheme additionally requires the Company to guarantee payment of interest at rates notified by the Central Government from time to time. However considering the size of the investment in the Provident Fund and the Provident Fund liabilities accrued to the employees at the Balance Sheet date, the Company believes that there would not be any shortfall in the Fund balance and hence no actuarial valuation has been carried out towards interest payments to be made in the future.

The Company recognised Rs. 704.45 Lakhs for provident fund contributions and Rs. 156.98 Lakhs for superannuation contributions in the Profit and Loss Account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

**21. Related party transactions**

The Company has entered into related party transactions whose details are given below:

			Rs. in lakhs
Name of related party	Nature of relation	Nature of Transaction	2007-08
Tata Consultancy Services Limited	Associate Company	Sales and Services	186.13
		Purchases	19.94
		Outstanding receivables at the year end	16.69
Tata Sons Limited	Associate Company	Brand Fee and other services	112.80
		Outstanding payable at the year end	112.80
Mr. Madhukar Dev	Key management personnel	Managerial Remuneration	53.36
		Commission	50.00

**Note:** Related party relationship is as identified by the Company on the basis of information available with them and accepted by the auditors.

**22. Segment reporting**

The Company's operations predominantly relate to providing systems integration and software development services in the Information Technology field.

Accordingly the systems integration & support and software development & services comprise the primary basis for segmental information. The secondary segment is geographical, determined based on the location of the clients. Clients are classified as either India or overseas.

Primary segment information	Rs. lakhs		
	Systems Integration and Support	Software Development and Services	Total
Revenues	5,996.02	34,205.35	40,201.37
Identifiable other income	86.79	80.26	167.05
Identifiable operating expenses	5,082.37	28,237.73	33,320.10
Segmental operating Income	1,000.44	6,047.88	7,048.32
Unallocable expenses:			
Interest and finance charges			213.15
Other unallocable expenses (Net)			681.31
<b>Total profit before tax</b>			<b>6,153.86</b>
Taxes			869.29
<b>Net income after taxes</b>			<b>5,284.57</b>
Segment Assets	3,489.74	11,397.65	14,887.39
Segment Liabilities	2,232.27	1,752.56	3,984.83
Unallocable Assets			11,004.53
Unallocable Liabilities			(3,937.81)

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)

Secondary segment information	Rs. Lakhs		
	India	Overseas	Total
Revenues	11,765.91	28,435.46	40,201.37
Assets	16,076.68	8,860.45	24,937.13
Unallocable assets			953.12

### 23. Derivative financial instruments

Outstanding Forward Exchange Contracts, which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables, are as follows:

Currency	Forward Contracts	
	Japanese Yen	US Dollar
Amount	JPY 4,000 lakhs	USD 30 lakhs
Buy/Sell	Sell/Rs. 1,567.40 lakhs	Sell/Rs. 1,204.95 lakhs
Cross Currency	Indian Rupees	Indian Rupees

Forward Options (being a derivative instrument) outstanding at the year-end are as follows:

Currency	Option Contracts	
	Japanese Yen	US Dollar
Amount	JPY 11,750 lakhs	USD 160 lakhs
Buy/Sell	Sell @ Rs. 4,260.04 lakhs	Sell @ Rs. 6,312.00 lakhs
Cross Currency	Indian Rupees	Indian Rupees

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

- a. Amounts receivable in foreign currency on account of Export of goods:  
(Fig in Lakhs)

2007-08 Amount receivable in Foreign currency	Amount in Rs.
Euro 30.04	1,854.27
GBP 9.87	785.00
USD 1.22	48.86

- b. Amounts payable in foreign currency on account of purchase of goods and services:  
(Fig in Lakhs)

2007-08 Amount payable in Foreign currency	Amount in Rs.
USD 12.22	490.22

24. The Company has entered into operating leases in respect of office premises. The lease rentals charged to the Profit & Loss account in respect of these leases amount to Rs. 1,023.62 lakhs.

Particulars	Rs. Lakhs As at March 31, 2008
Not later than one year	589.83
Later than one year but not later than five years	501.20
Later than five years	-
<b>Total</b>	<b>1,091.03</b>

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)**

25. The details of provisions as required by the provisions of Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets" are as under;

<b>Nature of provision</b>	<b>Claims against the Company</b>	<b>Rs. Lakhs</b>
Opening Balance	5.00	
Additional provisioning (Including increases to existing provisioning)	-	
Amounts used during the year	2.59	
Amounts reversed during the year	2.41	
Closing Balance	-	

**26. Notes relating to Cash Flow Statement**

- a) The Cash Flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 – Cash Flow Statements as per the Companies (Accounting Standards) Rules, 2006.
- b) Cash and cash equivalents include balances with scheduled banks on dividend account Rs. 191.73 Lakhs which are not available for use by the Company.
- c) Movement in sundry creditors is net off adjustment on adoption of the revised Accounting Standard 15 on Employee benefits.

For and on behalf of the Board

**Syamal Gupta** *Chairman*

**S Ramadorai** *Vice Chairman*

**H H Malgham** *Director*

**Madhukar Dev** *Managing Director*

**V Krishnamurthy** *Chief Financial Officer  
& Company Secretary*

Mumbai, April 30, 2008

# Tata Elxsi Worldwide

## Corporate Head Quarters

### TATA ELXSI LIMITED

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[www.tataelxsi.com](http://www.tataelxsi.com)

## Design and Development Centres - India

Bangalore  
Chennai  
Coimbatore  
Hyderabad  
Pune  
Thiruvananthapuram  
Mumbai (Visual Computing Labs)

## Marketing Offices - India

Ahmedabad  
Bangalore  
Chandigarh  
Chennai  
Delhi  
Haridwar  
Hyderabad  
Jamshedpur  
Kolkata  
Lucknow  
Mumbai  
Pune  
Thiruvananthapuram

## International Offices

France  
Germany  
Japan  
South Korea  
Taiwan  
UAE  
UK  
USA - Boston, Iselin, Troy,  
Denver, Dallas, San Jose,  
Burbank, Irvine

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