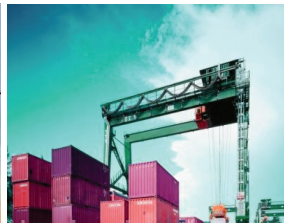




# 24<sup>th</sup> ANNUAL REPORT

## 2009-10



**KALE CONSULTANTS LIMITED**

## CORPORATE OFFICE & DEVELOPMENT CENTRE

### Thane

1st Floor, Modi House,  
Eastern Express Highway,  
Naupada,  
Thane(W) - 400 602, India  
Tel:+ 91-22-6780 8888  
Fax:+ 91-22-6780 8899

## DEVELOPMENT CENTRE

### Pune

Kale Enclave, 685/2B & 2C,  
1st Floor, Sharada Arcade,  
Satara Road,  
Pune 411 037, India  
Tel:+ 91-20-6608 3777  
Fax:+ 91-20-2423 1639

## MPS

### Mumbai

Akruti Trade Centre, Road No. 7,  
MIDC, Andheri (E),  
Mumbai 400 093, India.  
Tel:+ 91-22-6769 3700  
Fax:+ 91-22-6679 3717

Excom House  
7 Saki Vihar Road,  
Saki Naka, Andheri (E),  
Mumbai 400 072, India  
Tel:+ 91-22-2851 6970  
Fax:+ 91-22-2851 6430

### Pune

AG-4 and AG-5,  
Ground Floor, Sharada Arcade,  
Satara Road,  
Pune 411 037, India  
Tel:+ 91-20-6608 3777  
Fax:+ 91-20-2423 1639

### Goa

Vaze Heights, House # 741,  
Opp. Clergy Home,  
Alto Porvorim, Bardez,  
Goa 403 501, India  
Tel:+ 91-832-651 1526

## INTERNATIONAL OFFICES

### USA

2035 Lincoln Highway STE 2160  
Edison, NJ 08817  
Tel: +18482600549

### UK

100A High Street,  
Hampton TW12 2ST,  
United Kingdom.  
Tel:+ 44 20 8783 2390/92  
Fax:+ 44 20 8783 2391

**Kale Consultants Limited****Board of Directors**

Narendra Kale	Chairman
Vipul Jain	Managing Director
K.K. Nohria	Director
Prabhakar Deodhar	Director
Pravin Gandhi	Director

**Auditor**

M/s. D.G. Kurundwadkar  
Chartered Accountant

**Company Secretary**

Ninad Umranikar

**Bankers**

State Bank of India  
Axis Bank Ltd.  
Citibank N.A.  
ICICI Bank Ltd.

**Registered Office**

Kale Enclave, 685/2B & 2C,  
1st Floor, Sharada Arcade,  
Satara Road,  
Pune - 411 037.  
Tel. No. +91 20 6608 3777  
Fax No. +91 20 2423 1639  
Website : [www.kaleconsultants.com](http://www.kaleconsultants.com)

**Registrar and Share Transfer Agent**

Karvy Computershare Pvt. Ltd.,  
Plot No. 17 to 24,  
Near Image Hospital,  
Vittalrao Nagar, Madhapur,  
Hyderabad - 500 081.  
Tel. : +91-40-2342 0815 /2342 0817  
Fax : +91-40-2342 0814

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## Letter to Shareholders

**Kale Consultants Limited**

**Dear Shareholders,**



### **The Year in Perspective**

The year 2009-10 has been a very challenging period for the Airline industry because of the impact of the Global Economic Crisis. Despite such trying environment, we have grown our revenues as well as profits.

We also saw increasing traction in our core Revenue Accounting

portfolio. We signed on six new customers for Passenger Revenue Accounting including marquee names such as Air Berlin, LOT Polish Airlines and Vietnam Airlines. Similarly we gained customers such as LAN Chile and United Airlines for our proration solutions and Jet Airways for Sales Audit.

Our relationship with IATA continues to grow – volumes for the IATA First and Final™ service, which is powered by our product continue to grow. We are now processing close to 40 million tickets per annum through the industry approved proration engine.

During the year, IATA - the representative body of the airline industry, initiated a significant industry project – the Simplified Interline Settlement (SIS). When fully implemented, SIS is expected to save the industry over USD 500 million per year in operating efficiencies and reduced costs. Kale has the distinction of being the prime technology provider for this prestigious project, receiving a boost to its leadership in the airline solutions domain.

To meet constantly evolving industry needs, Kale is expanding its solution footprint. During the year, we introduced new solutions that address key business needs for the airline industry. The DSS/Analytics offering is a core set of Decision Support Systems backed by Data Analytics. We have also introduced Financial Management Solutions, which address cost control and performance measurement initiatives for airlines.

During the last year, the airline industry had encountered extreme business conditions – downturn at one end and recovery at the other. The fact that we continue to win new customers under such trying external environment is not only due to the innovative and distinctive solution portfolio, but also our business models which give customers choice and the options to avoid capital cost and allow business benefits to pay for the transformation.

Today, Kale's software solutions can be used by customers in three delivery models – 1) licenced and deployed on customer's infrastructure and data center, 2) availed on a hosted basis where the application is deployed on Data Centers and 3) where the entire business process is outsourced to Kale. The three models represent choices that enable the customer to avoid capital costs and the level of outsourcing. These business models and the flexibility to move between them coming from a single service provider is a "first" in the industry and a unique and distinctive strength of Kale.

### **Looking Ahead**

The airline industry is evolving. The traditional legacy carriers are being challenged by the low cost carriers. The resultant is a new breed of hybrid carriers – which offer the best of both worlds. Consolidation and collaboration are keywords in the industry today. And even though the industry is seeking simplification of processes – complexities exist. The industry is setting its hopes on careful capacity management and focus on cost efficiency for bottom-line improvement in years to come and Kale is well positioned to work alongside airlines to make this a reality.

The time ahead looks promising. We have consolidated internally and aligned ourselves to maximize opportunities.

### **Addressing Social Change**

I would like to bring to your attention to the engaging work we do as part of our corporate social responsibility program. This year Catalysts for Social Action, the NGO that we support, took many significant steps to advance the cause of adoption and child welfare. Prominent among these were the release of a book titled 'A Family for every child', which presents stories from the heart of couples who have adopted, single parents, adopted children and even the relinquishing mother. The book

## Letter to Shareholders

### Kale Consultants Limited

also covers the adoption scenario in India and what can be done to improve the same.

CSA was also invited to a special meeting with the Prime Minister, in response to the petition which garnered over 10,000 signatures from across the country – on the status of child care and adoption in India. These milestones during the year have given us hope that we are on the right direction and we intend to drive a positive change in the lives of destitute and orphaned children.

FY 2010-11 marks 25 years of Kale's operations – I am sure the journey has been truly fruitful and engaging for all our

stakeholders. We look ahead to more promising times and I am sure we will continue to receive your support and encouragement in years to come.

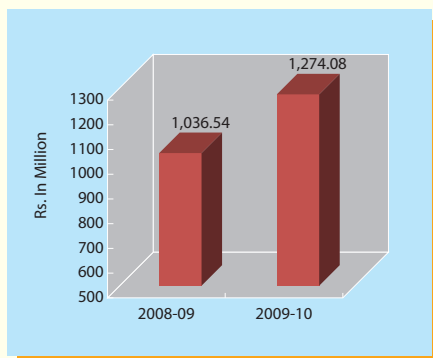
Thanks and regards,



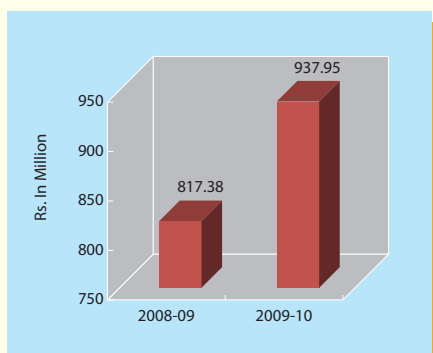
Vipul Jain  
CEO & Managing Director

## Financial Highlights

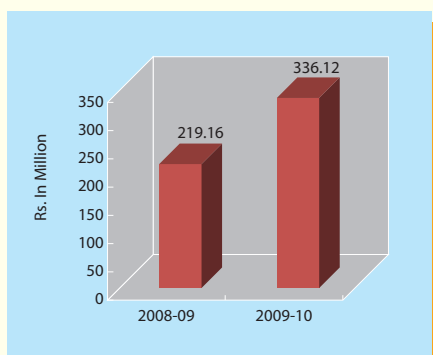
Kale Consultants Limited



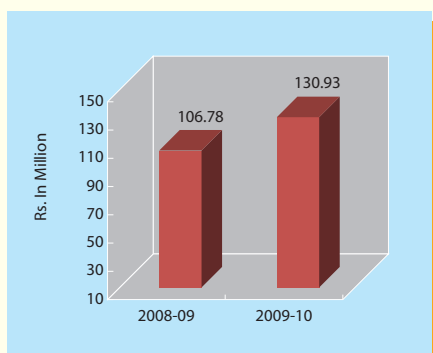
**Total Revenue**  
increased by 23%



**Operating Expenses**  
increased by 15%



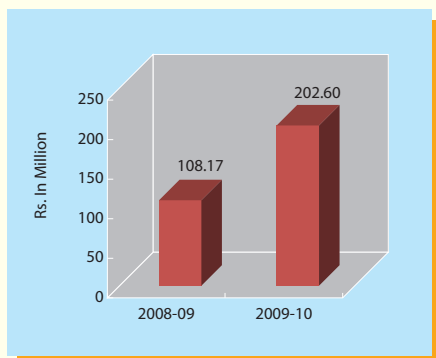
**PBIDT**  
increased by 53%



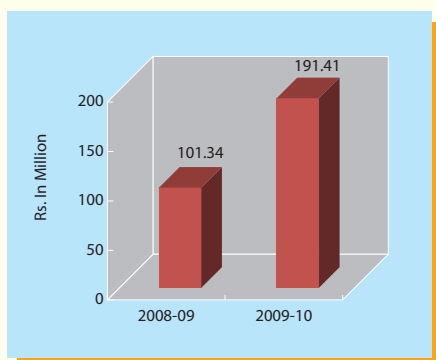
**Depreciation, Amortisation & Impairment Cost**  
increased by 23%

## Financial Highlights

## Kale Consultants Limited



**Operating Profit Before Tax**  
increased by 87%



**Profit After Tax**  
increased by 89%

## Performance Indicators

Rs. In Million

Sr No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	Total Revenue	637.19	808.28	872.38	1,036.54	1,274.08
2	Operating Revenue	625.84	795.06	861.86	1,026.22	1,267.30
3	PBIDT	178.41	206.42	190.53	219.16	336.12
4	Operating PBT	69.62	88.62	71.95	108.17	202.60
5	PAT	64.84	80.47	166.28	101.34	191.41
6	Net Fixed Assets	419.97	446.56	344.74	351.62	297.90
7	Borrowings	120.85	101.01	65.60	30.23	45.65
8	Equity Capital	128.46	132.21	133.51	133.62	138.15
9	Net Worth	629.29	696.23	849.93	933.59	1,123.57
10	Capital Employed	750.14	797.25	915.53	963.82	1,169.21
11	EPS-Diluted (Rs)	5.17	6.09	11.96	7.40	13.52

## Directors' Report

To,  
The Members,

Your Directors are pleased to present the Twenty Fourth report on the business and operations of the Company for the year ended March 31, 2010.

### Financial Results

Rs. in Million

Particulars	2009-10	2008-09
<b>Total Revenue</b>		
- Domestic	313.62	319.97
- Export	953.68	706.25
- Other Income	6.78	10.32
<b>Total</b>	<b>1,274.08</b>	<b>1,036.54</b>
<b>Total Expenditure</b>	<b>937.95</b>	<b>817.38</b>
<b>PBIDT</b>	<b>336.12</b>	<b>219.16</b>
Interest	2.59	4.21
Depreciation and Impairment	62.08	42.74
Amortisation of Product Cost	68.85	64.04
<b>Profit Before Tax</b>	<b>202.60</b>	<b>108.17</b>
Provision for Tax	13.50	0.04
Provision for Fringe Benefit Tax	-	4.15
Deferred Tax	(2.31)	2.65
<b>Profit After Tax</b>	<b>191.41</b>	<b>101.34</b>
Add/(Less) : Prior Period Items	3.06	(2.50)
Profit brought forward from earlier year	419.34	336.14
<b>Profit available for appropriation</b>		
<b>Appropriations:</b>		
- Transferred to/(from) General Reserves	14.58	-
- Proposed Dividend	27.63	13.36
- Dividend Tax	4.59	2.27
- Balance Transferred to Balance Sheet	567.01	419.34

### Dividend

Your Directors are pleased to recommend a dividend of Rs. 2/- per equity share for the financial year ended March 31, 2010.

### Operating Results and Business:

The Company has shown robust growth in the financial year 2009-10. During the year under review, the total revenues of the Company grew by Rs. 237.53 million from Rs. 1,036.54 million to Rs. 1,274.08 million, an increase of 22.92% over the previous year.

## Kale Consultants Limited

The Company's total expenditure for the year ended March 31, 2010 stood at Rs. 937.95 million compared to Rs. 817.38 million in the previous year, an increase of 14.75%.

The Profit before tax increased from Rs. 336.12 million in the previous year to Rs. 219.16 million, a steep growth of 53.37%.

### Airlines Practice:

During the year the Company introduced new and innovative solutions for the industry. The company intends to partner customers through the journey from 'Data' to 'Decision' following the path of 'Information', 'Knowledge' and 'Intelligence'. Further additions include a suite of Financial Management solutions like (Direct Operating Costs) DoC, Payables Audit Service, Flight Profitability Systems and Financial Dashboards.

### Logistics Practice:

In line with its commitment to the industry, the Company launched a first-of-its-kind study titled the "Technology Adoption Index for the Logistics industry" (TAIL). The study included a detailed study covering over 235 companies, in an attempt to arrive at a simple integrated measure of technology adoption in the Indian logistics industry. The index will now serve as an industry benchmark for logistics companies to derive their technology effectiveness and business competitiveness.

### Travel Practice:

During the year, the Company launched its premier offering for travel operators. The integrated travel technology solution – titled RAINBOW™ automates the front, mid and back office functions of a typical Travel Management Company. RAINBOW's multi-product distribution framework allows product distribution via traditional and online channels.

### Customers:

- **IATA's SIS platform for the airline industry** : The International Air Transport Association (IATA) has chosen Kale as the prime technology supplier for the development of its industry-wide interline settlement platform Simplified Interline Settlement (SIS) initiative.
- **LOT Polish Airlines - Passenger Revenue Accounting solution** : REVERA® Kale's comprehensive new generation solution to help airline automate and increase efficiencies in their existing PRA processes. The solution will be deployed as a hosted model, giving the airline better control on costs and access to best practice data center capabilities.
- **Jet Airways - Zero Octa for audit services** : Jet Airways, India's premier international airlines has selected Zero Octa, the specialist audit subsidiary of Kale Consultants Ltd, and the leading provider of revenue recovery and



## Kale Consultants Limited

audit services to airlines globally, to audit its passenger accounting results.

- **A leading European airline - Passenger Revenue Accounting solution :** The large European carrier has selected Kale's REVERA® for its passenger revenue accounting requirements on licensed basis.
- **A leading South - East Asian airline - PRA and CRA :** The South-East Asian flag carrier has selected Kale's REVERA® & AMBER® solutions for its passenger & cargo revenue accounting requirements. The airline will deploy these solutions on licensed basis.
- **A leading African airline - outsourced PRA :** The flag carrier has outsourced its Passenger Revenue Accounting to Kale MPS.
- **Leading Indian logistics player :** One of India's oldest and leading logistics businesses has chosen Kale's suite of logistics solutions, which include – FMS (Freight Management System), CAPELLA (CFS/ICD Management System) and its integrated accounting package.

### Subsidiaries:

During the year, Kale Softech Inc., (KSI) has signed up three new customers and significantly grew revenue from existing ones. The total number of customers in the Americas has grown to thirteen. While growing the revenue in the financial year, the new contracts also give the Company healthy secured revenue for the forthcoming years.

The company will continue to focus on pursuing opportunities in the Travel & Transportation industry for software solution and outsourced services in local markets.

During the year, Kale Technologies Ltd has ceased its operation and applied for a strike off.

Your Company has obtained exemption from Central Government under section 212(8) of the Companies Act, 1956 from attaching a copy of the Balance sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of all the subsidiary companies. These documents can be requested by any member, investor of the company. Further, in line with the Listing Agreement and in accordance with the Accounting standard 21 (AS-21), Consolidated Financial Statements prepared by the Company include financial information of its subsidiaries.

### Directors

Mr. Narendra Kale retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

An alumnus of Harvard University, IIT Kanpur and COEP, Mr. Kale has over thirty years of experience in the Information Technology area with major focus on design of application software products and projects for service industries. Mr. Kale is founder / co-founder of quite a few successful software and services companies. He has worked with large

## Directors' Report

international IT consulting companies like TCS as well academic institutes like University of Pune.

He has received several awards and prizes for excellence in education and entrepreneurship including the distinguished alumnus award for excellence in entrepreneurship from IIT Kanpur in 2007. He is also a member of hall of fame at IIT Kanpur and COEP. He is the champion for entrepreneurship for an initiative by PANIIT. He is the chairperson for COEP foundation and an adjunct professor of entrepreneurship at COEP. He is the co-founder of Bhau Institute of Innovation, Entrepreneurship and Leadership a unique institute set up at COEP.

He combines professional passion with social compassion to apply modern technological alternatives to solve social issues and harness opportunities. He is actively involved in healthcare and educational activities for social uplift programs in India. He is also the charter member of TiE, Indus entrepreneur's network.

Mr. Narendra Kale is a director in the following companies:

Private Limited Company	Public Limited Company	Other Bodies Corporate
Kale Logistics Solutions Private Limited	Kale Consultants Limited	Kale Softech, Inc.

Mr. Kale holds 1,043,000 equity shares in the Company.

### Auditors

M/s. D. G. Kurundwadkar, Chartered Accountant, Auditor of the Company, retires at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

### Directors' Responsibility Statement

Your Directors confirm that –

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- the directors had selected such accounting policies and applied them consistently and made judgments 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 or loss of the Company for that period.
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the directors had prepared the annual accounts on a going concern basis.

## Directors' Report

### Kale Consultants Limited

#### Human Resource

The Board has not granted any options during the year under review. Following are the details required to be given under the SEBI (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999:

#### Kale Consultants Limited ESOP Scheme, 2003

During the year 79,236 options were exercised (Previous year 11,141) giving rise to 79,236 fully paid up equity shares of

Rs. 10/- each. All these equity shares have been listed on the National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Pune Stock Exchange Limited.

#### Kale Consultants Limited ESOP Scheme, 2006

During the year 3,875 options were exercised (Previous year NIL) giving rise to 3,875 fully paid up equity shares of Rs. 10/- each. All these equity shares have been listed on the National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Pune Stock Exchange Limited.

a) Options granted during the year	NIL
b) Pricing formula	Options have not been granted during the year.
c) Options vested	<p>Under Kale Consultants Limited ESOP Scheme, 2003, a total number of 292,666 options have vested during the year. Out of these vested options, 3,649 options have lapsed till March 31, 2010.</p> <p>Under Kale Consultants Limited ESOP Scheme, 2006, a total number of 426,625 options have vested during the year. Out of these vested options, 3,875 options have lapsed till March 31, 2010.</p>
d) Options exercised	<p>Under Kale Consultants Limited ESOP Scheme, 2003, 79,236 options have been exercised during the year.</p> <p>Under Kale Consultants Limited ESOP Scheme, 2006, 3,875 options have been exercised during the year.</p>
e) The total number of shares arising as a result of exercise of options	<p>Under Kale Consultants Limited ESOP Scheme, 2003, the options exercised during the year have given rise to 79,236 equity shares.</p> <p>Under Kale Consultants Limited ESOP Scheme, 2006, the options exercised during the year have given rise to 3,875 equity shares.</p>
f) Options lapsed	<p>Under Kale Consultants Limited ESOP Scheme, 2003, till date, a total number of 1,257,957 options have lapsed, including those vested.</p> <p>Under Kale Consultants Limited ESOP Scheme, 2006, till date, a total number of 145,000 options have lapsed, including those vested.</p>
g) Variation of terms of options	No variation of terms of options were made during the year.
h) Money realised by exercise of options	<p>During the year, Rs. 3,325,906.05 have been realised by exercise of options under Kale Consultants Limited ESOP Scheme, 2003.</p> <p>During the year, Rs. 163,912.50 have been realised by exercise of options under Kale Consultants Limited ESOP Scheme, 2006.</p>

## Directors' Report

### Kale Consultants Limited

i) Total number of options in force	Under Kale Consultants Limited ESOP Scheme, 2003, as on date, a total number of 498,489 options are in force.  Under Kale Consultants Limited ESOP Scheme, 2006, as on date, a total number of 886,125 options are in force.
j) Employee-wise details of Options granted to	During the year the Company has not granted any options.
i) Senior managerial personnel	NIL
ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during that year	NIL
iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with International Accounting Standard (IAS) 33	Rs. 13.52

#### Weighted average exercise price of Options granted under Kale Consultants Limited ESOP Scheme, 2003

The Company has not granted any options during the year

#### Weighted average exercise price of Options granted under Kale Consultants Limited ESOP Scheme, 2006

The Company has not granted any options during the year

#### Corporate Governance

A report on Corporate Governance is set out separately, which forms part of this report.

#### Fixed Deposits

During the year your Company has not accepted fixed deposits from the public.

#### Particulars of Employees

As required under the provisions of section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out in the annexure, which forms part of this report.

#### Conservation Of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars prescribed under clause (e) of subsection (1) of section 217 of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the annexure which forms part of this report.

#### Acknowledgment

Your directors extend their gratitude to all investors, clients, vendors, banks, financial institutions, regulatory and governmental authorities and stock exchanges for their continued support during the year.

The directors place on record their appreciation of contribution made by the employees at all levels for their dedicated and committed efforts during the year.

#### For and on behalf of the Board of Directors

**Narendra Kale**  
Chairman

**Pravin Gandhi**  
Director

Place : Thane  
Date : April 22, 2010

## Annexure to Directors' Report

Annexure to Directors' Report  
Kale Consultants Limited

## STATEMENT AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Sr. No	Name	Designation	Qualifications	Age (Years)	Date of commencement of employment	Experience (Years)	Gross Remuneration (Rs.)	Last Employment
1	Abel Correa(*)	Vice President	B.Com.	39	15-Jan-10	12	671,864	JDA Software India Pvt Ltd
2	Amar Gaddam(*)	Associate Manager	B.E. (Computers) Post Graduate Diploma in Computer Application	32	01-Apr-06	10	3,063,757	Deloitte Consulting
3	Amar More	Vice President - Practice Logistics	B.E. (Electrical), Post Graduation in Operations Management	35	28-Feb-06	12	2,690,191	Caritor Inc.
4	Arun Gala	Sr Vice President - Managed Process Services	B.Com.	42	12-Mar-01	24	2,853,198	Tata Share Registry Ltd.
5	Arvind Gangal(*)	Associate Manager	B.Tech.	36	01-Apr-06	7	3,737,360	Scicom Infotech Pvt. Ltd.
6	C. Robin Paul	Manager	B.E. (Computers)	32	26-Dec-00	9	3,978,092	-
7	Chandrashekhar Karmaikar	Senior Vice President - Praction Products Group	B.Sc. (Computer Applications), Masters in Computer Applications	50	03-Oct-90	27	3,509,931	Chenab Information Technologies
8	Gladwin Thomas(*)	Territory Manager	B.Sc. (Microbiology), Post Graduate Diploma in Business Administration	37	08-Jun-09	12	4,968,961	Nucleus Software Exports Limited
9	Guhaprasad Sundaram(*)	Vice President - New Initiative	C.A.	55	10-Aug-09	21	1,558,982	Qatar Airways
10	Guy Hescott	Vice President	1 A Level, 3 O level	51	02-Apr-01	32	5,746,439	Speedwing International
11	Joshi Anthony	Senior Vice President - Passenger Solutions & Cargo Products Group	M.Sc. (Chemistry), Post Graduation Diploma in Computer Applications	41	17-Jul-95	19	3,731,962	RCG Information Technology Pvt. Ltd.
12	Mahesh Shah	Head - Systems & Technology	B.E. (Electronics), M. Tech (Computer Science)	58	01-May-89	34	3,652,256	INMAC Systems & Software Pvt. Ltd.
13	Millind Palav	Vice President - Technology Management Group	B.Sc. (Computer Science), Honors Diploma in System Management	42	02-Sep-96	21	3,727,916	Tata Unisys Ltd.
14	Neela Bhattacharjee	Head - Airlines SBU	B.Sc. (Computer Science)	50	15-Feb-00	22	6,028,335	Soft Cell Consultants Pvt. Ltd.
15	Peter O'Sullivan	Senior Vice President	B.Sc.	54	26-Sep-00	31	8,698,531	Speedwing International
16	Philip Fernandes	Senior Vice President - Practice - Passenger Solutions	B.Sc. (Physics), Post Graduation Diploma in Computer Science	43	01-Sep-88	22	4,141,400	IDM
17	Rahul Kulkarni(*)	Vice President & Head - Human Resources	B.Com., Masters in Labour Studies	35	08-Jan-10	13	775,985	Stryker Global Technology Center
18	Rajesh Panicker	Senior Vice President - Sales ROW	B.Sc. (Computer Science), Master in Marketing Management	46	01-Oct-92	17	2,632,821	-
19	Ramanand Padiyar(*)	Global Head - Human Resources	M.Com., L.L.B., M.M.S.	45	07-Apr-08	22	2,540,379	Polaris Software Lab
20	Rangan Bhaumik	Group Manager- CRM Regional Accounts Europe	B.Tech.	37	06-Nov-00	15	5,549,255	Mindtech
21	Ravi Chakravarty	Head Sales - EMEA & Asia Pacific	B.Tech.	48	23-Jun-08	22	4,244,735	Transera Communications Pvt. Ltd.
22	Sanjeev Lalwani	Vice President - Travel Products Group	B.Sc., MBA	36	10-Jun-08	14	3,204,354	Emirates Group
23	Satish Ambe	Head - Delivery - Airlines & Travel, Systems and Technology & Customer Engagement Group	B.Sc. (Computer Science)	48	25-Sep-86	27	5,035,076	-
24	Shailesh Phatak	Vice President - Airline Financial Management & DOC	B.E.	46	01-Aug-08	14	2,508,298	Emirates Airline & Group
25	Shirish Joshi	Vice President	M.Sc. (Physics), Post Graduation Computer Management	48	14-Nov-88	21	2,532,092	-
26	Sumeet Nadkar	CFO & Head Logistics SBU	B.Com., C.A.	43	08-Apr-02	17	6,358,070	Rentworks India Pvt. Ltd
27	Vijay Talele	Executive Vice President	B.E. (Mechanical)	48	16-Feb-06	24	5,173,764	Cyber Tech Systems & Software Ltd.
28	Vineet Malhotra	Head - Marketing	B.E. (Electronics), MBA	40	19-Dec-08	19	2,823,946	Premier Evolvics Pvt Ltd
29	Vineet Nair(*)	Business Development Manager	M.Sc., MBA	32	01-Sep-09	8	1,581,522	HCL Technologies Ltd
30	Vipul Jain	Managing Director & CEO	B.Tech., PGDBM (IIMA)	53	01-Nov-86	30	14,950,195	Tata Administrative Services

(\*) Employed part of the year  
Note : Designation indicates nature of duties

## Annexure to Directors' Report

### Kale Consultants Limited

#### Conservation of Energy

The range of activities of your Company require minimal energy consumption and every endeavour has been made to ensure optimal utilization of energy and avoid wastage through automation and deployment of energy-efficient equipments.

Your Company takes adequate measures to reduce energy consumption by using efficient computer terminals and by using latest technology. The impact of these efforts has enhanced energy efficiency. As energy cost forms a very small part of total expenses, the financial impact of these measures is not material and measured.

#### Technology Absorption

Your Company, in its endeavour to obtain and deliver the best, adopts the best technology in the field, upgrades itself continuously.

## Annexure to Directors' Report

#### Research and Development (R&D)

Your Company has a well-equipped Research and Development team carrying on research and development activities.

The total expenditure incurred on Research and Development during the year 2009-10 was Rs. 31.15 million.

#### Foreign exchange earning and outgo

The details of foreign exchange earnings and outgo are given in Note No. 2 of Schedule 14 – Significant Accounting Policies and Notes to Accounts, forming part of the financial statements.

#### For and on behalf of the Board of Directors

**Narendra Kale**  
Chairman

**Pravin Gandhi**  
Director

Place : Thane  
Date : April 22, 2010

## Annexure to Directors' Report

**Kale Consultants Limited**

### Corporate Governance

Your Company believes that good corporate governance enhances accountability and increases shareholder value. Good corporate governance has been an integral part of the Company's philosophy. The Company believes that good corporate governance should be an internally driven need and is not to be looked upon as an issue of compliance dictated by statutory requirements. The Company is focussed on good governance, which is a key driver of sustainable growth and enhanced shareholder value.

The Certificate of Corporate Governance from the Statutory Auditors of the Company confirming compliance of the conditions of Corporate Governance is annexed hereto.

### Board Composition

The Company has optimum combination of executive and non – executive directors with more than fifty per cent of the Board comprising of non – executive directors.

### Board Meetings

Four Board Meetings were held during the financial year 2009-10.

Name of Director	Designation	Category	Directorships / Board Committees (Number)		
			Other Directorships	Committee Memberships	Committee Chairmanships
Mr. Narendra Kale	Chairman	Non-Executive (Promoter)	2	1	1
Mr. Vipul Jain	Managing Director	Executive (Promoter)	10	1	1
Mr. K. K. Nohria	Director	Independent and Non Executive	22	3	1
Mr. Prabhakar Deodhar	Director	Independent and Non Executive	10	2	1
Mr. Pravin Gandhi	Director	Independent and Non Executive	23	2	-

### Dates of Board Meetings

• April 24, 2009      • July 22, 2009      • October 22, 2009      • January 25, 2010

### Attendance at Board Meetings, last Annual General Meeting and Extra Ordinary General Meeting

Name of Director	No. of Board Meetings Attended	Attendance at AGM held on 29 <sup>th</sup> September, 2009	Attendance at EGM held on 1st September, 2009
Mr. Narendra Kale	3	Yes	Yes
Mr. Vipul Jain	4	Yes	Yes
Mr. K. K. Nohria	3	No	No
Mr. Prabhakar Deodhar	3	No	No
Mr. Pravin Gandhi	4	No	No

## Annexure to Directors' Report

## Kale Consultants Limited

**Board Committees**

Currently Board has four Committees –

- a) Audit Committee
- b) Investor Grievance Committee
- c) Remuneration and Compensation Committee
- d) Share Transfer Committee

None of the Directors of the Company is a member of more than 10 committees or acts as a Chairman of more than five committees across all companies in which he is a Director.

**Composition of Committees****a) Audit Committee**

Four meetings of the Committee were held during the financial year 2009–10

Name of Director	Category	No. of Meetings Attended
Mr. K. K. Nohria (*)	Independent Director	3
Mr. Prabhakar Deodhar	Independent Director	3
Mr. Pravin Gandhi	Independent Director	4

(\*) Chairman of the Committee

**Terms of Reference**

- a. to oversee financial reporting and disclosure process.
- b. to recommend the appointment and removal of statutory auditors, decide their remuneration and approval for payment for any other services.
- c. to review financial results and statements before submission to the Board, focusing primarily on –
  - any changes in accounting policies and practices.
  - major accounting entries based on exercise of judgment by management.
  - Qualifications in the draft audit report.
  - significant adjustments arising out of audit.
  - going concern assumption.
  - compliance with accounting standards.
  - compliance with stock exchange and legal requirements concerning financial statements.
  - any related party transactions i.e. transactions of the company of a material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- d. to oversee adequacy of internal control systems.
- e. reviewing adequacy of internal audit function, including the structure of the internal audit, staffing and seniority of the executive heading the internal audit function, reporting structure, coverage and frequency of internal audit.
- f. discussion with internal auditors of any significant findings in their reports and follow up thereon.
- g. reviewing 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.
- h. discussions with external auditors before the audit commences, as regards nature and scope of audit as well as have post-audit discussions to ascertain any areas of concern.
- i. reviewing the company's financial and risk management policies.
- j. to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders and creditors.

## Annexure to Directors' Report

**Kale Consultants Limited**

### b) Investor Grievance Committee

Four meetings of the Committee were held during the financial year 2009-10.

Name of Director	Category	No. of Meetings Attended
Mr. Prabhakar Deodhar (*)	Independent Director	3
Mr. Narendra Kale	Promoter	3
Mr. Vipul Jain	Promoter	4
Mr. K. K. Nohria	Independent Director	3

(\*) Chairman of the Committee

#### Terms of Reference

To monitor investor complaints by obtaining monthly reports from the Registrar and Share Transfer Agent.

#### Name and Designation of Compliance Officer

Ninad G. Umrnikar – Company Secretary

### c) Remuneration and Compensation Committee

One meeting of the Committee was held during the financial year 2009-10

Name of Director	Category	No. of Meetings Attended
Mr. Narendra Kale (*)	Promoter	1
Mr. Prabhakar Deodhar	Independent Director	1
Mr. K. K. Nohria	Independent Director	1
Mr. Pravin Gandhi	Independent Director	1

(\*) Chairman of the Committee

#### Terms of Reference

The Committee reviews the remuneration payable to directors and the senior officers of the Company and decides matters pertaining to Employees Stock Options.

#### Remuneration Policy

Remuneration to Managing Director is paid in accordance with the provisions of the Companies Act, 1956. Commission is paid to Managing Director and to independent non-executive directors at a specified percentage of the net profits of the Company. Sitting Fees are paid to independent non-executive directors for attending every meeting of the Board of Directors or committee thereof (other than Share Transfer Committee).

#### Remuneration to Managing Director

The following remuneration was paid to Mr. Vipul Jain, Managing Director for the financial year 2009-10

- a) Salary - Rs. 13,746,000
- b) Perquisites - Rs. 1,204,195

The remuneration payable to Mr. Vipul Jain may be revised from time to time, during the currency of appointment of Mr. Jain, subject to such consents, sanctions as may be necessary for such revision in remuneration.

#### Stock Options

Mr. Vipul Jain, being promoter of the Company, has not been granted any stock options.

#### Service Contract, Notice Period and Severance Fees

Mr. Vipul Jain has been reappointed as Managing Director for a period of 5 years with effect from June 1, 2008. Mr. Vipul Jain may resign by giving 3 months' notice in writing to the Company without any severance fees.



## Annexure to Directors' Report

## Kale Consultants Limited

**Remuneration to Non-Executive Directors**

Commission - Rs. 3,00,000/-

Sitting Fees - Rs. 1,45,000/-

Commission to non – executive directors (other than Chairman) is payable @ 0.5% of the profits as computed as per the requirements of the Companies Act, 1956. A sum of Rs. 5,000/- is paid to each independent director for attending a meeting of the Board of Directors or Committee thereof (apart from Share Transfer Committee Meeting).

**Stock Options to Non – Executive Directors**

The details of options granted to Non - Executive Directors, which are in force are given below:

Name of Director	No. of Options Granted	Date of Grant
Mr. K. K. Nohria	15,000	April 04, 2008
Mr. P. S. Deodhar	15,000	April 04, 2008
Mr. Pravin Gandhi	15,000	April 04, 2008

**Vesting :** Out of the options granted, 50% options vest on completion of one year from the date of grant and the remaining 50% options vest on completion of two years from the date of grant.

In respect of options granted on 4<sup>th</sup> April, 2008, 50% options vested on completion of one year from the date of grant and the remaining 50% options vested on completion of two years from the date of grant.

**Exercise Period :** The options shall be exercised within a period of 2 years from the date of vesting.

**Exercise Price :** Exercise Price of the options granted is the closing market price on the National Stock Exchange of India Limited on the date of Grant.

**No. of equity shares held by Non – Executive Directors**

The following Non-Executive directors hold equity shares mentioned below:

Name of Director	No. of Shares Held
Mr. Narendra Kale	10,43,000
Mr. K. K. Nohria	10,000
Mr. P. S. Deodhar	NIL
Mr. Pravin Gandhi	1,812

**e) Share Transfer Committee**

Name of Director	Category
Mr. Vipul Jain (*)	Promoter
Mr. K. K. Nohria	Independent Director
Mr. Sumeet Nadkar	Chief Financial Officer
Mr. Ninad Umrani	Company Secretary
Mr. Gurudas Shenoy	Vice President – Finance

(\*) Chairman of the Committee

15 meetings of the Committee were held during the financial year 2009-10

**Terms of Reference**

Committee approves the share transfers, transposition, etc. based on the reports obtained from the Registrar and Share Transfer Agent.

## Annexure to Directors' Report

**Kale Consultants Limited**

### Quorum

Quorum for Board as well as Committee Meetings is one third or two directors / members of committees, as the case may be, whichever is higher.

### Disclosures

There are no materially significant related party transactions i.e. transaction, material in nature, with its promoters, directors, their relatives or the management, subsidiaries of the Company etc. having potential conflict with the interests of the Company at large.

No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

### Means of communication

Half yearly report sent to each household of Shareholder:	No
Quarterly results:	
Which newspapers normally published in:	Free Press Journal and Loksatta
Any website where displayed:	www.kaleconsultants.com
Whether it also displays official news releases and presentations made to institutional investors or to analysts:	Yes
Whether MD&A is a part of annual report or not:	Yes

### Shareholder Information

The additional information to shareholders, which forms part of the Corporate Governance Report, is annexed hereto.

### General Body Meetings

Particulars of Annual General Meetings held during last three years:

**Year 2007 Annual General Meeting dated September 28, 2007 – at Mahratta Chamber of Commerce, Industries and Agriculture, Pune – 411 002 at 3.00 p.m.**

Special Resolutions Passed
Increase in remuneration of Mr. Vipul Jain, Managing Director
Amendment to Kale Consultants Limited ESOP Scheme, 2003
Amendment to Kale Consultants Limited ESOP Scheme, 2006

**Year 2008 Annual General Meeting dated September 24, 2008 – at Mahratta Chamber of Commerce, Industries and Agriculture, Pune – 411 002 at 3.00 p.m.**

Special Resolutions Passed
Reappointment of Mr. Vipul Jain as the Managing Director of the Company.

**Year 2009 Annual General Meeting dated September 28, 2009 – at Mahratta Chamber of Commerce, Industries and Agriculture, Pune – 411 002 at 3.00 p.m.**

There was no Special Business for 23<sup>rd</sup> Annual General Meeting.

### DECLARATION

Pursuant to Clause 49 (I) (D) (ii) of the Listing Agreement, I hereby declare that all Board members and senior management personnel have affirmed compliance with the code of conduct.

**Narendra Kale**  
Chairman

## Certificate of Corporate Governance

### Kale Consultants Limited

To,  
The Shareholders of  
Kale Consultants Limited

I have examined the compliance of conditions of corporate governance by Kale Consultants Limited, for the period ended March 31, 2010 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. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied in all respects with the conditions of corporate governance as stipulated in the above-mentioned Listing Agreement.

I state that as certified by the Registrar and Share Transfer Agent of the Company and as taken on record by the Investors' Grievance Committee, there were no investor grievances unattended/ pending against the Company, as on March 31, 2010, for a period exceeding one month.

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

**For M/s. D.G. Kurundwadkar  
Chartered Accountant**

**D. G. Kurundwadkar  
Proprietor  
Membership No. 35602**

Place : Thane  
Date : April 22, 2010

## Management Discussion & Analysis

Kale Consultants Limited

### Safe Harbour Statement

*Certain statements in this Annual Report concerning Kale's future growth prospects are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements.*

*The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, Kale's ability to manage growth, intense competition in IT services including those factors which may affect cost advantage, wage increases in India, ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, ability to manage international operations, reduced demand for technology in key focus areas, disruptions in telecommunication networks, ability to successfully complete and integrate potential acquisitions, liability for damages on service contracts, the success of the subsidiaries of Kale, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of intellectual property and general economic conditions affecting industry. Kale may, from time to time, make additional written and oral forward-looking statements, including reports to shareholders. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.*

*The following discussion and analysis should be read in conjunction with the Company's audited Financial Statement and the notes thereon.*

### INDUSTRY OUTLOOK:

As per NASSCOM, the Indian IT and BPO industry is estimated to have aggregate revenues of USD 73.1 billion in FY2010, with the IT software and services industry accounting for USD 63.7 billion of revenues. As a proportion of national GDP, the sector revenues have grown from 1.2 per cent in FY1998 to an estimated 6.1 per cent in FY2010. Its share of total Indian exports (merchandise plus services) increased from less than 4 per cent in FY1998 to almost 26 per cent in FY2010. Further, estimates also peg the Indian IT-BPO industry domination of the global market place with 51 percent market share. The industry is expected to generate an increasing share of revenues from the untapped SMB segment through improved pay per use business models and platform solutions. It is also expected to acquire domain expertise and near shoring capabilities to further advance India's value proposition as a global outsourcing hub. Interestingly, the Domestic market is showing great promise with 12 percent growth in FY 09-10. NASSCOM estimates the domestic opportunity could be around US\$50 billion by 2020.

The World Trade Organisation (WTO) has predicted that after the sharpest decline in more than 70 years, world trade is set

to rebound in 2010 by growing at 9.5 percent. The World Bank has also forecast real GDP growth rates of 2.7 percent and 7.5 percent for the world and India respectively for 2010 and growth in world trade volume of 4.3 percent and 6.2 percent in 2010 and 2011 respectively.

In a recent report released by the World Economic Forum, international air arrivals are expected to reach 1 billion by 2010, and 1.6 billion by 2020. The Asia Pacific region, Africa, and the Middle East are expected to grow at rates of over 5 percent per year, above the world average of 4 percent.

Your company is a technology and outsourcing provider to the global airline, airport, logistics and travel industry and is poised to leverage the business opportunities arising from these sectors:

The International Air Transport Association (IATA) forecasts predicted earnings of \$2.5 bn for the industry, buoyed by a recovering global economy, rising fares and a rebound in business-class bookings. Global passenger traffic is now expected to rise 5.6% in 2010. Likewise, cargo traffic is predicted to increase 12%. The estimates would mark a dramatic turnaround from the 2009 decrease of 2.9% for passenger traffic and an 11.1% drop for cargo. Passenger capacity is projected to be up 3% in 2010, with cargo capacity up 5%-6%.

### THE COMPANY'S MAJOR OFFERINGS

#### AIRLINES:

Your company is a global leader in airline revenue accounting and management solutions. The airline industry is on its way to recovery following a very tough phase of operations. The downturn has forced customers to scrutinize their technology investments and your company's value proposition has clearly stood the test. With the industry endorsing your company's capabilities with transformational projects like SIS, your company is in an enviable position to leverage its expertise and partnerships. Today, your company's solutions are used by over 80 airlines globally, and this includes 15 of the top 20 airlines.

#### Revenue Accounting & Management Practice

In FY 2010, your Company's Revenue Accounting and Audit Solutions have seen increased traction from airlines across the world. Further, with Simplified Interline Settlement on the anvil, your company has seen traction for its interline offerings. It is interesting to note that these solutions have been deployed as in-house, outsourced and hosted solutions, thereby highlighting the customized approach that your company offers to its clients.

Your Company's latest offering in this space, interline payables processing, where the entire interline process is outsourced has seen much interest in the industry. The service includes Audit of Interline incoming bills including Prime Coupons, Flight Interrupt Manifests (FIMs), Rejection/Rebiling Memos

## Management Discussion & Analysis

### Kale Consultants Limited

as well as Correspondences cases. The service handles bills cleared through both IATA Clearing House (ICH) as well as Airline Clearing House (ACH). Since November 2008, the service is in use at quite a few airlines, including a large US carrier.

APEX®, your Company's flagship product for Interline Proration, is an outcome of over 200 man-year efforts. APEX is a leader in automated proration and is the industry preferred solution chosen by the IATA. Your Company and ATPCO jointly offer the neutral fare proration service (part of AIA's First & Final™ billing service) which is exclusively powered by APEX. In 2009, the number of airlines participating in the First and Final™ Billing initiative - grew from 37 to 42. Processing volumes increased to cover over 3.5 million interline journeys per month on average during the year.

REVERA®, your Company's premier solution for the airline industry is a comprehensive, scalable and modern passenger revenue accounting system. This best-of-breed new generation solution provides accurate and in-depth management control for the complex function of revenue accounting. During the year over 85 million transactions were processed through REVERA®.

Zero Octa, part of the Kale group, is a leader in providing revenue recovery and protection services to airlines. This service leverages innovative technology to protect and recover airline revenue by on-going ticket sales review and validation process. During the year your Company's audit services helped save over USD 55 mn for our airline customers.

#### Air Cargo Practice

Your Company's CSP® suite is an end-to-end enterprise cargo solution developed with one of the largest cargo focused airline. CSP® delivers comprehensive functionality which puts cargo carriers firmly in control of their operations. Your Company's cargo suite of solutions are deployed at over ten of the top cargo focussed airlines globally.

AMBER®, your Company's cargo revenue accounting solution, is a best-of-breed system, designed to enable high automation of the airline cargo revenue accounting process.

#### DSS/Analytics Practice

Your Company's decision support systems and data analytics capabilities assists clients to mine data and build statistical models to reveal fact-based strategic insights and at the same time provide drilldown analysis for a detailed understanding at the tactical level. Furthermore, projections and optimization based on robust understanding of data, processes and business provide tools for proactive decision making. Your Company partners customers through the journey from 'Data' to 'Decision' following the path of 'Information', 'Knowledge' and 'Intelligence'. Solutions under this new practice include: Sales Performance Management Service and 360 Route Analysis for Airlines.

#### Airline Financial Management Practice

Your Company's financial management practice offers cutting edge solutions like Direct Operating Costs (DoC) Payables Audit service, Flight Profitability System and Performance Management Dashboards.

#### LOGISTICS:

Your Company's expertise of working with the entire logistics supply chain—from shippers, to carriers and airports—provides a deep understanding of the requirements of this sector. Your Company's logistics solutions are deployed at locations across the globe.

These solutions enable logistics businesses to operate in the fast-growing and volatile environment by providing higher levels of automation, standardization and communication.

Your Company's offerings in the logistics sector include:

**Freight Management System (FMS™)** - which offers freight forwarders an efficient and integrated solution to manage their core business processes.

**CAPELLA™** - Enterprise wide CFS / ICD Management Solution - a web-based system that automates the highly fragmented CFS / ICD processes and **GALAXY™** - GHA - Enterprise wide Cargo Handling System for Cargo Ground Handlers - it automates the end-to-end operational processes and provides comprehensive information on business operations to customers as well as airport management.

#### TRAVEL:

Your Company provides a comprehensive set of technology solutions and services for the travel industry that are designed to handle intricate requirements by ensuring streamlined processes and improved performance.

The RAINBOW™ solution is an integrated offering for travel Companies, and is also available as independent functional modules; these include Mid office management system, Hotel contract management system, Air fare contract management system, Multi-supplier connectivity, Internet booking engine, Profile management system, Sales channels.

The eProfile module enables travel management Companies (TMCs) to store traveller and corporate profiles in a GDS independent database that can be integrated with the required GDS' / Online Booking Engine (OBE). It allows a travel agent or an authorised user to access client profiles irrespective of geographic location.

#### Kale MPS®:

Your Company's award-winning processing services arm is a pioneer in providing transformational outsourcing value propositions to clients. The unique platform-based BPO business model, has significantly addressed client needs by reducing upfront investment.

## Management Discussion & Analysis

### Kale Consultants Limited

Within the outsourcing space, your Company offers the highest value proposition to customers and can claim complete system ownership. Your Company's focus is on building long and meaningful relationships with clients as a strategic extension of their capacity. MPS® currently employs over 1100 people, mainly comprising IATA certified professionals trained in industry processes.

#### THE COMPANY'S STRATEGY:

The global airline, airport, logistics and travel industry is amongst the first to be impacted by business environment fluctuations. The recent economic conditions have made customers realise that to maintain a steady growth and to respond quickly to dynamic requirements, technology has to be harnessed to the maximum.

Your Company partners the industry in facing these challenges by working closely with them to control costs and bring efficiencies in their processes. Your Company's deep domain knowledge and technology expertise helps customers and the industry as a whole in facing current and future challenges.

Your Company holds the enviable position of supplier of choice for the industry in its core service offerings. A keen example of this is the Simplified Interline Settlement Project and the neutral fare proration service. Both are key industry initiatives and are aimed at cutting costs and driving efficiencies for the industry. Your Company has already seen the resultant effect of these industry partnerships, with increased traction for its revenue accounting and interline solutions.

The next step is to move up the value chain by offering core business intelligence and analytics services, thereby becoming the one-stop shop for all requirements of customers. Customers can now opt for any of your Company's offerings – and it can be delivered as an outsourced, hosted or licensed model – thereby incorporating best practice solutions in a customized approach.

#### Global Operations

Your Company has local presence in USA, UK and New Zealand with Delivery Centers in Mumbai, Pune and Goa.

#### Shareholders' funds

Shareholders' funds increased from Rs. 933.59 million to Rs. 1,123.57 million during the year 2009-2010.

#### Equity:

During the year, Share Capital and Share Premium increased by Rs. 4.53 million and Rs. 15.22 million respectively on account of preferential allotment to promoters and exercise of stock options by employees.

Presently, Kale has 13,814,019 shares (P.Y 13,361,433) of Rs.10 each fully paid up.

Increase in Equity During the year	Shares (Nos.)	Amount Rs. (Million)
Promoters (Preferential allotment)	369,475	16.26
Employee (ESOP)	83,111	3.49

#### Profit and Loss Account

Kale's retained earnings as at March 31, 2010 amount to Rs.567.01 million. The Board has recommended a dividend of Rs.2 per share for the financial year 2009-10 at the Board Meeting held on 22nd April, 2010. Accordingly, a provision for dividend (including dividend tax) to the tune of Rs.32.22 million has been made.

As at March 31, 2010, Kale's book value per share increased to Rs 80.75 per share as compared to Rs 69.87 per share as at March 31, 2009.

#### General Reserves

During the year amount of Rs. 14.58 million representing 7.5% of Profit for the year ended March 31, 2010 was transferred to the general reserves account from profit & Loss account.

#### Loan Funds:

As at the year end the utilisation of the working capital loan was Rs.10.34 million.

#### Investments:

Kale's Investments at cost, amounts to Rs.330.21 million as compared to Rs. 278.79 million as at March 31, 2009. During the year Kale made an additional investment in a wholly owned subsidiary viz. Kale Revenue Assurance Services Limited, UK of Rs.51.42 million.

During the year, the subsidiary which had ceased operations, viz. Kale Technologies Limited has been completely wound up & application for strike off is pending with Company House UK.

#### Fixed Assets

##### Product Development

During the year product development cost amounting to Rs.47.84 million has been capitalised as intangible assets.

##### Other Fixed Assets

Kale added Rs. 28.30 million to the gross block comprising of Rs 2.29 million in Plant and Machinery, Rs. 3.38 million in Software, Rs. 19.34 million in Leased Assets and Rs. 3.29 million in other assets.

##### Sale / Disposal of Assets

During the year Kale sold/disposed off assets with a Gross Book value of Rs. 15.22 million and a depreciated Net Value of Rs. 13.51 million. The sold assets included vehicles, old plant & machinery and furniture.



## Management Discussion & Analysis

### Kale Consultants Limited

Kale's Gross Block as at March 31, 2010 stood at Rs. 782.44 million as compared to Rs. 921.36 million as at March 31, 2009. The corresponding Net Block as at March 31, 2010 is Rs. 297.90 million as compared to Rs. 351.62 million as at March 31, 2009.

#### Net Current Assets

##### Sundry Debtors

Kale's Net Receivables as at March 31, 2010 amounted to Rs.332.48 million as compared to Rs. 219.70 million as at March 31, 2009. These debtors are considered good and realisable.

The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates and general economic factors which could affect the customer's ability to settle and finally depending on the management's perception of the risk. The total provision for doubtful debts as at March 31, 2010 stands at Rs. 9.59 million compared to Rs. 3.09 million as at March 31, 2009.

Debtors as a percentage of revenue is 26.24% as at March 31, 2010 as against 21.41% as at March 31, 2009.

#### Current Liabilities

As at March 31, 2010 Kale's current liabilities amount to Rs.248.34 million as compared to Rs.205.39 million as at March 31, 2009. Creditors and Subsidiary dues outstanding as at March 31, 2010 are Rs.26.45 million and Rs. 19.40 million respectively as compared to Rs. 23.09 million and Rs.16.15 million as at March 31, 2009.

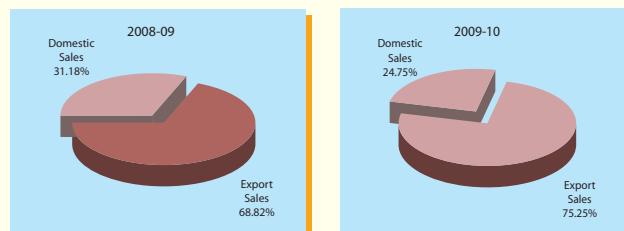
Provisions for the year have increased by Rs.51.58 million. Provisions include Provision for Dividend (inclusive of Dividend Tax) amounting to Rs.32.22 million and a Provision for Tax amounting to Rs. 84.25 million.

#### Result of Operations

##### Income

For the year ended March 31, 2010, Kale recorded operating income of Rs. 1,267.30 million as compared to Rs. 1,026.22 million for the year ended March 31, 2009, a growth of 23.49%.

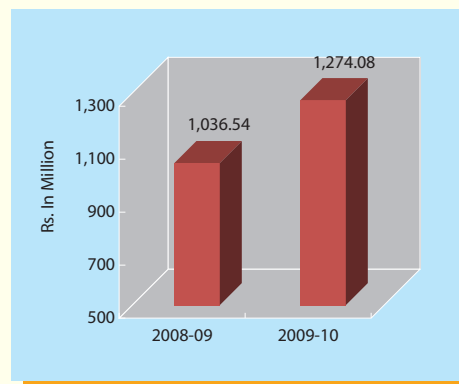
Kale's Overseas Sales increased by 35.03%. During the year Kale added 13 new customers. This, coupled with new contracts from existing customers contributed to an increased revenue during the year.



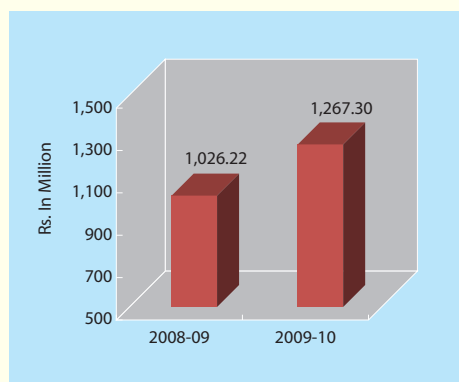
Composition of Sales

For the year ended March 31, 2010, Kale booked Other Income amounting to Rs. 6.78 million as compared to Rs. 10.34 million.

Kale's total income has grown by 22.92% from Rs.1036.54 million in the year 2008-09 to Rs. 1274.08 million in the year 2009-10.



Total Income



Operating Income

##### Operating Expenses

Software development expenses at Kale grew by 8.01% as compared to the year 2008-09.

Increase in costs include: Payroll cost: Rs. 28.92 million; Consultancy Charges Rs. 3.66 million Foreign Travelling Expenses Rs. 0.40 million.

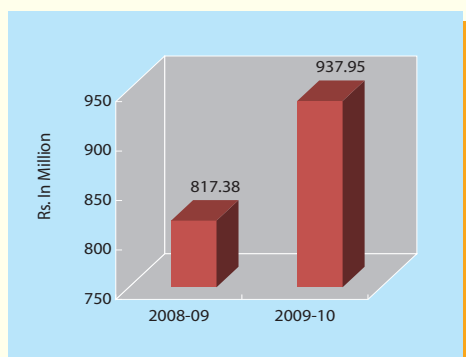
General Administration, selling and other expenses increased by 10.99% to Rs.390.76 million for the year 2009-10 as compared to Rs. 352.06 million in the year 2008-09.

Major increases in expenses comprise of: Repair & Maintenance Rs.4.25 million, Sales & Promotion Rs.8.31 million, Legal & Professional fees of Rs. 6.56 million, Kale booked an exchange loss of Rs. 11.33 million this year as against Rs.2.92 million last year. Kale has made a provision for Doubtful Debts of Rs.6.65 million and Rs.2.14 million was written off as net bad debts during the year. There has been an Increase in Salaries & wages by Rs.13.88 million an decrease in Power

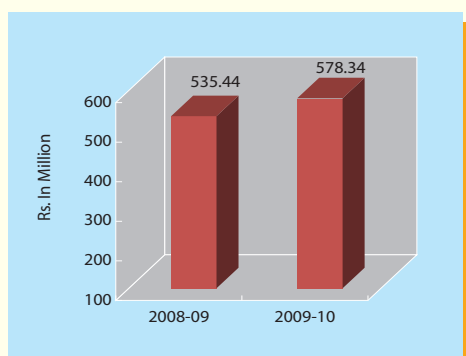
## Management Discussion & Analysis

### Kale Consultants Limited

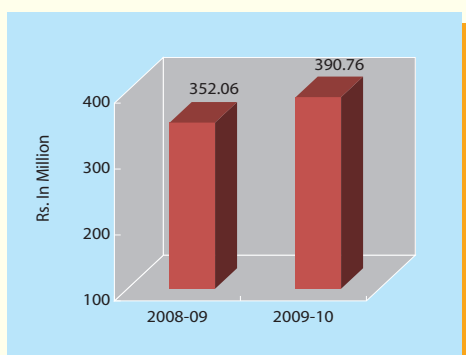
Fuel & water charges by Rs. 3.17 million & Rent by Rs.8.48 million over the previous year.



**Total Operating Expenses**



**Software Development, Delivery and Support Expenses**



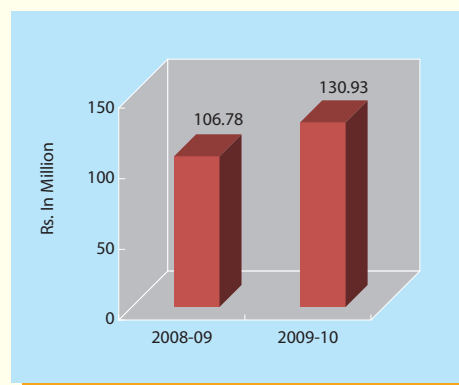
**Administration, Selling and Other Expenses**

#### Depreciation, Amortisation, Impairment and Interest charges

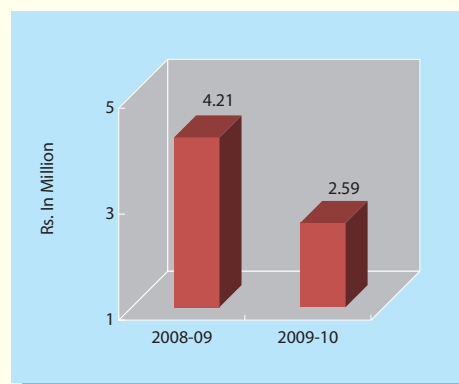
Total Depreciation during the year Increased by 1.52% amounting to Rs. 43.39 million. During the year the Company has reduced the carrying value of certain software asset by an amount of Rs.18.69 million on account of impairment which is reflected under depreciation.

During the year, Amortisation costs increased by 7.51% amounting to Rs. 68.85 million from 64.04 million in the previous year.

The interest cost has decreased by 38.40% compared with last year primarily on account of lower utilisation of facilities. Interest coverage ratio is 130 as compared to 52 in the previous year.



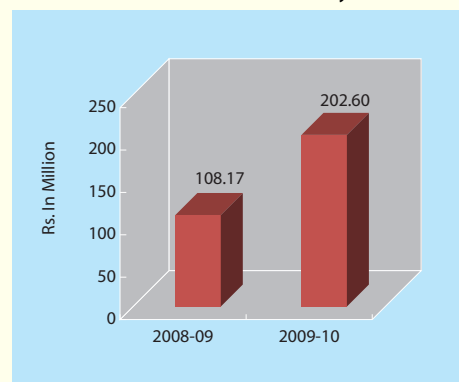
**Depreciation, Amortization and Impairment Cost**



**Interest Charges**

#### Operating Profit

Kale reported a PBIDT of Rs. 336.12 million in the year 2009-10 as against Rs. 219.16 million in the year 2008-09. Operating Profit after Interest, Depreciation, Amortisation and Impairment increased by 87.30% to Rs. 202.60 million in the year 2009-10 from Rs. 108.17 million in year 2008-09.



**Profit Before Tax**

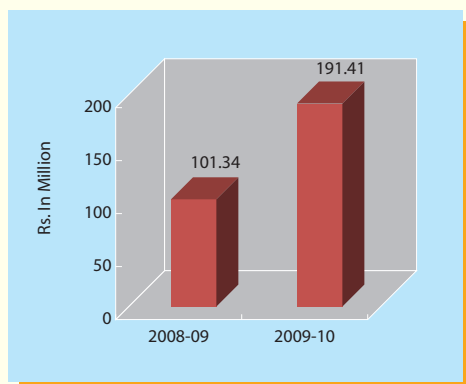


## Management Discussion & Analysis

### Kale Consultants Limited

#### Profit after Tax

Kale recorded a PAT of Rs.191.41 million for the year 2009-10 as compared to Rs. 101.34 million for the year 2008-09.



Profit After Tax

#### Dividend

Kale declared a dividend of Rs. 2 per share amounting to Rs. 32.22 million (including Dividend Distribution Tax Rs. 4.59 million).

#### IPR Assets and Amortisation

As a value innovator, Kale has always believed in developing its own Intellectual Property (IP) and over the years has invested significant amount of resources in this development. All these products have been viewed as the best of the breed products by the industry and highly appreciated by the customers.

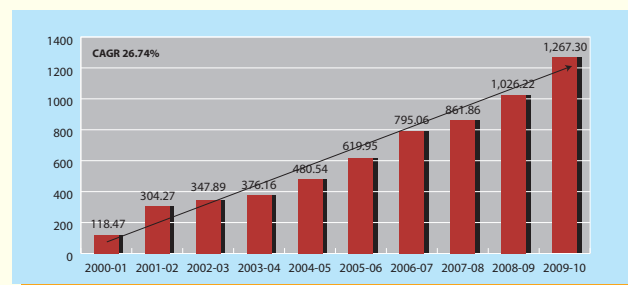
Details of IPR assets and amortisation are as follows:

Product IPR (Owned & Acquired)	Rs. Mn
Opening Net Block as on 01/04/2009	210.02
Additions	47.84
Deletions / Impairment (Net)	(18.69)
Amortisation	(68.85)
Closing Net Block as on 31/03/2010	170.32

#### OPERATING REVENUE FOR THE LAST TEN YEARS

##### Travel and Transportation Revenue

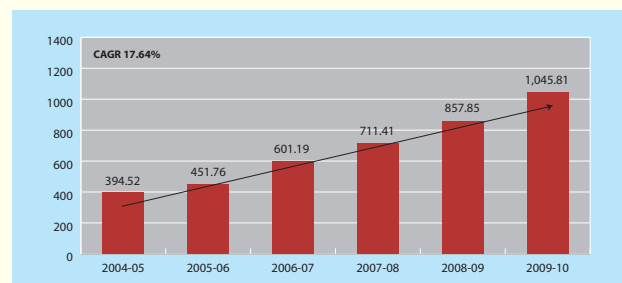
Over the past ten years the Travel and Transportation vertical has seen a CAGR of 26.74%. Revenue has increased in the last ten years from Rs. 118.47 million in the year 2000-01 to Rs.1267.30 million in the year 2009-10.



Travel and Transportation Revenue

#### Annuity Type Revenue

The Annuity type revenues have grown from Rs.394.52 million in the year 2004-05 to Rs.1045.81million in the year 2009-10 growing at a CAGR of 17.64%.



Annuity Type Revenue

#### Opportunities & Strengths

- o **Leveraging industry partnerships and customer relationships:** Your Company is now a respected industry player and has strong industry partnerships and client relationships. Leveraging these relationships will enable the company to get a larger “share of wallet” of its customers and also reach a wider prospect base.
- o **Cutting edge delivery models:** Your Company offers its solutions in a variety of delivery modes, thereby allowing customers the option of choosing the best mode for their business. This flexibility from a “single stop solution provider” is a key strength of the Company.

#### Risks, concerns and risk mitigation

- o **STPI Extension:** Software Technology Parks of India (STPI), a key government policy element for the IT industry, has been extended till March 2011. This development could impact the benefits that your company has received under the scheme. Possible mitigations include setting up centers in IT SEZs etc., which your company will evaluate and take action accordingly during FY11.
- o **Fluctuating business environment:** Uncertainty has become a constant phenomenon in the global business community. Frequent business failures, natural disasters and fragile economic conditions are forcing customers to take a cautious approach. In-depth understanding of customer concerns and providing consistent value in these times is a key parameter for solution providers like Kale. Your company's efforts are geared at staying ahead of the requirements of the industry, thereby helping customers take informed decisions.

#### Adequacy of Internal Control Systems

The company's internal control systems are well designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded in accordance with management's authorization, and accounting records are adequate for preparation of financial statements and other

## Management Discussion & Analysis

**Kale Consultants Limited**

financial information. Internal audits are performed regularly to ascertain their adequacy and effectiveness. The internal audit function also carries out Operations Review Audits. The audit committee periodically reviews the functions of internal audit.

### **Human Capital**

Passion, Performance and Potential are the three key elements linked with the human resources at Kale. Kale embraces people who are passionate about creating value to industry and strongly believes in the potential of its human resources.

Kale value system is strongly linked to people and values like trust, respect and integrity are emphasized across. Kale takes pride in creating world class solutions offered to the global clientele and everyone involved in the making of the industry solution is treated with high respect.

Every individual at Kale gets a big canvas of experience and a well charted career path based on the potential and performance. Kale offers much more than just a job; it is a fulfilling experience with varied roles, customer interactions, a challenging yet rewarding work atmosphere and continuous development through exposure to new avenues. This fiscal year, Human Resources have undertaken couple of initiatives in the area of Performance Management System through alignment of Performance measurement with Customer Satisfaction Index for both external and internal customers to make it more customer centric. 'My Opinion Counts' initiative gives a platform for employees to voice out their opinion; share their suggestions on the working practices. Kale thus encourages the active participation of employees across

levels in the business; not just for day to day working but also in thought innovation. Organization also continues to execute successfully; the Kale Fast Track Program that was launched in past - A Program designed to identify, nurture and grow internal talent.

Being in a niche industry, Kale requires high techno functional expertise. Regular training sessions are conducted on specific technical skills and domain areas to enhance employee skill sets. The experienced senior employees contribute strongly in the grooming process of the new entrants. Kale appreciates its high performers through rewards and recognition on an ongoing basis. The Kale culture instills the spirit of openness and oneness across all levels and locations. As a result, Kale works in an exciting and enjoyable team-based environment.

We are a 1591 strong workforce spread across various nationalities and geographies. Kale encourages an 'Equal Employment Opportunity Policy' which discourages discrimination for employment on account of sex, race, colour, religion, physical challenge and so on. Kale has 41% women employees indicating that there is a good representation of women. Kale has a relatively young work force with 86% of employee base being younger than 35 years. Around 12% of Kale employees have postgraduate qualifications, 35% are engineering/other graduates, 45% are IATA certified/diploma holders and about 8% are others. In terms of experience profile, 17% employees have less than 2 years work experience, 39% have 2-5 years of work experience, 28% have 5-10 years work experience and the balance 16% have experience of more than 10 years.

## Kale Consultants Limited

Financial year 2009-10 has been a significant year for Kale's Social Initiative. Catalysts for Social Action (CSA), the NGO that Kale supports as part of its Corporate Social Responsibility program, achieved some major milestones, to further the cause of adoption and destitute child care.

### Petition to the Honorable Prime Minister of India

Kale led the CSA efforts, with the help of various other corporate and individuals to reach out directly to thousands of people across five cities and apprised them on issues regarding adoption. Through 50 outreach outlets at several malls and retail stores and branches of Axis Bank, CSA mobilised public support and on 11th November, 2009,



submitted a public petition to the Honorable Prime Minister signed by approximately 10000 citizens of the country. The petition brought forth the following points:

- To set up a task force headed by a Member of the Planning Commission to study the entire issue around adoption and foster care and come up with a holistic revamp of policy and laws
- To allocate adequate funds and resources to promote and facilitate adoption and foster parenting
- To deliver on the government's promise of "Every child has the right to a family"

### Book Launch "A Family for Every Child"

Another major achievement for CSA was publishing a book titled, "A Family for Every Child". The book is a compilation of perspectives from all possible stakeholders on the process of adoption. The book was launched in separate events in 5 different cities, through Crossword and Odyssey Book Stores. Celebrity, government and media participation ensured that



the message reached a wide cross section of people across the country. It has been well appreciated by the bibliophile community and critics alike.

### Engaging Key Stakeholders

During the year CSA continued its efforts in engaging government functionaries. CSA has made periodic, need-based references to the Central Adoption Resource Authority (CARA), State Women and Child Development (WCD) Maharashtra and Orissa, and the Judiciary in Orissa, for interventions to change/ implement existing practices. For example, we sought:

1. CARA/State WCD intervention, for facilitating the placement of waiting children with Non Resident Indians/ foreign parents
2. Intervention of the Judiciary in Orissa, to
  - a. bring about standardised practices across District Courts
  - b. introduce a sensitisation module on Adoption at the training programmes for the District Judiciary
3. Intervention of the district authorities to transfer a child from an orphanage into an adoption agency after identifying an adoption opportunity for the child

## Kale's Social Initiative

### Kale Consultants Limited

#### Beneficiaries

- 19 adoption agencies supported in Maharashtra and Orissa
- 9 destitute homes/orphanages supported in Maharashtra and Orissa
- 685 children and parents supported (adoption)
- 1010 children supported (destitute home/orphanage)
- 38 agency heads, social and child care workers trained
- 30 children adopted
- 29 pipeline cases (adoption process is on)
- 155 prospective parents handheld through the adoption process
- 200 children provided with supplementary diet, healthcare, child development
- 130 children provided with education, tuition and vocational training support
- 850+ participants in parent support (chat group)
- 650+ parents offered support (direct enquiries)
- 10000+ individuals provided with information on various aspects of adoption process

CSA's work in Maharashtra and Orissa is an acknowledged success. Every participating agency has shown improvements in placements, quality of care, professionalism in approach and networking with local authorities. For CSA, the experience also brought in, a new learning. Efforts in moving into additional states, can bring about an incremental impact. For substantial change to happen, the cause of destitute child care must actively, feature on the government's agenda.

Accordingly, CSA had decided to prioritize advocacy as a major objective during the year. This included continued efforts at forging relationships, building connections, transforming perceptions and sensitizing stakeholders to the needs of the child and the journey that adoption entails.

Kale employees have actively volunteered in various CSA programmes during the year. A few of these include the Standard Chartered Mumbai Marathon, the Joy of Giving Week, stalls during Children's Day to name a few. In addition, employees also donated whole heartedly in cash as well as kind towards various initiatives conducted by CSA during the year.

#### Supporting the Cause

Except for a marginal shift in favour of in-country adoptions, the last decade has remained more or less static in the matter of child adoption in India. The total number of adoptions has hovered around the 3000/ year figure. The number of agencies has not grown. The government allocation on Adoption remains at a paltry Rs 4 crore being only 0.05% of the total budget allocation of the Ministry of WCD. CARA-State coordination continues to remain inadequate, the delivery machinery appears rusty and most importantly, most NGOs who have taken on the responsibility of caring for the orphans, run the organizations with commercial interests often subverting the "best interests" of the child.

It is thus clear that a complete change in mind-set is required before adoption reaches the true potential as a means of child rehabilitation – it should be on the top of the agenda – right now it is a controversial topic that is on the bottom of the agenda for policymakers, NGOs and civil society at large.

As part of Kale's Corporate Social Responsibility initiative we extend wholehearted support for CSA's efforts in making a difference to the child adoption and destitute child care in India.

Location	No. of Agencies	No. of children placed		CSA facilitations	
		2008-09	2009-10	2008-09	2009-10
Maharashtra	9	90	57	23	19
Orissa	10	63	59	7	11

## Auditor's Report

### Kale Consultants Limited

To,  
The Members,  
Kale Consultants Limited,  
Pune.

1. I have audited the attached Balance Sheet of Kale Consultants Limited, as at March 31, 2010 and the Profit and Loss Account for the year ended on that date, annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I have conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 including amendments thereto issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to my comments in the annexure referred above I report that :
  - a) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit.
  - b) In my opinion, proper books of account as required by law, have been kept by the Company so far as appears from my examination of the books.
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account.
  - d) In my opinion, the Profit and Loss Account, the Balance Sheet and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
  - e) On the basis of written representations received from the directors of the Company as at March 31, 2010 and taken on record by the Board of Directors, I report that no director is disqualified from being appointed as director of the company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - f) In my opinion, and to the best of my information and according to the explanations given to me, the said Balance Sheet and Profit and Loss Account read together with notes give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
    - i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2010 ;
    - ii) in the case of the Profit and Loss Account, of the profit of the Company 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 M/s. D.G. Kurundwadkar  
Chartered Accountant**

**D.G. Kurundwadkar  
Proprietor  
Membership No. 35602**

Place : Thane  
Date : April 22, 2010



## Annexure to Auditor's Report

**Kale Consultants Limited**

**(Referred to in paragraph 3 of my Report of even date)**

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management at reasonable intervals. As informed to me, no material discrepancies were noticed on such verification during the year.
- (c) The Company has not disposed of any substantial part of fixed assets during the year.
- ii. The Company is a service company, primarily rendering information technology services. Accordingly, it does not hold any physical inventories and therefore paragraph 4(ii) of the Order is not applicable.
- iii. As informed to me, the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv. In my opinion and according to the information and explanations given to me, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and for the sale of products and services.
- v. a) Based on the audit procedures applied by me and according to the information and explanations provided by the management, I am of the opinion that there were no contracts or agreements referred to in section 301 of the Companies Act, 1956 that have to be entered in the register required to be maintained under that section. However, the Company has rendered/received services, claims for expenses and raised invoices on its subsidiary.
- b) In my opinion and according to the information and explanations given to me, there were no transactions made in pursuance of such contracts or arrangements that have to be entered in the register required to be maintained under Section 301 of the Companies Act 1956.
- vi. The Company has not accepted any deposits from the public during the year.
- vii. In my opinion, the Company has an internal audit system commensurate with the size & nature of its business.
- viii. As informed to me, the Central Government has not prescribed maintenance of cost records u/s 209 (1) (d) of the Companies Act, 1956 for the Company and any of its products.
- ix. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education & protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable to the Company.
- (b) According to the information and explanations given to me, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at March 31, 2010 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to me, there are no dues of income tax, customs duty, wealth tax, service tax, sales tax, excise duty and cess which have not been deposited on account of any dispute. However, according to the records of the company, the following are the disputed amounts in respect of sales tax.  
  
The Company had filed following appeals under Central Sales Tax Act, 1956 and Bombay Sales Tax Act, 1959 with Asst. Commissioner of Sales Tax, (Appeals), Pune with respect to a) Demand of Rs.656,580 pertaining to Year 1997-98 for disallowance of overseas sales and services, b) Demand of Rs.191,587 relating to disallowance of software services for the year 1998-99 c) Demand of Rs.137,760 relating to disallowance of set off for the year 1999-00.  
  
Further, the Company had also filed appeals with Deputy Commissioner of Sales Tax (Appeals), Pune with respect to a) Rs.1,360,683 relating to software services disallowed and Rs.27,126 relating to Disallowance of set off for the year 2000-01 b) Rs.7,870,739 relating to disallowance of Software Services and Maintenance of software for the year 2001-02.
- x. The Company has no accumulated losses at the end of financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- xi. Based on the audit procedures and on the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institutions or bank. The Company does not have any borrowings by way of debentures.

## Annexure to Auditor's Report

**Kale Consultants Limited**

- xii. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In my opinion and according to the information and explanations given to me, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies.
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xv. According to the information and explanations given to me, the Company has not given guarantees for loans taken by others from banks or financial institutions. However, the Company has given corporate guarantee to others on behalf of its subsidiary.
- xvi. The Company has utilized the Term loan for the purpose for which the loan was obtained, however, the short term surplus have been temporarily placed in short term deposits with the banks.
- xvii. According to the information and explanations given to me and on an overall examination of the books and records of the Company, I report that, in no cases, the funds raised on short term basis have been used for long term investments.
- xviii. The Company has made preferential allotment to parties covered in the register maintained under Section 301 of the Companies Act, 1956, by way conversion of Warrants into Equity Shares.
- xix. The Company has not issued any debentures.
- xx. The Company has not raised any money through a public issue during the year.
- xxi. Based upon the audit procedures performed and information and explanations given by the management, I report that no fraud on or by the Company has been noticed or reported during the course of my audit.

**For M/s. D.G. Kurundwadkar  
Chartered Accountant**

**D.G. Kurundwadkar  
Proprietor  
Membership No. 35602**

Place : Thane  
Date : April 22, 2010

## Financial Statements

## Kale Consultants Limited

Balance Sheet	Schedule	As at March 31, 2010 (Amount in Rs.)	As at March 31, 2009 (Amount in Rs.)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital .....	1	138,146,240	133,620,380
Reserves and Surplus .....	2	977,441,381	799,969,679
Partly Paid Warrants .....		7,980,775	-
		<u>1,123,568,396</u>	<u>933,590,059</u>
<b>Loan Funds</b>			
Secured Loans .....	3	45,645,198	30,232,134
<b>TOTAL .....</b>		<b><u>1,169,213,594</u></b>	<b><u>963,822,193</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets .....</b>	4		
Gross Block .....		782,435,188	921,359,503
Less : Depreciation .....		267,056,925	237,173,070
Less : Amortization of Product Cost .....		220,265,048	332,570,730
		<u>295,113,215</u>	<u>351,615,703</u>
Capital Work-in-Progress .....		2,788,140	-
Net Block .....		<u>297,901,355</u>	<u>351,615,703</u>
<b>Investments .....</b>	5	330,206,719	278,791,719
<b>Deferred Tax Asset .....</b>		5,314,189	3,004,428
<b>Current Assets, Loans and Advances</b>			
A. Current Assets			
Sundry Debtors .....	6	332,483,328	219,696,348
Cash and Bank Balances .....	7	254,136,190	136,616,991
Other Current Assets .....	8	67,787,790	38,483,495
B. Loans and Advances .....	9	246,192,574	205,896,098
		<u>900,599,882</u>	<u>600,692,932</u>
<b>Less : Current Liabilities and Provisions .....</b>	10		
A. Current Liabilities .....		248,338,777	205,389,216
B. Provisions .....		116,469,774	64,893,373
		<u>364,808,551</u>	<u>270,282,589</u>
Net Current Assets .....		<u>535,791,331</u>	<u>330,410,343</u>
<b>TOTAL .....</b>		<b><u>1,169,213,594</u></b>	<b><u>963,822,193</u></b>
Significant Accounting Policies and Notes to Accounts .....	14		

The Schedules referred to above and the notes thereon form an integral part of the Balance Sheet.  
This is the Balance Sheet referred to in my report of even date.

For M/s. D.G. Kurundwadkar  
Chartered Accountant

For and on behalf of the Board of Directors

D.G. Kurundwadkar  
Proprietor

Ninad Umranikar  
Company Secretary

Narendra Kale  
Chairman

Prabhakar Deodhar  
Director

Pravin Gandhi  
Director

Place : Thane  
Date : April 22, 2010



## Financial Statements

## Kale Consultants Limited

<b>Profit and Loss Account</b>	<b>Schedule</b>	<b>For the year ended March 31, 2010 (Amount in Rs.)</b>	<b>For the year ended March 31, 2009 (Amount in Rs.)</b>
<b>Income</b>			
Software Products and Services			
Domestic .....		313,619,166	319,967,266
Overseas .....		953,676,215	706,251,987
		1,267,295,381	1,026,219,253
Other Income .....	11	6,781,079	10,324,863
<b>TOTAL .....</b>		<b>1,274,076,460</b>	<b>1,036,544,116</b>
<b>Expenditure</b>			
Software Development, Delivery and Support Expenses .....	12	578,337,967	535,441,170
Administration, Selling and Other Expenses .....	13	390,760,618	352,058,669
<b>TOTAL .....</b>		<b>969,098,585</b>	<b>887,499,839</b>
Less : Product Development Cost .....		(31,146,943)	(70,116,689)
<b>Total Operating Expenses .....</b>		<b>937,951,642</b>	<b>817,383,150</b>
<b>Operating Profit (PBITD) .....</b>		<b>336,124,818</b>	<b>219,160,966</b>
Interest and Finance Charges .....		2,594,449	4,212,080
Depreciation and Impairment .....		62,084,235	42,740,913
Amortization of Product Cost .....		68,850,319	64,039,264
<b>Profit Before Tax (PBT) .....</b>		<b>202,595,815</b>	<b>108,168,709</b>
Provision for Taxation			
– Current Tax .....		35,028,652	11,538,628
– MAT Credit Entitlement .....		(21,528,652)	(11,502,328)
– Deferred Tax .....		(2,309,761)	2,645,145
– Fringe Benefit Tax .....		-	4,150,000
<b>Profit After Tax (PAT) .....</b>		<b>191,405,576</b>	<b>101,337,264</b>
Prior Period Items .....		3,058,631	(2,497,718)
Profit brought forward from previous year .....		419,344,481	336,137,144
<b>Amount available for Appropriations .....</b>		<b>613,808,688</b>	<b>434,976,690</b>
<b>Appropriations</b>			
Transferred to/(from) General Reserve .....		14,584,816	-
Proposed Dividend .....		27,628,038	13,361,433
Dividend Distribution Tax .....		4,589,020	2,270,776
Balance carried forward to Balance Sheet .....		567,006,814	419,344,481
<b>TOTAL .....</b>		<b>613,808,688</b>	<b>434,976,690</b>
<b>Earnings Per Share (Equity shares, face value Rs. 10 each)</b>			
Basic .....		14.53	7.40
Diluted .....		13.52	7.40
<b>Number of shares used in computing earnings per share</b>			
Basic .....		13,383,050	13,359,260
Diluted .....		14,386,469	13,359,260
Significant Accounting Policies and Notes to Accounts .....	14		

The Schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account.  
This is the Profit and Loss Account referred to in my report of even date.

For M/s. D.G. Kurundwadkar  
Chartered Accountant

For and on behalf of the Board of Directors

D.G. Kurundwadkar  
Proprietor

Ninad Umrnikar  
Company Secretary

Narendra Kale  
Chairman

Prabhakar Deodhar  
Director

Pravin Gandhi  
Director

Place : Thane  
Date : April 22, 2010

## Financial Statements

## Kale Consultants Limited

Schedules	As at March 31, 2010 (Amount in Rs.)	As at March 31, 2009 (Amount in Rs.)
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
15,000,000 Equity Shares of Rs. 10 each .....	150,000,000	150,000,000
<b>Issued, Subscribed and Paid-up</b>		
13,814,019 (Previous Year 13,361,433) Equity Shares of Rs. 10 each fully paid up (of the above 6,000 equity shares of Rs. 1,000 each allotted as fully paid bonus shares by way of capitalisation of accumulated profits, split into 600,000 equity shares of Rs. 10 each and 5,412,500 equity shares of Rs. 10 each allotted as fully paid up)	138,140,190	133,614,330
Add : Forfeited Shares .....	6,050	6,050
<b>TOTAL .....</b>	<b>138,146,240</b>	<b>133,620,380</b>
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>Securities Premium</b>		
As per last Balance Sheet .....	363,834,854	363,494,823
Add : Additions during the year .....	15,224,553	340,031
	379,059,407	363,834,854
<b>General Reserve</b>		
As per last Balance Sheet .....	16,790,344	16,790,344
Add: Transferred from Profit and Loss Account .....	14,584,816	-
	31,375,160	16,790,344
Profit and Loss Account .....	567,006,814	419,344,481
<b>TOTAL .....</b>	<b>977,441,381</b>	<b>799,969,679</b>
<b>SCHEDULE 3 : SECURED LOANS</b>		
Working Capital Loan from State Bank of India .....	10,343,100	-
Interest accrued and due .....	3,498	11,805
Other Loans		
Vehicle Loans .....	4,596,653	5,117,896
Lease Finance .....	30,701,947	25,102,433
<b>TOTAL .....</b>	<b>45,645,198</b>	<b>30,232,134</b>

## SCHEDULE 4: FIXED ASSETS

(Amount in Rs.)

Particulars	Gross Block			Depreciation and Amortisation					Net Block	
	As at April 1, 2009	Additions during the year	Deductions during the year	As at March 31, 2010	Total upto March 31, 2009	During the year	On deletions	Total upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
Goodwill	1	-	-	1	-	-	-	-	1	1
Building	63,259,128	-	-	63,259,128	25,656,638	1,880,125	-	27,536,763	35,722,365	37,602,492
Plant and Machinery	141,805,395	2,290,264	11,973,958	132,121,701	106,061,454	14,111,523	11,251,915	108,921,062	23,200,639	35,743,940
Software	71,334,460	3,380,034	-	74,714,494	49,299,187	8,044,264	-	57,343,451	17,371,043	22,035,273
Furniture, Fixture, Equipments and Other Assets	42,555,379	623,660	1,743,693	41,435,346	27,568,982	2,842,560	984,047	29,427,495	12,007,851	14,986,396
Vehicles	18,082,712	2,665,988	1,499,260	19,249,440	10,678,302	2,329,409	1,269,486	11,738,225	7,511,215	7,404,411
Leased Assets	41,736,069	19,339,176	-	61,075,245	17,908,507	14,181,422	-	32,089,929	28,985,316	23,827,561
<b>TOTAL (a)</b>	<b>378,773,144</b>	<b>28,299,122</b>	<b>15,216,911</b>	<b>391,855,355</b>	<b>237,173,070</b>	<b>43,389,303</b>	<b>13,505,448</b>	<b>267,056,925</b>	<b>124,798,430</b>	<b>141,600,074</b>
Owned Products	482,286,160	47,844,409	199,850,935	330,279,634	272,270,531	68,850,319	181,156,001	159,964,849	170,314,785	210,015,629
Acquired Products	60,300,199	-	-	60,300,199	60,300,199	-	-	60,300,199	-	-
<b>TOTAL (b)</b>	<b>542,586,359</b>	<b>47,844,409</b>	<b>199,850,935</b>	<b>390,579,833</b>	<b>332,570,730</b>	<b>68,850,319</b>	<b>181,156,001</b>	<b>220,265,048</b>	<b>170,314,785</b>	<b>210,015,629</b>
Capital Work-in-Progress	-	-	-	-	-	-	-	-	2,788,140	-
<b>TOTAL (c)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,788,140</b>	<b>-</b>
<b>Grand Total (a+b+c)</b>	<b>921,359,503</b>	<b>76,143,531</b>	<b>215,067,846</b>	<b>782,435,188</b>	<b>569,743,800</b>	<b>112,239,622</b>	<b>194,661,449</b>	<b>487,321,973</b>	<b>297,901,355</b>	<b>351,615,703</b>
Previous Year	815,228,359	115,447,224	9,316,080	921,359,503	470,486,381	106,780,177	7,522,758	569,743,800	351,615,703	344,741,977

## Financial Statements

## Kale Consultants Limited

Schedules	As at March 31, 2010 (Amount in Rs.)	As at March 31, 2009 (Amount in Rs.)
<b>SCHEDULE 5 : INVESTMENTS</b> (Non Trade, Long Term Investment) (at cost, unless otherwise stated)		
<b>Investments in shares of Subsidiaries (unquoted)</b>		
Kale Softech Inc.		
1,300,000 Class A voting common stock of USD 0.01 each fully paid up (Previous Year 1,300,000 Class A voting common stock of USD 0.01 each fully paid up)	57,979,585	57,979,585
450,000, 5% Redeemable Preferred stock of USD 1 each fully paid up ... (Previous Year 450,000, 5% Redeemable Preferred stock of USD 1 each fully paid up)	21,434,000	21,434,000
Synetairos Technologies Ltd. .... 42,036 shares of Rs. 10 each fully paid up (Previous Year 42,036 shares of Rs. 10 each fully paid up)	7,977,004	7,977,004
Kale Technologies Ltd. .... 1 Equity Share of GBP 1 each, fully paid up (Previous year 1 Equity Share of GBP 1 each, fully paid up)	70	70
Kale Revenue Assurance Services Limited ..... 2,950,000 Shares of GBP 1 each fully paid up (Previous Year : 2,300,000 Shares of GBP 1 each fully paid up)	242,756,060	191,341,060
<b>Investments in Shares of Banks (unquoted)</b>		
Rupee Co-op. Bank Ltd. 5,000 shares of Rs. 10 each fully paid up ..... (Previous Year 5,000 shares of Rs. 10 each fully paid up)	50,000	50,000
Saraswat Co-op. Bank Ltd. 1,000 Equity Shares of Rs. 10 each fully paid up ..... (Previous Year 1,000 shares of Rs. 10 each fully paid up)	10,000	10,000
<b>TOTAL</b> .....	<b>330,206,719</b>	<b>278,791,719</b>

## Financial Statements

## Kale Consultants Limited

Schedules	As at March 31, 2010 (Amount in Rs.)	As at March 31, 2009 (Amount in Rs.)
<b>SCHEDULE 6 : SUNDRY DEBTORS (Unsecured)</b>		
Debts outstanding for a period exceeding six months		
Considered Good .....	43,159,834	5,967,795
Considered Doubtful .....	8,707,867	3,086,940
Other Debts		
Considered Good .....	289,323,495	213,728,553
Considered Doubtful .....	881,886	-
<b>TOTAL .....</b>	<b>342,073,082</b>	<b>222,783,288</b>
Less: Provision for Doubtful Debts .....	9,589,754	3,086,940
(Sundry Debtors include Rs. 25,156,456 Due from Subsidiaries)		
(Previous Year Rs.15,745,845)		
(Maximum outstanding during the year Rs.34,442,584)		
(Previous Year Rs. 20,974,281)		
<b>TOTAL .....</b>	<b>332,483,328</b>	<b>219,696,348</b>
<b>SCHEDULE 7 : CASH AND BANK BALANCES</b>		
Cash in hand .....	-	-
<b>Balance with Scheduled Banks</b>		
- in Current Accounts* .....	210,083,529	60,160,116
- in Deposits .....	41,948,139	71,172,500
(* Includes Rs.1,238,035 being the balance in unclaimed dividend account as at March 31, 2010)		
Previous Year Rs. 892,872)		
<b>Balances with Non-Scheduled Banks</b>		
- in current account with State Bank Of India, United Kingdom .....	169,079	634,652
(Maximum balance during the year GBP 126,874)		
Previous year GBP 125,134)		
- in current account with State Bank Of India, United Kingdom .....	268,685	778,735
(Maximum balance during the year USD 1,393,810)		
Previous year GBP 2,168,921)		
- in current account with Barclays Bank Plc, United Kingdom .....	-	-
(Maximum balance during the year GBP Nil)		
Previous year GBP 148,064)		
- in current account with State Bank Of India, United Kingdom .....	1,666,758	3,870,988
(Maximum balance during the year GBP 85,134)		
Previous year GBP 77,538)		
- in short term deposit with Barclays Bank Plc, United Kingdom .....	-	-
(Maximum balance during the year GBP Nil)		
Previous year GBP 43,620)		
<b>TOTAL .....</b>	<b>254,136,190</b>	<b>136,616,991</b>
<b>SCHEDULE 8 : OTHER CURRENT ASSETS</b>		
Interest accrued on deposits .....	1,592,044	2,815,379
Income accrued but not due .....	66,195,746	35,668,116
<b>TOTAL .....</b>	<b>67,787,790</b>	<b>38,483,495</b>

## Financial Statements

## Kale Consultants Limited

Schedules	As at March 31, 2010 (Amount in Rs.)	As at March 31, 2009 (Amount in Rs.)
<b>SCHEDULE 9 : LOANS AND ADVANCES</b> (Unsecured, considered good)		
Loans and Advances to Subsidiaries .....	15,439,588	7,417,615
Advances recoverable in cash or in kind or for value to be received .....	6,135,118	15,533,762
Loans and advances to Employees (including officers) .....	2,061,513	1,702,799
Advance Income Tax including Tax Deducted at Source .....	158,628,690	112,235,126
Prepaid Expenses .....	16,586,299	18,194,243
Other Deposits .....	47,341,366	50,812,553
<b>TOTAL .....</b>	<b>246,192,574</b>	<b>205,896,098</b>

**SCHEDULE 10 : CURRENT LIABILITIES AND PROVISIONS**

<b>A. Current Liabilities</b>		
Sundry Creditors		
(Refer Notes to Accounts - Note No. 22 of Schedule 14)		
(i) Total outstanding dues to Micro, Small and Medium Enterprises	-	-
(ii) Others .....	26,445,156	23,095,096
Dues to Subsidiary Companies .....	19,395,455	16,154,606
Advances from Clients .....	18,737,501	51,274,360
Income Received in Advance .....	11,342,900	11,449,956
Other Liabilities .....	171,179,730	102,522,326
(a) Unpaid Dividend .....	1,238,035	892,872
(b) Unpaid Application Money due for refund .....	-	-
(c) Unpaid Matured Deposits .....	-	-
(d) Unpaid Matured Debentures .....	-	-
(e) Interest accrued on (a) to (d) above .....	-	-
	<b>248,338,777</b>	<b>205,389,216</b>
<b>B. Provisions</b>		
Provision for Taxation .....	84,252,716	49,261,164
Proposed Dividend .....	27,628,038	13,361,433
Dividend Tax .....	4,589,020	2,270,776
	116,469,774	64,893,373
<b>TOTAL .....</b>	<b>364,808,551</b>	<b>270,282,589</b>

## Financial Statements

## Kale Consultants Limited

Schedules	For the year ended March 31, 2010 (Amount in Rs.)	For the year ended March 31, 2009 (Amount in Rs.)
<b>SCHEDULE 11 : OTHER INCOME</b>		
Interest Income .....	3,486,752	5,663,454
Profit on Sale of Investments .....	-	51,182
Profit on Sale of Assets .....	-	583,668
Miscellaneous Income .....	3,286,727	4,026,559
Dividend Received .....	7,600	-
<b>TOTAL .....</b>	<b>6,781,079</b>	<b>10,324,863</b>

**SCHEDULE 12 : SOFTWARE DEVELOPMENT, DELIVERY AND SUPPORT EXPENSES**

Salaries and Incentives .....	450,343,886	420,746,462
Company's contribution to Provident Fund and Gratuity .....	14,403,426	15,076,908
Staff Welfare Expenses .....	2,948,111	1,700,140
Cost of Third Party Products .....	7,748,928	1,540,764
Consumables and Spare Parts .....	2,315,826	4,058,527
Cost of Software and Maintenance .....	17,009,500	15,596,294
Communication Expenses .....	11,833,751	11,606,787
Consultancy Charges .....	18,527,142	14,863,172
Travelling Expenses .....	5,073,196	5,980,682
Foreign Travelling Expenses .....	8,551,677	8,152,561
General and Others .....	2,803,934	-
Application Hosting .....	16,137,720	15,213,925
Data Processing and Image Capturing Charges .....	20,640,870	20,904,948
<b>TOTAL .....</b>	<b>578,337,967</b>	<b>535,441,170</b>

## Financial Statements

## Kale Consultants Limited

Schedules	For the year ended March 31, 2010 (Amount in Rs.)	For the year ended March 31, 2009 (Amount in Rs.)
<b>SCHEDULE 13 : ADMINISTRATION, SELLING AND OTHER EXPENSES</b>		
Salaries and Allowances .....	95,227,842	81,304,637
Company's contribution to Provident Fund and Gratuity .....	2,983,829	3,027,674
Staff Welfare Expenses .....	9,776,351	8,380,077
Directors Sitting Fees .....	145,000	150,000
Commission to Non-Executive Directors .....	300,000	300,000
Audit Fees .....	850,000	625,000
Travelling Expenses .....	4,826,109	5,580,148
(Includes Rs.220,007 incurred by Directors, Previous Year Rs.243,746)		
Foreign Travelling Expenses .....	19,421,210	15,103,187
(Includes Rs.2,283,091 incurred by Directors, Previous Year Rs.1,553,962)		
Printing and Stationery .....	4,194,288	4,085,748
Postage, Telephone and Courier Charges .....	6,148,727	6,698,647
Repairs and Maintenance		
Buildings .....	2,582,251	1,959,661
Plant and Machinery .....	1,264,523	747,450
Others .....	14,370,126	11,263,044
General Expenses .....	23,459,837	24,813,939
Subscription and Membership .....	10,394,537	11,700,024
Rent .....	72,967,655	81,449,224
Sales Promotion and Advertisement .....	54,029,873	45,715,734
Rates and Taxes .....	695,182	491,318
Insurance .....	4,641,834	4,542,171
Legal and Professional Charges .....	14,406,180	7,841,252
Power, Fuel and Water Charges .....	22,790,323	25,957,308
Donation .....	600,000	945,462
Bank Commission and Other Charges .....	3,279,326	2,056,081
Exchange Loss .....	11,332,274	2,918,682
Provision for Doubtful Debts .....	6,647,924	1,964,976
Loss on Sale of Assets .....	1,290,036	-
Bad Debt Written Off .....	2,135,381	2,364,231
Value Added Tax .....	-	72,994
<b>TOTAL .....</b>	<b>390,760,618</b>	<b>352,058,669</b>



## Kale Consultants Limited

## Schedules

## SCHEDULE 14 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

## I. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Preparation of Financial Statements**

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards and the relevant provisions of the Companies Act, 1956.

The financial statements have been prepared under the historical cost convention, on the basis of going concern and on accrual method of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) and provisions of Companies Act, 1956, as adopted consistently by the Company. All income and expenditure, having a material bearing on financial statements are recognised on accrual basis.

**Fixed Assets**

Tangible and intangible Fixed Assets are stated at acquisition cost less accumulated depreciation. The cost comprises of purchase price and any attributable cost of bringing the asset to its working conditions for its intended use.

**Depreciation and Amortisation**

Depreciation is provided on Written Down Value Method in accordance with the Companies Act, 1956, except for the items mentioned below. All the individual items costing Rs. 5,000 or less have been fully written off in the month of its purchase.

The rates of depreciation are in accordance with Schedule XIV to the Companies Act, 1956, on a pro-rata basis except as given below:

Leasehold Land	To be amortized over the balance lease period on Straight Line Method.
UPS & DG Sets	To be depreciated @ 40% on Written Down Value method.
Software	To be depreciated over estimated life of five years on Straight Line Method
Acquired and Own Products	To be amortized over estimated life of asset on Straight Line Method. The estimated life is taken as five years for most of the products of the Company.
Goodwill	To be amortized over the period of five years on Straight Line Method.
Leased Assets	To be amortized over the period of lease on Straight Line Method.

**Investments**

Investments are stated at cost. Long Term Investments include investments in wholly owned subsidiaries, which are also valued at cost. The provision is made to recognize any decline, other than temporary, in the valuation of investments.

**Borrowing Costs**

Borrowing costs incurred in relation to the development of software products are capitalised as part of the cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which these are incurred.

**Revenue Recognition**

Revenue from software development / software products is recognised on the basis of invoices raised and/or as per the mile stones reached in terms of the contracts. In case of time and material contracts, it is recognised on the basis of man hours completed and materials used.

Revenue from Annual Maintenance Contracts is recognized proportionately over the period in which services are rendered.

Revenue from processing charges is recognised on the basis of the work completed.

**Foreign Currency Transactions**

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transactions.

Monetary assets and liabilities are revalued at the rate as on the date of the Balance Sheet.

Non monetary foreign currency assets are carried at historical cost.

**Retirement Benefits to Employees**

- a. Contribution in respect of payments to Employees' Provident Fund is charged to revenue. The Company has contributed to Employees' Provident Fund maintained by Government of India being the equal amount of contribution as made by employees.

# Financial Statements

## Kale Consultants Limited

- b. Gratuity: In accordance with Accounting Standards 15 (Revised) on Employee Benefits and applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan). The Company provides the gratuity benefit through annual contributions to a fund managed by the Life Insurance Corporation of India (LIC). LIC administers the plan and determines the contribution required to be paid by the Company.
- c. Leave encashment benefit is provided as per the actuarial valuation.

### Income Tax

Income Tax comprises current tax provision. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

### Earnings Per Share

Basic Earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The diluted earnings per share is calculated based on the weighted average number of shares considered for deriving basic earning per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

### Provisions

A provision is recognized when an enterprise has a present 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 a reliable estimate can be made. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

### General

Accounting policies not specifically referred to are consistent with the Indian Generally Accepted Accounting Principles (GAAP).

## II. NOTES TO ACCOUNTS

### 1. Quantitative Details

The Company is engaged in Computer Software development. The sale of duly produced software is of such nature, which cannot be expressed in generic unit. Therefore, it is not possible to give quantitative details of sales and certain information as required under paragraphs 3, 4C & 4D of Part II, Schedule VI of the Companies Act, 1956.

### 2. Activity in foreign Currency

(Amount in. Rs.)

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Earnings in Foreign Currency	953,676,215	706,251,987
CIF value of Capital Goods Imported	NIL	22,964,799
Consultancy and Professional Charges	1,973,866	1,448,618
Travelling and other expenses (Net)	58,783,797	39,581,631
Advances to Employees and Subsidiaries	4,521,252	7,395,894
UK Branch Expenses	39,183,377	40,180,325

### 3. Managerial Remuneration u/s 198 of the Companies Act, 1956 to Managing Director

(Amount in. Rs.)

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Salary	13,746,000	20,638,250
Perquisites	1,204,195	1,353,937

Salaries & perquisites for the year ended March 31, 2009 include Rs. 7,014,333 towards arrears for the year 2007-08.

## Kale Consultants Limited

## Schedules

## 4. Remuneration to Non-Executive Directors

(Amount in. Rs.)

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Commission	300,000	300,000
Sitting Fees	145,000	150,000

## 5. Directors Remuneration

(Amount in. Rs.)

Computation of net profit in accordance with section 198 read with sections 349 & 350 of the Companies Act, 1956	For the year ended March 31, 2010	For the year ended March 31, 2009
Net Profit as per Profit & Loss Account before tax and exceptional item	202,595,815	108,168,709
Add: Remuneration and Commission to Directors	15,250,195	22,292,187
Directors Sitting Fees	145,000	150,000
Depreciation, Amortisation and Impairment as per books of accounts	130,934,554	106,780,177
(Profit)/Loss on sale of assets	1,290,036	(583,668)
Provision for doubtful debts	6,647,924	1,964,976
Bad debts written off	2,135,381	2,364,231
	358,998,905	241,136,612
Less: Depreciation as per Section 350 of the Companies Act, 1956	130,934,554	106,780,177
Net Profit on which commission is payable	228,064,351	134,356,435
Commission @ 0.5% to the Non-Executive Directors	1,140,322	671,782
Restricted to Rs. 100,000/- for each non-executive Director	300,000	300,000

(Amount in. Rs.)

## 6. Auditors Remuneration

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Audit Fees	850,000	625,000
Other services (Tax Audit and certification)	50,000	35,000
Out of pocket expenses	56,095	27,950

## 7. Secured Loans

- Working Capital facility sanctioned from State Bank of India, is secured by hypothecation of the book debts of the Company and charge over fixed assets and office premise situated at 1st Floor, Sharada Arcade, Satara Road, Pune.
- Vehicle Loans are secured by first charge on vehicle acquired from the proceeds of respective loans.

## 8. Employees' Stock Option Plan (ESOP)

The Company did not grant any options during the year under Kale Consultants Limited ESOP Scheme 2003. Out of the options granted till date, a total number of 1,732,230 options have vested till March 31, 2010, including those lapsed (Previous year 1,542,349)

Under Kale Consultants Limited ESOP Scheme 2003, a total number of 1,257,957 options have (Previous year 1,223,271 options) lapsed till March 31, 2010 on account of resignation of employees from the Company and on account of not exercising the option within 2 years from the date of grant.

## Financial Statements

### Kale Consultants Limited

#### Schedules

Under Kale Consultants Limited ESOP Scheme 2003, during the year 79,236 options were exercised (Previous year 11,141 options) giving rise to 79,236 fully paid up equity shares of Rs. 10/- each. All the 79,236 equity shares have been listed on the National Stock Exchange Limited, Bombay Stock Exchange limited and Pune Stock Exchange Limited.

The Company did not grant any options during the year under Kale Consultants Limited ESOP Scheme 2006. Out of the options granted till date under Kale Consultants Limited ESOP Scheme 2006, a total number of 426,625 options have vested till March 31, 2010, including those lapsed (Previous year NIL).

Under Kale Consultants Limited ESOP Scheme 2006, a total number of 145,000 options have lapsed till March 31, 2010 on account of resignation of employees from the Company (Previous year NIL).

Under Kale Consultants Limited ESOP Scheme 2006, during the year 3,875 options were exercised (Previous year NIL) giving rise to 3,875 fully paid up equity shares of Rs. 10/- each. All the 3,875 equity shares have been listed on the National Stock Exchange Limited, Bombay Stock Exchange limited and Pune Stock Exchange Limited.

#### 9. Preferential Allotment

During the year, the Board of Directors allotted 1,095,000 warrants to the promoters of the Company @ Rs. 44.01 per warrant. In terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, a sum of Rs. 11 per share, being 25% of the price fixed, has been paid by the allottees of warrants before allotment. Out of the above, 369,475 warrants have been converted into 369,475 fully paid equity shares of Rs. 10 each on 30th March, 2010. The balance amount of Rs. 33.01 per equity share has been paid by the allottees before conversion of warrants.

#### 10. Retirement Benefits to Employees

##### a. Gratuity:

In accordance with Accounting Standards 15 (Revised) on Employee Benefits and applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan). The Company provides the gratuity benefit through annual contributions to a fund managed by the Life Insurance Corporation of India (LIC). LIC administers the plan and determines the contribution required to be paid by the Company.

##### Changes in present value of obligations

(Amount in Rs.)

	2009-10	2008-09
Present value of obligations as at beginning of year	11,649,041	9,107,350
Interest cost	899,690	728,588
Current Service Cost	4,333,828	1,900,814
Benefits Paid	(805,834)	(933,060)
Actuarial (gain)/loss on obligations	928,422	845,349
Present value of obligations as at end of year	17,005,147	11,649,041

##### Changes in in the fair value of plan assets

	2009-10	2008-09
Fair value of plan assets at beginning of year	14,208,217	11,045,879
Expected return on plan assets	1,403,707	978,485
Contributions	2,739,826	3,116,913
Benefits paid	(805,834)	933,060
Actuarial gain/(loss) on Plan assets	(124,239)	NIL
Fair value of plan assets at the end of year	17,421,677	14,208,217

## Kale Consultants Limited

## Schedules

## Fair value of plan assets

(Amount in Rs.)

	2009-10	2008-09
Fair value of plan assets at beginning of year	14,208,217	11,045,879
Actual return on plan assets	1,403,707	978,485
Contributions	2,739,826	3,116,913
Benefits Paid	(805,834)	933,060
Fair value of plan assets at the end of year	17,421,677	14,208,217
Funded status	416,530	2,559,176

## Actuarial Gain/Loss recognized

	2009-10	2008-09
Actuarial gain/(loss) for the year - obligation	(928,422)	(845,349)
Actuarial (gain)/loss for the year - plan assets	124,239	NIL
Total (gain)/loss for the year	1,052,661	845,349
Actuarial (gain)/loss recognized in the year	1,052,661	845,349

## The amounts to be recognized in the Balance Sheet and statements of Profit and Loss

	2009-10	2008-09
Present value of obligations as at the end of year	17,005,147	11,649,041
Fair value of plan assets as at the end of the year	17,421,677	14,208,217
Funded status	416,530	2,559,176

## Expenses Recognised in statement of Profit &amp; Loss

	2009-10	2008-09
Current Service cost	4,333,828	1,900,814
Interest Cost	899,690	728,588
Expected return on plan assets	(1,403,707)	978,485
Net Actuarial (gain)/loss recognised in the year	1,052,661	845,349
Expenses recognised in statement of Profit and Loss	4,882,472	2,496,266

## Actuarial Assumptions

	2009-10	2008-09
Discount Rate	8.40%	8.00%
Rate of increase in compensation levels	5.00%	4.00%
Expected Return on Plan Assets	9.25%	9.25%

# Financial Statements

Kale Consultants Limited

## Schedules

### b. Leave Encashment

In accordance with Accounting Standards 15 (Revised) on Employee Benefits, the Company provides for leave salary on the basis of actuarial valuation:

#### Assumptions

##### Economic Assumptions

(Amount in Rs.)

	2009-10	2008-09
Discount Rate	7.50%	6.75%
Basic salary increase allowing for Price inflation	5.00%	4.00%

##### Demographic Assumptions

	2009-10	2008-09
Mortality	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Disability	None	None
Employee Turnover	15%	20%
Normal retirement age	58 years	58 years

##### Reconciliation of PBO

	2009-10	2008-09
Projected Benefit Obligation at beginning of year	26,584,208	23,487,737
Current Service Cost	1,671,637	1,476,928
Interest Cost	1,828,754	1,882,517
Contributions by plan participation	-	-
Actuarial (Gain)/Loss due to change in assumptions	2,356,904	2,603,422
Benefits Paid	(2,326,382)	(2,866,396)
Past service cost	-	-
Amalgamations	-	-
Curtailments	-	-
Settlements	-	-
<b>Projected Benefit Obligation at End of year</b>	<b>30,115,121</b>	<b>26,584,208</b>

##### Plan Asset at Fair Value

	2009-10	2008-09
Plan Asset at beginning of year	-	-
Foreign currency exchange rate changes on plans measured in a currency different from the enterprise's reporting currency	-	-
Expected Return on Plan Asset	-	-
Employer Contribution	-	-

## Financial Statements

## Kale Consultants Limited

## Schedules

(Amount in Rs.)

	2009-10	2008-09
Employee Contribution	-	-
Benefit Payments	-	-
Asset Gain/(Loss)	-	-
Amalgamations	-	-
Settlements	-	-
<b>Ending Asset</b>	-	-
Total actuarial gain(loss) to be recognised immediately	(2,356,904)	(2,603,422)

<b>Amount to be Recognised in the Balance Sheet</b>	<b>2009-10</b>	<b>2008-09</b>
Projected Benefit Obligation at End of year	30,115,121	26,584,208
Ending Asset	-	-
Funded Status asset/(liability)	(30,115,121)	(26,584,208)
<b>Liability(-)/Asset(+) recognised in Balance Sheet</b>	<b>(30,115,121)</b>	<b>(26,584,208)</b>

<b>Statement of Profit and Loss</b>	<b>2009-10</b>	<b>2008-09</b>
Current Service Cost	1,671,637	1,476,928
Interest Cost	1,828,754	1,882,517
Expected return on plan asset	-	-
Net actuarial (gain)/loss to be recognised in year	2,356,904	2,603,422
Past Service Cost	-	-
Effect of Curtailments	-	-
<b>Income(-)/Expense (+) recognised in the statement of Profit and Loss</b>	<b>5,857,295</b>	<b>5,962,867</b>

## 11. Borrowing Costs

During the year, no amount for the interest and other ancillary costs in respect of loan for development of software products has been capitalized as per Accounting Standard 16 regarding Borrowing Costs (Previous year Rs.Nil).

## 12. Segmental Reporting

The Company has only one division which addresses the Travel and Transportation vertical. This, in context of Accounting Standard 17 (AS17) on segment reporting, is considered to constitute one single segment.

## 13. Related Party Transactions

(Amount in Rs.)

Sr. No.	Particulars	Subsidiaries	Key Management Personnel
1	Services rendered	126,487,571	
2	Services received	13,096,791	
3	Claims raised for expenses	33,862,963	
4	Claims received for expenses	10,114,939	
5	Remuneration paid*		14,950,195
	Outstanding Balances:		
1	Services rendered (net)	23,084,332	

\* Remuneration is paid to the Managing Director



# Financial Statements

## Kale Consultants Limited

### Schedules

Subsidiaries :

Kale Softech Inc., USA  
 Kale Technologies Limited, UK  
 Synetairos Technologies Limited, India  
 Kale Revenue Assurance Services Limited, UK  
 Zero Octa UK Limited, UK  
 Zero Octa Selective Sourcing India Private Limited, India  
 Zero Octa Recruitment & Training (India) Private Limited, India  
 Zero Octa Group Limited, UK  
 Key Management Personnel :  
 Narendra Kale, Chairman  
 Vipul Jain, Managing Director

#### 14. Leased Assets

- Assets acquired under finance lease comprise of Computer Hardware. There are no exceptional/restrictive covenants in the lease agreements.
- The minimum lease payment outstanding and their present value at the Balance Sheet date that have been capitalized are as follows:

(Amount in Rs.)

Particulars	2009-10		2008-09	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
Not later than 1 year	16,163,703	14,051,782	14,097,986	12,257,650
Later than 1 year but not later than 5 years	18,121,787	16,650,165	13,998,087	12,844,784

Particulars	2009-10	2008-09
Minimum lease payments as above	34,285,491	28,096,073
Less: finance charges	3,583,543	2,993,640
Present Value of Lease Payments	30,701,947	25,102,433

#### 15. Earnings Per Share (EPS)

(Amount in Rs.)

	Basic	Diluted
Net profit after tax as per Profit & Loss A/c	191,405,576	191,405,576
Add: Prior period Items	3,058,631	3,058,631
Net profit attributable to equity shareholders	194,464,207	194,464,207
Weighted average number of equity shares used as denominator for calculating EPS	13,383,050	14,386,469
Earnings per share (before exceptional Items)	14.53	13.52
Earnings per share (After exceptional Items)	14.53	13.52
Face value per equity share	10.00	10.00

## Kale Consultants Limited

## Schedules

## 16. Taxes

Provision for current taxes and Wealth Tax has been made in the books of accounts. As on the balance sheet date the timing difference between book and taxable profit has resulted in a deferred tax asset.

(Amount in Rs.)

	Deferred Tax (Asset)/Liability as on April 1, 2009	Current Year (Credit)/Charge	Deferred Tax (Asset)/Liability as on March 31, 2010
Difference between book depreciation and tax depreciation	6,031,545	(1,109,604)	4,921,941
Provision for Leave Encashment	(9,035,972)	(1,200,158)	(10,236,130)
<b>Total</b>	<b>(3,004,428)</b>	<b>(2,309,761)</b>	<b>(5,314,189)</b>

## 17. Intangible Assets

The details of Intangible assets as required to be disclosed as per Accounting Standard 26 (AS26) are reflected in Schedule 4 of the Financial Statements. The Intangible Assets comprise of acquired and internally generated software products described as "Acquired Products" and "Owned Products" respectively. The addition to the internally generated software products is towards enhancing and upgrading the products with respect to their capabilities and features to cater to the needs of the market.

## 18. Impairment of Assets

The Company has assessed its assets in accordance with Accounting Standards on Impairment of Assets (AS28). As a result of this assessment, on a conservative basis the Company has decided to reduce the carrying amount of certain Software Assets by an amount of Rs.18,694,933 (Previous Year Rs. Nil). This amount has been shown under the head 'Depreciation & Impairment' in the Profit And Loss account.

## 19. Contingent Liabilities

Contingent Liabilities not provided for include:

- Bank Guarantees to the tune of Rs.31,016,470 as at March 31, 2010 in favour of various parties (Previous year Rs. 18,686,388).
- Bank Guarantee of GBP 1.2 mn on behalf of its subsidiary Company viz., Kale Revenue Assurance Services Limited in respect of payment obligation towards acquisition of Zero Octa.
- The company had filed following cases under Central Sales Tax Act, 1956 and Bombay Sales Tax Act, 1959 with Asst. Commissioner of Sales Tax, (Appeals), Pune with respect to a) Demand of Rs.656,580 pertaining to Year 1997-98 for disallowance of overseas sales and services, b) Demand of Rs. 191,587 relating to disallowance of software services for the year 1998-99 c) Demand of Rs. 137,760 relating to disallowance of set off for the year 1999-00. Further the company had filed appeals with Deputy Commissioner of Sales Tax (Appeals), Pune with respect to a) Rs.1,360,683 relating to software services disallowed and Rs.27,126 relating to disallowance of set off for the year 2000-01 b) Rs. 7,870,739 relating to disallowance of Software services and maintenance of software for the year 2001-02.

## 20. Provisions, Contingent Assets &amp; Liabilities

In respect of provisions, contingent assets and contingent liabilities as required by Accounting Standard 29, the carrying amount at the beginning towards provision for employee dues, statutory dues and expenses were Rs. 40,051,888 The additional provision made for the year was Rs.52,758,734 payments made during the year were Rs.25,817,931 and Rs.2,303,373 was written back during the year. The carrying amount at the end of the year was Rs. 64,689,317.

- The Company is following accrual method of accounting in respect of liabilities and provisions. The provisions, have been made on actual basis wherever information is available and in other cases the same is estimated on the basis of past records.
- The expected timing of any resulting outflow and economic benefits depends on contractual terms, obligation and such other factors depending on case to case basis.
- The management expects no reimbursements.
- The company does not expect any estimated financial effect resulting into liability, contingent or otherwise.

# Financial Statements

**Kale Consultants Limited**

## Schedules

### 21. Subsidiaries

1. During the year, the Company invested a sum of Rs. 51,415,000 in its wholly owned subsidiary, viz. Kale Revenue Assurance Services Limited towards allotment of 650,000 shares.
2. During the year the subsidiary Kale Technologies Limited has applied for a strike off. Accordingly an amount of Rs. 10,509,675 has been transferred to the parent Company which has been treated as advances.

### 22. Disclosure under Micro Small and Medium Enterprises Development Act, 2006

The company has compiled the following information based on the data available with the Company.

- a. Principal amount remaining unpaid to Micro and Small Enterprise suppliers, as on March 31, 2010: Nil.
- b. Amount of interest paid: Nil.
- c. Amount of interest due and remaining unpaid as on March 31, 2010: Nil.
- d. Amount of interest accrued and remaining unpaid as on March 31, 2010: Nil.
- e. Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act: Nil.

As at March 31, 2010, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006.

### 23. Others

1. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 9,620,431 (Previous year Rs.7,045,297)
2. Profits/(Losses) of subsidiary companies are not dealt with in the books of accounts of the Company.
3. In the opinion of the Board, the current assets, loans and advances have been stated at a value realisable in the ordinary course of business.
4. In respect of UK branch of the Company the accounts of the branch are incorporated on transaction basis as per the authenticated information / statements and records submitted by the UK branch.
5. Previous Year figures have been regrouped and rearranged wherever necessary.

**For M/s. D.G. Kurundwadkar**  
**Chartered Accountant**

**D.G.Kurundwadkar**  
**Proprietor**

**Narendra Kale**  
**Chairman**

**Prabhakar Deodhar**  
**Director**

**Pravin Gandhi**  
**Director**

**Ninad Umrnikar**  
**Company Secretary**

**For and on behalf of the Board of Directors**

Place : Thane

Date : April 22, 2010

## Financial Statements

## Kale Consultants Limited

Cash Flow Statement	For the year ended March 31, 2010 (Amount in Rs.)	For the year ended March 31, 2009 (Amount in Rs.)
<b>Cash Flow from Operating Activities</b>		
Net Profit / (Loss) Before Tax (Excluding Profit / loss on revaluation of cash and cash equivalent .....	<b>202,595,815</b>	<b>108,168,708</b>
<b>Adjustments for :</b>		
Add : Depreciation & Impairment .....	62,084,235	42,740,913
Amortisation of Product Cost .....	68,850,319	64,039,260
Interest Paid .....	2,594,449	4,212,080
Loss/(Profit) on Sale of Fixed Assets .....	1,290,036	(583,668)
Prior Period Expenses (net) .....	3,058,631	(2,497,718)
Less : Other Income (Interest and Dividend Received) .....	(3,494,352)	(5,663,454)
Miscellaneous Income .....	(3,286,727)	(4,026,559)
<b>Operating Profit/(Loss) Before Working Capital Changes .....</b>	<b>333,692,405</b>	<b>206,389,562</b>
Adjustment for :		
(Increase)/Decrease in Inventory .....	-	-
(Increase)/Decrease in Sundry Debtors .....	(112,786,980)	(65,872,677)
(Increase)/Decrease in Loans and Advances .....	6,097,087	(4,483,687)
(Increase)/Decrease in Other Current Assets .....	(29,304,295)	65,222,224
Increase/(Decrease) in Current Liabilities and Provisions .....	42,949,559	89,436,212
<b>Cash Generated from Operations .....</b>	<b>240,647,776</b>	<b>290,691,634</b>
Less : Interest Paid .....	(2,594,449)	(4,212,080)
Direct Tax Paid .....	(24,902,012)	(47,899,331)
Add : Miscellaneous Income .....	3,286,727	4,026,559
<b>Net Cash Flow from Operating Activities (A) .....</b>	<b>216,438,042</b>	<b>242,606,782</b>
<b>Cash Flow from Investing Activities</b>		
Additions to Fixed Assets (including Capital WIP) .....	(78,931,670)	(115,447,224)
Proceeds from Sale of Fixed Assets .....	421,431	2,376,991
(Purchase) / Sale of Investments .....	(51,415,000)	(64,681,011)
Less : Dividend Paid including Dividend Distribution Tax .....	(15,632,209)	(11,714,389)
Add: Other Income (Interest and Dividend Received) .....	3,494,352	5,663,454
<b>Net Cash used in Investing Activities (B) .....</b>	<b>(142,063,096)</b>	<b>(183,802,179)</b>
<b>Cash Flow from Financing Activities</b>		
Proceeds from issue of Share Capital .....	27,731,188	451,441
Increase/(Decrease) in Secured Loans .....	15,413,063	(35,364,872)
<b>Net Cash from Financing Activities (C) .....</b>	<b>43,144,251</b>	<b>(34,913,431)</b>
<b>NET CASH (A+B+C) .....</b>	<b>117,519,199</b>	<b>23,891,175</b>
Cash and Cash Equivalents at the beginning of the period .....	136,616,991	112,725,816
Cash and Cash Equivalents at the end of the period .....	254,136,190	136,616,991
<b>Net Increase/(Decrease) in Cash and Cash Equivalents .....</b>	<b>117,519,199</b>	<b>23,891,175</b>

For M/s. D.G. Kurundwadkar  
Chartered Accountant

For and on behalf of the Board of Directors

D.G.Kurundwadkar  
Proprietor

Narendra Kale  
Chairman

Prabhakar Deodhar  
Director

Pravin Gandhi  
Director

Ninad Umranikar  
Company Secretary

Place : Thane  
Date : April 22, 2010

## Financial Statements

Kale Consultants Limited

## Balance Sheet Abstract

## I Registration Details

Registration No.	4 1 0 3 3	State Code	1 1
Balance Sheet Date	March 31, 2010		

## II Capital raised during the year (Amount in Rs.'000)

Public Issue	Nil	Rights Issue	Nil
Bonus Shares	Nil	Private Placement	Nil
ESOPs	831.11	Preferential Allotment	3,694.75

## III Position of Mobilisation and Deployment of Funds (Amount in Rs.'000)

Total Liabilities	1,169,214	Total Assets	1,169,214
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## Sources of Funds

Paid-up Capital	138,146	Reserves & Surplus	977,441
Secured Loans	45,645	Unsecured Loans	Nil
Partly Paid Warrants	7,981		

## Application of Funds

Net Fixed Assets	297,901	Investments	330,207
Net Current Assets	535,791	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil		

## IV Performance of the Company (Amount in Rs.'000)

Total Income	1,274,076	Total Expenditure	1,071,480
Profit/(Loss) before Tax	202,596	Profit/(Loss) after Tax	191,406
Earnings per Share (Rs.)	14.53	Dividend (%)	20.00

## V Generic names of principal services of the Company (as per monetary terms)

Item Code No. (ITC Code)	8 5 2 4 9 0
Product Description	Computer Software

## Consolidated Financial Statements

### Kale Consultants Limited

#### Auditor's Report

To,  
The Board of Directors,  
Kale Consultants Limited,  
Pune

I have examined the attached Consolidated Balance Sheet of Kale Consultants Limited and its subsidiaries as at March 31, 2010, the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit. I have conducted my audit in accordance with generally accepted auditing standards in India. These standards require that I plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. I believe that my audit provides a reasonable basis for my opinion.

I further report that in respect of the following subsidiaries except Synetairos Technologies Limited, Zero Octa Selective Sourcing India Private Limited and Zero Octa Recruitment & Training (India) Private Limited, I did not carry out the audit. These financial statements have been certified by Management and have been furnished to me, and my opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on these certified financial statements. Since the financial statements for the financial year ended March 31, 2010 which were compiled and certified by management, any adjustments to their balances could have consequential effects on the attached consolidated financial statements. The details of assets and revenues in respect of the subsidiaries are given below:

(Amount in Rs.)

Sr.No.	Name of the Subsidiary/JV	Total Assets	Total Revenue
1	Kale Softech Inc.	60,270,300	202,568,805
2	Kale Technologies Limited	-	-
3	Kale Revenue Assurance Services Limited	263,862,284	-
4	Zero Octa UK Limited	23,699,067	264,720,058
5	Zero Octa Selective Sourcing India Private Limited	126,999,262	177,421,671
6	Zero Octa Recruitment & Training (India) Private Limited	525,605	573,722
7	Zero Octa Group Limited	79	-
8	Synetairos Technologies Limited	37,996,104	64,148,270

I report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard-21 (AS 21), Consolidated Financial Statements and on the basis of the separate audited/certified financial statements of Kale Consultants Limited and its subsidiaries included in the Consolidated Financial Statements.

I report that on the basis of the information and explanations given to me and on the consideration of the separate audit report on individual audited statements and financial statements certified by the management, I am of the opinion that :

- the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Kale Consultants Limited and its subsidiaries as at March 31, 2010;
- the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Kale Consultants Limited and its subsidiaries for the year then ended; and
- the Consolidated Cash Flow Statement gives a true and fair view of the cash flow of Kale Consultants Limited and its subsidiaries to the extent applicable.

**For M/s. D.G. Kurundwadkar**  
**Chartered Accountant**

**D. G. Kurundwadkar**  
**Proprietor**  
**Membership No. 35602**

Place : Thane  
Date : April 22, 2010

## Consolidated Financial Statements

## Kale Consultants Limited

Balance Sheet		As at March 31, 2010 (Amount in Rs.)	As at March 31, 2009 (Amount in Rs.)
	Schedule		
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital .....	1	138,146,240	133,620,380
Reserves and Surplus .....	2	1,085,235,608	842,651,810
Partly Paid Warrants .....		7,980,775	-
		<b>1,231,362,623</b>	<b>976,272,190</b>
<b>Loan Funds</b>			
Secured Loans .....	3	46,000,122	30,659,413
Unsecured Loan .....		-	-
		46,000,122	30,659,413
Minority Interest .....		19,197,002	15,304,021
<b>TOTAL .....</b>		<b>1,296,559,747</b>	<b>1,022,235,624</b>
<b>APPLICATION OF FUNDS</b>			
Goodwill .....		371,016,928	141,039,364
<b>Fixed Assets .....</b>	4		
Gross Block .....		870,698,110	1,008,654,150
Less : Depreciation .....		342,157,037	310,125,064
Less : Amortization of Product Cost .....		220,265,048	332,570,730
		308,276,025	365,958,356
Capital Work-in-Progress .....		2,788,140	-
Net Block .....		311,064,165	365,958,356
<b>Investments .....</b>	5	60,000	60,000
<b>Deferred Tax Asset .....</b>		10,699,209	4,347,738
<b>Current Assets, Loans and Advances</b>			
Sundry Debtors .....	6	391,931,591	272,283,219
Cash and Bank Balances .....	7	347,643,817	261,105,900
Other Current Assets .....	8	74,662,759	55,293,850
Loans and Advances .....	9	275,519,524	235,572,666
		<b>1,089,757,691</b>	<b>824,255,635</b>
<b>Less : Current Liabilities and Provisions .....</b>	10		
Current Liabilities .....		271,679,801	219,009,653
Provisions .....		214,358,445	94,415,816
		<b>486,038,246</b>	<b>313,425,469</b>
Net Current Assets .....		<b>603,719,445</b>	<b>510,830,166</b>
<b>TOTAL .....</b>		<b>1,296,559,747</b>	<b>1,022,235,624</b>
Significant Accounting Policies and Notes to Accounts .....	14		

The Schedules referred to above and the notes thereon form an integral part of the Consolidated Balance Sheet.  
This is the Consolidated Balance Sheet referred to in my report of even date.

For M/s. D.G. Kurundwadkar  
Chartered Accountant

For and on behalf of the Board of Directors

D.G. Kurundwadkar  
Proprietor

Ninad Umranikar  
Company Secretary

Narendra Kale  
Chairman

Prabhakar Deodhar  
Director

Pravin Gandhi  
Director

Place : Thane  
Date : April 22, 2010



## Consolidated Financial Statements

## Kale Consultants Limited

<b>Profit And Loss Account</b>	Schedule	For the year ended March 31, 2010 (Amount in Rs.)	For the year ended March 31, 2009 (Amount in Rs.)
<b>Income</b>			
Net Sales/Income from Operations .....		1,659,202,724	1,446,572,103
Other income .....	11	10,265,836	14,706,318
<b>TOTAL .....</b>		<b>1,669,468,560</b>	<b>1,461,278,421</b>
<b>Expenditure</b>			
Software Development, Delivery and Support Expenses .....	12	762,155,693	708,464,252
Administration, Selling and General Expenses .....	13	537,011,415	483,874,756
<b>TOTAL .....</b>		<b>1,299,167,108</b>	<b>1,192,339,008</b>
Less : Product Development Cost .....		(31,146,943)	(70,116,689)
<b>Total Operating Expenses .....</b>		<b>1,268,020,165</b>	<b>1,122,222,319</b>
<b>Operating Profit (PBITD) .....</b>		<b>401,448,395</b>	<b>339,056,102</b>
Interest and Finance Charges .....		2,636,500	4,435,830
Depreciation and Impairment .....		70,835,987	52,224,632
Amortization of Product Cost .....		68,850,319	66,439,260
<b>Profit Before Tax and Exceptional Item .....</b>		<b>259,125,589</b>	<b>215,956,380</b>
Exceptional Item .....		21,813,000	(21,813,000)
<b>Profit Before Tax (PBT) .....</b>		<b>280,938,589</b>	<b>194,143,380</b>
Provision for Taxation			
-Current Tax .....		45,322,978	31,206,507
-MAT Credit Entitlement .....		(23,723,652)	(16,636,525)
-Deferred Tax .....		(3,619,240)	2,058,690
-Fringe Benefit Tax .....		-	4,579,367
<b>Profit After Tax (PAT) .....</b>		<b>262,958,503</b>	<b>172,935,341</b>
Prior Period Items .....		1,227,951	(2,768,175)
Minority Interest .....		(3,892,980)	(4,513,037)
Profit brought forward from previous year .....		460,055,712	310,033,792
<b>Amount available for Appropriations .....</b>		<b>720,349,186</b>	<b>475,687,921</b>
<b>Appropriations</b>			
Transferred to/(from) General Reserve .....		14,584,816	-
Proposed Dividend .....		27,628,038	13,361,433
Dividend Distribution Tax .....		4,589,020	2,270,776
Balance carried forward to Balance Sheet .....		673,547,312	460,055,712
<b>TOTAL .....</b>		<b>720,349,186</b>	<b>475,687,921</b>
<b>Earnings Per Share (Equity shares, face value Rs. 10 each)</b>			
Basic .....		19.45	12.40
Diluted .....		18.09	12.40
<b>Number of shares used in computing earnings per share</b>			
Basic .....		13,383,050	13,359,260
Diluted .....		14,386,469	13,359,260
Significant Accounting Policies and Notes to Accounts .....	14		

The Schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account.  
This is the Profit and Loss Account referred to in my report of even date.

For M/s. D.G. Kurundwadkar  
Chartered Accountant

For and on behalf of the Board of Directors

D.G. Kurundwadkar  
Proprietor

Ninad Umrnikar  
Company Secretary

Narendra Kale  
Chairman

Prabhakar Deodhar  
Director

Pravin Gandhi  
Director

Place : Thane  
Date : April 22, 2010

## Consolidated Financial Statements

## Kale Consultants Limited

Schedules	As at March 31, 2010 (Amount in Rs.)	As at March 31, 2009 (Amount in Rs.)
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
15,000,000 Equity Shares of Rs. 10 each .....	150,000,000	150,000,000
<b>Issued, Subscribed and Paid-up</b>		
13,814,019 (Previous Year 13,361,433) Equity Shares of Rs. 10 each fully paid up (of the above 6,000 equity shares of Rs. 1,000 each allotted as fully paid bonus shares by way of capitalisation of accumulated profits, split into 600,000 equity shares of Rs. 10 each and 5,412,500 equity shares of Rs. 10 each allotted as fully paid up)	138,140,190	133,614,330
Add : Forfeited Shares .....	6,050	6,050
<b>TOTAL .....</b>	<b>138,146,240</b>	<b>133,620,380</b>
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>Securities Premium</b>		
As per last Balance Sheet .....	369,584,620	369,244,589
Add : Additions during the year .....	15,224,553	340,031
	384,809,173	369,584,620
<b>General Reserve</b>		
As per last Balance Sheet .....	17,238,530	17,238,530
Add: Transferred from Profit and Loss Account .....	14,584,816	-
	31,823,346	17,238,530
<b>Profit and Loss Account</b>		
(As per last Balance Sheet) .....	460,055,712	310,033,792
Add: Profit during the year .....	213,491,601	150,021,920
Add: Transitional Deferred Tax and employee benefit .....	2,397,729	-
Transfer of profit on disposal of investment in subsidiaries .....	(10,383,879)	
Translation Reserve .....	3,041,926	(4,227,052)
<b>TOTAL .....</b>	<b>1,085,235,608</b>	<b>842,651,810</b>
<b>SCHEDULE 3 : SECURED LOANS</b>		
Working Capital Loan from State Bank of India .....	10,343,100	-
Interest accrued and due .....	3,498	11,805
Other Loans		
Vehicle Loans .....	4,951,577	5,545,175
Lease Finance .....	30,701,947	25,102,433
<b>TOTAL .....</b>	<b>46,000,122</b>	<b>30,659,413</b>

## Kale Consultants Limited

## Consolidated Financial Statements

(Amount in Rs.)

Particulars	Gross Block			Depreciation and Amortisation			Net Block	
	As at April 1, 2009	Additions during the year	Deductions during the year	As at March 31, 2010	Total upto March 31, 2009	During the year	On deletions	Total upto March 31, 2010
Goodwill	1	-	-	1	-	-	-	-
Building	63,259,128	-	-	63,259,128	25,656,638	1,880,125	-	27,536,763
Plant and Machinery	185,051,703	4,048,224	15,257,268	173,842,659	144,112,198	17,493,116	14,481,218	147,124,096
Software	73,260,300	8,704,699	110,334	81,854,665	50,400,517	9,760,860	110,334	60,051,043
Furniture, Fixture, Equipments and Other Assets	53,045,606	1,166,954	5,007,693	49,204,867	35,889,993	3,739,150	4,248,047	35,381,096
Vehicles	19,401,805	2,665,988	1,499,260	20,568,533	11,388,050	2,591,846	1,269,483	12,710,413
Leased Assets	60,049,249	19,339,176	-	79,388,424	30,677,670	16,675,957	-	47,353,627
<b>TOTAL (a)</b>	<b>454,067,791</b>	<b>35,925,041</b>	<b>21,874,555</b>	<b>468,118,277</b>	<b>298,125,066</b>	<b>52,141,054</b>	<b>20,109,082</b>	<b>330,157,038</b>
Owned Products	482,286,160	47,844,409	199,850,935	330,279,634	272,270,531	68,850,319	181,156,001	159,964,849
Acquired Products	60,300,199	-	-	60,300,199	60,300,199	-	-	60,300,199
Commercial Right	12,000,000	-	-	12,000,000	12,000,000	-	-	12,000,000
<b>TOTAL (b)</b>	<b>554,586,359</b>	<b>47,844,409</b>	<b>199,850,935</b>	<b>402,579,833</b>	<b>344,570,730</b>	<b>68,850,319</b>	<b>181,156,001</b>	<b>232,265,048</b>
Capital WIP (PDC)	-	-	-	-	-	-	-	2,788,140
<b>TOTAL (c)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total (a+b+c)</b>	<b>1,008,654,150</b>	<b>83,769,450</b>	<b>221,725,490</b>	<b>870,698,110</b>	<b>642,695,796</b>	<b>120,991,373</b>	<b>201,265,083</b>	<b>562,422,086</b>
Previous Year	904,515,306	120,028,817	15,889,972	1,008,654,150	538,042,498	118,663,892	14,010,599	642,695,794
								366,472,808

# Consolidated Financial Statements

**Kale Consultants Limited**

<b>Schedules</b>	As at March 31, 2010 (Amount in Rs.)	As at March 31, 2009 (Amount in Rs.)
<b>SCHEDULE 5 : INVESTMENTS (Non Trade, Long Term Investment)</b> (At cost, unless otherwise stated)		
<b>Investments in Shares of Banks (unquoted)</b>		
Rupee Co-op. Bank Ltd. 5,000 shares of Rs. 10 each fully paid up ..... (Previous Year 5,000 shares of Rs. 10 each fully paid up)	50,000	50,000
Saraswat Co-op. Bank Ltd. 1,000 Equity Shares of Rs. 10 each fully paid up ..... (Previous Year 1,000 shares of Rs. 10 each fully paid up)	10,000	10,000
<b>TOTAL .....</b>	<b>60,000</b>	<b>60,000</b>
<b>SCHEDULE 6 : SUNDRY DEBTORS (Unsecured)</b>		
Debts outstanding for a period exceeding six months .....	47,876,021	6,153,439
Other Debts .....	344,055,570	266,129,780
<b>TOTAL .....</b>	<b>391,931,591</b>	<b>272,283,219</b>
<b>SCHEDULE 7 : CASH AND BANK BALANCES</b>		
Cash in hand .....	156,745	83,422
<b>Balance with Scheduled Banks</b>		
- in Current Accounts .....	226,905,938	102,895,722
- in Short Term Deposits .....	57,167,589	96,892,157
<b>Balance with Other Banks</b>		
- in Current Accounts .....	55,240,476	61,234,599
- in Short Term Deposits .....	8,173,069	-
<b>TOTAL .....</b>	<b>347,643,817</b>	<b>261,105,900</b>
<b>SCHEDULE 8 : OTHER CURRENT ASSETS</b>		
Interest accrued on deposits .....	1,620,198	3,454,523
Income accrued but not due .....	73,042,561	51,839,327
<b>TOTAL .....</b>	<b>74,662,759</b>	<b>55,293,850</b>
<b>SCHEDULE 9 : LOANS AND ADVANCES (Unsecured, considered good)</b>		
Advances recoverable in cash or in kind or for value to be received .....	16,831,732	24,102,937
Loans and advances to Employees (including officers) .....	2,096,131	2,087,374
Advance Income Tax (including Tax Deducted at Source) .....	182,217,974	131,022,733
Prepaid Expenses .....	18,828,706	20,270,121
Other Deposits .....	53,738,227	55,965,682
Other Loans and advances .....	1,806,754	2,123,819
<b>TOTAL .....</b>	<b>275,519,524</b>	<b>235,572,666</b>

## Consolidated Financial Statements

## Kale Consultants Limited

Schedules	As at March 31, 2010 (Amount in Rs.)	As at March 31, 2009 (Amount in Rs.)
<b>SCHEDULE 10 : CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors		
Others .....	31,811,892	26,034,908
Advances from Clients .....	18,737,501	51,560,387
Income Received in Advance .....	12,063,281	13,678,907
Other Liabilities .....	207,829,092	126,842,579
Unpaid Dividend .....	1,238,035	892,872
	<u>271,679,801</u>	<u>219,009,653</u>
<b>B. Provisions</b>		
Provision for Taxation .....	100,229,387	56,970,607
Proposed Dividend .....	27,628,038	13,361,433
Dividend Distribution Tax .....	4,589,020	2,270,776
Provision for Deferred Consideration .....	81,912,000	-
Provision for Earn Out .....	-	21,813,000
	<u>214,358,445</u>	<u>94,415,816</u>
<b>TOTAL .....</b>	<b><u>486,038,246</u></b>	<b><u>313,425,469</u></b>

Schedules	For the year ended March 31, 2010 (Amount in Rs.)	For the year ended March 31, 2009 (Amount in Rs.)
<b>SCHEDULE 11 : OTHER INCOME</b>		
Interest .....	5,566,940	7,910,680
Profit on Sale of Investments .....	-	51,182
Profit on Sale of Assets .....	127,500	583,668
Miscellaneous Income .....	4,563,796	6,160,788
Dividend Received .....	7,600	-
<b>TOTAL .....</b>	<b><u>10,265,836</u></b>	<b><u>14,706,318</u></b>

**SCHEDULE 12 : SOFTWARE DEVELOPMENT, DELIVERY AND SUPPORT EXPENSES**

Salaries and Incentives .....	621,566,086	584,126,183
Company's contribution to Provident Fund and Gratuity .....	22,608,146	22,343,088
Staff Welfare Expenses .....	5,707,927	3,836,253
Cost of Third Party Products .....	8,960,541	1,540,764
Consumables and Spare Parts .....	2,321,205	4,123,448
Cost of Software and Maintenance .....	17,966,740	16,156,924
Communication Expenses .....	13,448,281	12,683,154
Consultancy Charges .....	13,731,051	12,415,059
Travelling Expenses .....	5,545,663	6,098,485
Foreign Travelling Expenses .....	8,777,839	8,216,005
General & others .....	7,764,328	806,016
Application Hosting .....	16,137,720	15,213,925
Data Processing and Image Capturing Charges .....	17,620,166	20,904,948
<b>TOTAL .....</b>	<b><u>762,155,693</u></b>	<b><u>708,464,252</u></b>

# Consolidated Financial Statements

## Kale Consultants Limited

Schedules	For the year ended March 31, 2010 (Amount in Rs.)	For the year ended March 31, 2009 (Amount in Rs.)
<b>SCHEDULE 13 : ADMINISTRATION, SELLING AND OTHER EXPENSES</b>		
Salaries and Allowances .....	156,313,281	154,332,853
Company's contribution to Provident Fund and Gratuity .....	3,933,474	6,645,510
Staff Welfare Expenses .....	16,484,186	10,568,799
Directors Sitting Fees .....	145,000	150,000
Commission to Non-Executive Directors .....	300,000	300,000
Audit Fees .....	2,626,936	2,382,327
Travelling Expenses .....	10,250,395	11,688,800
Foreign Travelling Expenses .....	24,815,815	16,573,611
Printing and Stationery .....	4,860,541	4,656,127
Postage, Telephone and Courier Charges .....	9,029,753	10,161,829
Repairs and Maintenance		
Buildings .....	2,881,648	2,094,662
Plant and Machinery .....	2,666,566	2,004,185
Others .....	15,183,360	12,283,958
General Expenses .....	28,129,809	30,315,583
Subscription and Membership .....	11,425,747	12,725,453
Rent .....	91,246,297	99,036,969
Sales Promotion and Advertisement .....	45,955,098	40,149,277
Rates and Taxes .....	2,027,790	1,631,900
Insurance .....	5,039,230	4,834,540
Legal and Professional Charges .....	30,246,309	9,925,384
Power, Fuel and Water Charges .....	31,786,986	36,385,981
Donation .....	719,450	1,155,671
Bank Commission and Other Charges .....	8,081,401	2,418,246
Exchange Loss .....	21,990,317	1,295,484
Provision for Doubtful Debts .....	7,303,573	1,964,976
Loss on Sale of Assets .....	1,303,482	86,050
Bad Debts Written Off .....	2,160,326	8,033,587
Value Added Tax .....	104,645	72,994
<b>TOTAL .....</b>	<b>537,011,415</b>	<b>483,874,756</b>

# Consolidated Financial Statements

## Kale Consultants Limited

### Schedules

#### SCHEDULE 14 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

##### 1. Basis of Accounting/Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on a going concern and accrual basis of accounting and comply in all material respects with the mandatory Accounting Standards issued under Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956. All amounts are stated in Indian Rupees unless otherwise stated.

In accordance with Accounting Standard 21 "Consolidated Financial Statements" issued under Companies (Accounting Standard) Rules, 2006, the Consolidated Financial Statements of Kale Consultants Limited include the financial statements of all its subsidiaries viz. Kale Softech Inc., Kale Technologies Limited, Synetairos Technologies Limited and Kale Revenue Assurance Services Limited (Along with it's wholly owned Subsidiary Zero Octa UK Limited and it's subsidiaries Zero Octa Selective Sourcing India Private Limited, Zero Octa Recruitment and Training (India) Private Limited and Zero Octa Group Limited).

##### 2. The particulars of subsidiaries are as follows:

Sr. No.	Name of the Subsidiary	Country of Incorporation	Proportion of Ownership as on March 31, 2010
1.	Kale Softech, Inc.	United States of America	100%
2.	Kale Technologies Limited	United Kingdom	100%
3.	Synetairos Technologies Limited	India	49%
4.	Kale Revenue Assurance Services Limited	United Kingdom	100%
5.	Zero Octa UK Limited	United Kingdom	100%
6.	Zero Octa Selective Sourcing India Private Limited	India	100%
7.	Zero Octa Recruitment & Training (India) Private Limited	India	100%
8.	Zero Octa Group Limited	United Kingdom	100%

The reporting date for all the above companies is March 31 of the Financial Year.

##### 3. Principles of Consolidation

The Financial Statements of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group transactions and unrealised profits and losses resulting therefrom.

##### 4. The details of related party transactions are as under:

Particulars	Key Management Personnel
Remuneration paid to Managing Director of Parent Company (i.e. Kale Consultants Limited)	Rs. 14,950,195
Key Management Personnel:	Narendra Kale (Chairman) Vipul Jain (Managing Director)

##### 5. Fixed Assets and Depreciation

Fixed Assets are stated at acquisition cost less accumulated depreciation. Depreciation is provided on Written Down Value Method in accordance with the Companies Act, 1956, except for the items mentioned below. Depreciation has been provided at the rates required/ permissible and the methods as prescribed by the local laws so as to write off the assets over their useful life.



# Consolidated Financial Statements

Kale Consultants Limited

## Schedules

The rates of depreciation are in accordance with Schedule XIV to the Companies Act, 1956 on a pro-rata basis except as given below:

Leasehold Land	To be amortized over the balance lease period on Straight Line Method.
UPS & DG Sets	To be depreciated @ 40% on written down value method.
Software	To be depreciated over estimated life of five years on Straight Line Method
Acquired and Own Products	To be amortized over estimated life of asset on Straight Line Method. The estimated life is taken as five years for most of the products of the Company.
Goodwill	To be amortized over the period of five years on Straight Line Method
Leased Assets	To be amortized over the period of lease on Straight Line Method

### 6. Goodwill

The excess of cost to the parent company of its investment in the subsidiary over its share of equity, on the acquisition date, is recognized in the financial statements as Goodwill. In case where any of the subsidiary company is acting as a parent company of any other company, the cost to that subsidiary company of its investment in its subsidiary over its share of equity, on the acquisition date, is also recognized in the financial statements as Goodwill.

### 7. Foreign Currency Transactions

The financial statements of the wholly owned foreign subsidiaries have been translated from the financial currency of the wholly owned foreign subsidiaries to reporting currency of the parent as per AS – 11 on "Accounting for the Effects of changes in Foreign Exchange Rates" issued under Companies (Accounting Standard) Rules, 2006.

In translating the financial statements of the subsidiaries, for incorporation in financial statements, all assets and liabilities, except fixed assets which are stated at historical cost, are translated at the Transaction rate; income and expense items are translated at transaction rates for the year and all resulting exchange differences are given prescribed accounting treatment in accounts.

### 8. Disclosures

The notes to the consolidated financial statements are intended to serve as a means of informative disclosure and a guide to better understanding of the financial information about the economic activities and the economic resources controlled as a single economic entity. Recognizing this purpose the Company has disclosed only such notes from the individual financial statements, which fairly present the needed disclosures. Practical consideration and lack of uniformity on account of local laws and practices made it desirable to exclude notes to accounts and accounting policies, which, in the opinion of the management, could be better viewed when referred to the individual financial statements.

### Notes forming part of Consolidated Accounts:

1. The financial statements of the parent and its subsidiaries have been consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single enterprise.
2. The excess of cost to the parent of its investment in subsidiary over the parents portion of equity of the subsidiary, at the date on which investment in subsidiary is made, had been recognized in the Consolidated Financial Statements.
3. Exceptional item of Rs.21,813,000 represents write back of provision made during the year ended March 31, 2010 towards estimated claims on account of subsidiaries.
4. The Company is an integrated business unit which addresses the Travel and Transportation vertical. This, in context of Accounting Standard 17 (AS 17) reporting, is considered to constitute one single segment.
5. The Accounting policies consistently used in the preparation of the consolidated financial statements are also applied to record revenue and expenditure in individual segments.
6. Cash Flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, investing and financing activities of the company are segregated. Opening balance of cash and cash equivalent is adjusted to the extent of cash and cash equivalents of new ventures/ Subsidiaries.
7. Previous Year figures have been regrouped and rearranged wherever necessary.

For M/s. D.G. Kurundwadkar  
Chartered Accountant

For and on behalf of the Board of Directors

D.G.Kurundwadkar  
Proprietor

Narendra Kale  
Chairman

Prabhakar Deodhar  
Director

Pravin Gandhi  
Director

Ninad Umranikar  
Company Secretary

Place : Thane

Date : April 22, 2010

## Consolidated Financial Statements

## Kale Consultants Limited

<b>Cash Flow Statement</b>	For the year ended March 31, 2010 (Amount in Rs.)	For the year ended March 31, 2009 (Amount in Rs.)
<b>Cash Flow from Operating Activities</b>		
Net Profit / (Loss) Before Tax (Excluding Profit / loss on revaluation of cash and cash equivalent) .....	280,938,589	194,143,378
<b>Adjustments to Reconcile Profit after Tax to Cash Provided by- Operating Activities</b>		
Add : Depreciation & Impairment .....	70,835,987	52,224,632
Amortisation of Product Cost .....	68,850,319	66,439,260
Interest Paid .....	2,636,500	4,435,830
Loss/Profit on Sale of Fixed Assets and Exceptional Items .....	1,148,979	(497,618)
Prior Period Expenses (net) .....	1,227,951	(2,768,175)
Less : Other Income (Interest and Dividend Received) .....	(5,574,540)	(7,910,680)
Miscellaneous Income .....	(4,536,793)	(6,160,788)
<b>Operating Profit/(Loss) Before Extra-ordinary items .....</b>	<b>415,526,990</b>	<b>299,905,839</b>
<b>Change in Current Assets and Liabilities</b>		
(Increase)/Decrease in Sundry Debtors .....	(119,648,372)	(37,333,701)
(Increase)/Decrease in Loans and Advances .....	11,248,384	(2,367,454)
(Increase)/Decrease in Other Current Assets .....	(19,368,908)	57,397,610
Increase/(Decrease) in Current Liabilities and Provisions .....	20,347,472	39,837,859
<b>Cash Generated from Operations .....</b>	<b>308,105,567</b>	<b>357,440,153</b>
Less : Interest Paid .....	(2,636,500)	(4,435,830)
Direct Tax Paid .....	(29,535,787)	(87,812,506)
Add : Miscellaneous Income .....	4,536,793	6,160,788
<b>Net Cash Generated by Operating Activities (A) .....</b>	<b>280,470,074</b>	<b>271,352,604</b>
<b>Cash Flow from Investing Activities</b>		
Additions to Fixed Assets (including Capital WIP) .....	(86,557,590)	(120,028,817)
Proceeds from Sale of Fixed Assets .....	364,182	2,603,180
Investment in subsidiaries .....	(140,752,976)	-
Less : Dividend Paid including Dividend Tax .....	(15,632,209)	(11,714,389)
Add: Other Income (Interest and Dividend Received) .....	5,574,540	7,910,680
<b>Net Cash used in Investing Activities (B) .....</b>	<b>(237,004,053)</b>	<b>(121,229,346)</b>
<b>Cash Flow from Financing Activities</b>		
Proceeds from issue of Share Capital .....	19,750,413	111,410
Proceed from Partly paid warrant .....	7,980,775	-
Increase/(Decrease) in Secured Loans .....	15,340,708	(37,334,834)
<b>Net Cash from Financing Activities (C) .....</b>	<b>43,071,897</b>	<b>(37,223,424)</b>
<b>NET CASH (A+B+C) .....</b>	<b>86,537,917</b>	<b>112,899,835</b>
Cash and Cash Equivalents at the beginning of the period (Refer Note) .....	261,105,900	148,206,065
Cash and Cash Equivalents at the end of the period (Refer Note) .....	347,643,817	261,105,900
<b>Net Increase/(Decrease) in Cash and Cash Equivalents .....</b>	<b>86,537,917</b>	<b>112,899,835</b>

For M/s. D.G. Kurundwadkar  
Chartered Accountant

For and on behalf of the Board of Directors

D.G.Kurundwadkar  
Proprietor

Narendra Kale  
Chairman

Prabhakar Deodhar  
Director

Pravin Gandhi  
Director

Ninad Umranikar  
Company Secretary

Place : Thane

Date : April 22, 2010

## Consolidated Financial Statements

## Kale Consultants Limited

## Statement pursuant to Section 212 of the Companies Act, 1956

Sr. No.	Particulars	Kale Softech Inc.	Synetairios Technologies Limited#	Kale Technologies Limited	Kale Revenue Assurance Services Limited	Zero Octa UK Limited*	Zero Octa Selective Sourcing India Private Limited*	Zero Octa Recruitment & Training (India) Private Limited*	Zero Octa Group Limited*
		(USA)	(INDIA)	(UK)	(UK)	(UK)	(INDIA)	(INDIA)	(UK)
1	Financial Year Ended	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010
2	Shares of Subsidiary held by the Company directly or through its subsidiary companies as on March 31, 2010								
a.	Number of Shares and face value	1,300,000 Class A voting common stock of USD 0.01 each and 450,000 5% Redeemable Preferred stock of USD 1 each	42,036 equity Shares of Rs. 10 each	1 Ordinary Share of GBP 1 each	2,950,000 Shares of GBP 1 each	111,000 Ordinary Shares of GBP 0.01 each	150,000 Equity Shares of Rs. 10 each	50,000 Equity Shares of Rs. 10 each	1 Ordinary Share of GBP 1 each
b.	Extent of Holding	100%	49%	100%	100%	100%	100%	100%	100%
3	Net aggregate amount of profit/ (loss) of the subsidiary so far as it concerns the members of Kale Consultants Ltd. for the current financial year.								
a.	Dealt with in the accounts of Kale Consultants Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b.	Not dealt with in the accounts of Kale Consultants Limited	USD 676,375	Rs. 7,609,048	GBP (2,037)	GBP 107,662	GBP 82,400	Rs. 15,829,195	Rs. (66,635)	Nil
4	Net aggregate amount of profit / (loss) of the subsidiary so far as it concerns the members of Kale Consultants Ltd. For the previous financial year								
a.	Dealt with in the accounts of Kale Consultants Limited	Nil	Nil	Nil	NA	NA	NA	NA	NA
b.	Not dealt with in the accounts of Kale Consultants Limited	USD 319,511	Rs. 8,696,288	GBP 1,826	GBP (1,778)	GBP 250,722	Rs. 47,406,456	Rs. 552,778	Nil

# The Company controls the composition of the Board of Directors.

\* By virtue of Section 4(1)(c) of the Companies Act, 1956, these are subsidiaries of the Company.

## Kale Consultants Limited

## Consolidated Financial Statements

## Financial Information relating to Subsidiary Companies for the year ended March 31, 2010

(Amount in Rs.)

Name of the Subsidiary Company	Capital	Reserves	Total Assets	Total Liabilities	Details of Investment (except in case of investment in the subsidiaries)	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposed dividend
Kale Softech, Inc.	20,821,110	39,505,509	99,083,615	38,756,945		193,498,489	31,943,675	1,527,091	30,416,584	-
Synetairos Technologies Limited #	857,880	36,783,299	44,935,820	7,294,641		64,148,270	11,438,488	3,829,440	7,609,048	-
Kale Revenue Assurance Services Limited	201,367,000	6,969,278	364,883,962	156,547,689			7,349,008	-	7,349,008	-
Zero Octa UK Limited*	75,769	23,490,698	135,783,816	112,217,392		238,457,504	7,813,040	2,188,416	5,624,624	17,065,000
Zero Octa Selectives Sourcing and Training India Private Limited*	1,500,000	119,039,954	154,552,353	34,012,398		177,421,671	14,813,381	(1,015,814)	15,829,195	-
Zero Octa Recruitment and Training (India) Private Limited*	500,000	25,605	849,770	324,165		573,722	(66,740)	105	(66,635)	-
Zero Octa Group Limited*	68	-	68	-		-	-	-	-	-

# The Company controls the composition of the Board of Directors

\* By virtue of Section 4(1) © of the Companies Act, 1956 these are the subsidiaries of the Company.

Note: The Ministry of Corporate Affairs, Government of India vide Letter no. 47/279/2010-CL-III dated April 12, 2010 issued under section 212 (8) of the Companies Act, 1956 has exempted the Company from attaching the documents of Company's subsidiaries, required to be attached under section 212(1) of the Companies Act, 1956 for the financial year ended March 31, 2010. However, annual accounts of Subsidiary companies and the related detailed information will be made available for inspection by any investor at the Registered Office of the Company.

In translating the financial statement of the subsidiaries, for incorporation in the consolidated financial statement, all assets and liabilities, except fixed assets which are stated at historical cost, are translated at the Transaction rate; Income and expense items are translated at transaction rates for the year and all resulting exchange differences are given prescribed accounting treatment in accounts.

While making the above statement following foreign currency rates as on March 31, 2010 have been applied:

1 USD = Rs. 44.97 in case of Kale Softech, Inc.

1 GBP = Rs. 68.26 in case of Kale Revenue Assurance Services Limited, Zero Octa UK Limited and Zero Octa Group Limited.

## Shareholder Information

**Kale Consultants Limited**

### Shareholder Information

#### 1. Annual General Meeting

- Date and Time - Tuesday, September 28, 2010 at 3.00 p.m.
- Venue - Pudumjee Assembly Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune - 411 002
- Book Closure Dates - Monday, September 20, 2010 to Tuesday, September 28, 2010 (both days inclusive)
- Purpose - Dividend and Annual General Meeting.

#### 2. Registered Office Address

Kale Enclave, 685/2B & 2C, 1st Floor, Sharada Arcade, Satara Road, Pune - 411 037

#### 3. Listing Details

No. of securities listed - 13814019 Equity Shares of Rs. 10 each fully paid up.

Market Lot - 50 shares for physical mode.

Name, Address & Telephone Nos. of the Stock Exchanges	Scrip Code	Date of Listing	Listing fees For 2009-10
Pune Stock Exchange Limited Shivleela Chambers, 752, Sadashiv Peth, R. B. Kumthekar Marg, Pune - 411 030 Tel.: (020) 24485701	16268 - KALCO	November 11, 1999	Paid
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001 Tel.: (022) 22721233 / 34	532268	November 16, 1999	Paid
National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 Tel.: (022) 2659 8100 -14	KALECONSUL	December 1, 1999	Paid

#### 4. Share Transfer System

Shares of the Company are compulsorily traded in dematerialised form by all investors with effect from June 26, 2000, vide SEBI circular, as intimated by Pune Stock Exchange Limited. The Share Transfer Committee of the Board usually meets every 15 days to approve physical transfer of shares.

#### Break up of shareholding in physical and demat mode (As on March 31, 2010)

Type of Holding	Percentage to Share Capital
Physical	4.74
Demat	95.26
Total	100.00

#### 5. ISIN Numbers

##### NSDL:

ISIN No.	Description	Type of Shares
INE793A01012	KALE CONSULTANT EQ	Equity Share

## Shareholder Information

## Kale Consultants Limited

## CDSL:

ISIN No.
INE793A01012

## 6. Registrar and Share Transfer Agent (address for correspondence)

Karvy Computershare Private Limited  
 Plot No. 17 to 24, Near Image Hospital,  
 Vittalrao Nagar, Madhapur,  
 Hyderabad – 500 081  
 Tel. No. (040) 23420818 / 23420828  
 Fax No. (040) 23420814  
 Contact Person: Mr. Purnachander

## 7. Kale Share Price (NSE) Vs. NSE S&amp;P CNX Nifty Index

Month	Kale Share Price (Rs.)		NSE S&P CNX Nifty	
	High	Low	High	Low
April, 2009	31.95	23.10	3517.25	2965.70
May, 2009	50.80	28.65	4509.40	3478.70
June, 2009	62.00	38.00	4693.20	4143.25
July, 2009	48.00	33.00	4599.90	3918.75
August, 2009	56.20	40.10	4743.75	4353.45
September, 2009	68.40	49.60	5087.60	4580.35
October, 2009	73.70	55.60	5181.75	4687.50
November, 2009	85.35	62.75	5138.00	4538.50
December, 2009	92.00	73.00	5197.05	4943.95
January, 2010	108.50	85.15	5310.85	4766.00
February, 2010	93.00	80.00	4992.00	4692.35
March, 2010	98.00	80.00	5329.55	4935.35

## 8. Shareholding Pattern as on March 31, 2010

Sr. No.	Category	No. of Shares held	Percentage
1	Promoters		
	- Indian Promoters	2,459,353	17.80
	- Foreign Promoters	2,484,600	17.99
2	Mutual Funds and UTI	435,095	3.15
3	Banks, FIs, Insurance Companies, Institutions	5,000	0.04
4	Foreign Institutional Investors	77,555	0.56
5	Corporate Bodies	1,340,521	9.70
6	Indian Public	6,040,203	43.73
7	NRIs / OCBs / Foreign Nationals	814,982	5.89
8	Trusts	156,710	1.14
	<b>TOTAL</b>	<b>13,814,019</b>	<b>100.00</b>

## Shareholder Information

Kale Consultants Limited

### 9. Distribution of Shareholding as on March 31, 2010

Shareholding Range	No. Of Shareholders	Percentage	Shareholding	Percentage
Upto 500	19,954	91.38	2,293,251	16.60
501 – 1000	1006	4.60	826,340	5.98
1001 – 2000	397	1.82	597,218	4.32
2001 – 3000	165	0.76	422,867	3.06
3001 – 4000	69	0.32	248,563	1.80
4001 – 5000	54	0.25	257,765	1.87
5001 – 10000	85	0.39	633,482	4.59
10001 and above	104	0.48	8,534,533	61.78
<b>TOTAL</b>	<b>21,834</b>	<b>100.00</b>	<b>13,814,019</b>	<b>100.00</b>

### 10. Investor Complaints

During the year, the Company received 28 complaints all of which were resolved during the year and there were no complaints pending at the end of the year.

The Company has received letters from Stock Exchanges confirming NIL complaints pending, the details of which are given below:

Stock Exchange	Date of Letter
National Stock Exchange of India Limited	1 <sup>st</sup> April, 2009
Bombay Stock Exchange Limited	6 <sup>th</sup> April, 2009
National Stock Exchange of India Limited	2 <sup>nd</sup> July, 2009
Bombay Stock Exchange Limited	13 <sup>th</sup> July, 2009
National Stock Exchange of India Limited	1 <sup>st</sup> October, 2009
Bombay Stock Exchange Limited	7 <sup>th</sup> October, 2009
National Stock Exchange of India Limited	6 <sup>th</sup> January, 2010
Bombay Stock Exchange Limited	13 <sup>th</sup> January, 2010

The Company has set up an Investors' Grievance Committee, which monitors overall investor complaints in co-ordination with Registrar & Share Transfer agent.

### 11. Financial Calendar

Unaudited / Audited Financial Results	Quarter / Year ended	Month of approval of Financial Results
Unaudited financial results for the quarter ended	June 30, 2010	July, 2010
Unaudited financial results for the quarter and half year ended	September 30, 2010	October, 2010
Unaudited financial results for the quarter ended	December 31, 2010	January, 2011
Audited financial results for the year ended	March 31, 2011	April/May, 2011





## KALE CONSULTANTS LIMITED

Regd. Off.: Kale Enclave, 685/2B & 2C, 1st Floor, Sharada Arcade, Satara Road, Pune - 411037.

### NOTICE

**NOTICE IS HEREBY GIVEN THAT** the twenty fourth Annual General Meeting of the members of the Company will be held on Tuesday, the 28<sup>th</sup> day of September, 2010 at 3.00 p.m. at Pudumjee Assembly Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune – 411 002 to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Annual Accounts for the year ended March 31, 2010, together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr. Narendra Kale, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

#### SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:-

**“RESOLVED THAT** pursuant to section 16 and section 94 of the Companies Act, 1956, and other applicable provisions of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs. 15,00,00,000 (Rupees Fifteen Crores only) divided into 1,50,00,000 equity shares of Rs. 10 (Rupees Ten only) each to Rs. 20,00,00,000 (Rupees Twenty Crores only) divided into 2,00,00,000 equity shares of Rs.10/- (Rupees Ten only), each and consequently the existing Clause V of the Memorandum of Association of the Company be and is hereby altered by deleting the same and substituting in its place and instead thereof, the following as new Clause V:

“The Authorised Share Capital of the Company is Rs. 20,00,00,000 (Rupees Twenty Crores only) divided into 2,00,00,000 (Two Crores only) equity shares of Rs. 10/- (Rupees Ten only) each, with power to increase or reduce the capital. Similarly to divide, sub-divide, consolidate the same in the capital of the Company, for the time being into several class and to attach thereto or later thereof, respectively such rights, privileges or conditions whether as regards to dividend, voting, return of capital or otherwise as may be determined by or in accordance regulations of the Company and to vary, modify, abrogate any such rights, privileges or conditions in such manner as may be prescribed by the regulations of the Company.”

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

**“RESOLVED THAT** pursuant to the provisions of section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company, be and is hereby altered by deleting the first paragraph of the existing Article 3 and substituting in its place and instead thereof, the following new paragraph in Article 3:

#### **“AMOUNT OF CAPITAL”**

“The Authorised Share Capital of the Company is Rs. 20,00,00,000 (Rupees Twenty Crores only) divided into 2,00,00,000 (Two Crores only) Equity Shares of Rs. 10/- (Rupees Ten only) each. The Company shall have power to increase or reduce the capital and to divide, sub-divide, consolidate the same into several classes and to attach thereto respectively such rights, privileges, or conditions whether as regards dividend, voting, return of capital or otherwise as may be determined by or in accordance with the Regulations of the Company and to vary, modify, abrogate any such rights, privileges or conditions in such manner as may be prescribed by the Regulations of the Company.

## AGM Notice

### Kale Consultants Limited

The Company shall be entitled to dematerialise its existing shares, rematerialise its shares held in the Depositories and/or to offer its fresh shares in a dematerialized form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any."

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company, be and is hereby amended by deleting the existing Article 141 and substituting in its place and instead thereof, the following new Article 141:

**"141.** A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or the Articles of the Company are for the time being vested in or exercisable by the Board generally."

**"RESOLVED FURTHER THAT** Mr. Vipul Jain – Managing Director and Mr. Ninad Umraniyar – Company Secretary be and are hereby severally authorised to effect the amendment including but not limited to intimating the Registrar of Companies, Stock Exchanges and filing statutory forms in this regard."

8. To consider and if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

**"RESOLVED THAT** in partial modification of the resolution passed at the Annual General Meeting of the Company held on 24<sup>th</sup> September, 2008 and in accordance with the provisions of sections 198, 2698, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "the Act"), read with Schedule XIII to the Act, including any statutory modification(s) or re-enactment thereof for the time being in force and subject to the approval of the Central Government, the consent of the Company be and it is hereby accorded to the revision in the terms of remuneration payable to Mr. Vipul Jain, Managing Director (including remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment), with effect from April 1, 2010 for the remainder of his tenure i.e. until May 31, 2013 on the terms and conditions as set out below:

A. Basic Salary

Basic Salary of Rs. 9,562,500/- (Rupees Nine Million Five Hundred and Sixty Two Thousand Five Hundred only) per annum.

B. Perquisites and Allowances

- i) In addition to salary, perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with reimbursement of expenses or allowances or utilities such as gas, electricity, water and furnishings, repairs, servant / gardener salaries, club fees etc., not exceeding 80% of the basic salary.

For the purposes of calculating the aforesaid ceiling of 80%, perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in the absence of any such rules, perquisites shall be evaluated at actual cost.

- ii) Medical allowance for self and family members subject to ceiling of one month's basic salary.  
iii) Leave Travel Assistance: As per rules of the Company.  
iv) Insurance: As per rules of the Company.  
v) Provision of driver and driver's salary.  
vi) Company Car and Telephones at residence.

C. Other Benefits

- i) Employer's Contribution to Provident Fund  
ii) Gratuity: As per rules of the Company.  
iii) Encashment of Leave: As per rules of the Company.

D. Commission and Incentive

Mr. Vipul Jain shall be paid commission of 1% of the net profits of the Company calculated in accordance with the provisions of the Companies Act, 1956. Mr. Jain shall also be entitled to incentive provided that the total amount to be paid to Mr. Vipul Jain towards commission and incentive shall not exceed Rs. 3,750,000 (Rupees Three Million Seven Hundred and Fifty Thousand only).

## Kale Consultants Limited

**"RESOLVED FURTHER THAT** the overall remuneration payable to Mr. Vipul Jain shall not exceed Rs. 23,437,500 (Rupees Twenty Three Million Four Hundred and Thirty Seven Thousand Five Hundred only) per annum.

**"RESOLVED FURTHER THAT** Mr. Vipul Jain shall be entitled for increase upto 25% in the overall remuneration on an annual basis.

**"RESOLVED FURTHER THAT** in the absence or inadequacy of profits in any financial year (a) subject to the approval of the Central Government, the remuneration payable to Mr. Vipul Jain by way of salary, perquisites, other allowances, benefits and commission as aforesaid shall be paid as minimum remuneration and (b) if the approval of the Central Government as stated in (a) above, is not received, the remuneration payable to Mr. Vipul Jain shall be determined in accordance with the approval granted by the Ministry of Corporate Affairs, Government of India vide letter no. SRN No. A-73115297-CL.VII dated 28<sup>th</sup> July, 2010.

**"RESOLVED FURTHER THAT** the Board be and is hereby authorised to take all such steps, including application to the Central Government, as may be necessary, proper and expedient to give effect to this resolution."

For and on behalf of the Board of Directors

Vipul Jain  
Managing Director

Place: Thane

Date: August 20, 2010

**NOTES:**

1. Explanatory Statement as required under section 173(2) of the Companies Act, 1956 is annexed hereto and forms a part of this notice.
2. 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 OF THE COMPANY. PROXY, DULY EXECUTED, IN ORDER TO BE VALID, SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 20<sup>th</sup> day of September, 2010 to Tuesday, the 28<sup>th</sup> day of September, 2010 (both days inclusive) for the purpose of dividend and Annual General Meeting.
4. Members are requested to approach M/s. Karvy Computershare Private Limited, Plot No. 17 to 24, Near Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad – 500 081, in case they have not encashed the dividend warrants for any year from 2005-06 to 2008-09.
5. Members/ Proxy-holders are requested to bring copy of the Annual Report to the Meeting.
6. Members desiring any information as regards the accounts and operations of the Company are requested to send their queries to the Company, at least 10 days in advance, so as to enable the management to keep the information ready.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 5**

The Company's issued and subscribed equity share capital as on date is Rs. 149,530,760/- divided into 14,953,076 equity shares of Rs. 10/- each while the authorized equity share capital is Rs. 15,00,00,000/- divided into 1,50,00,000 equity shares of Rs. 10/- each. The Board of Directors of the Company has, in various tranches, granted employees stock options to its employees under Kale Consultants Limited Employees Stock Option Scheme, 2003 & Kale Consultants Limited Employees Stock Option Scheme, 2006.

In order to enable employees of the Company to exercise the stock options granted to them, it is proposed to increase the authorized share capital of the Company.

The fourth paragraph of Article 3 of the Articles of Association of the Company and section 94 of the Companies Act, 1956, permits your Company to increase its authorized share capital by passing an ordinary resolution.

The present authorized share capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,50,00,000 (One Crore Fifty Lakhs) equity shares of face value of Rs. 10/- (Rupees Ten only) each. Your Directors propose to increase the

## AGM Notice

**Kale Consultants Limited**

authorised share capital of the Company to Rs. 20,00,00,000 (Rupees Twenty Crores only) divided into 2,00,00,000 (Two Crores only) equity shares of face value of Rs. 10/- (Rupees Ten only), by addition of 50,00,000 (Fifty lakhs only) equity shares of face value of Rs. 10/- (Ten only) each. To increase the authorised share capital of the Company, Clause V of the Memorandum of Association of the Company is required to be amended and therefore the Board recommends the resolution as set out at Item No. 5 of the Notice for your approval.

None of the Directors of your Company is interested or concerned in the Resolution set out in Item No. 5 of the Notice.

### **ITEM NO. 6**

The first paragraph of the existing Article 3 of the Articles of Association of the Company specifies the present authorized share capital of your Company.

As the proposal is to increase the authorised share capital, substitution of the first paragraph of the existing Article 3 is considered necessary in order to reflect the increase in authorised share capital of your Company.

The Board recommends the resolution as set out at Item No. 6 of the Notice for your approval.

None of the Directors of your Company is interested or concerned in the Resolution set out in Item No. 6 of the Notice.

### **ITEM NO. 7**

It is proposed to amend Article 141 of the Articles of Association of the Company by deleting the reference of Article 140A appearing therein. Article 140A was deleted from the Articles of Association of the Company by passing a special resolution at the 14<sup>th</sup> Annual General Meeting of the Company held on 29<sup>th</sup> September, 2000.

The Board recommends the resolution as set out at Item No. 7 of the Notice for your approval.

None of the Directors of the Company is concerned or interested in the Resolution set out in Item No. 7 of the Notice.

### **ITEM NO. 8**

At the Annual General Meeting of the Company held on September 24, 2008, the Members had approved increase in remuneration payable to Mr. Vipul Jain, Managing Director, with effect from April 1, 2008, with an annual increase not exceeding 25% in the basic salary.

The Central Government, vide letter no. SRN No.A- 73115297 - CL.VII dated 28<sup>th</sup> July, 2010 approved remuneration of Rs. 1,87,50,000/- per annum, payable to Mr. Vipul Jain with effect from 1<sup>st</sup> April, 2009.

It is now proposed to make fresh application to the Central Government seeking approval to increase the remuneration of Mr. Jain. Accordingly, a special resolution is proposed for the increase in remuneration payable to Mr. Jain with effect from April 1, 2010.

This Explanatory Statement together with the accompanying Notice shall be treated as an abstract under Section 302 of the Companies Act, 1956.

The Board recommends the resolution as set out at Item No. 8 of the Notice for your approval.

None of the Directors of the Company, other than Mr. Vipul Jain, is concerned or interested in the resolution set out in Item No. 8 of the Notice.

For and on behalf of the Board of Directors

Vipul Jain  
Managing Director

Place: Thane  
Date: August 20, 2010

**24th Annual Report 2009-10****KALE CONSULTANTS LIMITED****PROXY FORM**

I/We \_\_\_\_\_  
 of \_\_\_\_\_ being a member(s) of Kale Consultants Limited hereby appoint Mr./ Mrs./ Ms.  
 \_\_\_\_\_ of \_\_\_\_\_  
 in the district of \_\_\_\_\_ or failing him / her Mr./ Mrs./ Ms. \_\_\_\_\_  
 of \_\_\_\_\_ in the district of \_\_\_\_\_ as my / our Proxy to attend and to vote for  
 me/ us on my/ our behalf at the Annual General Meeting to be held on Tuesday, the 28<sup>th</sup> day of September, 2010 at 3.00 p.m. at  
 Pudumjee Assembly Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune – 411 002 and at any  
 adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Folio No.: \_\_\_\_\_ No. of Shares held : \_\_\_\_\_

Client Id: \_\_\_\_\_ DP Id : \_\_\_\_\_

Affix  
15 paise  
revenue  
stamp

Signature \_\_\_\_\_

**NOTES:**

1. Proxy Form to be valid shall be duly signed, stamped and dated and shall be deposited at the Registered Office of the Company at least 48 hours before the time of the Meeting.
2. The members who hold shares in dematerialised form shall quote their Client ID and DP Id.
3. A shareholder may vote either for or against each resolution.

**KALE CONSULTANTS LIMITED****ATTENDANCE SLIP**

I hereby record my presence at the Annual General Meeting on Tuesday, the 28<sup>th</sup> day of September, 2010 at 3.00 p.m. at  
 Pudumjee Assembly Hall, Mahratta Chamber of Commerce Industries and Agriculture, Tilak Road, Pune – 411 002.

I certify that I am a registered member / valid proxy of the registered member of the Company.

Folio No. : \_\_\_\_\_ No. of Shares held : \_\_\_\_\_

Client Id : \_\_\_\_\_ DP Id : \_\_\_\_\_

\_\_\_\_\_  
 Name of member / proxy  
 (in BLOCK letters)

\_\_\_\_\_  
 Signature of member / proxy

**Notes:**

1. Please fill up this Attendance Slip and hand it over at the entrance of the meeting hall.



Regd. Office: Kale Enclave, 685/2B & 2C,  
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