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**A COMPARATIVE STUDY ON THE FINANCIAL PERFORMANCE
AND MULTI DISCRIMINANT ANALYSIS OF INFORMATION &
TECHNOLOGY INDUSTRY FOR THE STUDY PERIOD 2002-2006**

By

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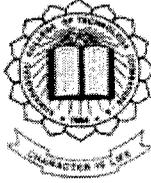
A PROJECT REPORT
Submitted to the

FACULTY OF MANAGEMENT SCIENCES

In partial fulfillment of the requirement
for the award of the degree
of

MASTER OF BUSINESS ADMINISTRATION

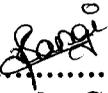
JUNE, 2007



DEPARTMENT OF MANAGEMENT STUDIES
KUMARAGURU COLLEGE OF TECHNOLOGY
COIMBATORE.

BONAFIDE CERTIFICATE

Certified that this project titled "A comparative study on the financial performance and multi discriminant analysis of information & technology industry for the study period 2002-2006" with reference to Caritor India Private Limited, is the bonafide work of Mr. V. KARTHIKEYAN (Reg no: 71205631024) who carried out this research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.


.....
Faculty Guide


Director

Evaluated and viva-voce conducted on.....03/07/2007.....


Examiner I


Examiner II

Declaration

DECLARATION

I, hereby declare that this project report entitled as “**A comparative study on the financial performance and multi discriminant analysis of information & technology industry for the study period 2002-2006**” with reference to Caritor India Private Limited has been undertaken for academic purpose submitted to Anna University in partial fulfillment of the requirements for the award of the degree of Master of Business Administration. The project report is the record of the original work done by me under the guidance of **Miss. S. Sangeetha MBA, MPhil**, Lecturer, during the academic year 2006 – 2007.

I, also declare hereby, that the information given in this report is correct to best of my knowledge and belief.

Place: Coimbatore

V. Karthi
(V.KARTHIKEYAN)

Date: 1 - 6 - 2007

April 20th, 2007

TO WHOMSOEVER IT MAY CONCERN

This is to certify that **Karthikeyan.V** was a Management Trainee with Caritor India Pvt. Ltd. at our **Bangalore** office from **February 5, 2007 to April 20, 2007**.

During the period **Karthikeyan.V** was undergoing training with the **Finance** team.

For Caritor (India) Pvt Ltd,



BHAVANI DEVAIAH
MANAGER – HUMAN RESOURCES

Certificate

Acknowledgement

ACKNOWLEDGEMENT

It is inevitable that thoughts and ideas of other people tend to drift into the subconscious when one feels to acknowledge helping derived from others. I acknowledge to all those who have helped me in the preparation of this project work.

I wish to express my deep gratitude to the Principal **Prof. Joseph V. Thanikal** for his encouragement to complete my project work.

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Last but not the least, my sincere thanks to my friends and parents for their continuous support and encouragement without whom the project could not have been a success.

Executive Summary

EXECUTIVE SUMMARY

Financial statement analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationships between the items of the balance sheet and the profit and loss account. Financial statement analysis can be undertaken by the firm, or by parties outside the firm viz., owners, creditors, investors and others. The nature of analysis will differ depending on the purpose of the analyst.

Ratio analysis is a powerful tool of financial statement analysis. A ratio is defined as “the indicated quotient of two mathematical expressions” and as “the relationship between two or more things”. In financial statement analysis, a ratio is used as a benchmark for evaluating the financial position and performance of a firm. The absolute accounting figures reported in the financial statements do not provide a meaningful understanding of the performance and financial position of a firm.

The study aims at comparing the performance of the few companies in the information and technology service industry in accordance with Caritor Private Limited.

The main objectives of the study is to make an analysis on the financial performance of the company for the past five financial years, to calculate profitability turnover & financial ratios to assess the financial position of the firm, to study the efficiency and liquidity position using ratios, to study the trend of financial performance of the company, to asses individual financial segments and put forth the strength and weakness of the financial elements of balance sheet through trend analysis.

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Introduction

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In our present day economy, finance is defined as the provision of money at the time when it is required for every enterprise, whether big, medium or small, needs finance to carry on its operations and to achieve its targets. In fact, finance is so indispensable, today it is rightly said to be the lifeblood of an enterprise. Without adequate finance, no enterprise can possibly accomplish objective.

1.2 REVIEW OF LITERATURE

Miss P. Kanchana (2004) examined the overall financial aspects of cement manufacturing company by using the annual report data for a period of five years from (1998 – 2003). Several accounting ratios were used

Mr. M. Mahendiren (2006) analyzed the financial performance of SAIL, using the company's annual report for a period of five years (2001 – 2006). In the analysis various financial ratios were used.

Mr. S. Vijay (2006) analyzed the financial performance of RANE industries limited. It covered two major aspects, overall financial performance analysis and service tax analysis.

1.3 OBJECTIVES OF THE STUDY

1.3.1 Main objective:

To compare the financial performance and solvency position of the selected companies taken for the study period 2001-2006.

1.3.2 Secondary objective:

- To analyze the financial performance using ratios like
 1. Liquidity analysis
 2. Operational efficiency analysis
 3. Profitability analysis
- To find the solvency position of the selected IT companies for the study period 2002-2006 using 'Z' score model.
- To predict the future profitability position of the firms.
- To give findings and recommendation for the improvement of financial performance of the companies.

1.4 SCOPE OF THE STUDY

Ratio analysis is one of the most powerful tools of financial analysis. The investors, shareholders, suppliers, and financial institutions make use of ratio analysis to know about the performance of the company. The ratio analysis is also used as a decision making tool, forecasting the future performance etc. Ratio analysis helps to know whether the performance of the firm is improving or not. Comparative balance sheet shows the companies effectiveness in the utilization of assets and its growth over the year.

1.5 RESEARCH METHODOLOGY

1.5.1 Research Design:

The research design stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in the analysis. The research design adopted in the study is descriptive in nature as the information used is the existing data. Descriptive research is used to obtain information concerning the current status of the phenomena.

1.5.2 Sampling technique:

The sampling design is to clearly define the set of objects, technically called the population to be studied. The sampling technique used is 'Convenient sampling'.

1.5.3 Method of data collection:

The data used for the study are secondary in nature. The information was taken from company's annual reports, accounting records and websites.

1.5.4 Period of study:

The period of study taken for the research was five years, spanned from 2001 –2006

1.5.5 Tools used:

To analyze the data the following tools were used. They are,

Financial tools

Statistical tools

Financial Tools:

The tools used for analyzing the financial performance were:

(i) Ratio analysis

(ii) Comparative balance sheet analysis and

(iii) Multi discriminant analysis

Statistical Tools:

Trend analysis

1.6 LIMITATIONS OF THE STUDY:

The study has the following limitations.

1. The analysis has been done based on the published financial statements of the companies. The limitation of the financial statement will also apply to interpretation of the study.
2. The interpretation of the study was based on the past data changes in price structures and market situations, which also can affect the accuracy of the interpretations.
3. Operating and Financial performance of the company is analyzed using five years data alone.

1.7 CHAPTER SCHEME

Chapter 1: Introduction

The first chapter deals with the background, objectives, scope of the study, methodology used in data collection, limitations of the study, and brief introduction of all the chapters.

Chapter 2: Organization Profile

Organization profile includes details on the history of the organization, management and organization structure, product profile and market potential, competitive strength of the company.

Chapter 3: Micro and macro analysis

This chapter deals with Indian IT Industry.

Chapter 4: Data Analysis and Interpretations

This chapter consists of the analysis of the data collected from various companies across the objectives of this project.

Chapter 4: Conclusion

This chapter deals with the findings of the study, the suggestions and conclusions given to improve the Performance of the firm.

Organizational Profile

2. INTRODUCTION TO THE COMPANY

2.1 HISTORY OF THE ORGANIZATION

"My dream is to create an enduring and long lasting global IT Institution, which has the ability to create leaders and affect the lives of people over generations."

- Mani Subramanian, Founder - Chairman and CEO

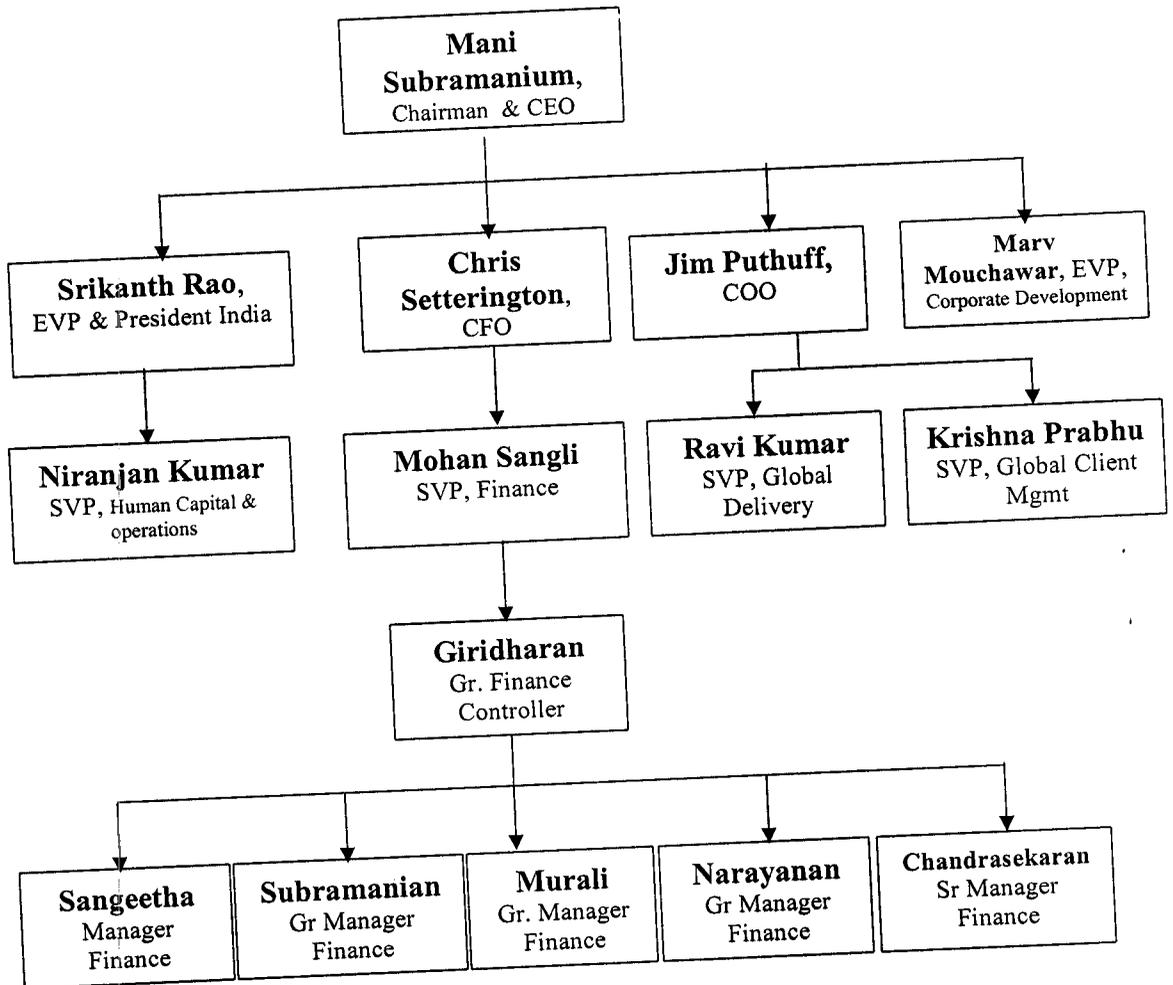
Caritor (earlier known as 'IT Solutions') was founded as a U.S. Corporation in the San Francisco Bay Area, California on January 15, 1993 by Mani Subramanian, its Founder-Chairman & CEO. Mani is an Engineer and MBA by profession who immigrated to the United States in the fall of 1992.

With \$150,000 in start-up capital, the former president of Wipro Systems set out to create a new-generation software-solutions company. Of course he had under his belt solid management experience of around 22 years, first at the Tata Group, where he expanded its IT services into other countries, and later at Wipro, where he increased revenue more than 400 percent in 3 years.

The Founder's desire to establish a global software company was based upon his own core values and the belief that there would be an ever-growing demand for IT that could only be satisfied by a global supply. He was also convinced that the best value to the customer would be only served by having a strong local presence where the demand was substantial.

Based on Mani's belief that for a company to be truly global it has to have a rich home market, Mani chose the San Francisco Bay Area to start the company. There is no market more appropriate than Silicon Valley, and California, for the size of the economy. If Caritor could succeed in the Silicon Valley, it could gain recognition elsewhere in the world. And they did.

2.2 ORGANIZATION STRUCTURE



CEO - Chief Executive Officer
 CFO - Chief Financial Officer
 COO - Chief Operational Officer
 EVP - Executive Vice President

SVP - Senior Vice President
 Sr - Senior
 Gr - Group

2.3 PRODUCTS PROFILE AND MARKET POTENTIAL

Caritor offers its product offerings under the brand “Certido™”. Certido™ leverages Caritor's track record of developing commercial grade products and a decade of experience of working with world class customers, delivering best practices across industries. Certido currently offers a suite of outsourced service delivery management solutions under the brand, Certido™ Service Xcellence.

Certido™ Service Xcellence provides superior customer service at the cost of caritor and facilitates the efficient governance of outsourced service delivery operations. Certido™ Service Xcellence is currently used by fits divisions of a Fortune 500 Organization to ensure reliable delivery of outsourced IT services to its employees. Certido™ Service Xcellence provides a multi-channel service framework and allows IT Organizations to track, measure and ensure adherence to pre-determined service level agreements.

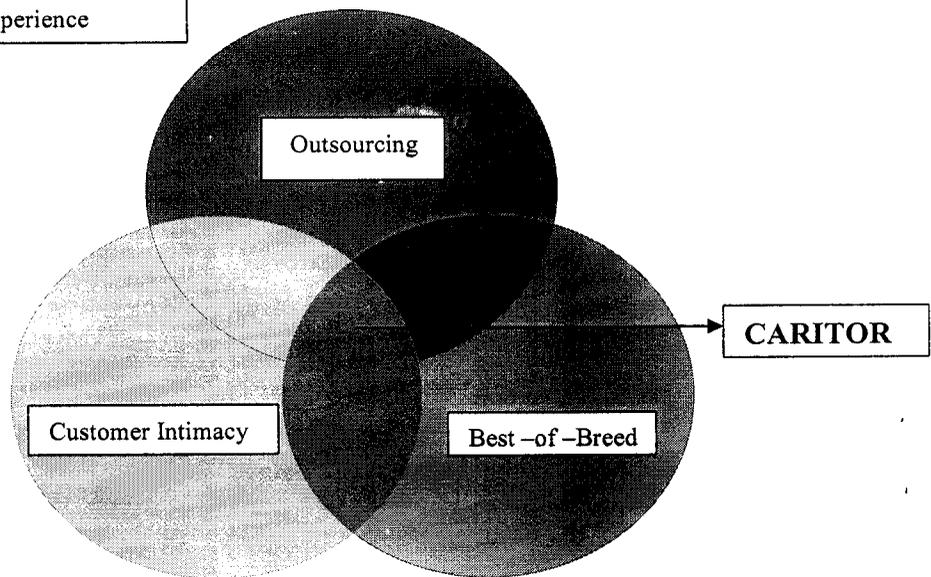
2.4 COMPETITIVE STRENGTH OF THE COMPANY

Caritor’s differentiation arises from an ability to leverage the best of outsourcing capabilities, customer intimacy and a history of successfully developing best-of-breed products and solutions. Caritor bring superior advantage to its customers' businesses by leveraging its unique strengths which include value-based leadership, total customer partnership, closer-to-customer presence of senior management, industry and domain expertise, best-in-class methodologies, industry-standard products, and continual innovation. Caritor leverage these strengths to enable its customer's gain:

- ✓ Sustainable and superior value
- ✓ Tremendous cost advantages
- ✓ Speed-to-market and high quality service
- ✓ High satisfaction
- ✓ Enhanced focus on core competencies
- ✓ The total cost of relationship to Caritor

DIFFERENTIATORS

Domain & Outsourcing Experience
Best in class practice
Consulting & SI Experience



Total Customer Partnership
Flexibility in Approach
Senior Management near to Customers

Success in product leadership
Influence, Certido etc.,
Experience in highly mature US market

Caritor can deliver better than its competitors on the above mentioned customer's gains by its inherent strength arising from the following factors:

- Strong, sustained leadership
- Strict adherence to core values
- Global Reach & Local Presence

2.5 DEVELOPMENT PLANS

Caritor, Inc., a global provider of IT services, and Keane Inc, a leading business process and IT services firm, entered into a definitive agreement for Caritor to acquire Keane for an all-cash purchase price of approximately \$854 million.

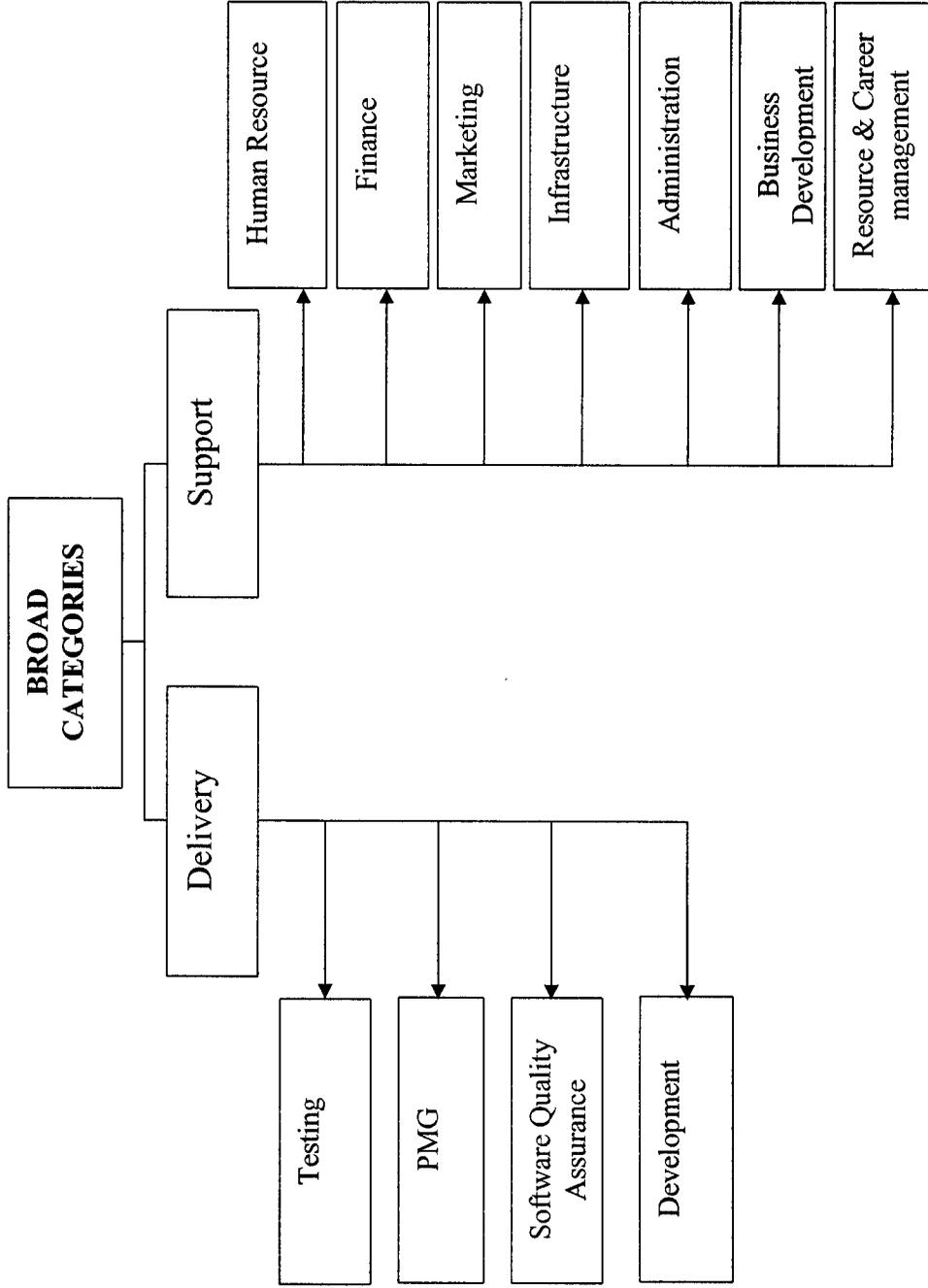
Under the terms of the merger agreement, holders of Keane's common stock will receive \$14.30 per share in cash. The purchase price represents a 19 percent premium over Keane's closing share price on February 6, 2007.

The transaction will be financed through a combination of equity to be contributed to Caritor by Citigroup Venture Capital International and debt financing that has been committed by Citigroup Global Markets Inc., UBS Securities LLC, and Bank of America Securities LLC

The Boards of Directors of both Keane and Caritor have each approved the transaction. Members of the Keane family and affiliated entities (representing approximately 20 percent of the current shares outstanding) have also approved the merger.

The resulting private company, with anticipated annual revenues over \$1 billion and more than 14,000 professionals, is expected to be Caritor positioned to deliver comprehensive IT and business process services to its clients, bringing together the strength of Keane's IT delivery and client service capabilities with the flexibility of Caritor's leading US-based global IT services business. Following completion of the transaction, it is expected that the combined company will operate under the Keane name and maintain Keane's employee base in Boston, Massachusetts. US operations for the combined company will be based in Boston. Caritor Chairman and CEO Mani Subramanian will become Chairman and CEO of the combined entity.

2.6 FUNCTIONAL AREAS



Macro and Micro Analysis

3. MACRO & MICRO ANALYSIS

Bolstered with such a significant, technically sound resource base, the software industry has grown unimpeded. With a compounded annual growth rate of more than 50% in the last decade, the Indian software sector has expanded almost twice as quickly as the world-leading U.S. software industry did during the same period, although from a smaller base. India's software industry statistics illustrates the massive strides achieved by the sector and the opportunities the future holds.

India's software and services industry has and will continue to remain in the driver's seat of the country's IT sector. India's success in the software arena is attributed to the software industry's knowledge and expertise in cutting edge technologies and skilled manpower base. Both these strengths are likely to contribute towards the industry's future growth. In fact, India's prowess in emerging technologies is also helping the software and services industry to obtain new customers, even in the face of a weakening U.S. economy slowdown. There is only one way that the Indian software industry is headed and that is up. The coming years will only reiterate this trend.

Large Pool of Professionals:

Today, India's strong base of skilled software manpower is a beacon for software customers. The advantages offered by this significant pool can never be over-emphasized. Out of a total of 122,000 engineers trained each year, almost 75,000 new software engineers are ready to join the industry on an annual basis. Others migrate overseas or join end-user organizations. Educational universities, as well as the prestigious Indian Institutes of Technology (IITs), are the principal sources of newly-qualified personnel. In addition, thousands of other technical personnel are trained by private sector institutes.

The demand for Indian skilled manpower is also on the rise among countries outside of the U.S. According to Stepstone, the largest career portal in Europe, major opportunities are emerging for Indian talent from within the European Union.

Worldwide spending on IT-ITES witnessed steady growth in 2005, on the back of healthier spending across key markets of the US and Western Europe, and strong growth in emerging markets. Outsourcing continued to be the primary growth engine with global delivery forming an integral part of the strategies adopted by customers as well as service providers.

In addition to the growth in scale, the portfolio of services sourced globally continued to expand into higher-value, more complex activities- further reinforcing the growing maturity of the global delivery model.

India-based Service Provider Landscape:

Category	No. of players	Share of India's total IT/BPO export revenues	Performance
IT Services	10.4	13.5	17.5
Tier I Players	3-4	<ul style="list-style-type: none"> • 45% of IT Services • 4-5% of BPO 	Revenues greater than USD 1 billion
Tier II IT Players	7-10	<ul style="list-style-type: none"> • 25% of IT Services • 4-5% of BPO 	Revenues USD 100 million-USD 1 billion

Offshore operations of Global IT majors	20-30	<ul style="list-style-type: none"> • 10-15% of IT Services • 10-15% of BPO 	Revenues USD 10 million-USD 500 million
Pure play BPO providers	40-50	<ul style="list-style-type: none"> • 20% of BPO 	Revenues USD 10 million-USD 200 million (Excluding top provider with USD 500 million)
Captive BPO units	150	<ul style="list-style-type: none"> • 50% of BPO 	Revenues USD 25 million-USD 150 million (top 10 units)
Emerging players	>3000	<ul style="list-style-type: none"> • 10-15% of IT Services • 5% of BPO 	Revenues less than USD 100 million (IT) Revenues less than USD 10 million (BPO)

The Indian IT Services Exports Scenario

IT services exports continue to lead Indian IT-ITES, accounting for approximately 35 per cent of the industry aggregate (domestic + export revenues), and are projected to grow by 32-33 per cent in the current fiscal (FY 2005-06). Steady demand in traditional areas such as custom application development and application management is being supplemented by increasing traction in package implementation and software deployment, as well as relatively newer areas such as

clients. Since its inception it had firmly believed in ensuring the highest quality and security for the IT solutions that it delivers to clients. Quality and security processes & certifications are a testament to this commitment.

Caritor is flexible and always willing to invest in their customers, to understand their business needs and formulate their technology strategies. Customers choose Caritor because of its commitment to deliver tangible value, focus on long-term relationship building, adherence to unmatched quality standards, willingness to take accountability, and flexibility to provide innovative solutions. Its expansion at Honeywell, Orange, TJX, Scottish Life, Unisys, Helphire and many others is directly attributable to the superior quality of its work and ability to provide fundamental business benefits through its mature onsite/offshore model.

Caritor has successfully provided world-class software solutions to **Fortune 500** companies over the last decade leveraging a number of technology standards and platforms including Mainframe, Client/Server, Intranet/Internet, and Wireless. Its experience and expertise cuts across customers in the Financial Services, High Technology, Manufacturing, Retail, Telecommunications and Transportation sectors.

In an industry that is increasingly getting known for token service from the larger players and a rapid influx of small and boutique style consulting agencies with no apparent depth and breadth, it is the middle ground. Their methodology and project delivery skills set it above the loosely organized smaller players. At the same time its size and flexibility allow it to thrive on projects that would otherwise be too small for large players to take on due to their rate structures and other business requirements.

Data Analysis & Interpretations

4. DATA ANALYSIS AND INTERPRETATIONS

Ratio analysis is a powerful tool of financial statement analysis. A ratio is defined as “the indicated quotient of two mathematical expressions” and as “the relationship between two or more things”. In financial statement analysis, a ratio is used as a benchmark for evaluating the financial position and performance of a firm. The absolute accounting figures reported in the financial statements do not provide a meaningful understanding of the performance and financial position of a firm. The relationship between two accounting figures, expressed mathematically, is known as financial ratio. Ratio helps to summarize large quantities of financial data and to make qualitative judgment about the firm’s financial performance. The ratio analysis also helps in decision making, financial forecasting, communications etc.

The project aims at analysis of the financial position of companies belonging to the software industry, by taking following main areas for analysis.

- ❖ Liquidity analysis
- ❖ Operational efficiency analysis
- ❖ Profitability analysis
- ❖ Leverage analysis

4.1 LIQUIDITY ANALYSIS:

It is extremely essential for a firm to be able to meet its obligations as they become due. These are the ratios, which measures the short term solvency (or) financial position of a firm and the ability of the firm to meet its current obligations. A firm should ensure that it does not suffer from lack of liquidity and also that it does not have excess liquidity. The various liquidity ratios are:

- a) Current ratio
- b) Quick ratio and
- c) Absolute liquid ratio

a) Current Ratio:

Current ratio may be defined as the relationship between current assets and liabilities. This ratio is a measure of the firm's short-term solvency.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current Assets:

Cash in hand, cash at bank, sundry debtors, stocks, work in progress, prepaid expense, marketable securities, and short term investments.

Current Liabilities:

Outstanding expenses, sundry creditors, short term advances, bills payable, income tax liability.

b) Quick Ratio:

Quick ratio establishes relationship between quick or liquid assets and current liabilities. An asset is liquid if it can be converted into cash immediately or reasonably soon without a loss of value.

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

$$\text{Quick assets} = \text{Current assets} - (\text{stock} + \text{prepaid expenses})$$

c) Absolute Liquid Ratio:

Absolute liquid ratio is otherwise called as cash position (or) cash ratio. Absolute ratio may be defined as the relationship between absolute liquid assets and current liabilities.

$$\text{Absolute liquid ratio} = \frac{\text{Absolute liquid assets}}{\text{Current Liabilities}}$$

Absolute liquid assets = cash in hand, cash at bank, marketable securities (or) temporary investments.

CURRENT RATIO:

Table: no: 4.1

Amt in Rs. ('000)

Table showing the Current Ratio of the selected IT companies

Company Year	Caritor			I-Gate			Polaris			Sonata		
	Current assets	Current Liabilities	Current Ratio	Current assets	Current Liabilities	Current Ratio	Current assets	Current Liabilities	Current Ratio	Current assets	Current Liabilities	Current Ratio
2001-2002	49,89,280	7,28,570	6.85	12,90,798	3,83,513	3.37	14,28,440	3,90,054	3.66	11,39,107	4,08,216	2.79
2002-2003	7818,756	7,71,156	10.14	18,35,496	9,61,952	1.91	36,25,576	14,52,759	2.25	12,45,180	3,60,306	3.46
2003-2004	90,29,441	14,01,855	6.44	20,66,963	8,40,358	2.46	34,34,602	7,89,939	4.35	13,83,140	3,06,203	4.52
2004-2005	1,18,34,688	21,96,319	5.39	21,96,379	8,42,930	2.61	36,79,320	11,49,962	3.20	14,14,426	4,19,771	3.37
2005-2006	1,45,15,368	34,00,439	4.27	22,18,042	6,20,012	3.58	38,63,337	11,76,705	3.28	23,68,216	12,98,816	1.82

INTERPRETATION:

Caritor has maintained higher ratio during the year '02-'03, but in the consecutive years it started to maintain a lower ratio.

I-Gate has maintained higher ratio during the year '05-'06, from the year '03-'04 it had an increasing trend.

Polaris has maintained a higher ratio during the year '03-'04, but in the consecutive years it started to maintain a lower ratio.

Sonata has maintained a higher ratio during the year '03-'04, but in the consecutive years it started to maintain a lower ratio.

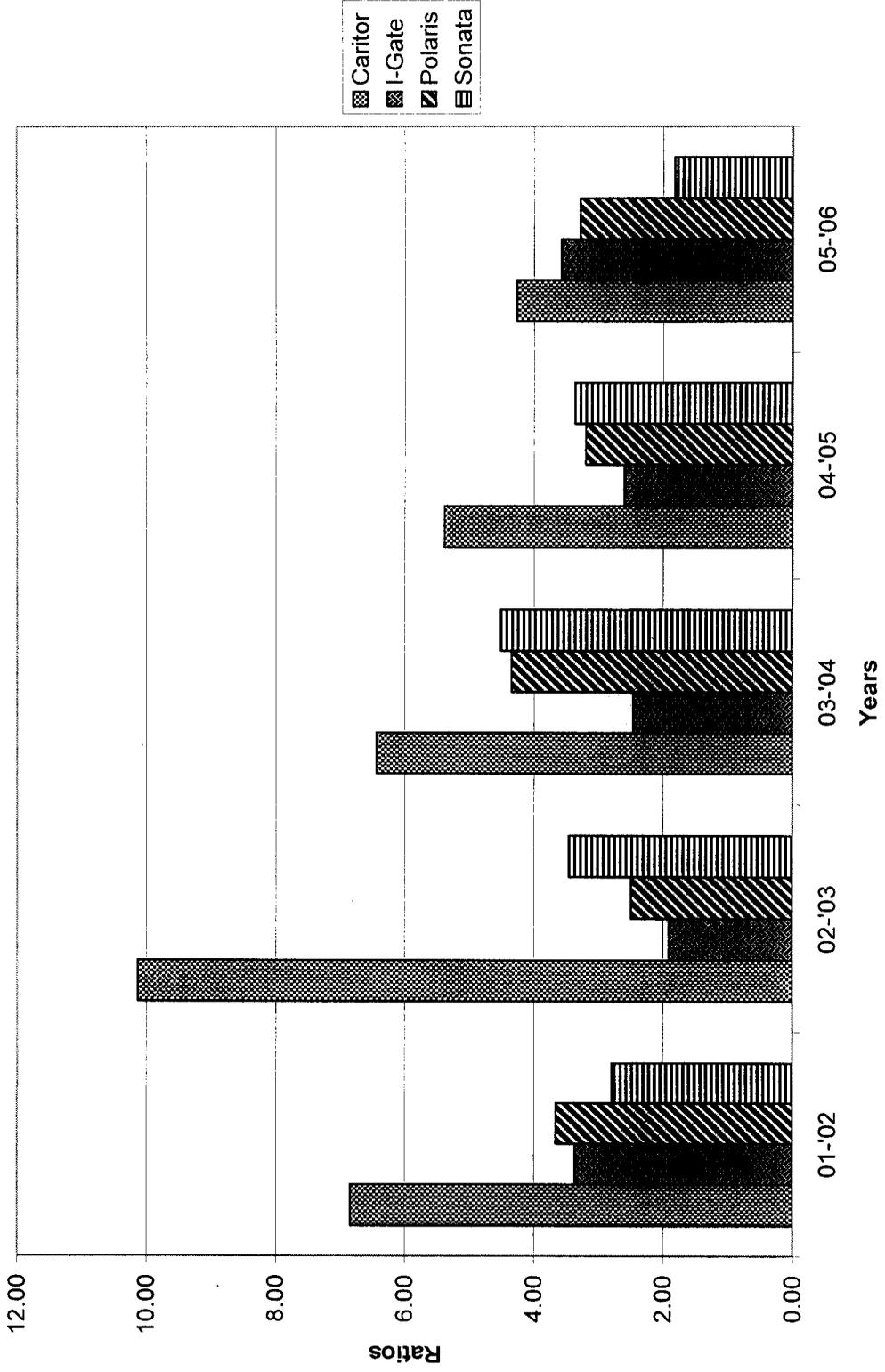
Caritor has maintained higher ratio comparatively with other companies during the entire study period. During the year '01-'02 and '05-'06 Sonata has maintained lower ratio and during the years '02-'03 to '04-'05 I-Gate has maintained lower ratio.

INFERENCE:

The ratio of **2:1** is considered as the standard current ratio.

We infer that in the year '02-'03 Caritor has a current ratio of 10.14, that is 8 parts of the is fund remained idle, without investing, but in the later years they reduced it gradually , which is a good sign. I-Gate had maintained ideal ratio between the years '02-'05, but in the next year the ratio increased gradually. In the year '03-'04 Polaris has a ratio of 6.27 and in the next two years it decreased due to the effective measures taken by the firm. In the year '03-'04 Sonata had a ratio of 4.52 and in the next two years it has decreased due to the effective measures taken by the firm. In the last year the ratio is found to be 1.81 which is slightly less than the ideal norms.

Chart No. 4.1
Chart showing the Current Ratio



QUICK RATIO:**Table: no: 4.2**

Amt in Rs. ('000)

Table showing the Quick Ratio of the selected IT companies

Company	Caritor			I-Gate			Polaris			Sonata		
	Quick Assets	Current Liabilities	Quick Ratio	Quick Assets	Current Liabilities	Quick Ratio	Quick Assets	Current Liabilities	Quick Ratio	Quick Assets	Current Liabilities	Quick Ratio
2001-2002	48,79,007	7,28,570	6.70	11,80,525	3,83,513	3.08	14,28,440	3,90,054	3.66	11,39,107	4,08,216	2.79
2002-2003	77,24,605	7,71,156	10.02	17,41,345	9,61,952	1081	29,20,760	14,52,759	2.01	12,45,180	3,60,306	3.46
2003-2004	89,32,032	14,01,855	6.37	19,69,554	8,40,358	2.34	32,22,469	7,89,939	4.08	13,83,140	3,06,203	4.52
2004-2005	1,16,94,574	21,96,319	5.32	20,56,265	8,42,930	2.44	36,79,320	11,49,962	3.20	14,14,426	4,19,771	3.37
2005-2006	1,43,66,100	34,00,439	4.22	20,68,774	6,20,012	3.34	38,63,337	11,76,705	3.28	23,68,216	12,98,816	1.82

INTERPRETATION:

Caritor has maintained higher ratio during the year '02-'03, but in the consecutive years it started to maintain a lower ratio.

I-Gate has maintained higher ratio during the year '05-'06, from the year '03-'04 it is increasing.

Polaris has maintained a higher ratio during the year '03-'04, but in the consecutive years it started to maintain a lower ratio.

Sonata has maintained a higher ratio during the year '03-'04, but in the consecutive years it started to maintain a lower ratio.

Caritor has maintained higher ratio comparatively with other companies during the entire study period. During the year '01-'02 and '05-'06 Sonata has maintained lower ratio and during the years '02-'03 to '04-'05 I-Gate has maintained lower ratio.

INFERENCE:

The ratio of 1:1 is considered as the standard quick ratio.

We infer that in the year '02-'03 Caritor has a quick ratio of 10.02, that is they had 10 parts of the fund which are very much liquidity this is again opportunity cost. I-Gate had maintained ideal ratio between the years '02-'05, but in the next year the ratio increased gradually. In the year '03-'04 Polaris has a ratio of 6.27 and in the next two years its decreased due to the effective measures taken by the firm. In the year '03-'04 Sonata has a ratio of 4.52 and in the next two years its decreased due to the effective measures taken by the firm. In the last year the ratio is found to be 1.81 which is slightly less than the ideal norms. The quick ratio for Polaris and Sonata remains the same value as current ratio, because these firms do not have any prepaid expenses.

ABSOLUTE LIQUID RATIO:

Table no: 4.3

Amt in Rs. ('000)

Table showing the Absolute Liquid Ratio of the selected IT companies

Company	Caritor			I-Gate			Polaris			Sonata		
	Cash & Bank Balance	Current Liabilities	Absolute Liquid Ratio	Cash & Bank Balance	Current Liabilities	Absolute Liquid Ratio	Cash & Bank Balance	Current Liabilities	Absolute Liquid Ratio	Cash & Bank Balance	Current Liabilities	Absolute Liquid Ratio
2001-2002	22,80,983	7,28,570	3.13	4,19,049	3,83,513	1.09	4,13,920	3,90,054	1.06	1,20,323	4,08,216	0.29
2002-2003	57,68,059	7,71,156	7.48	3,41,935	9,61,952	0.36	8,37,088	14,52,759	0.58	1,75,611	3,60,306	0.49
2003-2004	57,88,368	14,01,855	4.13	4,21,340	8,40,358	0.50	5,77,570	7,89,939	0.73	1,82,484	3,06,203	0.60
2004-2005	66,34,799	21,96,319	3.02	3,98,407	8,42,930	0.47	8,03,543	11,49,962	0.70	1,66,924	4,19,771	0.40
2005-2006	68,69,435	34,00,439	2.02	3,61,242	6,20,012	0.58	10,15,148	11,76,705	0.86	5,71,097	12,98,816	0.44

INTERPRETATION:

Caritor has maintained higher ratio during the year '02-'03, but in the consecutive years it started to maintain a lower ratio.

I-Gate and Polaris has maintained higher ratio during the year '01-'02, but over the entire study period it showed a fluctuating trend.

Sonata has maintained a higher ratio during the year '03-'04, but over the entire study period it showed a fluctuating trend.

Caritor has maintained higher ratio comparatively with other companies during the entire study period. During the year '01-'02, '04-'05 and '05-'06 Sonata has maintained lower ratio and during the year '02-'03 to I-Gate has maintained lower ratio.

INFERENCE:

Caritor is maintaining high level of liquid cash (in hand and in bank), the firm can make use of this for investments, other three companies are maintaining lower amount of liquid cash with them.

4.3 OPERATIONAL EFFICIENCY ANALYSIS:

The turnover ratio indicates the efficiency with which the capital employed is rotated in the business. Activity ratio measures the efficiency or effectiveness with which a firm manages its resources or assets. It can be measured using the following ratios

- a) Debtor's turnover ratio
- b) Working capital ratio
- c) Total assets turnover ratio

a) Debtor's turnover ratio:

Sales to accounts receivables ratio indicates the efficiency of the staff entrusted with the collection of bad debts. It indicates the number of times the debtors are turned over during a year. The higher the ratio better is its efficiency, because it would indicate that debts are being collected more promptly. When credit sales are not available, the ratio is calculated by taking the total sales.

$$\text{Debtor's turnover ratio} = \frac{\text{Total sales}}{\text{Debtors}}$$

b) Working capital turnover ratio:

Working capital of a concern is directly related to sales. This Ratio indicates whether the net working capital is effectively utilized in making sales. The ratio also indicates the number of times the working capital is turned over the course of the year.

$$\text{Working Capital Turnover Ratio} = \frac{\text{Sales}}{\text{Working Capital}}$$

$$\text{Net Working Capital} = \text{Current assets} - \text{Current liabilities}$$

c) Total assets turnover ratio:

It is a measure of how efficiently a company uses its assets to generate sales. The ratio is computed by dividing net sales by the company's total assets. It is a measure of the rupees of sales generated by Rs.1 of the firm's assets. Generally, the more efficiently assets are used, the higher a firm's profits. The size of the ratio is significantly influenced by characteristics of the industry within which the firm operates.

$$\text{Total assets turnover ratio} = \frac{\text{Sales}}{\text{Total assets}}$$

DEBTORS TURNOVER RATIO:

Table: no: 4.4

Table showing the Debtors Turnover Ratio of the selected IT companies Amt in Rs. ('000)

Company	Caritor			I-Gate			Polaris			Sonata		
	Sales	Sundry Debtors	Debtors Turnover Ratio	Sales	Sundry Debtors	Debtors Turnover Ratio	Sales	Sundry Debtors	Debtors Turnover Ratio	Sales	Sundry Debtors	Debtors Turnover Ratio
1-2002	41,94,772	18,87,483	2.22	41,79,973	7,03,933	5.94	29,38,026	8,23,893	3.57	22,75,337	5,20,041	4.38
2-2003	61,41,213	14,44,968	4.25	43,09,319	12,83,072	3.36	43,10,625	15,83,900	2.72	25,78,338	5,70,452	4.52
3-2004	78,81,289	24,43,531	3.23	57,51,507	13,81,846	4.16	64,64,259	17,09,964	3.78	22,41,553	6,40,274	3.50
4-2005	1,13,85,928	37,90,998	3.00	59,81,432	14,52,489	4.12	78,71,233	14,43,993	5.45	33,37,306	6,79,990	4.91
5-2006	1,48,23,003	52,87,315	2.80	56,34,785	14,82,214	3.80	82,50,762	13,81,443	5.97	51,08,993	13,07,434	3.91

INTERPRETATION:

Caritor has maintained higher ratio during the year '02-'03, but in the consecutive years it had a decreasing trend, which implies a negative sign for the company.

I-Gate had maintained higher ratio during the year '01-'02, in the consecutive years it is showing a fluctuating trend.

Polaris has maintained higher ratio during the year '05-'06, from the year '03-'04 it had an increasing trend, which is a positive sign for the company.

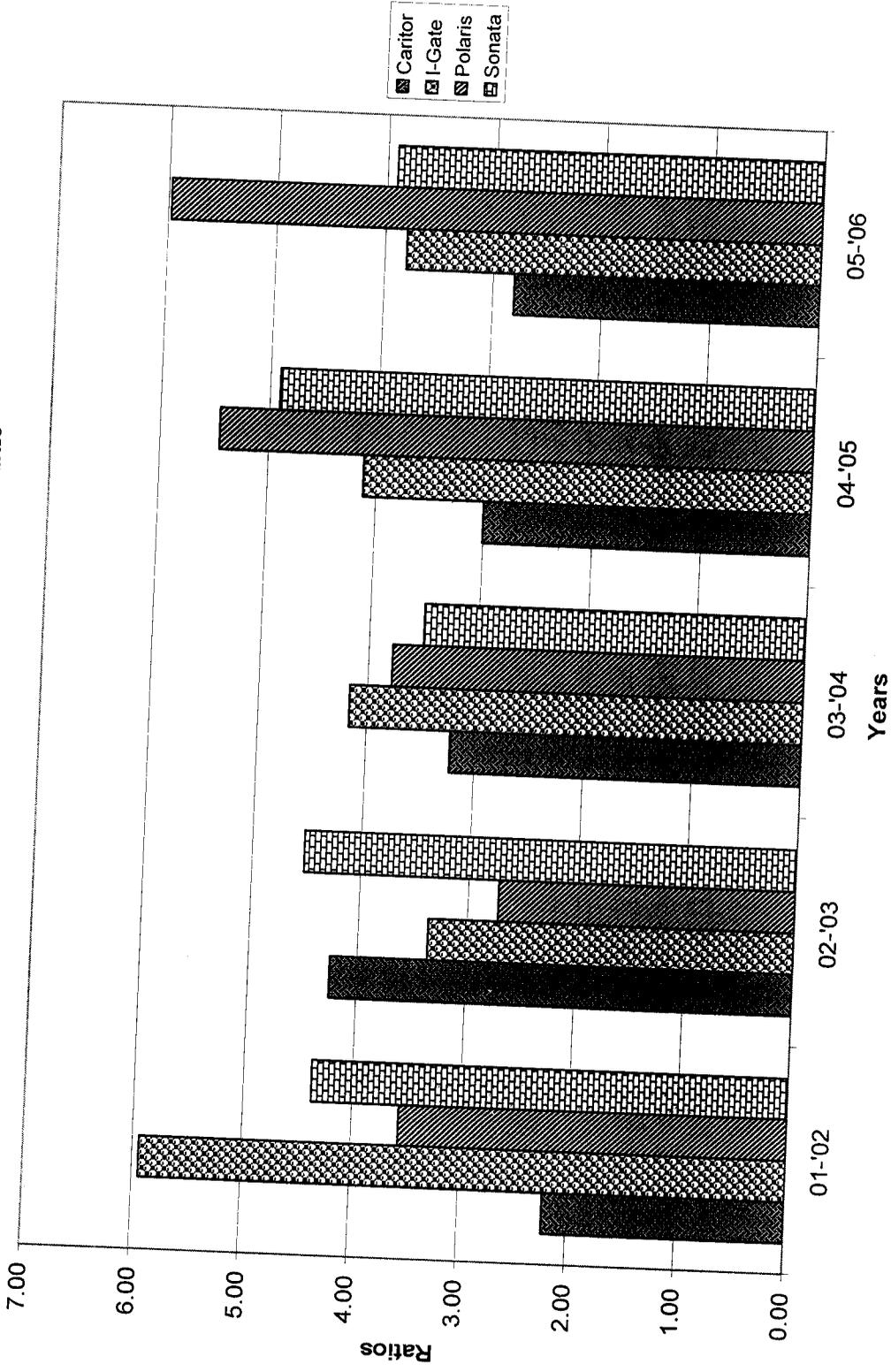
Sonata has maintained a fluctuating trend over the last five years.

In the year '01-'02 '03-'04 and I-Gate has maintained higher ratio. In the year '02-'03 Sonata has maintained higher ratio. In the year '03-'04 I-Gate has maintained a higher ratio. In the year '04-'05 and '05-'06 Polaris has maintained a higher ratio. During the entire study period except '02-'03 Caritor has maintained the lower ratio, in the year '02-'03 Polaris has maintained the lower ratio.

INFERENCE:

“Higher ratio indicates high liquidity of receivables and efficient management of the company”. That is it represents how quick the firm collects the receivables from its debtors. Caritor's current trend is decreasing that its efficiency to recover the receivables is not managed properly, it provides high level leniency in its credit policy. I-Gate in the initial years it was good but in the later years it is showing a fluctuating trend. Polaris outperformed other companies in the last two years, this is a good sign for that company. During the study period, Sonata's performance is showing a fluctuating trend.

Chart No. 4.2
Chart showing the Debtors Turnover Ratio



TOTAL ASSETS TURNOVER RATIO:

Table: no: 4.5

Amt in Rs. ('000)

Table showing the Total Assets Turnover Ratio of the selected IT companies

Company	Caritor			I-Gate			Polaris			Sonata		
	Sales	Total Assets	Total Asset Turnover Ratio	Sales	Total Assets	Total Asset Turnover Ratio	Sales	Total Assets	Total Asset Turnover Ratio	Sales	Total Assets	Total Asset Turnover Ratio
2001-2002	41,94,772	54,40,663	0.77	41,79,973	28,54,357	1.46	29,38,026	27,78,957	1.06	22,75,337	17,25,230	1.32
2002-2003	61,41,213	87,33,136	0.70	43,09,319	37,25,123	1.16	43,10,625	58,63,762	0.74	25,78,338	18,08,821	1.43
2003-2004	78,81,289	1,10,61,404	0.71	57,51,507	40,62,009	1.42	64,64,259	57,59,777	1.12	22,41,553	19,10,517	1.17
2004-2005	1,13,85,928	1,41,98,038	0.80	59,81,432	47,89,445	1.25	78,71,233	64,86,295	1.21	33,37,306	20,40,996	1.64
2005-2006	1,48,23,003	1,48,23,003	0.83	56,34,785	39,25,905	1.44	82,50,762	66,04,479	1.25	51,08,993	28,93,244	1.77

INTERPRETATION:

Caritor in the initial years maintained a low value, from the year '03-'04 it is increasing constantly, which is a positive sign for the company.

I-Gate in the initial years maintained nominal value, but in the consecutive years it is fluctuating.

Polaris has maintained nominal ratio, but in the year '02-'03 the value decreased below the nominal value. In the later years it increased constantly, which is a positive sign for the company.

Sonata has maintained nominal ratio over the last five years.

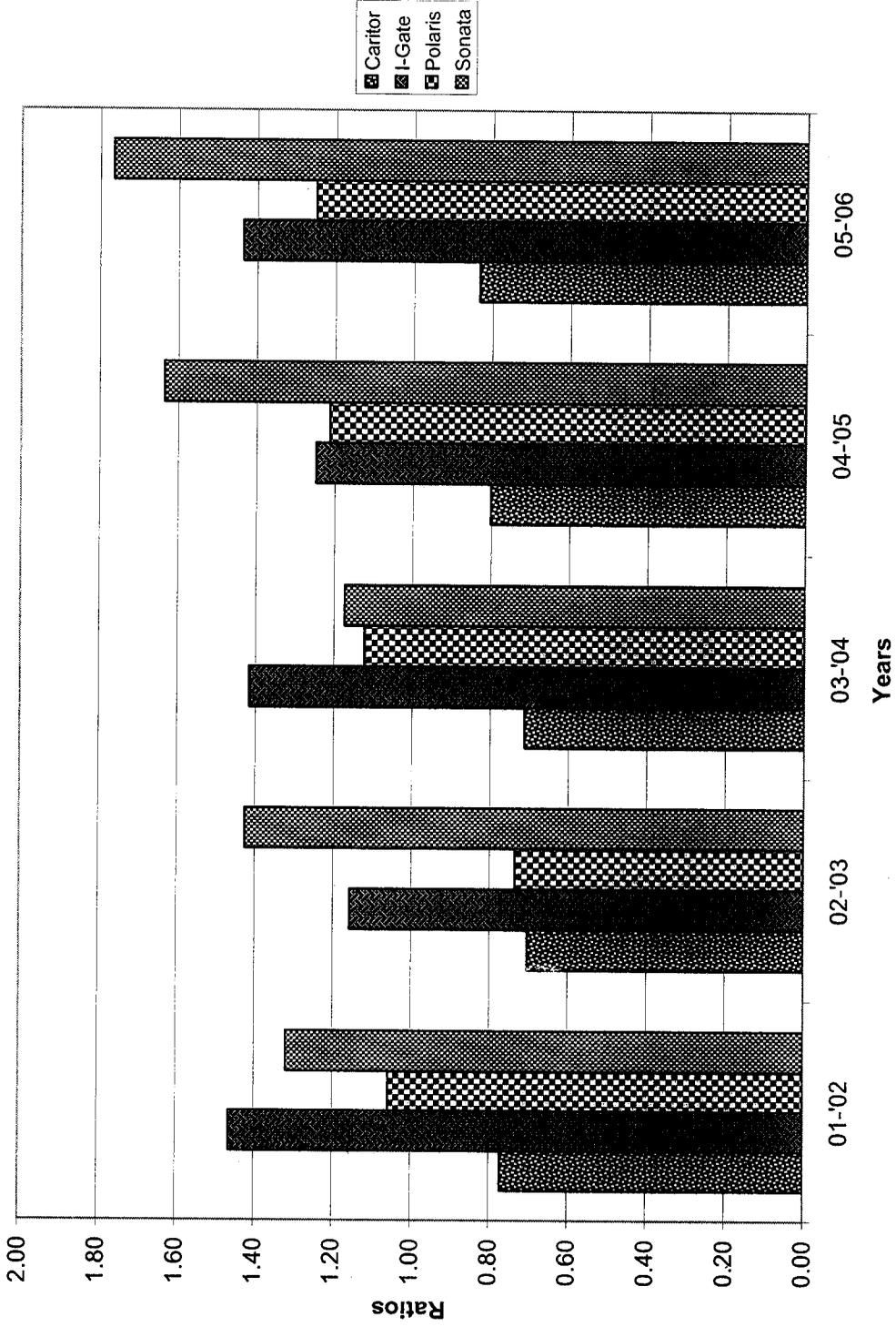
In the year '01-'02 and '03-'04 I-Gate has maintained higher ratio. In the year '02-'03 Sonata has maintained higher ratio. In the year '04-'05 and '05-'06 Polaris has maintained higher ratio. During the entire study period, Caritor has maintained lower ratio.

INFERENCE:

This ratio tells us how much revenue is generated for every Re.1 of assets. The higher the ratio, the more efficient the company is with its assets.

Caritor over the last five years is maintaining the ratio below the nominal value that its assets generate revenue below Re. 1, but it is showing an increasing trend, this is a good sign for the company. I-Gate, Polaris and Sonata, are maintaining a better ratio. Among these four companies, Sonata outperformed other companies.

Chart No. 4.3
Chart showing the Total Assets Turnover Ratio



WORKING CAPITAL TURNOVER RATIO:

Table: no: 4.6

Table showing the Working Capital Turnover Ratio of the selected IT companies Amt in Rs. ('000)

Company	Caritor			I-Gate			Polaris			Sonata		
	Sales	Working Capital	Working Capital Turnover Ratio	Sales	Working Capital	Working Capital Turnover Ratio	Sales	Working Capital	Working Capital Turnover Ratio	Sales	Working Capital	Working Capital Turnover Ratio
2001-2002	41,94,772	4,260,710	0.98	41,79,973	907,285	4.61	29,38,026	1,818,494	1.62	22,75,337	730,891	3.11
2002-2003	61,41,213	7,047,600	0.87	43,09,319	873,544	4.93	43,10,625	5,078,335	0.85	25,78,338	884,874	2.91
2003-2004	78,81,289	7,627,586	1.03	57,51,507	1,226,605	4.69	64,64,259	4,224,541	1.53	22,41,553	1,076,937	2.08
2004-2005	1,13,85,928	9,638,369	1.18	59,81,432	1,353,449	4.42	78,71,233	4,829,282	1.63	33,37,306	994,655	3.36
2005-2006	1,48,23,003	11,114,929	1.33	56,34,785	1,598,030	3.53	82,50,762	5,040,042	1.64	51,08,993	1,069,400	4.78

INTERPRETATION:

Caritor in the initial years maintained a low value, from the year '03-'04 it is increasing constantly, which is a positive sign for the company.

I-Gate in the initial years maintained higher value, but in the consecutive years it is decreasing.

Polaris has a fluctuating trend over the past five years, it has invested more in working capital during the year '02-'03.

Sonata has maintained lower ratio in the year, it has invested more in working capital during '05-'06.

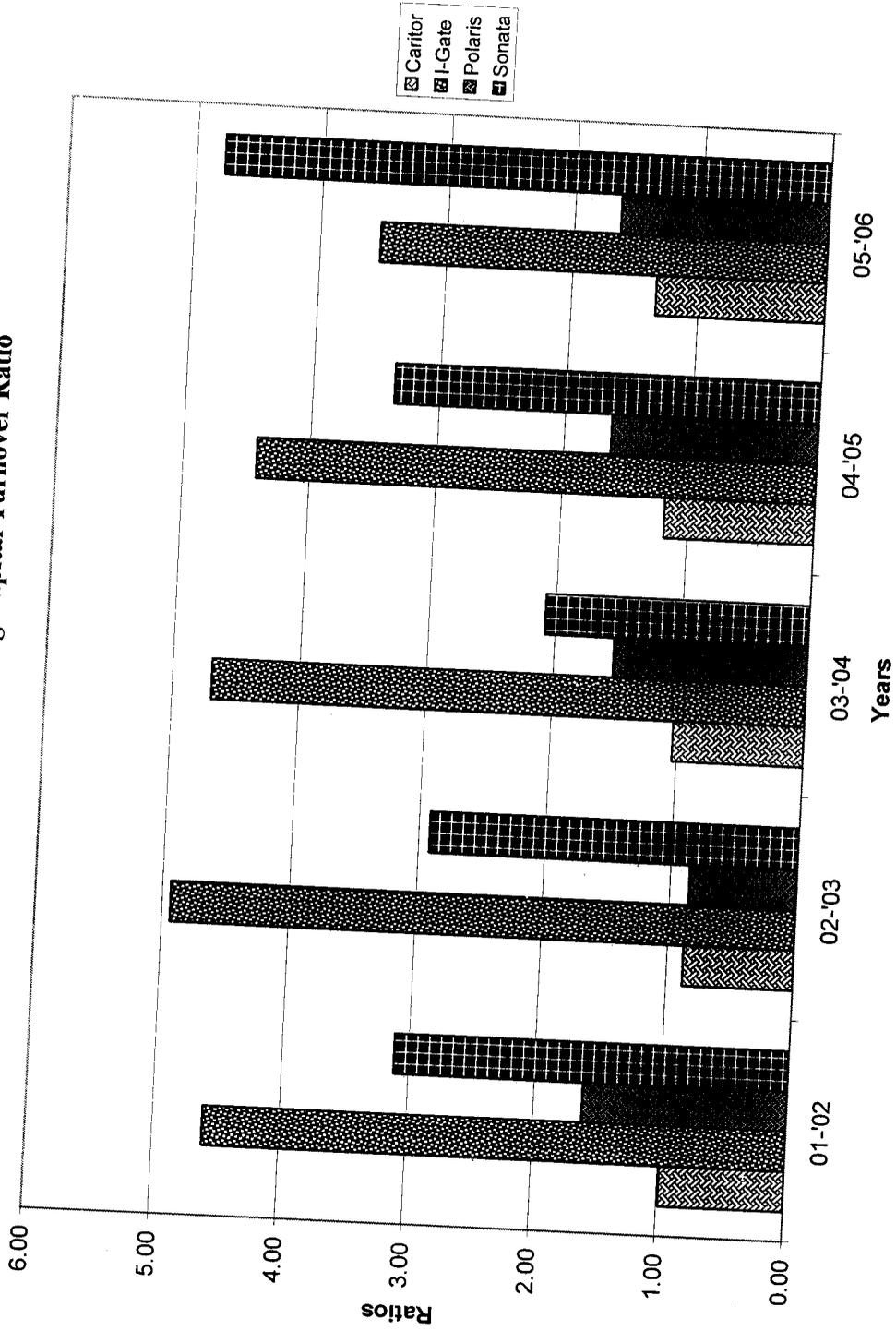
From the year '01-'02 to '04-'05 and during '05-'06, I-Gate and Sonata has maintained higher ratios respectively. During the entire study period Caritor has maintained lower ratio.

INFERENCE:

“Higher the ratio the lower is the investment in working capital and greater the profit. On the other hand lower the ratio greater the investment in working capital and lesser the profit”.

Caritor over the last five years is maintaining a lower value compared to other firms, hence its profit is more when compared with other firms. I-Gate in the initial years has the higher investments in working capital and hence its profit will be the lowest. Polaris has adjusted its investments in working capital over the last five years. Sonata has invested more in working capital in last year; therefore it might realize lower profit in the respective year.

Chart No. 4.4
 Chart showing the Working Capital Turnover Ratio



4.3 LEVERAGE RATIOS

To assess the extent to which borrowed money or debt is used to finance assets, financial-leverage ratios are used. These ratios indicate the extent to which borrowed or debt funds are used to finance assets.

a) Total debt ratio:

The total debt ratio is computed by dividing the total debt or total liabilities of the business by its total debt plus net worth. It is the ratio that tells the extent to which the total assets of the firm have been financed using borrowed funds.

$$\text{Total debt ratio} = \frac{\text{Total debt}}{\text{Total debt} + \text{Net worth}}$$

b) Proprietary Ratio

This ratio establishes the relationship between share holders fund to total assets of the firm. It is an important ratio in determining the long term solvency of the firm.

$$\text{Proprietary Ratio} = \frac{\text{Net worth}}{\text{Total assets}}$$

Net worth = Equity share capital + Preference share capital + Reserves.

A high proprietary ratio is indicative of strong financial position of the business.

c) Debt equity ratio/ Gearing ratio:

This ratio indicates the relationship between loan funds and net worth of the company. If the proportion of debt to equity is low a company is said to be low geared and vice versa. The standard debt equity ratio is 1:1, for financing of projects.

$$\text{Debt equity ratio} = \frac{\text{Total debt}}{\text{Net worth}}$$

d) Interest coverage ratio:

The interest coverage ratio shows how many times interest charges are covered by the funds that are available for the payment of interest charges. An interest cover of 2:1 is considered reasonable by financial institutions. A very high ratio indicates that the firm is conservative in using debt and a very low ratio indicates excessive use of debt.

$$\text{Interest coverage ratio} = \frac{\text{Earning before interest and tax}}{\text{Interest}} \quad (\text{or}) \quad \frac{\text{EBIT}}{I}$$

TOTAL DEBT RATIO:

Table: no: 4.7

Table showing the Total Debt Ratio of the selected IT companies Amt in Rs. ('000)

Company	Caritor			I-Gate			Polaris			Sonata		
	Total Debt	Total Capital Employed	Total Debt Ratio	Total Debt	Total Capital Employed	Total Debt Ratio	Total Debt	Total Capital Employed	Total Debt Ratio	Total Debt	Total Capital Employed	Total Debt Ratio
2001-2002	-	4,712,093	-	240	2,368,537	0.01	-	2,388,903	-	9,100	1,316,380	0.69
2002-2003	-	7,996,302	-	52	2,606,928	0.00	76,102	4,181,751	1.82	4,600	1,407,794	0.33
2003-2004	-	9,518,548	-	449,845	3,056,327	14.72	23,102	4,927,174	0.47	123,960	1,568,335	7.90
2004-2005	-	11,452,903	-	461,621	3,756,642	12.29	20,979	5,331,979	0.39	51,140	1,579,094	3.24
2005-2006	-	13,796,863	-	488,139	3,082,564	15.84	18,772	5,427,774	0.35	-	1,521,609	-

INTERPRETATION

Caritor has a ratio of zero throughout the period of study.

In the initial years, I-Gate has availed very low debt. It has raised its debt during the year '03-'04 and had an high level increment in the year '05-'06.

In the initial years, Polaris has availed very low debt. It has raised its debt during the year '02-'03 and in the later years the extent of debt funds has declined.

In the initial years, Sonata has availed very low debt. It has raised its debt during the year '03-'04 and in the year '05-'06 it became debt free company.

Sonata has maintained a higher ratio, during the year '01-'02. In the year '02-'03, Polaris has maintained a higher ratio. For the last three years ('03-'06) I-Gate has maintained a higher ratio.

INFERENCE

Here a low ratio is preferable. The shareholders before investing in the shares of a company will refer debt ratio, in order to decide whether to invest or not.

It is inferred that Caritor has a zero ratio throughout the period of study, because it is a 'debt free company'. Sonata has raised its debt during the year '03-'04, but it has managed to free the debt funds in the last year. I-Gate is maintaining high debt ratio for the last three years, the firm might be liable to pay more interest for the debt fund. It might lack the confidence of their investors. Also the market value of the firm might decrease over the years.

DEBT-EQUITY RATIO

Table: no: 4.8

Amt in Rs. ('000)

Table showing the Debt-Equity-Ratio of the selected IT companies

Company	Caritor			I-Gate			Polaris			Sonata		
	Total Debt	Net Worth	Debt Equity Ratio	Total Debt	Net Worth	Debt Equity Ratio	Total Debt	Net Worth	Debt Equity Ratio	Total Debt	Net Worth	Debt Equity Ratio
2001-2002	-	4,712,093	-	240	2,368,29	0.01	-	2,388,903	-	9,100	1,307,280	0.70
2002-2003	-	7,996,302	-	52	2,606,876	0.00	76,102	4,105,649	1.85	4,600	1,403,194	0.33
2003-2004	-	9,518,548	-	449,845	2,606,482	17.26	23,102	4,904,072	0.47	123,960	1,444,375	8.58
2004-2005	-	11,452,903	-	461,621	3,295,021	14.01	20,979	5,311,000	0.40	51,140	1,527,954	3.35
2005-2006	-	13,796,863	-	488,139	2,594,425	18.81	18,772	5,409,002	0.35	-	1,521,609	-

INTERPRETATION:

Caritor has a ratio of zero throughout the period of study.

I-Gate has maintained higher ratio in the year '05-'06, but during the other years of study the ratio was low.

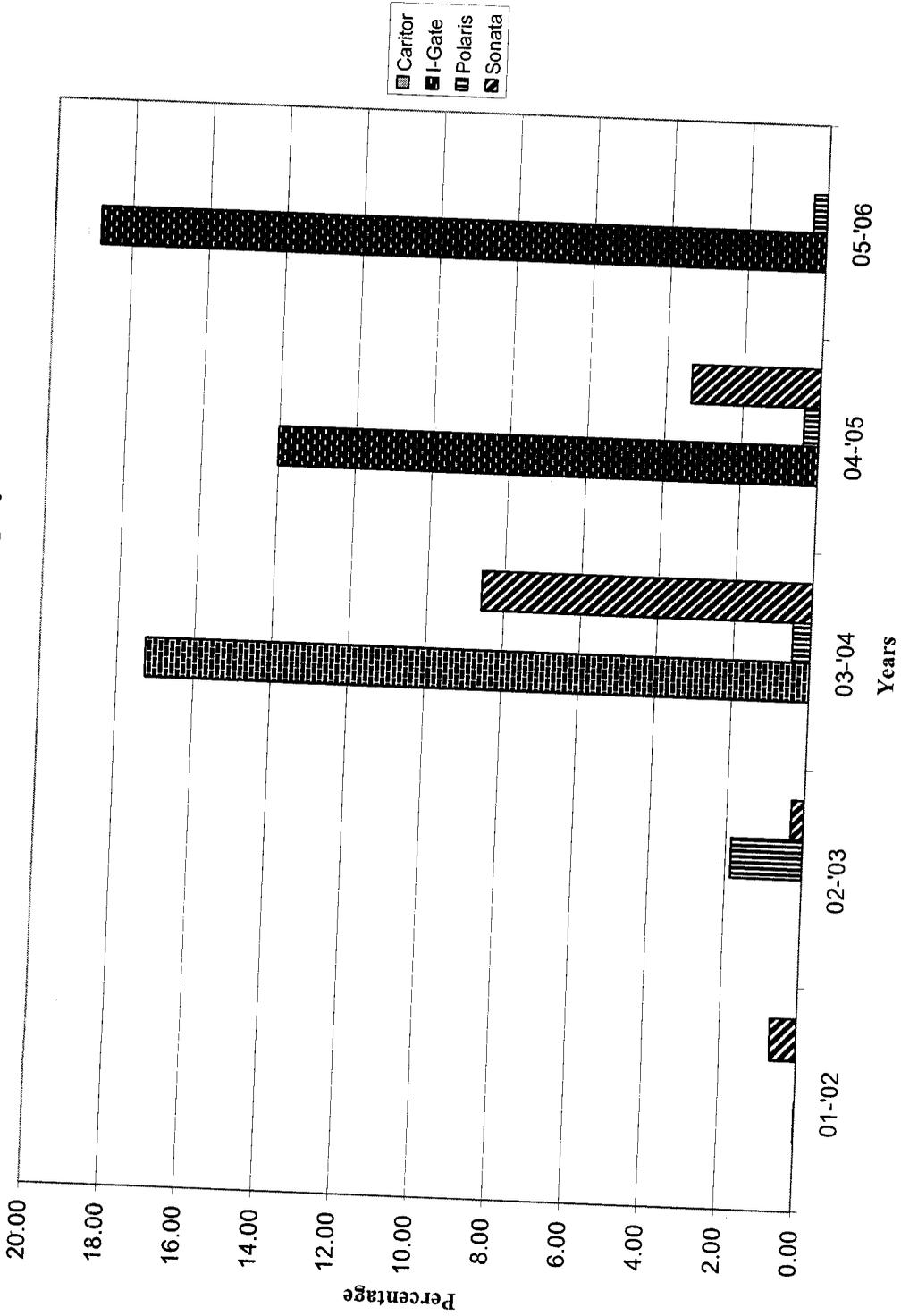
Polaris has maintained lower ratio throughout the period of study.

Sonata has maintained lower ratio throughout the period of study.

INFERENCE:

We infer that Caritor has zero ratio, since it is a debt free company, all other companies has availed a low debt and they have greater opportunity to raise the debt funds in future. This indicates these firms rely upon the equity fund rather than the debt fund. The companies have to utilize the optimum debt, as it is cheapest source of fund.

Chart No. 4.5
 Chart showing the Debt - Equity Ratio



PROPRIETARY RATIO:**Table: no: 4.9****Table showing the Proprietary Ratio of the selected IT companies****Amt in Rs. ('000)**

Company	Caritor			I-Gate			Polaris			Sonata		
	Net Worth	Total Assets	Proprietary Ratio	Net Worth	Total Assets	Proprietary Ratio	Net Worth	Total Assets	Proprietary Ratio	Net Worth	Total Assets	Proprietary Ratio
001-2002	4,712,093	54,40,663	0.87	2,368,29	28,54,357	0.83	2,388,903	27,78,957	0.86	1,307,280	17,25,230	0.76
002-2003	7,996,302	87,33,136	0.92	2,606,876	37,25,123	0.70	4,105,649	58,63,762	0.70	1,403,194	18,08,821	0.78
003-2004	9,518,548	1,10,61,404	0.86	2,606,482	40,62,009	0.64	4,904,072	57,59,777	0.85	1,444,375	19,10,517	0.76
004-2005	11,452,903	1,41,98,038	0.81	3,295,021	47,89,445	0.69	5,311,000	64,86,295	0.82	1,527,954	20,40,996	0.75
005-2006	13,796,863	1,48,23,003	0.78	2,594,425	39,25,905	0.66	5,409,002	66,04,479	0.82	1,521,609	28,93,244	0.53

INTERPRETATION:

Caritor has maintained higher ratio in the year '02-'03, but in the consecutive years it is marginally declining.

I-Gate has maintained higher ratio in the year '01-'02, in the consecutive years the ratio is gradually decreasing.

Polaris has maintained higher ratio in the year '01-'02, but in the next year '02-'03 its value reduced considerably. From the next year it increased and has maintained a stable value thereafter.

Sonata has maintained stable ratio till the year '04-'05, but in the last year it decreased to a greater extent.

In the years '01-'02 to '03-'04 Caritor has maintained higher ratio, in the years '04-'05 and '05-'06 Polaris has maintained higher ratio. In the years '01-'02 and '05-'06 Sonata has maintained lower ratio. In the years '02-'03 to '04-'05 I-Gate has maintained lower ratio.

INFERENCE:

"The higher the ratio it shows a better solvency for the firm"

It is inferred that Caritor and Polaris are maintaining a better ratio when compared to other two firms, this implies the solvency position of these two firms are better than those of I-Gate and Sonata.

INTEREST COVERAGE RATIO:

Table no: 4.10

Table showing the Interest Coverage Ratio of the selected IT companies Amt in Rs. ('000)

Company	Caritor			I-Gate			Polaris			Sonata		
	EBIT	Interest	Interest Coverage Ratio	EBIT	Interest	Interest Coverage Ratio	EBIT	Interest	Interest Coverage Ratio	EBIT	Interest	Interest Coverage Ratio
2001-2002	1,303,328	-	NA	464,605	1,526	304.46	627,557	-	NA	229,798	7,731	29.73
2002-2003	1,961,607	-	NA	303,459	191	1,588.79	714,041	10,054	71.02	197,729	1,211	163.30
2003-2004	2,314,614	-	NA	27,102	5,962	4.55	852,493	2,649	321.82	142,915	4,273	33.44
2004-2005	2,951,394	-	NA	322,144	17,117	18.82	693,000	5,010	138.32	201,537	9,123	22.09
2005-2006	2,936,942	-	NA	208,122	26,364	7.89	347,640	3,096	112.29	171,275	6,602	25.94

INTERPRETATION:

Caritor has a ratio of zero throughout the period of study.

I-Gate has maintained higher ratio in the year '02-'03, but over the period of study it showed a fluctuating trend.

Polaris has maintained higher ratio in the year '03-'04, but over the period of study it showed a fluctuating trend.

Sonata has maintained stable ratio till the year '02-'03, but over the period of study it showed a fluctuating trend.

In the year '01-'02 I-Gate had maintained higher ratio, whereas Sonata had maintained lower ratio. In the year '02-'03 I-Gate had maintained higher ratio, whereas Polaris had maintained lower ratio. During the years '03-'06 Polaris had maintained higher ratio and I-Gate had maintained lower ratio.

INFERENCE:

“The interest coverage ratio shows how many times interest charges are covered by the funds that are available for the payment of interest charges”

I-Gate during the initial years of the study period had maintained more funds to cover its interest portion, and then in the subsequent years it decreased gradually. Polaris on the other hand is maintaining enough funds to cover its interest portion. Sonata during the initial years of the study period has maintained more funds to cover its interest portion, then in the subsequent years it decreased gradually

4.4 PROFITABILITY RATIOS

a) Gross profit margin:

The ratio measures the gross profit margin on the total net sales made by the company. The gross profit represents the excess sales proceeds during the period under observation over their cost, before taking into account administration, selling and distribution charges. The gross profit margin may be compared with that of competitors in the industry to assess the operational performance relative to the other players in the industry.

$$\text{Gross profit margin} = \frac{\text{Gross profit}}{\text{Sales}} * 100$$

b) Net profit margin:

Net profit a widely used measure of a company's profitability, is calculated as the firm's net income after taxes divided by net sales. In addition to considering operating expenses, this ratio also indicates the ability to earn a return after meeting interest and tax obligations.

$$\text{Net profit margin} = \frac{\text{Earnings after tax}}{\text{Sales}} * 100$$

c) Return on Investment:

The strategic aim of a business enterprise is to earn a return on capital. If aim any particular case, the return in the long-run is not satisfactory, then the deficiency should be corrected or the activity be abandoned for a more favourable one. The rate of return on investment is determined by dividing earning before interest and tax by investments in assets.

$$\text{ROI} = \frac{\text{Earning before interest and tax}}{\text{Total assets}}$$

d) Return on equity:

The return on equity measures the return that shareholders earned on their equity invested in the firm. The return on equity is measured as the firm's net income divided by stockholder's equity. It is the rate of return that owners receive on their investment.

$$\text{ROE} = \frac{\text{Earnings after tax}}{\text{Net worth}}$$

e) Operating expense ratio:

The operating expense ratio explains the changes in the profit margin (EBIT to sales) ratio. This ratio is computed by dividing operating expense *viz.*, cost of goods sold plus selling, general and administrative expenses (excluding interest) by sales. A higher operating expense ratio is unfavourable since it will leave a small amount of operating income to meet interest, dividends, etc.

$$\text{Operating expense ratio} = \frac{\text{Operating expense ratio}}{\text{Sales}}$$

GROSS MARGIN RATIO:**Table No: 4.11**

Amt in Rs. ('000)

Table showing the Gross Margin Ratio of the selected IT companies

Company	Caritor			I-Gate			Polaris			Sonata		
	Sales	Gross Profit	Gross Profit Ratio	Sales	Gross Profit	Gross Profit Ratio	Sales	Gross Profit	Gross Profit Ratio	Sales	Gross Profit	Gross Profit Ratio
2001-2002	41,94,772	2,628,362	0.63	41,79,973	1,652,781	0.40	29,38,026	1,195,504	0.41	22,75,337	1,780,823	0.78
2002-2003	61,41,213	3,616,929	0.59	43,09,319	1,625,947	0.38	43,10,625	1,710,275	0.40	25,78,338	1,998,437	0.78
2003-2004	78,81,289	4,387,218	0.56	57,51,507	1,878,974	0.33	64,64,259	2,405,835	0.37	22,41,553	1,981,737	0.88
2004-2005	1,13,85,928	5,684,821	0.50	59,81,432	3,091,605	0.52	78,71,233	2,596,013	0.33	33,37,306	2,669,782	0.80
2005-2006	1,48,23,003	6,993,990	0.47	56,34,785	1,706,150	0.30	82,50,762	2,629,991	0.32	51,08,993	4,207,948	0.82



P-1958

INTERPRETATION:

Caritor in the initial year of the period of study maintained higher value, but in the later years gross margin had a decreasing trend.

I-Gate has maintained higher value in the year '04-'05, but over the period of study its showed a fluctuating trend.

Polaris has maintained higher value during the initial period, but later its gross margin had started to decline.

Sonata has maintained higher ratio in the year '03-'04, in the consecutive years it is reduced.

Throughout the period Sonata has maintained higher value. I-Gate has maintained lower value except in the year '04-'05 in which Polaris has maintained lower ratio.

INFERENCE:

It is inferred that Sonata and Caritor has performed better than Polaris and I-Gate.

The gross margin of Caritor had a declining trend due to increase in cost of sales. I-Gate has a lower profit compared to other firms, the cost of sales is around 50 percent of its sales, and the firm should take corrective measures to increase its profit. Polaris has the same problem as I-Gate but its profit is slightly higher than I-Gate. Sonata has performed well compared to its competitors; this is because the cost of sales is only 20 percent of its sales.

NET MARGIN RATIO:**Table: no: 4.12****Table showing the Net Margin Ratio of the selected IT companies** **Amt in Rs. ('000)**

Company	Caritor			I-Gate			Polaris			Sonata		
	Sales	Net Profit	Net Profit Ratio	Sales	Net Profit	Net Profit Ratio	Sales	Net Profit	Net Profit Ratio	Sales	Net Profit	Net Profit Ratio
2001-2002	41,94,772	1,152,991	27.49	41,79,973	453,435	10.85	29,38,026	588,570	20.03	22,75,337	208,895	9.18
2002-2003	61,41,213	1,708,878	27.83	43,09,319	283,528	6.58	43,10,625	542,299	12.58	25,78,338	152,540	5.92
2003-2004	78,81,289	1,787,856	22.68	57,51,507	838	0.01	64,64,259	698,520	10.81	22,41,553	113,870	5.08
2004-2005	1,13,85,928	2,324,331	20.41	59,81,432	271,238	4.53	78,71,233	580,406	7.37	33,37,306	160,866	4.82
2005-2006	1,48,23,003	2,376,525	16.03	56,34,785	152,457	2.71	82,50,762	213,065	2.58	51,08,993	113,563	2.22

INTERPRETATION:

Caritor maintained higher value during the initial year, but had a declining net profit ratio in the subsequent years.

I-Gate has maintained higher value in the year '04-'05, but over the period of study its showed a fluctuating trend.

Polaris maintained higher value during the initial year, but had a declining net profit ratio in the subsequent years.

Sonata has maintained lower ratio throughout the period of study.

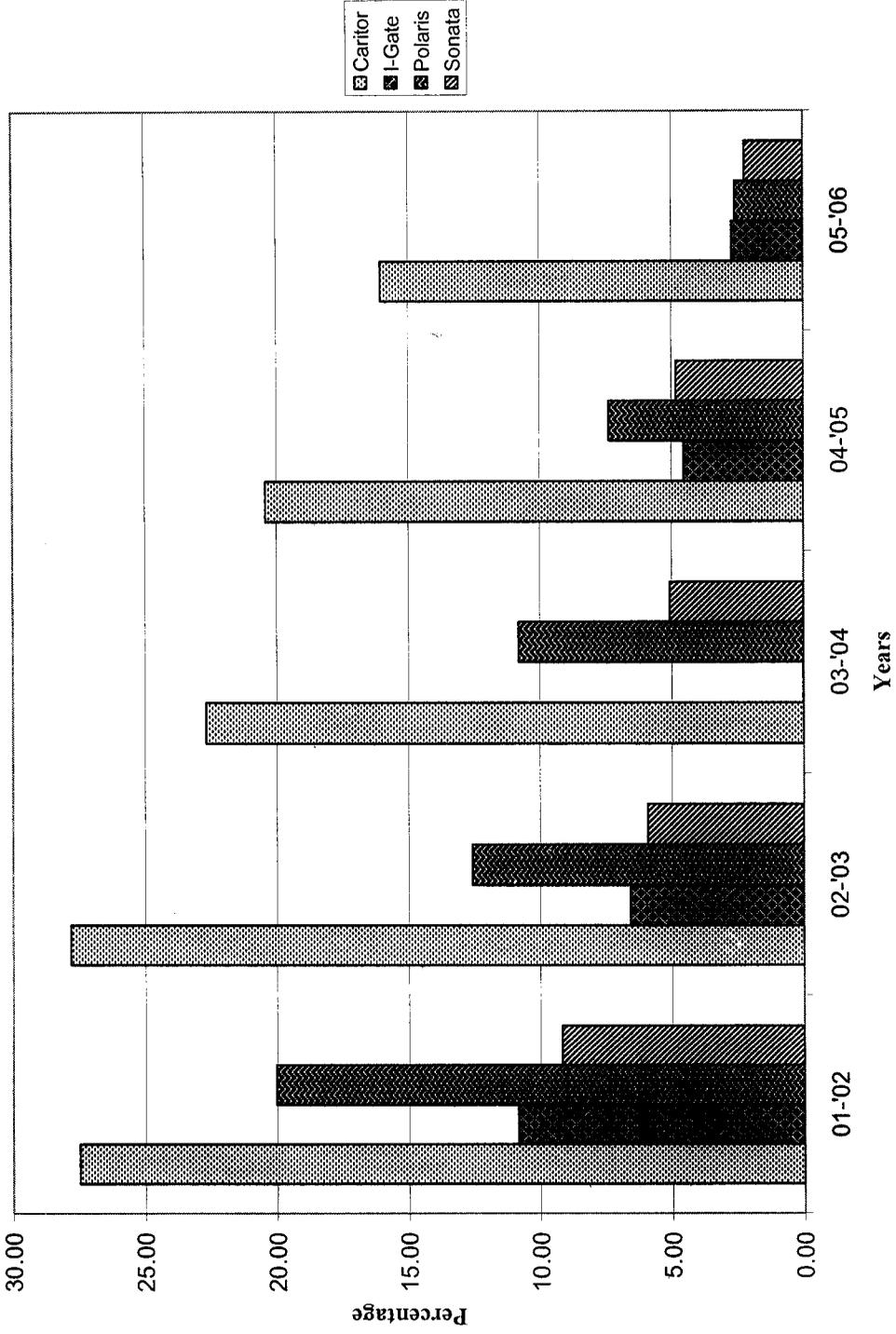
Throughout the period Caritor has maintained higher value. I-Gate and Sonata has maintained lower value.

INFERENCE:

It is inferred that Caritor has performed better than Polaris, Sonata and I-Gate.

Caritor has comparatively higher net profit margin, this is because they do not have the interest expense, but its net profit is showing a decreasing trend, the firm should take necessary steps to reduce the depreciation costs to increase the profit. I-Gate has a lower profit compared to other firms, this is because it has availed more debt and the interest expenses are more. The firm should try to reduce its debt funds to increase its profit. Polaris in the initial year had a good profit, but in the consecutive years it has reduced drastically, this is because the other expenses component has increased over the years. Sonata had a very low net profit margin; this is because of rise in other expenses and interest component.

Chart No. 4.6
Chart showing the Net Margin Ratio



OPERATING EXPENSE RATIO:**Table: no: 4.13****Table showing the Operating Expenses Ratio of the selected IT companies** Amt in Rs. ('000)

Company	Caritor			I-Gate			Polaris			Sonata		
	Sales	Operating Expense	Operating Expense Ratio	Sales	Operating Expense	Operating Expense Ratio	Sales	Operating Expense	Operating Expense Ratio	Sales	Operating Expense	Operating Expense Ratio
2001-2002	41,94,772	2,808,193	0.67	41,79,973	3,581,390	0.86	29,38,026	2,214,644	0.75	22,75,337	880,596	0.39
2002-2003	61,41,213	4,138,701	0.67	43,09,319	3,870,813	0.90	43,10,625	3,338,631	0.77	25,78,338	974,107	0.38
2003-2004	78,81,289	5,654,596	0.72	57,51,507	5,163,378	0.90	64,64,259	5,184,176	0.80	22,41,553	590,949	0.26
2004-2005	1,13,85,928	8,384,472	0.74	59,81,432	4,316,463	0.72	78,71,233	6,849,317	0.87	33,37,306	1,298,667	0.39
2005-2006	1,48,23,003	11,560,863	0.78	56,34,785	5,095,428	0.90	82,50,762	7,480,041	0.91	51,08,993	1,675,158	0.33

INTERPRETATION:

Caritor had higher expenses ratio during the year '05-'06, it is gradually increasing over the period.

I-Gate had higher expenses ratio from the year '02-'03 it is gradually increasing over the period.

Polaris had higher expenses ratio during the year '05-'06, it is gradually increasing over the period.

Sonata had higher expenses ratio during the years '01-'02 and '04-'05, but showed a fluctuating trend, throughout the study period.

From the year '01-'04 I-Gate had higher expenses ratio, whereas Sonata has the lower ratio. In the next two years '04-'06 Polaris had higher expenses ratio, whereas Sonata had the lower ratio.

INFERENCE:

The operating expenses for the firms include recruitment, travel, technology expenses, which might not be controlled because these are the expenses which vary according to the requirement. Sonata has maintained its expenses at minimum level throughout the study period.

RETURN ON EQUITY:

Table: no: 4.14

Table showing the Return on Equity Ratio of the selected IT companies **Amt in Rs. ('000)**

Company	Caritor			I-Gate			Polaris			Sonata		
	Net Worth	Net Profit	Return on Equity	Net Worth	Net Profit	Return on Equity	Net Worth	Net Profit	Return on Equity	Net Worth	Net Profit	Return on Equity
2001-2002	4,712,093	1,152,991	0.24	2,368,29	453,435	0.19	2,388,903	588,570	0.25	1,307,280	208,895	0.16
2002-2003	7,996,302	1,708,878	0.21	2,606,876	283,528	0.11	4,105,649	542,299	0.13	1,403,194	152,540	0.11
2003-2004	9,518,548	1,787,856	0.19	2,606,482	838	0.00	4,904,072	698,520	0.14	1,444,375	113,870	0.08
2004-2005	11,452,903	2,324,331	0.20	3,295,021	271,238	0.08	5,311,000	580,406	0.11	1,527,954	160,866	0.11
2005-2006	13,796,863	2,376,525	0.17	2,594,425	152,457	0.06	5,409,002	213,065	0.04	1,521,609	113,563	0.07

INTERPRETATION:

Caritor and I-Gate in the initial year maintained a higher ratio, but in the consecutive years it is decreasing gradually.

Polaris and Sonata had a fluctuating trend throughout the study period.

In the year '01-'02 Polaris has maintained higher ratio, whereas Sonata has maintained lower ratio. From the year '02-'03 to '05-'06 Caritor has maintained higher ratio. During the years '02-'03 to '04-'05 I-Gate has maintained lower ratio and in the year '05-'06 Polaris has maintained lower ratio.

INFERENCE:

“The ratio measures the return that shareholders earned on their equity invested in the firm”

It is inferred that the returns generated on the investment made by caritor is comparatively high but it has a declining trend. All other 3 companies are having a fluctuating trend throughout the study period.

RETURN ON INVESTMENT:

Table: no: 4.15

Table showing the Return on Investment Ratio of the selected IT companies Amt in Rs. ('000)

Company	Caritor			I-Gate			Polaris			Sonata		
	EBIT	Total Assets	Return on Investment	EBIT	Total Assets	Return on Investment	EBIT	Total Assets	Return on Investment	EBIT	Total Assets	Return on Investment
2001-2002	1,303,328	54,40,663	0.24	464,605	28,54,357	0.16	627,557	27,78,957	0.23	229,798	17,25,230	0.13
2002-2003	1,961,607	87,33,136	0.22	303,459	37,25,123	0.08	714,041	58,63,762	0.12	197,729	18,08,821	0.11
2003-2004	2,314,614	1,10,61,404	0.21	27,102	40,62,009	0.01	852,493	57,59,777	0.15	142,915	19,10,517	0.07
2004-2005	2,951,394	1,41,98,038	0.21	322,144	47,89,445	0.07	693,000	64,86,295	0.11	201,537	20,40,996	0.10
2005-2006	2,936,942	1,48,23,003	0.17	208,122	39,25,905	0.05	347,640	66,04,479	0.05	171,275	28,93,244	0.06

INTERPRETATION:

Caritor and I-Gate in the initial year maintained a higher ratio, but in the consecutive years it is decreasing gradually.

Polaris and Sonata had a fluctuating trend throughout the study period.

During the entire study period Caritor. In the year '01-'02 Sonata has maintained lower ratio. From the year '02-'03 to '05-'06 I-Gate has maintained lower ratio.

INFERENCE:

"The ratio measures how efficiently profits are being generated from the assets employed"

It is inferred that the shareholders of Caritor generates more profit when compared to other firms. But it is decreasing, this is because the profit of the firm has decreased over the period. The assets employed by I-Gate, Polaris and Sonata could not generate more profit to the firm.

4.5 TREND ANALYSIS

The financial statement may be analyzed by computing trends of series of information. This method determines the direction upwards (or) downwards. Here the time series method of trend analysis is used to forecast the future values. A time series may be defined as a sequence or repeated measurements of a variable made periodically through time. It helps in understanding past behaviour and it will help in estimating the future behaviour. By the method of least square, a straight line trend can be fitted, to the given time series of data. The straight line trend is represented as,

$$Y_t = a + bx$$

Where,

Y_t = required trend value,

X = unit of time

In the first degree of parabola $Y_t = a + bx$, the values of the unknowns or constants can be calculated by the following two normal equations.

$$\sum Y = Na + b \sum x$$

$$\sum XY = a \sum x + b \sum x^2$$

Where,

N – is the number of years or months for which data are given.

When $X = 0$ (when middle year is taken as the origin), the equation will take the form of:

$$\sum Y = Na \quad \text{since } \sum x = 0,$$

$$\sum XY = b \sum x^2 \quad \text{since } b \sum x^2 = 0.$$

Therefore,

$$a = \frac{\sum Y}{N} \quad \text{and} \quad b = \frac{\sum XY}{\sum x^2}$$

Table No. 4.16

Table showing the trend analysis of Total assets turnover ratio of **Caritor**

Years (X)	X	Total assets turnover ratio (Y)	XY	X²
2001-2002	-2	0.77	-1.54	4
2002-2003	-1	0.7	-0.7	1
2003-2004	0	0.71	0	0
2004-2005	1	0.8	0.8	1
2005-2006	2	0.83	1.66	4
2006-2007	3	0.828		
2007-2008	4	0.85		

INFERENCE:

It is found that the total asset turnover ratio of Caritor would increase to **0.828** and **0.85** during the subsequent two years.

$$\sum x = 0, \sum y = 3.81, \sum xy = 0.22, \sum X^2 = 10, a = 0.762, b = 0.022$$

Table No. 4 .17

Table showing the trend analysis of Total assets turnover ratio of I-Gate

Years (X)	X	Total Assets Turnover ratio (Y)	XY	X²
2001-2002	-2	1.46	-2.9	4
2002-2003	-1	1.16	-1.2	1
2003-2004	0	1.42	0	0
2004-2005	1	1.25	1.25	1
2005-2006	2	1.44	2.88	4
2006-2007	3	1.36		
2007-2008	4	1.37		

INFERENCE:

It is found that the total asset turnover ratio of I-Gate would increase to 1.36 and 1.37 during the subsequent two years.

$$\sum x = 0, \sum y = 6.73, \sum xy = 0.05, \sum X^2 = 10, a = 1.346, b = 0.005$$

Table No. 4 .18

Table showing the trend analysis of Total assets turnover ratio of **Polaris**

Years (X)	X	Total Assets Turnover ratio (Y)	XY	X²
2001-2002	-2	1.06	-2.1	4
2002-2003	-1	0.74	-0.7	1
2003-2004	0	1.12	0	0
2004-2005	1	1.21	1.21	1
2005-2006	2	1.25	2.5	4
2006-2007	3	1.33		
2007-2008	4	1.42		

INFERENCE:

It is found that the total asset turnover ratio of Polaris would increase to 1.33 and 1.42 during the subsequent two years.

$$\sum x = 0, \quad \sum y = 5.38, \quad \sum xy = 0.85, \quad \sum X^2 = 10, \quad a = 1.076, \quad b = 0.085$$

Table No. 4 .19

Table showing the trend analysis of Total assets turnover ratio of Sonata

Years (X)	X	Total assets turnover ratio (Y)	XY	X²
2001-2002	-2	1.32	-2.6	4
2002-2003	-1	1.43	-1.4	1
2003-2004	0	1.17	0	0
2004-2005	1	1.64	1.64	1
2005-2006	2	1.77	3.54	4
2006-2007	3	1.8		
2007-2008	4	1.91		

INFERENCE:

It is found that the total asset turnover ratio of Sonata would increase to **1.8** and **1.91** during the subsequent two years.

$$\sum x = 0, \sum y = 7.33, \sum xy = 1.11, \sum X^2 = 10, a = 1.466, b = 0.111$$

Chart No. 4.7

Chart showing the Total Assets Turnover Ratio Trend

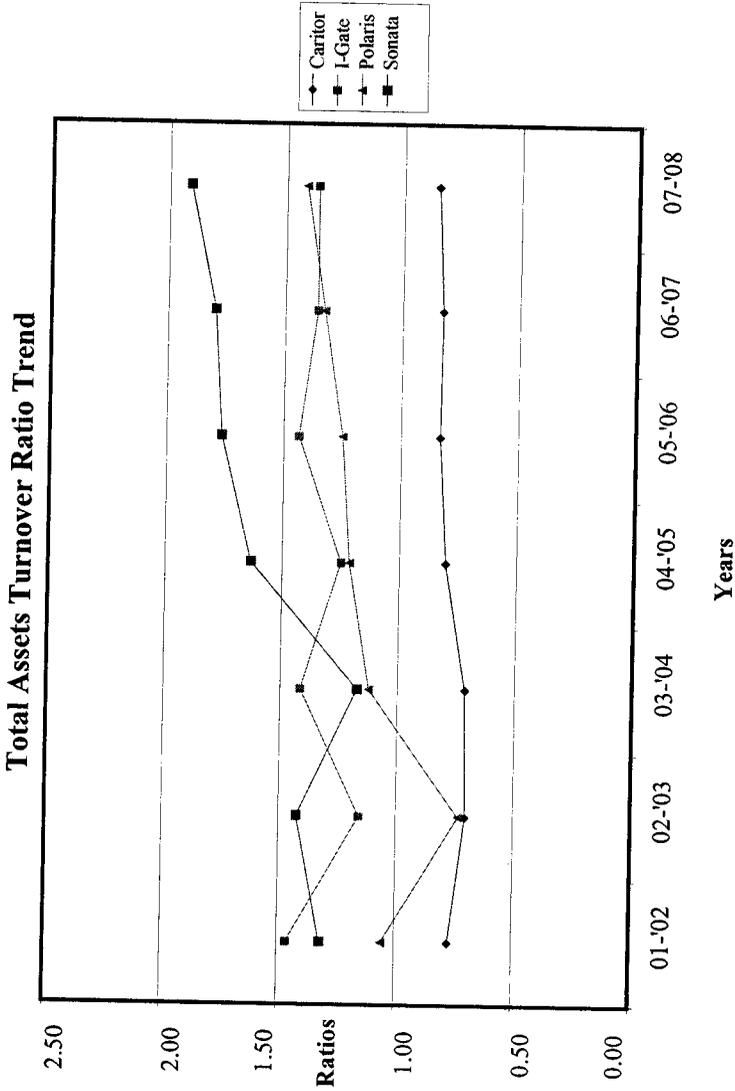


Table No. 4.20

Table showing trend analysis of Working capital turnover ratio of **Caritor**

Years (X)	X	Working Capital turnover ratio (Y)	XY	X²
2001-2002	-2	0.98	-2	4
2002-2003	-1	0.87	-0.9	1
2003-2004	0	1.03	0	0
2004-2005	1	1.18	1.18	1
2005-2006	2	1.33	2.66	4
2006-2007	3	1.38		
2007-2008	4	1.48		

INFERENCE:

It is found that the working capital turnover ratio of Caritor would increase to **1.38** and **1.48** during the subsequent two years.

$$\sum x = 0, \sum y = 5.39, \sum xy = 1.01, \sum X^2 = 10, a = 1.078, b = 0.101$$

Table No. 4 .21

Table showing the trend analysis of Working capital turnover ratio of I-Gate

Years (X)	X	Working Capital turnover ratio (Y)	XY	X²
2001-2002	-2	4.61	-9.2	4
2002-2003	-1	4.93	-4.9	1
2003-2004	0	4.69	0	0
2004-2005	1	4.42	4.42	1
2005-2006	2	3.53	7.06	4
2006-2007	3	3.64		
2007-2008	4	3.37		

INFERENCE:

It is found that the working capital turnover ratio of I-Gate would increase to **3.64** and **3.37** during the subsequent two years.

$$\sum x = 0, \sum y = 22.2, \sum xy = -2.7, \sum X^2 = 10, a = 4.436, b = -0.27$$

Table No. 4 .22

Table showing the trend analysis of Working capital turnover ratio of **Polaris**

Years (X)	X	Working Capital turnover ratio (Y)	XY	X²
2001-2002	-2	1.62	-3.2	4
2002-2003	-1	0.85	-0.9	1
2003-2004	0	1.53	0	0
2004-2005	1	1.63	1.63	1
2005-2006	2	1.64	3.28	4
2006-2007	3	1.7		
2007-2008	4	1.78		

INFERENCE:

It is found that the working capital turnover ratio of Polaris would increase to 1.7 and 1.78 during the subsequent two years.

$$\sum x = 0, \quad \sum y = 7.27, \quad \sum xy = 0.82, \quad \sum X^2 = 10, \quad a = 1.454, \quad b = 0.082$$

Table No. 4 .23

Table showing the trend analysis of Working capital turnover ratio of **Sonata**

Years (X)	X	Working Capital turnover ratio (Y)	XY	X²
2001-2002	-2	3.11	-6.2	4
2002-2003	-1	2.91	-2.9	1
2003-2004	0	2.08	0	0
2004-2005	1	3.36	3.36	1
2005-2006	2	4.78	9.56	4
2006-2007	3	4.39		
2007-2008	4	4.76		

INFERENCE:

It is found that the working capital turnover ratio of Sonata would increase to **4.39** and **4.76** during the subsequent two years.

$$\sum x = 0, \sum y = 16.2, \sum xy = 3.79, \sum X^2 = 10, a = 3.248, b = 0.379$$

Table No. 4 .24

Table showing the trend analysis of Gross margin ratio of **Caritor**

Years (x)	X	Gross margin ratio (Y)	XY	X²
2001-2002	-2	0.6	-1.3	4
2002-2003	-1	0.6	-0.6	1
2003-2004	0	0.56	0	0
2004-2005	1	0.5	0.5	1
2005-2006	2	0.5	0.94	4
2006-2007	3	0.43		
2007-2008	4	0.39		

INFERENCE:

It is found that the gross margin ratio of Caritor would increase to **0.43** and **0.39** during the subsequent two years.

$$\sum x = 0, \quad \sum y = 2.8, \quad \sum xy = -0.4, \quad \sum X^2 = 10, \quad a = 0.55, \quad b = -0.04$$

Table No. 4 .25

Table showing the trend analysis of Gross margin ratio of I-Gate

Years (X)	X	Gross margin ratio (Y)	XY	X ²
2001-2002	-2	0.4	-0.8	4
2002-2003	-1	0.4	-0.4	1
2003-2004	0	0.33	0	0
2004-2005	1	0.5	0.52	1
2005-2006	2	0.3	0.6	4
2006-2007	3	0.37		
2007-2008	4	0.36		

INFERENCE:

It is found that the gross margin ratio of Sonata would increase to **0.37** and **0.36** during the subsequent two years.

$$\sum x = 0, \quad \sum y = 1.9, \quad \sum xy = -0.1, \quad \sum X^2 = 10, \quad a = 0.386, \quad b = -0.01$$

Table No. 4.26

Table showing the trend analysis of Gross margin ratio of **Polaris**

Years (X)	X	Gross margin ratio (Y)	XY	X²
2001-2002	-2	0.4	-0.8	4
2002-2003	-1	0.4	-0.4	1
2003-2004	0	0.37	0	0
2004-2005	1	0.3	0.33	1
2005-2006	2	0.3	0.64	4
2006-2007	3	0.29		
2007-2008	4	0.27		

INFERENCE:

It is found that the gross margin ratio of Polaris would increase to **0.29** and **0.27** during the subsequent two years.

$$\sum x = 0, \sum y = 1.8, \sum xy = -0.3, \sum X^2 = 10, a = 0.366, b = -0.03$$

Table No. 4 .27

Table showing the trend analysis of Gross margin ratio of **Sonata**

Years (X)	X	Gross margin ratio (Y)	XY	X²
2001-2002	-2	0.8	-1.6	4
2002-2003	-1	0.8	-0.8	1
2003-2004	0	0.88	0	0
2004-2005	1	0.8	0.8	1
2005-2006	2	0.8	1.64	4
2006-2007	3	0.84		
2007-2008	4	0.85		

INFERENCE:

It is found that the gross margin ratio of Sonata would increase to **0.84** and **0.85** during the subsequent two years.

$$\sum x = 0, \sum y = 4.1, \sum xy = 0.1, \sum X^2 = 10, a = 0.812, b = 0.01$$

Table No. 4 .28

Table showing the trend analysis of Debtors' turnover ratio of Caritor

Years (X)	X	Debtors' turnover ratio (Y)	XY	X²
2001-2002	-2	2.22	-4.44	4
2002-2003	-1	4.25	-4.25	1
2003-2004	0	3.23	0	0
2004-2005	1	3	3	1
2005-2006	2	2.8	5.6	4
2006-2007	3	3.07		
2007-2008	4	3.06		

INFERENCE:

It is found that the debtors' turnover ratio of Caritor would increase to **3.07** and **3.06** during the subsequent two years.

$$\sum x = 0, \sum y = 15.5, \sum xy = -0.09, \sum X^2 = 10, a = 3.1, b = -0.01$$

Table No. 4 .29

Table showing the trend analysis of Debtors' turnover ratio of I-Gate

Years (X)	X	Debtors' turnover ratio (Y)	XY	X²
2001-2002	-2	5.94	-11.9	4
2002-2003	-1	3.36	-3.36	1
2003-2004	0	4.16	0	0
2004-2005	1	4.12	4.12	1
2005-2006	2	3.8	7.6	4
2006-2007	3	3.22		
2007-2008	4	2.87		

INFERENCE:

It is found that the debtors' turnover ratio of I-Gate would increase to **3.22** and **2.87** during the subsequent two years.

$$\sum x = 0, \sum y = 21.4, \sum xy = -3.52, \sum X^2 = 10, a = 4.276, b = -0.35$$

Table No. 4 .30

Table showing the trend analysis of Debtors' turnover ratio of **Polaris**

Years (X)	X	Debtors' turnover ratio (Y)	XY	X²
2001-2002	-2	3.57	-7.14	4
2002-2003	-1	2.72	-2.72	1
2003-2004	0	3.78	0	0
2004-2005	1	5.45	5.45	1
2005-2006	2	5.97	11.94	4
2006-2007	3	6.56		
2007-2008	4	7.31		

INFERENCE:

It is found that the Debtors turnover ratio of Polaris would increase to **6.56** and **7.31** during the subsequent two years.

$$\sum x = 0, \quad \sum y = 21.5, \quad \sum xy = 7.53, \quad \sum X^2 = 10, \quad a = 4.298, \quad b = 0.753$$

Table No. 4 .31

Table showing the trend analysis of Debtors' turnover ratio of **Sonata**

Years (x)	X	Debtors' turnover ratio (Y)	XY	X²
2001-2002	-2	4.38	-8.76	4
2002-2003	-1	4.52	-4.52	1
2003-2004	0	3.50	0	0
2004-2005	1	4.91	4.91	1
2005-2006	2	3.91	7.82	4
2006-2007	3	4.08		
2007-2008	4	4.02		

INFERENCE:

It is found that the debtors' turnover ratio of Sonata would increase to **4.08** and **4.02** during the subsequent two years.

$$\sum x = 0, \sum y = 21.2, \sum xy = -0.55, \sum X^2 = 10, a = 4.244, b = -0.05$$

Chart No. 8

Chart showing the Debtors Turnover Ratio Trend

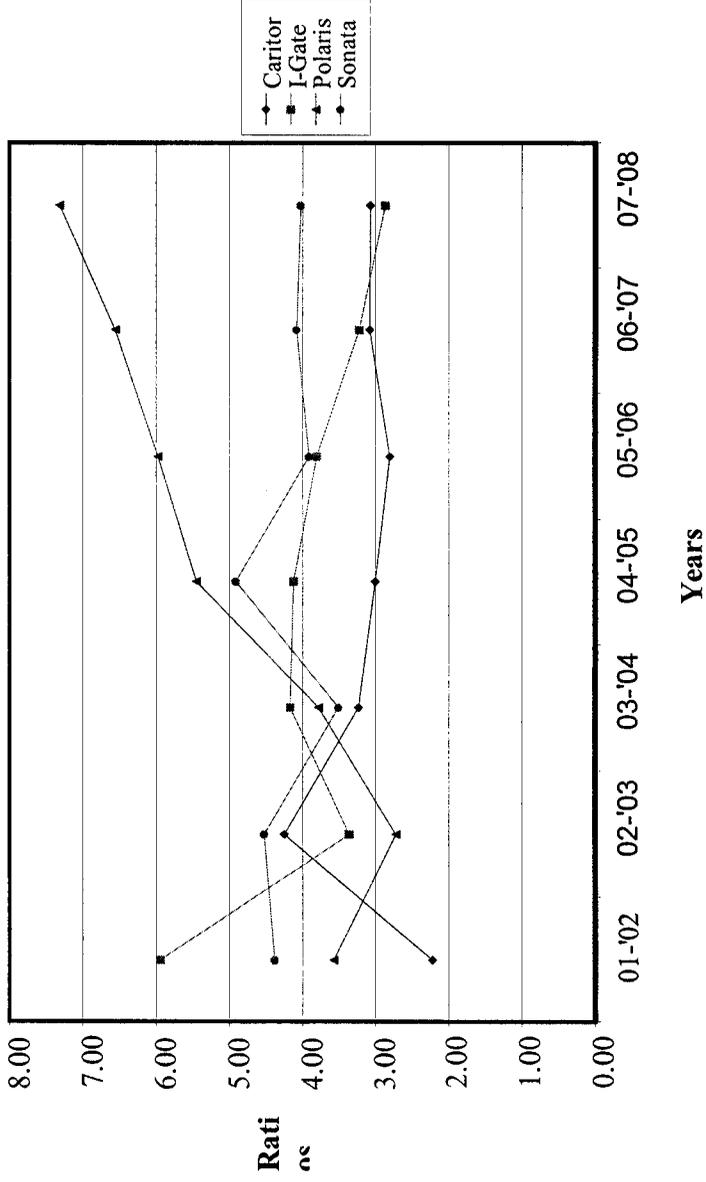


Table No. 4 .32

Table showing the trend analysis of Current ratio of Caritor

Years (X)	X	Current ratio (Y)	XY	X²
2001-2002	-2	6.85	-13.7	4
2002-2003	-1	10.1	-10.1	1
2003-2004	0	6.44	0	0
2004-2005	1	5.39	5.39	1
2005-2006	2	4.27	8.54	4
2006-2007	3	3.65		
2007-2008	4	2.65		

INFERENCE:

It is found that the current ratio of Caritor would increase to 3.65 and 2.65 during the subsequent two years.

$$\sum x = 0, \sum y = 33.1, \sum xy = -9.91, \sum X^2 = 10, a = 6.618, b = -0.99$$

Table No. 4 .33Table showing the trend analysis of Current ratio of **I-Gate**

Years (X)	X	Current ratio (Y)	XY	X²
2001-2002	-2	3.37	-6.74	4
2002-2003	-1	1.91	-1.91	1
2003-2004	0	2.46	0	0
2004-2005	1	2.61	2.61	1
2005-2006	2	3.58	7.16	4
2006-2007	3	3.12		
2007-2008	4	3.23		

INFERENCE:

It is found that the current ratio of I-Gate would increase to **3.12** and **3.23** during the subsequent two years.

$$\sum x = 0, \quad \sum y = 13.9, \quad \sum xy = 1.12, \quad \sum X^2 = 10, \quad a = 2.786, \quad b = 0.112$$

Table No. 4 .34

Table showing the trend analysis of Current ratio of **Polaris**

Years (X)	X	Current ratio (Y)	XY	X²
2001-2002	-2	3.66	-7.32	4
2002-2003	-1	2.5	-2.5	1
2003-2004	0	4.35	0	0
2004-2005	1	3.2	3.2	1
2005-2006	2	3.28	6.56	4
2006-2007	3	3.38		
2007-2008	4	3.37		

INFERENCE:

It is found that the current ratio of Polaris would increase to 3.38 and 3.37 during the subsequent two years.

$$\sum x = 0, \sum y = 17, \sum xy = -0.06, \sum X^2 = 10, a = 3.398, b = -0.01$$

Table No. 4 .35

Table showing the trend analysis of Current ratio of **Sonata**

Years (X)	X	Current ratio (Y)	XY	X²
2001-2002	-2	2.79	-5.58	4
2002-2003	-1	3.46	-3.46	1
2003-2004	0	4.52	0	0
2004-2005	1	3.37	3.37	1
2005-2006	2	1.82	3.64	4
2006-2007	3	2.58		
2007-2008	4	2.38		

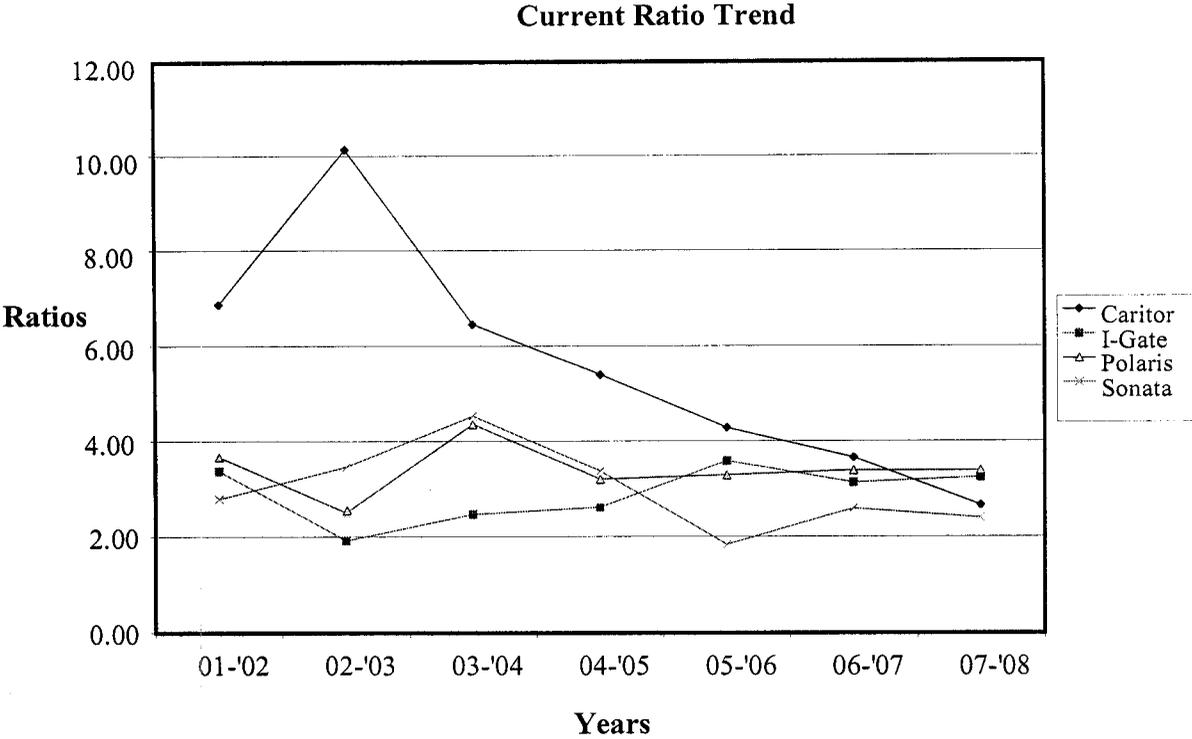
INFERENCE:

It is found that the current ratio of Sonata would increase to **2.58** and **2.38** during the subsequent two years.

$$\sum x = 0, \quad \sum y = 16, \quad \sum xy = -2.03, \quad \sum X^2 = 10, \quad a = 3.192, \quad b = -0.2$$

Chart No. 4.9

Chart showing the Current Ratio Trend



4.6 COMPARATIVE BALANCE SHEET

The comparative balance sheet analysis is the study of the trend of the same item, groups of items and computed items in two (or) more balance sheets of the same business enterprise dates. The changes in periodic balance sheet items reflect the conduct of a business.

Table No. 4.36
Table showing Comparative Balance Sheet of Caritor In Rs ('000)

PARTICULARS	2006	2005	2,004	2,003	2002	2006	2005	2,004	2
SOURCES OF FUNDS									
SHAREHOLDERS' FUNDS									
Share capital	381,442	374,398	373,701	186,577	169,777	1.88	0.19	100.29	
Reserves and surplus	13,415,421	11,078,505	9,144,847	7,809,725	4,542,316	21.09	21.14	17.10	
Deferred tax liability	1,649	1,617	0	0		1.98		0	
Less: Loan to Employees stock purchase scheme	0	0	-189,425	-267,926	0		-	-29.30	
	13,798,512	11,454,520	9,329,123	7,728,376	4,712,093	20.46	22.78	20.71	
APPLICATION OF FUNDS									
FIXED ASSETS									
Cost	3,966,811	3,095,872	2,220,107	972,389	852,562	28.13	39.45	128.31	
Less: Accumulated depreciation, amortization & impairment	1,389,133	880,253	691,997	664,920	526,449	57.81	27.20	4.07	
Net book value	2,577,678	2,215,619	1,528,110	307,469	326,113	16.34	44.99	397.00	
Capital work-in-progress & advances	581,356	85,618	147,506	221,383	4,876	579.01	-41.96	-33.37	4.4
	3,159,034	2,301,237	1,675,616	528,852	330,989	37.28	37.34	216.84	
Investments	52,355	60,905	355,660	355,825	95,736	-14.04	-82.88	-0.05	2
Deferred tax asset	70,762	1,208	687	29,703	24,658	5,757.78	75.84	-97.69	
CURRENT ASSETS, LOANS & ADVANCES									
Sundry debtors	5,287,315	3,790,998	2,443,531	1,444,968	1,887,483	39.47	55.14	69.11	-
Cash and bank balances	6,869,435	6,634,799	5,788,368	5,768,059	2,280,983	3.54	14.62	0.35	1
Other current assets	309,124	175,064	23,423	48,851	10,886	76.58	647.40	-52.05	3
Loans and advances	2,049,494	1,233,827	774,119	556,878	809,928	66.11	59.38	39.01	-
	14,515,368	11,834,688	9,029,441	7,818,756	4,989,280	22.65	31.07	15.48	
LESS: CURRENT LIABILITIES AND PROVISIONS									
Current liabilities	3,400,439	2,196,319	1,401,855	771,156	606,182	54.82	56.67	81.79	
Provisions	598,568	547,199	330,426	233,604	122,388	9.39	65.60	41.45	
	3,999,007	2,743,518	1,732,281	1,004,760	728,570	45.76	58.38	72.41	
Net current assets	10,516,361	9,091,170	7,297,160	6,813,996	4,260,710	15.68	24.59	7.09	
	13,798,512	11,454,520	9,329,123	7,728,376	4,712,093	20.46	22.78	20.71	

INFERENCE:

- 1) Share capital during the year '03 –'04 is increased by 100.29%.
- 2) Reserves and surplus during the year '02 –'03 is increased by 71.93%.
- 3) Net book value of assets during the year '03 – '04 is increased by 397%.
- 4) Investments during the year '02-'03 is increased by 271.67%.
- 5) Deferred tax asset during the year '05 – '06 is increased by 5,757.75 %.
- 6) Sundry debtors during the year '03 – '04 are increased by 69.11%.
- 7) Current liabilities during the year '03 – '04 are increased by 81.79%.
- 8) Provisions during the year '02 – '03 are increased by 90.87%.

DISCRIMINANT ANALYSIS:

$$Z = (0.012 * X_1) + (0.014 * X_2) + (0.033 * X_3) + (0.006 * X_4) + (0.01 * X_5)$$

X_1 = Net working capital/total assets %

X_2 = retained earnings/total assets %

X_3 = EBIT/total assets %

X_4 = market value of total equity/book value of debt %

X_5 = sales/Total assets %

Amt in Rs.

PARTICULARS	I-GATE	POLARIS
Net working capital	1,598,030,000	5,040,042,000
Retained earnings	2,482,463,000	4,917,852,000
EBIT	208,122,000	347,640,000
Market value of total equity	7,183,463,813	11,509,627,613.80
Book value of debt	488,139,000	18,772,000
Sales	5,634,785,000	8,250,762,000
Total assets	3,925,905,000	6,604,479,000
Z	3.07	7.06

INFERENCE:

The standard norm of multi discriminant analysis (Z) is **2.675**. The Z values of I-Gate and Polaris are higher than the standard norm which shows that they are performing with higher efficiency and there is no threat of insolvency.

Conclusion & Suggestions

5. CONCLUSION

5.1 RESULTS AND DISCUSSIONS

1. It is found that the Current ratio of Caritor was high in all the five years especially in the year 2002-2003 i.e., 10.14. The high current ratio represents that the firm has high liquidity and also it maintains more idle funds.
2. It is found that the liquid ratio of Caritor was high in all the five years especially in the year 2002-2003 i.e., 10.02. The high liquid ratio represents that the firm has more opportunity cost associated with it.
3. It is found that the Debtors turnover ratio of Caritor was fluctuating throughout the entire study period. The higher the value of Debtors' turnover ratio implies a firm's inability to sell on credit thereby losing sales and profits.
4. It is found that the Total Assets Turnover ratio of Caritor was maintained below Re. 1 and it is showing an increasing trend over the last three years.
5. It is found that the Working Capital Turnover ratio of Caritor was very low since the firm had made more investment in Working Capital.
6. It is found that the Total debt ratio of Caritor is Zero throughout the study period, since it is a 'Debt Free Company'.
7. It is found that the Debt-Equity ratio of Caritor is Zero throughout the study period, since it is a 'Debt Free Company'.
8. It is found that the Proprietary ratio of Caritor was maintained higher in compared to the peers.
9. It is found that the Interest Coverage ratio of Caritor is Zero throughout the study period, since it is a 'Debt Free Company'.
10. It is found that the Gross Margin ratio of Caritor was maintained higher compared to its peers, but had a declining trend due to increase in cost of sales.
11. It is found that the Net Margin ratio of Caritor was maintained higher compared to its peers, but had a declining trend due to increase in cost of sales.

12. It is found that the Operating Expenses ratio of Caritor was maintained higher, which was increasing every year.
13. It is found that the returns generated on the investment made by caritor are comparatively high but it has a declining trend.
14. It is found that the shareholders of Caritor generate more profit when compared to other firms.
15. It is found that the Shareholders funds are decreasing over the study period, the Current assets over the period shows a fluctuating trend. The sundry Debtors are reduced gradually.

5.2 RECOMMENDATIONS

- ✓ Caritor should make use of the idle funds, to invest in new projects which in turn will yield more revenue and profit.
- ✓ Caritor's credit policy has to be tightened in order to avoid bad debt losses.
- ✓ Caritor's gross margin seems to be good comparatively. But it has a declining trend year after year. To overcome this risk, the company has to undertake controlling measures to reduce cost of sales.
- ✓ Caritor's net margin seems to be good comparatively. But it has a declining trend year after year. To overcome this risk, the company has to undertake controlling measures to reduce operating expenses.
- ✓ Since debt is the cheapest source of fund that a firm can avail, Caritor can make se of it, even though it is a debt free company, so that, it can enjoy tax benefit.
- ✓ Caritor should improve its revenue generating capacity by using its assets efficiently. The idle funds that are available can be put into use, which are capable to generate more revenues.

5.3 CONCLUSION

Caritor is playing a major role in the information and technology services industry over the last few years, the firm is in its growth stage which has its own strong customer and employee force that drives the firm to achieve its vision.

On studying the financial performance of Caritor India Private Limited in comparing with peers in the industry for a period of five years from 2001 to 2006, the study reveals that the financial performance in general is satisfactory. It could be concluded that the company is performing well and has a sound financial performance in comparison with its peer groups in the industry, but the company should take the following measures such as:

- Effective utilization of idle funds,

- It has to follow strict credit policy and

- Should enhance controlling measures to reduce cost of sales and operating expenses, which would ultimately improve the financial position of the concern and helps to fetch more profit to the company in near future.

Appendix

Consolidated Balance sheet

at March 31

(All amounts in thousands of Indian Rupees)

	Note	2003	2002
Resources of funds			
Shareholders' funds			
Share capital	3	186,577	169,777
Reserves and surplus	4	7,809,725	4,542,316
		7,996,302	4,712,093
Investment of funds			
Fixed Assets	2(c) & 5		
Plant and machinery		972,389	852,562
Intangible Assets		664,920	526,449
Accumulated depreciation		307,469	326,113
Net book value		221,383	4,876
Capital work-in-progress and advances		528,852	330,989
Investments	2(d) & 6	355,825	95,736
Deferred tax assets	7	29,703	24,658
Current Assets, Loans and Advances	8		
Trade debtors		1,446,960	1,887,483
Prepaid expenses and bank balances		5,768,059	2,280,983
Other current assets		48,851	10,886
Loans and advances		822,812	809,928
		8,086,682	4,989,280
Current Liabilities and Provisions	9		
Current liabilities		771,156	606,182
Provisions		233,604	122,388
		1,004,760	728,570
Current Assets		7,081,922	4,260,710
		7,996,302	4,712,093

Consolidated statement of profit and loss

for the year ended March 31

(All amounts in thousands of Indian Rupees)

	Note	2003	2002
Revenues	2(e) & 10	6,098,543	4,194,772
Cost of Revenues	11	(2,524,284)	(1,566,410)
Gross profit		3,574,259	2,628,362
Selling and marketing expenses	12	(870,969)	(599,726)
General and administrative expenses	13	(743,448)	(642,057)
Depreciation and amortisation	2(c) & 5	(151,298)	(156,422)
Income from operations		1,808,544	1,230,157
Reversal for diminution in value of investments, net		12,427	24,172
Profit/(Loss) on sale of investment		35	(51,500)
Interest income	14	209,042	66,672
Other income/(expenses)	15	(68,441)	33,827
Income before provision for income taxes		1,961,607	1,303,328
Provision for income taxes	2(k) & 16	(252,729)	(150,337)
Net income		1,708,878	1,152,991
Weighted average earnings per share of Rs 5/- each (in Rs)	2(l) & 21		
Basic		46.78	34.59
Diluted		45.92	34.59
Number of shares used in computing earnings per share			
Basic		36,532,934	33,328,488
Diluted		37,213,927	33,328,488

Consolidated balance sheet

at March 31

(All amounts in thousands of Indian Rupees, unless otherwise stated)

	Schedules	March 31, 2005	March 31, 2004
Sources of funds			
Shareholders' funds			
Share capital	1	374,398	373,701
Reserves and surplus	2	11,078,505	9,144,847
Deferred tax liabilities	3	409	—
		11,453,312	9,518,548
Application of funds			
Fixed assets			
Property, plant and equipment	4	3,095,872	2,220,107
Intangible assets		880,253	691,997
Accumulated depreciation and amortisation		2,215,619	1,528,110
Book value		85,618	147,506
Capital work-in-progress and advances		2,301,237	1,675,616
Investments			
Equity investments	5	60,905	355,660
Deferred tax assets	3	—	687
Current assets, loans and advances			
Trade receivables	6	3,790,998	2,376,504
Prepaid expenses and bank balances		6,634,799	5,788,368
Other current assets		175,064	90,450
Loans and advances		1,153,934	963,544
		11,754,795	9,218,866
Current liabilities and provisions			
Trade payables	7	2,196,319	1,401,855
Provisions		467,306	330,426
		2,663,625	1,732,281
Current assets			
		9,091,170	7,486,585
		11,453,312	9,518,548
Notes to accounts	16		
Schedules referred to above and notes to accounts form an integral part of the balance sheet.			

Consolidated statement of profit and loss

for the year ended March 31

(All amounts in thousands of Indian Rupees, unless otherwise stated)

	Schedules	Year ended March 31, 2005	Year ended March 31, 2004
Revenues	8	11,385,928	7,881,289
Cost of revenues	9	(5,701,107)	(3,494,071)
Gross profit		5,684,821	4,387,218
Selling and marketing expenses	10	(1,528,386)	(1,158,650)
General and administrative expenses	11	(1,154,979)	(1,001,875)
Depreciation and amortisation, net of write-back of opening cumulative effect of accounting change Rs. Nil (March 31, 2004 – Rs. 92, 888)		(309,347)	(50,688)
Income from operations		2,692,109	2,176,005
Profit/(loss) on sale/conversion of investment		16,804	(16,877)
(Provision)/reversal for diminution in value of investment, net		(50,528)	16,712
Loss on equity investment		(820)	–
Interest income	12	259,231	217,295
Other income/(expense)	13	34,598	(78,521)
Income before provision for income taxes		2,951,394	2,314,614
Provision for income taxes	14	(627,063)	(526,758)
Net income		2,324,331	1,787,856
Earnings per share of Rs. 5/- each (in Rs.)			
Basic		31.08	24.36
Diluted		30.16	23.26
Weighted average number of shares used in computing earnings per share	15		
Basic		74,782,487	73,379,472
Diluted		77,071,820	76,868,821
Notes to accounts	16		
The schedules referred to above and notes to accounts form an integral part of the profit and loss account.			

Consolidated profit and loss

for the year ended March 31

(All amounts in thousands of Indian Rupees except share and per share data)

	Schedules	2006	2005
Revenue	8	14,823,003	11,385,928
Cost of revenue	9	(7,829,013)	(5,701,107)
Gross profit		6,993,990	5,684,821
Operating expenses			
Selling and marketing expenses	10	(2,009,832)	(1,528,386)
General and administrative expenses	11	(1,722,018)	(1,154,979)
Depreciation and amortization		(460,368)	(309,347)
Provision for impairment of goodwill		(57,958)	—
Income from operations		2,743,814	2,692,109
Non-operating income (expenses)			
Interest income	12	294,552	259,231
Other income (expenses)	13	(9,907)	874
Income before provision for taxes and prior period items		3,028,459	2,952,214
Provision for taxes	14	(560,417)	(627,063)
Net income for the year before minority interest, share of profit (loss) of associate and prior period items		2,468,042	2,325,151
Minority interest		2,564	—
Share of profit (loss) of associate company		3,328	(820)
Net income for the year before prior period items		2,473,934	2,324,331
Prior period items	16(10)	(97,409)	—
Net income		2,376,525	2,324,331
Profit and loss account, beginning of the year		690,664	293,276
Amount available for appropriation		3,067,189	2,617,607
Transfer to general reserve		(2,000,000)	(1,500,000)
Proposed dividend		(381,442)	(374,398)
Corporate dividend tax		(53,497)	(52,509)
Dividend paid on ESOP exercised		(1,140)	(32)
Corporate dividend tax on ESOP exercised		(160)	(4)
Profit and loss account, end of the year		630,950	690,664
Earnings per share of Rs. 5/- each (in Rs.)			
Basic		31.45	31.08
Diluted		30.62	30.16
Notes to accounts	16		

The schedules referred to above and notes to accounts form an integral part of the consolidated profit and loss account.

Consolidated balance sheet

at March 31

(All amounts in thousands of Indian Rupees)

	Schedules	2006	2005
Equity and funds			
Shareholders' funds			
Share capital	1	381,442	374,398
Reserves and surplus	2	13,415,421	11,078,505
Deferred tax liability	3	1,649	1,617
		13,798,512	11,454,520
Liabilities			
Provision of funds			
Intangible assets	4		
Accumulated depreciation, amortization and impairment		3,966,811	3,095,872
Book value		1,389,133	880,253
Unfinished work-in-progress and advances		2,577,678	2,215,619
		581,356	85,618
		3,159,034	2,301,237
Intangible assets	5	52,355	60,905
Deferred tax asset	3	70,762	1,208
Current assets, loans and advances	6		
Due from debtors		5,287,315	3,790,998
Due from bank balances		6,869,435	6,634,799
Current assets		309,124	175,064
Loans and advances		2,049,494	1,233,827
		14,515,368	11,834,688
Current liabilities and provisions	7		
Current liabilities		3,400,439	2,196,319
Provisions		598,568	547,199
		3,999,007	2,743,518
Current assets		10,516,361	9,091,170
		13,798,512	11,454,520
Other accounts	16		

Schedules referred to above and notes to accounts form an integral part of the consolidated balance sheet.

Consolidated Balance Sheet

As at March 31, (Rs. '000)	Schedule	2003	2002
Sources of Funds			
Shareholders' Funds			
Share Capital	1	108,657	108,543
Reserves and Surplus	2	2,498,219	2,259,754
		<u>2,606,876</u>	<u>2,368,297</u>
Loan Funds			
Secured Loans	3	52	240
Total		<u>2,606,928</u>	<u>2,368,537</u>
Application of Funds			
Fixed Assets			
Gross Block	4	1,127,344	816,386
Less: Depreciation		490,815	375,579
Net Block		636,529	440,807
Capital Work-in-Progress		-	426
		<u>636,529</u>	<u>441,233</u>
Investments	5	1,231,835	1,086,050
Current Assets, Loans and Advances			
Sundry Debtors	6	1,283,072	703,933
Cash and Bank Balances	7	341,935	419,049
Loans and Advances	8	210,489	167,816
		<u>1,835,496</u>	<u>1,290,798</u>
Less: Current Liabilities and Provisions			
Current Liabilities	9	961,952	383,513
Provisions	10	156,243	102,307
		<u>1,118,195</u>	<u>485,820</u>
Net Current Assets		<u>717,301</u>	<u>804,978</u>
Deferred tax assets (net)	11	12,257	15,905
Miscellaneous Expenditure	12	9,006	20,371
(To the extent not written off or adjusted)			
Total		<u>2,606,928</u>	<u>2,368,537</u>
Notes to Accounts	17		

As per our report attached

For and on behalf of
Chandabhoy & Jassoobhoy
Chartered Accountants

A.K. Kotwal
Partner

Bangalore

The Consolidated Balance Sheet and Profit and Loss Account, the schedules thereto and the Consolidated Cash Flow Statement are hereby authenticated by us

For and on behalf of the Board of Directors

Sunil Wadhvani
Chairman

Sujit Sircar

D. Basu
Director

N. Balasubramanian
Director

Mukund Srinath

Consolidated Profit and Loss Account

For the year ended March 31, (Rs. '000)	Schedule	2003	2002
Income			
Software Development and Services		4,208,562	4,073,795
Other Income	13	100,757	106,178
Total		4,309,319	4,179,973
Expenditure			
Payments to and provisions for employees	14	2,887,114	2,747,528
Operating and other expenses	15	983,699	833,862
Interest	16	191	1,526
Depreciation		135,047	131,170
Total		4,006,051	3,714,086
Profit before Taxation		303,268	465,887
Extraordinary item		-	2,808
Provision for Taxation			
Current	21,997		29,051
Deferred	(2,257)	19,740	(19,407)
Profit after Taxation		283,528	453,435
Profit available for appropriation		283,528	453,435
Proposed Dividend		43,463	43,417
Dividend Tax		5,569	-
Transfer to General Reserve		30,000	45,600
		204,496	364,418
Balance brought forward from Previous Year		741,478	377,060
Balance Carried to Balance Sheet		945,974	741,478
Notes to Accounts	17		
Earnings Per Share (Refer note 17.8)			
Basic		10.44	16.77
Diluted		10.44	16.52

As per our report attached

The Consolidated Balance Sheet and Profit and Loss Account, the schedules thereto and the Consolidated Cash Flow Statement are hereby authenticated by us

For and on behalf of
Chandabhoy & Jassoobhoy
Chartered Accountants

For and on behalf of the Board of Directors

A.K. Kotwal
Partner

Sunil Wadhvani
Chairman

D. Basu
Director

N. Balasubramanian
Director

Bangalore

Sujit Sircar

Mukund Srinath

Consolidated Balance Sheet

As at March 31, (Rs. '000)	Schedule	2005	2004
Sources of Funds			
Shareholders' Funds			
Share Capital	1	117,157	109,304
Reserves and Surplus	2	3,177,864	2,497,178
		3,295,021	2,606,482
Loan Funds			
Secured Loans	3	5,071	9,857
Unsecured Loans	4	456,550	439,988
		461,621	449,845
Total		3,756,642	3,056,327
Application of Funds			
Fixed Assets			
Gross Block	5	3,136,677	2,539,293
Less: Depreciation		974,038	742,093
Net Block		2,162,639	1,797,200
Capital Work-in-Progress		141,451	36,742
		2,304,090	1,833,942
Investments			
Current Assets, Loans and Advances	6	457,139	417,974
Sundry Debtors			
Cash and Bank Balances	7	1,452,489	1,381,846
Loans and Advances	8	398,407	421,340
	9	345,483	263,777
		2,196,379	2,066,963
Less: Current Liabilities and Provisions			
Current Liabilities	10	842,930	840,358
Provisions	11	189,873	165,324
		1,032,803	1,005,682
Net Current Assets		1,163,576	1,061,281
Deferred Tax Assets/(Liabilities)	12	2,634	(398)
Minority Interest - Payable		170,797	256,472
Total		3,756,642	3,056,327
Notes to Accounts	17		

As per our report attached

The Consolidated Balance Sheet and Profit and Loss Account, the Schedules thereto and the Consolidated Cash Flow Statement are hereby authenticated by us

For and on behalf of
Chandabhoy & Jassoobhoy
Chartered Accountants

For and on behalf of the Board of Directors

A. K. Kotwal
Partner
Membership No. 37030

Ashok Trivedi
Chairman

Phaneesh Murthy
CEO & Managing Director

Bangalore
14 April, 2005

N. Ramachandran
Member of the Board & CFO

Mukund Srinath
Company Secretary

Consolidated Profit and Loss Account

For the year ended March 31. (Rs '000)	Schedule	2005	2004
Income			
Software & IT Enabled Services		5,799,505	5,701,093
Other Income	13	181,927	50,414
Total		5,981,432	5,751,507
Expenditure			
Payments to and provisions for employees	14	3,769,893	3,971,097
Operating and other expenses	15	1,706,950	1,617,020
Interest	16	19,810	5,962
Depreciation		265,729	201,891
Total		5,762,382	5,795,970
Profit for the year		219,050	(44,463)
Purchase of business contracts		11,180	-
Profit before taxation		207,870	(44,463)
Provision for Taxation			
Current		36,476	851
Deferred		(2,687)	19,451
		174,081	(64,765)
Tax liability for earlier year		3,996	2,881
Profit after Taxation		170,085	(67,646)
Transfer from Minority Interest		42,190	68,484
Profit after Taxation and minority interest		212,275	838
Balance brought forward from Previous year		934,970	945,974
Balance in profit and loss account of AquaRegia Technologies Ltd.		-	9,277
Profit available for appropriation		1,147,245	887,605
Proposed Dividend		17,574	16,555
Dividend Tax		2,465	2,164
Transfer to General Reserve		13,500	2,400
Balance carried to Balance Sheet		1,113,706	934,970
Notes to Accounts	17		
Earnings Per Share (Refer note 17.6)			
Basic		7.48	(2.47)
Diluted		7.23	(2.40)

As per our report attached

The Consolidated Balance Sheet and Profit and Loss Account, the Schedules thereto and the Consolidated Cash Flow Statement are hereby authenticated by us

For and on behalf of
Chandabhoy & Jassoobhoy
Chartered Accountants

For and on behalf of the Board of Directors

A. K. Kotwal
Partner
Membership No. 37030

Ashok Trivedi
Chairman

Phaneesh Murthy
CEO & Managing Director

Bangalore
14 April, 2005

N. Ramachandran
Member of the Board & CFO

Mukund Srinath
Company Secretary

Consolidated Balance Sheet

As at March 31, (Rs. '000)	Schedule	2006	2005
Sources of Funds			
Shareholders' Funds			
Share Capital	1	124,322	117,157
Reserves and Surplus	2	2,482,463	3,177,864
		2,606,785	3,295,021
Loan Funds			
Secured Loans	3	809	5,071
Unsecured Loans	4	489,307	456,550
		490,116	461,621
Total		3,096,901	3,756,642
Application of Funds			
Fixed Assets			
Gross Block	5	2,548,034	3,237,993
Less: Depreciation		1,170,774	1,075,354
Net Block		1,377,260	2,162,639
Capital Work-in-Progress		31,936	141,451
		1,409,196	2,304,090
Investments	6	298,598	457,139
Current Assets, Loans and Advances			
undry Debtors	7	1,561,625	1,452,489
Cash and Bank Balances	8	462,316	398,407
Loans and Advances	9	308,561	345,483
		2,332,501	2,196,379
Less: Current Liabilities and Provisions			
Current Liabilities	10	661,552	842,930
Provisions	11	285,141	189,873
		946,692	1,032,803
Net Current Assets		1,385,809	1,163,576
Deferred Tax Assets/(Liabilities)	12	3,298	2,634
Minority Interest		-	(170,797)
Total		3,096,901	3,756,642
Notes to Accounts	17		

As per our report attached

For and on behalf of
 Chandabhoj & Jassoobhoj
 Chartered Accountants

A. Sudhir
 Partner
 Membership No. 46927
 Bangalore
 April, 2006

The Consolidated Balance Sheet and Profit and Loss Account, the Schedules thereto and the Consolidated Cash Flow Statement are hereby authenticated by us.

For and on behalf of the Board of Directors

Ashok Trivedi
 Chairman
 N. Ramachandran
 Member of the Board & CFO

Phaneesh Murthy
 CEO & Managing Director

Mukund Srinath
 Company Secretary

Consolidated Profit and Loss Account

For the year ended March 31, (Rs. '000)	Schedule	2006	2005
Software & IT Enabled Services Revenue		6,357,815	5,799,506
Cost of Revenue	13	4,419,171	3,989,703
Gross Margin		1,938,644	1,809,803
Selling, Marketing and Other General			
Administration Expenses	14	1,325,150	1,484,980
Operating Profit		613,494	324,823
Other Income	15	(4,702)	179,767
Interest	16	26,201	19,810
Depreciation		354,300	265,730
Profit for the year		228,291	219,050
Purchase of Business contracts		-	11,180
Profit before taxation		228,291	207,870
Provision for Taxation			
Current		34,940	36,523
Deferred		(665)	(2,733)
Fringe benefit tax		21,283	-
Profit after Taxation		172,733	174,081
Tax liability for earlier year		6,324	3,996
Provision for diminution in long term investment		111,138	-
Transfer from Minority Interest		-	42,190
Profit after Taxation, provision for diminution and minority interest		55,271	212,274
Balance brought forward from Previous year		1,113,705	934,970
Profit available for appropriation		1,168,976	1,147,244
Goodwill adjustment on merger of GATE Global Solutions LLC, USA and Quintant Services Limited		664,000	-
Proposed Dividend		37,297	17,574
Dividend Tax		5,231	2,465
Transfer to General Reserve		3,100	13,500
Balance carried to Balance Sheet		459,348	1,113,705
Notes to Accounts	17		
Earnings Per Share (Refer note 17.9)			
Basic		1.87	7.48
Diluted		1.81	7.23

As per our report attached

The Consolidated Balance Sheet and Profit and Loss Account, the Schedules thereto and the Consolidated Cash Flow Statement are hereby authenticated by us.

For and on behalf of
Chandabhoy & Jassoobhoy
Chartered Accountants

For and on behalf of the Board of Directors

P.A. Sudhir
Partner
Membership No. 46927

Ashok Trivedi
Chairman

Phaneesh Murthy
CEO & Managing Director

Bangalore
1 April, 2006

N. Ramachandran
Member of the Board & CFO

Mukund Srinath
Company Secretary

Polaris Software Lab Limited and Subsidiaries
Consolidated Balance Sheet as at

	Schedule	31 March 2003 (Rs)	31 March 2002 (Rs)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	257,473,325	255,938,250
Equity Shares to be issued as per the Approved Merger Scheme (Refer Note No B(5) of Schedule 17)		229,252,745	-
Reserves and Surplus	2	3,848,175,811	2,132,964,660
		4,334,901,881	2,388,902,910
LOAN FUNDS			
Secured Loans	3	76,101,575	-
		4,411,003,456	2,388,902,910
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	4	2,103,890,464	715,999,658
Less: Depreciation		564,118,993	212,532,128
Net Book Value		1,539,771,471	503,467,530
Capital Work in Progress		173,527,323	372,878,524
		1,713,298,794	876,346,054
INVESTMENTS	5	396,554,364	465,298,376
CURRENT ASSETS, LOANS AND ADVANCES			
Cash and Bank balances	6	837,087,943	413,920,211
Sundry Debtors	7	1,583,899,981	823,892,775
Loans and Advances	8	1,204,587,778	190,626,871
		3,625,575,702	1,428,439,857
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	9	622,200,081	222,915,032
Provisions	10	830,558,926	167,138,769
		1,452,759,007	390,053,801
NET CURRENT ASSETS		2,172,816,695	1,038,386,056
DEFERRED TAX LIABILITY	11	(12,867,288)	(2,118,000)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)			
	12	141,200,891	10,990,424
		4,411,003,456	2,388,902,910

Significant accounting policies and notes to accounts 17

The Schedules referred to above and the notes thereon form an integral part of these financial statements

This is the Balance Sheet referred to in our report of even date.

for **Bharat S Raut & Co.**
Chartered Accountants

S Balasubrahmanyam
Partner

Arun Jain
Chairman & Managing Director

G N Mathur
Executive Director

Govind Singhal
Executive Director

Arvind Kumar
Director

Satya Pal
Director

R C Bhargava
Director

Abhay Agarwal
Director

V Balaraman
Director

N Vaidyanathan
Chief Finance Officer

Anubhav Kapoor
Company Secretary

Chennai
30 May 2003

Polaris Software Lab Limited and its subsidiaries

Polaris Software Lab Limited and Subsidiaries
Consolidated Profit and Loss Account for the Year ended

	Schedule	31 March 2003 (Rs)	31 March 2002 (Rs)
INCOME			
Software development services and products			
- Overseas		3,673,900,897	2,375,114,639
- Domestic		608,850,845	464,704,913
Other income	13	27,872,983	98,206,823
		4,310,624,725	2,938,026,375
EXPENDITURE			
Software development expenses	14	2,600,349,351	1,742,522,815
Administration and other expenses	15	738,281,154	472,121,512
		3,338,630,505	2,214,644,327
Operating Profit		971,994,220	723,382,048
Finance charges	16	10,054,042	-
Provision for diminution in value of investments		63,978,681	-
Share of Loss of Associate Companies		5,145,014	-
Depreciation		185,813,759	95,825,072
		264,991,496	95,825,072
Profit before taxation		707,002,724	627,556,976
Income taxes - Current tax		151,771,712	39,269,441
- Deferred tax		9,916,234	(282,000)
Profit after taxation		545,314,778	588,569,535
Profit brought forward from previous year		443,690,127	-
Amount available for appropriation		989,004,905	588,569,535
Appropriations			
Proposed Dividend		170,354,125	89,578,388
Tax on Proposed Dividend		21,822,362	-
Excess provision on Tax on Dividend for previous year written back		-	(6,348,980)
Amount transferred to General Reserve		54,230,000	61,650,000
Balance carried to Balance Sheet		742,598,418	443,690,127
		989,004,905	588,569,535
Earnings per share (equity shares par value Rs.5 each)			
Basic		7.76	11.50
Diluted		7.64	11.32
Number of shares used in computing earnings per share			
Basic		70,256,044	51,187,650
Diluted		71,393,208	51,993,647

Significant accounting policies and notes to accounts 17

The Schedules referred to above and the notes thereon form an integral part of these financial statements.

This is the Profit & Loss account referred to in our report of even date.

for **Bharat S Raut & Co.**

Chartered Accountants

S Balasubrahmanyam

Partner

Arun Jain
 Chairman &
 Managing Director

G N Mathur
 Executive Director

Govind Singhal
 Executive Director

Arvind Kumar
 Director

Satya Pal
 Director

R C Bhargava
 Director

Abhay Agarwal
 Director

V Balaraman
 Director

N Vaidyanathan
 Chief Finance Officer

Anubhav Kapoor
 Company Secretary

Chennai
 30 May 2003

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES

Consolidated Balance Sheet as at

(Rs in lacs)

	Schedule	31 March 2005	31 March 2004
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	4,900.51	4,884.96
Reserves and Surplus	2	48,209.49	44,155.76
		53,110.00	49,040.72
SECURED LOANS	3	209.79	231.02
DEFERRED TAX LIABILITY	11	43.54	426.64
		53,363.33	49,698.38
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	4	32,691.32	24,322.52
Less: Depreciation and amortisation		12,902.15	8,787.81
Net Book Value		19,789.17	15,534.71
Capital Work in Progress including Capital advances		1,837.22	4,578.28
		21,626.39	20,112.99
INVESTMENTS	5	6,328.59	2,973.91
CURRENT ASSETS, LOANS AND ADVANCES			
Cash and Bank balances	6	8,035.43	5,775.70
Sundry Debtors	7	14,439.93	17,099.64
Loans and Advances	8	14,317.84	11,470.68
		36,793.20	34,346.02
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	9	8,676.85	5,750.31
Provisions	10	2,822.77	2,149.08
		11,499.62	7,899.39
NET CURRENT ASSETS		25,293.58	26,446.63
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)	12	114.77	164.85
		53,363.33	49,698.38

Significant accounting policies and notes to accounts 17

The Schedules referred to above and the notes thereon form an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date.

for BSR & Co.

(formerly Bharat S Raut & Co)

Chartered Accountants

Subramanian Suresh

Partner

Membership No 83673

Chennai

Anubhaya Kapoor

Arun Jain

Chairman & Managing Director

Satya Pal

Director

Abhay Agarwal

Director

Nanoo G Pamnani

Director

Govind Singhal

Executive Director

R C Bhargava

Director

Ajit Bhushan

Director

Prabal Basu Roy

Group CFO & Executive Vice President

Arvind Kumar

Director

V Balaraman

Director

Anil Sachdev

Director

Ashok Jhunjhunwala

Director

Anil Khanna

Director

Company Secretary

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES
Consolidated Profit and Loss Account for the Year ended

(Rs in laacs)

	Schedule	31 March 2005	31 March 2004
INCOME			
Software development services and products			
- Overseas		69,542.91	57,556.17
- Domestic		8,877.62	6,784.55
Income from Business Process Outsourcing (BPO)			
- Overseas		190.51	296.21
- Domestic		101.29	5.66
		78,712.33	64,642.59
EXPENDITURE			
Software development and BPO expenses	14	52,752.20	40,584.24
Selling, Administration and other General expenses	15	15,740.97	11,257.52
		68,493.17	51,841.76
Operating profit before interest, depreciation and amortisation		10,219.16	12,800.83
Finance charges	16	112.67	141.54
Depreciation and Amortisation		4,069.97	3,317.69
		4,182.64	3,459.23
Operating profit after interest, depreciation and amortisation		6,036.52	9,341.60
Other income	13	1,330.82	(607.40)
Less: Provision for diminution in value of investments		0.25	10.14
Less: Share of Loss of Associate Companies, net		487.19	225.62
Profit before taxation		6,879.90	8,498.44
Income taxes - Current tax		1,458.98	1,215.28
- Deferred tax		(383.14)	297.96
Profit after taxation		5,804.06	6,985.20
Profit brought forward from previous year		11,805.43	7,425.98
Amount available for appropriation		17,609.49	14,411.18
Appropriations			
Proposed Dividend		1,715.18	1,709.74
Tax on Proposed Dividend		240.55	219.01
Additional Tax paid on previous year dividend		4.58	-
Amount transferred to General Reserve		535.00	677.00
Balance carried to Balance Sheet		15,114.18	11,805.43
		17,609.49	14,411.18
Earnings per share (equity shares par value Rs.5 each)			
Basic		5.93	7.17
Diluted		5.90	7.09
Number of shares used in computing earnings per share			
Basic		97,833,640	97,460,457
Diluted		98,346,484	98,469,303

Significant accounting policies and notes to accounts

17

The Schedules referred to above and the notes thereon form an integral part of these financial statements.

This is the Profit and Loss account referred to in our report of even date.

for BSR & Co.

(formerly Bharat S Raut & Co)

Arun Jain
Chairman & Managing DirectorGovind Singhal
Executive DirectorArvind Kumar
Director

Chartered Accountants

Satya Pal
DirectorR C Bhargava
DirectorV Balaraman
DirectorAshok Jhunjunwala
Director

Subramanian Suresh

Partner

Membership No 83673

Abhay Agarwal
DirectorAjit Bhushan
DirectorAnil Sachdev
DirectorAnil Khanna
Director

Chennai

27 April 2005

Nanoo G Pamnani
DirectorPrabal Basu Roy
Group CFO & Executive Vice PresidentAnubhav Kapoor
Company Secretary

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES

Consolidated Balance Sheet as at		<i>(Rs in lacs)</i>	
	Schedule	31 March 2006	31 March 2005
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	4,911.50	4,900.51
Reserves and Surplus	2	49,178.52	48,209.49
		<u>54,090.02</u>	<u>53,110.00</u>
LOAN FUNDS			
Secured Loans	3	187.72	209.79
		<u>187.72</u>	<u>209.79</u>
DEFERRED TAX LIABILITY			
	11	-	43.54
		<u>54,277.74</u>	<u>53,363.33</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	4	39,009.10	32,691.32
Less: Depreciation and amortisation		17,489.32	12,902.15
Net Book Value		21,519.78	19,789.17
Capital work in progress		2,242.78	1,837.22
		<u>23,762.56</u>	<u>21,626.39</u>
INVESTMENTS			
	5	3,309.61	6,328.59
DEFERRED TAX ASSET			
	11	263.83	-
CURRENT ASSETS, LOANS AND ADVANCES			
Cash and Bank balances	6	10,151.48	8,089.07
Sundry Debtors	7	13,814.43	14,439.93
Loans and Advances	8	14,667.46	14,317.84
		<u>38,633.37</u>	<u>36,846.84</u>
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	9	9,275.12	8,730.49
Provisions	10	2,491.93	2,822.77
		<u>11,767.05</u>	<u>11,553.26</u>
NET CURRENT ASSETS			
		<u>26,866.32</u>	<u>25,293.58</u>
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)	12	75.42	114.77
		<u>54,277.74</u>	<u>53,363.33</u>

Significant accounting policies and notes to accounts 17

The Schedules referred to above and the notes thereon form an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date.

for BSR & Co.

Chartered Accountants

Subramanian Suresh
Partner

Arun Jain
Chairman & Managing Director

Arvind Kumar
Director

Membership No 83673
Chennai
27 April 2006

Prabal Basu Roy
Group CFO & Executive Vice President

M.P.Suresh Kumar
Company Secretary

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES

Consolidated Profit and Loss Account for the Year ended

(Rs in lacs)

Schedule 31 March 2006 31 March 2005

INCOME

Software development services and products			
- Overseas		72,956.04	69,542.91
- Domestic		8,371.51	8,877.62
Income from Business Process Outsourcing (BPO)			
- Overseas		532.93	190.51
- Domestic		647.14	101.29
		82,507.62	78,712.33

EXPENDITURE

Software development and BPO expenses	14	56,207.71	50,435.00
Selling, Administrative and other General expenses	15	18,592.70	18,058.17
		74,800.41	68,493.17

Operating profit before interest, depreciation and amortisation

Finance charges	16	7707.21	10,219.16
Depreciation and Amortisation		79.18	112.67
		4,944.66	4,069.97
		5,023.84	4,182.64

Operating profit after interest, depreciation and amortisation

Other income, net	13	2,683.37	6,036.52
Less: Provision for (diminution)/reversal in value of investments		832.69	1,330.82
Less: Share of (Loss)/ Profit of Associate Companies		6.31	(0.25)
		(76.93)	(487.19)

Profit before taxation

Income taxes - Current tax (Refer B (9) (V) b of Schedule 17)		3,445.44	6,879.90
- Deferred tax		1,245.91	1,458.98
- Fringe Benefit Tax		(306.25)	(383.14)
		375.13	-
		2,130.65	5,804.06

Profit after taxation

Profit brought forward from previous year		15,114.18	11,805.43
		17,244.83	17,609.49

Amount available for appropriation

Appropriations			
Proposed Dividend		1,227.88	1,715.18
Tax on Proposed Dividend		172.21	240.55
Additional Tax paid on Dividend		-	4.58
Amount transferred to General Reserve		132.96	535.00
Balance carried to Balance Sheet		15,711.78	15,114.18
		17,244.83	17,609.49

Earnings per share

(equity shares par value Rs 5 each)			
Basic		2.17	5.93
Diluted		2.17	5.90
Number of shares used in computing earnings per share			
Basic		98,091,912	97,833,640
Diluted		98,288,878	98,346,484

Significant accounting policies and notes to accounts 17

The Schedules referred to above and the notes thereon form an integral part of these financial statements. This is the Profit & Loss account referred to in our report of even date.

for BSR & Co.

Chartered Accountants

Subramanian Suresh
Partner

Arun Jain
Chairman & Managing Director

Arvind Kumar
Director

Membership No 83673
Chennai
27 April 2006

Prabal Basu Roy
Group CFO & Executive Vice President

M.P.Suresh Kumar
Company Secretary

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

BALANCE SHEET AS AT 31ST MARCH, 2003

(Rs.)

	SCHEDULE	AS AT 31.03.2003	AS AT 31.03.2002
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	1	105,159,306	105,159,306
Reserves and Surplus	2	1,298,034,935	1,202,120,463
		1,403,194,241	1,307,279,769
LOAN FUNDS			
Unsecured Loan	3	4,600,000	9,100,000
		4,600,000	9,100,000
DEFERRED TAX LIABILITY			
	4	5,130,830	633,760
TOTAL FUNDS EMPLOYED		1,412,925,071	1,317,013,529
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	441,023,224	426,902,845
Less : Depreciation		206,613,507	150,442,464
Net Block		234,409,717	276,460,381
Capital work-in-progress		61,724	81,090
		234,471,441	276,541,471
INVESTMENTS			
	6	217,724,021	178,505,807
DEFERRED TAX ASSET			
	7	111,445,335	131,075,265
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	8	107,222,430	116,076,334
Sundry Debtors	9	570,451,676	520,040,579
Cash and Bank Balances	10	175,610,805	120,322,923
Other Current Assets	11	230,330,121	197,895,589
Loans and Advances	12	161,564,920	184,771,707
		1,245,179,952	1,139,107,132
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	13	360,305,825	392,442,250
Provisions	14	35,589,853	15,773,896
		395,895,678	408,216,146
NET CURRENT ASSETS		849,284,274	730,890,986
TOTAL FUNDS APPLIED		1,412,925,071	1,317,013,529
NOTES FORMING PART OF ACCOUNTS	21		

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

RAJAN B RAHEJA
Director

PRADIP P SHAH
Director

S N TALWAR
Director

P SRIKAR REDDY
Sr. Vice President &
Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2003	YEAR ENDED 31.03.2002
INCOME			
Sales and Services (Net)	15	2,563,089,086	2,247,421,500
Other Income	16	15,248,691	27,915,225
Total Income		2,578,337,777	2,275,336,725
EXPENDITURE			
Operating and Other Expenses	17	880,596,095	886,700,069
Purchase of traded items	18	1,418,794,074	1,127,445,240
Interest	19	1,210,869	7,730,783
Depreciation		58,886,057	32,320,927
Bad debts		12,376,933	21,695,658
Provision for Doubtful Debts		1,105,201	3,438,581
		2,372,969,229	2,079,331,258
Add/(Less) : (Increase)/ Decrease in Stocks	20	8,853,904	(26,061,913)
Total Expenditure		2,381,823,133	2,053,269,345
Profit Before Tax		196,514,644	222,067,380
Provision for Tax		43,978,454	13,172,155
Profit After Tax		152,536,190	208,895,225
Add : Balance of Profit brought forward from previous year		443,496,048	291,551,834
Disposable Surplus		596,032,238	500,447,059
Proposed Dividend		31,547,792	15,773,896
Interim Dividend		21,031,861	21,031,861
Provision for Dividend Tax		4,042,061	2,145,250
Transfer to General Reserve		16,000,000	18,000,000
Balance Carried to Balance Sheet		523,410,524	443,496,052
		596,032,238	500,447,059
NOTES FORMING PART OF ACCOUNTS	21		
EPS-Basic (on Re.1/- per share)		1.45	1.99
EPS-Diluted (on Re.1/- per share)		1.45	1.99
EPS-Basic (Annualised) (on Re.1/- per share)		1.45	1.99
EPS-Diluted (Annualised) (on Re.1/- per share)		1.45	1.99

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

RAJAN B RAHEJA
Director

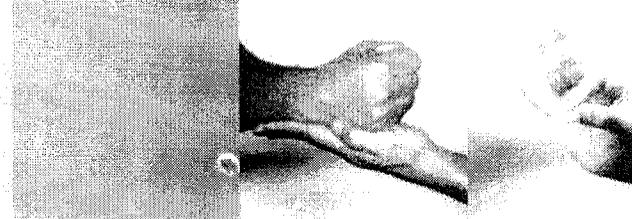
PRADIP P SHAH
Director

S N TALWAR
Director

P SRIKAR REDDY
Sr. Vice President &
Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary



Sonata Software Limited - Consolidated Financial Statement

BALANCE SHEET AS AT 31ST MARCH, 2004

		(Rs.)	
		AS AT	AS AT
		31.03.2004	31.03.2003
SCHEDULE			
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
	1	105,159,306	105,159,306
Share Capital			
	2	<u>1,339,215,355</u>	<u>1,298,034,935</u>
Reserves and Surplus			
		1,444,374,661	1,403,194,241
LOAN FUNDS			
	3	123,959,631	-
Secured Loan			
	4	<u>-</u>	<u>4,600,000</u>
Unsecured Loan			
		123,959,631	4,600,000
DEFERRED TAX LIABILITY			
	5	389,400	5,130,830
TOTAL FUNDS EMPLOYED		<u>1,568,723,692</u>	<u>1,412,925,071</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
	6	448,132,960	441,023,224
Gross Block			
		<u>257,474,910</u>	<u>206,613,507</u>
Less : Depreciation			
		190,658,050	234,409,717
Net Block			
		<u>1,501,474</u>	<u>61,724</u>
Capital work-in-progress			
		192,159,524	234,471,441
INVESTMENTS			
	7	242,441,330	217,724,021
DEFERRED TAX ASSET			
	8	92,775,312	111,445,335
CURRENT ASSETS, LOANS AND ADVANCES			
	9	123,993,220	107,222,430
Inventories			
	10	640,273,678	570,451,676
Sundry Debtors			
	11	182,483,502	175,610,805
Cash and Bank Balances			
	12	223,375,813	230,330,121
Other Current Assets			
	13	<u>213,014,237</u>	<u>161,564,920</u>
Loans and Advances			
		1,383,140,450	1,245,179,952
Less: CURRENT LIABILITIES AND PROVISIONS			
	14	306,203,071	360,305,825
Current Liabilities			
	15	<u>35,589,853</u>	<u>35,589,853</u>
Provisions			
		341,792,924	395,895,678
NET CURRENT ASSETS		1,041,347,526	849,284,274
TOTAL FUNDS APPLIED		<u>1,568,723,692</u>	<u>1,412,925,071</u>
NOTES FORMING PART OF ACCOUNTS		22	

As per our Report annexed

For and on behalf of the Board

For N.M.RAJI & Co.
Chartered Accountants

Y.N.THAKKAR
Partner

S.B.GHIA
Chairman

M.D.DALAL
Executive Vice Chairman

B.RAMASWAMY
Managing Director & President

RAJAN B.RAHEJA
Director

PRADIP P.SHAH
Director

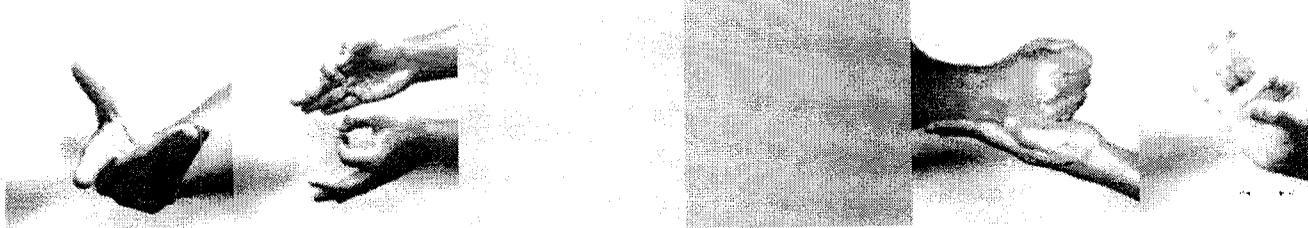
S.N.TALWAR
Director

BRJENDRA K.SYNGAL
Director

PSRIKAR REDDY
Sr. Vice President & Director

THOMAS K.JOSEPH
Sr. Vice President
& Chief Financial Officer

PRAVEEN KUMAR D



Sonata Software Limited - Consolidated Financial Statement

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2004	YEAR ENDED 31.03.2003
INCOME			
Sales and Services (Net)	16	2,221,988,713	2,563,089,086
Other Income	17	19,564,031	15,248,691
Total Income		2,241,552,744	2,578,337,777
EXPENDITURE			
Operating and Other Expenses	18	948,945,032	880,596,095
Purchase of traded items	19	1,113,077,468	1,418,794,074
Interest	20	4,273,201	1,210,869
Depreciation		52,293,038	58,886,057
Bad debts		-	12,376,933
Provision for Doubtful Debts		14,466,190	1,105,201
		2,133,054,929	2,372,969,229
Add/(Less) : (Increase)/ Decrease in Stocks	21	(16,770,790)	8,853,904
		2,116,284,139	2,381,823,133
Profit Before Tax		125,268,605	196,514,644
Provision for Tax		24,771,764	43,978,454
Profit After Tax		100,496,841	152,536,190
Add : Balance of Profit brought forward from previous year		523,410,524	443,496,048
Disposable Surplus		623,907,365	596,032,238
Proposed Dividend		31,547,792	31,547,792
Interim Dividend		21,031,861	21,031,861
Provision for Dividend Tax		6,736,768	4,042,061
Transfer to General Reserve		12,000,000	16,000,000
Balance Carried to Balance Sheet		552,590,944	523,410,524
		623,907,365	596,032,238
NOTES FORMING PART OF ACCOUNTS	22		
EPS-Basic (on Re. 1/- per share)		0.96	1.45
EPS-Diluted (on Re. 1/- per share)		0.96	1.45
EPS-Basic (Annualised) (on Re. 1/- per share)		0.96	1.45
EPS-Diluted (Annualised) (on Re. 1/- per share)		0.96	1.45

As per our Report annexed

For and on behalf of the Board

For N.M.RAJI & Co.
Chartered Accountants

Y.N.THAKKAR
Partner

S.B.GHIA
Chairman

RAJAN B.RAHEJA
Director

BRIJENDRA K.SYNGAL
Director

PRAVEEN KUMAR D.
Company Secretary

M.D.DALAL
Executive Vice Chairman

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Director

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Managing Director & President

S.N.TALWAR
Director

THOMAS KJOSEPH
Sr. Vice President
& Chief Financial Officer



Sonata Software Limited - Consolidated Financial Statement

BALANCE SHEET AS AT 31ST MARCH, 2006

(Rs.)

	SCHEDULE	AS AT 31.03.2006	AS AT 31.03.2005
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	1	105,159,306	105,159,306
Reserves and Surplus	2	1,416,449,589	1,422,794,926
		1,521,608,895	1,527,954,232
LOAN FUNDS			
Secured Loans	3	-	51,135,781
DEFERRED TAX LIABILITY			
	4	873,570	519,871
TOTAL FUNDS EMPLOYED			
		1,522,482,465	1,579,609,884
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	736,730,217	603,126,789
Less: Depreciation		418,556,874	323,653,844
Net Block		318,173,343	279,472,945
Capital work-in-progress and advances		15,892,110	21,876,834
		334,065,453	301,349,779
INVESTMENTS			
	6	75,694,404	230,627,158
DEFERRED TAX ASSET			
	7	115,267,655	94,593,408
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	8	75,476,794	102,572,318
Sundry Debtors	9	1,307,434,309	679,989,829
Cash and Bank Balances	10	571,096,713	166,924,409
Other Current Assets	11	127,596,860	206,681,386
Loans and Advances	12	286,611,325	258,258,065
		2,368,216,001	1,414,426,007
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	13	1,298,816,308	419,770,659
Provisions	14	71,944,740	41,615,809
		1,370,761,048	461,386,468
NET CURRENT ASSETS			
		997,454,953	953,039,539
TOTAL FUNDS APPLIED			
		1,522,482,465	1,579,609,884
NOTES FORMING PART OF ACCOUNTS			
	21		

As per our Report annexed

For and on behalf of the Board

For N: M. RAJI & Co.
Chartered Accountants

Y. N. THAKKAR
Partner

S. B. GHIA
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Managing Director & President

S. N. TALWAR
Director

R. SATHYANARAYANA
AVP - Finance & Accounts

Sonata Software Limited - Consolidated Financial Statement

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2006	YEAR ENDED 31.03.2005
INCOME			
Sales and Services (Net)	15	5,070,312,339	3,293,066,674
Other Income	16	38,680,458	44,238,961
Total Income		5,108,992,797	3,337,305,635
EXPENDITURE			
Operating and Other Expenses	17	1,675,158,265	1,298,666,661
Purchase of traded items	18	2,933,806,690	1,684,102,945
Interest	19	6,601,584	9,123,276
Depreciation		107,664,523	68,443,479
Bad debts		-	28,495,919
Provision for Doubtful Debts		32,149,220	34,638,679
		4,755,380,282	3,123,470,959
Add/(Less): (Increase)/Decrease in Stocks	20	27,095,524	21,420,902
		4,782,475,806	3,144,891,861
Profit Before Tax		326,516,991	192,413,774
Provision for Tax		51,111,000	31,547,700
Profit After Tax before exceptional items		275,405,991	160,866,074
Exceptional Items (net of tax including Deferred Tax, Refer note 4)		161,843,429	-
Profit After Tax after exceptional items		113,562,562	160,866,074
Add: Balance of Profit brought forward from previous year		619,170,515	552,590,944
Disposable Surplus		732,733,077	713,457,018
Proposed Dividend		63,095,584	36,805,757
Interim Dividend		42,063,722	31,547,792
Provision for Dividend Tax		14,748,593	8,932,954
Transfer to General Reserve		10,000,000	17,000,000
Balance Carried to Balance Sheet		602,825,178	619,170,515
		732,733,077	713,457,018
NOTES FORMING PART OF ACCOUNTS	21		
EPS-Basic (on Re. 1/- per share)		2.62	1.53
EPS-Diluted (on Re. 1/- per share)		2.62	1.53
EPS-Basic after exceptional items (on Re. 1/- per share)		1.08	1.53
EPS-Diluted after exceptional items (on Re. 1/- per share)		1.08	1.53

As per our Report annexed

For and on behalf of the Board

For N. M. RAJJI & Co.
Chartered Accountants

Y. N. THAKKAR
Partner

S. B. GHIA
Chairman

RAJAN B. RAHEJA
Director

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Managing Director & President

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Director

R. SATHYANARAYANA
AVP - Finance & Accounts

Bibliography

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- Pandey.I.M., Financial Management, Vikas Publishing house Pvt, Ltd.(1999), 8th Edition

WEBSITES

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www.google.co.in