




TATA ELXSI

21ST ANNUAL REPORT 2009 - 10

A silhouette of a man in a suit, seen from the back, with his right arm raised and hand open, pointing towards a bright, multi-pointed star in a dark blue sky. The sky is filled with faint clouds and several small, distant stars.

Envisioning the future

Envisioning the future

The world has seen dramatic changes over the last two years. Traditional business models, markets and industries have been challenged, and companies have been forced to seek new markets and ways of doing business, and actively seek innovations in technology, products and business models. The dynamics of what were regarded to be strong markets and industries have changed completely.

It has been no different for Tata Elxsi.

What has remained unchanged is our focus and our DNA for innovation. This has kept us in good stead. We have made certain changes in our businesses, invested in key emerging areas and got back to the drawing board in a few others, to ensure we stay ahead of the curve. It is our intent to grow – and grow manifold.

There is only one way for TATA ELXSI. Forward.



MESSAGE FROM THE CHAIRMAN

Your Company has demonstrated its leadership in this past year initiating new projects and engagements with new customers across geographies. This is significant given that the market environment has been challenging, as the global economy is slowly recovering from the downturn. The rapid appreciation of the rupee against key currencies as you may know, also affected the Indian IT industry.

Your Company has aligned its structure to focus better on key markets and customers, and invested in acquiring capabilities in key emerging technologies, to help emerge stronger and more focused in a dynamic business environment.

We are investing in people and technology to attain the global scale required to establish ourselves as leaders in our chosen business areas, across multiple markets and countries.

Mr. Syamal Gupta was the Chairman of the Board of Directors until September 2009, and he provided the guidance and impetus for the Company to establish an excellent foundation for growth.

I am pleased to be associated with your Company as the Chairman and I see a bright future for the Company to scale its operations and businesses manifold.

Your Company's Board of Directors has recommended a final dividend of Rs 7 per share, maintaining consistent dividends and returns to our shareholders.

S Ramadorai

FINANCIAL HIGHLIGHTS

377.32

Total income (Rs. Crs.)

47.91

Profit after tax (Rs. Crs.)

15.39

Earnings per share (Rs.)

55.87

Book value per share (Rs.)

70

Dividend (%)

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BUSINESS UNITS

Product Design Services (PDS)

Product Design Services (PDS) division provides full service embedded software, hardware and system design programs for a variety of technology products. PDS has core domain and technology expertise in VLSI design, embedded software, multimedia, networking and wireless communications.

PDS addresses the broadcast and consumer electronics industry, the transportation industry for automotive electronics and avionics, and wireless and convergence markets including mobile communication devices.



Industrial Design & Engineering (IDE)

Industrial Design & Engineering (IDE) division supports global corporations in the area of new brand/product introduction from concept to market. Its expertise lies in the areas of consumer insights, product / service innovation, industrial design, functional prototyping and mechanical engineering. It also engages in brand development and retail design.

IDE today is one of the leading global design players, with a talented pool of creative designers and engineers and a portfolio of customers across industries. It offers a unique value proposition to these customers of transforming concepts into marketable products and has supported the launch of over 50 new products across the world. It services diverse industries ranging from FMCG, automotive, electronics & appliances to healthcare and has won several awards for excellence in design.



BUSINESS UNITS

Visual Computing Labs (VCL)

Visual Computing Labs (VCL) is an award winning digital production studio, offering 3D Animation and Visual Effects (VFX) services. With a blend of creativity and leading-edge technology, VCL offers pre and post production services for feature films, television series, television commercials and custom content development.

VCL opened its state of the art studio in Los Angeles in January 2010 to service North American business interests. The studio is equipped with cutting-edge technology infrastructure, and boasts of a team of experienced and accomplished professionals, including an Oscar award winning visual effects supervisor and a BAFTA nominated producer. The first project it delivered was in 3D stereoscopy for a major Hollywood studio.

VCL has won numerous awards in 2009-10 including two at the 56th National awards, for exemplary animation in "Roadside Romeo" and Visual Effects in "Mumbai Meri Jaan."

VCL is currently in the final stages of completing the 3D film "Arjun", slated for release later this year.



Systems Integration (SI)

Systems Integration (SI) division implements complete systems and solutions in the entertainment, manufacturing, government and education sectors.

This is backed by a network of offices, a team of specialists in design tools, visualization, high performance computing, storage and strategic partnerships with world-leading technology providers.

SI also offers professional services including consultancy along with infrastructure management services for key customers.



BOARD OF DIRECTORS

(as on 30th April 2010)

S Ramadorai
Chairman

H H Malgham

P McGoldrick

P G Mankad

Dr. R Natarajan

Madhukar Dev
Managing Director

STATUTORY COMMITTEES

(Pursuant to the Listing Agreement
with the Stock Exchanges)

Audit Committee

H H Malgham
Chairman

S Ramadorai

Dr. R Natarajan

Investor Grievance Committee

P G Mankad
Chairman

H H Malgham

Vijay Krishnamurthy
CFO & Company Secretary

Registrars & Share Transfer Agents

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

Auditors

Deloitte Haskins & Sells
Chartered Accountants

Registered & Corporate Office

ITPB Road, Whitefield
Bangalore - 560 048, India

NOTICE

Notice is hereby given that the **TWENTY FIRST ANNUAL GENERAL MEETING of TATA ELXSI LIMITED** will be held at Dr. B.R. Ambedkar Bhavana, Millers Road, Vasanth Nagar, Bangalore 560 052 on 26th July 2010 at 11.30 a.m. to transact the following business :

1. To receive and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended March 31, 2010 and the Balance Sheet as at that date and the Auditor's Report thereon.
2. To declare dividend for the year ended 31st March 2010.
3. To appoint a Director in place of Mr. S. Ramadorai who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. H.H. Malgham who retires by rotation and is eligible for reappointment.
5. To appoint auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

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

Sd/-

VIJAY KRISHNAMURTHY
Chief Financial Officer
& Company Secretary

Mumbai, 30th April 2010

Registered Office:

ITPB Road, Whitefield,
Bangalore 560 048.

NOTES:

- a) The relevant details of the persons seeking re-appointment as Director under Item Nos. 3 and 4 above pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges is also annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- c) Members desirous of getting any information in respect of the Accounts of the Company are requested to send their queries in writing to the Company at the Registered Office so as to reach at least 7 days before the date of the Meeting so that the required information can be made available at the Meeting.
- d) Members / Proxies attending the Meeting are requested to bring their copy of the Annual Report for reference at the Meeting as also the Attendance Slip duly filled in for attending the Meeting.
- e) Register of Members and Transfer Books of the Company will be closed from 14th July 2010 to 26th July 2010 (both dates inclusive) for the purpose of determining the shareholders entitled to the payment of Dividend declared, if any, at the Annual General Meeting on 26th July 2010 for the year ended March 31, 2010.

Dividend on shares, when declared, will be paid only to those members whose names are registered as such in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company on or before 13th July 2010 and to the Beneficial Holders as per the Beneficiary List as on 13th July 2010 provided by the NSDL and CDSL.

- f) Members holding shares in electronic form may please note that as per the regulations of National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd. (CDSL), the Company is obliged to print the bank details on the dividend warrants as furnished by these Depositories to the Company and the Company cannot entertain any request for deletion / change of bank details already printed on dividend warrants as per information received from the concerned Depositories. In this regard, Members should contact their Depository Participant (DP) and furnish particulars of any changes desired by them.
- g) **Members who have not received their dividend paid by the Company in respect of earlier years are requested to check with the Company's Registrars & Transfer Agents i.e. M/s. TSR Darashaw Ltd. 6-10 Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011. Members are requested to note that in terms of Section 205C of the Companies Act, 1956 any dividend unpaid / unclaimed for a period of 7 years from the date these first became due for payment is to be transferred to the Central Government to the credit of the Investor Education & Protection Fund. Thereafter, no claim shall be entertained in respect of the dividend transferred to the Fund.**

Members who have not yet encashed their dividends for the financial year ended 31st March 2003 onwards are being individually intimated and are requested to make their claims to the Company's Registrars & Transfer Agents accordingly, without undue delay. It may be noted that the unclaimed dividend for the financial year ended 31st March 2003 and 31st March 2004 are due for transfer to the Investor Education & Protection Fund on 29th August 2010 and 1st September 2011 respectively.

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

Sd/-

VIJAY KRISHNAMURTHY
Chief Financial Officer
& Company Secretary

Mumbai, 30th April 2010

Registered Office:

ITPB Road, Whitefield,
Bangalore 560 048.

ANNEXURE

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

Name of the Director	S. Ramadorai	H.H. Malgham
Date of Birth	6th October, 1944	22nd June, 1936
Date of appointment	26th June, 1995	26th April, 2001
Specialised Expertise	Information Technology & General Management	Finance, Commercial Law & International Trade
Qualifications	B. Sc. (Physics); B.E., (Electronics Telecommunications); M.S. (Computer Science)	B.Com; FCA; FCA (England & Wales); ACS
Directorships of other companies* as at 31st March 2010	Tata Industries Ltd.	Tata Ceramics Ltd.
	Tata Consultancy Services Ltd.	Tata Projects Ltd.
	Tata Technologies Limited	
	Computational Research Laboratories Limited	
	CMC Ltd.	
	Hindustan Unilever Ltd.	
	Piramal Healthcare Limited	
	Tata Communications Limited	
	Tata Teleservices (Maharashtra) Ltd.	
	Tata Advanced Systems Limited	
	Asian Paints Limited	
	Bombay Stock Exchange Limited	
Chairmanship/ Membership of other Committees** as at 31st March 2010	Chairman - Audit Committee	Chairman – Audit Committee
	Tata Technologies Ltd.	Tata Projects Ltd.
	Tata Advanced Systems Limited	
	Computational Research Laboratories Limited	
	Member - Audit Committee	Member – Audit Committee
	Hindustan Unilever Ltd.	Tata Ceramics Ltd.
	Tata Teleservices (Maharashtra) Ltd.	
	Member - Shareholders/Investor Grievance Committee	
Tata Consultancy Services Ltd.		
No. of shares held in the Company as on 31st March 2010	1000	1000

* Excludes private/foreign/non-profit companies

** Only Audit and Shareholder/Investor Grievance Committee considered

DIRECTORS' REPORT TO THE MEMBERS

1. Your Directors present the Twenty-first Annual Report together with the audited Statements of Accounts of your Company for the year ended March 31, 2010.

2 Financial Highlights

During the financial year 2009-10, the operations of your Company resulted in the following :

	(Rs. Crores)	
	2009-10	2008-09
Sales and Service	376.37	418.52
Other income	0.95	0.14
Total Income	377.32	418.66
Profit before financial expenses and depreciation	67.95	81.41
Less : Financial expenses	1.74	3.77
Depreciation	16.58	15.95
Net profit for the year	49.63	61.69
Less : Provision for Income tax	1.72	3.59
Profit after tax	47.91	58.10
Add: Profit brought forward	88.58	61.97
Balance available for appropriation which has been appropriated as under:	136.49	120.07
Dividend	21.80	21.80
Dividend Tax thereon	3.70	3.70
Transfer to General Reserve	5.00	6.00
Balance of Profit carried to Balance Sheet	105.99	88.57
Total Appropriations	136.49	120.07

3. Dividend

Your Directors recommend for your approval a dividend of 70% (Rs. 7.00 per share) [previous year 70% (Rs. 7.00 per share)] for the year ended 31st March 2010, involving an outgo of Rs. 21.80 crores (previous year Rs. 21.80 crores). Additionally, dividend distribution tax at 17 % (including surcharge) will involve an outlay of Rs 3.70 crores (previous year Rs. 3.70 crores). Notwithstanding the drop in the Profits after Tax by 17.54%, your Directors have kept the dividend at 70% involving a payout ratio of 53.22% which signals confidence in the future growth prospects of your Company.

4. Review of Operations

Your Company continued to face difficult conditions for the most part of 2009-10. While there was a gradual revival of demand for your Company's services in select areas in terms of enquiries from its existing and new customers, the sales cycle did not significantly shorten and hence many of these opportunities could not get converted into business. Also, some of the traditional and existing large customers of your Company, due to difficult economic conditions being faced by them, continued with their reduced level of offtake of services from your Company. The Rupee also strengthened during the year – against the dollar by 12%, the Pound by 7%, the Euro by 11% and the Yen by 7% - resulting in lower export realizations. These factors contributed to the turnover dropping by 10% from Rs. 418.51 crs to Rs. 376.37 crs with consequent impact on the Profits before Tax dropping by 19.55% from Rs. 61.69 crs to Rs. 49.63 crs and Profits after Tax dropping by 17.54 % from Rs. 58.10 crs to Rs. 47.91 crs. Your Company expects that across-the-board growth in all its offerings will happen from the latter part of 2010-11 and is confident of getting back to its growth mode during this year itself.

IP related sales saw good traction during the year, especially in the broadband wireless area. Your Company has developed IP related to Wimax and is already working on development of IP and reference designs for LTE, which is an upcoming standard for 4G wireless.

DIRECTORS' REPORT TO THE MEMBERS (Contd.)

Good traction was also seen in the technology domains catering to the broadcasting and transportation market verticals.

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

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

Software Development & Services:

The businesses constituting this segment are Product Design Services (Design & Development of Hardware and Software), Innovation Design Engineering (Mechanical Design with a focus on Industrial Design) and Visual Computing Labs Division (Animation and Special Effects). For the reasons mentioned above, the business in this segment dropped to Rs 336.94 crs during 2009-10 from Rs. 378.43 cr. in the previous year with corresponding decrease in the segment results to Rs 57.67 cr. from Rs.70.55 cr..

Product Design Services:

Your Company's Product Design Services (PDS) Division provides offerings in multiple domains such as Broadcast, Wireless, Transportation, Convergence, DSP, Graphics and Imaging and Semicon and services markets such as automotive, aerospace, consumer products, networking, semiconductors, multimedia, telecom and instrumentation with cost effective and timely product engineering services. Your Company is also moving towards solutions based offerings rather than point service engagements with a view to increasing its value proposition thereby. Your Company sees growth opportunities in the telecommunication and broadcasting domains where there have been good breakthroughs achieved during 2009-10, apart from accelerating its growth in the other key domain of transport electronics. Your Company has identified new business in defence and public safety, avionics and utilities and smartgrid applications which should drive its future growth.

Innovation Design Engineering Services:

This Division supports global corporations in the area of new brand/product introduction from concept to market. Its expertise lies in the areas of consumer insights, product/service innovation, industrial design, functional prototyping and engineering. It also engages in brand development and retail design. It services diverse industries ranging from FMCG, automotive, electronics and appliances to healthcare.

During the year, the Division entered into an alliance with a leading hospital to jointly develop innovative healthcare devices with an emphasis on user and functional efficiencies. It also further strengthened its range of services in the areas of branding, signages and virtual marketing. It was involved in the creation of the marketing content for the launch of a new vehicle for one of India's leading automotive companies and also won a significant order for signages and graphic design from a metro transport operator. This is a testimony of the Division's capabilities to address emerging areas of design where design is adding exponential value to the end product. Another area of growth for the Division is the defence and aerospace sector, considering the potential of design services for these industries. The expertise in these areas are scalable and the Division is hopeful of similar future opportunities.

Visual Computing Labs:

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

During the year, an overseas VFX studio was set up at Santa Monica near Hollywood, which is the heart of the global film industry, and staffed with local industry veterans to address the VFX requirements of the Hollywood industry. The studio represents a strategic move by the VCL Division to establish its capabilities and credibility in the local markets of Hollywood and overcome the constraint of having a remote studio located in India which was perceived as an obstacle to getting more business from the Hollywood industry. Hence, while the studio in Santa Monica would concentrate on the high end VFX work locally, the India studio would cater to the domestic markets and also address any lower end manpower intensive work obtained by the Santa Monica studio, with potential of sharing certain common infrastructure and resources. It is expected that the Santa Monica studio will accelerate the revenue growth from the Hollywood market and recover the higher operating costs that this studio incurs, during 2010-11 itself.

In the domestic market, the VCL Division continued to dominate in the area of VFX offerings for films. On the 3D animation side, the second animated theatrical project (after Roadside Romeo) which VCL commenced work on in 2008-09 is nearing completion. The

DIRECTORS' REPORT TO THE MEMBERS (Contd.)

3D animation industry has remained challenging in 2009-10, with no new project announcements.

During the year, this Division also won several prestigious awards for its technical expertise, the most notable of which were two National awards from the President of India for the work done on the films "Roadside Romeo" and "Mumbai meri Jaan". Some of the other international awards include Cairo International Film Festival, Golden Panda Award and London International Creative Competition.

Systems Integration & Support

This Segment is involved in value-added reselling involving systems integration and support for a wide range of technical computing hardware and software solutions involving high-end computing platforms, mechanical design automation tools, enterprise storage solutions, digital media and life sciences solutions through its tie-ups with global leaders in these respective areas. During the year, the segment turnover and results were Rs.39.43 crs. and Rs.3.08 crs. respectively, compared to Rs.40.09 crs. and Rs.2.34 crs. respectively during 2008-09.

Due to the low margins on hardware products, the Segment is focusing on a solutions centric approach which includes more of software and services and reducing its dependence on pure hardware business. The segment has geared itself to tap business opportunities in the high growth areas of security and surveillance, videoconferencing solutions, storage and server virtualization software and services etc..

5. Finance

Interest costs reduced to Rs.1.74 crs. (previous year Rs.3.77 cr.) mainly through reduced borrowing costs. The borrowings, which was Rs.13.07 crs at the beginning of the year, increased to Rs.33.97 crs. at the end of the year.

6. Directors

Consequent to the stepping down of Mr. Syamal Gupta as Chairman at the last Annual General Meeting pursuant to the Tata Group Retirement Policy, Mr. S. Ramadorai, who was Vice Chairman, took over as Chairman of your Company on 7th September 2009. Your Company will greatly benefit from Mr. Ramadorai's Chairmanship and expertise and eminence in the IT industry.

Mr. C.P. Mistry, who was a Director of your Company from inception, stepped down from the Board on 26th October 2009 due to his other business commitments. Mr. Mistry has contributed significantly to the deliberations of the Board and the various Committees with which he was associated and your Board places on record its deep appreciation of the valuable services rendered by Mr. Mistry during his association with your Company.

Mr. S. Ramadorai and Mr. H.H.Malgham retire by rotation and being eligible, offer themselves for reappointment.

7. Directors Responsibility Statement

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

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

8. Personnel

The difficult business conditions faced by your Company during 2009-10 constrained its abilities to reward and invest in its human resources as in earlier years. While wage revisions were frozen during the year, no business related lay-offs were enforced.

With the gradual revival of the IT industry, attrition levels, which was less than 10% during 2008-09 gradually increased and peaked during the second half of 2009-10. With improved business visibility for 2010-11, wage revisions were re-introduced and salaries

DIRECTORS' REPORT TO THE MEMBERS (Contd.)

revised effective 2010-11. A series of other measures were also initiated to attract, retain and motivate employees which have been effective to a great extent in arresting attrition.

Your Company recognizes the critical importance of its human capital and significant initiatives are planned during 2010-11 to provide technical training, soft skills and other productivity enhancing inputs.

9. Disclosure of Particulars

The information required under Section 217(2A) of the Companies Act, 1956 and the Rules made thereunder, is provided in Annexure B forming part of the Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Shareholders excluding the aforesaid Annexure. Any Shareholder interested in obtaining a copy of the same may write to the Company Secretary.

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

The Company's wholly owned subsidiary, Tata Elxsi (Singapore) Pte. Ltd. recorded a turnover of Rs.11.80 crs. and Profits before Tax of Rs.0.99 crs. during the year 2009-10 as against the previous year's turnover of Rs.2.00 crs and Profit before Tax of Rs.0.24 crs, which relates mainly to the Systems Integration segment business. Your Company has been granted exemption for this financial year by the Ministry of Corporate Affairs from attaching to its Balance Sheet the documents relating to its subsidiary specified in Section 212 (1) of the Companies Act, 1956.

In terms of the said exemption, a statement in one page containing specified financial details of the subsidiary company is to be included in the consolidated annual financial statements of the parent company. The annual accounts of the subsidiary and the related detailed information will be made available to the holding and subsidiary companies investors seeking such information at any point of time. The annual accounts of the subsidiary will also be kept available for inspection by any investor at the head office of the parent and subsidiary company respectively.

As required pursuant to the Accounting Standards of the Institute of Chartered Accountants of India and the Listing Agreement with the Stock Exchanges, the stand-alone annual accounts of your Company alongwith the consolidated financial statements of your Company and the subsidiary company made upto 31st March 2010, are also presented.

11. Corporate Governance

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

12. Acknowledgements

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

On behalf of the Board of Directors

S. RAMADORAI
Chairman

Mumbai, 30th April 2010

ANNEXURE “A” TO DIRECTOR’S REPORT

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

1. Conservation of Energy

Your Company is in a knowledge intensive industry and does not operate industrial machinery, production facilities or other such energy intensive operations. However, as a responsible corporate citizen, it continues to pursue and adopt appropriate energy conservation measures.

Energy conservation programs adopted by your Company are:

- (i) Continuous education and awareness programs among all employees on energy conservation measures that can be adopted at individual levels, to help conserve power and energy.
- (ii) Continuous monitoring of energy consumption. This covers optimization of space utilization, using technology to monitor and control power consumption of air conditioning and other related equipment, use of energy efficient light bulbs, using technology for switching off computer monitors etc.
- (iii) Initiatives such as use of company mass transport and car pooling for employees commuting to work.
- (iv) Regular reviews of energy requirements and consumption patterns, with action plans on effective utilization of power during peak and non-peak seasons, including purchase/use of energy saving devices based on techno-commercial evaluation

Your Company will continue to monitor and control overall energy expenses, in relation to the growth in the scale of its operations.

2. Technology Absorption

a. Research & Development

Your Company’s key services are directed towards software and electronic system development for industries such as wireless, multimedia, automotive and broadcast. Your Company devotes a certain portion of its human capital in developing expertise in emerging technologies, through technology partnerships, subscription and active participation in technology forums, technology training and in-house R&D projects. These help in enabling new technology familiarity for the engineering teams as part of the continuous training and human resource development.

b. Benefits derived out of the above R&D

Internal IP programs facilitate your Company to train and enable expertise development in a larger pool of people, than those directly engaged with customers on specific projects. This allows the Company to scale its delivery capability and capacity in a short period of time, and also showcase technology and engineering capability relevant to customer needs, without violating confidentiality of work being executed for customers in the same area.

Further, certain programs are focused on creating Intellectual Property (IP), which have the potential to be commercialized and generate licensing revenue streams.

Your Company leveraged its R&D expertise especially in the broadband wireless technology area, including WiMAX and LTE, and developed advanced reference designs and software as part of R&D projects. These have been successfully licensed to some customers, enabling some revenues from licensing and additional revenues from related services in helping these customers integrate and customize the design to suit their specifications.

Future plan of action

Your Company intends to continue investment in technology IP development, especially those related to wireless and multimedia. It aims to grow revenues through IP licensing and related services to licensees for adaption and integration of the licensed technology to suit their specifications.

c. Expenditure on R & D during the year

i. Capital	:	Rs.2.26. crs
ii. Recurring	:	Rs.8.54 crs
iii. Total	:	Rs.10.80 crs
iv. Total R & D expenditure as a percentage of total turnover	:	2.87%

3. Technology absorption, adaptation and innovation

Your Company continues to track trends and latest developments in various technology areas including those related to wireless, multimedia, networking, semiconductor, aerospace and automotive related technologies. It also actively participates in relevant standards bodies and forums. This helps increase the knowledge base within the Company, and enhances the ability of the Company to undertake larger and more complex projects which are of higher value.

Your Company also undertakes continuous quality improvement programs, training programs, deployment and use of tools and technologies for monitoring projects, etc, to help increase efficiencies and productivity.

4. Foreign Exchange earnings and outgo

Your Company’s Services segment and also the agency business with overseas principals in the Systems Integration segment ensure a continued export thrust. The particulars of foreign exchange expenditure and earnings are given in Item Nos.21 and 22 of Schedule 18 to the Accounts.

Affirmation regarding Compliance with the Code of Conduct

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

I hereby confirm that all Board members and Senior Management personnel have affirmed compliance with the Code of Conduct applicable to them in respect of the year ended 31st March, 2010.

Mumbai, 30th April 2010

Madhukar Dev
Managing Director

COMPLIANCE REPORT ON CORPORATE GOVERNANCE

Mandatory Requirements:

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

2. Board of Directors

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

Six Board Meetings were held during the year 2009-10 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held were 27th April, 2009, 28th April, 2009, 29th July, 2009, 7th September, 2009, 26th October, 2009, and 19th January, 2010.

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

Name	Category	No. of Board Meetings attended during 2009-10	Whether attended AGM held on 7th September 2009	No. of Chairmanships/Directorships in other Boards/ Committees* of Companies**			
				Chairman of the Board	Chairman of the Committee	Member of the Board	Member of the Committee
Mr. S. Ramadorai (Chairman w.e.f. 7.9.09)	Not Independent / Non-executive	6	Yes	4	3	8	3
Mr. H. H. Malgham	Independent / Non-executive	6	Yes	-	1	2	1
Mr. P.G. Mankad	Independent / Non-executive	5	Yes	1	1	11	7
Mr. P. McGoldrick	Independent / Non-executive	5	Yes	-	-	1	-
Dr. R. Natarajan	Independent / Non-executive	6	Yes	-	-	1	-
Mr. Madhukar Dev	Not Independent/ Managing Director	6	Yes	-	-	-	-

* Only Audit and Investor Grievance Committees considered

** Excludes private/foreign/non-profit companies

Mr. Syamal Gupta stepped down as Chairman at the conclusion of the AGM on 7th September 2009. Mr. Sujit Gupta and Mr. C.P. Mistry stepped down as Directors on 7th September 2009 and 26th October 2009 respectively.

The information as required under Annexure I to Clause 49 is being made available to the Board.

3. Audit Committee

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

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

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)

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

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

Five Audit Committee Meetings were held during the year 2009-10. The dates on which the Audit Committee Meetings were held were 27th April, 2009, 18th July, 2009, 27th July 2009, 26th October, 2009, 19th January 2010.

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

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2009-10
1	Mr. H.H. Malgham, Chairman	Independent/Non-executive	5
2	Mr. S. Ramadorai	Not Independent / Non-executive	3
3	Dr. R. Natarajan	Independent / Non-executive	5

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)

4. Remuneration Committee

The terms of reference mandated by your Board are:

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

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

Other than sitting fees and commission on the net profits of the Company, no other remuneration is payable to the Non-Executive Directors for 2009-10.

One Remuneration Committee Meeting was held on 27th April 2009 during the year 2009-10.

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

Sl. No	Names of Members	Category	No. of Meetings attended during the year 2009-10
1	Mr. C.P. Mistry, Chairman (stepped down on 26th Oct. 2009)	Independent/Non-executive	-
2	Mr. Syamal Gupta (stepped down on 7th Sep. 2009)	Not Independent/Non-executive	1
3	Mr. S. Ramadorai	Not Independent/Non-executive	1
4	Mr. H.H. Malgham (appointed on 19th Jan. 2010)	Independent / Non-executive	-
5	Dr. R. Natarajan (appointed on 19th Jan. 2010)	Independent / Non-executive	-

The remuneration earned during 2009 - 10 by the Non-executive Directors is given below:

Sl. No	Name of the Non-executive Director	Sitting Fees Rs.	Commission* Rs.
1	Mr. Syamal Gupta (stepped down on 7th Sep. 2009)	75,000	4,00,000
2	Mr. S Ramadorai	1,50,000	12,00,000
3	Mr. Sujit Gupta (stepped down on 7th Sep. 2009)	-	1,00,000
4	Mr. H H Malgham	2,10,000	10,00,000
5	Mr. P.G. Mankad	1,20,000	3,00,000
6	Mr. P McGoldrick	75,000	3,00,000
7	Mr. C.P. Mistry (stepped down on 26th Oct. 2009)	-	2,00,000
8	Dr. R. Natarajan	1,65,000	4,00,000

Details of remuneration for 2009-10 in respect of Mr. Madhukar Dev, Managing Director, are given below:

Basic Salary Rs.	Commission* Rs.	Contribution to Provident & other Funds Rs.	Other Allowances & Perquisites Rs.	Total Rs.
27,00,000	55,00,000	7,96,500	37,80,000	1,27,76,500

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

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)

5. Investor Grievances Committee

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

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

Three Investor Grievance Committee Meetings were held during the year 2009-10. The dates on which the Investor Grievance Committee Meetings were held were 28th April, 2009, 7th September, 2009 and 19th January, 2010.

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

SI. No.	Names of Members	Category	No. of Meetings attended during the year 2009-10
1	Mr. P.G. Mankad, Chairman	Independent / Non-executive	3
2	Mr. H. H. Malgham	Independent / Non-executive	3

Mr. Sujit Gupta stepped down as Member of the Committee on 7th September 2009.

Name, designation & address of the Compliance Officer :

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

Details of complaints received and redressed during 2009-10 :

Opening Balance	Received during the year	Resolved during the year	Closing Balance
-	6	6	-

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

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

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

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

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)

6. General Body Meetings

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

Sl. No	AGM Particulars	Date	Venue	Time
1	20th AGM in respect of the year 2008-09	7th September 2009	St. John's Auditorium, Koramangala, Bangalore	11:00 a.m.
2	19th AGM in respect of the year 2007-08	22nd July 2008	St. John's Auditorium, Koramangala, Bangalore	12:00 noon
3	18th AGM in respect of the year 2006-07	27th July 2007	St. John's Auditorium, Koramangala, Bangalore	12:00 noon

No item of business, which required the members' approval through postal ballot, was transacted during 2009-10. Accordingly, the Companies (Postal Ballot) Rules 2001 is not applicable to the Company during the said year.

7. Disclosures

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

8. Means of Communication

- Your Company uses several modes of communicating with its external stakeholders such as announcements and press releases in newspapers, circular letters and other reports to the members, posting information on its website (www.tataelxsi.com), intimation to the Stock Exchanges, responding to analyst's queries etc.
- Your Company's quarterly results are disseminated through all the modes mentioned above. Financial Express (English daily) and Sanjevani (vernacular daily) are usually the papers in which the quarterly results are published.
- Your Company's Management Discussion & Analysis of the Business for the year ended 31st March, 2010 forms a part of this Annual Report and is given under the Section so captioned.

9. General Shareholders Information

Sl. No	Salient Items of Interest	Particulars
i.	AGM Date, time and venue	26th July, 2010 at 11.30 a.m. at Dr. B.R. Ambedkar Bhavana, Millers Road, Vasanth Nagar, Bangalore 560 052
ii.	Financial Calendar	Year ending March 31, 2010
iii.	Date of Book Closure	14th July, 2010 to 26th July, 2010
iv.	Dividend Payment Date	On or after 27th July, 2010

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)

v.	Listing on Stock Exchanges	<p>Bangalore Stock Exchange Limited Stock Exchange Towers, 51, 1st Cross, J. C. Road, Bangalore-560 027, India Tel. : +91-80-4140 5262 Fax : +91-80-4157 5242</p> <p>Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001, India Tel. : +91-22-22721234 Fax : +91-22-22721919</p> <p>The Delhi Stock Exchange Association Limited DSE House, 3/1 Asaf Ali Road, New Delhi-110 002, India Tel. : +91-11-46470000 Fax: +91-11-46470053</p> <p>The National Stock Exchange of India Limited Exchange Plaza Plot No.C/1, G Block Bandra-Kurla Complex Bandra (East) Mumbai-400 051, India Tel. : +91-22-26598100 Fax : +91-22-26598120</p>
vi.	Stock Code	Bombay Stock Exchange Ltd: 500408 National Stock Exchange Ltd.: TATAELXSI
vii.	Registrar & Share Transfer Agents	TSR Darashaw Limited, 6-10, Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011
viii.	Share Transfer System	Shares lodged in physical form with the Company / its Registrars & Share Transfer Agents are processed and returned, duly transferred within 20 days normally, except in cases where litigation is involved. In respect of shares held in dematerialized mode, the transfer takes place instantaneously between the transferor, transferee and the Depository Participant through electronic debit/credit of the accounts involved.
ix.	Dematerialisation of shares and liquidity	As at March 31, 2010, 2,91,97,119 shares were held in dematerialized mode.
x.	Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity	There are no outstanding instruments and hence there will be no dilution of the equity.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)

xi.	Plant Locations	Your Company's development centers are located at the following addresses:	
		a.	ITPB Road, Hoody, Bangalore – 560 048;
		b.	Brigade Tech Park, Block-B 134/1, 134/2, Pattandur Agrahara Village, Whitefield Road, K.R.Puram, Bangalore – 560 066;
		c.	Maruthi Industrial Estate ITPB Road, Whitefield, Bangalore – 560 066;
		d.	Neyyar, Plot No.23-28, Technopark Campus Kariyavattom, Trivandrum – 695 581
		e.	“Gayatri” Technopark, Trivandrum – 695 581
		f.	‘Guna Complex’ No.443 Annasalai, Teynampet Chennai – 600 018;
		g.	Alpha – 1 Building, GIGA Space, 198/1B, Nagar Road, Pune 411 014
		h.	“Amsri Shamira”, 2nd & 3rd Floor, Block “A”, Old Lancer Lines, Secunderabad – 500 025;
		i.	“Rakavis Towers”, 1065, Trichy Road, Near All India Radio, Ramanathpuram Coimbatore – 641 045;
		j.	Boston House, Suren Road, Andheri(East), Mumbai – 400 093;
xii.	Address for correspondence	ITPB Road, Hoody, Bangalore – 560 048	

Market Price Data: High/Low during each month of 2009-10 on the following exchanges:

Month	Mumbai			National		
	High (Rs.)	Low (Rs.)	Vol (No. of shares)	High (Rs.)	Low (Rs.)	Vol (No. of shares)
April 2009	115.40	81.80	1,13,91,876	116.70	81.40	1,42,91,747
May 2009	166.20	110.50	56,76,033	166.60	110.50	68,83,842
June 2009	164.70	128.15	30,62,280	163.00	129.05	40,12,319
July 2009	162.40	125.15	17,11,069	161.85	125.30	25,27,869
August 2009	178.70	148.00	32,33,172	178.40	146.05	49,40,964
September 2009	190.70	157.60	20,50,424	191.00	160.50	37,29,443
October 2009	193.90	153.05	17,21,501	193.65	153.20	32,19,770
November 2009	177.00	145.45	14,14,338	177.00	145.60	21,73,564
December 2009	268.90	168.70	1,80,44,113	268.50	168.50	3,43,36,707
January 2010	331.50	246.00	82,63,564	331.80	245.60	1,45,67,936
February 2010	298.80	249.00	31,62,078	298.60	250.10	62,55,263
March 2010	347.45	269.35	60,93,375	347.40	269.35	1,17,07,322

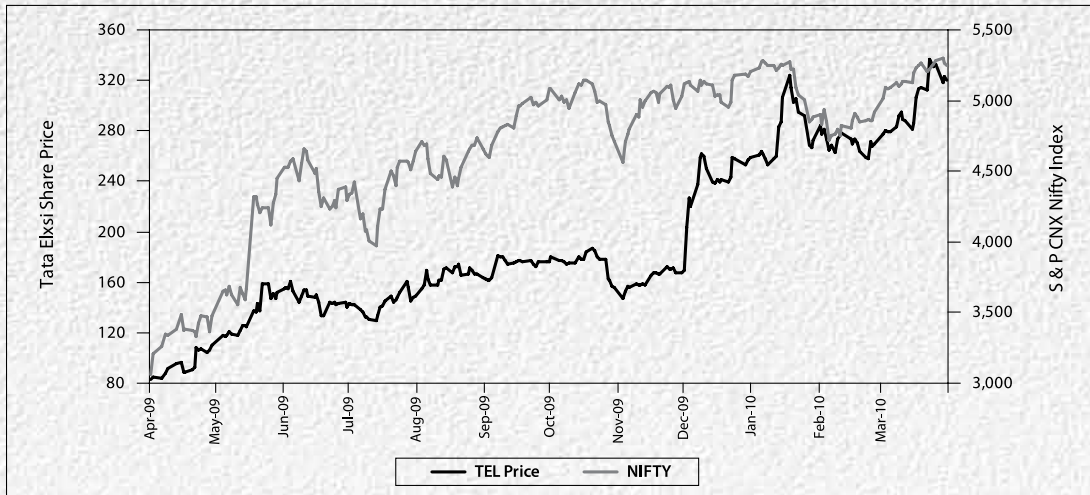
COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)
Distribution of Shareholding as on March 31, 2010

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1 - 500	50,242	95.03%	6,809,245	21.87%
501 – 1000	1,521	2.88%	1,236,636	3.97%
1001- 2000	575	1.09%	881,381	2.83%
2001 – 3000	185	0.35%	480,141	1.54%
3001 – 4000	85	0.16%	310,460	1.00%
4001 – 5000	66	0.13%	314,237	1.01%
5001 – 10000	107	0.20%	795,751	2.56%
Over 10,000	86	0.16%	20,310,369	65.22%
Total	52,867	100%	31,138,220	100%

Categories of Shareholding as on March 31, 2010

Category	No. of Shareholders	No. of Shares held	% of Shareholding
Individuals	51,332	13,64,0989	43.81%
NRI's	443	144,015	0.46%
Companies	784	2,444,825	7.85%
Tata Group	5	13,872,732	44.55%
Mutual Funds, FI's, FII's	16	684,057	2.20%
Clearing Member/Clearing House	287	351,602	1.13%
Total	52,867	31,138,220	100.00

Tata Elxsi Share Price Vs Nifty Index Movement



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

TO THE MEMBERS OF TATA ELXSI LIMITED

We have examined the Compliance of Conditions of Corporate Governance by **TATA ELXSI LIMITED** (the Company), for the year ended on 31st March, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with the said stock exchanges.

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

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

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

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 008072S)

V Balaji
Partner
(Membership No. 203685)

Place: Mumbai
Date: 30 April, 2010

MANAGEMENT DISCUSSION & ANALYSIS (MDA) STATEMENT**1. Business Analysis**

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

Software Development and Services:

This segment business dropped from Rs.378.43 crs. during 2008-09 to Rs. 336.94 crs. in the year 2009-10 with a corresponding decrease in the segment results from Rs.70.55 crs. to Rs.57.67 crs. for the reasons indicated in the Directors Report under "Review of Operations".

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

Product Design Services (PDS):

This business unit is involved in designing technology products including hardware/software across the product lifecycle in industries such as Automotive, Consumer Electronics, Broadcast, Media & Entertainment, Networking, Semiconductor, and Telecom.

This unit also offers a range of services that include hardware design including VLSI, FPGA & Boards, development and integration of embedded software including firmware and middleware, development and integration of device drivers and tools along with full product and system-level integration

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

- Graphics, Imaging & Image Processing
- Signal Processing & Multimedia
- Routing & Switching
- VOIP
- Network Management
- Storage & File-systems
- Real time Control systems
- Short range, cellular and broad band wireless

PDS has sizeable interest in the following key industry verticals and is rapidly consolidating a prime position for itself by offering comprehensive design and engineering solutions to address these markets:

Broadcast

PDS provides high quality product engineering services for a wide range of products in Broadcast technology space. This includes Digital Video Broadcast servers, Streaming servers, all types of Set Top Boxes (STBs) and Digital TV.

PDS works with leading product companies developing digital television products, set-top boxes and infrastructure equipment.

PDS specializes in providing engineering services for implementation of middleware and applications for multiple broadcast standards across various geographies.

With the switchover from analog to digital signals in North America and parts of Europe, digital television broadcast market is expected to grow over the next few years.

Transportation

PDS offers electronics, software development and full system services for automotive industry. Focus areas in automotive electronics include Green and Conventional Powertrain, Body Electronics, Safety, Security, Chassis, and In-Vehicle Infotainment.

In December 2009, PDS has been successfully certified for Automotive SPICE Level 5, the industry standard for automotive software development.

Tata Elxsi is a premium member of AUTOSAR and associate member of Flexray consortium, and fully conversant with open and standardized automotive software architecture and advanced automotive control applications.

There is a growing trend for hybrid engine technologies, and your Company is acquiring capability for development work in this area.

MANAGEMENT DISCUSSION & ANALYSIS (MDA) STATEMENT (Contd.)

Infotainment and electronics driven assistance for drivers is another growing trend in the industry. This includes active and passive driver assistance features such as parking assist, cruise control, etc.. This involves multiple technology areas including signal processing, multimedia and image-processing. The multi-technology expertise of PDS is very relevant to the requirements for development in these areas.

Telecom

PDS helps Network telecom product manufacturers across the Wire line & wireless communications spectrum to build new products, add new features or sustain engineering on existing products. By offering complete design and development services ranging from architecture design to productisation for cutting-edge products in broadband access, IP networks, convergence and home networking, they service the needs of product manufacturers across the layers of hardware, firmware and software functionality in devices.

The telecom market is witnessing rapid adoption and deployment of broadband wireless access, through 3G and 4G technologies including those based on WiMAX and LTE (Long Term Evolution) standards.

Tata Elxsi is one of the world's largest third party software suppliers in the WiMAX space. PDS supplies software and reference designs for base stations and CPE / modems. There has been a conscious strategy to expand into adjacent markets using broadband access technology, and PDS has been successful in securing design projects and licensing deals for communications applications in SmartGrid and Defence markets. PDS has also invested in developing software and reference designs targeting LTE technology, which is the upcoming 4G standard. This is expected to enable licensing and product engineering projects going forward.

Semiconductor

PDS offers services for development of new chips, including VLSI design, verification and validation. Increasingly, chip vendors are providing enablement software along with the chip that helps system companies integrate these chips into their end products faster and easier. Such enablement software includes real-time operating systems, components for multimedia such as audio and video encoders and decoders, middleware and protocol software for specific applications such as wireless, broadcast and automotive. PDS also works with semiconductor manufacturers to support such software development.

While the semiconductor industry was impacted severely due to the economic recession, it is now recovering and is projected to grow at an annual rate of 7.7% in 2010 (Semiconductor Industry Association annual forecast).

The demand for services towards enablement software is expected to grow significantly in the coming years.

Innovation Design Engineering:

This division offers a unique value proposition to customers globally of transforming concepts into marketable products through its services for new brand/product introduction.

Its expertise lies in the areas of consumer insights, product / service innovation, industrial design, functional prototyping and engineering. It also engages in brand development and retail design. It has over the years evolved from supporting the design development of various products to facilitating the development of brands across various categories.

The division is the leading player in India, with a portfolio of leading customers and a talented pool of creative designers and engineers. It services diverse industries ranging from FMCG, Automotive, Electronics & Appliances to Healthcare.

In the last one year, the division has won several high profile projects in diverse industries which is a true reflection of its capabilities. This will provide the ideal platform to become a leading and sought after global design player.

With the economic scenario impacting sales of automotive, consumer electronics and lifestyle products in the last year, the design industry has been impacted to a large extent. Clients are exploring new ways of optimizing the development costs without compromising on the end customer experience. With Asia emerging as a key market for consumer and automotive products, several companies are planning to launch brands in countries like India. The division is therefore well equipped to address both these challenges by virtue of consumer understanding and design experience for these markets. It can today help global customers add more value to their brands or localize global brands to address the specific needs of markets like India.

This division also supports the other divisions within the company like the Product Design Services division where it has successfully leveraged its electronics packaging and GUI capabilities to support the complete electronics product development.

MANAGEMENT DISCUSSION & ANALYSIS (MDA) STATEMENT (Contd.)

It has also worked extensively with Visual Computing Labs in the area of virtual marketing and product visualization, helping product companies communicate design intent and product features to the relevant audience.

Visual Computing Labs:

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

On the visual effects (VFX) side, this Division has established a leading position in the domestic industry and the quality of its work is well recognized. The domestic film industry is also relying significantly more on VFX content in its films, which is reflected in the growing VFX budgets which form part of the overall film budgets.

On the theatrical animation side, possibly due to the lukewarm commercial response to India's first full length 3D animation film for which your Company did the entire animation work, new 3D animation film projects announced by various producers were put on hold and consequently, no new 3D animation film productions were announced during the year. It is expected to take a while before the domestic industry once again announces production of 3D animation films. The challenge for your Company is to leverage on its past experience in 3D animation and towards this end, your Company is making concerted efforts to tap the international markets.

With a view to making an entry into servicing the high end VFX work required by the Hollywood film industry, your Company opened, towards the end of 2009-10 a VFX studio in Santa Monica, near Hollywood in Los Angeles, USA, which was staffed with industry veterans and equipped with high-end equipments. Since its commencement, the overseas studio also did work on a prestigious project and the quality of its work was well appreciated. The establishment of the overseas studio is a step towards establishing the credibility and commitment of VCL towards its overseas customers and while the studio involves significant operating expenses, this is expected to be recovered through increasing work from the Hollywood.

Systems Integration and Support:

This segment recorded a turnover and results during 2009-10 of Rs.39.43 crs. and Rs.3.08 crs. respectively as compared with its turnover and results of Rs. 40.09 cr. and Rs.2.34 cr. during 2008-09 and comprises of the Systems Integration, Customer Support and Professional Services Group businesses.

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

This segment offers turnkey solutions comprising of integration of hardware and software products sourced from global principals for domestic customers. The solutions are offered in the area of technical computing used in a wide range of industries such as automotive, pharmacy, defense, meteorology etc.. Your Company's technical solutions involve supply of different products sourced from different global principals based on a study of the customers engineering IT requirements. The challenges include the correct configuration of the solution, balancing different supply lead times of different products of the different principals, commercial negotiations and working capital management involved in the different credit periods of the customer and the vendor-principals. After the warranty period of the products supplied, your Company earns support revenues through annual maintenance contracts.

The challenge here is to provide support services at price levels which ensure a reasonable margin in the context of continually decreasing replacement costs of IT products which obviate the need for annual maintenance support.

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

Due to the low margins on hardware products, the Segment is focusing on a solutions centric approach which includes more of software and services and reducing its dependence on pure hardware business. The Segment has geared itself to tap business opportunities in the high growth areas of security and surveillance, videoconferencing solutions, storage and server virtualization software and services etc..

MANAGEMENT DISCUSSION & ANALYSIS (MDA) STATEMENT (Contd.)

2. Internal Controls systems and their adequacy:

The Company has in place an adequate and appropriate system of internal controls. These are continually reviewed based on the nature and spread of the business operations. Apart from the quarterly audit of internal controls in different areas of operations by the external firm of internal auditors, M/s. Ernst & Young, your Company also conducts continuous internal audits by a team of in-house senior and experienced professionals.

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

- a. an exhaustive system of internal checks and balances involving inter-dependencies of job responsibilities, which ensures that there are joint discussions and approvals before any financial commitments are made;
- b. extensive coverage by the external and in-house internal auditors of various operational areas in rotation and who, alongwith the statutory auditors, present their findings at regular meetings of the Audit Committee of the Board of Directors and interact directly with the Audit Committee members who in turn discuss with the auditors and the management regarding issues raised in the audit reports;
- c. A well-defined authority manual which specifies the maximum amounts and the various authority levels within the Company which are involved for approving both capital and revenue expenditure, before any such expenditure is incurred;

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

3. Financial Analysis:

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

Salient Financial Data relating to the Profit & Loss Account

Particulars	2009-10 Rs. Crores	2008-09 Rs. Crores	% change over previous Year
Sales	376.37	418.52	-10.07
Other Income	0.95	0.14	578.57
Total Revenues	377.32	418.66	-9.87
Cost of Sales	37.85	33.47	13.09
Personnel Expenses	200.32	227.56	-11.97
Overheads	71.20	76.22	-6.59
Financial Expenses	1.74	3.77	-53.85
Depreciation	16.58	15.95	3.95
Total Expenditure	327.69	356.97	-8.20
Profit before Tax	49.63	61.69	-19.55
Tax	1.72	3.58	-51.96
Profit after Tax	47.91	58.11	-17.55

Expenditure Analysis as a percentage of Income

2009-10 %	2008-09 %
99.75	99.97
0.25	0.03
100.00	100.00
10.03	7.99
53.09	54.35
18.87	18.21
0.46	0.90
4.39	3.81
86.84	85.26
13.16	14.74
0.46	0.86
12.70	13.88

Analysis:

1. Sales:

The Service Segment sales declined by 10.96% from Rs. 378.43 during 2008-09 to Rs.336.94 crs. due to the difficult business conditions faced by your Company including adverse exchange rate movement in all the currencies it deals in. The Systems Integration Segment, which is domestic focused, witnessed a marginal sales reduction from Rs.40.09 crs to Rs. 39.43 crs. The mix between Software Development Services and Systems Integration & Support segments remains at 90:10, which is the same as in the previous year.

2. Other Income:

The increase in Other Income from Rs. 0.14 crs during 2008-09 to Rs. 0.95 crs. during 2009-10 mainly comprises write-back of miscellaneous credit balances no longer required.

MANAGEMENT DISCUSSION & ANALYSIS (MDA) STATEMENT (Contd.)

3. Cost of Sales:

The increase in Cost of Sales from Rs.33.46 crs to Rs.37.85 crs is due to normal operations linked to the System Integration business mix.

4. Personnel Cost:

The reduction in Personnel Expenses from Rs.227.56 crs. during 2008-09 to Rs.200.32 crs during 2009-10 is due to restructuring of salaries during the previous year and reduction in the headcount during the year.

5. Overheads:

Account Head	Increase Rs.Crs.	Decrease Rs.Crs.	Remarks
Telephone, datalink, courier and postage		3.01	Mainly due to negotiated reduction in rates for leased lines
Overseas travel		2.13	Mainly due to reduction in onsite allowances
Commission on sales		1.08	Due to reduction in sales
Training		1.02	Due to reduced intake of freshers
Exchange Loss	8.48		Due to adverse exchange rate movement in all the foreign currencies over the previous year

Significant Ratio Analysis

Particulars	Unit	2009-10	2008-09
Profit before Tax/Sales	%	13.16	14.74
Earning before Interest/Tax / Sales	%	13.62	15.64
Profit after Tax/Sales	%	12.70	13.88
Current Ratio	No. of times	2.71	1.92
Debt Equity Ratio	%	19.53	8.63
Earnings per Share	Rs.	15.39	18.66
Dividend per Share	Rs.	7.00	7.00
Book Value per Share	Rs.	55.87	48.67
Return on Networth	%	27.54	38.33
Return on Capital employed	%	22.48	34.27

4. Human Resources:

Human resource management is critical in a technical manpower intensive industry where there are challenges in attraction, retention and motivation of employees. Due to the difficult conditions faced by the Company, there were consequential impact felt on the employees and in line with the industry scenario, salaries revisions were frozen. This had consequential impact on attrition levels which increased significantly during the latter half of 2009-10 as the industry showed indications of revival. With improved business environment visible during 2010-11, the Company implemented wage revisions effective 2010-11 which reduced the attrition levels and also introduced a series of measures to enhance employee motivation and productivity levels. The Company also intends to increase its initiatives in human resources training, both on the technical side and for soft skills.

5. Quality Initiatives:

The Company has a very strong process orientation in the execution of its software projects and is a pioneer in the use of statistical methods of process controls. The Company is assessed at CMMI Level 5 certification which affirms your Company's capability to provide end-to-end design solutions that would match the customer requirements. During the year, the Company's Automotive Electronics Division has been assessed at Level 5 Autosapice model, one of the very few companies in the world to have achieved the distinction.

AUDITORS' REPORT

TO THE MEMBERS OF TATA ELXSI LIMITED

1. We have audited the attached Balance Sheet of **TATA ELXSI LIMITED** ("the Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 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 of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 0080725)

V. Balaji
Partner
(Membership No.203685)

Place : Mumbai,
Date : 30th April, 2010

ANNEXURE TO THE AUDITORS' REPORT**(Referred to in paragraph 3 of our report of even date)**

- (i) Having regard to the nature of the Company's business/activities/result, clauses iii (b) to (d), (f) and (g), v (b), vi, viii, x, xii, xiii, xiv, xvi, xviii, xix and xx of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangements, referred to Section 301 that needed to be entered in the Register maintained under the said Section.
- (vii) In our opinion, the Company has an internal audit system which is commensurate with the size of the Company and the nature of its business.
- (viii) In our opinion and according to the information and explanations given to us in respect of statutory dues:
 - (a) Except for certain delays in depositing sales tax dues in Canada, the Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) As at March 31, 2010, except for sales tax dues of Rs.915,106/- in Canada which were in arrears for more than six months from the date they became payable, there were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues for a period of more than six months from the date they became payable. These have been subsequently paid.
 - (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2010 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in lakhs)
Sales Tax Act,	Sales Tax	Commissioner of Sales Tax, Appeals	Financial Year 2003-04	0.11
Income Tax Act	Wealth Tax	Commissioner of Income Tax, Appeals	Financial Years 1993-94 to 1998-98	25.89
Income Tax Act	Income Tax	Commissioner of Income Tax, Appeals	Financial year 2004-05	87.68
Income Tax Act	Income Tax	Commissioner of Income Tax, Appeals	Financial Year 2005-06	5.40
Income Tax Act	Income Tax	Commissioner of Income Tax, Appeals	Financial Year 2006-07	358.11
Income Tax Act	Income Tax	Commissioner of Income Tax, Appeals	Financial Year 2008-09	2.57

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

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 0080725)

V. Balaji

Partner
(Membership No.203685)

Place : Mumbai,
Date : 30th April, 2010

BALANCE SHEET AS AT MARCH 31, 2010

	Schedules	As at March 31, 2010	Rs. lakhs As at March 31, 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	3,113.82	3,113.82
Reserves and surplus	2	14,283.55	12,042.47
		17,397.37	15,156.29
Loan funds			
Secured loans	3	505.55	1,307.93
Unsecured loans	4	2,891.38	-
		3,396.93	1,307.93
Deferred tax liability (Net)		521.50	490.00
Total		21,315.80	16,954.22
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	15,005.70	16,746.37
Less: Depreciation and impairment		6,004.47	7,015.67
Net block		9,001.23	9,730.70
Capital work in progress (including capital advances of Rs.22.80 lakhs (previous year Rs.78.40 lakhs))		41.07	105.98
		9,042.30	9,836.68
Investments	6	28.67	28.67
Current assets, loans and advances			
Inventories	7	6.24	-
Unbilled revenues		1,074.20	383.17
Sundry debtors	8	12,002.82	9,178.53
Cash and bank balances	9	1,343.02	1,513.94
Loans and advances	10	4,943.87	3,724.80
		19,370.15	14,800.44
Less: Current liabilities and provisions			
Current liabilities	11	3,896.08	4,495.76
Provisions	12	3,229.24	3,215.81
		7,125.32	7,711.57
Net current assets		12,244.83	7,088.87
Total		21,315.80	16,954.22

Significant accounting policies and notes on accounts

18

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

In terms of our report attached

For and on behalf of the Board

 For **Deloitte Haskins & Sells**
Chartered Accountants

S Ramadorai

Chairman

V. Balaji
Partner

H H Malgham

Director

Madhukar Dev

Managing Director

V Krishnamurthy

 Chief Financial Officer
& Company Secretary

Mumbai, April 30, 2010

Mumbai, April 30, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedules	Rs. lakhs	
		For the year ended	
		March 31, 2010	March 31, 2009
INCOME			
Sales and services	13	37,637.04	41,851.60
Other income	14	94.94	14.45
Total		37,731.98	41,866.05
EXPENDITURE			
Cost of sales	15	3,785.32	3,346.46
Personnel expenses	16	20,031.89	22,755.72
Administration and selling expenses	17	7,119.89	7,622.02
Financial expenses		173.88	377.22
Depreciation/ Amortisation		1,658.26	1,595.18
Total		32,769.24	35,696.60
Profit before tax for the year		4,962.74	6,169.45
Provision for tax - Current		(977.04)	(925.83)
- MAT credit		837.00	670.00
- Deferred		(31.50)	31.90
- Fringe benefit tax		-	(135.00)
Net Profit for the year		4,791.20	5,810.52
Profit brought forward		8,857.65	6,197.25
Balance available for appropriation		13,648.85	12,007.77
Less: Proposed dividend		2,179.68	2,179.68
Less: Dividend tax thereon		370.44	370.44
Less: Transfer to general reserve		500.00	600.00
Balance of profit carried to Balance Sheet		10,598.73	8,857.65
Earning per share of Rs. 10 each - basic and diluted (Rs.)		15.39	18.66
Significant accounting policies and notes on accounts	18		

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

In terms of our report attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**
Chartered Accountants

S Ramadorai

Chairman

V. Balaji
Partner

H H Malgham

Director

Madhukar Dev

Managing Director

V Krishnamurthy

Chief Financial Officer
& Company Secretary

Mumbai, April 30, 2010

Mumbai, April 30, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	March 31, 2010	Rs. lakhs March 31, 2009
A. Cash flows from operating activities		
Net Profit before tax	4,962.74	6,169.45
Adjustment for:		
Depreciation	1,658.26	1,595.18
Interest income	(0.39)	(1.35)
Interest expense	173.88	377.22
Provision for doubtful debts	219.55	657.15
Loss/(Profit) on sale of assets	(0.73)	0.37
Unrealised loss/(gains)	8.67	(15.66)
Operating profit before working capital changes	7,021.98	8,782.36
Decrease/(Increase) in sundry debtors	(2,946.72)	623.26
Decrease/(Increase) in inventories	(6.24)	16.60
Decrease/(Increase) in unbilled revenues	(691.03)	(4.48)
Decrease/(Increase) in loans and advances	(988.68)	42.75
Increase/(Decrease) in current liabilities	(601.16)	(65.39)
Cash inflow from operations	1,788.15	9,395.10
Income tax paid (including FBT)	(370.43)	(1,449.72)
Net cash inflow from operating activities	1,417.72	7,945.38
B. Cash flows from investing activities		
Purchase of fixed assets/ capital advances	(877.82)	(1,383.17)
Proceeds of sale of fixed assets	14.67	0.67
Interest received	0.39	1.35
Net cash outflow from investing activities	(862.76)	(1,381.15)
C. Cash flows from financing activities		
Short term borrowings availed/ (re-paid) (net)	2,089.00	(4,224.70)
Interest paid	(173.88)	(377.22)
Dividend paid	(2,164.77)	(2,165.47)
Tax on dividend paid	(370.44)	(370.44)
Net cash outflow from financing activities	(620.09)	(7,137.83)
Net increase/(decrease) in cash and cash equivalents	(65.13)	(573.60)
Cash and cash equivalents as at beginning of the year	1,513.94	2,120.14
Exchange gain/(loss) on restatement of foreign currency cash and cash equivalents	(105.79)	(32.60)
Cash and cash equivalents as at end of the year	1,343.02	1,513.94

Significant accounting policies and notes on accounts

18

The Schedule referred to above and the notes thereon form an integral part of the Cashflow Statement.

In terms of our report attached

For and on behalf of the Board

 For **Deloitte Haskins & Sells**
Chartered Accountants

S Ramadorai
Chairman
V. Balaji
Partner

H H Malgham

Director

Madhukar Dev

Managing Director

V Krishnamurthy

 Chief Financial Officer
& Company Secretary

Mumbai, April 30, 2010

Mumbai, April 30, 2010

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2010

		As at March 31, 2010	Rs. lakhs As at March 31, 2009
1	SHARE CAPITAL		
	Authorised :		
	350,00,000 equity shares of Rs. 10/- each	<u>3,500.00</u>	<u>3,500.00</u>
	Issued :		
	311,65,620 equity shares of Rs. 10/- each	<u>3,116.56</u>	<u>3,116.56</u>
	Subscribed and paid up :		
	311,38,220 equity shares of Rs.10/-each, fully paid up	<u>3,113.82</u>	<u>3,113.82</u>
	Total	<u>3,113.82</u>	<u>3,113.82</u>
2	RESERVES AND SURPLUS		
	Capital reserve:		
	Subsidy received from Kerala State Government	25.00	25.00
	General reserve:		
	Opening balance	3,159.82	2,559.82
	Add: Transferred from the Profit and Loss Account	<u>500.00</u>	<u>600.00</u>
		3,659.82	3,159.82
	Surplus in Profit and Loss Account	10,598.73	8,857.65
	Total	<u>14,283.55</u>	<u>12,042.47</u>
3	SECURED LOANS		
	Working capital loans from banks Secured by hypothecation of stocks of raw materials, finished goods, consumable stores, book debts etc.; pari passu charge on immovable property at Karnataka and other movable properties	505.55	1,307.93
	Total	<u>505.55</u>	<u>1,307.93</u>
4	UNSECURED LOANS		
	Line of credit from banks towards short term and packing credit	2,891.38	-
	Total	<u>2,891.38</u>	<u>-</u>

5 FIXED ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK		
	As at April 1, 2009	Additions	Sale/ Adjustment	As at March 31, 2010	Up to March 31, 2009	For the Year	Sale/ Adjustment	As at March 31, 2010	As at March 31, 2010	As at March 31, 2009
Land - Freehold	49.06	-	-	49.06	-	-	-	-	49.06	49.06
Land - Leasehold	85.01	-	-	85.01	11.25	3.11	-	14.36	70.65	73.76
Buildings	2,055.48	62.06	-	2,117.54	232.94	70.64	-	303.58	1,813.96	1,822.54
Improvements to leasehold premises	726.16	17.00	(319.19)	423.97	462.54	142.78	(319.19)	286.13	137.84	263.62
Plant and machinery	204.35	0.28	(191.43)	13.20	196.37	0.70	(191.43)	5.64	7.56	7.98
Computer equipment	6,267.33	392.34	(1,394.22)	5,265.45	3,526.34	801.69	(1,385.05)	2,942.98	2,322.47	2,740.99
Furniture and fixtures	1,428.04	12.59	(10.25)	1,430.38	444.03	87.95	(9.36)	522.62	907.76	984.01
Office equipment	640.35	12.16	-	652.51	134.39	34.90	(1.69)	167.60	484.91	505.96
Electrical installations	1,427.19	4.88	(15.15)	1,416.92	255.43	79.95	(9.58)	325.80	1,091.12	1,171.76
Airconditioners	785.62	5.09	-	790.71	125.94	38.54	-	164.48	626.23	659.68
Vehicles	45.94	-	(2.51)	43.43	17.76	4.38	(2.51)	19.63	23.80	28.18
Intangibles - Software	3,031.84	436.33	(750.65)	2,717.52	1,608.68	393.62	(750.65)	1,251.65	1,465.87	1,423.16
Total	16,746.37	942.73	(2,683.40)	15,005.70	7,015.67	1,658.26	(2,669.46)	6,004.47	9,001.23	9,730.70
Previous Year	15,303.25	1,445.01	(1.89)	16,746.37	5,421.34	1,595.18	(0.85)	7,015.67	9,730.70	-

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2010 (Contd...)

	As at March 31, 2010	Rs. lakhs As at March 31, 2009
6 INVESTMENTS		
Long Term, Trade - Investment (at cost) in 100,000 Fully paid equity shares (Unquoted) of Tata Elxsi (Singapore) Pte Ltd - a wholly owned subsidiary	28.67	28.67
	<u>28.67</u>	<u>28.67</u>
7 INVENTORIES (valued at lower of cost or net realisable value)		
Components and spares	6.24	-
Total	<u>6.24</u>	<u>-</u>
8 SUNDRY DEBTORS (Unsecured)		
Debts outstanding for a period exceeding six months		
- Considered good	1,327.77	787.80
- Considered doubtful	876.70	365.76
	<u>2,204.47</u>	<u>1,153.56</u>
Other debts		
- Considered good	10,675.05	8,390.73
- Considered doubtful	-	291.39
	<u>12,879.52</u>	<u>9,835.68</u>
Less: Provision for doubtful debts	876.70	657.15
Total	<u>12,002.82</u>	<u>9,178.53</u>
9 CASH AND BANK BALANCES		
Cash on hand	0.89	1.09
Cheques on hand	73.72	280.98
Balances with scheduled banks		
- in current accounts - for unencashed dividend	220.85	205.94
- in current accounts	855.80	256.04
- in deposit accounts	1.72	1.76
	<u>1,078.37</u>	<u>463.74</u>
Balances with non-scheduled banks - in current accounts	190.04	768.13
Total	<u>1,343.02</u>	<u>1,513.94</u>
10 LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	1,088.25	923.37
Deposits	1,209.63	1,222.83
TDS/Advance tax paid (Net of provision for tax)	825.24	594.85
Deferred Tax Credit (MAT)	1,820.75	983.75
(Loans and advance include amount due from a wholly owned subsidiary Rs. Nil (previous year Rs.70.12 lakhs) Maximum amount outstanding during the year Rs.70.12 lakhs (previous year Rs.142.73 lakhs))		
Total	<u>4,943.87</u>	<u>3,724.80</u>

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2010 (Contd...)

	As at 31 March, 2010	Rs. lakhs As at 31 March, 2009
11 CURRENT LIABILITIES		
Sundry creditors - other than dues to Micro and Small Enterprises	2,958.73	3,478.89
Advance from customers	108.62	221.03
Investor Education and Protection Fund shall be credited by the following amounts when due:		
- Unencashed dividend	220.85	205.94
Unearned revenue	89.58	-
Other liabilities	518.30	589.90
Total	3896.08	4,495.76
12 PROVISIONS		
Provision for leave encashment	335.82	364.18
Provision for gratuity	328.99	287.20
Provision for taxation (Net of advance tax)	14.31	14.31
Proposed dividend	2,179.68	2,179.68
Tax on dividend	370.44	370.44
Total	3,229.24	3,215.81

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	31 March, 2010	Rs. lakhs 31 March, 2009
13 SALES AND SERVICES		
Sales and support (Net of returns)	2,167.51	2,352.41
Services	35,469.53	39,499.19
Total	37,637.04	41,851.60
14 OTHER INCOME		
Interest from:		
- banks	0.33	1.35
(Tax deducted at source - 0.02 lakhs (Previous year Rs. NIL lakhs))		
- others	0.06	-
	0.39	1.35
Profit on sale of asset	0.73	-
Exchange gain (Net)	-	4.28
Miscellaneous income	93.82	8.82
Total	94.94	14.45
15 COST OF SALES		
Cost of traded goods	1,575.56	1,714.04
Spares, consumables and others	2,209.76	1,632.10
Lease charges	-	0.32
Total	3,785.32	3,346.46

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010 (Contd...)

		Rs. lakhs	
		31 March, 2010	31 March, 2009
16	PERSONNEL COST		
	Salaries	16,643.20	19,225.51
	Contribution to provident and other funds	1,254.17	1,258.59
	Staff welfare expenses	285.48	288.90
	Consultant fees for software development	1,849.04	1,982.72
	Total	20,031.89	<u>22,755.72</u>
17	ADMINISTRATION AND SELLING EXPENSES		
	Operating lease rentals	1,136.12	1,205.34
	Rates and taxes	80.84	159.61
	Power and fuel	640.99	639.76
	Repairs and maintenance: building	55.38	81.80
	plant and machinery	76.15	139.67
	others	363.32	<u>324.31</u>
		494.85	545.78
	Telephone, datalink, courier and postage	386.33	687.28
	Inland travel and conveyance	570.58	641.53
	Overseas travel	1,421.43	1,634.53
	Advertisement and sales promotion expenses	237.61	260.17
	Commission on sales	83.27	191.39
	Hire charges	45.13	18.26
	Printing and stationery	57.91	57.43
	Motor vehicle expenses	164.97	179.17
	Recruitment	13.60	26.95
	Training	44.48	146.05
	Legal and professional charges	338.02	154.15
	Secretarial charges	10.69	12.05
	Insurance	119.28	119.02
	Loss on sale of asset	-	0.37
	Bank and other charges	36.88	34.26
	Exchange (Gain)/Loss (net)	848.19	-
	Commission to non-executive directors	39.00	45.00
	Auditors' remuneration	19.85	19.85
	Provision for doubtful debts	219.55	657.15
	Bad debts/advances written off (net of credit balances)	-	75.11
	General expenses	110.32	<u>111.81</u>
	Total	7,119.89	<u>7,622.02</u>

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010

Schedule 18 - Significant Accounting Policies and Notes on Accounts

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

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

2. Use of estimates

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

3. Fixed assets

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

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

Capital advances represent outstanding advance paid to acquire fixed assets.

4. Impairment of assets

At each Balance Sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflects the current market assessment of time value of money and the risks specific to the asset.

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

5. Leases

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

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

6. Inventories

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

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

7. Income

Sales

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

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010 (Contd...)*Services*

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

8. Employee Benefits*a) Post-employment benefit plans*

Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions. For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the Profit and Loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

b) Short-term employee benefits

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

c) Long-term employee benefits

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

9. Research and Development

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

10. Foreign currency transactions

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

Exchange differences arising on restatement / settlement of foreign currency monetary liabilities having an initial term of 12 months or more that are incurred for acquisition of fixed assets are translated at year end exchange rates and the resulting gains / losses are adjusted against the cost of the fixed assets. Exchange differences arising on restatement of other foreign currency monetary assets and liabilities, having an initial term of 12 months or more, are accumulated in the Foreign Currency Monetary Item Translation Difference Account and amortised over the balance period of such long term asset / liability or up to March 31, 2011 whichever is earlier.

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

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010 (Contd...)

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

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

11. Taxation

Current income tax expense comprises taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to foreign operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

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

In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

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

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

12. Subsidies

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

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

13. Investments

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

14. Other Provisions and Contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010 (Contd...)

Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognized in the financial statements, but are disclosed. A contingent asset is neither recognized nor disclosed in the financial statements.

B. NOTES ON ACCOUNTS

- 15.** Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs.248.59 lakhs (previous year Rs. 308.11 lakhs).
- 16.** Contingent liabilities
- Disputed demands for Income Tax aggregates to Rs. 921.90 lakhs (Previous year Rs. 685.99 lakhs).
 - Disputed demands for Wealth Tax aggregates to Rs. 25.89 lakhs (Previous year Rs. 25.89 lakhs).
 - Guarantees given to Housing Finance Company for housing loans availed by employees during their employment with the Company Rs. 135.03 lakhs (Previous year Rs. 152.88 lakhs).
 - Disputed amount of Sales Tax aggregates to Rs. 0.11 lakhs (Previous year Rs. 1.50 Lakhs).
 - Debts discounted / factored with a banker Rs Nil (Previous year: Rs 928 lakhs).
- 17.** There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, as at March 31, 2010. This information has been determined to the extent such parties have been identified on the basis of information available with the company and relied upon by the auditors.
- 18.** Bank balances – Details of balances maintained with non-scheduled banks as on Balance sheet date and the maximum balances with such banks during the year are as follows:

Name of the non-scheduled banks	Balance as at March 31		Maximum balance held for the year ended March 31	
	2010	2009	2010	2009
	Rs. lakhs			
HSBC London	9.89	108.87	455.75	811.13
Deutsche Bank AG Frankfurt	18.68	142.20	336.42	538.90
Bank of Tokyo (Mitsubishi)	91.78	517.06	1,277.46	7,472.51
Citi Bank US	42.89	-	73.73	-
Citi Bank UK	24.54	-	732.87	-
Korea Exchange Bank	2.26	-	2.32	-
Total	190.04	768.13	2,878.55	8,822.54

19. Particulars in respect of sales, stocks etc.

Class of goods	Rs. lakhs							
	Opening Stock		Closing Stock		Purchases		Sales	
	Nos.	Value	Nos.	Value	Nos.	Value	Nos.	Value
Computer systems, Peripherals, etc								
2010 Workstations	-	-	-	-	585	1,100.00	585	1,182.00
2009 Workstations	-	-	-	-	128	110.68	128	182.20
Softwares, Accessories, etc								
2010	-	-	-	6.24	-	481.80	-	985.51
2009	-	-	-	-	-	1,603.36	-	2,170.21
Total	-	-	-	6.24	-	1,581.80	-	2,167.51
(Previous year)	-	-	-	-	-	1,714.04	-	2,352.41

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

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010 (Contd...)

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

	2009-10	Rs. lakhs 2008-09
Computer systems, peripherals, software, etc.	901.00	1,024.10
Capital goods	148.99	415.41
	1049.99	1,439.51

21. Expenditure in foreign exchange

	2009-10	2008-09
Overseas offices' expenses	6,973.53	7,306.05
Foreign travel	995.74	1,090.24
Other expenditure	215.13	152.56
	8,184.40	8,548.85

22. Earnings in foreign currency

	2009-10	2008-09
Service income	29,493.63	33,913.60
Sales and support	119.53	58.38
	29,613.16	33,971.98

23. Particulars of earning per share

	2009-10	2008-09
Net profit for the year (Rs. Lakhs)	4,791.20	5,810.52
Number of equity shares	311,38,220	311,38,220
Nominal value of the shares(Rs.)	10.00	10.00
Earning per share (Rs.)	15.39	18.66

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 period.

24. Provision for tax includes Rs. 140.04 lakhs (previous year Rs. 225.00 lakhs) in respect of overseas operations.

25. Deferred tax liability

	As at March 31, 2010	Rs. Lakhs As at March 31, 2009
Timing difference on account of depreciation	(1,048.72)	(994.66)
Other timing differences	527.22	504.66
Total (net)	(521.50)	(490.00)

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010 (Contd...)
26. Employee benefits

a) Defined Benefit Plans

 Details of benefit cost and obligation under defined benefit plans - As per actuarial valuations as on March 31, 2010
(Rs in Lakhs)

Particulars	Gratuity	
	2009-10	2008-09
I Components of employer expense		
A Current Service cost	86.10	97.86
B Interest cost	39.47	38.37
C Expected return on plan assets	(17.08)	(16.62)
D Curtailment cost/(credit)	-	-
E Settlement cost/(credit)	-	-
F Past Service Cost	-	-
G Actuarial Losses/(Gains)	(6.19)	(50.93)
Total expense recognised in the Statement of Profit & Loss	102.30	68.68
II Actual Contribution and Benefits Payments for period ended March 31, 2010		
A Actual benefit payments	53.73	26.74
B Actual Contributions	60.51	50.04
III Net asset/(liability) recognised in Balance Sheet as at March 31, 2010		
A Present value of Defined Benefit Obligation (DBO)	(533.67)	(467.06)
B Fair value of plan assets	204.68	179.86
C Funded status [Surplus/(Deficit)]	-	-
D Unrecognised Past Service Costs	-	-
E Net asset/(liability) recognised in Balance Sheet	(328.99)	(287.20)
IV Change in Defined Benefit Obligations during the year ended March 31, 2010		
A Present Value of DBO at beginning of period	467.06	410.69
B Current Service cost	86.10	97.86
C Interest cost	39.47	38.37
D Curtailment cost/(credit)	-	-
E Settlement cost/(credit)	-	-
F Plan amendments	-	-
G Acquisitions	-	-
H Actuarial (gains)/ losses	(5.23)	(53.12)
I Benefits paid	(53.73)	(26.74)
J Present Value of DBO at the end of period	533.67	467.06
V Change in Fair Value of Assets during the year ended March 31, 2010		
A Plan assets at beginning of period	179.86	142.13
B Actual return on plan assets	17.08	16.63
C Actual Company contributions	60.50	50.04
D Benefits paid	(53.72)	(26.74)
E Actuarial gains/ (losses)	0.96	(2.20)
F Plan assets at the end of period	204.68	179.86
VI Actuarial Assumptions for Gratuity		
A Discount Rate	7.75%	7.50%
B Expected Return on plan assets	8.00%	8.00%
C Salary escalation	5.00%	5.00%
D Mortality		LIC Mortality (1994-96) Table
E Withdrawal Rates		21-30 years – 10%
		31-40 years – 5%
		41-50 years – 3%
		51 & above – 2%

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010 (Contd...)

Planned assets are in Insurer Managed Funds(Life Insurance Corporation of India). Category of such funds is not disclosed as such information is not available from the insurer who manages the funds.

b Defined contribution plans

The Company makes Provident Fund and Superannuation Fund contributions to defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits.

The Provident Fund scheme additionally requires the Company to guarantee payment of interest at rates notified by the Central Government from time to time. However considering the size of the investment in the Provident Fund and the Provident Fund liabilities accrued to the employees at the Balance Sheet Date, the Company believes that there would not be any shortfall in the Fund balance and hence no actuarial valuation has been carried out towards interest payments to be made in the future.

The Company recognised Rs. 785.00 Lakhs (Previous year Rs. 776.15 Lakhs) for provident fund contributions and Rs. 161.62 Lakhs (Previous year: Rs. 159.05 Lakhs) for superannuation contributions in the Profit and Loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

27. Related party disclosure

A. Related parties and their relationships

Tata Elxsi (Singapore) Pte Ltd.	Subsidiary Company
Tata Sons Limited	Company with Significant influence
Mr. Madhukar Dev – Managing Director	Key management personnel

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

Name of related party	Nature of relation	Nature of Transaction	Rs. in lakhs	
			2009-10	2008-09
Tata Elxsi (Singapore) Pte Ltd.	Subsidiary Company	Reimbursement of Expenses	2.70	3.39
		Services rendered	-	115.87
		Outstanding receivables at the year end	-	70.12
		Outstanding payable at the year end	2.70	-
Tata Sons Limited.	Company with Significant influence	Brand Fee and other services (including service tax)	104.24	118.19
		Outstanding payable at the year end	103.78	117.72
Mr. Madhukar Dev	Key management personnel	Managerial Remuneration	72.77	56.91
		Commission	55.00	55.00

Note:

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

28. Operating Lease

The Company has entered into operating leases in respect of office premises. The lease rentals charged to the Profit & Loss account in respect of these leases amount to Rs. 1,136.12 lakhs. (Previous Year Rs. 1,205.34 Lakhs)

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010 (Contd...)

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

Particulars	Rs. Lakhs	
	As at March 31, 2010	As at March 31, 2009
Not later than one year	188.06	321.08
Later than one year but not later than five years	172.03	11.30
Later than five years	-	-
Total	360.09	332.38

29. Segment reporting

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

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

Primary segment information

	Rs. lakhs		
	Systems Integration and Support	Software Development and Services	Total
Revenues	3,943.04 (4,008.57)	33,694.00 (37,843.03)	37,637.04 (41,851.60)
Identifiable other income	20.15 (3.89)	70.81 (4.28)	90.96 (8.17)
Identifiable operating expenses	3,502.08 (3,626.38)	26,273.83 (28,692.70)	29,775.91 (32,319.08)
Provision for doubtful debts	3.61 (14.32)	215.94 (642.83)	219.55 (657.15)
Depreciation	149.96 (138.21)	1,508.30 (1,456.97)	1,658.26 (1,595.18)
Segmental operating Income	307.54 (233.55)	5,766.74 (7,054.81)	6,074.28 (7,288.36)
Unallocable expenses:			
Interest and finance charges			173.88 (377.22)
Other unallocable expenses (Net)			937.66 (741.69)
Total profit before tax			4,962.74 (6,169.45)
Taxes			171.54 (358.93)
Net income after taxes			4,791.20 (5,810.52)

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010 (Contd...)

			Rs. lakhs
	Systems Integration and Support	Software Development and Services	Total
Segment Assets	1,416.94	14,334.26	15,751.20
	(1,669.49)	(11,313.88)	(12,983.37)
Segment Liabilities	820.01	1,565.95	2,385.96
	(691.63)	(2,671.78)	(3,363.41)
Unallocable Assets			12,689.92
			(11,682.42)
Unallocable Liabilities			4,739.36
			(4,348.16)
Cost incurred to acquire segment assets			942.73
			(1,445.01)

Previous year's figures are shown in brackets.

Secondary segment information

			Rs. lakhs
	India	Overseas	Total
Revenues	8,023.88	29,613.16	37,637.04
	(8,934.39)	(32,917.21)	(41,851.60)
Assets	16,703.56	9,062.89	25,766.45
	(20,111.50)	(2,741.08)	(22,852.58)
Unallocable assets			2,674.67
			(1,813.21)
Cost incurred to acquire segment assets	850.83	91.90	942.73
	(1,419.10)	(25.91)	(1,445.01)

Previous year's figures are shown in brackets.

30. Derivative Financial Instruments

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

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

Currency	Option Contracts			
	Japanese Yen	US Dollar	Euro	GBP
Amount	JPY 2,100 lakhs	USD 40 lakhs	Euro 40 lakhs	GBP 7.5 lakhs
(Previous year)	(JPY 5,500 lakhs)	(USD 70 lakhs)	(Nil)	(Nil)
Buy/Sell	Sell @ Rs. 1,102.50 lakhs	Sell @ Rs. 1,830.60 lakhs	Sell @ Rs. 2,794.00 lakhs	Sell @ Rs. 545.25 lakhs
(Previous year)	(Sell @ Rs. 2,809.50 lakhs)	(Sell @ Rs 3,147.50 lakhs)	(Nil)	(Nil)
Cross Currency	Indian Rupees	Indian Rupees	Indian Rupees	Indian Rupees

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010 (Contd...)

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

a) Amounts receivable in foreign currency on account of Export of goods:

2009-10		2008-09	
Amount receivable in Foreign currency in lakhs	Amount in Rs. lakhs	Amount receivable in Foreign currency lakhs	Amount in Rs. lakhs
Euro Nil	Nil	Euro 23.11	1,562.08
GBP 2.73	195.66	GBP 19.23	1,403.74
USD 83.30	3,860.41	USD 1.33	68.03
JPY 415.81	209.78	JPY Nil	Nil
AED 0.21	2.68	AED Nil	Nil

b) Amounts payable in foreign currency on account of purchase of goods and services:

2009-10		2008-09	
Amount payable in Foreign currency in lakhs	Amount in Rs. lakhs	Amount payable in Foreign currency in lakhs	Amount in Rs. lakhs
Euro 0.50	32.13	Euro 0.39	26.36
GBP 0.90	65.77	GBP 0.53	38.68
USD 1.99	90.53	USD 1.84	93.78

31. Auditors' remuneration(Including service tax)

	Rs. lakhs	
	2009-10	2008-09
Audit fees	19.85	19.85
Fee for certification	0.75	0.75
	20.60	20.60

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010 (Contd...)

32. Managerial remuneration

The account includes managerial remuneration to the Managing director under section 198 of the Companies Act 1956 amounting to Rs. 127.77 lakhs (Rs. 111.91 lakhs) inclusive of estimated monetary value of perquisites and benefits Rs. 37.80 lakhs (Rs. 35.32 lakhs) and commission of Rs. 55.00 lakhs (Rs. 55.00 lakhs) as well as commission to non-wholetime directors of Rs. 39.00 lakhs (Rs. 45.00 lakhs), computed below:

	2009-10	2008-09
Profit before tax	4,962.74	6,169.45
Add: - Commission to non-executive directors	39.00	45.00
- Managerial remuneration	127.77	111.91
- Directors sitting fees	7.95	9.15
	5,137.46	6,335.51
Less: - Profit/(Loss) on sale of assets	0.73	(0.37)
Net profit as computed under Section 349	5,136.73	6,335.88
Remuneration to whole time Director		
Eligible under Section 309 -	256.83	316.79
Restricted to -	127.77	111.91
Commission payable to:		
a) Managing Director	55.00	55.00
b) Non- wholetime Directors @1% of the Net profits i.e., Rs. 51.37 lakhs (Rs. 63.36lakhs) restricted to	39.00	45.00

33. Notes relating to Cash Flow Statement

- a) The cash flow statement has been prepared under the "Indirect Method" as set out in "the Accounting Standard 3 – Cash Flow Statements" as per the Companies (Accounting Standards) Rules, 2006.
- b) Cash and cash equivalents include balances with scheduled banks on dividend account Rs.220.85 Lakhs (Previous year Rs. 205.94 Lakhs) which are not available for use by the company.

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

For and on behalf of the Board

S Ramadorai	<i>Chairman</i>
H H Malgham	<i>Director</i>
Madhukar Dev	<i>Managing Director</i>
V Krishnamurthy	<i>Chief Financial Officer & Company Secretary</i>

Mumbai, April 30, 2010.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

	0	9	9	6	8
--	---	---	---	---	---

State Code

0	8
---	---

 (Refer Code List)

Balance Sheet Date

3	1
---	---

 /

0	3
---	---

 /

2	0	1	0
---	---	---	---

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

Public Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Private Placement

						N	I	L
--	--	--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Lakhs)

Total Liabilities

		2	1	3	1	5	.	8	0
--	--	---	---	---	---	---	---	---	---

Source of Funds

Paid-up Capital

			3	1	1	3	.	8	2
--	--	--	---	---	---	---	---	---	---

Secured Loans

				5	0	5	.	5	5
--	--	--	--	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

			9	0	4	2	.	3	0
--	--	--	---	---	---	---	---	---	---

Net Current Assets

			1	2	2	4	.	8	3
--	--	--	---	---	---	---	---	---	---

Accumulated Losses

							N	I	L
--	--	--	--	--	--	--	---	---	---

Total Assets

		2	1	3	1	5	.	8	0
--	--	---	---	---	---	---	---	---	---

Reserve & Surplus

			1	4	2	8	3	.	5	5
--	--	--	---	---	---	---	---	---	---	---

Unsecured Loans/Other Liabilities

				3	4	1	2	.	8	8
--	--	--	--	---	---	---	---	---	---	---

Investment

						2	8	.	6	7
--	--	--	--	--	--	---	---	---	---	---

Misc. Expenditure

							N	I	L
--	--	--	--	--	--	--	---	---	---

IV. Performance of the Company (Amount in Rs. Lakhs)

Turnover (Total Income)

		3	7	7	3	1	.	9	8
--	--	---	---	---	---	---	---	---	---

+ - Profit/Loss Before Tax

+			4	9	6	2	.	7	4
---	--	--	---	---	---	---	---	---	---

Earning per share in Rupees (Rs.)

		1	5	.	3	9
--	--	---	---	---	---	---

Total Expenditure

		3	2	7	6	9	.	2	4
--	--	---	---	---	---	---	---	---	---

+ - Profit/Loss After Tax

+			4	7	9	1	.	2	0
---	--	--	---	---	---	---	---	---	---

Dividend Rate %

7	0
---	---

V. Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

Item Code Nos. (ITC Codes)

8	4	7	1	9	0	.	0	0											
---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--

Product Descriptions

A	U	T	O	M	A	T	I	C		D	A	T	A		P	R	O	C	E	S	S	I	N	G				
---	---	---	---	---	---	---	---	---	--	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	--	--	--	--

M	A	C	H	I	N	E	S		A	N	D		U	N	I	T	S		T	H	E	R	E	O	F				
---	---	---	---	---	---	---	---	--	---	---	---	--	---	---	---	---	---	--	---	---	---	---	---	---	---	--	--	--	--

Item Code Nos. (ITC Codes)

N	I	L																											
---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Product Descriptions

M	A	I	N	T	E	N	A	N	C	E		O	F		A	U	T	O	M	A	T	I	C		D	A	T	A	
---	---	---	---	---	---	---	---	---	---	---	--	---	---	--	---	---	---	---	---	---	---	---	---	--	---	---	---	---	--

P	R	O	C	E	S	S	I	N	G		M	A	C	H	I	N	E	S		A	N	D		U	N	I	T	S	
---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	--	---	---	---	--	---	---	---	---	---	--

Item Code Nos. (ITC Codes)

N	I	L																											
---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Product Descriptions

D	E	S	I	G	N		A	N	D		D	E	V	E	L	O	P	M	E	N	T		O	F					
---	---	---	---	---	---	--	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---	--	---	---	--	--	--	--	--

C	O	M	P	U	T	E	R		H	A	R	D	W	A	R	E		A	N	D		S	O	F	T	W	A	R	E
---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	--	---	---	---	--	---	---	---	---	---	---	---	---

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

1. We have audited the attached Consolidated Balance Sheet of **TATA ELXSI LIMITED** ("the Company") and its subsidiary (the Company and its subsidiary constitute "the Group") as at 31st March, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), as notified under the Companies (Accounting Standards) Rules, 2006
4. Based on our audit and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2010;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 008072S)

V. Balaji
Partner
(Membership No.203685)

Place : Mumbai,
Date : 30th April, 2010

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

	Schedules	As at March 31, 2010	Rs. lakhs As at March 31, 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	3,113.82	3,113.82
Reserves and surplus	2	14,398.87	12,069.22
		17,512.69	15,183.04
Loan funds			
Secured loans	3	505.55	1,307.93
Unsecured loans	4	2,891.38	-
		3,396.93	1,307.93
Deferred tax liability (Net)		521.50	490.00
Total		21,431.12	16,980.97
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	15,005.70	16,746.37
Less: Depreciation and impairment		6,004.47	7,015.67
Net block		9,001.23	9,730.70
Capital work in progress (including capital advances of Rs.22.80 lakhs (previous year Rs.78.40 lakhs))		41.07	105.98
		9,042.30	9,836.68
Current assets, loans and advances			
Inventories	6	6.24	-
Unbilled revenues		1,074.20	383.17
Sundry debtors	7	13,054.32	9,187.12
Cash and bank balances	8	1,428.50	1,633.33
Loans and advances	9	4,935.40	3,642.92
		20,498.66	14,846.54
Less: Current liabilities and provisions			
Current liabilities	10	4,880.60	4,486.44
Provisions	11	3,229.24	3,215.81
		8,109.84	7,702.25
Net current assets		12,388.82	7,144.29
Total		21,431.12	16,980.97

Significant accounting policies and notes on accounts 17

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

In terms of our report attached

For and on behalf of the Board

 For **Deloitte Haskins & Sells**
Chartered Accountants

S Ramadorai
Chairman
V. Balaji
Partner

H H Malgham
Director
Madhukar Dev
Managing Director
V Krishnamurthy
*Chief Financial Officer
& Company Secretary*

Mumbai, April 30, 2010

Mumbai, April 30, 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

Rs. lakhs

	Schedules	For the year ended	
		March 31, 2010	March 31, 2009
INCOME			
Sales and services	12	38,817.25	41,936.15
Other income	13	94.94	15.46
Total		38,912.19	41,951.61
EXPENDITURE			
Cost of sales	14	4,864.06	3,400.51
Personnel expenses	15	20,031.89	22,757.17
Administration and selling expenses	16	7,122.58	7,628.12
Financial expenses		173.88	377.22
Depreciation/ Amortisation		1,658.26	1,595.18
Total		33,850.67	35,758.20
Profit before tax for the year		5,061.52	6,193.41
Provision for tax - Current		(985.31)	(944.39)
- MAT credit		837.00	670.00
- Deferred		(31.50)	31.90
- Fringe benefit tax		-	(135.00)
Net Profit for the year		4,881.71	5,815.92
Profit brought forward		8,880.93	6,215.13
Balance available for appropriation		13,762.64	12,031.05
Less: Proposed dividend		2,179.68	2,179.68
Less: Dividend tax thereon		370.44	370.44
Less: Transfer to general reserve		500.00	600.00
Balance of profit carried to Balance Sheet		10,712.52	8,880.93
Earning per share of Rs. 10 each - basic and diluted (Rs.)		15.68	18.68
Significant accounting policies and notes on accounts	17		

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

In terms of our report attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**
Chartered Accountants

S Ramadorai

Chairman

V. Balaji
Partner

H H Malgham

Director

Madhukar Dev

Managing Director

V Krishnamurthy

*Chief Financial Officer
& Company Secretary*

Mumbai, April 30, 2010

Mumbai, April 30, 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	March 31, 2010	March 31, 2009
A. Cash flows from operating activities		
Net Profit before tax	5,061.52	6,193.41
Adjustment for:		
Depreciation	1,658.26	1,595.18
Interest income	(0.39)	(1.35)
Interest expense	173.88	377.22
Provision for doubtful debts	219.55	657.15
Loss/(Profit) on sale of assets	(0.73)	0.37
Unrealised loss/(gains)	8.67	(14.12)
Operating profit before working capital changes	7,120.76	8,807.86
Decrease/(Increase) in sundry debtors	(3,989.63)	664.48
Decrease/(Increase) in inventories	(6.24)	16.60
Decrease/(Increase) in unbilled revenues	(691.03)	(4.48)
Decrease/(Increase) in loans and advances	(1,077.72)	125.85
Increase/(Decrease) in current liabilities	390.74	(99.75)
Cash inflow from operations	1,746.88	9,510.56
Income tax paid (including FBT)	(363.07)	(1,474.41)
Net cash inflow from operating activities	1,383.81	8,036.15
B. Cash flows from investing activities		
Purchase of fixed assets/ capital advances	(877.82)	(1,383.16)
Proceeds of sale of fixed assets	14.67	0.67
Interest received	0.39	1.35
Net cash outflow from investing activities	(862.76)	(1,381.14)
C. Cash flows from financing activities		
Short term borrowings availed / (re-paid) (net)	2,089.00	(4,224.70)
Interest paid	(173.88)	(377.22)
Dividend paid	(2,164.77)	(2,165.47)
Tax on dividend paid	(370.44)	(370.44)
Net cash outflow from financing activities	(620.09)	(7,137.83)
Net increase/(decrease) in cash and cash equivalents	(99.04)	(482.82)
Cash and cash equivalents as at beginning of the year	1,633.33	2,148.75
Exchange gain/(loss) on restatement of foreign currency cash and cash equivalents	(105.79)	(32.60)
Cash and cash equivalents as at end of the year	1,428.50	1,633.33

Significant accounting policies and notes on accounts 17

The Schedule referred to above and the notes thereon form an integral part of the Cashflow Statement.

In terms of our report attached

For and on behalf of the Board

 For **Deloitte Haskins & Sells**
Chartered Accountants

S Ramadorai
Chairman
V. Balaji
Partner

H H Malgham
Director
Madhukar Dev
Managing Director
V Krishnamurthy
*Chief Financial Officer
& Company Secretary*

Mumbai, April 30, 2010

Mumbai, April 30, 2010

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

	As at March 31, 2010	Rs. lakhs As at March 31, 2009
1. SHARE CAPITAL		
Authorised :		
350,00,000 equity shares of Rs. 10/- each	<u>3,500.00</u>	<u>3,500.00</u>
Issued :		
311,65,620 equity shares of Rs. 10/- each	<u>3,116.56</u>	<u>3,116.56</u>
Subscribed and paid up :		
311,38,220 equity shares of Rs.10/-each, fully paid up	<u>3,113.82</u>	<u>3,113.82</u>
Total	<u>3,113.82</u>	<u>3,113.82</u>
2. RESERVES AND SURPLUS		
Capital reserve:		
Subsidy received from Kerala State Government	25.00	25.00
General reserve:		
Opening balance	3,159.82	2,559.82
Add: Transferred from the Profit and Loss Account	<u>500.00</u>	<u>600.00</u>
	3,659.82	3,159.82
Foreign exchange translation reserve	1.53	3.47
Surplus in Profit and Loss Account	10,712.52	8,880.93
Total	<u>14,398.87</u>	<u>12,069.22</u>
3. SECURED LOANS		
Working capital loans from banks	505.55	1,307.93
Secured by hypothecation of stocks of raw materials, finished goods, consumable stores, book debts etc.; pari passu charge on immovable property at Karnataka and other movable properties		
Total	<u>505.55</u>	<u>1,307.93</u>
4 UNSECURED LOANS		
Line of credit from banks towards short term and packing credit	2,891.38	-
Total	<u>2,891.38</u>	<u>-</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

5 FIXED ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK		
	As at	Additions	Sale/	As at	Up to	For the	Sale/	As at	As at	As at
	April 1, 2009		Adjustment	March 31, 2010	March 31, 2009	Year	Adjustment	March 31, 2010	March 31, 2010	March 31, 2009
Land - Freehold	49.06	-	-	49.06	-	-	-	-	49.06	49.06
Land - Leasehold	85.01	-	-	85.01	11.25	3.11	-	14.36	70.65	73.76
Buildings	2,055.48	62.06	-	2,117.54	232.94	70.64	-	303.58	1,813.96	1,822.54
Improvements to leasehold premises	726.16	17.00	(319.19)	423.97	462.54	142.78	(319.19)	286.13	137.84	263.62
Plant and machinery	204.35	0.28	(191.43)	13.20	196.37	0.70	(191.43)	5.64	7.56	7.98
Computer equipment	6,267.33	392.34	(1,394.22)	5,265.45	3,526.34	801.69	(1,385.05)	2,942.98	2,322.47	2,740.99
Furniture and fixtures	1,428.04	12.59	(10.25)	1,430.38	444.03	87.95	(9.36)	522.62	907.76	984.01
Office equipment	640.35	12.16	-	652.51	134.39	34.90	(1.69)	167.60	484.91	505.96
Electrical installations	1,427.19	4.88	(15.15)	1,416.92	255.43	79.95	(9.58)	325.80	1,091.12	1,171.76
Airconditioners	785.62	5.09	-	790.71	125.94	38.54	-	164.48	626.23	659.68
Vehicles	45.94	-	(2.51)	43.43	17.76	4.38	(2.51)	19.63	23.80	28.18
Intangibles - Software	3,031.84	436.33	(750.65)	2,717.52	1,608.68	393.62	(750.65)	1,251.65	1,465.87	1,423.16
Total	16,746.37	942.73	(2,683.40)	15,005.70	7,015.67	1,658.26	(2,669.46)	6,004.47	9,001.23	9,730.70
Previous Year	15,303.25	1,445.01	(1.89)	16,746.37	5,421.34	1,595.18	(0.85)	7,015.67	9,730.70	-

6. INVENTORIES

(valued at lower of cost or net realisable value)

Components and spares

Total

	As at March 31, 2010	As at March 31, 2009
Components and spares	6.24	-
Total	6.24	-

7. SUNDRY DEBTORS

(Unsecured)

Debts outstanding for a period exceeding six months

- Considered good

- Considered doubtful

Other debts

- Considered good

- Considered doubtful

Less: Provision for doubtful debts

Total

- Considered good	1,327.77	787.80
- Considered doubtful	876.70	365.76
	2,204.47	1,153.56
Other debts		
- Considered good	11,726.55	8,399.32
- Considered doubtful	-	291.39
	13,931.02	9,844.27
Less: Provision for doubtful debts	876.70	657.15
Total	13,054.32	9,187.12

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

	Rs. lakhs	
	As at March 31, 2010	As at March 31, 2009
8 CASH AND BANK BALANCES		
Cash on hand	0.89	1.09
Cheques on hand	73.72	280.98
Balances with scheduled banks		
- in current accounts - for unencashed dividend	220.85	205.94
- in current accounts	855.80	256.04
- in deposit accounts	1.72	1.76
	<u>1,078.37</u>	<u>463.74</u>
Balances with non-scheduled banks - in current accounts	275.52	887.52
Total	<u><u>1,428.50</u></u>	<u><u>1,633.33</u></u>
9 LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	1,090.96	837.04
Deposits	1,209.63	1,222.83
TDS/Advance tax paid (Net of provision for tax)	814.06	599.30
Deferred Tax Credit (MAT)	1,820.75	983.75
Total	<u><u>4,935.40</u></u>	<u><u>3,642.92</u></u>
10 CURRENT LIABILITIES		
Sundry creditors - other than dues to Micro and Small Enterprises	3,943.25	3,481.00
Advance from customers	108.62	209.60
Investor Education and Protection Fund shall be credited by the following amounts when due:		
- Unencashed dividend	220.85	205.94
Unearned revenue	89.58	-
Other liabilities	518.30	589.90
Total	<u><u>4,880.60</u></u>	<u><u>4,486.44</u></u>
11 PROVISIONS		
Provision for leave encashment	335.82	364.18
Provision for gratuity	328.99	287.20
Provision for taxation (Net of advance tax)	14.31	14.31
Proposed dividend	2,179.68	2,179.68
Tax on dividend	370.44	370.44
Total	<u><u>3,229.24</u></u>	<u><u>3,215.81</u></u>

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	March 31, 2010	Rs. lakhs March 31, 2009
12 SALES AND SERVICES		
Sales and support (Net of returns)	3,347.72	2,430.86
Services	35,469.53	39,505.29
Total	38,817.25	41,936.15
13 OTHER INCOME		
Interest from:		
- banks	0.33	1.35
(Tax deducted at source - 0.02 lakhs (Previous year Rs. NIL lakhs))		
- others	0.06	-
	0.39	1.35
Profit on sale of asset	0.73	-
Exchange gain (Net)		5.29
Miscellaneous income	93.82	8.82
Total	94.94	15.46
14 COST OF SALES		
Cost of traded goods	2,622.53	1,714.04
Spares, consumables and others	2,241.53	1,686.15
Lease charges	-	0.32
Total	4,864.06	3,400.51
15 PERSONNEL COST		
Salaries	16,643.20	19,225.51
Contribution to provident and other funds	1,254.17	1,258.59
Staff welfare expenses	285.48	288.90
Consultant fees for software development	1,849.04	1,984.17
Total	20,031.89	22,757.17

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	March 31, 2010	March 31, 2009
16 ADMINISTRATION AND SELLING EXPENSES		
Operating lease rentals	1,136.12	1,205.34
Rates and taxes	80.84	159.61
Power and fuel	640.99	639.76
Repairs and maintenance : building	55.38	81.80
plant and machinery	76.15	139.67
others	363.32	324.31
	494.85	545.78
Telephone, datalink, courier and postage	386.72	687.35
Inland travel and conveyance	570.58	641.53
Overseas travel	1,421.43	1,634.53
Advertisement and sales promotion expenses	237.61	260.17
Commission on sales	83.27	191.39
Hire charges	45.13	18.26
Printing and stationery	57.91	57.43
Motor vehicle expenses	164.97	179.17
Recruitment	13.60	26.95
Training	44.48	146.05
Legal and professional charges	338.04	155.39
Secretarial charges	10.69	12.19
Insurance	119.28	119.02
Loss on sale of asset	-	0.37
Bank and other charges	37.55	35.78
Exchange (Gain)/Loss (net)	848.45	-
Commission to non-executive directors	39.00	45.00
Auditors' remuneration	21.20	21.62
Provision for doubtful debts	219.55	657.15
Bad debts/advances written off (net of credit balances)	-	75.11
General expenses	110.32	113.17
Total	7,122.58	7,628.12

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010**Schedule 17 - Significant Accounting Policies and Notes on Accounts****A. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of preparation**

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

Following Companies are considered in the consolidated financial statements:

Name of the Entity	Country of Incorporation	% Ownership held either directly or through subsidiaries as at 31 March 2010
TATA Elxsi (Singapore) Pte Limited	Singapore	100%

2. Principles of consolidation

The financial statements of the subsidiary company used in the consolidation are drawn up to the same reporting date as of the Company.

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

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

3. Use of estimates

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

4. Fixed assets

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

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

Capital advances represent outstanding advance paid to acquire fixed assets.

5. Impairment of assets

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

Reversal of impairment loss is recognised immediately as income in the profit and loss account.

6. Leases:

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

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

7. Inventories

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

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

8. Income

Sales

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

Services

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

9. Employee Benefits

a) *Post-employment benefit plans*

Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions. For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the Profit and Loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

b) *Short-term employee benefits*

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

c) *Long-term employee benefits*

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

10. Research and Development

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

11. Foreign currency transactions

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

Exchange differences arising on restatement / settlement of foreign currency monetary liabilities having an initial term of 12 months or more that are incurred for acquisition of fixed assets are translated at year end exchange rates and the resulting gains / losses are adjusted against the cost of the fixed assets. Exchange differences arising on restatement of other foreign currency monetary assets and liabilities, having an initial term of 12 months or more, are accumulated in the Foreign Currency Monetary Item Translation Difference Account and amortised over the balance period of such long term asset / liability or up to March 31, 2011 whichever is earlier

Other foreign currency liabilities and assets are restated at the rates ruling at the year end. Exchange differences arising on restatement / settlement of foreign currency balances are adjusted in the profit and loss account.

Premium or discount on forward exchange contracts are amortized and recognized in the profit and loss account over the period of the contract. Forward contracts and currency options outstanding at the balance sheet date, other than designated cash flow hedges, are stated at fair values and any gains or losses are recognized in the profit and loss account.

b. In the case of non-integral operations, assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Revenue and expenses are translated at exchange rates prevailing on the date of transaction. Exchange differences arising out of these translations are included in 'Exchange Reserve' under Reserves and Surplus.

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

12. Taxation

Current income tax expense comprises taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to foreign operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

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

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance taxes paid and income tax provisions arising in the same tax jurisdiction and the Company intends to settle the asset and liability on a net basis.

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

13. Subsidies

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

Other revenue subsidies are credited to profit and loss account or deducted from related expenses

14. Investments

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

15. Other Provisions and Contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balances sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognized in the financial statements, but are disclosed. A contingent asset is neither recognized nor disclosed in the financial statements.

B. NOTES ON ACCOUNTS

16. Contingent liabilities

- Disputed demands for Income Tax aggregates to Rs. 921.90 lakhs (Previous year Rs.685.99 lakhs).
- Disputed demands for Wealth Tax aggregates to Rs. 25.89 lakhs (Previous year Rs. 25.89 lakhs).
- Guarantees given to Housing Finance Company for housing loans availed by employees during their employment with the Company Rs. 135.03 lakhs (Previous year Rs. 152.88 lakhs).
- Disputed amount of Sales Tax aggregates to Rs. 0.11 lakhs (Previous year Rs. 1.50 Lakhs).
- Debts discounted/ factored with a banker Rs Nil (Previous year: Rs 928 lakhs).

17. Particulars of earning per share.

	2009-10	2008-09
Net profit for the year (Rs. Lakhs)	4,881.71	5,815.92
Number of equity shares	311,38,220	311,38,220
Nominal value of the shares(Rs.)	10.00	10.00
Earning per share (Rs.)	15.68	18.68

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

18. Provision for tax includes Rs. 140.04 lakhs (Previous year Rs. 243.56 lakhs) in respect of overseas operations .

19. Deferred tax liability as at 31st March 2010

	Rs. lakhs	
	2009-10	2008-09
Timing difference on account of depreciation	(1,048.72)	(994.66)
Other timing differences	527.22	504.66
Total (net)	(521.50)	(490.00)

20. Employee benefits

 a) *Defined Benefit Plans*

Details of benefit cost and obligation under defined benefit plans - As per actuarial valuations as on March 31, 2010

Particulars	(Rs in lakhs)	
	2009-10	2008-09
I Components of employer expense		
A Current Service cost	86.10	97.86
B Interest cost	39.47	38.37
C Expected return on plan assets	(17.08)	(16.62)
D Curtailment cost/(credit)		-
E Settlement cost/(credit)		-
F Past Service Cost		-
G Actuarial Losses/(Gains)	(6.19)	(50.93)
H Total expense recognised in the Statement of Profit & Loss	102.30	68.68
II Actual Contribution and Benefits Payments for period ended March 31, 2010		
A Actual benefit payments	53.73	26.74
B Actual Contributions	60.51	50.04
III Net asset/(liability) recognised in balance sheet as at March 31, 2010		
A Present value of Defined Benefit Obligation (DBO)	(533.67)	(467.06)
B Fair value of plan assets	204.68	179.86
C Funded status [Surplus/(Deficit)]		
D Unrecognised Past Service Costs	-	
E Net asset/(liability) recognised in balance sheet	(328.99)	(287.20)
IV Change in Defined Benefit Obligations during the year ended March 31, 2010		
A Present Value of DBO at beginning of period	467.06	410.69
B Current Service cost	86.10	97.86
C Interest cost	39.47	38.37
D Curtailment cost/(credit)	-	-
E Settlement cost/(credit)	-	-
F Plan amendments	-	-
G Acquisitions	-	-
H Actuarial (gains)/ losses	(5.23)	(53.12)
I Benefits paid	(53.73)	(26.74)
J Present Value of DBO at the end of period	533.67	467.06
V Change in Fair Value of Assets during the year ended March 31, 2010		
A Plan assets at beginning of period	179.86	142.13
B Actual return on plan assets	17.08	16.63
C Actual Company contributions	60.50	50.04
D Benefits paid	(53.72)	(26.74)
E Actuarial gains/ (losses)	0.96	(2.20)
F Plan assets at the end of period	204.68	179.86

Particulars	Gratuity	
VI Actuarial Assumptions for Gratuity		
A Discount Rate	7.75%	7.50%
B Expected Return on plan assets	8.00%	8.00%
C Salary escalation	5.00%	5.00%
D Mortality	LIC Mortality (1994-96) Table	
E Withdrawal Rates	21-30 years – 10%	
	31-40 years – 5%	
	41-50 years – 3%	
	51 & above – 2%	

b) *Defined contribution plans*

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

The Company recognised Rs. 785.00 Lakhs (Previous year Rs. 776.15 Lakhs) for provident fund contributions and Rs. 161.62 Lakhs (Previous year Rs. 159.05 Lakhs) for superannuation contributions in the profit and loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

21. Related party disclosures

A. Related parties and their relationships

Tata Sons Limited	:	Company with Significant influence
Mr. Madhukar Dev – Managing Director	:	Key management personnel

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

			Rs. in lakhs	
Name of related party	Nature of relation	Nature of Transaction	2009-10	2008-09
Tata Sons Limited	Company with significant influence	Brand Fee and other services (Including service tax)	104.24	118.19
		Outstanding payable at the year end	103.78	117.72
Mr. Madhukar Dev	Key management personnel	Managerial Remuneration	72.77	56.91
		Commission	55.00	55.00

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

22. Segment reporting

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

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

Primary segment information

Rs. lakhs

	Systems Integration and Support	Software Development and Services	Total
Revenues	5,123.25	33,694.00	38,817.25
	(4,086.90)	(37,849.25)	(41,936.15)
Identifiable other income	20.15	70.81	90.96
	(3.89)	(4.28)	(8.17)
Identifiable operating expenses	4,583.51	26,273.83	30,857.34
	(3,680.43)	(28,694.15)	(32,374.58)
Provision for doubtful debts	3.61	215.94	219.55
	(14.32)	(642.83)	(657.15)
Depreciation	149.96	1,508.30	1,658.26
	(138.21)	(1,456.97)	(1,595.18)
Segmental operating Income	406.32	5,766.74	6,173.06
	(257.83)	(7,059.58)	(7,317.41)
Unallocable expenses:			
Interest and finance charges			173.88
			(377.22)
Other unallocable expenses (Net)			937.66
			(746.78)
Total profit before tax			5,061.52
			(6,193.41)
Taxes			179.81
			(377.49)
Net income after taxes			4,881.71
			(5,815.92)
Segment Assets	2,468.45	14,336.97	16,805.42
	(1,678.08)	(11,313.88)	(12,991.96)
Segment Liabilities	1,804.54	1,565.95	3,370.49
	(691.63)	(2,671.78)	(3,363.41)
Unallocable Assets			12,735.56
			(11,755.54)
Unallocable Liabilities			4,739.37
			(4,403.12)
Secondary segment information			
	India	Overseas	Total
Revenues	8,023.88	30,793.37	38,817.25
	(9,012.72)	(32,923.43)	(41,936.15)
Assets	17,757.79	9,148.37	26,906.16
	(20,111.46)	(2,782.75)	(22,894.21)
Unallocable assets			2,634.82
			(1,774.70)
Cost incurred to acquire segment assets	850.83	91.90	942.73
	(1,419.10)	(25.91)	(1,445.01)

23. Derivative Financial Instruments

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

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

Currency	Option Contracts			
	Japanese Yen	US Dollar	Euro	GBP
Amount (Previous year)	JPY 2100 lakhs (JPY 5,500 lakhs)	USD 40 lakhs (USD 70 lakhs)	Euro 40 lakhs (Nil)	GBP 7.5 lakhs (Nil)
Buy/Sell (Previous year)	Sell @ Rs. 1,102.50 lakhs (Sell @ Rs. 2,809.50 lakhs)	Sell @ Rs. 1,830.60 lakhs (Sell @ Rs 3,147.50 lakhs)	Sell @ Rs. 2,794.00 lakhs (Nil)	Sell @ Rs. 545.25 lakhs (Nil)
Cross Currency	Indian Rupees	Indian Rupees	Indian Rupees	Indian Rupees

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

- a. Amounts receivable in foreign currency on account of Export of goods:

(Fig in lakhs)

2009-10		2008-09	
Amount receivable in Foreign currency	Amount in Rs.	Amount receivable in Foreign currency	Amount in Rs.
Euro Nil	Nil	Euro 23.11	1562.08
GBP 2.73	195.66	GBP 19.23	1403.74
USD 106.61	4,940.69	USD 1.50	76.62
JPY 415.81	209.78	JPY Nil	Nil
AED 0.21	2.68	AED Nil	Nil

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

(Fig in lakhs)

2009-10		2008-09	
Amount receivable in Foreign currency	Amount in Rs.	Amount receivable in Foreign currency	Amount in Rs.
Euro 0.50	32.13	Euro 0.39	26.36
GBP 0.90	65.77	GBP 0.53	38.68
USD 23.46	112.00	USD 1.89	96.13

24. The Company has entered into operating leases in respect of office premises. The lease rentals charged to the Profit & Loss account in respect of these leases amount to Rs. 1,136.12 lakhs(Previous year: Rs. 1,205.34 lakhs).

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

Particulars	Rs. lakhs	
	As at March 31, 2010	As at March 31, 2009
Not later than one year	188.06	321.08
Later than one year but not later than five years	172.03	11.30
Later than five years	-	-
Total	360.09	332.38

25. Notes relating to Cash Flow Statement

- a) The cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 – Cash Flow Statements as per the Companies (Accounting Standards) Rules, 2006.
- b) Cash and cash equivalents include balances with scheduled banks on dividend account Rs. 220.85 lakhs (Previous year :Rs. 205.94 Lakhs) which are not available for use by the company.
26. Figures for the previous year have been regrouped and rearranged wherever necessary to conform to the current year's classifications.

For and on behalf of the Board

S Ramadorai *Chairman*

H H Malgham *Director*

Madhukar Dev *Managing Director*

V Krishnamurthy *Chief Financial Officer
& Company Secretary*

Mumbai, April 30, 2010

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Rs. lakhs

Subsidiary	Exchange rate as at March 31,2010	Issued and Subscribed share capital	Reserves	Loans	Total assets	Total liabilities	Investments			Turnover	Profit/(Loss) before taxation	Provision for taxation	Profit/(Loss) after taxation	Proposed dividend
							Long-term	Current	Total					
Tata Elxsi (Singapore) Pte. Ltd	31.153	28.67	117.26	-	1139.69	1139.69	-	-	-	1180.21	98.78	8.27	90.51	-

Significant 5 year highlights (standalone)

5 YEARS PROFIT AND LOSS ACCOUNT

Rs. lakhs

	31.03.2010	31.03.2009	31.03.2008	31.03.2007	31.3.2006
INCOME					
Sales and services	37,637.04	41,851.60	40,155.19	30,796.30	23,563.18
Other Income	94.94	14.45	227.31	42.39	68.12
Total	37,731.98	41,866.05	40,382.50	30,838.69	23,631.30
EXPENDITURE					
Cost of sales	3,785.32	3,346.46	4,489.51	3,610.29	3,514.33
Personnel expenses	20,031.89	22,755.72	21,359.20	15,429.77	11,973.69
Administrative and selling expenses	7,119.89	7,622.02	6,842.10	4,847.49	3,407.57
Financial expenses	173.88	377.22	213.15	28.84	22.14
Depreciation	1,658.26	1,595.18	1,344.13	869.69	673.35
Total	32,769.24	35,696.60	34,248.09	24,786.08	19,591.08
Profit / (Loss) before Tax for the year	4,962.74	6,169.45	6,134.41	6,052.61	4,040.22
Provision for Tax - Current	(977.04)	925.83	886.76	732.00	410.00
- MAT credit	837.00	(670.00)	(313.75)	-	-
- Deferred	(31.50)	(31.90)	179.71	33.92	117.38
- Fringe Benefit Tax	-	135.00	115.00	75.00	80.00
Profit / (Loss) after Tax	4,791.20	5,810.52	5,266.69	5,211.69	3,432.84

Significant Ratio Analysis

S. No.	Particulars	Unit	31.03.2010	31.03.2009	31.03.2008	31.03.2007	31.03.2006
1	Earning before interest, depreciation and tax/Sales	%	18.01	19.45	19.15	22.57	20.10
2	Profit before taxes/Sales	%	13.16	14.74	15.28	19.65	17.15
3	Profit after taxes/Sales	%	12.70	13.88	13.12	16.92	14.57
4	Current Ratio	No. of Times	2.71	1.92	2.00	1.30	1.28
5	Debt Equity Ratio	%	19.53	8.63	46.51	-	-
6	Earning per share	Rs.	15.39	18.66	16.91	16.74	11.02
7	Dividend per share	Rs.	7.00	7.00	7.00	7.00	6.50
8	Book Value share	Rs.	55.87	48.67	38.20	29.72	21.18
9	Return on Net Worth	%	27.54	38.33	44.27	56.31	52.06
10	Return on Capital Employed	%	22.48	34.27	29.34	54.08	49.45

TATA ELXSI **WORLDWIDE**

Design and Development Centers - India

Bangalore
Chennai
Coimbatore
Hyderabad
Mumbai (VCL)
Pune
Thiruvananthapuram

Marketing Offices - India

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

International Offices

France
Germany
Japan
Korea
UAE
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