

THIRTEENTH ANNUAL REPORT 2010-2011

CHAKILAM
SOFTWARE QUALITY, ASSURED

Chakkilam Infotech Limited

BOARD OF DIRECTORS

| | |
|----------------------|-------------------|
| Mr. C.V.Subramanyam | Managing Director |
| Mr. C.Sudhakar | Director |
| Mr. P. Vikram | Director |
| Mr. B..Srinivasa Rao | Director |
| Mr. K. Ch. Subba Rao | Director |
| Mr. K.Nageswara Rao | Director |

Regd. Office : Suit No.106 & 107,
6-3-456/C, MGR Estates,
Dwarakapuri Colony,
Panjagutta, Hyderabad-500 082.
Tel: (040) 23357904, 30702255
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.

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

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

ICICI Bank Limited
Khairatabad, Hyderabad.

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the Members of the Company will be held on Thursday the **29th September 2011** at 11.00 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 2011 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. P.Vikram, who retires by rotation and has expressed his unwillingness for reappointment.
3. To appoint a director in place of Mr. B. Srinivasa Rao, who retires by rotation and has expressed his unwillingness for reappointment.
4. To appoint a Director in place of Mr. K.Nageswara Rao, 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. INCREASE IN AUTHORISED SHARE CAPITAL :

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

"Resolved that pursuant to Section 16 and Section 94 of the Companies Act, 1956, and other applicable provisions of the Companies Act, 1956, the authorized share capital of the company be and is hereby increased from Rs.12,00,00,000 (Rupees twelve crores) divided into 1,20,00,000 equity shares of Rs. 10/- (Rupees Ten) each to Rs. 20,00,00,000 (Rupees Twenty crores) divided into 2,00,00,000 equity shares of Rs.10/- (Rupees ten) each and consequently the existing Clause V of the Memorandum of Association of the company be and is hereby altered by deleting the same and substituting in its place and instead thereof, the following as new Clause V:

- V "The authorised share capital of the Company is Rs. 20,00,00,000 (Rupees Twenty Crores) divided into 2,00,00,000 equity shares of Rs.10/- (Rupees Ten) each with the rights, privileges, and conditions attaching thereto respectively such preferential rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify, or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company."

“Further Resolved that the Board of Directors or its committee thereof be and is hereby authorised to take all such necessary steps/actions as may be deemed expedient to give effect to this resolution including signing all such necessary documents as may be required in this regard.”

7. ALTERATION OF ARTICLE NO.3 OF ARTICLES OF ASSOCIATION OF THE COMPANY:

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

“Resolved that the pursuant to provisions of section 31 of the Companies Act,1956 and any other applicable provisions, if any, of the Companies Act,1956 (including any amendment thereto or re-enactment thereof) the articles of association of the Company be altered as follows:

Substitute the following article for existing 3 -

“3. The present Authorised Capital of the Company shall be as per the Clause V of the Memorandum of Association of the Company.”

“Further Resolved that the Board of Directors or its committee thereof be and is hereby authorised to take all such necessary steps / actions as may be deemed expedient to give effect to this resolution including signing all such necessary documents as may be required in this regard.”

8. ISSUANCE OF EQUITY SHARES ON PREFERENTIAL BASIS:

To consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution:

“RESOLVED THAT subject to the approval of the shareholders in the general meeting, in terms of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the Stock Exchange where the Company's shares are listed, and in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as may be applicable to the preferential issue of Equity Shares and other applicable regulations of SEBI, if any, and subject to such conditions and modifications as may be considered appropriate by the Board of Directors of the Company (hereinafter referred to as “the Board” which expression shall include any committee thereof for the time being to which all or any of the powers hereby conferred on the Board by this resolution, have been delegated) and subject to such consents and approvals of SEBI, Stock Exchanges, Government of India, FIPB, RBI or such other bodies or authorities as may be required by law and as may be necessary and subject to such conditions and modifications as may be imposed upon and accepted by the Board while granting such consents and approvals, and which may be agreed

to by or any other authority as may be necessary for that purpose, the consent of the members of the Company be and is hereby accorded to the Board to offer, issue and allot in one or more trenches upto 58,00,000 equity shares of Rs. 10 - each at an issue price of Rs. 18/- each to the promoters, as detailed below, determined in accordance with the preferential issue guidelines given in chapter VII of SEBI (ICDR) Regulations, 2009 and subsequent amendments thereto towards consideration for acquisition of 100% stake in CIGNITI INC, located in USA.

| S.No. | Name of the proposed Allottees | No. of equity shares proposed to be allotted |
|---------------------------|--------------------------------|--|
| PROMOTERS CATEGORY | | |
| 1 | P. Sapna | 37,69,000 |
| 2 | K. Kumar Bapuji | 20,29,000 |
| 3 | V.V. Sai Prasad | 1000 |
| 4 | M. Siva Kumar | 1000 |
| | TOTAL | 58,00,000 |

“RESOLVED FURTHER THAT the pricing of the Equity Shares to be allotted is in accordance with the SEBI’s Preferential Issue Guidelines with reference to the ‘Relevant Date’. However, the issue price shall in no case be less than the price determined as per the Preferential Issue Regulations as provided in Chapter VII of SEBI (ICDR) Regulations, 2009.” The “relevant date” for the purpose of pricing of the resultant share is 30.08.2011 i.e. thirty days prior to the date on which this General Meeting is held in terms of Section 81(1A) of the Companies Act, 1956 (AGM to be held on 29.09.2011).

“RESOLVED THAT the new equity shares Issued shall rank pari-passu with the existing Equity Shares of the Company in all respects and that the equity shares so allotted during the financial year shall be entitled to the dividend, if any, declared including other corporate benefits, if any, for which the book closure or the Record Date falls subsequent to the allotment of Equity Shares.”

“RESOLVED FURTHER THAT the aforesaid equity shares allotted in terms of this resolution shall be subject to lock-in requirements as per the provisions of Chapter VII of SEBI ICDR Regulations, 2009.

“RESOLVED FURTHER THAT the Board be and is hereby authorized to modify and decide the price, terms and conditions of the Issue of equity shares, if necessary, keeping in view the provisions of various Acts and Guidelines in force from time to time.

“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to agree and accept all such condition(s), modification(s) and alteration(s) as may be stipulated by any relevant authorities while according approval or consent to the issue as may be considered necessary, proper or expedient and give effect to such modification(s) and to resolve and settle all questions, difficulties or doubts that may

arise in this regard to implementation of this Resolution, issue and allotment of equity shares and to do all acts, deeds and things in connection therewith and incidental thereto without being required to seek any further consent or approval of the members of the Company to the intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

“RESOLVED FURTHER THAT the Company does apply for listing of the new equity shares.”

“RESOLVED FURTHER THAT the Company does make an application to the Depositories for admission of the new equity shares.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.”

9. CHANGE OF NAME OF THE COMPANY :

To consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956, subject to the approval of the shareholders in the general meeting, availability of name and with the approval of the Central Government, the consent of the Board of Directors of the Company be and is hereby accorded for changing the name of the Company from M/s. CHAKKILAM INFOTECH LIMITED to M/s. CIGNITI TECHNOLOGIES LIMITED or such other name as may be approved by the Registrar of Companies, in this behalf”

“RESOVLED FURTHER THAT Mr. C.V. Subramanyam, Managing Director of the Company be and is hereby authorized to do all such acts, deeds and things necessary in this behalf including filing of all the relevant forms with the office of Registrar of Companies.”

10. EMPLOYEE STOCK OPTION SCHEME - 2011

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

“RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (“the Guidelines”) or any statutory modification(s) or re-enactment of the Act or the Guidelines, the provisions of any other applicable laws and regulations and Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to any applicable approval(s), permission(s) and sanction(s) of any authorities and subject to any condition(s) and modification(s) as may be prescribed or imposed by such

authorities while granting such approval(s), permission(s) and sanction(s) and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include Compensation Committee of the Board) approval be and is hereby accorded to the Board/Committee of Directors to grant, offer and issue, in one or more tranches, to such permanent employees (including joining employees) of the Company whether working in India or out of India and directors of the company whether whole-time directors or otherwise (hereinafter collectively referred as the "Employees") who are eligible to participate as per the Guidelines and as may be decided by the Board/Committee, under a plan titled "CHAKKILAM INFOTECH LTD EMPLOYEES STOCK OPTION SCHEME - 2011" (hereinafter referred to as "the Scheme") the salient features of which are detailed in the explanatory statement, such number of options which could rise to the issue of equity shares of the Company not exceeding 15,00,000 equity shares at such price and on such terms and conditions as may be determined by the Board Committee in accordance with the Guidelines or any other applicable provisions as may be prevailing at that time.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to formulate, evolve, decide upon and bring into effect the Scheme on such terms and conditions as contained in the Explanatory Statement to this item in the notice and to make any modification(s), change(s), variation(s), alternation(s) or revision(s) in the terms and conditions of Scheme from time to time including but not limited to, amendment(s) with respect to vesting period and schedule, exercise price, exercise period, eligibility criteria or to suspend, withdraw, terminate or revise the Plan.

"Resolved further that the approval be and is hereby accorded for issue and allotment of equity shares equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company to the employees for their outstanding performance / contribution at the time of allotment of options / equity shares".

"RESOLVED FURTHER THAT any new equity shares to be issued and allotted as aforesaid shall Rank pari passu inter se with the then existing equity shares of the Company in all respects.

"Resolved further that in case Chakkilam Infotech Ltd's equity share capital or its valuation is affected due to any corporate action like issue of bonus shares/rights issue, stock split, merger, restructuring or any such event happening subsequent to the Grant of option, the Board / Compensation Committee shall have the discretion to make appropriate amendments to the scheme, including changes in the number of options, the Exercise Price or floating a new Scheme / extending the applications of the existing scheme or any other fair and just mechanism including acceleration of Option, if deemed necessary, in accordance with Law, as deems fit, while striving to ensure that the rights of the employees are not adversely affected".

“RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the equity shares allotted under the Scheme on the Stock Exchanges where the shares of the Company are listed as per the provisions of the Listing Agreement with the Stock Exchanges concerned, the Guidelines and other applicable laws and regulations”.

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/ Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

11. GRANT OF OPTIONS TO THE EMPLOYEES OF SUBSIDIARY AND STEP DOWN SUBSIDIARY COMPANY UNDER EMPLOYEE STOCK OPTIONS SCHEME - 2011

To consider and if thought fit, to pass, with or without modification, the following resolution as a special resolution:

“RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (“the Guidelines”) or any statutory modification(s) or re-enactment of the Act or the Guidelines, the provisions of any other applicable laws and regulations and Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to any applicable approval(s), permission(s) and sanction(s) of any authorities and subject to any condition(s) and modification(s) as may be prescribed or imposed by such authorities while granting such approval(s), permission(s) and sanction(s) and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall include Compensation Committee of the Board) approval be and is hereby accorded to the Board/Committee of Directors to extend the benefits of the “EMPLOYEE STOCK OPTION SCHEME - 2011” to such permanent employees (including joining employees) of the subsidiary companies including step down subsidiary companies whether working in India or out of India and directors of the company whether whole-time directors or otherwise, as may be decided by the Board and / or Committee or such other persons, as may from time to time, be allowed under prevailing laws and regulations on such terms and conditions as may be decided by the Board”.

“Resolved further that the approval be and is hereby accorded for issue and allotment of equity shares equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company to the employees for their outstanding performance / contribution at the time of allotment of options / equity shares”.

“Resolved further that in case Chakkilam Infotech Ltd’s equity share capital or its valuation is affected due to any corporate action like issue of bonus shares/rights issue, stock split, merger, restructuring or any such event happening subsequent to the Grant of option, the Board / Compensation Committee shall have the discretion to make appropriate amendments to the scheme, including changes in the number of options, the Exercise Price or floating a new Scheme / extending the applications of the existing scheme or any other fair and just mechanism including acceleration of Option, if deemed necessary, in accordance with Law, as deems fit, while striving to ensure that the rights of the employees are not adversely affected”.

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/ Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

12. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Ordinary resolution:

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 and read with Schedule XIII and other applicable provisions if any of the Companies Act 1956 as amended, consent of the company be and is hereby accorded for the re-appointment of Sri C.V. Subramanyam as Managing Director for further period of 5 (Five) years with effect from 26th October 2010 on the remuneration as detailed below:”

a. Salary of Rs. 5,000/- per month. This includes dearness allowance and all other allowances not otherwise specified herein.

b. In addition, the Managing Director will be entitled to the following:

- i. Commission: Such percentage of commission (in addition to salary and perquisites hereafter stated) calculated with reference to the net profit of the company in accordance with Section 349 and Section 350 of the Companies Act 1956 for each financial year as may be fixed by the Board of Directors which together with salary and monetary value of perquisites shall not exceed the ceiling laid down under section 309 of the Companies Act 1956.

ii. Perquisites as under:

1. Housing: Rent-free accommodation will be provided to the appointee for whom 10 per cent of the appointee's salary shall be recovered. In case no accommodation is provided by the company, house rent allowance at 60% of the salary shall be paid. In addition, the appointee shall be allowed free use of the company owned furniture and other consumable durables if required.
2. The expenditure incurred by the Appointee on gas, electricity, water and furnishings shall be reimbursed by the company.
3. All medical expenses incurred by the appointee for self and family shall be reimbursed.
4. Leave travel concession for the appointee and his family will be allowed once in a year as may be decided by the Board.
5. Fees of clubs subject to maximum of two clubs. This will not include the admission and life membership fees.
6. Personal Accident, insurance, the premium of which shall not exceed Rs. 10,000/- per annum.
7. Contribution to the Provident fund, Superannuation fund and Annuity fund to the extent the same are not taxable under the Income Tax Act.
8. Provision of Car with driver for use of the Company's Business and Telephone at the residence.

“RESOLVED FURTHER that in pursuance of the provision of Section 198 (4) read with Schedule XIII to the Companies Act, 1956 wherein any financial year the company incurs loss or its profits are inadequate, the salary, perquisites and allowances as specified above be paid as minimum remuneration to Sri. C.V. Subramanyam, Managing Director”

For and on behalf of the Board
CHAKKILAM INFOTECH LIMITED

Place : Hyderabad
Date : 03.09.2011

C.V. SUBRAMANYAM
Managing Director

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 Tuesday 27th September 2011 to Thursday 29th September 2011 (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.
11. As part of Green Initiative in Corporate Governance the Ministry of Corporate Affairs (MCA), Government of India vide its Circular has allowed paperless compliances by Companies inter-alia stating that if the Company sends official documents to their shareholders electronically, it will be in compliance with the provisions of Section 53 of the Companies Act, 1956. Keeping in view shareholders are requested to update their E-Mail ID with their DP.

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 : **Mr. K. Nageswara Rao**
Qualifications : Master in Commerce
Expertise : Experienced in Finance & Accounts
Other Directorships : Nil

For and on behalf of the Board
CHAKKILAM INFOTECH LIMITED

Place : Hyderabad
Date : 03.09.2011

C.V. SUBRAMANYAM
Managing Director

EXPLANATORY STATEMENT

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

Item No. 6 & 7

Increase in Authorised Share Capital

The present authorised share capital of the company is Rs12,00,00,000 divided into 1,20,00,000 equity shares of Rs. 10/- each. The company is proposing to issue further shares on preferential basis to the promoters. Considering the further issue, the Board has approved, subject to the shareholders' approval, an increase in the authorised share capital to Rs. 20,00,00,000 divided into 2,00,00,000 equity shares of Rs.10/- each.

Pursuant to the provisions of Sections 16, 31 and 94 of the Companies Act, 1956, an increase in the authorised share capital of the company and consequent amendments in the capital clause of the Memorandum of Association and Article of Association of the company requires approval of the members.

Approval of the members is, therefore, sought in terms of the said sections.

None of the directors of the company is in any way concerned or interested in the resolution.

Item No. 8.

Issuance of equity shares on preferential basis towards consideration for acquisition of a company outside India, on swap.

The special resolution as mentioned above proposes to authorise the Board of directors to issue up to **58,00,000** equity shares at an issue price of Rs. 18/- each to the promoters to the others.

Information pertaining to the proposed preferential allotment in terms of the Chapter VII of SEBI (ICDR) Regulations, 2009 and subsequent amendments there to are as set out below:

(1) Objects of the issue through preferential offer:

- ❖ **To acquire a company located outside India.**
- ❖ **To consolidate the stake of the promoters,**
- ❖ **To achieve robust inorganic growth.**
- ❖ **To scale up the operations and to reap the benefits of economies of scale.**
- ❖ **To put to use effectively the existing infrastructure.**

A PARAGRAPH ON CHAKKILAM INFOTECH

Chakkilam Infotech Limited has been in the IT services business for the last 13 years providing Software Testing, Software Development Services and Healthcare related services to companies in the US, Europe and India.

Since 2008 the Company have transformed itself into an Independent Testing Services company with capabilities in various forms of software testing like Functional Testing, Performance Testing, Test Automation, Mobile Application Testing and Compatibility Testing.

The company has identified a company namely CIGNITI INC, USA with great potential for achieving inorganic growth because of its strategic location and its presence in the technology sector.

A PARAGRAPH ON CIGNITI INC, USA

Established in the year 2004, Cigniti has grown to be the preferred IT partner for the big players in the industry across various industry verticals. Cigniti has partnered with some of the esteemed clients, helping them meet the new challenges of IT innovations.

Cigniti's Consulting and IT Services groups' target defining, optimizing and aligning with client's business strategy with IT initiatives. Business and technology work hand-in-hand. Cigniti has been able to achieve un-paralleled success by utilizing the same principles in very different scenarios resulting in a customized tailor-made solution for clients' needs.

To secure win-win situation, the company is proposing to acquire a 100% stake in CIGNITI INC, USA which has presence in USA for the quite few years. The acquisition has been valued at Rs. 10.44 crores by M/s. CIL Securites Limited, Hyderabad, Category I - SEBI Registered Merchant Bankers. The said consideration proposed to be paid by equity swap.

After considering the issue price of Rs. 18/- as per SEBI (ICDR), Regulations, 2009, it was decided to issue 58,00,000 equity shares aggregating to a sum of Rs. 10.44 crores.

With this cross border acquisition of a company, the profitability of the company would improve manifold along with the turnover.

(2) Pricing of the issue and Relevant Date

The issue price of the equity shares shall be of Rs. 18/- each is based on the relevant date being 30.08.2011 (30 days prior to the date AGM - 29.09.2011).

For this purpose, the share price quotations available at the BOMBAY STOCK EXCHANGE LIMITED, have been considered. The average of the high and low of the weekly closing prices preceding 6 months and 2 weeks of the relevant date on is Rs.16.58/- and Rs.17.84 -respectively. The minimum issue price shall not be less than the price determined as per the SEBI (ICDR) Regulations, 2009 i.e. Rs.17.84 against which the Company has fixed issue price as Rs. 18/- per equity share which is higher than the minimum price of Rs.17.84 per equity share.

A Certificate has been obtained from the Statutory Auditors of the Company confirming the minimum price for the preferential issue as per Preferential Issue Guidelines 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.

(3) Proposal of the allottees or their associates and relatives, directors / key management persons to subscribe to the offer:

The proposed allottees for preferential issue of 58,00,000 equity shares belong to the promoter group.

(4) Identity of the proposed allottees and percentage of pre and post preferential issue capital that may be held by them:

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 | | Equity Shares proposed to be allotted | Post issue holding | |
|-------------------------------|-------------------|-------------|---------------------------------------|--------------------|-------------|
| | Shares | % of Shares | | Shares | % of Shares |
| PROMOTERS GROUP | | | | | |
| P. Sapna | - | - | 37,69,000 | 37,69,000 | 22.31 |
| K. Kumar Bapuji | - | - | 20,29,000 | 20,29,000 | 12.01 |
| V.V. Sai Prasad | - | - | 1000 | 1000 | 0.01 |
| M. Siva Kumar | - | - | 1000 | 1000 | 0.01 |
| TOTAL | | | 58,00,000 | 58,00,000 | |

(5) Shareholding pattern before and after preferential issue of the capital would be as follows.

| S.No. | CATEGORY | Pre issue holding details | | Post issue holding details* | |
|-------|------------------------------|---------------------------|---------------|--|---------------|
| | | No. of Shares | % to Capital | No. of Shares | % to Shares |
| A | Public Share Holding | | | | |
| 1 | Indian Promoters | 3147200 | 33.69 | A- (existing) 3147200 B- (warrants) 1750000 C- (new allotment) 5800000 | 63.33 |
| 2 | Foreign Promoters | - | - | - | - |
| | Sub-Total (A) | 3147200 | 33.69 | (A+B+C) 10697200* | 63.33 |
| B | Public Share holding | | | | |
| 1 | Institutions | - | - | - | - |
| 2 | Non-Institutions | | | | |
| A | Bodies Corporate | 249517 | 2.67 | 249517 | 1.48 |
| B | Individuals | 4003261 | 42.85 | 4003261 | 23.70 |
| C | Any Others: | | | | |
| | i) NRI's | 1207520 | 12.93 | 1207520 | 7.15 |
| | ii)Overseas Corporate Bodies | 233200 | 2.50 | 233200 | 1.38 |
| | iii)Trusts | 500000 | 5.35 | 500000 | 2.96 |
| D | Clearing Members | 700 | 0.01 | 700 | 0.00 |
| | Sub-Total (B) | 6194198 | 66.31 | 6194198 | 36.67 |
| | Grand Total (A+B) | 9341398 | 100.00 | 17091398 | 100.00 |

*Assuming that 17,50,000 convertible warrants which are due for conversion have been converted into 17,50,000 equity shares. The Company has obtained the consent from the members u/s 81 (1A) of the Companies in the AGM held on 29.09.2010. So far 7,50,000 warrants were converted into equity shares and got listed on the Stock Exchanges out of 25,00,000 warrants issued.

(6) Proposed time within which the allotment shall be completed:

The Board may allot equity shares at a price not being less than Rs. 18/- per equity shares. The allotment of equity shares shall be completed, within a period of 15 days from the date of passing of the resolution by the shareholders 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.

(7) Undertaking of the Issuer :

The Company undertakes to re-compute price of warrants in terms of provisions of SEBI (ICDR) Regulations if required to do so, to comply with the provisions and that if the amount payable on re-computation of price is not paid within the time stipulated in SEBI (ICDR) Regulations equity shares shall continue to be further locked in till the time amount is paid by the allottee.

(8) Approvals

The Company is taking necessary steps to obtain the required approvals from the Stock Exchanges, SEBI, FIPB, RBI or any other regulatory agency as may be applicable, for the proposed preferential issue of equity shares.

(9) SEBI Takeover code

The provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, will be attracted for this issue and therefore proposed allottees accordingly would make an open offer and comply with formalities related to an open offer for this preferential allotment.

(10) Holding of shares in the Demat Account, non disposal of shares by the proposed allottees and lock-in period of shares:

The entire shareholding of the proposed allottees in the company, if any, is held by them in dematerialized form. The entire pre preferential allotment shareholding of such allottees shall be under lock-in from the relevant date up to a period of six months from the date of preferential allotment of equity shares. The shareholders who have sold their shares during the six months period prior to the relevant date shall not be eligible for allotment of equity shares on preferential basis.

(11) Lock-in Period

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

(12) Auditor's Certificate

M/s. P.Murali & Co., Chartered Accountants have given Auditor's Certificate confirming that the proposed issue of equity shares is in accordance with the SEBI (ICDR) Regulations, 2009 is available for inspection up to the date of the Annual General Meeting at the Registered Office of the Company on any working day and also at the place of the meeting on the meeting day.

(13) Control

As a result of the proposed preferential allotment of equity shares, there will be change in the composition of the Board of Directors and accordingly proposed new allottees would shares the management control of the Company as well as positions of the Board.

(14) Compliances

The company has complied with the requirements of listing agreement including clause 40A i.e., maintaining a minimum of 25% of the paid up capital in the hands of public.

(15) Approval under the Companies Act, 1956

Section 81(1A) of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of a Company by a further issue and allotment of shares, such shares shall be first offered to the existing shareholders of the Company in the manner laid down in the said section, unless the shareholders decide otherwise in general meeting by way of special resolution.

Accordingly, the consent of the shareholders is being sought pursuant to the provisions of section 81 and all other applicable provisions of the Companies Act, 1956, SEBI Guidelines or regulations and the provisions of the Listing Agreement with the Stock Exchanges for authorizing the Board to offer, issue and allot equity shares as stated in the resolution, which would result in a further issuance of securities of the Company to the promoters and the others on a preferential allotment basis, in such form, manner and upon such terms and conditions as the Board may in its absolute discretion deem fit.

The Board of Directors recommends the passing of this resolution as a Special Resolution as set out in the Notice.

None of the Directors is concerned or interested in the resolution.

Item No. 9

CHANGE IN NAME OF THE COMPANY

The Board of directors of the company felt a need to change the name of the company with a view to better reflect activities of the business of the company and has approved the change of name of the company from M/s. CHAKKILAM INFOTECH LIMITED to M/s. CIGNITI TECHNOLOGIES LIMITED and accordingly decided to amend the Memorandum and Articles of Association subject to the approval of the members of the company.

Pursuant to the provisions of section 21 of the Companies Act, 1956 Change of name of company requires approval of members. Hence, approval of the members is, therefore, sought in terms of the said sections.

Your directors recommend the Resolution as set out in the item no.9 of the Notice for the approval of the shareholders as Special Resolution.

None of the directors of the company is in any way concerned or interested in the resolution.

Item nos. 10 and 11

The main objective of this scheme is to give employees who are performing well, a certain minimum opportunity to gain from the Company's performance, thereby acting as a retention tool and to attract best talent available in the market. The Employees Stock Option Scheme 2011(The Scheme) will be administered by the Compensation Committee of the Board in terms of the Employee Stock Option Guidelines.

A Special Resolution was also passed for issuing/granting of options to the employees of the subsidiary and step down subsidiary of .Chakkilam Infotech Limited. The Compensation Committee will formulate inter alia the detailed terms and conditions of the Scheme including:

The tranches within which the options are to be granted in accordance with the Eligibility Criteria. The terms and conditions subject to which the options granted would vest in the respective employees. The terms and conditions subject to which the options vested would be exercised by the employees. The right of the employees to Exercise all the options vested in him at one time or at various points of time within the Exercise Period; Conditions under which the options vested in the employees may lapse. The procedure for making fair and reasonable adjustment to the number and options and exercise price in case of any corporate actions, such as rights issues, bonus issues, merger, sale of division and others. In this regard following shall be taken into consideration by the compensation committee:

1. The number and the price of options shall be adjusted in a manner such that total value of the options remains the same after the corporate action. For this purpose global best practice in this area including the procedures followed by the derivative markets in India and abroad shall be considered.
2. The Vesting Period and the life of the options shall be left unaltered as far as possible to protect the rights of the Option holders.
3. The procedure for cashless exercise of options, if any.
4. Obtaining permission from and making periodic reports to regulatory authorities, as may be required and ensuring compliance with all rules and SEBI ESOP Guidelines applicable to the ".CHAKKILAM INFOTECH LIMITED SCHEME - 2011";framing suitable policies and systems to ensure that there is no violation by any person of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992,Securities and Exchange Board of India(Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and any statutory modifications and re-enactments thereof.
5. Framing appropriate procedure for granting, vesting and exercising of options.

SALIENT FEATURES OF CHAKKILAM INFOTECH LTD EMPLOYEES STOCK OPTION SCHEME -2011

(a) The total number of options to be granted:

The total number of options that may in the aggregate, be granted shall be up to 15,00,000 that shall be converted into 15,00,000 fully paid up equity shares of the face value Rs. 10 each of the Company. Any vested option(s) that lapse due to non-exercise or unvested option(s) that do not vest due to any reasons whatsoever would be available for re-grant at a future date.

(b) Identification of classes of employees entitled to participate in EMPLOYEES STOCK OPTIONS SCHEME- 2011

Persons who are “permanent employees” of the Company, subsidiary company and step down subsidiary company including joining employees, as defined in the ESOP Guidelines (including any statutory modification(s) or enactment of the Act or the Guidelines for the time being in force), and as may be decided by the ESOP Compensation Committee, from time to time will be entitled to participate in the Scheme based on annual appraisal process.

An employee who is a promoter or belongs to the promoter group and a director who either by himself or through his relative or through anybody corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the company shall not be eligible to participate in the ESOP scheme.

The options granted under the scheme shall not be renounced, transferred, pledged, hypothecated, mortgaged or otherwise alienated, other than the manner specified in the Scheme.

(c) Requirement of vesting, period of vesting including maximum period within which options shall be vested:

- i). Continuation of employment is the requirement for vesting of Options.
- ii). There shall be a minimum period of one year between the grant of options and vesting of options.
- iii). Vesting of options will commence after a period of 1 year from the date of grant, and may extend up to 5 years from the date of grant.
- iv). The vesting may occur in tranches, subject to the terms and conditions of vesting, as may be stipulated by the ESOP Compensation Committee, in its discretion, and which will include performance appraisal of the employee and achievement of other performance milestones.

(d) Exercise price or pricing formula:

The exercise price for the purpose of grant of options shall be the price as defined in

the SEBI Guidelines/Regulations on the date of grant of options or the price equal to the closing price of the equity shares a day prior to the date of the meeting of the Board of Directors or Compensation Committee, in which the options are granted, on the Stock Exchanges where the equity shares of the company are listed and traded with highest trading volume on the said date or such other price as decided by the ESOP compensation committee which shall not be less than the face value of the equity share of the company.

(e) Exercise Period and the process of Exercise:

The Exercise Period has been defined in the CHAKKILAM INFOTECH EMPLOYEE STOCK OPTIONS SCHEME- 2011 as the period of 4 years from the date of Vesting of the options, within which period the Option Grantee should exercise the options vested in him. The options will be exercisable by the option grantee(s) by a written application to the Company to exercise the options in such manner and on execution of such documents, as may be prescribed by the compensation committee from time to time.

(F) Appraisal process of determining the eligibility of employees to the ESOP, 2011:

The Company has a formal performance appraisal system established wherein the performance of the employee is assessed each year on the basis of various parameters. The appraisal process is reviewed at regular intervals. In determining the number of options to be granted, the Compensation Committee shall consider the following:

1. Performance of the employee
2. Position, seniority and responsibilities of the employee
3. Nature & value of the eligible employee's services & accomplishments, whether direct or indirect, to the company.
4. The employee's present and potential contribution to the success of the company or its Subsidiary or Holding Company.
5. Gap in compensation package as per market, if any.
6. Such other factors as the compensation committee may deem relevant

(g) Maximum number of options to be issued per employees and in the aggregate:

- i) The maximum number of options granted to Eligible Employees will depend upon the Rank/ designation of the employee as on the date of grant of options.
- ii) The ESOP Committee shall decide on the number of options to be granted to each Employee within the limit.

(h) Accounting Policies:

The company will conform to the accounting policies specified in Clause 13.1 of the ESOP Guidelines and/or such other guidelines as may be applicable from time to time.

(i) Method of Valuation:

The Company shall use the intrinsic value method prescribed under the ESOP Guidelines to value its options. In case the company calculates the employees compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Director's Report and also the impact of this difference on profits and on EPS of the company shall be disclosed in the Director's Report. The Company shall disclose in it's Directors' Report, the difference between the employee compensation cost computed using the intrinsic method of valuation of options and the employee compensation cost that shall have been recognized if it had used the fair value of the options and also the impact of this difference on profits and the EPS (Earning Per Share) of the Company.

Resolution

Your Directors recommend the resolution as set out in Item Nos.10 and 11 for the approval of the members as Special Resolutions. None of the Directors is concerned or interested in the resolution apart from the Directors of the Company who may be deemed to be interested in this resolution to the extent of their entitlement of shares under the Scheme.

Item No. 12

The Board of Directors feel that for efficient running of the company, the services of Sri. C.V. Subramanyam are required. Sri C.V. Subramanyam was re-appointed as Managing Director by Board of Directors at the Board Meeting held on 26th October 2010 for a further period of 5 years with effect from 26th October 2010, as per terms and conditions as set out in resolution.

The Board recommends the resolution to shareholders for approval.

The Explanatory statement together with the accompanying notice may be treated as an abstract of the terms of remuneration payable to Sri. C.V. Subramanyam pursuant to section 302 of the Companies Act 1956.

In addition to Sri. C.V. Subramanyam, Sri. C. Sudhakar being his relative is interested in this Resolution, no other Director is directly or indirectly concerned or interested in the resolution.

DIRECTORS REPORT

Dear Members

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31st March, 2011.

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:

| | Rs. in Lakhs | |
|---|---------------------|----------------|
| Particulars | 2010-11 | 2009-10 |
| Income from Operations | 758.79 | 505.59 |
| Profit before depreciation and Tax | 130.15 | 133.21 |
| Depreciation | 100.85 | 123.44 |
| Profit before Tax | 29.30 | 9.77 |
| Provision for Tax | 7.93 | 7.82 |
| Profit after Tax | 21.37 | 1.95 |
| Profit brought forward | 269.62 | 263.59 |
| Profit carried forward to Balance sheet | 289.87 | 269.62 |

REVIEW AND PROSPECTS

The total revenue of the Company for the financial year ended 31st March, 2011 is Rs 758.79 Lakhs as compared to the previous year's total revenue of Rs 505.59 Lakhs. During this financial year the Company has recorded a net profit of Rs. 21.37 Lakhs as against the previous year's net profit of Rs1.95 Lakhs.

1. Current Scenario

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

Chakkilam has increased its focus on Software Testing and aims to be India's largest independent Testing Services company in the next few years.

We aim to increase our revenues multifold by looking at relevant acquisitions that will allow us access to new geographies in the US as well as add capabilities to help us become the premier testing services company in the country.

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 Nageswara Rao and Mr. B. Srinivasa Rao and P. Vikram, whose period of office determined by retirement by rotation at the ensuing Annual General Meeting. Mr.B. Srinivasa Rao and Mr. P. Vikram have not opted for reappointment while Mr. K. Nageswara Rao have expressed his willingness for re-appointment.

During the period under review, Dr. Venkat R. Yerapragada and Mr. D. Suresh ceased to be the Directors of the Company.

SHARE CAPITAL

ALLOTMENT OF EQUITY SHARES ON CONVERSION OF WARRANTS:

The Company had allotted 25,00,000 share warrants to promoter / promoter group in the Board Meeting held on 26th October 2010. These warrants are convertible into equal numbers of equity shares at the option of the warrant holder within 18 months from the date of the allotment. Out of the total warrants, Mr. C Srikanth exercised the option to convert 7,50,000 share warrants into equal number of equity shares. Accordingly, the Board of the Company in its meeting held on 30th October 2010 allotted 7,50,000 equity shares and pursuant to this allotment the paid-up capital of the company has been increased accordingly.

DEMAT SUSPENSE ACCOUNT UNCLAIMED SHARES

As on 31st March 2011, Nil Equity Shares of Nil Shareholders were lying in the Escrow Account due to non-availability of the correct particulars. Despite the three reminders having been sent at the address given in the Application form as well as captured in depositories database, by the Registrars to the Issue, viz., M/s. Aarathi Consultants Pvt. Ltd., no response has been received. As a result, it is proposed to credit the said unclaimed shares to the Company's Demat Suspense Account and the same shall be held by the Company purely on behalf of the allottees who are entitled for the shares in such account, in view of the compliance of the provisions of Clause 5A of the Listing Agreement.

CORPORATE GOVERNANCE / MANAGEMENT DISCUSSION AND ANALYSIS

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, 2011, 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 2011 and of the profit of the company for the financial year ended 31st March 2011.
- 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, 2011 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.

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

During the period under review, the company's Equity Shares are also admitted on Madras Stock Exchange Limited, Chennai and Company's present Equity shares are listed in Bombay Stock Exchange Limited, Bangalore Stock Exchange and Madras Stock Exchange, and the Company has paid the Listing Fees to the Stock Exchanges for the Financial Year 2011-12.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation for the continued co-operation and support by the Banks, Financial Institutions, 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.

For and on behalf of the Board
CHAKKILAM INFOTECH LIMITED

Place : Hyderabad
Date : 03.09.2011

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 DEVELOPMENT:**Software Testing Market**

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.

2. OPPORTUNITIES AND 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 remained stable during the last one year. The heartening thing to note is that the mid sized companies have grown faster than the top 20 and this augurs well for us. Chakkilam has also managed to grow its testing services faster than the average industry growth rate and hopes to continue the momentum going forward.

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 6 Directors with an Executive Chairman on its Board. Out of Six (6) Directors, Four (4) 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, 2011.

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 |

* Ceases to be Director w.e.f 29.09.2010

- 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 2010 - 11 the Board of Directors met 7 times on the following dates:

30.04.2010, 30.07.2010, 02.09.2010, 26.10.2010, 30.10.2010, 20.01.2011 and on 14.02.2011,

- 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, 2010.

| Name of the Director | No. of Board Meetings attended | Whether attended the last AGM |
|----------------------|--------------------------------|-------------------------------|
| Mr. C.V. Subramanyam | 7 | Yes |
| Mr. C. Sudhakar | 7 | Yes |
| Mr. P. Vikram | 0 | No |
| Mr. B. Srinivasa Rao | 7 | Yes |
| Mr. K. Ch. Subba Rao | 7 | Yes |
| Mr. K. Nageswara Rao | 7 | 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.

- ◆ 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 2010 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

The Company has constituted an Audit Committee comprising of the following three Non-Executive Independent Directors.

| S.No. | Name of the Director | Designation | Nature of Directorship |
|-------|----------------------|-------------|--------------------------------------|
| 1 | Mr. B. Srinivasa Rao | Chairman | Non-Executive & Independent Director |
| 2 | Mr. K. Ch. Subba 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: 30.04.2010, 30.07.2010, 02.09.2010, 30.10.2010, and on 14.02.2011,

The necessary quorum was present at all the meetings.

Attendance during the year 2010-11:

| 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. B. Srinivasa Rao | Chairman | Non-Executive & Independent Director |
| 2 | Mr. K. Ch. Subba 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, 2011 to the Managing Director is as under:

| Name of the Director | Designation | Salary 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. B. Srinivasa Rao | Chairperson | Non-Executive & Independent Director |
| 2 | Mr. K. Ch. Subba 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 |
|---------------------|------------|----------|---|--|
| 12th AGM 2009-10 | 29-09-2010 | 10-00 AM | Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally, Hyderabad - 500 044. | Resolved to issue 25,00,000 warrnts to promoter and promoter group |
| 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 |

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.

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) Thirteenth Annual General Meeting

Date and Time : 29.09.2011, at 11.00 A.M

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

b) Financial Calendar 2011-12 (Tentative Schedule)

For the Quarter ended 30th June, 2011, the Company has already declared the Unaudited Financial Results on August 05, 2011.

Adoption of Quarterly results for the Quarter ending

◆ 30th September, 2011 : 1st/2nd Week of November, 2011

◆ 31st December, 2011 : 1st/2nd Week of February, 2012

◆ 31st March, 2012 : on or before 15th May 2012

Annual General Meeting (Next year) : August / September, 2012

c) Book Closure Date : 27st September, 2011 to 29th
September, 2011 (both days inclusive)

d) Listing on Stock Exchanges : Bombay Stock Exchange Ltd
Bangalore Stock Exchange Ltd
Madras 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.

Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers, 28th Floor
Dalal Street, Mumbai - 400 023.

F) Stock Market Data

The monthly high / low prices of shares of the Company from April, 2010 to March, 2011 quoted at Bombay Stock Exchange:

Scrip Code: 590089 Company Name: CHAKKILAM For the period: April 2010 to March 2011

| Date | High (Rs.) | Low (Rs.) | No. of Shares |
|----------|------------|-----------|---------------|
| Apr 2010 | 10.01 | 5.38 | 1,29,049 |
| May 2010 | 10.43 | 6.73 | 55,010 |
| Jun 2010 | 9.35 | 6.65 | 29,338 |
| Jul 2010 | 8.25 | 6.40 | 22,897 |
| Aug 2010 | 8.45 | 6.18 | 29,028 |
| Sep 2010 | 15.95 | 7.27 | 4,65,079 |
| Oct 2010 | 15.50 | 12.36 | 96,334 |
| Nov 2010 | 28.71 | 14.00 | 2,54,410 |
| Dec 2010 | 22.30 | 11.65 | 71,623 |
| Jan 2011 | 17.50 | 12.25 | 46,495 |
| Feb 2011 | 13.45 | 10.40 | 27,204 |
| Mar 2011 | 14.16 | 9.10 | 41,305 |

g) Share 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 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.

11. (A) Shareholding pattern as on 31.03.2011

| Category Code | Category of Shareholder | Total Number of shares | % of share holding | 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 | 1965700 | 21.04 | 0 | 0 |
| b. | Central Government/State Government(s) | 0 | 0 | 0 | 0 |
| c. | Bodies Corporate | 1480000 | 15.84 | 0 | 0 |
| d. | Financial Institutions/Banks | 0 | 0 | 0 | 0 |
| | Others :- | | | | |
| e. | Mutual Funds | 0 | 0 | 0 | 0 |
| f. | Trusts | 500000 | 5.35 | 0 | 0 |
| | Sub Total (A) (1) | 3945700 | 42.24 | 0 | 0 |
| (2) | Foreign | | | | |
| a. | Individuals (Non Resident Individuals/Foreign Individuals) | 0 | 0 | 0 | 0 |
| b. | Bodies Corporate | 233200 | 2.50 | 0 | 0 |
| c. | Institutions | 0 | 0 | 0 | 0 |
| | Others :- | | | | |
| d. | Overseas Corporate Bodies | 0 | 0 | 0 | 0 |
| | Sub Total (A) (2) | 233200 | 2.50 | 0 | 0 |
| | Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2) | 4178900 | 44.74 | 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 |

| 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 | 196208 | 2.10 | 0 | 0 |
| b. | Individuals | | | | |
| | i) Individual shareholders holding nominal share capital upto Rs.1 lakh | 1280732 | 13.71 | 0 | 0 |
| | ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh | 2474027 | 26.48 | 0 | 0 |
| c. | Any Others :- | | | | |
| | i) Non Resident Individuals | 1207520 | 12.93 | 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 | 4011 | 0.04 | 0 | 0 |
| | vi) Foreign Nationals | 0 | 0 | 0 | 0 |
| | Sub Total (B)(2) | 5162498 | 55.26 | 0 | 0 |
| | Total Public Shareholding (B)=(B)(1)+(B)(2) | 5162498 | 55.26 | 0 | 0 |
| | Total (A)+(B) | 9341398 | 100.00 | 0 | 0 |
| (C) | Shares held by Custodians and against Depository Receipts have been Issued | 0 | 0 | 0 | 0 |
| | Grand Total (A)+(B)+(C) | 9341398 | 100.00 | 0 | 0 |

(B) Distribution of Shareholding as on 31.03.2011

| Range (Rs.) | No. of Shareholders | % of Total Shareholders | No. of Shares | % of Total Shareholding |
|----------------|---------------------|-------------------------|----------------|-------------------------|
| Upto - 5000 | 425 | 45 | 68416 | 0.73 |
| 5001 - 10000 | 99 | 10 | 88404 | 0.95 |
| 10001 - 20000 | 69 | 7 | 117902 | 1.26 |
| 20001 - 30000 | 121 | 13 | 312112 | 3.34 |
| 30001 - 40000 | 28 | 3 | 105822 | 1.13 |
| 40001 - 50000 | 78 | 8 | 376676 | 4.03 |
| 50001 - 100000 | 52 | 5 | 446707 | 4.78 |
| 100001 & Above | 80 | 8 | 7825359 | 83.77 |
| Total | 952 | 100 | 9341398 | 100.00 |

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 | 28,72,149 | 31.82 |
| CDSL | 12,95,774 | 13.87 |
| PHYSICAL | 50,73,475 | 54.31 |
| Total | 93,41,398 | 100.00 |

13. Address for Correspondence

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

Share Transfer Agent : Aarthi Consultants Pvt. Ltd.
Unit: Chakkilam Infotech Ltd.
1-2-285, Domalguda, Hyderabad-500 029.
Tel: (040) 27642217/27638111
Fax: (040) 27632184
Email: info@aarthiconsultants.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 2010-11

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 2010-11.

Place : Hyderabad

Date : 03.09.2011

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 2010-11 is provided elsewhere in this Annual Report.

For and on behalf of the Board
CHAKKILAM INFOTECH LIMITED

Place : Hyderabad

Date : 03.09.2011

C.V. SUBRAMANYAM

Managing Director

C. SUDHAKAR

Director

**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 2011 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 : 03.09.2011

C.V. SUBRAMANYAM
Managing Director

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
Chakkilam Infotech Ltd
Hyderabad.

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance condition of corporate governance of Chakkilam Infotech Limited ("the company") for the year ended 31st March, 2011 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges.

The compliance of the conditions of the corporate governance is the responsibility of the management. Our examination, conducted in the manner described in the Guidance note on "Certification of Corporate Governance" issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

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

for **P. MURALI & CO.,**
Chartered Accountants

Place : Hyderabad
Date : 03.09.2011

P. MURALI MOHANA RAO
Partner

AUDITOR'S REPORT

To
The Members,
CHAKKILAM INFOTECH LIMITED

We have audited the attached Balance Sheet of CHAKKILAM INFOTECH LIMITED as at 31st March, 2011 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 ;

- (v) On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 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, 2011;
- 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 : 03.09.2011

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.

- 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.

- 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 : 03.09.2011

BALANCE SHEET AS AT 31ST MARCH, 2011

| PARTICULARS | Schedule No. | As at 31-03-2011 (Rupees) | As at 31-03-2010 (Rupees) |
|--|--------------|---------------------------|---------------------------|
| SOURCES OF FUNDS | | | |
| 1. SHARE HOLDERS' FUND | | | |
| a. Share Capital | 1 | 93,413,980 | 85,913,980 |
| b. Equity Share Warrants | 2 | 4,375,000 | - |
| c. Reserves and Surplus | 3 | 32,354,716 | 30,452,100 |
| 2. LOAN FUNDS | | | |
| a. Secured Loan | 4 | 22,833,539 | 19,360,055 |
| b. Unsecured Loan | | 200,000 | 1,150,000 |
| 3. DEFERRED INCOME TAX LIABILITY | | 7,838,335 | 7,726,044 |
| TOTAL | | 161,015,570 | 144,602,179 |
| APPLICATION OF FUNDS | | | |
| 1. FIXED ASSETS | 5 | | |
| a. Gross Block | | 143,968,223 | 129,682,867 |
| b. Less: Depreciation | | 82,305,656 | 72,220,891 |
| c. Net Block | | 61,662,567 | 57,461,976 |
| d. Capital Work-in-progress | | 35,116,610 | 35,116,610 |
| 2. CURRENT ASSETS, LOANS & ADVANCES | | | |
| a. Receivables | 6 | 24,276,102 | 20,756,435 |
| b. Cash & Bank Balances | 7 | 8,289,236 | 5,030,448 |
| c. Loans & Advances | 8 | 37,437,066 | 31,545,912 |
| Less: Current Liabilities & Provisions | 9 | 6,003,705 | 5,668,022 |
| NET CURRENT ASSETS | | 63,998,699 | 51,664,773 |
| 3. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) | | 237,694 | 358,820 |
| TOTAL | | 161,015,570 | 144,602,179 |
| NOTES TO ACCOUNTS | 11 | | |

AS PER OUR REPORT OF EVEN DATE

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

P. MURALI MOHANA RAO
Partner

Membership No. 23412

PLACE : HYDERABAD

DATE : 03-09-2011

For and on behalf of the Board
CHAKKILAM INFOTECH LIMITED

C.V. SUBRAMANYAM
Managing Director

C.SUDHAKAR
Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31ST MARCH, 2011**

| PARTICULARS | Schedule No. | Ended 31-03-2011 (Rupees) | Ended 31-03-2010 (Rupees) |
|--|-----------------|---------------------------------|---------------------------------|
| 1 INCOME | | | |
| Income from Operations | | 75,878,845 | 50,558,955 |
| TOTAL | | 75,878,845 | 50,558,955 |
| 2 EXPENDITURE | | | |
| Operating & Administrative Expenses | 10 | 60,398,095 | 35,121,239 |
| Interest & Bank Charges | | 2,344,522 | 1,995,806 |
| Depreciation | | 10,084,765 | 12,343,810 |
| Preliminary Expenses w/o | | 1,140 | 1,140 |
| Public Issue Expenses w/o | | 119,986 | 119,986 |
| TOTAL | | 72,948,508 | 49,581,981 |
| 3 PROFIT BEFORE TAX | | 2,930,337 | 976,975 |
| 4 PROVISION FOR TAXATION | | 915,430 | 782,040 |
| 5 DEFERRED INCOME TAX LIABILITY FOR THE YEAR | | 112,291 | (407,716) |
| 6 PROFIT AFTER DEFERRED INCOME TAX LIABILITY | | 19,02,616 | 602,650 |
| 7 BALANCE BROUGHT FORWARD | | 26,962,100 | 26,359,450 |
| 8 BALANCE CARRIED FORWARD | | 28,864,716 | 26,962,100 |
| BASIC EARNING PER SHARE | | 0.20 | 0.07 |
| NOTES TO ACCOUNTS | 11 | | |

AS PER OUR REPORT OF EVEN DATE

For and on behalf of the Board
CHAKKILAM INFOTECH LIMITED

**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 : 03-09-2011

**SCHEDULE - 1
SHARE CAPITAL**

| PARTICULARS | As at 31-03-2011 (Rupees) | As at 31-03-2010 (Rupees) |
|---|---------------------------------|---------------------------------|
| AUTHORISED : | | |
| 12,000,000 Equity Shares of Rs.10/-Each | 120,000,000 | 120,000,000 |
| ISSUED,SUBSCRIBED & PAID-UP : | | |
| 9,341,398 Equity Shares of Rs.10/-Each | 93,413,980 | - |
| Previous Year | | |
| 85,91,398 Equity Shares of Rs.10/-Each | - | 85,913,980 |
| | 93,413,980 | 85,913,980 |

**SCHEDULE - 2
SHARE WARRANTS**

| PARTICULARS | As at 31-03-2011 (Rupees) | As at 31-03-2010 (Rupees) |
|--|---------------------------------|---------------------------------|
| 1750000 Partly paid Share warrents of Rs. 10/- each to be converted into Equity Share of Rs. 10/- | 4,375,000 | - |
| | 4,375,000 | - |

**SCHEDULE - 3
RESERVES & SURPLUS SHARE CAPITAL**

| PARTICULARS | As at 31-03-2011 (Rupees) | As at 31-03-2010 (Rupees) |
|--|---------------------------------|---------------------------------|
| Investment Subsidy | 1,250,000 | 1,250,000 |
| Capital Reserve (Forfeiture of Shares) | 2,240,000 | 2,240,000 |
| Surplus in Profit & Loss Account | 28,864,716 | 26,962,100 |
| | 32,354,716 | 30,452,100 |

**SCHEDULE - 4
SECURED LOANS**

| PARTICULARS | As at 31-03-2011 (Rupees) | As at 31-03-2010 (Rupees) |
|--------------------------------------|---------------------------------|---------------------------------|
| Term Loan from APSFC | - | 360.055 |
| Corporate Loan from APSFC | 4,473,539 | 1,598,530 |
| Privileged Customer Loan from APSFC | 8,360,000 | 10,000,000 |
| Working Capital Term Loan from APSFC | 10,000,000 | - |
| | 22,833,539 | 19,360,055 |

**SCHEDULE - 5
FIXED ASSETS**

(SLM METHOD)

| PARTICULARS | GROSS BLOCK AS ON 01-04-2010 | ADDITIONS | GROSS BLOCK AS ON 31-03-2011 | DEPRECI- TION AS ON 31-03-2010 | DEPRECI- TION FOR THE YEAR | DEPRECI- TION 31-03-2011 | NET BLOCK AS ON 31-03-2011 | NET BLOCK AS ON 31-03-2010 |
|-------------------------|---|-------------------|---|---|---|---|---|---|
| Buildings | 25,526,560 | | 25,526,560 | 1,970,994 | 852,587 | 2,823,581 | 22,702,979 | 23,555,566 |
| Computers | 65,823,912 | 14285356 | 80,109,268 | 54,072,283 | 7,009,885 | 61,082,168 | 19,027,100 | 11,751,629 |
| Furniture & Fixtures | 9,028,847 | | 9,028,847 | 4,553,423 | 571,526 | 5,124,949 | 3,903,898 | 4,475,424 |
| Interiors & Civil works | 16,382,811 | | 16,382,811 | 6,845,791 | 1,037,032 | 7,882,823 | 8,499,988 | 9,537,020 |
| Air Conditioners | 5,503,921 | | 5,503,921 | 2,312,795 | 261,436 | 2,574,231 | 2,929,690 | 3,191,126 |
| Misc.fixed Assets | 7,416,816 | | 7,416,816 | 2,465,605 | 352,299 | 2,817,904 | 4,598,912 | 4,951,211 |
| TOTAL | 129,682,867 | 14,285,356 | 143,968,223 | 72,220,891 | 10,084,765 | 82,305,656 | 61,662,567 | 57,461,976 |

**SCHEDULE - 6
SUNDRY DEBTORS**

| PARTICULARS | As at 31-03-2011 (Rupees) | As at 31-03-2010 (Rupees) |
|--|---------------------------------|---------------------------------|
| a. Debts exceeding over a period of 6 months | - | - |
| b. Other debts | 24,276,102 | 20,756,435 |
| | 24,276,102 | 20,756,435 |

**SCHEDULE - 7
CASH & BANK BALANCES**

| PARTICULARS | As at 31-03-2011 (Rupees) | As at 31-03-2010 (Rupees) |
|------------------------|---------------------------------|---------------------------------|
| Cash in hand | 45,648 | 61,064 |
| Cash at Schedule Banks | 8,243,588 | 4,969,384 |
| | 8,289,236 | 5,030,488 |

**SCHEDULE - 8
LOANS & ADVANCES**

| PARTICULARS | As at 31-03-2010 (Rupees) | As at 31-03-2009 (Rupees) |
|-------------|---------------------------------|---------------------------------|
| Advances | 32,070,966 | 26,179,812 |
| ESOPs Trust | 5,000,000 | 5,000,000 |
| Deposits | 366,100 | 366,100 |
| | 37,437,066 | 31,545,912 |

**SCHEDULE - 9
CURRENT LIABILITIES & PROVISIONS**

| PARTICULARS | As at 31-03-2011 (Rupees) | As at 31-03-2010 (Rupees) |
|-----------------------------------|---------------------------------|---------------------------------|
| Sundry Creditors | 370,356 | 598,337 |
| Outstanding Expenses & Provisions | 5,633,349 | 5069,685 |
| | 6,003,705 | 5,668,022 |

**SCHEDULE - 10
OPERATING & ADMINISTRATIVE EXPENSES**

| PARTICULARS | As at 31-03-2011 (Rupees) | As at 31-03-2010 (Rupees) |
|---------------------------------|---------------------------------|---------------------------------|
| Salaries & Others | 40,179,768 | 22,311,546 |
| Office & Other Maintenance | 4,148,273 | 2,625,262 |
| Power & Fuel | 1,873,109 | 1,668,486 |
| Rent, Rates & Taxes | 3,384,253 | 2,177,459 |
| Business Promotion Expenses | 5,892,773 | 2,516,290 |
| Postage, Telegrams & Telephones | 1,124,771 | 879,391 |
| Travelling & Conveyance | 2,939,174 | 2,208,953 |
| Printing & Stationery | 825,974 | 703,852 |
| Auditor's Remuneration | 30,000 | 30,000 |
| | 60,398,095 | 35,121,239 |

SCHEDULE - 11
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.

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.

Retirement Benefits :

Company makes monthly contribution to the Employees Provident Fund and Pension Fund under the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952. Company provides for accrued liability in respect of gratuity on actuarial valuation.

Borrowing Costs :

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are treated as a period cost and are expensed in the year of occurrence.

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.

- 2 The Company had allotted 25,00,000 share warrants to promoter / promoter group in the Board Meeting held on 26th October 2010. These warrants are convertible into equal numbers of equity shares at the option of the warrant holder within 18 months from the date of the allotment. Out of the total warrants, Mr.C Srikanth exercised the option to convert 7,50,000 share warrants into equal number of equity shares. Accordingly, the Board of the Company in its meeting held on 30th October 2010 allotted 7,50,000 equity shares and pursuant to this allotment the paid-up capital of the company has been increased accordingly.

NIL

| | | |
|-----------------------------|---------------------------|---------------------------|
| 3 Director's Remuneration : | <u>Current Year (Rs.)</u> | <u>PreviousYear (Rs.)</u> |
| | 60,000/- | 60,000/- |

| | | |
|----------------------------|---------------------------|----------------------------|
| 4 Auditor's Remuneration : | <u>Current Year (Rs.)</u> | <u>Previous Year (Rs.)</u> |
| Audit Fee | 30,000/- | 30,000/- |

- 5 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.

- 6 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 | 4,88,56,105/- | 2,77,00,101/- |

- 7 There are no dues to SSI Units outstanding for more than 30 days.
- 8 No confirmations were obtained from debtors/creditors as to the balances receivable from/payable to them as at year end.
- 9 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.112291/-) towards deferred income tax Liability. (Previous year Rs. 4,07,716/- towards deferred income tax Liability).
- 10 The term loan from Andhra Pradesh State Financial Corporation is secured by:
- i) Equitable mortgage of freehold interest in commercial Space.
 - ii) Hypothecation of Plant & Machinery / equipment existing and all other future acquisitions of fixed assets in nature.
 - iii) Personal guarantee of promoter directors of the company.

11. Employee Benefits (AS-15)

The Company has made provision based on actuarial valuation in respect of Gratuity as per AS-15. The details are as follows.

| Particulars | 31.03.2011 (Rs.) | 31.03.2010 (Rs.) |
|-------------|---------------------|---------------------|
| Gratuity | 3,95,611 | 1,50,433 |

12. Earnings Per Share (EPS) (AS-20)

Calculation of EPS

| | (Rs. In Lakhs) | |
|---|----------------|---------|
| | 2010-11 | 2009-10 |
| Profit after tax during the year (Rs.) | 1902616 | 602650 |
| Earnings available to Equity Shareholders for Basic & Diluted EPS (Rs.) | 1902616 | 602650 |
| Weighted Average Number of Shares taken for Computation of EPS | 8905782 | 8591398 |
| Earning per Share : | | |
| -Basic | 0.21 | 0.07 |
| -Diluted | 0.18 | 0.07 |
| Face Value of the Share | 10.00 | 10.00 |

13. Previous year figures have been regrouped wherever necessary

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

SIGNATURES TO SCHEDULES 1 To 11

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

C.V. SUBRAMANYAM
MANAGING DIRECTOR

C. SUDHAKAR
DIRECTOR

PLACE : HYDERABAD
DATE : 03-09-2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2011.

| | (Rs. in lakhs) Current Year | (Rs. in lakhs) Previous Year |
|---|--------------------------------|---------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net profit before taxation, and extraordinary Items | 29.30 | 9.77 |
| Adjustments for: | | |
| Depreciation | 100.85 | 123.44 |
| Interest expenses | 23.45 | 19.96 |
| Written off Expenses | 1.21 | 1.21 |
| Operating Profit before working capital changes | 154.81 | 154.38 |
| Trade and other receivables | (94.11) | 48.39 |
| Trade payables | (5.79) | (90.96) |
| Cash generated from operations | 54.91 | 111.81 |
| Interest paid | (23.45) | (19.87) |
| NET CASH FLOW OPERATING ACTIVITIES | 31.46 | 91.94 |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Purchase of Fixed Assets including Capital Work-in-progress | (142.85) | (114.71) |
| NET CASH USED IN INVESTING ACTIVITIES | (142.85) | (114.71) |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Proceeds from Issue of Share Capital | 75.00 | 0 |
| Proceeds from Issue of Share Warrants | 43.75 | 0 |
| Proceeds from Secured Loan | 34.73 | 71.02 |
| Proceeds from Unsecured Loan | (9.50) | 0 |
| NET CASH USED IN FINANCING ACTIVITIES | 143.98 | 71.02 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 32.59 | 48.25 |
| Cash and Cash equivalents as at (Opening Balance) 01-04-2010 | 50.30 | 2.05 |
| Cash and Cash equivalents as at (Closing Balance) 31-03-2011 | 82.89 | 50.30 |

For and on behalf of the Board
CHAKKILAM INFOTECH LIMITED

Place : Hyderabad
Date : 03.09.2011

C.V. SUBRAMANYAM
MANAGING DIRECTOR

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, 2011. 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 of 31-03-2011 to the member of the Company.

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

Place : Hyderabad
Date : 03.09.2011

P. MURALI MOHANA RAO
PARTNER

Dear Shareholder(s),

Sub: Request for registration of e-mail ID under “Green Initiative” issued by Ministry of Corporate Affairs, Govt. of India.

- 1) Ministry of Corporate Affairs, Government of India (MCA) has issued a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the Companies, stating that the service of notice / document by a company to its shareholders can be made through electronic mode, vide circular nos. 17/2011 dt.21.04.2011 & 18/2011 dt. 29.04.2011. For full text of the said circulars, please refer to MCA’s website www.mca.gov.in. The said Circulars inter-alia stipulates that the Companies have to obtain e-mail address by giving an opportunity to every shareholder to register their e-mail address and changes therein from time to time with the Company or Depository Participant (DP).
- 2) In view of the above, your company proposes to send Annual Reports (Audited Financial Statements, Directors Report, Auditors Report, etc.,) and also other documents including Notice of the Annual General Meeting, henceforth to the shareholders in electronic mode. Accordingly, an opportunity is given to you to register your e-mail address to receive the notice/ document in electronic mode as under:

| | | |
|--------------------------------|---|--|
| Shares held in Electronic Mode | If Email ID is already registered with DP | Please inform changes, if any therein to DP and also update the same. |
| | If Email ID is not registered | Please register Email ID with DP immediately. |
| Shares held in Physical Mode | If Email ID is already registered | Please inform changes, if any therein to Share Transfer Agent (STA) and also update the same |
| | If Email ID is not registered | Please register immediately with Share Transfer Agent (STA) |

- 3) In case, you are interested in receiving the notices / documents in physical form only, irrespective of your shareholding in demat or physical, please inform to our STA at the addresses given below:

| | | |
|---|----|---|
| <p>M/s. Aarathi Consultants Pvt. Ltd Unit: Chakkilam infotech Limited 1-2-285, Domalguda, Hyderabad - 500 029. Tel: (040) 27642217/27638111 Fax: (040) 27632184 Email: info@aarthiconsultants.com</p> | OR | <p>Click Button on “Green Initiative” on website www.aarthiconsultants.com</p> |
|---|----|---|

- 4) Please note that the e-mail address indicated in your DP account, with depositories viz. NSDL/CDSL and e-mail address received by our STA will be deemed to be your registered email address for serving notices/documents etc., including those covered under Section 219 of the Companies Act, 1956, (the Act) read with section 53 of the Act.
- 5) Further, the documents electronically sent to you, would be displayed on our website www.chakkilaminc.com well in advance for your ready reference and an advertisement would be issued in newspapers to this effect for information of the shareholders.
- 6) This move by the Ministry is welcome initiative, since it will benefit the society at large through reduction in paper consumption and contribution towards a Green Environment. It will also ensure prompt receipt of communication and avoid loss in postal transit.
- 7) We are sure you would appreciate the “Green Initiative” undertaken by MCA and your company’s desire to participate in such initiatives. We are also sure that you would join hands with the Company in complying “Green Initiative” by registering/ updating your e-mail address with concerned depository including dividend mandate/ECS and change of address, if any for prompt receipt of communications/dividend and avoid loss in postal transit.

Yours faithfully
For Chakkilam Infotech Limited

C.V. SUBRAMANYAM
Managing Director

CHAKKILAM INFOTECH LIMITED

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

PROXY FORM

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

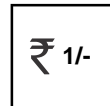
I/We.....of..... in the district ofbeing a member/members of the above named company, hereby appoint Mr./Ms..... in the district of

.....as my/our proxy to attend and vote for me/us on my our behalf at the **Thirteenth Annual General Meeting** of the Company to be held on Thursday, the 29th day of September, 2011 at 11.00 A.M at Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally, Hyderabad - 500 044. and at any adjournment thereof.

Signed this.....day of.....2011.

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.
 - c. 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,
Punjugutta, Hyderabad - 500 082

ATTENDANCE SLIP

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

No. of Shares held

I hereby record my presence at the **Thirteenth Annual General Meeting** of the Company to be held on Thursday, the 29th day of September, 2011 at 11.00 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.

PRINTED MATTER
BOOK-POST

If Undelivered, Please return to :
Aarathi Consultants Pvt. Ltd.
(Unit : Chakkilam Infotech Ltd.)
1-2-285, Domalguda, Hyderabad-29.