

**TWELFTH ANNUAL REPORT
2009-2010**

CHAKKILAM
SOFTWARE QUALITY, ASSURED

Chakkilam Infotech Limited

Chakkilam Infotech Limited

BOARD OF DIRECTORS

Mr. C.V.Subramanyam	Managing Director
Mr. C.Sudhakar	Director
Dr. Venkat R.Yerapragada	Director
Mr. P. Vikram	Director
Mr. B..Srinivasa Rao	Director
Mr. K. Ch. Subba Rao	Director
Mr. K.Nageswara Rao	Director
Mr. D.Suresh	Director

Regd. Office : Suit No.106 & 107,
6-3-456/C, MGR Estates,
Dwarakapuri Colony,
Panjagutta, Hyderabad - 500 082.
Tel: (040) 23357904
Fax: (040)23353980
Website: www.chakkilaminc.com
e-mail: info@chakkilaminc.com

Auditors : **M/s. P. Murali & Co.,**
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad – 500 082

**Registrars & Share
Transfer Agents** : **Aarthi Consultants Pvt. Ltd.**
1-2-285, Domalguda, Hyderabad-29.
Tel: (040) 27642217/27638111
Fax: (040) 27632184
Email : info@arthconsultants.com

Bankers : **Oriental Bank of Commerce**
S.D. Road, Secunderabad.

ICICI Bank Limited
Khairatabad.

Chakkilam Infotech Limited

NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of the Members of the Company will be held on Wednesday the **29th September 2010** at 10.00 am at Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally, Hyderabad – 500 044 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2010 and Audited Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report.
2. To appoint a Director in place of Mr. Kolla China Subba Rao, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. D. Suresh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Venkat R. Yerapragada, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

6. To Consider and, if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

Issue of 25,00,000 Warrants, convertible into Equity Shares, to Promoters/promoters group on preferential basis.

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act 1956 (including statutory modification(s), amendments or re-enactments thereof for the time being in force) and in accordance with the enabling provisions in the Memorandum and Articles of Association of the company and the Listing Agreement entered into between the Company with the Stock Exchanges, the subsisting guidelines and clarifications issued by the Government of India / Reserve Bank of India (RBI) Securities and Exchange Board of India (SEBI) or any other relevant authority and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of directors of the company, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company and / or a duly authorized committee thereof for the time being exercising the powers conferred by the Board of Directors (herein after referred to as "the Board") in its absolute discretion, to offer /issue and allot in one or more tranches 25,00,000 (Twenty five lakhs only) Warrants, convertible into Equity shares at a price as determined in accordance with the relevant SEBI Guidelines, convertible in to Equity Shares at the option of the warrant holders within an aggregate time period of 18 months from date of allotment of the warrants into not more than 25,00,000 (Twenty five lakhs only) Equity Shares of Rs.10/- per share as determined in accordance with the relevant SEBI Guidelines, to the promoter/promoters group of the company as mentioned in the Explanatory Statement attached to the notice convening this meeting, on a preferential basis, as the Board may in its absolute discretion decide, in one or more tranches and on such terms and conditions, as the board considers fit, subject to the following:

1. The warrants and the equity shares to be offered and allotted upon conversion shall be subject to the provisions of the Memorandum and Articles of Association of the company in all respects.
2. The relevant date for calculating the price for issue and allotment of the above warrants is 30th August, 2010.
3. The equity shares to be allotted on conversion of the warrants shall rank pari passu with the existing equity shares of the company in all respects.
4. The allotment of these warrants however subject to the condition that no conversion of warrants issued under the sanction of this resolution shall be admissible after a period of 18 months from the date of allotment.
5. An amount equal to 25% of the price fixed in relation to each of the warrant shall be paid upfront by the person to whom the allotment is being made, at the time of allotment of the warrant and the same shall be adjusted against the price payable for the subsequent allotment of equity shares against the warrants. Further, in the event the option of conversion of warrant into equity share is not exercised by the warrant holder, in terms of this resolution the upfront payment of 25% shall stand forfeited.

FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, then Board / Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deemed necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer / issue, allotment and utilization of the proceeds.

For and on behalf of the Board

C.V.SUBRAMANYAM
MANAGING DIRECTOR

Place : Hyderabad
Date : 02.09.2010

Chakkilam Infotech Limited

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE THERE AT INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. An instrument appointing proxy to be effective must be lodged at the Registered Office of the Company at least 48 hours before the meeting.
3. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is herewith annexed.
4. The Register of Members / Register of Beneficiaries and Share Transfer Books of the Company will remain closed from Monday 27th September 2010 to Wednesday 29th September 2010 (both days inclusive).
5. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
6. Members holding shares in physical form are requested to notify / send any change in their address to the Company's Share Transfer Agents, or to the Company at its registered office.
7. Members holding shares in dematerialisation form are requested to notify/send any change in their address to the concerned depository participant(s).
8. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the company. Therefore, the shareholders willing to avail this facility may make nomination in form 2B.
10. Shareholders / proxies should bring duly filled attendance slips sent herewith for attending the meeting along with the copies of Annual Reports to the Annual General Meeting.

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ADDITIONAL INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT

Breif Details of Directors seeking re-appointment at this Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)

1. Name : **Sri Kolla China Subba Rao**
Age : 55
Qualification : Master of Science
Experience : He has experience in Real Estates and other related activities.
Other Directorships : Nill

2. Name : **Mr. D. Suresh**
Age : 50
Qualification : M.Sc. (Computer Science)
Experience : Experience in leading programming development and System Analysis Design Roles with Visa Interactive MIC Metro, Bellcore and AT & T Bell Laboratories.
Other Directorships : Nill

3. Name : **Dr. Venkat R. Yerapragada**
Age : 45
Qualification : Ph.D in Food and Nutrition from University of Wisconsin, USA
Experience : Worked as consultant for many organizations. He has wide contacts in various business in general and Health Care Industry in Particular.
Other Directorships : Nill

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EXPLANATORY STATEMENT

(Pursuant to Section.173 (2) of the companies act, 1956)

Item No.6

It is proposed to offer, issue and allot 25,00,000 Warrants convertible into equal number of Equity Shares of Rs. 10/- each of the Company to promoter / promoter group on preferential basis at such price as may be determined in accordance with the SEBI Guidelines in this regard, vide Resolution No. 6 of this Notice.

The information as required under the regulations of SEBI (ICDR) Regulations, 2009 as issued by the Securities and Exchange Board of India (SEBI) on preferential issues are as under.

a) Reasons & Purpose of the issue:

In view of the expansion of Company's business, Various financing options are being explored to meet the cost of project and working capital requirements. In the first instance, Promoters are investing in the project, by subscribing to the equity shares of the company by way of Preferential Allotment.

b) Intention of the Promoters to subscribe to the equity shares:

The intention and primary objective of the Promoters to subscribe to the equity shares through this Preferential Issue is to make available scarce funds readily to finance the expansion of Company's business.

There is no change in control of the company subsequent to the issue of shares by way of preferential issue.

c) Shareholding pattern before and after the issue :

The information on shareholding pattern before and after the preferential issue is given hereunder.

Shareholding Pattern of the Company before and after proposed preferential issue:

S.No.	CATEGORY	Pre issue holding details		Pre issue holding details*	
		No. of Shares	% to Capital	No. of Shares	% to Capital
A	Promoter Share Holding				
1	Indian Promoters	3210900	37.37	5710900	51.49
2	Foreign Promoters	233200	2.71	233200	2.10
	Sub-Total (A)	3444100	40.09	5944100	53.59

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Shareholding Pattern of the Company before and after proposed preferential issue:

S.No.	CATEGORY	Pre issue holding details		Pre issue holding details*	
		No. of Shares	% to Capital	No. of Shares	% to Capital
B	Public Share holding				
1	Institutions				
2					
a)	Bodies Corporate	170948	1.99	170948	1.54
b)	Individuals	3766744	43.84	3766744	33.96
c)	NRIs	1208500	14.07	1208500	10.90
d)	Trusts	-	-	-	-
f)	Clearing Members	1106	0.01	1106	0.01
	Sub-Total (B)	5147298	59.91	5147298	46.41
	Grand Total (A+B)	8591398	100.00	11091398	100.00

* Assuming that all warrants are converted into equity shares

d) Proposed time within which the allotment shall be completed:

The allotment of Convertible Warrants shall be completed, within a period of 15 days from the date of passing of the resolution by the Members provided, that where the allotment is pending on account of pendency of any approval from any regulatory authority or the Central Government, the allotment shall be completed by the Company within a period of 15 days from the date of such approvals.

e) Issue Price and relevant date:

The issue price of the convertible warrants is fixed as Rs.10/- per warrant which is as per the SEBI (ICDR) Regulations, 2009. The price of the convertible warrants is decided on the basis of the relevant date. The relevant date for the purpose is 30.08.2010 being 30 days prior to the date AGM – 29.09.2010.

For this purpose, the share price quotations available at the Bombay Stock Exchange Limited, Mumbai, has been considered. The average of the high and low of the weekly closing prices preceding 6 months and 2 weeks to the relevant date is Rs.7.32 and Rs.7.63 respectively. The minimum issue price shall not less than the price determined as per the SEBI (ICDR) Regulations, 2009 i.e. Rs.7.63 against which the Company has fixed issue price as Rs. 10/- per warrant which is higher than the minimum price of Rs.7.63 per warrant.

A Certificate has been obtained from the Statutory Auditors of the Company confirming the minimum price for the preferential issue as per Preferential Issue Guideline in Chapter VII of SEBI (ICDR) Regulations, 2009 and showing the calculation thereof and the same will also be made available for inspection at the Registered Office of the Company and apart from placing before Annual General Meeting.

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f) Identity of the proposed allottee and percentage of pre and post preferential issue is as under :

Name of the Proposed allottee	Pre issue holding details		Warranty proposed to be allotted	Pre issue holding details*	
	No. of Shares held	% to Capital		No. of Shares	% to Capital
Promoters					
C.Srikanth	-	-	25,00,000	25,00,000	22.54

* Assuming that all warrants are converted into equity shares

g) Lock-in Period

The convertible warrants or equity shares allotted to the proposed allottee shall be subject to 'lock-in' for a period of three years from the date of their allotment of equity shares as per Clause 78 of the SEBI (ICDR) Regulations, 2009.

h) Change in the control or composition of the Board,

There will be no change in the control or composition of the Board after the preferential allotment

Consent of the members is being sought by a Special Resolution pursuant to the provisions of Section 81 (1A) and other applicable provisions of the Companies Act, 1956, for preferential allotment. The Special Resolution as set out at the item 6 of the Notice, if passed will have the effect of allowing the Board to issue and allot shares to the persons on the terms and conditions as may be decided by the Board. The Board may be authorized to take all steps necessary for implementing this Resolution.

A certificate from the Auditors of the Company certifying that the proposed preferential issue conforms to the subsisting guidelines issued by the SEBI will be available for inspection by the members of the Company during business hours i.e. from 10.00 A.M. to 5.00 P.M. on all working days at the Registered Office of the Company and also at the Meeting.

The Directors recommend the passing of the above resolution as a Special Resolution.

Except Mr. C.V. Subramanyam, Chairman & Managing Director and Mr. C. Sudhakar Director of the company, being the relatives of Mr. C. Srikanth, none of the Directors are concerned or interested in the above said resolution to the extent of issue of convertible warrants to him under promoters category.

For and on behalf of the Board

Place : Hyderabad
Date : 02.09.2010

C.V.SUBRAMANYAM
MANAGING DIRECTOR

Chakkilam Infotech Limited

DIRECTORS REPORT

Dear Members

Your Directors have pleasure in presenting the Twelfth Annual Report together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31st March, 2010.

Financial Results

The highlights of the financial results for the year under review along with the comparative figures for the previous year are as follows:

Particulars	Rs. in Laksh	
	2009-10	2008-09
Income from Operations	505.59	507.34
Profit before depreciation and Tax	133.21	125.47
Depreciation	123.44	113.42
Profit before Tax	9.77	12.05
Provision for Tax	7.82	12.34
Profit after Tax	1.95	0.85
Provision for Deferred income Tax liability / Asset	(4.08)	(6.97)
Profit brought forward	263.59	256.91
Profit carried forward to Balance sheet	269.62	263.59

REVIEW AND PROSPECTS

The total revenue of the Company for the financial year ended 31st March, 2010 is Rs. 505.59 Lakhs as compared to the previous year's total revenue of Rs. 507.34 Lakhs. During this financial year the Company has recorded a net profit of Rs. 1.95 Lakhs as against the previous year's net profit of Rs. 0.85 Lakhs.

1. Current Scenario

Your company has established itself as an Independent Testing Services company over the last one year. The company has built capability in various aspects of Testing like Functional Testing, Test Automation and Performance Testing.

Your company also has grown the Medical Transcription business and intends to run it independently with a special focus on growing the accounts.

In spite of the fact that small and mid sized players have found it difficult to increase revenues and improve margins, your company has managed to grow the business significantly.

We are also in the process of identifying a new location with modern infrastructure to handle the additional seating capacity needed to manage our growth. Our team has been strengthened with the help of a VP of HR who is putting in place modern HR processes intended to attract, train and retain our talent. We have managed to attract talent from some of the best services and product companies in the country and hope to be a magnet for testing talent in India.

2. Quality :

Your company continues to lay emphasis on high-level quality processes to deliver solutions to clients exceeding their expectations, Sophisticated quality management systems and processes are in place and strictly adhered to.

DIVIDEND

The Directors regret their inability to recommend dividend for the year under review due to non availability of sufficient profit.

DIRECTORS

Pursuant to Article 48 of the Articles of Association of the Company, Mr. K.Ch. Subba Rao, Mr. D. Suresh and Dr. Venkat R. Yerapragada, whose period of office determined by retirement by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Bezwada Prabhakar Arthur, resigned from the Board effective 4th January 2010. The Board placed on record its deep appreciation and gratitude for his guidance and contribution to the Company.

CORPORATE GOVERNANCE

Your Directors are happy to report that your Company is compliant with the Corporate Governance requirements as per Clause 49 of the Listing Agreement with the Stock Exchanges. A separate section on Corporate Governance and Management Discussion and Analysis together with a certificate from the Statutory Auditor's confirming compliance is set out in the Annexure forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- i. In the preparation of the annual accounts for the year ended 31st March, 2010, the applicable accounting standards have been followed and there are no material departures.
- ii. We have selected appropriate accounting policies and applied them consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2010 and of the profit of the company for the financial year ended 31st March 2010.
- iii. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. We have prepared the annual accounts for the financial year ended 31st March, 2010 on a going concern basis.

AUDITORS

M/s. P. Murali & Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

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FIXED DEPOSITS

The Company has not invited/accepted any fixed deposits from the public in terms of Section 58A of the Companies Act, 1956.

RISK MANAGEMENT SYSTEM

Your Company follows a comprehensive system of Risk Management. Your Company has adopted a procedure for assessment and minimization of probable risks. It ensures that all the risks are timely defined and mitigated in accordance with the well structured risk management process.

EMPLOYEE PARTICULARS

None of the employees is in receipt of remuneration exceeding the limit and whose particulars are required to be given as prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Additional Information as Required U/S 217(1) (e) of the Companies Act, 1956

(a) Conservation of Energy:

Our operations are not energy intensive; however significant measures are taken to reduce energy consumption by using energy efficient computers and purchasing energy efficient equipment. We constantly evaluate new technologies and invest to make our infrastructure more energy efficient.

(b) Research and Development and Technology Absorption:

Research and development of new products, processes and methodologies continue to be of importance to us. This allows us to enhance quality, productivity and customer satisfaction through continuous innovation. Our Company continues to invest in rapidly changing technologies and use them to improve the quality of the products, service offerings, this has resulted in overall reduction in defect rates and a higher level of customer satisfaction.

(c) Please refer to "Notes to Accounts" for Foreign exchange earnings & Foreign

STOCK EXCHANGES

The Company's Equity shares are presently listed on the Bombay Stock Exchange Limited and on Bangalore Stock Exchange. The Company has paid the Listing Fees to the Stock Exchanges for the Financial Year 2010-11.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation for the continued co operation and support by the Banks, Government authorities, Business Partners, Customers and other Stakeholders. Your Directors wish to place on record their sincere appreciation for the dedicated contribution made by all the Executives, Staff members of the Company in the achievements of the Company during the year under review.

on behalf of the Board

Place : Hyderabad
Date : 02.09.2010

C.V.SUBRAMANYAM
MANAGING DIRECTOR

C.SUDHAKAR
DIRECTOR

THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Pursuant to Clause 49 of the Listing Agreement, a report on Management Discussion and Analysis Report is given below:

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

The two segments we are currently targeting are Software Testing Services and Medical Transcription.

Software Testing

The size of independent software testing outsourcing worldwide has been estimated at \$13 Billion in 2008 by Gartner. Out of this, more than \$7 Billion is expected to be outsourced to India by 2012.

There are more than 100,000 software testers in India who work on Independent software testing projects. Large services companies in the industry derive between 8-12% of their revenues from independent software testing projects. Independent Testing companies have grown in the last five years.

MEDICAL TRANSCRIPTION

Medical Transcription is a \$20+ Billion Market worldwide (AAMT) with the US contributing around \$12 Billion. Currently, only about \$1 Billion is outsourced and of this only about \$300 Million is currently outsourced to India. There are about 50,000 Medical Transcriptionists in India. The MT outsourcing business in India has the potential to grow to about \$1 Billion within the next five years given the huge push for organized healthcare in the US and need to cut healthcare costs.

2. OPPORTUNITIES & STRENGTHS

a. OPPORTUNITIES

Chakkilam's strategy of being a niche player in the IT services markets will help us grow to one of the top three independent testing services companies in India over the next three years. Some of this growth can also be achieved through inorganic means as and when we identify appropriate target companies. We have seen that even during recession which has impacted the overall IT services business the Software Testing Services business has grown. And testing continues to show a higher growth rate than application development or remote infrastructure management services. This is a great opportunity for Chakkilam to emerge as one of the top players in the world software testing market.

b. STRENGTHS

We have built a great team of software testers with the necessary leadership both operationally and sales and support functions.

Chakkilam has focused on building capability in various types of testing like Functional Testing, Performance Testing, Test Automation and Security Testing. These investments are paying off as we are now capable of delivering complex projects to clients.

We have build a robust sales pipeline and inside sales process to help us ramp up our sales efforts across multiple geographies.

We are also building our brand name by investing in activities like SEO, event participations and creating a significant online presence. We are also building partnerships with testing tool vendors and this will help us position ourselves well when dealing with clients.

3 INDUSTRY OUTLOOK

The IT industry's growth has picked up albeit slowly. The expected growth rate of the industry is between 15-20%. However there is intense competition amongst small and medium sized organizations and many SME companies in the IT sector are not faring well.

The Medical Transcription industry has also grown but most SME players in this segment have had setbacks. This is due to the pricing pressures from clients and from cost pressures due to the increased base costs for hiring transcriptionists from the market. The overall BPO segment has started competing for the same talent pool that was once easily available to the transcription industry.

Despite these issues your company has managed to post impressive growth rates and hopes to continue this rapid pace of growth over the next few years. We have made the necessary investments in people, process and technology to help us achieve growth and position ourselves as one of the premier testing services company in the country.

4 HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

The Company believes that the quality of its employees is the key to its success in the long run and is committed to provide necessary human resource development and training opportunities to equip them with skill, which enables them to adapt to contemporary technological advancements.

Industrial relations during the year are cordial and the Company is committed to maintain the same in future.

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance

CORPORATE GOVERNANCE

CIL is committed to best practices in the area of Corporate Governance, both in letter and spirit. Good governance facilitates effective management and control of business, maintaining a high level of business ethics and optimizing the value for all stakeholders.

The Corporate Governance Structure in the Company assigns responsibilities and entrusts authority among different participants in the organization viz. the Board of Directors, the Senior Management, Employees, etc.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. CIL's Corporate Governance policy is based on the following principles:

- (i) Independence and versatility of the Board
- (ii) Integrity and ethical behavior of all personnel
- (iii) Recognition of obligations towards all stake holders – customers, employees and shareholders
- (iv) High degree of disclosure and transparency levels
- (v) Total compliance with laws in all environments in which the company operates
- (vi) Achievement of above goals with compassion for people and environment

The Company recognizes that good Corporate Governance is a continuing exercise and committed to follow the best practices in the overall interest of the stakeholders. The Securities and Exchange Board of India (SEBI) has specified certain mandatory governance practices, which are incorporated in Clause 49 of the Listing Agreement of Stock Exchanges. This section, along with the section on "Management Discussion & Analysis" and "Additional Shareholders' Information" constitute the Company's compliance with Clause 49 of the Listing Agreement.

2. Board of Directors

A. Composition

- a. The Company has 8 Directors with an Executive Chairman on its Board. Out of eight (8) Directors, Six (6) are Non-Executive Independent Directors, one is Non-Executive, Non-Independent Director and the remaining is executive Director who is Chairman and Managing Director. The composition of the Board is in conformity with clause 49 of the Listing Agreements entered into with the Stock Exchanges and meets the stipulated requirements.
- b. None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 companies across all the Companies in which he is a Director. The Directors have made necessary disclosures regarding Committee positions in other public companies as on March 31, 2010.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Other Directorships do not include alternate directorships, directorships of private limited companies, section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

Name of the Director	Category	Number of Directorship in other Companies	Number of Board Committee Memberships held in other Companies
Mr. C.V. Subramanyam	Promoter & Managing Director	3	NIL
Mr. C. Sudhakar	Promoter Director	1	NIL
Dr. Venkat R. Yerapragada	Independent Director	NIL	NIL
Mr. P. Vikram	Independent Director	NIL	NIL
Mr. B. Srinivasa Rao	Independent Director	NIL	NIL
Mr. K. Ch. Subba Rao	Independent Director	NIL	NIL
Mr. K. Nageswara Rao	Independent Director	NIL	NIL
Mr. D. Suresh	Independent Director	NIL	NIL
*Mr. B. Prabhakar Arthur	Independent Director	NIL	NIL

* Ceases to be Director w.e.f 04.01.2010

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- d. Pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company.

None of the Non-Executive Directors has any pecuniary relationship or transactions with the Company.

- e. During the Financial Year 2009 - 10 the Board of Directors met 5 times on the following dates:

30.04.2009, 30.07.2009, 02.09.2009, 30.10.2009, and on 30.01.2010,

- f. The time gap between any two Board Meetings did not exceed three months.

Attendance of Directors at Board Meetings and at the last Annual General Meeting (AGM) held on 29th September, 2009.

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM
Mr. C.V. Subramanyam	5	Yes
Mr. C. Sudhakar	5	Yes
Dr. Venkat R. Yerapragada	0	No
Mr. P. Vikram	0	No
Mr. B. Srinivasa Rao	5	Yes
Mr. K. Ch. Subba Rao	5	Yes
Mr. K. Nageswara Rao	5	Yes
Mr. D. Suresh	0	No
*Mr. B. Prabhakar Arthur	3	Yes

BOARD'S PROCEDURE

Agenda papers along with explanatory statements were circulated to the Directors in advance for each of these meetings. All relevant information as per Clause 49 of the Listing Agreement was placed before the Board from time to time.

3. AUDIT COMMITTEE

- I). The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.
- II) The terms of reference of the Audit Committee include a review of;
- ◆ Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
 - ◆ Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
 - ◆ Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - ◆ Reviewing the financial statements and draft audit report including quarterly half yearly financial information.
 - ◆ Reviewing with management the annual financial statements before submission to the Board, focusing on:
 - i Any changes in accounting policies and practices;
 - ii Qualification in draft audit report;
 - iii Significant adjustments arising out of audit;
 - iv The going concern concept;
 - v Compliance with accounting standards;
 - vi Compliance with stock exchange and legal requirements concerning financial statements;
 - vii Any related party transactions
 - ◆ Reviewing the company's financial and risk management's policies.
 - ◆ Disclosure of contingent liabilities.
 - ◆ Reviewing with management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit character, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

Chakkilam Infotech Limited

- ◆ Discussion with internal auditors of any significant findings and follow-up thereon.
 - ◆ Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 - ◆ Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
 - ◆ Reviewing compliances as regards the Company's Whistle Blower Policy.
- III) The previous Annual General Meeting of the Company was held on 29th September 2009 and Mr. B. Srinivasa Rao, Chairman of the Audit Committee, attended previous AGM.
- IV) The composition of the Audit Committee and the attendance of each member of the Audit Committee are given below:

Composition

During the period under review, the Company has reconstituted the Audit Committee comprising of the following three Non-Executive Independent Directors.

S.No.	Name of the Director	Designation	Nature of Directorship
1	Mr. K. Ch. Subba Rao	Chairman	Non-Executive & Independent Director
2	Mr. B. Srinivasa Rao	Member	Non-Executive & Independent Director
3	Mr. K. Nageswara Rao	Member	Non-Executive & Independent Director

- V) Five Audit Committee meetings were held during the year. The dates on which the said meetings were held are as follows: 30.04.2009, 30.07.2009, 02.09.2009, 30.10.2009, and on 30.01.2010,

The necessary quorum was present at all the meetings.

Attendance during the year 2009-10:

Name	Number of Meetings held during the year	Number of Meetings attended during the year
Mr. B. Srinivasa Rao	5	5
Mr. K. Ch. Subba Rao	5	5
Mr. K. Nageswara Rao	5	5

4. Remuneration Committee

The Company has constituted Remuneration Committee to decide, fix the remuneration payable to the Managing / Whole time Directors of the Company.

However, the remuneration of the Managing / Whole time Director is subject to approval of the Board, and of the Company in the General Meeting and such approvals as may be necessary. The remuneration structure of Managing Director comprises of salary only.

A. Composition

The Remuneration Committee consists of the following Directors:

S.No.	Name of the Director	Designation	Nature of Directorship
1	Mr. K. Ch. Subba Rao	Chairman	Non-Executive & Independent Director
2	Mr. B. Srinivasa Rao	Member	Non-Executive & Independent Director
3	Mr. K. Nageswara Rao	Member	Non-Executive & Independent Director

B. Brief description of terms of reference

The Remuneration Committee shall function in accordance with the terms of reference made by the Board of Directors, which are given as follows:

1. To fix the remuneration packages of Executive Directors i.e., Managing Director, Whole time Directors, etc.,
2. To decide on the elements of remuneration package of all the Directors i.e., salary, benefits, bonuses, stock options, pension etc.”

The Non-executive Directors are paid sitting fees for attending the Board & Committee meetings.

The details of the salary and commission paid / payable for the Financial Year ended 31st March, 2010 to the Managing Director is as under:

Name of the Director	Designation	Sallary per Annum (Rs.)	Commission
Mr. C.V. Subramanyam	Managing Director	60,000	NIL

The Company does not have any stock option scheme to the Directors. The appointments are made in accordance with the terms and conditions specified in the respective resolutions passed by the members in the General Meetings, which do not provide for severance fees.

5. Investors' Grievance Committee

A. Composition

Your Company has constituted an Investors' Grievance Committee consisting of the following Directors:

S.No.	Name of the Director	Designation	Nature of Directorship
1	Mr. K. Ch. Subba Rao	Chairman	Non-Executive & Independent Director
2	Mr. B. Srinivasa Rao	Member	Non-Executive & Independent Director
3	Mr. K. Nageswara Rao	Member	Non-Executive & Independent Director

B. Powers

The Committee has been delegated with the following powers:

- ◆ to redress shareholder and investor complaints relating to transfer of shares, Dematerialization of Shares, non-receipt of balance sheet, non-receipt of declared dividend etc
- ◆ to approve, transfer, transmission, and issue of duplicate / fresh share certificate(s)
- ◆ Consolidate and sub-division of share certificates etc.
- ◆ To redress, approve and dispose off any, other complaints, transactions and requests etc., received from any shareholder of the company and investor in general.

The Board has delegated the power to process the transfer and transmission of shares to the Registrar and Share Transfer Agents, who process share transfers within a week of lodgment in the case of shares held in physical form.

6. General Body Meetings

Finicial Year	Date	Time	Venue	Special Resulation Passed
11th AGM 2008-09	29-09-2009	2-00 AM	Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally, Hyderabad - 500 044.	Nil
10th AGM 2007-08	29-09-2008	11-30 AM	Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally, Hyderabad - 500 044.	Nil
9th AGM 2006-07	27-09-2007	10-30 AM	Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally, Hyderabad - 500 044.	Nil

7. Auditors' Certificate on Corporate Governance

Auditors' Certificate on Corporate Governance as required by revised Clause 49 of the Listing Agreement is given as an annexure to the Director's Report.

8. Disclosures

- ◆ The Company has not entered into any transaction of material nature with related parties i.e., Directors, Management, their relatives conflicting with the Company's interest.
- ◆ Details of non-compliance
There has been no non-compliance of any legal requirements nor have been any strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last 3 years.
- ◆ Whistle Blower policy
We have established a mechanism for employees to report concerns about unethical behavior, fraud or violation of code of conduct of the Company. The mechanism provided direct access to the Chairman of the Audit Committee for exceptional cases. All employees can also directly meet the Audit Committee members of the Company. The Whistle Blower Policy has been posted on the Intranet of the Company.
- ◆ Compliance with non-mandatory requirements of clause 49 of the listing agreement
The Company has complied with the non –mandatory requirements relating to remuneration committee and Whistle Blower policy to the extent detailed above and has not complied with other non-mandatory requirements.
- ◆ Management Discussion and Analysis
A detailed section on 'Management Discussion and Analysis' (MDA), pursuant to Clause 49 of the Listing Agreement forms part of this Annual Report.

9. Means of Communication

The quarterly, half-yearly and yearly financial results will be sent to the Stock Exchanges immediately after the Board approves the same and these results will also be published in prominent daily newspapers. These financial statements, press releases are also posted on the Company's website, at www.Chakkilaminc.com. As the financial performance of the Company is well published, individual communication of half yearly results are not sent to the shareholders.

Chakkilam Infotech Limited

The Management Discussion and Analysis Report forms part of the annual report, which is posted to the shareholders of the Company.

10. General Shareholder Information:

The following information would be useful to the shareholders:

a) Twelfth Annual General Meeting

Date and Time : 29.09.2010, at 10.00 A.M

Venue : Sundaraiah Vignana Kendram, (Mini Hall),
Bagh Lingampally, Hyderabad - 500 044.

b) Financial Calendar 2010-11 (Tentative Schedule)

For the Quarter ended 30th June, 2010, the Company has already declared the Unaudited Financial Results on July 30, 2010.

Adoption of Quarterly results for the Quarter ending

◆ 30th September, 2010 : 1st/2nd Week of November, 2010

◆ 31st December, 2010 : 1st/2nd Week of February, 2011

◆ 31st March, 2011 : on or before 15th May 2011

Annual General Meeting (Next year) : August / September, 2011

c) **Book Closure Date** : 27st September, 2010 to 29th
September, 2010 (both days inclusive)

d) **Listing on Stock Exchanges** : Bombay Stock Exchange Ltd
Bangalore Stock Exchange Ltd

e) Stock Code

◆ Stock Code / Symbol : BSE : 590089 / CHAKKILAM

◆ Demat ISIN number in NSDL & CDSL : INE 675C01017

Electronic Connectivity : National Securities Depository Limited
Trade World, Kamala Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai - 400 013.

Chakkilam Infotech Limited

F) Stock Market Data

The monthly high / low prices of shares of the Company from April, 2009 to March, 2010 at Bombay Stock Exchange:

Scrip Code: 590089 Company Name: CHAKKILAM For the period: April 2009 to March 2010

Date	High (Rs.)	Low (Rs.)	No. of Shares
April 2009	5.51	4.76	20,351
May 2009	5.85	4.47	22,054
June 2009	8.57	6.00	41,321
July 2009	9.50	7.75	79,772
August 2009	8.40	7.10	19,812
September 2009	8.40	7.40	18,779
October 2009	7.87	6.49	5,602
November 2009	8.01	6.60	6,399
December 2009	7.45	5.76	12,621
January 2010	7.18	5.51	50,358
February 2010	8.45	6.05	14,910
March 2010	6.50	4.82	65,076

* During the period under review, the equity shares are not traded in the Bagalore Stock Exchange Limited.

g) Registrars and Transfer Agents

Aarhi Consultants Pvt. Ltd.

1-2-285, Domalguda, Hyderabad- 500 029.

Tel: (040) 27642217/27638111

Fax: (040) 27632184

Email: info@aarhiconsultants.com

h) Share Transfer System

SEBI has vide its circular dated 27-12-2002, directed that all work relating to share registry, both physical and demat should be maintained at a single point. Accordingly, the Share Transfers, both physical and demat form, are done by the Registrar and Share Transfer Agents i.e., M/s. Aarhi Consultants Private Limited, Domalguda, Hyderabad. The requests received for transfer of shares in physical form are generally completed within the stipulated time.

Chakkilam Infotech Limited

11. (A) Shareholding pattern as on 31.03.2010

Category Code	Category of Shareholder	Total Number of shares	% of shareholding	Shares pledged or otherwise encumbered	
				Number of Shares	As a percentage
(A)	Shareholding of Promoter and Promoter Group				
(1)	Indian				
a.	Individuals/Hindu Undivided Family	1230900	14.33	0	0
b.	Central Government/State Government(s)	0	0	0	0
c.	Bodies Corporate	1480000	17.23	0	0
d.	Financial Institutions/Banks	0	0	0	0
	Others :-				
e.	Mutual Funds	0	0	0	0
f.	Trusts	500000	5.82	0	0
	Sub Total (A)(1)	3210900	37.37	0	0
(2)	Foreign				
a.	Individuals (Non Resident Individuals/Foreign Individuals)	0	0	0	0
b.	Bodies Corporate	233200	2.71	0	0
c.	Institutions	0	0	0	0
	Others :-				
d.	Overseas Corporate Bodies	0	0	0	0
	Sub Total (A)(2)	233200	2.71	0	0
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	3444100	40.09	0	0
(B)	Public Shareholding				
(1)	Institutions				
a.	Mutual Funds/UTI	0	0	0	0
b.	Financial Institutions/Banks	0	0	0	0
c.	Central Government/State Government(s)	0	0	0	0
d.	Venture Capital Funds	0	0	0	0
e.	Insurance Companies	0	0	0	0
f.	Foreign Institutional Investors	0	0	0	0
g.	Foreign Venture Capital Investors	0	0	0	0
	Others :-				
h.	Foreign Companies	0	0	0	0
	Sub Total (B)(1)	0	0	0	0

Chakkilam Infotech Limited

Category Code	Category of Shareholder	Total Number of shares	% of shareholding	Shares pledged or otherwise encumbered	
				Number of Shares	As a percentage
(2)	Non-Institutions				
a.	Bodies Corporate	170948	1.99	0	0
b.	Individuals				
	i) Individual shareholders holding nominal share capital upto Rs.1 lakh	1362450	15.86	0	0
	ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	2404294	27.98	0	0
c.	Any Others : -				
	i) Non Resident Individuals	1208500	14.07	0	0
	ii) Overseas Corporate Bodies	0	0	0	0
	iii) Trusts	0	0	0	0
	iv) Employees	0	0	0	0
	v) Clearing Members	1106	0.01	0	0
	vi) Foreign Nationals	0	0	0	0
	Sub Total (B)(2)	5147298	59.91	0	0
	Total Public Shareholding (B)=(B)(1)+(B)(2)	5147298	59.91	0	0
	Total (A)+(B)	8591398	100	0	0
(C)	Shares held by Custodians and against Depository Receipts have been Issued	0	0	0	0
	Grand Total (A)+(B)+(C)	8591398	100	0	0
(B) Distribution of Shareholding as on 31.03.2010					
Range (Rs.)	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shareholding	
Upto - 5000	384	41	70168	0.82	
5001 - 10000	100	11	91527	1.07	
10001 - 20000	72	8	124853	1.45	
20001 - 30000	139	15	357748	4.16	
30001 - 40000	29	3	110334	1.28	
40001 - 50000	87	9	421249	4.90	
50001 - 100000	49	5	421350	4.90	
100001 & Above	77	8	6994169	81.41	
Total	937	100	8591398	100.00	

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12. Dematerialisation of Shares and Liquidity

Trading in Company's shares is permitted only in dematerialised form for all investors. The ISIN allotted to the Company's scrip is INE 675C01017. Investors are therefore advised to open a demat account with a Depository participant of their choice to trade in dematerialized form. Shares of the Company are actively traded in The Bombay Stock Exchange Limited, Mumbai & The Bangalore Stock Exchange, Bengaluru and hence have good liquidity. The list of depository participants is available with the National Securities Depository Limited (NSDL) at www.nsdl.co.in.

Particulars	Number of Shares	% Share Capital
NSDL	28,78,529	33.50
CDSL	5,46,454	6.36
PHYSICAL	51,66,415	60.14
Total	85,91,398	100.00

13. Address for Correspondence

Registered office : Suit No. 106 & 107, 6-3-456/C,
MGR Estates, Dwarakapuri Colony,
Punjagutta, Hyderabad-500 082.

R & T Agent : Aarhi Consultants Pvt. Ltd.
1-2-285, Domalguda, Hyderabad-500 029.
Tel: (040) 27642217/27638111
Fax: (040) 27632184
Email: info@aarhiconsultants.com

14. OTHER DISCLOSURES AS PER CLAUSE 49 OF THE LISTING AGREEMENT

i. Code of Conduct

The Company has formulated and implemented a Code of Conduct for Board Members and Senior Management of the Company. Requisite annual affirmations of compliance with the respective Codes have been made by the Directors and Senior Management of the Company.

Certificate of Code of Conduct for the year 2009-10

CIL is committed for conducting its business in accordance with the applicable laws, rules and regulations and with highest standards of business ethics. The Company has adopted a "Code of Ethics and Business Conduct" which is applicable to all director, officers and employees.

I hereby certify that all the Board Members and Senior Management have affirmed the compliance with the Code of Ethics and Business Conduct, under a certificate of Code of Conduct for the year 2009-10.

Place : Hyderabad
Date : 02.09.2010

C.V.SUBRAMANYAM
MANAGING DIRECTOR

ii. Disclosure of Accounting Treatment

The Company has complied with the appropriate accounting policies and has ensured that they have been applied consistently. There have been no deviations from the treatment prescribed in the Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956.

iii. Non Executive Directors' Compensation and Disclosures

None of the Independent / Non-executive Directors has any pecuniary relationship or transactions with the Company which in the Judgment of the Board may affect the independence of the Directors.

iv. CEO / CFO Certification.

The CEO and CFO certification of the financial statements for the year 2009-10 is provided elsewhere in this Annual Report.

On behalf of the Board

Place : Hyderabad
Date : 02.09.2010

C.V. SUBRAMANYAM
MANAGING DIRECTOR

C. SUDHAKAR
DIRECTOR

Chakkilam Infotech Limited

**CERTIFICATE BY THE CHIEF EXECUTIVE OFFICER (CEO)
AND CHIEF FINANCIAL OFFICER (CFO)**

I, C.V. Subramanyam, Managing Director of M/s. Chakkilam Infotech Limited certify :

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31 March 2010 and to the best of our knowledge and belief;
 - a) These statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
 - b) These statements present a true and fair view of the company's affair and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal or violative of the company's code of conduct;
3. That we accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the audit committee, deficiencies in the design or the operation of internal controls, if any, of which we are aware and the steps that we have taken or purpose to take and rectify the identified deficiencies and;
4. That we have informed the auditors and the audit committee of:
 - a. Significant changes in the internal control during the year;
 - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - c. Instances of significant fraud of which we have become aware and the involvement of an employee having a significant role in the company's internal control system.

Place : Hyderabad
Date : 02.09.2010

C.V. SUBRAMANYAM
MANAGING DIRECTOR

Chakkilam Infotech Limited

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members
Chakkilam Infotech Ltd
Hyderabad.

We have examined the compliance of conditions of Corporate Governance by M/s. Chakkilam Infotech Ltd for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us and on the basis of our examination described above, we certify that the company has complied with the conditions of corporate Governance as stipulated in the above mentioned Listing agreement.

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

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

for **P. MURALI & CO.,**
CHARTERED ACCOUNTANTS

P. MURALI MOHANA RAO
PARTNER
Membership No. 23412

Place : Hyderabad
Date : 02.09.2010

AUDITOR'S REPORT

To
The Members,
CHAKKILAM INFOTECH LIMITED

We have audited the attached Balance Sheet of CHAKKILAM INFOTECH LIMITED as at 31st March, 2010 and also the Profit & Loss Account for the period ended on the date annexed hereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Companies (Auditors Report) Order 2003, and as amended by the companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of the sub-section(4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit ;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books ;
- (iii) The Balance Sheet & Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account ;
- (iv) In our opinion, the Balance Sheet & Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956 ;

Chakkilam Infotech Limited

- (v) On the basis of written representations received from the Directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed Director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956 ;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India ;
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - b. In the case of the Profit & Loss Account, of the Profit for the period ended on that date;

And

- c. In the case of the Cash Flow, of the cash flows for the period ended on that date ;

for **P. MURALI & CO.**,
CHARTERED ACCOUNTANTS
FRN : 007257S

P. MURALI MOHANA RAO
PARTNER
Membership No. 23412

Place : Hyderabad
Date : 02.09.2010

ANNEXURE TO THE AUDITORS' REPORT

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) As explained to us , the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.
- (c) The Company has not disposed off substantial part of the Fixed Assets during the year.
- II. The Company has no Inventory. Hence this clause is not applicable.
- III. (a) The Company has not granted any loans, secured or unsecured to Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.
- (b) As the Company has not granted any loans, the clause of Whether the rate of Interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable
- (c) As no loans are granted by company, the clause of receipt of interest & principal amount from parties, is not applicable to the company.
- (d) No loans have been granted to Companies, Firms & other parties listed in the register U/s.301 of the Companies Act, 1956 , hence overdue amount of more than rupees one lac does not arise and the clause is not applicable.
- (e) The company has not taken any loans, secured or unsecured form companies, Firms or other Parties covered in the register maintained U/s .301 of the companies Act 1956.
- (f) As the company has not taken any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been taken from parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
- (g) As no loans are taken by the company, the clause of repayment of interest & principal amount to parties , is not applicable to the company.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets and for sale of goods. There is no continuing failure by the company to correct any major weaknesses in internal control.

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- V. (a) In our opinion and according to the information and explanation given to us, since no contracts or arrangements referred to in section 301 of the companies act, 1956 have been made by the company in respect of any party in the financial year, the entry in the register U/s.301 of the Companies Act, 1956 does not arise.
- (b) According to the information and explanations given to us, as no such contracts or arrangements made by the company, the applicability of the clause of charging the reasonable price having regard to the prevailing market prices at the relevant time does not arise.
- VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A and 58AA or any other relevant provisions of the act and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other tribunal has not been received by the Company.
- VII. In our opinion, the company is having internal audit system, commensurate with its size and nature of its business.
- VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section(1) of section 209 of the Companies Act, 1956.
- IX. a) The Company is regular in depositing statutory dues including PF, ESI Income Tax Cess and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.
- b) According to the information and explanations given to us, no undisputed amounts are payable in respect of PF, ESI Income Tax, Cess and any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.
- X. The Company has been registered for a period of not less than 5 years, and the Company has no accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and in the immediately preceding financial year.
- XI. According to information and explanations given to us, the Company has not defaulted in repayment of dues to Financial Institutions or Banks.
- XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.

Chakkilam Infotech Limited

- XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi Mutual Benefit Fund/Societies.
- XIV. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise.
- XVI. According to the information and explanations given to us, the Term Loans were applied by the company for the purpose for which the loans were obtained.
- XVII. According to the information and explanations given to us, no funds are raised by the Company on short-term basis. Hence the clause of short term funds being used for long-term investment does not arise.
- XVIII. According to the information and explanations given to us, the Company has not made any preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.
- XIX. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of securities or charge in respect of debentures issued does not arise.
- XX. According to information and explanations given to us, the company has not raised money by way of public issues during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

for **P. MURALI & CO.,**
CHARTERED ACCOUNTANTS
FRN : 007257S

P. MURALI MOHANA RAO
PARTNER
Membership No. 23412

Place : Hyderabad
Date : 02.09.2010

Chakkilam Infotech Limited

BALANCE SHEET AS AT 31ST MARCH, 2010

PARTICULARS	Schedule No.	As at 31-03-2010 (Rupees)	As at 31-03-2009 (Rupees)
SOURCES OF FUNDS			
1. SHARE HOLDERS' FUND			
a. Share Capital	1	85,913,980	85,913,980
b. Reserves and Surplus	2	30,452,100	29,849,450
2. LOAN FUNDS			
a. Secured Loan	3	19,360,055	12,258,530
b. Unsecured Loan		1,150,000	1,150,000
3. DEFERRED INCOME TAX LIABILITY		7,726,044	8,133,760
TOTAL		144,602,179	137,305,720
APPLICATION OF FUNDS			
1. FIXED ASSETS	4		
a. Gross Block		129,682,867	118,211,767
b. Less: Depreciation		72,220,891	59,877,081
c. Net Block		57,461,976	58,334,686
d. Capital Work-in-progress		35,116,610	25,791,416
2. CURRENT ASSETS, LOANS & ADVANCES			
a. Receivables	5	20,756,435	22,299,650
b. Cash & Bank Balances	6	5,030,448	204,964
c. Loans & Advances	7	31,545,912	34,841,556
Less: Current Liabilities & Provisions	8	5,668,022	4,646,498
NET CURRENT ASSETS		51,664,773	52,699,672
3. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		358,820	479,946
TOTAL		144,602,179	137,305,720
NOTES TO ACCOUNTS	10		

AS PER OUR REPORT OF EVEN DATE

For and on behalf of the Board

**For P.MURALI & CO.,
CHARTERED ACCOUNTANTS**

P.MURALI MOHANA RAO
PARTNER

C.V.SUBRAMANYAM
MANAGING DIRECTOR

C.SUDHAKAR
DIRECTOR

Membership No. 23412

PLACE : HYDERABAD

DATE : 02-09-2010

Chakkilam Infotech Limited

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

PARTICULARS	Schedule No.	Ended 31-03-2010 (Rupees)	Ended 31-03-2009 (Rupees)
1 INCOME			
Income from Operations		50,558,955	50,734,025
TOTAL		50,558,955	50,734,025
2 EXPENDITURE			
Operating & Administrative Expenses	9	35,121,239	36,144,883
Interest & Bank Charges		1,995,806	1,921,444
Depreciation		12,343,810	11,341,716
Preliminary Expenses w/o		1,140	1,140
Public Issue Expenses w/o		119,986	119,986
TOTAL		49,581,981	49,529,169
3 PROFIT BEFORE TAX		976,974	1,204,856
4 PROVISION FOR TAXATION		782,040	1,120,000
5 PROFIT AFTER TAX		194,934	84,856
6 PROVISION FOR FRINGE BENEFIT TAX		-	114,340
7 DEFERRED INCOME TAX ASSET FOR THE YEAR		407,716	697,932
8 PROFIT AFTER DEFERRED INCOME TAX LIABILITY		602,650	668,449
9 BALANCE BROUGHT FORWARD		26,359,450	25,691,001
10 BALANCE CARRIED FORWARD		26,962,100	26,359,450
BASIC EARNING PER SHARE		0.02	0.01
NOTES TO ACCOUNTS	10		

AS PER OUR REPORT OF EVEN DATE

For and on behalf of the Board

**For P.MURALI & CO.,
CHARTERED ACCOUNTANTS**

P.MURALI MOHANA RAO
PARTNER
Membership No. 23412

C.V.SUBRAMANYAM
MANAGING DIRECTOR

C.SUDHAKAR
DIRECTOR

PLACE : HYDERABAD
DATE : 02-09-2010

Chakkilam Infotech Limited

**SCHEDULE - 1
SHARE CAPITAL**

PARTICULARS	As at 31-03-2010 (Rupees)	As at 31-03-2009 (Rupees)
AUTHORISED : 12,000,000 Equity Shares of Rs.10/-Each	120,000,000	120,000,000
ISSUED,SUBSCRIBED & PAID-UP : 85,91,398 Equity Shares of Rs.10/-Each	85,913,980	-
Previous Year 85,91,398 Equity Shares of Rs.10/-Each	-	85,913,980
	85,913,980	85,913,980

**SCHEDULE - 2
RESERVES & SURPLUS SHARE CAPITAL**

PARTICULARS	As at 31-03-2010 (Rupees)	As at 31-03-2009 (Rupees)
Investment Subsidy	1,250,000	1,250,000
Forfeiture of Shares	2,240,000	2,240,000
Surplus in Profit & Loss Account	26,962,100	26,359,450
	30,452,100	29,849,450

**SCHEDULE - 3
SECURED LOANS**

PARTICULARS	As at 31-03-2010 (Rupees)	As at 31-03-2009 (Rupees)
Term Loan from APSFC	360,055	1,598,530
Corporate Loan from APSFC	7,000,000	10,000,000
Privileged Customer Loan from APSFC	12,000,000	-
Working Capital Term Loan from APSFC	-	660,000
	19,360,055	12,258,530

**SCHEDULE - 4
FIXED ASSETS
(SLM METHOD)**

PARTICULARS	GROSS BLOCK AS ON 01-04-2009	ADDITIONS	GROSS BLOCK AS ON 31-03-2010	DEPRECI- TION AS ON 31-03-2009	DEPRECI- TION FOR THE YEAR	DEPRECI- TION 31-03-2010	NET BLOCK AS ON 31-03-2010	NET BLOCK AS ON 31-03-2009
Buildings	23,625,000	1,901,560	25,526,560	1,176,525	794,469	1,970,994	23,555,566	22,448,475
Computers	57,100,162	8,723,750	65,823,912	44,696,243	9,376,040	54,072,283	11,751,629	12,403,919
Furniture & Fixtures	8,183,057	845,790	9,028,847	4,030,889	522,535	4,553,423	4,475,424	4,152,168
Interiors & Civil works	16,382,811		16,382,811	5,808,759	1,037,032	6,845,791	9,537,020	10,574,052
Air Conditioners	5,503,921		5,503,921	2,051,359	261,436	2,312,795	3,191,126	3,452,562
Misc.fixed Assets	7,416,816		7,416,816	2,113,306	352,299	2,465,605	4,951,211	5,303,510
TOTAL	118,211,767	11,471,100	129,682,867	59,877,081	12,343,810	72,220,891	57,461,976	58,334,686

Chakkilam Infotech Limited

**SCHEDULE - 5
SUNDRY DEBTORS**

PARTICULARS	As at 31-03-2010 (Rupees)	As at 31-03-2009 (Rupees)
a. Debts exceeding over a period of 6 months	-	-
b. Other debts	20,756,435	22,299,650
	20,756,435	22,299,650

**SCHEDULE - 6
CASH & BANK BALANCES**

PARTICULARS	As at 31-03-2010 (Rupees)	As at 31-03-2009 (Rupees)
Cash in hand	61,064	43,039
Cash at Schedule Banks	4,969,384	161,925
	5,030,448	204,964

**SCHEDULE - 7
LOANS & ADVANCES**

PARTICULARS	As at 31-03-2010 (Rupees)	As at 31-03-2009 (Rupees)
Advances	26,179,812	29,475,456
ESOPs Trust	5,000,000	5,000,000
Deposits	366,100	366,100
	31,545,912	34,841,556

Chakkilam Infotech Limited

**SCHEDULE - 8
CURRENT LIABILITIES & PROVISIONS**

PARTICULARS	As at 31-03-2010 (Rupees)	As at 31-03-2009 (Rupees)
Sundry Creditors	598,337	168,700
Outstanding Expenses & Provisions	5,069,685	4,477,798
	5,668,022	4,646,498

**SCHEDULE - 9
OPERATING & ADMINISTRATIVE EXPENSES**

PARTICULARS	As at 31-03-2010 (Rupees)	As at 31-03-2009 (Rupees)
Salaries & Others	22,311,546	21,352,892
Office & Other Maintenance	2,625,262	3,909,431
Power & Fuel	1,668,486	2,319,852
Rent, Rates & Taxes	2,177,459	2,726,519
Business Promotion Expenses	2,516,290	2,483,623
Postage, Telegrams & Telephones	879,391	822,148
Travelling & Conveyance	2,208,953	1,681,961
Printing & Stationery	703,852	823,457
Auditor's Remuneration	30,000	25,000
	35,121,239	36,144,883

SCHEDULE - 10
NOTES FORMING PART OF THE ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

General :

- (i) These accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- (ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

Revenue Recognition :

- (i) Income from software development is accounted for on the basis of Software developed and billed to clients on acceptance and / or on the basis of man days / man hours as per the terms of contract.
- (ii) Revenue from professional services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognised as and when the services are performed.
- (iii) Revenue from software development services includes revenue from time and material and fixed price contracts are recognised as related services are performed.
- (iv) Revenue on fixed price contracts is recognised in accordance with percentage of completion and method of account.
- (v) Revenue is not recognised on the grounds of prudence, until realised in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

Foreign Exchange Transaction :

- i) Realised gains & loss in foreign exchange transactions are recognised in Profit & Loss Account.

Transactions in foreign currency will be recorded at the rates of exchange prevailing on the date of the transaction. Current assets and liabilities denominated in foreign currency will be translated at the rate of exchange as at Balance Sheet date.

Fixed Assets :

- (i) Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties, taxes and incidental expenses thereto.

Chakkilam Infotech Limited

Depreciation and Amortisation :

- (i) Depreciation is provided on straight line method on pro-rata basis and at the rates and manner specified in the Schedule XIV of the Companies Act, 1956.
- (ii) Preliminary Expenses are amortised over the period of 10 years.
- (iii) Public Issue Expenses are amortised over the period of 10 years.

Capital Work-in-Progress:

The Capital Work-in-progress includes cost of Fixed Assets under installation, advances for Capital Goods and unallocated expenditure.

Taxation :

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax asset and liability is recognised for future tax consequences attributable to the timing differences that result between the profit offered

for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates / laws that have been enacted or substantively enacted by the Balance Sheet date.

Earning Per Share:

The earning considered in ascertaining the companies earning per share comprise net profit after tax. The number of shares used in computing basic earning per share is the weighed average number of shares outstanding during the year.

Gratuity :

Gratuity has been provided by the company as per actuarial valuation

B. NOTES ON ACCOUNTS

- 1 Particulars of Employees in accordance with Sub-section (2A) of Section 217 of the Companies Act , 1956 read with Companies (Particulars of Employees) Rule 1975.

	NIL	
	<u>Current Year (Rs.)</u>	<u>Previous Year (Rs.)</u>
2 Director's Remuneration :	60,000/-	60,000/-
	<u>Current Year (Rs.)</u>	<u>Previous Year (Rs.)</u>
3 Auditor's Remuneration :		
Audit Fee	30,000/-	25,000/-

Chakkilam Infotech Limited

4 The Company is engaged in the development of Computer Software and services. The production and sale of such software and services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI to the Companies Act, 1956.

5 Earnings in Foreign Exchange as reported by the Company to Government of India and as certified by Management.

	<u>Current Year (Rs.)</u>	<u>Previous Year (Rs.)</u>
Foreign Exchange Inflow	2,77,00,101/-	1,65,40,973/-

6 There are no dues to SSI Units outstanding for more than 30 days.

7 No confirmations were obtained from debtors/creditors as to the balances receivable from/payable to them as at year end.

8 In accordance with Accounting Standard 22 (AS 22) issued by the ICAI, the Company has accounted for deferred income tax during the year. The deferred income tax provision for the current year amounts to Rs.4,07,716 towards deferred income tax Liability. (Previous year Rs.697,932/- towards deferred income tax Liability).

9 The term loans are secured against the personal guarantee of the directors.

10 Previous years figures have been regrouped wherever necessary.

11 The figures have been rounded off to the nearest rupee.

SIGNATURES TO SCHEDULES 1 To 10

As per our report of even date
For P.MURALI & CO.,
CHARTERED ACCOUNTANTS

For and on behalf of the Board
CHAKKILAM INFOTECH LIMITED

P.MURALI MOHANA RAO
PARTNER
Membership No. 23412

C.V.SUBRAMANYAM
MANAGING DIRECTOR

C.SUDHAKAR
DIRECTOR

PLACE : HYDERABAD
DATE : 02-09-2010

Chakkilam Infotech Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2010.

	(Rs. in lakhs) Current Year	(Rs. in lakhs) Previous Year
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before taxation, and extraordinary Items	9.77	12.05
Adjustments for:		
Depreciation	123.44	113.42
Interest expenses	19.96	19.21
Written off Expenses	1.21	1.21
Operating Profit before working capital changes	154.38	145.89
Trade and other receivables	48.39	(23.45)
Trade payables	(90.96)	(10.26)
Cash generated from operations	111.81	112.18
Interest paid	(19.87)	(17.63)
NET CASH FLOW OPERATING ACTIVITIES	91.94	94.55
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets including Capital Work-in-progress	(114.71)	(134.21)
NET CASH USED IN INVESTING ACTIVITIES	(114.71)	(134.21)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Issue of Share Capital	0	37.59
Secured Loan	71.02	-4.17
NET CASH USED IN FINANCING ACTIVITIES	71.02	33.42
NET INCREASE IN CASH AND CASH EQUIVALENTS	48.25	(6.24)
<i>Cash and Cash equivalents as at (Opening Balance) 01-04-2009</i>	2.05	8.29
<i>Cash and Cash equivalents as at (Closing Balance) 31-03-2010</i>	50.30	2.05

for and on behalf of the Board

Place : Hyderabad
Date : 02.09.2010

SRI C.V. SUBRAMANYAM
MANAGING DIRECTOR

SRI. C. SUDHAKAR
DIRECTOR

To
The Board of Directors
M/s Chakkilam Infotech Limited

We have examined the attached Cash Flow Statement of M/s Chakkilam Infotech Limited for the year ended 31st March, 2010. The Statement has been prepared by the company in accordance with the requirement of Clause 32 of listing agreement with Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report dated 2nd September 2010 to the member of the company.

for **P. MURALI & CO.,**
CHARTERED ACCOUNTANTS

P. MURALI MOHANA RAO
PARTNER

Place : Hyderabad
Date : 02.09.2010

Membership No. 23412

Chakkilam Infotech Limited

CHAKKILAM INFOTECH LIMITED

Suit No.106 & 107, 6-3-456/C, MGR Estates, Dwarakapuri Colony,
Punjagutta, Hyderabad - 500 082

PROXY FORM

Folio No.....DP ID No.*.....Client ID No.*.....
I/We.....of.....in the
district ofbeing a member/members of the above
named company, hereby appoint Mr./Ms.....in the district of
.....as my/our proxy to attend and vote for me/us on my our
behalf at the **Twelfth Annual General Meeting** of the Company to be held on Wednesday, the
29th day of September, 2010 at 10.00 A.M at Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally,
Hyderabad - 500 044. and at any adjournment thereof.

Signed this.....day of.....2010.

Address.....

Signed.....

* Applicable for investors holding shares in electronic form.

- NOTE :
- a. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself.
 - b. Proxy need not be a member. The proxy form duly completed should be deposited at the registered office of the company not less than 48 hours before the time fixed for holding the meeting.

----- CUT HERE -----

CHAKKILAM INFOTECH LIMITED

Suit No.106 & 107, 6-3-456/C, MGR Estates, Dwarakapuri Colony,
Punjagutta, Hyderabad-500 082

ATTENDANCE SLIP

Folio No.....DP ID No.*.....Client ID No.*.....

No. of Shares held

I hereby record my presence at the **Twelfth Annual General Meeting** of the Company to be held on Wednesday, the 29th day of
September, 2010 at 10.00 A.M at Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally, Hyderabad-500 044.

Name of the Shareholder :

Name of the Proxy :

Signature of member/proxy :

- NOTE :**
- 1) To be signed at the time of handing over this slip.
 - 2) Members are requested to register their names at least 15 minutes prior to the commencement of the meeting.