ANNUAL REPORT 2006 – 2007

at home around the world

The critical challenge, in today's world, is to innovate by learning from the world. Sasken believes in identifying pockets of knowledge globally. Over the years we have spread to destinations across the world, complementing or adding to our knowledge pool. We are "at home around the world" and that forms the theme of this year's annual report.

The theme is brought to life by Kenny, the character who forms the face of Sasken. In the following pages, Kenny embraces the cultures that Sasken finds itself a part of, celebrating global diversity.

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Board of Directors

Mr. Rajiv C Mody	Chairman and Managing Director
Dr. G. Venkatesh	Whole-time Director
Mr. Krishna J Jhaveri	Whole-time Director
Dr. Ashok Jhunjhunwala	Director
Mr. Bansi S Mehta	Director
Mr. J.B. Mody	Director
Prof. J. Ramachandran	Director
Mr. Pranabh D Mody	Director
Mr. Sanjay M Shah	Director
Mr. Vinod K Dham	Director
Mr. Shirish B Mody	Alternate Director to Mr. J.B. Mody

Committees of the Board

Audit Committee

Mr. Bansi S Mehta	Chairman
Prof. J. Ramachandran	Member
Dr. Ashok Jhunjhunwala	Member
Mr. Pranabh D Mody	Member

Compensation Committee

Prof. J. Ramachandran	Chairman
Dr. Ashok Jhunjhunwala	Member
Mr. Vinod K Dham	Member

Share Transfer and Investor Grievance Committee

Prof. J. Ramachandran	Chairman
Mr. Rajiv C Mody	Member
Dr. G. Venkatesh	Member

Enterprise Management and Governance Leadership Team

Mr. Rajiv C Mody	Chairman and Chief Executive Officer
Mr. Kannankote Srikanth	President and Chief Operating Officer
Ms. Neeta S Revankar	Chief Financial Officer
Dr. G. Venkatesh	Whole-time Director & Corporate Chief Technology & Strategy Officer
Mr. Hari Iyer N	Senior Vice President (HR)

Business Leadership Team

Mr. Kannankote Srikanth	President and Chief Operating Officer
Mr. Edwin Moses	Vice President (Products)
Mr. Hari Iyer N	Senior Vice President (HR)
Mr. Joseph Samuel	Senior Vice President (Business Operations)
Mr. Kumar Prabhas	President (Services)
Mr. Poonacha Machaiah	Senior Vice President (Worldwide Sales)
Mr. Rajesh Maniar	Financial Controller
Mr. Rajesh Tyagi	Chief Technology Officer (Products & Services)
Mr. Ranga Puranik	Senior Vice President (Global Strategy & Business Development) and Chief Strategy Officer (Products & Services)
Mr. Swaminathan Krishnan	Chief Marketing Officer

Chief Financial Officer

Ms. Neeta S Revankar

Company Secretary & Compliance Officer

Mr. R. Vittal

Statutory Auditors

S.R. Batliboi & Co.
Chartered Accountants

Internal Auditors

S.B. Billimoria & Co.
Chartered Accountants

Bankers

Citibank N.A.
HDFC Bank
Union Bank of India

Registered and Corporate Office

No. 139/25, Ring Road, Domlur
Bangalore 560 071, INDIA

Sharing the joy

Sharing the joy

Holi is the Indian festival of colours celebrating the triumph of good over evil. A buoyant affair, it hails spring and adds colour to the surroundings, a pleasant sight in contrast to the wintry whites. How does it feel to be splashed with a riot of colours? Ask Kenny.

Letter to Shareholders

Letter to Shareholders

Rajiv C Mody
Chairman and Managing Director

Dear Shareholder,

I am very happy to present to you the performance of your Company for the financial year 2006-07.

Let me begin by giving you an overview of the financial performance of the Company and then share some thoughts with you from a strategic perspective.

The Sasken Group has seen robust growth; revenues have increased by 55% in Rupee terms, from Rs. 308.1 Crore in 2005-06 to Rs. 477.1 Crore in 2006-07. Software Services, including Network Engineering Services, grew at 62%, contributing 95% to the revenues, while the Software Products revenues contributed 5%. The net profits grew from Rs. 22.9 Crore in FY06 to Rs. 44.3 Crore during the year, registering a growth of 93%. This has also translated to an Earnings Per Share of Rs. 15.75 in 2006-07 vs. Rs. 9.08 in 2005-06. The Board of Directors has recommended a dividend of 40%.

Sasken continues to maintain a laser-sharp focus on the communications marketplace. Our aim is to be a global leader in this market, by making a difference to our customers and partners. To this end, as you are aware, we have been pursuing two complimentary business models – contract R&D, which is our services business and IP creation and licensing, which is our products business.

On the services side, the year 2006-07 registered strong growth, which came from two avenues – organic growth and inorganic growth led by acquisitions. We have been pursuing acquisition opportunities in a systematic manner at Sasken, through a dedicated team. The culmination of this was two acquisitions last year. In April, your Company acquired 100% stake in Integrated Softtech Solutions Pvt Ltd. (iSoftTech) at an enterprise value of US $1.45 Million. iSoftTech, a 110-member company headquartered in Chennai, had skills in the areas of Data Networks and Wireless LAN – competencies that we wanted to acquire and scale up to serve our customers better. iSoftTech is now merged with Sasken Communication Technologies Ltd.

The second acquisition was that of Botnia Hightech and its subsidiaries, based in Finland. This was an all cash deal for Euro 35 Million, to acquire 100% stake in Botnia and all its subsidiaries. The acquisition gives us skills in the area of Hardware and Mechanical Design, RF Design and Testing, apart from a strategic proximity center in Europe. Botnia also helps us scale a key Tier 1 customer significantly. Botnia's European presence and their expertise combined with Sasken's global reach and India based development centers will enable us to offer a compelling portfolio of value added solutions to our customers across the globe. Integration efforts aimed towards bringing the two companies together culturally and in all aspects of the business are currently underway, and progressing satisfactorily. The subsidiaries of Botnia Hightech have been merged with the holding company and the combined entity has been renamed as Sasken Finland Oy.

This acquisition furthered the vision of Sasken towards becoming a truly global company. Our Mexico center has grown during the year and has become a profitable entity. Our China center has also been seeded and we are currently assessing opportunities in China.

In the last year, we launched a new offering – Test Lab. This is a first of its kind offering in India aimed at 2G / 2.5G pre-conformance protocol testing for silicon vendors and terminal device manufacturers. We have two Tier 1 semiconductor customers for this offering.

The services Tier 1 strategy continues to be focal point for us. We now have a total of three customers giving us greater than US $10M in revenues per annum, and two of these customers have crossed the US $20M revenues per annum mark. This is a validation of the fact that our Tier 1 customers value their engagements with Sasken and are looking to further entrench their business with us.

From the products perspective, it was a significant year, even though we continued to be in an investment mode. The products business is working towards achieving set milestones. We had a Japanese Tier 1 handset vendor shipping a new phone model, with our multimedia software in November 2006, which is royalty bearing for us. A second Japanese Tier 1 vendor has started shipping royalty-bearing phones from April 2007.

We also signed up customers (Design-Ins) for our Wireless modem sub-system and our multimedia applications products. We have a number of platform Design-Ins for these two products as on date. These should translate to royalty bearing handset shipments from these customers in calendar year 2007.

Our application framework product, in which we have been investing, is fully integrated with industry-leading chipset platforms. We have got a sign-up in April 2007 for this product with Lenovo Mobile, a leading Chinese OEM customer, and expect to ship royalty-bearing handsets containing this product in the coming Financial Year.

On the people front, we grew from a team size of 2,575 at the beginning of the year to 3,611 on March 31, 2007.

We have been taking various measures to move into the next orbit of growth; one such key measure was Srikanth 'Sri' Kannankote's appointment as President and COO in September 2006. We have subsequently expanded our leadership team and have inducted on board a Business CTO, a Business CSO, a Senior VP for Worldwide Sales and a Senior VP for one of our Services Business Units. All these people have rich and diverse experience with various global majors in the communications industry.

Another development last year was that Sasken was recommended for the ISO 14001 certification, which is a validation of your Company's commitment as a corporate citizen towards the environment.

I am concluding on the note that there is a vista of opportunities in the communications industry that Sasken can tap using our portfolio of offerings. We are well poised to connect the dots and derive synergistic benefits from engagements with our various customers.

I am proud of and thankful to each and every Sasian across the world, each of whom has contributed in delivering this performance. I am also grateful to each and every one of you for supporting the management of this Company and look forward to continually receiving the same support.

Thanking You,

Rajiv C Mody
Chairman and Managing Director

Seeking glory

Seeking glory

The celestial Chinese dragon is believed to bring with it ultimate abundance, prosperity and good fortune. Its benevolence, power and majesty are legendary. Kenny joins in the joyous and colourful celebration.

PeopleFirst

PeopleFirst

Sasken has been consistently following the credo of *PeopleFirst*, built on the three pillars of Competency, Commitment and Character.

The Sasken Group is growing and establishing a global footprint with a mixture of own centers and acquired offices. This was one of the highlights for us in the year gone by. This expansion brings with it the unique challenge, and opportunity of fostering a common culture among a globally diversified workforce. We have been laying down the building blocks for the same during the year.

Employee Strength

During the year gone by, the Sasken Group had gross additions of 1,784 employees and net additions of 1,036 employees. Our headcount, as a result, stands at 3,611 at the end of the year. This represents the highest additions we have ever made in a single financial year.

Year ending	No of Employees
March 2007	3,611
March 2006	2,575
March 2005	2,121

We are today experiencing global expansion and with it, the multi-cultural face of Sasken. From being a largely Bangalore-centric company, we today have North Americans, Europeans and Asians of multiple nationalities as associates at Sasken.

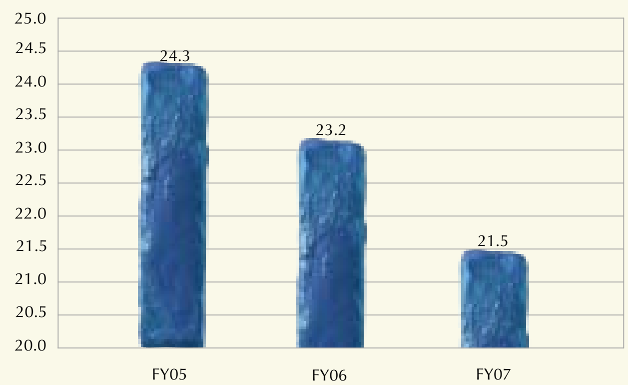
Our nearshore facility in Monterrey, Mexico that primarily serves a Tier 1 North American customer has more than 60 associates.

Nearly 300 associates have come on board as a result of our acquisition of Botnia Hightech in Finland. We operate out of offices in Tampere, Kaustinen, Oulu and Turku in Finland.

Nearer home, we also acquired a center in Chennai in April 2006, which has approximately 100 people right now.

Our attrition for the year stands at 21.5%. We continue to take measures towards managing the attrition and we have seen a downward trend in the second half of the year. We calculate and report attrition on the basis of all voluntary exits from Sasken, irrespective of the time spent by them in the company, and the levels that they are at.

Attrition Rate (in %)



Policies and Initiatives

Sasken's policies and initiatives over the years have always been strongly rooted on some common philosophies that the organization has believed in. Today, we have a global workforce that is multi-cultural and multi-dimensional. A key success factor to ensure that we fulfill our ambition of growth and expansion will be the way our policies and procedures are integrated globally.

We are taking a close look at all our policies and procedures and adopting a three-pronged approach:

- Philosophy – the philosophy behind all of our policies will be fair, consistent, and pervasive. They will flow top-down and apply to all our global offices
- Processes – the processes that we will define and fine-tune will be on the basis of a global framework. All our processes will be robust, scalable and applicable to all our associates across the world
- Procedures – this is where we will bring in the aspect of mass customization. Our procedures will be localized and assessed to make sure that they suit the needs and requirements of each of our locations

With this framework in place, we are confident of enabling and partnering the growth of our people, and thereby the growth of our business.

Team "Well Being"

With globalization and growth come high-stress environments. Today's professionals are constantly battling to ensure that they stay healthy and refreshed in mind, body and spirit. At Sasken, we recognize this fact and endeavor to provide our associates with adequate inputs and support for physical and mental well-being.

Team "Well Being" is the group that is responsible for initiating activities aimed towards the same. This team works to provide Sasken associates with an environment that can help them maintain work-life balance. It organizes activities in order to motivate the employees and give them a sense of satisfaction. This team also aims to reduce the environment forces that create dissatisfaction among the employees.

There are some key initiatives undertaken by this team from a physical health point of view. There are Medical Centers run by a reputed hospital chain in the company premises. Sasken has an in-house gym with necessary equipment, and an aerobics instructor. Apart from this, we have designed a program especially for our associates to help them keep fit. Functional Fitness Sessions (FFS) are being conducted twice a week for the duration of 1 hour, per session. FFS combines flexibility, functional strength, core stability and a few ergo tips with a little bit of aerobics and loads of fun. In addition, medical camps for the employees and the dependents are organized within the premises. A special package and post investigation consultation are given to the employees and dependents based on the age group. Regular Yoga classes are also conducted for employees.

If we assess the non-physical activities, keeping the need for social interaction in mind, several events are organized on a regular basis to bring employees and their families together in a fun filled and relaxed environment. Fun events like *Dandiya Ras* and Book Fairs are organized regularly. Sasken has also always advocated that a healthy and interactive environment should be given to the employees. To encourage better relationships among employees, various sports competitions, Quiz club and Music club activities are organized. These forums provide chances for interaction among members of different teams across the organization.

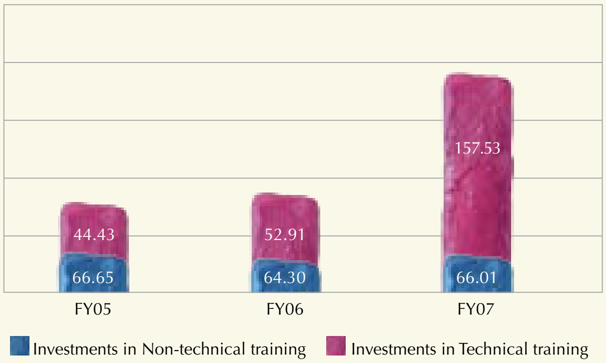
A number of interactive communication channels like the intraweb with regular updates, company-wide quarterly business meets, manager-level General Information Sharing sessions, Breakfast meetings with the CEO, CEO Newsletter and an enhanced HR helpdesk have been executed over the last year.

Competency and Leadership Development

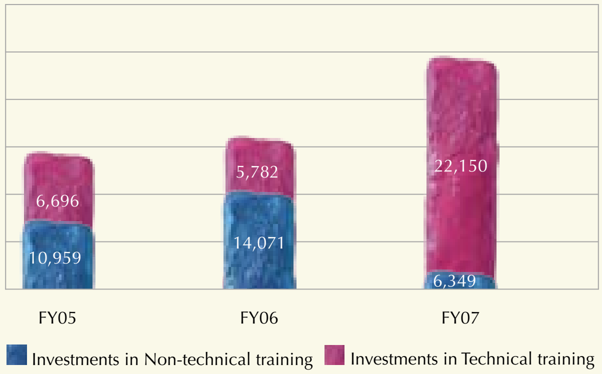
The endeavor at Sasken is to foster a competency driven organization. We recognize that the first step towards building this will be to instil a culture of high performance and orientation towards excellence.

Training at Sasken is one of the means of continuously enhancing the skills, knowledge and attitudes of our employees to make them more effective in their current and future roles. Our philosophy helps create an atmosphere of learning in the organization and enhance the competencies of the employees. We made significant investments in technical and non-technical training in the year gone by.

Investments in Competency Development (in Rs. Lakhs)



Investments in Competency Development (in Days)



Along with scale and growth, comes a very important requirement called Leadership. At Sasken, we have a strong focus towards developing leaders at all levels in the organization; we believe that these leaders will take the Company forward on multiple fronts. To build a Leadership Engine of this sorts means identifying, training, nurturing and giving opportunities to potential leaders.

The Development Centers (DCs) at Sasken were conducted last year primarily to identify the developmental needs of the employees. The DCs helped us address the organization needs on a medium and long-term basis and have been able to provide the assessment of developmental need to employees.

The competency assessments done for the managers were used to map out personal development plans (PDP). Training programs were organized based on the competency assessment score. Team leadership, management of conflict and business reality sense programs were held for all the employees who had completed the DCs.

We continue to focus on assessment of competencies and building leadership skills for a large number of our associates to enable them to be effective managers in this process of growth that Sasken is going through.

This structured approach, we believe will result in the percolation of leadership and performance driven behavioral patterns across our company.

Managing Diversity and Growth

Good integration of Sasken's HR practices across all its employees globally is going to be a key imperative at Sasken. In the year gone by, we put in place several measures and initiatives to manage diversity in an increasingly trans-continental workforce.

We strongly believe that the pre-cursor to our ambition of steady growth and expansion will be the integration of our people, not only in terms of processes, but in terms of everyone touching, feeling and experiencing a common Sasken culture. We are cognizant of the criticality of this aspect of growth and are working towards the same.

Scaling new heights

Scaling new heights

It is said that Finland is where Santa Claus lives! Its snow-clad slopes and pristine environment provide a perfect setting for winter games and adventure. When it comes to skiing, Kenny shows he is upto it.

Technology & Markets

The Communications Marketplace

Connecting the Dots

Sasken is a focused communication technology company with presence in the broadband and wireless software space. The core expertise of Sasken lies in developing embedded communication software for companies across the communications value chain – Semiconductor Manufacturers, Network Equipment Manufacturers (NEMs), Terminal Device Manufacturers and Service Providers. Our growth strategy is focused on connecting all the dots in the communications value chain and creating competitively priced technology solutions that help our customers increase their revenue base.

Changes in the Marketplace – the Butterfly Effect

Over the last few year's new technologies are being introduced into the market at a rapid pace. For example, even before 3G technologies have gained adoption and acceptance, road maps and business plans are being put in place for 4G systems! All players in the communication value chain have, however, not introduced these technologies at the same pace. The rate at which innovation is reaching the consumer is different at each step of the value chain. Handsets have evolved to an extent where even a "basic" handset supports data services through GPRS or EDGE and has features such as a high-resolution camera and Bluetooth®. Service providers on the other hand are still focusing on improving the voice experience as voice services still bring in the major chunk of the operators Average Revenue Per User (ARPU).

In an extremely competitive environment companies in each element of the communications value chain have to take on more than what they have been doing traditionally.

Semiconductors – from Plain Silicon to System-on-Chip

Semiconductor companies are now having to look at platforms and solutions rather than independent and standard chips. An example from the computing industry is Intel, which in recent times has moved from a processor focus to a platform focus. The value of the chip is derived from the manner in which it is used in the platform and the way it interfaces with other components in the solution.

Handsets – the Hottest Consumer Devices

The handset companies are being influenced more by the consumer than by technology. Consumers are looking for a seamless experience as they move between computing and communication. There is also a trend towards the convergence of home, work and play environments. This has led handset companies to design handsets that allow for this user experience. This requires the development of an uncomplicated but feature rich User Interface (UI), a multitude of communication engines (GSM, GPRS, EDGE, 3G, Bluetooth®, Wi-Fi) and a host of multimedia components.

Network Equipment Manufacturers – Standardizing Architectures

The challenge for Network Equipment Manufacturers (NEMs) is to use standard computing architectures, which are not only robust but also scalable. The movement is clearly towards IP-based systems like VoIP, IMS and soft switches. As more and more standardization creeps in, the real value is clearly in the underlying software.

Service Providers or Operators – Telcos to Media Companies

The biggest challenge facing Service Providers today is how revenue from data services can be increased to compensate the falling voice revenues. While the ARPU from voice has been falling steadily, the uptake of data services has not lived up to expectations, to compensate. This is driving operators to take innovative measures to increase ARPU. They have to work with content generators and content aggregators. Services such as IPTV, Mobile TV, mobile search and mobile social networking are being deployed in an effort to utilize the data bandwidth effectively and improve the Service Providers' bottom line.

Opportunity Creation

The trend of the value chain players having to move away from their traditional areas of operation has resulted in white spaces being created in the value chain. Sasken, with its core expertise spanning across the value chain, is ideally placed to take advantage of this opportunity. While individual business units within Sasken cater to the traditional areas of operation, cross business unit offerings of Sasken address the white spaces. Sasken is on a growth path of evolution, and this helps it span the value chain, seamlessly transferring knowledge, through its unparalleled expertise to customer areas in these segments. This cross business unit offering of Sasken is one of our key differentiators.

Quantifying the Business Opportunity

As all these players in the value chain come under pressures on margins, there is one area, which they can optimize – R&D spends. And the way they are doing it is through a greater pace of offshoring of the R&D work to low-cost locations like India and China. It is estimated that the total R&D budgets of the key players in the NEMs, handsets and semiconductors space is in the range of US $41 Billion. Approximately 15–20% of this is currently offshored, and delivered out of captive centers and partner centers (like Sasken) – this split between captives and others is roughly equal. Going forward, it is expected that the ratio of the work being delivered from offshore locations will only go up. So, there is tremendous headroom for growth for a niche player like Sasken.

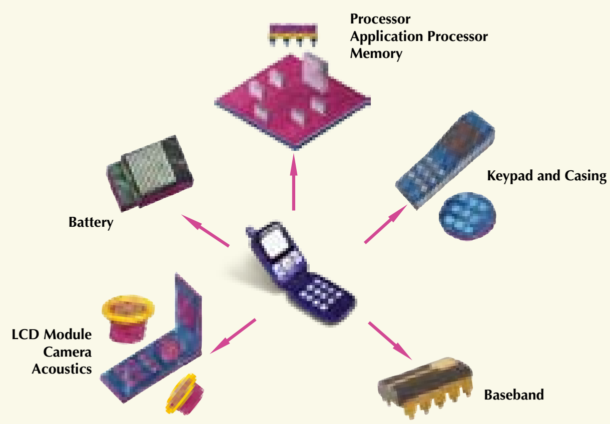
The Products Business

The handset market has been growing at a rapid pace. An excess of 1 billion handsets were shipped in the year 2006 with a projection of 7-10% growth in 2007. While the software component on a mobile phone is increasing, the development time available to the handset vendor is decreasing. The market, therefore, needs ready-to-market components. And this is where our IP creation and licensing business, which we also call our Products business comes into play.

Overview

If Services is contract R&D, then in products, Sasken develops its own IP; we develop "Sasken branded software" for mobile handsets, primarily focusing on the GSM evolution of technologies.

The Mobile Phone Ecosystem



Components & Parts
of a wireless handset

As shown in the figure, the mobile phone can be broken down into the following building blocks:

Baseband

This is core radio component of a mobile phone. The Baseband is typically a Digital Signal Processor (DSP) interfacing with custom hardware logic and an analog front end.

Processor, Application Processor & Memory

The higher layers of the communication stack are implemented on a Processor such as ARM and application co-processors from vendors such as Texas Instruments (TI) and Intel. The software that runs on these processors perform call related functions such as call setup, tear down, handover from cell to cell and other functions.

Components

- PCB, Connectors, Keypad and Casing
- Camera and LCD modules
- Battery

Multimedia and Software in the Phone

As phones get more and more 'interesting', and need for various applications increases, the amount of software content on the phone is continually increasing. Whether it is codecs, drivers and underlying middleware that helps translate and render multimedia content of all forms, or application frameworks, which bundle the software all the way from the user interface to the protocol stack, software is the key. And this is where the need for robust, flexible software architectures at competitive price points comes in.

The Sasken Portfolio

Sasken Wireless Protocol Stacks – Wireless Protocol stacks represent the software for creating the modem of the phone; in a mobile phone, the modem helps the phone realize the basic communication functions of the phone, and help it connect to the network. For basic phones (entry level and ultra-low cost phones), the modem sub-system is really the value of the phone. We work with silicon partners, and license our protocol stacks to them, and they in turn bundle it with their Baseband processor chips and sell it to handset vendors. We are currently working with a Tier 1 semiconductor player, who is using our 3G Protocol Stack to go into a phone model of a global, Tier 1 handset player. This phone will be launched in a royalty-bearing mode, later this year. We have also historically had a very successful 2.5G protocol stack.

Sasken Multimedia Subsystem – This product is essentially the Multimedia software on a smart phone. In such phones, this software is riding on an application processor, and works on top of a standard operating system like Microsoft® / Symbian / Linux; the leader in the applications processor market is Texas Instruments with their TI OMAP™ processor, and they have 70%+ market share. Sasken partners with them and optimizes multimedia on TI OMAP™. We have been historically very successful in the demanding Japanese market, and today have royalty-bearing handsets with this product shipping in Japan. We will also shortly see a global Tier 1 player ship a 3G phone with our multimedia software.

Sasken Application Framework – This product offers a pre-integrated bundle of software including third party and Sasken software; it is aimed at feature phones, which have only one Baseband processor, and no separate application processor, but are still application intensive. The Sasken Application Framework offers a highly advanced solution for rich media phones with features such as video record and play, audio-video streaming, Bluetooth® stereo headsets, touchpad with handwriting recognition, as well as messaging solutions and HTML browsers, among other features. The product empowers phone manufacturers to create differentiated mobile phones by enabling software reuse and portability across phone designs and platforms. The innovative and smart design, along with the extensive tool suite, simplifies the handset manufacturers' ability to add and remove features in accordance with the segment of the market that they wish to address with their phones. It enables OEMs and ODMs to customize the look and feel of the phones within short time spans without disturbing the underlying software logic. The solution leverages Sasken's proven strengths in multimedia and enables rich media experience on feature phones without the need for additional co-processors, thereby reducing the manufacturers' Bill Of Materials cost. Sasken also offers complete support scaling from design to launch. The first handset customer for this product is a leading OEM in China – Lenovo Mobile and they will be shipping royalty-bearing phones containing this product, later this year.

Sasken Product Milestones

- Sasken's IP was present in over 4% of the phones shipped in 2005 and over 7% of phones shipped in 2006, across the world.
- 8 million phones in Japanese market carry Sasken multimedia software
- Over 50 million phones shipped with Sasken's wireless protocol stack and multimedia solutions to date
- Started shifting customers to a royalty model since 2004 and have converted all deals now to licensing + royalty model; first phone with royalty started shipping in Q3 FY06, in Japan

Conclusion

The combined business model of IP creation and providing expert services places Sasken in a good position as the communications industry continues to go through churn and change. Our growth strategy is focused on offering compelling value propositions to our customers by spotting and exploiting opportunities to help them grow. We believe that we are poised to do this and achieve profitable growth as we go forward.

A special performance

A special performance

The Japanese tea ceremony is an elaborate and detailed ritual, conducted in honour of guests. The occasion is designed to bring aesthetic, intellectual and physical enjoyment, and peace of mind. Seen here is Kenny, taking part in the traditional Japanese tea ceremony.

A Seven Year Snapshot
The Year at a Glance

Financial Performance – *A Seven Year Snapshot*

In Retrospect – Consolidated

Amount in Rs. Lakhs

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1) Revenue account							
Revenue	14,283.34	10,862.70	10,938.19	16,613.01	24,177.00	30,812.79	47,712.90
PBIDTA	4,180.60	912.32	2,038.43	2,757.69	3,551.46	4,818.11	7,575.97
Depreciation & Amortization	808.31	1,790.47	1,257.92	1,187.79	1,419.04	1,790.85	2,669.96
PBIT & Exceptional item	3,372.29	(878.15)	780.51	1,569.90	2,132.42	3,027.26	4,906.01
Other income/(expense)	112.86	149.08	(15.93)	130.45	367.08	640.72	974.68
Interest	136.44	439.62	362.23	79.84	47.32	14.30	447.22
Exceptional item	–	–	–	–	–	676.08	–
Profit/(Loss) before tax	3,348.71	(1,168.69)	402.35	1,620.51	2,452.18	2,977.60	5,433.47
Income tax (including withholding taxes and FBT)	538.07	395.17	275.09	(213.20)	174.15	685.98	1,006.53
Profit/(Loss) after tax	2,810.64	(1,563.86)	127.26	1,833.71	2,278.03	2,291.62	4,426.94
Dividend	500.80	–	–	379.02	505.42	838.09	1,140.01
2) Capital account							
Share capital	1,256.53	1,266.94	1,271.00	1,516.09	1,684.72	2,793.64	2,850.01
Share application money	–	0.06	1,642.76	–	25.49	–	–
Reserves and surplus	8,912.74	7,785.29	7,211.71	9,858.70	12,483.59	35,708.37	39,325.14
Loan funds	3,176.47	3,539.34	2,675.35	42.68	145.59	115.04	9,159.89
Gross block (including Capital work in progress)	10,144.22	13,048.69	13,174.82	13,716.82	16,102.72	19,289.87	42,258.91
Net block (including Capital work in progress)	7,531.87	8,949.20	8,234.87	7,805.35	8,773.95	10,111.79	29,955.38
Capitalised software product costs (net of amortisation)	–	–	576.40	115.03	–	1,413.45	3,327.36
Investments	186.18	335.41	14.42	264.29	55.95	18,651.01	3,680.58
Net current assets	5,627.69	3,307.02	3,975.12	3,232.80	5,509.49	8,440.80	14,340.93
3) Other information							
Total number of shareholders	572	659	709	788	935	28,498	21,305
Number of employee shareholders (including ex-employees)	317	394	432	467	463	1,371	1,418

Financial Performance – A Seven Year Snapshot (Contd.)

In Retrospect – Consolidated (Contd.)

Amount in Rs. Lakhs

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
4) Ratios							
a) Profitability / Efficiency							
Operating turnover / Total income (%)	99%	99%	100%	99%	99%	98%	98%
PBIDTA / Total turnover (%)	29%	8%	19%	17%	15%	16%	16%
PBIT & Exceptional item / Total turnover (%)	24%	-8%	7%	9%	9%	10%	10%
PBT / Total turnover (%)	23%	-11%	4%	10%	10%	10%	11%
PAT / Total turnover (%)	20%	-14%	1%	11%	9%	7%	9%
Return on average net worth (PAT / average net worth) (%)	32%	-16%	1%	17%	18%	9%	11%
Return on average capital employed (pre-tax) (PBT+ Interest) / (average capital employed) (%)	33%	-6%	6%	14%	19%	11%	13%
Return on average capital employed (post-tax) (PAT+ Interest) / (average capital employed) (%)	28%	-9%	4%	16%	18%	9%	11%
Sales to average net working capital	3.4	2.4	3.0	4.6	5.5	4.4	4.2
Total Revenues to average total assets	1.4	0.9	0.9	1.4	1.9	1.2	1.1
Fixed Assets turnover	1.4	0.8	0.8	1.2	1.5	1.6	2.4
b) Liquidity							
Net working capital to total assets	0.4	0.3	0.3	0.3	0.4	0.2	0.3
Average collection period (days)	127	98	104	74	82	77	67
Current ratio	3.5	2.9	3.9	2.6	2.6	3.2	2.8
c) Leverage							
Debt-Equity ratio	0.3	0.4	0.3	0.0	0.0	0.0	0.2
Interest cover	21.6	(2.6)	1.4	24.0	49.1	161.3	11.0
Total assets / net worth	1.3	1.4	1.3	1.0	1.0	1.0	1.2
d) Growth							
Growth in operational turnover (%)	88%	-24%	1%	52%	46%	27%	55%
Growth in PBITDA (%)	38%	-78%	123%	35%	29%	36%	57%
Net profit growth (%)	89%	-156%	108%	1341%	24%	1%	93%

The Year at a Glance – Consolidated

For the year	31-Mar-07		31-Mar-06	
	Rs. Lakhs	K US $	Rs. Lakhs	K US $
Export Revenues	37,241.77	82,437.07	24,190.55	54,680.27
Domestic Revenues	10,471.13	23,178.52	6,622.24	14,968.90
Other income	974.68	2,157.52	640.72	1,448.28
Profit before interest, depreciation and taxes (PBIDTA)	7,575.97	16,769.91	4,818.11	10,890.85
PBIDTA as a percentage of revenue	15.9%	15.9%	15.6%	15.6%
Profit before taxation (PBT)	5,433.47	12,027.34	2,977.60	6,730.56
Profit after taxation (PAT)	4,426.94	9,799.32	2,291.62	5,179.97
Earnings per share … Weighted Average (in Rs. / US$)+	15.75	0.35	9.08	0.21
Earnings per share … Diluted (in Rs. / US$)+	15.52	0.34	8.87	0.20
Equity Dividend percentage	40%	40%	30%	30%
Equity Dividend amount	1,140.01	2,523.49	838.09	1,894.42
Investment in Fixed Assets (Gross)	2,720.18	6,256.16	3,305.85	7,408.90
PBT as a percentage of average net worth	13.5%	13.5%	11.3%	11.3%
PAT as a percentage of average net worth	11%	11%	8.7%	8.7%
Revenue per person year**	1.19	26,302	1.06	23,925
At the end of the year				
Total assets	51,367.23	118,139.90	38,617.05	86,556.20
Fixed assets (net)	29,955.38	68,894.62	10,111.79	22,664.55
Working capital	14,340.93	32,982.82	8,440.80	18,919.20
Investments	3,680.58	8,465.00	18,651.01	41,804.35
Total debt	9,159.89	21,066.90	115.04	257.85
Net worth	42,207.34	97,073.00	38,502.01	86,298.35

To facilitate comparison figures in US$ have been arrived at by converting Rupee figures as follows:

– at the average conversion rate for all revenue items

– at the closing rate for all Balance Sheet items

** Quarter-end average considering all employees including the support staff, numbers are in Rs. Lakhs & US $.

+ Face value of Rs. 10 per share

A celebration of success

A celebration of success

Fun and gaiety form a natural part of Mexican culture and music. And so does the sombrero, the unique and distinctive hat. Here, Kenny dons a sombrero and strums a guitar, in a typical expression of Mexican vivacity.

Financials

Directors' Report

Your Directors have pleasure in presenting the report on the business and operations of the Company along with the Audited Accounts for the financial year ended March 31, 2007.

Result of Operations (Consolidated)

Amount in Rs. Lakhs

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
Revenues	**47,712.90**	**30,812.79**
Cost of Revenues	31,660.68	20,115.06
Gross Profit	16,052.22	10,697.73
Non-operating Income	974.68	640.72
Exceptional Item	–	676.08
Profit before Income Tax	5,433.47	2,977.60
Income Tax Expense/(Credit), net	1,006.53	685.98
Profit after Tax	**4,426.94**	**2,291.62**
Appropriations:		
Proposed Equity Dividend	1,140.01	838.09
Dividend Tax	193.74	117.54
Transfer to General Reserve for the year	381.31	129.05

The consolidated results include that of Integrated Softtech Solutions Private Limited, Chennai acquired by and merged with Sasken during the year, and that of Botnia Hightech Oy and its two subsidiaries that Sasken acquired in August 2006. The consolidated revenues have grown by 54.8% during the year ended March 31, 2007 to Rs. 47,712.90 Lakhs from Rs. 30,812.79 Lakhs during the year ended March 31, 2006. The software services revenues witnessed growth of 65% during the year to Rs. 42,551.05 Lakhs from Rs. 25,823.79 Lakhs during the previous year.

The proportion of the software services business has grown to 89.2% of total revenue during the year as against 83.8% of total revenue during the previous year.

The revenues from network engineering services were marginally lower at 6.1% during the year as against 7.3% during the previous year. The revenues from software products declined to 4.8% during the year ended March 31, 2007 from 8.9% during the year ended March 31, 2006.

The segmental profits during the year were Rs. 13,829.02 Lakhs as against Rs. 9,178.97 Lakhs during the previous year. Segmental profit margin for software services was 35.1% during the year as against 33.9% during the previous year. Segmental profit for network engineering services declined to 32.9% during the year as against 38.2% during the previous year, on account of a flat increase in investment and reduced utilization.

Dividend
The Board recommends a dividend of 40% (Rs. 4/- per equity share) this year.

Further Issue of Equity
During the year the Company allotted 563,755 equity shares of Rs. 10 each arising out of exercise of ESOP. A chronology of allotment of shares on exercise of ESOP during the year is given in the following table:

Date of Allotment	No. of Shares	Amount of equity capital (Rs.)	Amount of premium received (Rs.)
19.06.06	40,398	403,980	6,327,924
24.08.06	69,113	691,130	9,821,746
18.10.06	85,538	855,380	13,980,843
06.12.06	86,598	865,980	14,748,264
06.02.07	85,101	851,010	15,272,310
08.03.07	67,997	679,970	11,271,852
28.03.07	129,010	1,290,100	23,064,942
Total	**563,755**	**5,637,550**	**94,487,881**

Acquisitions & Mergers
During the year your Company acquired Botnia Hightech Oy, Finland and its two wholly owned subsidiaries, viz. Botnia Hardware Oy and Ionific Oy. This acquisition truly gives Sasken a global footprint and establishes a development center for us in Finland complementing our own near-shore center in Mexico. Europe in general and Finland in particular has been a world-leader in the development of wireless technology. Botnia is 303 member strong and is an important supplier of Hardware, Software, Mechanical Design and Testing Services to leading mobile handset vendors. Strategically, your Directors believe that the acquisition would make the combined entity a formidable player. This acquisition gives us significant scale in our business with European Tier 1 customers. Another key driver was that the Botnia team brings key skill sets in the areas of wireless hardware and mechanical design.

During the year, your Company has successfully completed three mergers. Sasken Network Systems Ltd., and Integrated SoftTech Solutions Pvt. Ltd., the two India based wholly owned subsidiaries were merged with Sasken. Botnia Hardware Oy and Ionific Oy, the two wholly owned step-down subsidiaries were merged with their holding company, Botnia Hightech Oy. The emerging combined entity has been renamed as Sasken Finland Oy.

Employee Stock Option Plan

ESOP 2000

No new grants were made during the year under review. The options outstanding with employees as of March 31, 2007 are 433,423 options.

ESOP 2006

At the Extraordinary General Meeting held on February 25, 2006, the members of the Company approved formation of ESOP 2006 with a kitty of 3,575,000 options to be issued over a period of time. In-principle approval to the said Scheme was obtained from Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd.

The Company's ESOP continues with the philosophy of sharing wealth with its employees and encourages the employees to be partners in the growth of the organization.

During the year, your Company granted 60,000 options to some of its independent directors and 233,750 options to its employees. There are 3,281,250 unissued options as on March 31, 2007.

The details required under SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme), Guidelines 1999, as on March 31, 2007 are given in Annexure 1 forming part of this Report.

Awards

Members will be proud to note that the Company received the following recognition during the year:

March 15, 2007	Ranked #8 in the Cirrus Report "Most Visible Companies in 2006" in the category "Mobile & Telecom Solutions", published in Business Today
April 16, 2007	Ranked #16 in "The Great Places to work for in India" survey by Business World – Grow Talent

Patents

The Company began to develop intellectual property in 1997. Filing of patents continues to be a significant aspect of the Company's business strategy. Your Company encourages the employees to file for Patent, so that the R&D investment translates into economic benefit for the organization. The Company has, as on date, filed a total of 39 Patent applications. Out of these, 6 patents have been granted during the year and 1 patent has been allowed by the US Patent and Trademark Office. Thus the total number of patents granted to the Company has gone up to 15. The one patent that has been allowed is expected to move to grant stage shortly.

The patent applications granted by the USPTO during the year related to:

a) A High Impedance State for Digital Subscriber Line Transceivers on Copper Twisted Pairs
b) Adaptive diversity combining for wide band Code Division Multiple Access (W-CDMA) based on iterative channel estimation
c) System and Method for Automatically Downloading Software Applications to a Remote Terminal
d) Method for 2D Antenna Rake Combining in a Code Division Multiple Access System
e) Method for Synchronization in Wireless Systems using Receive Diversity
f) Method for finding Representative Vectors in a Class of Vector Spaces

The patent allowed for grant by the USPTO during the year related to Universal Rake Receiver.

Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the standards set out by the Securities and Exchange Board of India's (SEBI) Corporate Governance practices and accordingly have implemented all the major stipulations prescribed. Your Company's Corporate Governance Compliance Certificate dated April 20, 2007 in line with Clause 49 of the Stock Exchange Listing Agreement is given in Annexure 2 forming part of this Report.

Directors' Responsibility Statement

As stipulated in Section 217(2AA) of the Companies Act, 1956 (the Act), your Directors subscribe to the Directors' Responsibility Statement and confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- The Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors have prepared the annual accounts on a going concern basis.

A contract had been entered into with a customer in the year 2005, to whom shares were allotted preferentially, providing for certain assured volumes of business to be provided by that customer to the Company. Having regard to the very nature of that contract which provides for such assured business to span over a few years, it is not feasible to quantify the benefits that the Company may derive from that contract. However, insofar as it relates to orders already placed with and executed by the Company, the relevant revenue (as also the relative costs) are/will be reflected in the Profit & Loss Account of the respective years.

In January 2007, Sasken and Tata AutoComp Systems Limited ("TACO") formed a joint venture company called TACO Sasken Automotive Electronics Private Limited ("TSAE"). TSAE will focus on automotive electronics products in the areas of telematics, infotainment and occupant convenience. In terms of the joint venture agreement, shareholdings in TSAE shall be such that TACO shall always hold at least one share more than Sasken. However, as at March 31, 2007, Sasken and TACO each hold 50% of the equity in TSAE. TSAE is yet to commence commercial operations as at March 31, 2007. Sasken's share of expenses of TSAE, amounting to Rs. 37.00 Lakhs have been provided for and as the transactions are not material, the Company has not done the joint venture accounting under Accounting Standard 27 on Financial Reporting of Interests in Joint Ventures.

Subsidiary Companies

On July 26, 2006, your Company incorporated a subsidiary in Finland, viz. Sasken Communication Technologies Oy. The said subsidiary acquired Botnia Hightech Oy on August 31, 2006. On September 11, 2006, members of the Company approved through a postal ballot, revision in utilization of Rs. 12,415.69 Lakhs (net of issue expenses) raised by the Company in its Initial Public Offering from those mentioned in the Section "Objects of the Issue" of the Prospectus, to, among other purposes, part finance the acquisition of Botnia Hightech Oy.

As required under Accounting Standard 21, Consolidated Financial Statements incorporating the results of (a) Sasken Network Engineering Ltd., (b) Sasken Communication Technologies Mexico S.A. de C.V. (c) Sasken Communication Technologies (Shanghai) Co. Ltd., (d) Sasken Communication Technologies Oy and (e) its step-down subsidiary, Sasken Finland Oy are given in this report.

As exempted by the Ministry of Company Affairs vide its letter No. 47/154/2007/CL III dated April 16, 2007, the audited Financial Statements along with the reports of the Board of Directors and the Auditors pertaining to the above subsidiaries have not been attached to this Report. The Financial Statements of the said subsidiaries will be kept for inspection by any investor in the registered office of your Company and that of the subsidiary companies. Investors who want to have a copy of the above may write to the Company Secretary at the registered office.

Directors

Mr. Krishna J Jhaveri, Whole-time Director & President, North America Operations has been redesignated as Advisor to Chairman and CEO of the Company with effect from April 1, 2007. However, he will continue to be a Whole-time Director of the Company.

Dr. G. Venkatesh and Mr. Bansi S Mehta retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Remuneration payable to Whole-time Directors and Independent Directors are detailed in the notice convening the Annual General Meeting for members' approval.

Conservation of Energy, Technology Absorption and Foreign Exchange Outgo

Information in accordance with the provisions of Section 217(1)(e) of the Act, read with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo, is given in Annexure 3 forming part of this Report.

ISO 14001

Sasken is committed to be a responsible member of the communities in which we live and work. This year the environmental management initiative saw your company achieve the milestone of ISO 14001 certification for the Bangalore and Pune facilities. This reaffirms your Company as a responsible corporate citizen.

ISO 27001

Keeping pace with the evolving standards, Sasken upgraded the Information Security practices to achieve the ISO 27001 certification. This is important for assuring our customers of our commitment in protecting their IP as well as sensitizing all employees about confidentiality and integrity of information.

TL 9000

Sasken continues to comply with the telecom industry specific international standard TL 9000, which by definition includes the ISO 9001:2000 requirements. The triennial recertification audit was completed with the auditors recommending the certification for another three years, which now includes our Chennai center also.

Particulars of Employees

The particulars of employees, as required under Section 217(2A) of the Act are given in Annexure 4 forming part of this Report. It may be noted that in accordance with the notification dated March 24, 2004 issued by the Department of Company Affairs, Government of India, particulars of employees posted and working in a country outside India, not being directors or their relatives drawing more than Rupees Twenty four Lakhs per financial year or Rupees Two Lakhs per month as the case may be are not included in this statement but such particulars will be furnished to the Registrar of Companies. Such particulars will be made available to any shareholder on specific request made by him / her during the course of Annual General Meeting.

Deposits

Your Company has neither accepted nor renewed any deposits during the year. As such, no amount of principal and/or interest is outstanding as on the balance sheet date.

Auditors

M/s. S R Batliboi & Co., auditors of the Company, retire at the forthcoming Annual General Meeting and have confirmed their eligibility for reappointment.

Acknowledgement

Your Directors place on record their appreciation of co-operation and support extended by customers, shareholders, vendors, bankers and all governmental and statutory agencies. Your Directors thank the employees for their valuable contribution during the year and look forward to their continued support.

For and on behalf of the Board of Directors

Bangalore
April 20, 2007

Rajiv C Mody
Chairman & Managing Director

Annexure 1

Particulars of disclosures as required under SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme), Guidelines 1999.

	Description	ESOP 2000	ESOP 2006
1	Total number of Options outstanding as on April 1, 2006	1,141,658	Nil
2	Total number of Options granted during the year	Nil	293,750
3	Total number of Options vested (but not exercised) cumulative till March 31, 2007	154,187	Nil
4	Total number of Options exercised during the year	563,755	Nil
5	Total number of shares arising as a result of exercise of Options	563,755	Nil
6	Total number of Options lapsed (due to resignation, etc.) during the year ended March 31, 2007	144,480	7,500
7	Total number of Options outstanding as on March 31, 2007	433,423	286,250
8	Money realized by the exercise of Options (in Rs.)	100,125,431	Nil
9	Total number of Options in force	433,423	286,250
10	Variation of terms of Options	Nil	Nil

11. Pricing formula for the grant:

Price of Option is based on valuation of the shares as may be determined by the Compensation Committee from time to time. The Options issued in April 2004, have a vesting schedule at 13 quarterly rests starting in July 2005 with a price range for each quarter at Rs. 160 to Rs. 256. The Options issued in June 2005, have a vesting schedule at 13 quarterly rests starting in July 2006 with a price range for each quarter at Rs. 225 to Rs. 321. The Options issued during the year 2006-07 upto October 2006 have a vesting schedule at nine quarterly rests starting in July / October 2007 with a price range for each quarter at Rs. 234 to Rs. 321 and Rs. 298 to Rs. 394 respectively. The Options issued from January 1, 2007 till March 31, 2007 have a vesting schedule ranging upto 4 annual rests starting from January 2008. The first exercise price for these Options will be the weighted average of the stock traded price, as on the last day of the quarter previous to the month of grant of Option with a progressive increase for subsequent years and accordingly were issued with a price range of Rs. 367 to Rs. 559.

The Options will vest after one year from the date of grant of Option and the Option holder will have 2 years from the date of vesting to exercise the Options. On the expiry of the exercise period, Options that have not been exercised will lapse and cease to be valid. However, the exercise period can be extended for exceptional cases based on approval by the Compensation Committee.

12. Details of Options granted to some of the independent directors and senior managerial personnel during the year under review:

Name	No. of Options	Vesting Schedule	Range of Exercise Price per share (Rs.)
Mr. Bansi S Mehta	15,000	July 2007 to July 2009	234 – 321
Prof J. Ramachandran	15,000	July 2007 to July 2009	234 – 321
Dr. Ashok Jhunjhunwala	15,000	July 2007 to July 2009	234 – 321
Mr. Vinod K Dham	15,000	July 2007 to July 2009	234 – 321
Mr. Swaminathan Krishnan	7,500	July 2007 to July 2009	234 – 321
Mr. Hari Iyer N	20,000	July 2007 to July 2009	234 – 321
Ms. Neeta S Revankar	20,000	July 2007 to July 2009	234 – 321
Mr. Muralikrishnan G	20,000	July 2007 to July 2009	234 – 321
Mr. Srikanth Kannankote	150,000	Oct 2007 to Oct 2010	298 – 394

13. Employee-wise details of Options granted to:

Any other employee who was in receipt of grants amounting to 5% or more of total Options granted during the year : Nil

Employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant : Nil

14. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with the Indian Accounting Standard 20 : Rs. 13.36 per share.

15. Description of method and significant assumptions used during the year to estimate fair value of Options:

The method applied was the Black – Scholes – Merton formula with the following assumptions:

	June 2006	October 2006	January 2007
Average risk free interest rate	7.60%	7.60%	8.63%
Weighted average expected life of options granted (in years)	2.54	3.17	3.40
Expected dividend yield	1.11%	0.70%	1.11%
Volatility (annualised)*	47.74%	46.46%	46.25%
Previous Closing Price of share at NSE at the time of grant (Rs.)	269.20	429.40	499.30

* Based on historical market price of the Company's shares for the period since listing.

Annexure 2

Corporate Governance Compliance Certificate

To:
The Members,
Sasken Communication Technologies Limited,
Bangalore.

We have examined all relevant records of **Sasken Communication Technologies Limited** (the Company) for the purpose of certifying compliance of the conditions of Corporate Governance under clause 49 of the Listing Agreement with Bombay Stock Exchange Limited and National Stock Exchange of India Limited for the year ended March 31, 2007. We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purposes of the certification.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of conditions of the Corporate Governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

On the basis of our examination of the records produced, explanations and information furnished, we certify that the Company has complied with:

a) All the mandatory conditions of the said Clause 49 of the Listing Agreement
b) The following non-mandatory requirements of the said Clause 49:
   - Constitution of Remuneration Committee (designated as Compensation Committee)
   - Implementation of the Whistle Blower Policy
   - Audited financial results for half year ended September 30, 2006 were mailed to shareholders.

For jsundharesan & associates
Company Secretaries

Date : April 20, 2007
Place: Bangalore

J SUNDHARESAN
Practising Company Secretary
FCS 5229
CP No. 5164

Annexure 3

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

A) Conservation of Energy

Though the Company does not have energy intensive operations, it continues to adopt energy conservation measures.

Energy conservation programs adopted by the Company are (i) continuous monitoring of energy consumption (ii) spreading awareness among the employees on the need to conserve energy (iii) optimizing HVAC and other plant & machinery system performance to reduce cost.

Further, the Company is implementing ISO 14001:2004 and has taken an organizational objective to optimize energy utilization.

B) Research and Development and Technology Absorption

The Company continued its emphasis during the year on improving the feature content and the performance of existing products.

The following is a description of the Research and Development efforts during the financial year:

During the previous financial year, we licensed the ConnectOS suit of products from Israel to integrate into our Integrated Solution product line directed at the feature phone market. Considerable effort was expended during this year to complete this integration and to improve the performance and stability of the product. These activities were carried out in close co-operation with the lead semiconductor partner (on whose platform the solution is being developed) and with the lead phone customer who provided the phone requirement specifications.

We also spent considerable R&D effort during the year to build out our Multimedia subsystem product line in close co-operation with a Tier 1 phone customer. The effort was directed at completing several features of the product and on improving the quality and performance of the product to make it the best in class product available in this segment world wide.

The third area of R&D investment was in our 3G protocol stack product, which went through the final acceptance testing with a Tier 1 phone manufacturer.

We continued our activities towards building a strong patent portfolio. During the year, we were granted an additional 6 patents (taking the total patents granted to 15) and were allowed 1 patent (which should automatically move to the grant stage shortly). One patent has come to Sasken's fold in the process of acquisition of Ionific Oy, with its parent company Botnia Hightech Oy, Finland. This takes the number of granted patents to 16 and allowed to 1.

C) Foreign Exchange Earnings and Outgo

	Amount in Rs. Lakhs
Foreign exchange earnings	35,588.75
Foreign exchange outgo (including capital goods purchased, recovery of travel expenses and dividend paid in foreign currency	8,409.86

Annexure 4 to the Directors' Report – Information to be furnished under Section 217 (2A) of the Companies Act, 1956.

Sl. No.	Name of Employee	Designation	Total Remuneration (Rs.)	Date of Joining	Age	Qualification	Total Work experience	Previous Employment
1	Ashok Bhaskar	Director – Engineering	2,500,000	21-Feb-05	43	B.E., MBA	25	CISCO Systems
2	David James Clark	Vice President & Head of Business Unit	9,493,642	01-Feb-06	49	Bachelor of Science	25	Inter Tel Incorporated
3	Deepak Surendra Paranjape*	Director – Business Unit	559,140	29-Jan-07	39	M.S.	14	Motorola
4	Edwin Moses	Vice President (Products)	3,000,000	01-Oct-01	48	B.E.	25	Mascot Systems
5	Hariharan Natarajan Iyer	Sr. Vice President (HR)	3,300,000	16-Jan-95	49	B.Tech., M.E., PGDM	23	Gujarat Gas Company
6	Kikkeri Srikantaiah Girija Shankar*	Vice President	1,588,172	31-Jan-01	53	B.E., DIISC	33	Motorola India Ltd
7	Krishna J Jhaveri	Whole-time Director	9,467,938	01-Jun-91	53	B.E., M.S.	28	Intel Corporation
8	Mahesh Iyer**	Director & Head – Operations, Chennai	2,896,804	09-Jan-05	49	CA, ICWA	25	TVS Electronics Ltd
9	Mahesh Vishveshvar Kolar*	General Manager – Phone Design	500,000	19-Feb-07	38	M.E.	12	Quasar
10	Manish Kasliwal*	Associate Vice President	1,171,429	13-Feb-07	36	MBA	15	Motorola
11	Milind Sudhakar Gandhe*	General Manager – Strategic Planning	1,888,441	04-Sep-95	39	B.Tech., M.Tech., Ph.D	13	IIT Bombay
12	Muralikrishnan G	VP & Head Engineering & Delivery	3,000,000	19-Jan-95	47	B.Sc., B.E.	24	C-DOT
13	Narayanakumar R	Director & Head – Embedded Software, DN BU	4,807,534	03-May-01	36	B.E.	14	MTL Instruments
14	Neeta Revankar	Chief Financial Officer	3,500,000	03-Apr-95	41	FCA, ACS	16	Microland Ltd
15	Prabhas Kumar	President – Services Division	3,500,000	08-May-00	40	B.Tech.	19	Wipro
16	Rajendra Balkrishna Datar	Director – Engineering	2,450,000	01-Mar-04	54	B.E, M.Tech., Ph.D	30	Cirrus Logic
17	Rajesh Maniar*	Financial Controller	851,574	04-Dec-06	41	B.Com., ACA	19	Torrent Pharma
18	Rajiv C Mody	Chairman & Managing Director	5,600,000	01-Apr-89	49	B.E., M.S.	26	VLSI
19	Sanjay Achyut Tambwekar	Director – Engineering	2,850,000	21-Sep-98	42	B.Tech., M.S.	19	Verifone India Ltd
20	Santosh Victor Xavier	Director & Head – TD BU	2,650,000	02-Aug-93	41	B.Sc., MCA	17	Pegasus Software Consultancy
21	Shrikrishna Govind Gokhale	Vice President	3,100,000	02-Jun-97	52	B.Tech., M.Tech.	28	Philips Ltd
22	Srinivasan Ramaraj*	Senior Vice President	2,323,656	18-Jan-07	43	M.Tech.	19	Mascon Global
23	Sunder Rajan*	General Manager	564,583	08-Feb-07	56	B.Sc., LLB, PGDPM	26	Aricent
24	Surendra Kumar Saxena	Vice President	2,900,000	26-Feb-03	45	B.Sc., M.Tech., MBA	22	Lucent Technologies
25	Swaminathan Krishnan	Sr. VP (Marketing) & CMO (Prod. & Svc.)	3,300,000	02-May-05	45	B.E.	22	Tata Teleservices
26	Thirukallam Kandhadai Srikanth	General Manager	2,550,000	07-Mar-01	48	B.Tech., M.S., Ph.D	23	Xox Corporation Mn
27	Venkatesh G	Whole-time Director & Corporate Chief Technology & Strategy Officer	3,500,000	01-May-95	46	B.Tech., Ph.D	23	IIT Bombay
28	Vijay Anand*	General Manager – Technology	416,667	19-Feb-07	35	AMIE	17	Quasar
29	Vijay Babu V**	Vice President & Head – Data Networks BU	11,306,391	02-Jan-01	42	M.Tech.	20	MTL Instruments
30	Vilas Sudhakar Bhade	Director – Engineering	2,700,000	15-Sep-03	46	B.E.	20	Mindtree
31	Vinay Nagendra Hebballi	Associate Vice President	2,600,000	10-Sep-99	38	B.E.	18	Verifone India
32	Viswanatha Rao Thumparthy*	General Manager	541,936	22-Jan-07	48	M.Tech.	23	TCS

* Employment for part of the year

** Details pertain to payments while in employment with Integrated Softtech Solutions Pvt. Ltd., which merged with this Company during the year.

Notes:

1. "Total Remuneration" includes salary, allowances, perquisites, incentives and Company's contribution to Provident Fund.
2. None of the employees named above is a relative of any Director of this Company.
3. All appointments are contractual.

For and on behalf of the Board of Directors

Bangalore
April 20, 2007

Rajiv C Mody
Chairman & Managing Director

Corporate Governance

Your Company is committed to doing business in an efficient, responsible, honest and ethical manner within the applicable legal framework. A good governance process should thus provide sufficient transparency over corporate policies, strategies and the decision making process while strengthening internal control systems and building relationship with stakeholders, including employees and shareholders. The adherence to good governance practices in true spirit, not just in letter, will help align interests of stakeholders, enhance investor confidence and provide access to cheaper capital, in turn facilitating the creation of superior value on a sustainable basis.

Your Company has been committed to the adoption of best governance practices for many years. Our governance philosophy rests on five basic values viz., Integrity, Respect, Innovation, Customer Intimacy and Excellence. Above all, our governance practices reflect the true spirit of the trusteeship that is deeply ingrained in the value system and reflected in the strategic thought process, at all times.

Your Directors present the Corporate Governance Report for the year 2006-07 based on the disclosure requirements under Clause 49 of the Listing Agreement existing as of March 31, 2007.

Board of Directors

Composition

Your Company's Board has an optimum combination of Executive, Non-Executive and Independent Directors with considerable experience in their respective fields. The Chairman of the Board is an Executive Director and manages the day to day affairs of the Company. Of the entire Board, 50% of the Directors are "Independent", as defined in Clause 49 of the Listing Agreement.

Present composition of the Board is as follows:

Director	Executive/ Non-Executive/ Independent	No. of Equity Shares held as of March 31, 2007	No. of outside Directorships held*		Outside Committees†	
			Public	Private	Member	Chairman
Mr. Rajiv C Mody**	Executive	11,113	2	1	–	–
Dr. G. Venkatesh	Executive	218,807	1	1	–	–
Mr. Krishna J Jhaveri**	Executive	14,556	–	–	–	–
Dr. Ashok Jhunjhunwala	Independent	120	6	3	4	–
Mr. Bansi S Mehta	Independent	5,929	16$	–	5	4
Mr. J.B. Mody**	Non-Executive	368,106	4	3	1	–
Prof. J. Ramachandran	Independent	1,150	6	5	4	2
Mr. Pranabh D Mody**	Non-Executive	318,506	4	3	–	–
Mr. Sanjay M Shah	Independent	7,637	–	1	–	–
Mr. Vinod K Dham	Independent	–	1	–	–	–
Mr. Shirish B Mody	Alt. Director	1,500	4	3	–	–

* Does not include unlimited companies, foreign companies and companies under Section 25 of the Companies Act, 1956.

** Promoter

† Only membership in Audit and Investor Grievance Committees are considered.

$ Includes alternate directorship in 2 companies

Board Meetings

The Board normally meets once in a quarter and additional meetings are held as and when required. During the year 2006-07, the Board of Sasken met on seven occasions, on April 14, 2006, June 17, 2006, July 20, 2006, July 26, 2006, October 18, 2006, October 29, 2006, and January 24, 2007. The maximum gap between the two meetings was not more than 4 months.

The agenda papers along with explanatory statements were circulated in advance of the meetings with sufficient information as required under Clause 49 of the Listing Agreement.

Directors' Attendance Record

The record of attendance of Directors out of the seven Board Meetings held during the year is given below:

Director	Number of meetings attended	Sitting Fee Paid (Rs.)
Mr. Rajiv C Mody	6	–
Dr. G. Venkatesh	6	–
Mr. Krishna J Jhaveri	4#	–
Dr. Ashok Jhunjhunwala	4	40,000
Mr. Bansi S Mehta	6	60,000
Mr. J.B. Mody	2	20,000
Prof. J. Ramachandran	5	50,000
Mr. Pranabh D Mody	6	60,000
Mr. Sanjay M Shah	3	30,000
Mr. Vinod K Dham	2	20,000
Mr. Shirish B Mody*	1	10,000

* Alternate Director for Mr. J.B. Mody.

\# In addition participated in 1 meeting through Video Conferencing

Directors' Membership in Board / Committees

As per the Listing Agreement no director can be a member in more than 10 committees or act as Chairman of more than 5 committees across all companies in which he / she is a director.

No Director of the Company is a member in more than 10 committees or acts as Chairman of more than 5 committees across all companies, in which he is a director.

Remuneration

The Compensation Committee approved the compensation payable to the Executive Directors, within the overall limits approved by the shareholders and in accordance with the provisions of the Companies Act, 1956.

The following table shows the amounts paid/payable to the Executive Directors for the year:

Name	Designation	Aggregate Remuneration (Rs. in Lakhs)
Mr. Rajiv C Mody	Chairman & Managing Director	71.77
Mr. Krishna J Jhaveri	Whole-time Director	102.16
Dr. G. Venkatesh	Whole-time Director	42.73

(i) Elements of remuneration package of Executive Directors:

The remuneration of the Executive Directors is broken into two parts viz., fixed pay and Performance Indexed Compensation (PIC). Fixed pay is determined by the Compensation Committee within the limits set by the shareholders. PIC is paid on the basis of performance parameters set for each of the Executive Directors, at the beginning of the year, in consultation with the CEO. The Compensation Committee periodically reviews the performance of the Executive Directors. PIC payable to the Executive Directors for the year is determined by the Compensation Committee on the performance of the Directors and also of the Company.

Apart from the remuneration to the Executive Directors as mentioned above, they are not entitled to any other benefits such as bonus, commission, etc. Contribution towards gratuity, provident and superannuation funds is as per the Company's policy and forms part of the fixed pay. Among the Executive Directors, Mr. Rajiv C Mody and Mr. Krishna J Jhaveri being Promoter Directors are not eligible for stock options. Dr. G. Venkatesh is eligible for stock options. During the year he exercised 24,908 stock options granted in previous years.

(ii) Elements of remuneration package to Independent / Non-Executive Directors

The remuneration package to Independent / Non-Executive Directors comprising commission on net profits as approved by the shareholders for the year ended March 31, 2007 is as under:

Name	Amount in Rs. Lakhs
Mr. Bansi S Mehta	9.00
Prof J. Ramachandran	9.00
Dr. Ashok Jhunjhunwala	9.00
Mr. Vinod K Dham	13.50
Mr. Sanjay M Shah	9.00
Mr. Pranabh D Mody	1.91

Apart from the above, following stock options were granted during the year to some of the Independent Directors. The previous closing price of share at NSE at the time of grant was Rs. 269.20. The Options will vest after one year from the date of grant of Option and the Option-holder will have 2 years from the date of vesting to exercise the Options. The Options will have a vesting schedule at nine quarterly rests. The compensation cost will be accrued over the vesting period.

Name	Number of Options (of Rs. 10 each)	Vesting Schedule	Range of Exercise Price per share (Rs.)
Mr. Bansi S Mehta	15,000	July 2007 to July 2009	234 – 321
Prof J. Ramachandran	15,000	July 2007 to July 2009	234 – 321
Dr. Ashok Jhunjhunwala	15,000	July 2007 to July 2009	234 – 321
Mr. Vinod K Dham	15,000	July 2007 to July 2009	234 – 321

The remuneration proposed for the financial year 2007-08 is given in the notice convening the next Annual General Meeting forming part of this Annual Report.

M/s. Bansi S Mehta & Co., Chartered Accountants, in which Mr. Bansi S Mehta, a Director of the Company is a Partner, were paid a sum of Rs. 1,515,240 for carrying out Financial Due Diligence in the matter of certain acquisitions.

Board Committees

As of March 31, 2007, your Company has the following committees:

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

Audit Committee

The purpose of the Audit Committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosure process, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. The Audit Committee comprises of four Directors, three of whom are Independent Directors.

Mr. Bansi S Mehta is the Chairman of the Audit Committee. The other members of the Committee are Prof J. Ramachandran, Dr. Ashok Jhunjhunwala and Mr. Pranabh D Mody.

The terms of reference of Audit Committee are as follows:

1. Regular review of accounts, accounting policies, disclosures, etc.
2. Review of the major accounting entries based on exercise of judgment by management and review of significant adjustments arising out of audit.
3. Qualifications in the draft audit report.
4. Establishing and reviewing the scope of the independent audit including the observations of the auditors and review of the quarterly, half yearly and annual financial statements before submission to the Board.
5. Conducting post audit discussions with the independent auditors to ascertain any area of concern.
6. Establishing the scope and frequency of internal audit, reviewing the findings of internal auditors and ensuring adequacy of internal control systems.
7. To look into reasons for substantial defaults in the payment to depositors, debenture holders, shareholders and creditors.
8. To look into the matters pertaining to the Directors' Responsibility Statement with respect to compliance with Accounting Standards and accounting policies.

9. Compliance with Stock Exchange legal requirements concerning financial statements, to the extent applicable.
10. The Committee shall look into any related party transactions i.e., transactions of the Company of material nature, with promoters or management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
11. To recommend appointment and remuneration of statutory and internal auditors.
12. To review the functioning of Whistle Blower mechanism.
13. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee.

The Audit Committee met four times during the year on April 14, 2006, July 19, 2006, October 29, 2006 and January 24, 2007. The minutes of the meetings are placed before the Board at the succeeding Board Meeting for information.

Details of the attendance of Audit Committee members at the committee meetings are given below:

Director	No. of Meetings	
	Held	Attended
Mr. Bansi S Mehta	4	3
Prof J. Ramachandran	4	4
Dr. Ashok Jhunjhunwala	4	3
Mr. Pranabh D Mody	4	3

Mr. Rajiv C Mody, Chairman & Managing Director, Ms. Neeta S Revankar, CFO and both the Internal as well as Statutory Auditors of the Company are permanent invitees to the Audit Committee.

Mr. R. Vittal, Company Secretary acts as Secretary to the Committee.

Compensation Committee

The Committee's goal is to ensure that the Company attracts and retains highly qualified employees in accordance with its business plans, that the Company fulfils its ethical and legal responsibilities to its employees, and that management compensation is appropriate.

Prof. J. Ramachandran chairs the Compensation Committee. The other members of the Committee are Dr. Ashok Jhunjhunwala and Mr. Vinod K Dham.

The terms of reference of the Compensation Committee are given below.

1. To review performance and determine the remuneration payable to Executive Directors.
2. To determine the number of stock options to be granted under the Company's Employees Stock Option Scheme and administration of the Stock Option Plan.
3. Establishment and administration of employee compensation and benefit plans
4. Such other matters as may, from time to time, be required by any statutory, contractual or other regulatory requirements to be attended to by the Compensation Committee.

The Compensation Committee met three times on April 14, 2006, July 19, 2006 and December 16, 2006. The minutes of the meetings are placed before the Board at the succeeding Board Meeting for information.

Details of the attendance of Compensation Committee members at the committee meetings are given below:

Director	No. of Meetings	
	Held	Attended
Prof. J. Ramachandran	3	3
Dr. Ashok Jhunjhunwala	3	3
Mr. Vinod K Dham	3	1

Share Transfer and Investor Grievance Committee

The Company has a "Share Transfer and Investor Grievance Committee" at the Board level inter alia to look into various issues relating to Investor Grievances including transfer and transmission of shares, issue of duplicate share certificates, non-receipt of dividend, Annual Report, etc. The Committee meets to approve share transfers, transmissions and issue of duplicate share certificates from time to time. The Committee comprises of three Directors, with Prof. J. Ramachandran as the Chairman and Mr. Rajiv C Mody and Dr. G. Venkatesh as members.

The Committee met four times during the year on April 14, 2006, July 19, 2006, October 29, 2006 and January 24, 2007 to deliberate on the aforesaid matters. The minutes of the meetings are placed before the Board at the succeeding Board Meeting for information.

Details of the attendance of Committee members at the committee meetings are given below:

Director	No. of Meetings	
	Held	Attended
Prof. J. Ramachandran	4	4
Mr. Rajiv C Mody	4	4
Dr. G. Venkatesh	4	3

The shares of the Company are traded on the stock exchanges only in dematerialised form and are automatically transferred on delivery in dematerialised form. To expedite transfer of shares in physical segment, authority has been delegated to the Company Secretary to approve such share transfers.

As on March 31, 2007, there were no pending share transfers. Details of number of shares transferred during the year, time taken for effecting transfers and number of complaints received are highlighted in the "Shareholder Information" section of the Annual Report.

Mr. R. Vittal, Company Secretary acts as the Compliance Officer.

Management Discussion and Analysis

Management Discussion and Analysis Report forms part of this Annual Report and is in accordance with the requirements laid out in Clause 49 of the Listing Agreement with Stock Exchanges.

General Meetings

Details of last three Annual General Meetings of the Company are given below:

Year	Venue	Date	Time
2006	Registered Office of the Company	June 17, 2006	10.30 am
2005	Registered Office of the Company	June 10, 2005	4.30 pm
2004	Registered Office of the Company	June 11, 2004	4.30 pm

Two Executive Directors, four Non-Executive/Independent Directors including the Chairmen of the Audit Committee and Compensation Committee attended the Annual General Meeting held on June 17, 2006.

Details of last three Extraordinary General Meetings of the Company are given below:

Year	Venue	Date	Time
2006	Registered Office of the Company	February 25, 2006	10.30 am
2005	Registered Office of the Company	March 28, 2005	5.00 pm
2004	Registered Office of the Company	July 16, 2004	4.30 pm

During the last three years, your Company passed Special Resolutions in respect of remuneration to directors, alteration of Memorandum and Articles of Association, Preferential / Rights Issue of Shares, Stock Options to Employees, revision in utilisation of money raised in IPO, etc.

Postal Ballot

Out of Rs. 13,000 Lakhs raised in the IPO, Rs. 584.31 Lakhs were paid towards issue expenses and the balance of Rs. 12,415.69 Lakhs were held as investment in Mutual Funds as at March 31, 2006. Pursuant to the Special Resolution passed by the shareholders on September 11, 2006 under Postal Ballot method, the above sum was fully utilized to part finance the acquisition of Botnia Hightech Oy, Finland.

Following is the summary of the results:

Description	No. of Ballot Forms	No. of Shares represented
Total number of ballot forms dispatched	25,303	27,976,779
Total number of ballot papers received	1,357	13,679,165
Invalid ballots	31	9,178
Number of valid ballot papers	1,326	13,669,987
Voted in favour of the resolution	1,258	13,660,562
Voted against the resolution	68	9,425

Mr. Gopalakrishna Raj H H, Practising Company Secretary was appointed as the Scrutinizer. He has certified and reported that shareholders representing 48.89% of equity share capital have responded and out of the above, shareholders representing 99.86% equity shares have assented to the Special Resolution. Accordingly he has confirmed that the above Special Resolution was passed with the requisite majority.

The results were also put up in the Company's website and published in Business Standard on September 16 / 17, 2006.

Your Company followed the procedures detailed in Section 192A of the Companies Act, 1956 together with the rules prescribed under Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

Disclosures

Related Party Transactions:

Disclosures on materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of company at large:

There is no material transaction with any related party, which requires a separate disclosure. Schedule 16 of the Annual Accounts as at March 31, 2007 contains the list of related party relationships and transactions as required by Accounting Standard 18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India.

Details of non-compliance by the company, penalties and strictures imposed on the company by Stock Exchange or SEBI or any other statutory authority, on any matter related to capital markets, during the last three years:

Nil. The Company has complied with the requirements of the Stock Exchange or SEBI on matters relating to Capital Markets, as applicable from time to time.

Your Company has a Whistle Blower Policy in place. We confirm that no employee of the Company has been denied access to the Audit Committee in respect of any incident covered by the Whistle Blower Policy.

Means of communication

The Company's Quarterly, Half yearly and Annual results as well as copies of the Press Releases and Company Presentations are displayed at Company's website www.sasken.com

The financial results are generally published in The Business Standard / Financial Express (a National daily) and in Kannada Prabha (a Kannada daily).

The audited financial results for the half-year ended September 30, 2006 were sent by post to all members of the Company.

All material information about the Company is promptly sent through facsimile to the Stock Exchanges where the Company's shares are listed and released to wire services and the Press for information of the public at large. Besides, the Company disseminates information through Press meets and Analyst meets.

Code of Conduct

All the Members of the Board and Senior Management personnel have affirmed compliance with the Company's Code of Conduct.

Bangalore
April 20, 2007

Rajiv C Mody
Chairman & Managing Director

General Shareholder Information

Forthcoming AGM

The next Annual General Meeting of the Company will be held on Saturday, June 23, 2007 at 10.30 a.m. at the registered office of the Company at 139/25, Ring Road, Domlur, Bangalore 560 071.

Calendar for the financial year April 1, 2007 to March 31, 2008

Event	Likely Board Meeting Schedule
Financial Reporting for the quarter ending June 30, 2007	Second fortnight of July 2007
Financial Reporting for the quarter ending September 30, 2007	Second fortnight of October 2007
Financial Reporting for the quarter ending December 31, 2007	Second fortnight of January 2008
Financial Reporting for the year ending March 31, 2008	Second fortnight of April 2008

	Likely Shareholder Meeting Schedule
Annual General Meeting for the year ending March 31, 2008	June – July 2008

Book Closure dates for the purpose of Dividend

The Register of Members and Share Transfer Books will remain closed from June 18, 2007 to June 23, 2007 (both days inclusive) to determine the entitlement of shareholders to receive the dividend as may be declared for the year ended March 31, 2007.

Payment of Dividend

Dividend on equity shares as recommended by the Directors for the year ended March 31, 2007, when declared at the Annual General Meeting will be paid on or before July 21, 2007:

a) In respect of shares held in physical form to those members whose names appear on the Company's Register of Members, after giving effect to all valid share transfers in physical form lodged with the Company or the Share Transfer Agent – M/s. Karvy Computershare Pvt. Ltd. on or before June 16, 2007;

b) In respect of shares held in electronic form, to those "deemed members" whose names appear in the statement of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on June 16, 2007.

Listing on Stock Exchange

Your Company's equity shares are listed on the following stock exchanges as at March 31, 2007:

Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street Mumbai 400 001	National Stock Exchange of India Ltd. (NSE) Exchange Plaza, 5th Floor, Bandra Kurla Complex, Bandra (East) Mumbai 400 051
Stock Code 532663	Stock Code SASKEN
ISIN Number for equity shares	INE231F01020

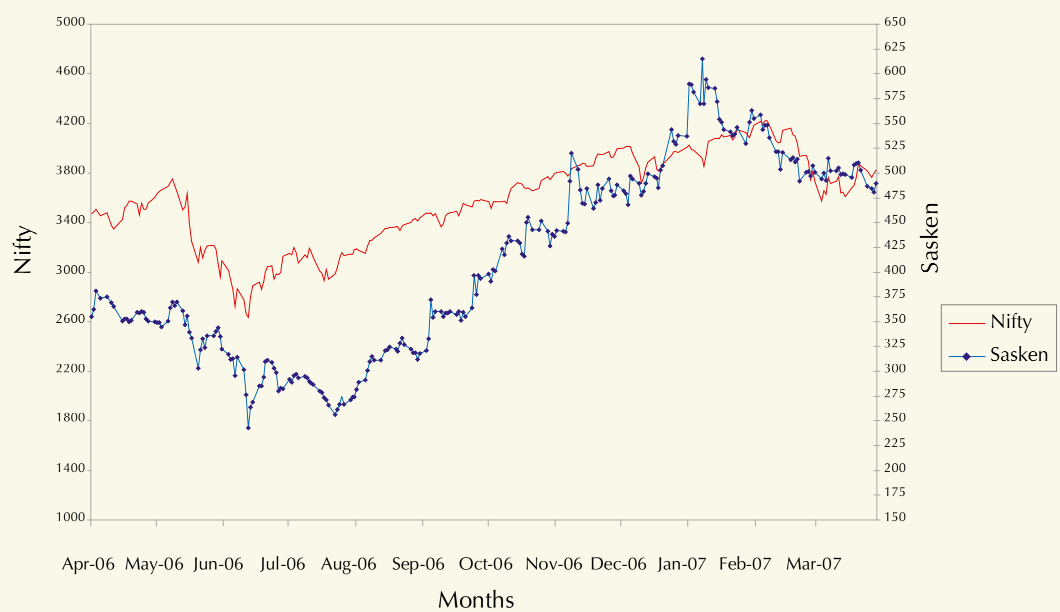
Listing fees for the year 2007-08 have been paid to both the Stock Exchanges.

Stock Market Data

The monthly high and low stock quotations during the previous financial year and performance in comparison to broad based indices are given below:

Financial year 2006-07	Price at NSE during each month (in Rs.)		S&P CNX Nifty Index during each month		Price at BSE during each month (in Rs.)		Sensex during each month	
	High	Low	High	Low	High	Low	High	Low
Apr	390.00	311.00	3598.95	3290.35	386.95	339.00	12102.00	11008.43
May	374.90	273.00	3774.15	2896.40	375.00	296.00	12671.11	10116.96
June	350.00	240.00	3134.15	2595.65	350.00	240.15	10626.84	8799.01
July	310.00	252.75	3208.85	2878.25	309.95	251.35	10940.45	9875.35
Aug	350.00	271.00	3452.30	3113.60	344.80	271.00	11794.43	10645.99
Sept	424.00	296.00	3603.70	3328.45	423.80	304.00	12485.17	11444.18
Oct	470.00	387.60	3782.85	3508.65	461.95	387.00	13075.85	12178.83
Nov	521.00	420.15	3976.80	3737.00	531.90	426.00	13799.08	12937.30
Dec	557.90	450.00	4046.85	3657.65	556.70	461.95	14035.30	12801.65
Jan	616.00	501.30	4167.15	3833.60	624.00	518.00	14325.92	13303.22
Feb	579.80	475.00	4245.30	3674.85	579.95	455.00	14723.88	12800.91
Mar	529.00	475.00	3901.75	3554.50	520.00	480.00	13326.24	12390.46

Stock Price Movement in National Stock Exchange Ltd.
Price Vs. S&P CNX Nifty Index



Investor Correspondence:

The Company Secretary
Sasken Communication Technologies Limited
139/25, Ring Road, Domlur
Bangalore 560 071
Tel: 080 6694 3000 Extn. 4914
Fax: 080 2535 1133 / 2535 1309
Email: investor@sasken.com

Registrar and Share Transfer Agent:

(For share transfers and other communication relating to share certificates, dividend and change of address)

Karvy Computershare Pvt. Ltd.
Plot No.17-24, Beside Image Hospital
Vittalrao Nagar, Madhapur, Hyderabad 500 081
Tel: 040 2342 0816 - 24
Fax: 040 2342 0814
Email: mailmanager@karvy.com

Distribution of Shareholding as at March 31, 2007

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
Up to – 5000	21032	98.71	3,082,614	10.82
5001 – 10000	93	0.44	666,475	2.34
10001 – 20000	52	0.24	706,759	2.48
20001 – 30000	28	0.13	708,775	2.48
30001 – 40000	8	0.04	280,797	0.99
40001 – 50000	8	0.04	369,014	1.29
50001 – 100000	25	0.12	1,837,638	6.45
100001 and above	59	0.28	20,848,064	73.15
Total	**21305**	**100.00**	**28,500,136**	**100.00**

Shareholding Pattern as at March 31, 2007

Category	No. of shares	%
Promoters & Promoter Group	7,518,904	26.38
Mutual Funds	1,462,830	5.13
Banks & Financial Institutions	4,166	0.01
Foreign Institutional Investors	4,982,782	17.48
Private Corporate Bodies	840,864	2.95
NRIs / OCBs	1,958,294	6.87
Trusts	10,300	0.04
Foreign Venture Capital Companies	490,500	1.72
Foreign Investors	5,406,334	18.97
Public (Others)	5,825,162	20.45
Total	**28,500,136**	**100.00**

Details of Complaints

Description	2006-07	
	Received	Cleared
Non receipt of Refund Orders after IPO	43	43
Non receipt of Dividend	14	14
Total	**57**	**57**

There are no valid requests pending for share transfers as at March 31, 2007.

Details of Public Issue and Utilization thereof

Out of Rs. 13,000 Lakhs raised in the IPO, Rs. 584.31 Lakhs were paid towards issue expenses and the balance of Rs. 12,415.69 Lakhs were held as investment in Mutual Funds as at March 31, 2006. Pursuant to the Special Resolution passed by the shareholders on September 11, 2006 under Postal Ballot method, (detailed in Corporate Governance Report), the above sum was fully utilized to part finance the acquisition of Botnia Hightech Oy, Finland.

Other Information useful for Shareholders

Share transfer requests are acted upon within 7-10 days from the date of their receipt at the Registered Office/Registrar. In case no response is received within 15 days of lodgement of transfer request, the lodger may write to the Company with full details so that necessary action could be taken to safeguard interests of the concerned against any possible loss/interception during postal transit. As mandated by the Stock Exchanges, the Company has designated investor@sasken.com as the exclusive e-mail ID for redressal of investor Complaints. Investors are urged to make use of this facility.

Dematerialization requests duly completed in all respects are normally processed within 7 days from the date of their receipt.

Electronic Clearing Service / Mandates / Bank Details

Shareholders may note that Bank Account details given by them to their Depository Participants would be used for payment of dividend under Electronic Clearing Service facility. Shareholders desirous of modifying those instructions may write to the Share Transfer Agent, Karvy Computershare Pvt. Ltd. Hyderabad (for shares held in physical form) or to their respective Depository Participants (for shares held in electronic form).

Unclaimed Dividends

Under the provisions of the Companies Act, 1956 dividends that remain unclaimed for a period of seven years from the date of declaration are required to be transferred to the Investor Education and Protection Fund (IEPF) administered by the Central Government. During the financial year 2006-07, there was no amount remaining unclaimed pertaining to the dividend declared on May 24, 2000.

After completion of seven years no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims. Members who have not encashed the dividend warrants issued after May 2000 may write to the Company and follow the procedure for claiming the amount.

Dematerialisation of Shares

Equity Shares of the Company can be traded on the Stock Exchanges only in dematerialized form and at present 76% of the shares are in demat. Considering the advantages of scripless trading including adding marketability to the shares, shareholders who are holding shares in physical form are requested to consider dematerializing their shareholding so as to avoid inconvenience in future.

General

Shareholders holding shares in physical form are requested to notify the Company/Registrar in writing, any change in their address and Bank Account details under the signature of sole / first joint holder. Beneficial owners of shares in demat form are requested to send their instructions regarding change of name, change of address, bank details, nomination, power of attorney, etc. directly to their Depository Participants (DP) as the same are maintained by the DP.

Non-resident shareholders are requested to immediately notify:

- change in their residential status on return to India for permanent settlement;
- particulars of their NRE Bank Account with a bank in India, if not furnished earlier;
- Email address, if any, to the Company.

In case of loss/misplacement of share certificates, investors should immediately lodge a FIR/Complaint with the police and inform the Company/Registrar along with copy of FIR/acknowledged copy of complaint.

For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer deed. Wherever applicable, registration number of Power of Attorney should also be quoted in the transfer deed at the appropriate place.

Shareholders are requested to maintain record of their specimen signature before lodgement of shares with the Company to obviate possibility of difference in signature at a later date.

Shareholder(s) of the Company who have multiple accounts in identical name(s) or holding more than one Share Certificate in the same name under different Ledger Folio(s) are requested to apply for consolidation of such Folio(s) and send the relevant Share Certificates to the Company.

Nomination in respect of shares - Section 109A of the Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his/her nominee without having to go through the process of obtaining Succession Certificate / Probate of the Will, etc. It would therefore be in the best interests of the shareholders holding shares in physical form registered as a sole holder to make such nominations. Please write to the Company Secretary for a nomination form.

Shareholders holding shares in demat form are advised to contact their DP for making nominations.

Some of the shareholders have not yet exchanged their old share certificates for new share certificates necessitated by the consolidation of capital effected by the Company in July 2004 (i.e. consolidation of two old shares of Rs. 5 each into one new share of Rs. 10). Such holders are advised to send the share certificates immediately. If the share certificates for exchange are brought in person, the new share certificates will be provided on the spot. If the share certificates are sent by post, the new share certificates will be sent under registered post within 7 days from the date of receipt of the old share certificates. It is needless to mention that the old share certificate(s) cannot be submitted for dematerialization.

Shareholders are requested to quote their E-mail IDs, Telephone/Fax numbers for prompt reply to their communication.

We solicit suggestions for improving the investor services.

Addresses of Our Offices:

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Fax: +91 80 2535 1133
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Address of our Subsidiary Companies

Sasken Network Engineering Ltd.
139/25, Ring Road, Domlur
Bangalore 560 071, **India**
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Sasken Network Engineering Ltd
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Sasken Communication Technologies (Shanghai) Co. Ltd.
Room 14505, Shanghai Pudong Software Park
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An exhibition of skills

An exhibition of skills

The all-American cowboy is an enduring image which has fascinated many around the world, often attaining a mythical status. Kenny is no greenhorn either, as he shows with his riding skills and his lariat.

Financial Statements in Compliance with Indian GAAP

Auditors' Report

To
The Members of Sasken Communication Technologies Limited

1. We have audited the attached Balance Sheet of Sasken Communication Technologies Limited ("the Company") as at March 31, 2007, the Profit and Loss Account and the Cash Flow Statement for the year then ended annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The financial statements of the Company for the year ended March 31, 2007 include the financial statements of erstwhile Integrated Softtech Solutions Private Limited, Chennai ('iSoftTech') pursuant to an approved Scheme of Merger effective April 1, 2006 as detailed in Note 4(b) in Schedule 16 to the financial statements. The financial statements of iSoftTech as included reflect total assets of Rs. 54,262,261 as at March 31, 2007, total revenues of Rs. 113,426,664 and total expenditure of Rs. 93,664,278 for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of the other auditors.

4. As required by the Companies (Auditors' Report) Order, 2003 (as amended), issued by the Central Government of India in terms of 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.

5. Further to our comments in the Annexure referred to above, we report that:
   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d. In our opinion the Balance Sheet, Profit and 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 the Companies Act, 1956;

   e. On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

f. In our opinion, and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components as discussed in para 3 above, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;

   ii. in the case of the Profit and Loss Account, of the profit for the year then ended on that date; and

   iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No: 35141

Bangalore
April 20, 2007

Annexure to the Auditors' Report

Annexure referred to in paragraph 4 of our report of even date

Re: Sasken Communication Technologies Limited

i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

c) There was no substantial disposal of fixed assets during the year.

ii) In our opinion and according to the information and explanations given to us, in view of the nature of activities of the Company, the provisions of Clause 4(ii) relating to inventory is not applicable to the Company.

iii) a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

iv) In our opinion and according to the information and explanations given to us, as represented by the management that some items are of a special nature for which alternative quotations cannot be obtained, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of software products and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

v) a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

b) In our opinion and according to the information and explanations given to us, the transaction made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs has been entered into during the financial year at a price which is reasonable having regard to the prevailing market price at the relevant time.

vi) The Company has not accepted any deposits from the public.

vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii) To the best of our knowledge and as explained, 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 for the products of the Company.

ix) a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it with the appropriate authorities.

b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income taxes	5,402,918	AY 1999-2000	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income taxes	2,970,556	AY 2000-2001	Income Tax Appellate Tribunal and High Court of Karnataka
Income Tax Act, 1961	Income taxes	2,465,033	AY 2003-2004	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income taxes	956,523	AY 2003-2004	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income taxes	396,442	AY 2004-2005	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income taxes	4,181,938	AY 2004-2005	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Non withholding of income taxes	17,898,637	2006-2007	Commissioner of Income Tax (Appeals)

Note: Of the above, Rs. 9,738,811 has been deposited.

x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

Annexure to the Auditors' Report *(Contd.)*

xvi) The Company did not have any term loans outstanding during the year.

xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

xix) The Company did not have any outstanding debentures during the year.

xx) We have verified that the end use of money raised by public issue is as disclosed in note 7 in the notes to accounts.

xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No: 35141

Bangalore
April 20, 2007

Balance Sheet

Amount in Rs. Lakhs

	Schedule No.	As at March 31, 2007	As at March 31, 2006
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2,850.01	2,793.64
Employee Stock Options Outstanding (Net of deferred compensation cost)		172.40	77.32
Reserves and Surplus	2	38,817.71	34,523.08
Total Sources		**41,840.12**	**37,394.04**
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross Block		20,144.37	18,401.74
Less: Accumulated Depreciation		10,609.72	8,959.45
Net Block		9,534.65	9,442.29
Capital Work in Progress including capital advances		408.34	55.08
Total		**9,942.99**	**9,497.37**
Capitalised software products (net of amortisation)		3,327.36	1,413.45
Investments	4	17,556.33	18,725.48
Current Assets, Loans and Advances			
Inventories	5	30.94	174.11
Sundry Debtors	6	7,673.32	5,235.30
Cash and Bank Balances	7	1,702.87	1,136.34
Loans and Advances	8	6,787.90	4,443.61
Gross Current Assets	(A)	**16,195.03**	**10,989.36**
Less: Current Liabilities and Provisions	9		
Current Liabilities		3,585.55	2,124.27
Provisions		1,596.04	1,107.35
Total	(B)	**5,181.59**	**3,231.62**
Net Current Assets	(A-B)	11,013.44	7,757.74
Total Applications		**41,840.12**	**37,394.04**
Notes to Accounts	16		

The Schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

S.R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bangalore
Date : April 20, 2007

For and on behalf of the Board of Directors

Rajiv C Mody
Managing Director

G Venkatesh
Whole-time Director

Neeta Revankar
Chief Financial Officer

R Vittal
Company Secretary

Profit and Loss Account

Amount in Rs. Lakhs

	Schedule No.	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
Revenues		36,630.72	26,754.43
Cost of Revenues	10	24,063.07	17,830.54
Gross Profit		**12,567.65**	**8,923.89**
Research and Development Expenses	11	2,223.20	1,518.76
Gross Profit after Research and Development Expenses		10,344.45	7,405.13
Selling and Marketing Expenses	12	2,226.32	2,363.03
Administrative and General Expenses	13	4,223.96	3,045.53
Employee stock option compensation cost (net)		168.17	53.59
(Refer Note 11 in the Notes to Accounts)			
Profit from Operations		**3,726.00**	**1,942.98**
Amortization-Non Compete Fees		224.41	94.03
Other Income	14	744.72	616.52
Exchange Gain (net)		235.16	33.84
Profit before Interest, Exceptional item & Income Taxes		**4,481.47**	**2,499.31**
Interest Expense	15	64.59	0.20
Exceptional Item (Refer Note 6(j) in Notes to Accounts)		–	676.08
Profit before Taxes		**4,416.88**	**1,823.03**
Income Tax expense, net		514.52	461.96
Fringe Benefit tax		89.26	70.60
Profit after Tax		**3,813.10**	**1,290.47**
Add: Balance brought forward		5,338.42	5,132.63
Add: Balance in Profit and Loss Account of SNS [Refer Note 4(a) in Notes to Accounts]		827.54	–
Profit available for appropriations		**9,979.06**	**6,423.10**
Less: Appropriations			
Proposed Equity Dividend		1,140.01	838.09
Tax on proposed equity dividend		193.74	117.54
Transfer to General Reserve		381.31	129.05
Balance carried to Balance Sheet		8,264.00	5,338.42
Earnings Per Share (EPS) (Equity Share par value Rs. 10 each)			
Basic		13.57	5.11
Diluted		13.36	5.00
Weighted average number of Equity Shares used in computation of			
Basic EPS		28,099,694	25,233,227
Diluted EPS		28,532,926	25,833,113
(Refer Note 14 in Notes to Accounts)			
Notes to Accounts	16		

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

As per our report of even date.

S.R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bangalore
Date : April 20, 2007

For and on behalf of the Board of Directors

Rajiv C Mody
Managing Director

G Venkatesh
Whole-time Director

Neeta Revankar
Chief Financial Officer

R Vittal
Company Secretary

Schedules Forming Part of the Balance Sheet

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Schedule 1		
Share Capital		
Authorised Capital		
50,000,000 Equity Shares of Rs. 10 each (At March 31, 2006, 35,000,000 Equity Shares of Rs. 10 each)	5,000.00	3,500.00
Total	**5,000.00**	**3,500.00**
Issued, Subscribed and Paid Up Capital		
28,500,136 Equity Shares of Rs. 10 each fully paid up (At March 31, 2006, 27,936,381 Equity Shares of Rs. 10 each fully paid up) [Of the above, 5,675,000 Equity Shares of Rs. 10 each have been alloted as fully paid up Bonus shares by capitalisation of balance in Profit and Loss Account of Rs. 502.83 Lakhs and General Reserve of Rs. 64.67 Lakhs] [Also, refer Note 7 & Note 11 in Notes to Accounts]	2,850.01	2,793.64
Total	**2,850.01**	**2,793.64**
Schedule 2		
Reserves and Surplus		
Securities Premium		
Opening Balance	28,024.19	6,133.79
Add: Received during the year	1,017.96	22,474.71
Less: Share issue expenses (relating to initial public offer)	–	584.31
Total	**29,042.15**	**28,024.19**
General Reserve		
Opening Balance	1,160.47	1,031.42
Adjustments due to Merger [refer Notes 4(a) and 4(b) in Notes to Accounts]		
Add: Transfer of Balance in Profit & Loss Account as at April 1, 2005 of SNS	167.79	–
Less: Transfer of Balance in Profit & Loss Account as at April 1, 2006 of iSoftTech	70.76	–
Less: Adjustment arising on merger of iSoftTech	127.25	–
Add: Transferred from Profit & Loss Account	381.31	129.05
Total	**1,511.56**	**1,160.47**
Profit & Loss Account	8,264.00	5,338.42
Total	**38,817.71**	**34,523.08**

Schedule 3 – Fixed Assets

Amount in Rs. Lakhs

Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	Balance as at April 1, 2006	Additions consequent to merger of SNS & iSoftTech as on April 1, 2006 (1)	Additions during the year	Deletions/ Adjust-ments during the year	Balance as at March 31, 2007	Balance as at April 1, 2006	Additions consequent to merger of SNS & iSoftTech as on April 1, 2006 (1)	For the year	Adjust-ments for the year	Balance as at March 31, 2007	As at March 31, 2007	As at March 31, 2006
Land	2,287.67	–	–	–	2,287.67	–	–	–	–	–	2,287.67	2,287.67
Building	3,310.98	–	–	–	3,310.98	792.04	–	167.94	–	959.98	2,351.00	2,518.94
Leasehold Improvements	329.82	–	101.74	–	431.56	100.71	–	67.10	–	167.81	263.75	229.11
Computers	4,031.77	114.75	869.40	321.21	4,694.71	2,672.96	70.34	577.33	321.21	2,999.42	1,695.29	1,358.81
Electrical Fittings	203.58	–	84.13	–	287.71	125.73	–	30.70	–	156.43	131.28	77.85
Furniture and Fittings	1,763.73	116.54	126.18	–	2,006.45	683.36	70.09	193.87	–	947.32	1,059.13	1,080.37
Plant & Machinery including Office Equipment	3,371.71	89.31	769.59	18.86	4,211.75	2,638.32	59.59	359.03	18.86	3,038.08	1,173.67	733.39
Intangible Assets												
– Computer Software	2,855.94	16.73	289.14	880.20	2,281.61	1,852.30	13.16	473.23	328.02	2,010.67	270.94	1,003.64
– Technical Knowhow	–	–	138.85	–	138.85	–	–	11.57	–	11.57	127.28	–
– Non Compete Fees	246.54	–	246.54	–	493.08	94.03	–	224.41	–	318.44	174.64	152.51
Total	**18,401.74**	**337.33**	**2,625.57**	**1,220.27**	**20,144.37**	**8,959.45**	**213.18**	**2,105.18**	**668.09**	**10,609.72**	**9,534.65**	**9,442.29**
Balance as at March 31, 2006	15,629.92	–	2,866.33	94.51	18,401.74	7,251.65	–	1,799.69	91.89	8,959.45	9,442.29	–

Note: (1) Refer Note 4(a) and 4(b) in Notes to Accounts pertaining to mergers.

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Schedule 4		
Investments		
A. Long term, Unquoted, Non Trade, at cost		
a) Investment in subsidiary / joint venture (JV) companies		
Sasken Network Systems Ltd. (Also refer Note 4(a) in Notes to Accounts) 500,000 equity shares of Re. 1 each, fully paid up	–	5.00
Sasken Network Engineering Ltd. (i) 3,050,000 equity shares of Rs. 10 each, fully paid up (as on March 31, 2006 – 50,000 equity shares)	305.00	5.00
(ii) 263,722 Optionally convertible debentures of Rs. 100 each	263.71	263.71
Sasken Communication Technologies Mexico, S.A. de C.V., Mexico 100 equity shares of Rs. 2,031.69 each, fully paid up	2.03	2.03
Sasken Communication Technologies (Shanghai) Co. Ltd., China (towards equity capital, fully paid up)	114.55	–
Investment in JV – TACO Sasken Automative Electronics Private Ltd. (Also refer Note 5 in Notes to Accounts) 172,125 equity shares of Rs. 10 each, fully paid up	17.21	–
Sasken Communication Technologies Oy, Finland 22,008,000 Shares of Rs. 59.86 each (Euro 1 each), fully paid up	13,173.25	–
b) Other Investments		
Long term, Non Trade, unquoted at cost		
Indira Vikas Patra	–	0.02
14,584 fully paid Common Stock of 2Wire Inc, a company incorporated in USA (As on March 31, 2006 14,584 fully paid common stock)	83.00	83.00
Less: Provision for diminution in value of investment	(50.86)	(50.86)
392,285 fully paid equity shares of Rs. 10 each of Prime Telesystems Ltd. (As on March 31, 2006 392,285 fully paid common stock)	240.00	240.00
Less: Provision for diminution in value of investment	(240.00)	(240.00)
203,500 common shares of Extandon Inc, a company incorporated in USA (Refer Note 6(e) in the Notes to Accounts)	0.23	0.23

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
B. Current – Non Trade, unquoted at lower of cost and net realisable value		
[also refer Note 7 in the Notes to Accounts]		
– UTI Liquid Cash Plan – Institutional Plan – Weekly Income Option [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 40,438.47 Units of Rs. 1,015.534 each]; [Market value – Rs. 412.22 Lakhs]	–	410.67
– GFCW Grindlays Floating Rate – ST-Super Inst Plan C – Weekly Dividend [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 1,649,474.30 Units of Rs. 10.000 each]; [Market value – Rs. 164.94 Lakhs]	–	164.94
– TATA Floating Rate Short Term Institutional Plan – Daily Dividend [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 2,409,512.79 Units of Rs. 10.006 each]; [Market value – Rs. 241.20 Lakhs]	–	241.10
– Reliance Fixed Maturity Fund – Monthly Plan – Dividend [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 9,223,581.17 Units of Rs. 10.000 each]; [Market value – Rs. 926.83 Lakhs]	–	922.36
– Reliance Fixed Maturity Fund – Quarterly Plan – Dividend [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 5,225,083.29 Units of Rs. 10.000 each]; [Market value – Rs. 522.96 Lakhs]	–	522.51
– Birla Sunlife Cash Manager – Institutional Plan – Daily Dividend [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 5,206,576.19 Units of Rs. 10.000 each]; [Market value – Rs. 520.80 Lakhs]	–	520.70
– HSBC Liquid Plus-Inst. Plus – Daily Dividend [As at March 31, 2007 – 14,665,193.05 Units of Rs. 10.01 each]; [Market value – Rs. 1,468.37 Lakhs] [As at March 31, 2006 – Nil Units]; [Market value – Rs. Nil]	1,467.28	–
– UTI Floating Rate Fund – Short Term Plan (Dividend Option) [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 2,827,356.51 Units of Rs. 10.077each]; [Market value – Rs. 286.02 Lakhs]	–	284.91
– Birla Floating Rate Fund – Long Term – Monthly Dividend [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 4,985,658.21 Units of Rs. 10.403 each]; [Market value – Rs. 519.25 Lakhs]	–	518.65

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
– ING Vysya Floating Rate Fund – Weekly Dividend [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 15,182,722.86 Units of Rs. 10.086 each]; [Market value – Rs. 1,533.86 Lakhs]	–	1,531.29
– Principal Floating Rate Fund SMP – Institutional Plan- Weekly Dividend [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 15,377,338.60 Units of Rs. 10.005 each]; [Market value – Rs. 1,538.12 Lakhs]	–	1,538.12
– Prudential ICICI Long Term Floating Rate Plan B – Dividend [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 15,230,898.83 Units of Rs. 10.047 each]; [Market value – Rs. 1,537.95 Lakhs]	–	1,530.20
– Principal Income Fund – Short Term – Institutional Plan – Monthly Dividend [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 10,141,960.13 Units of Rs. 10.090 each]; [Market value – Rs. 1,019.98 Lakhs]	–	1,019.98
– LIC MF FMP Series 1 Year – Growth [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 10,000,000.00 Units of Rs. 10.000 each]; [Market value – Rs. 1,034.22 Lakhs]	–	1,000.00
– JM Equities & Derivative Fund – Dividend [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 4,984,007.55 Units of Rs. 10.130 each]; [Market value – Rs. 515.62 Lakhs]	–	504.89
– Prudential ICICI Institutional FMP – 15 Month Plan Series XXV [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 4,668,708.45 Units of Rs. 10.710 each]; [Market value – Rs. 502.34 Lakhs]	–	500.00
– HSBC Fixed Term Series 1 – Growth [As at March 31, 2007 – 5,007,063.33 Units of Rs. 10.440 each]; [Market value – Rs. 543.05 Lakhs] [As at March 31, 2006 – 5,007,063.33 Units of Rs. 10.000 each]; [Market value – Rs. 502.86 Lakhs]	500.71	500.71
– UTI FMP Growth Plan [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 5,000,000.00 Units of Rs. 10.000 each]; [Market value – Rs. 514.94 Lakhs]	–	500.00
– LIC MF Liquid Fund – Dividend Plan [As at March 31, 2007 – 6,208,389.61 Units of Rs. 10.980 each]; [Market value – Rs. 681.69 Lakhs] [As at March 31, 2006 – 91,84,003.17 Units of Rs. 10.953 each]; [Market value – Rs. 1,006.26 Lakhs]	681.69	1,005.96

Schedules Forming Part of the Balance Sheet (Contd.)

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
– LIC MF Liquid Fund (Quarterly) [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 20,000,000.00 Units of Rs. 10.000 each]; [Market value – Rs. 2,000.00 Lakhs]	–	2,000.00
– UTI Fixed Maturity Plan (Quarterly) [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 2,000,000.00 Units at Rs. 10.000 each]; [Market value – Rs. 200.29 Lakhs]	–	200.00
– ING Vysya Quarterly FMP Dividend Option [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 15,000,000.00 Units of Rs. 10.000 each]; [Market value – Rs. 1,500.00 Lakhs]	–	1,500.00
– TATA Fixed Horizon Fund [As at March 31, 2007 – 4,500,000.00 Units of Rs. 10.000 each]; [Market value – Rs. 450.49 Lakhs] [As at March 31, 2006 – 10,000,000.00 Units of Rs. 10.000 each]; [Market value – Rs. 1,000.61 Lakhs]	450.00	1,000.00
– Prudential ICICI FMP [As at March 31, 2007 – Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 5,003,639.45 Units of Rs. 10.000 each]; [Market value – Rs. 501.63 Lakhs]	–	500.36
– Tata Liquidity Management Fund – Daily Dividend [As at March 31, 2007 – 21,616.98 Units of Rs. 1,002.300 each]; [Market value – Rs. 216.66 Lakhs] [As at March 31, 2006 – Nil Units]; [Market value – Rs. Nil]	216.66	–
– Reliance Liquidity Fund [As at March 31, 2007 – 3,317,616.72 Units of Rs. 10.003 each]; [Market value – Rs. 331.87 Lakhs] [As at March 31, 2006 – Nil Units]; [Market value – Rs. Nil]	331.87	–
Total	**17,556.33**	**18,725.48**

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Schedule 5		
Inventories		
Work in progress	30.94	174.11
Total	**30.94**	**174.11**
Schedule 6		
Sundry Debtors		
a) Debts outstanding for a period exceeding six months		
– Unsecured, considered good	49.22	82.00
– Unsecured, considered doubtful	218.11	262.12
b) Other debts		
– Unsecured, considered good	7,624.10	5,153.30
– Unsecured, considered doubtful	–	34.17
Less: Provisions	(218.11)	(296.29)
Total	**7,673.32**	**5,235.30**

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Schedule 7		
Cash and Bank Balances		
Cash on Hand	14.51	5.55
Balances with:		
Scheduled Banks		
– in Current Accounts	1,090.46	737.79
– in Deposit Accounts [held as margin money for bank guarantees/letters of credit as on March 31, 2007 – Rs. 30.26 Lakhs; As on March 31, 2006 – Rs. 29.49 Lakhs]	186.12	80.28
Other Banks		
– Barclays Bank, UK (GBP)	88.60	45.51
– Bank of America, USA (USD)	245.09	198.66
– Bank of Montreal, Canada (CAD)	7.48	26.72
– Summitomo Bank, Japan (JPY)	9.84	3.30
– Kawasaki Shinkim Bank, Japan (JPY)	1.43	0.83
– China Minsheng Banking Corporation (USD)	4.55	4.71
– China Minsheng Banking Corporation (CNY)	2.15	1.41
– Nordbanken AB, Sweden (SEK)	6.62	7.89
– Hypo Vereins Bank, Germany (EURO)	46.02	23.69
Total	**1,702.87**	**1,136.34**
Maximum amount outstanding at any time during the year in other banks		
Current Accounts		
– Barclays Bank, UK (GBP)	321.01	153.44
– Bank of America-Texas, USA (USD)	–	1.11
– Bank of America, USA (USD)	905.48	683.50
– Bank of Montreal, Canada (CAD)	42.38	117.21
– Summitomo Bank, Japan (JPY)	58.26	42.27
– Kawasaki Shinkim Bank, Japan (JPY)	14.56	2.50
– China Minsheng Banking Corporation (USD)	26.50	8.92
– China Minsheng Banking Corporation (CNY)	7.61	5.28
– Nordbanken AB, Sweden (SEK)	16.12	20.34
– Hypo Vereins Bank, Germany (EURO)	54.56	132.58

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Schedule 8		
Loans and Advances (Unsecured, considered good)		
Due from subsidiary companies		
– Sasken Network Systems Limited [maximum amount outstanding during the year – Rs. Nil], [March 31, 2006 – Rs. 29.45 Lakhs] (Also refer Note 4(a) in Notes to Accounts)	–	8.02
– Sasken Network Engineering Limited [maximum amount outstanding during the year – Rs. 447.60 Lakhs], [March 31, 2006 – Rs. 198.29 Lakhs]	430.78	198.29
– Sasken Communication Technologies – Mexico S.A. de C.V., Mexico [maximum amount outstanding during the year – Rs. 370.77 Lakhs]; [March 31, 2006 – Nil]	205.66	–
– Botnia Hightech Oy, Finland [maximum amount outstanding during the year – Rs. 73.51 Lakhs], [March 31, 2006 – Nil]	73.51	–
– Sasken Communication Technologies Oy, Finland [maximum amount outstanding during the year – Rs. 104.06 Lakhs], [March 31, 2006 – Nil]	103.56	–
– Sasken Communication Technologies (Shanghai) Co. Ltd., China [maximum amount outstanding during the year – Rs. 5.10 Lakhs], [March 31, 2006 – Nil]	0.09	–
Loan to Sasken Network Engineering Ltd., a subsidiary company [maximum amount outstanding during the year – Rs. 755.00 Lakhs], [March 31, 2006 – Rs. 630.00 Lakhs]	455.00	630.00
Loan to Sasken Communication Technologies – Mexico S.A. de C.V., a subsidiary company [maximum amount outstanding during the year – Rs. 669.13 Lakhs], [March 31, 2006 – Rs. 431.05 Lakhs]	655.25	431.05
Advances recoverable in cash or in kind or for value to be received	1,858.63	1,001.94
Deposits with Government Departments and others	1,533.11	1,069.75
Loans and Advances to Staff	267.45	180.29
Interest Income Accrued but not due	–	6.48
Unbilled Revenues	732.00	521.76
Advance Income Tax (Net of Provision for Tax)	472.86	396.03
Total	**6,787.90**	**4,443.61**

Schedules Forming Part of the Balance Sheet *(Contd.)*

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Schedule 9		
Current Liabilities and Provisions		
Current Liabilities		
Sundry Creditors for goods, expenses and services		
– Dues to Small Scale Industrial Units	1.66	4.20
– Others	2,894.09	1,755.75
Other Liabilities	585.37	98.43
Deferred Revenues	–	18.53
Advance received from customers	104.43	247.36
Total (A)	**3,585.55**	**2,124.27**
Provisions		
Proposed Equity Dividend	1,140.01	838.09
Tax on Proposed Equity Dividend	193.74	117.54
Provision for Leave encashment	170.11	151.55
Provision for Warranty	6.09	–
Provision for Gratuity	86.09	0.17
Total (B)	**1,596.04**	**1,107.35**
Total (A) + (B)	**5,181.59**	**3,231.62**

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
Schedule 10		
Cost of Revenues		
Salaries & Bonus	17,124.70	12,225.84
Contribution to Provident and Other Funds	850.94	497.21
Staff Welfare	201.10	208.07
Recruitment and Relocation	272.83	217.25
Rent	980.74	725.93
Repairs and Maintenance		
– Plant & Machinery	386.58	284.49
– Building	282.21	209.84
– Others	183.51	147.81
Communication Expenses	250.23	249.56
Travel Expenses	467.51	964.76
Electricity and Water Charges	548.99	414.42
Professional & Consultancy Charges	422.29	276.59
Depreciation	1,243.98	1,163.08
Software Expenses	251.02	349.04
Training and Conference Expenses	183.32	77.50
Warranty Expenses provided /(reversed)	6.09	(26.49)
Sub Total	**23,656.04**	**17,984.90**
Amortisation of capitalised software product costs	252.29	–
Amortisation of Technical knowhow	11.57	–
Add: Opening balance of work in progress	174.11	19.75
Less: Closing balance of work in progress	(30.94)	(174.11)
Total	**24,063.07**	**17,830.54**

Schedules Forming Part of the Profit and Loss Account *(Contd.)*

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
Schedule 11		
Research & Development Expenses		
Salaries & Bonus	1,542.51	1,230.95
Contribution to Provident and Other Funds	99.97	61.32
Staff Welfare	11.81	12.37
Recruitment and Relocation	52.19	8.16
Rent	107.43	92.05
Repairs and Maintenance		
– Plant & Machinery	73.80	76.63
– Building	94.33	41.45
– Others	19.80	14.93
Communication Expenses	33.61	21.91
Travel Expenses	188.92	209.35
Electricity and Water Charges	54.36	43.14
Professional & Consultancy Charges	1,068.14	727.28
Depreciation	489.16	354.29
Software Expenses	71.26	18.13
Donations	8.50	–
Training and Conference Expenses	10.18	20.25
Sub Total	**3,925.97**	**2,932.21**
Less: Capitalised software product costs	(1,702.77)	(1,413.45)
Total	**2,223.20**	**1,518.76**

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
Schedule 12		
Selling and Marketing Expenses		
Salaries & Bonus	983.91	1,018.98
Contribution to Provident and Other Funds	26.96	13.91
Staff Welfare	50.54	49.13
Recruitment and Relocation	27.32	25.27
Rent	93.04	77.30
Repairs and Maintenance		
– Plant & Machinery	7.50	6.60
– Building	19.17	27.63
– Others	5.77	5.56
Communication Expenses	98.80	80.80
Travel Expenses	383.37	297.59
Electricity and Water Charges	10.42	8.17
Professional, Legal & Consultancy Charges	354.24	209.91
Agency Commission (others)	62.29	69.43
Selling Expenses – others	135.02	169.21
Membership & Subscriptions	4.45	65.79
Depreciation	28.59	29.79
Training and Conference Expenses	5.63	5.69
Software Expenses	7.62	–
Bad debts	22.37	–
Doubtful debts provided/(reversed), net	(100.69)	202.27
Total	**2,226.32**	**2,363.03**

Schedules Forming Part of the Profit and Loss Account *(Contd.)*

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
Schedule 13		
Administrative and General Expenses		
Salaries & Bonus	1,702.94	1,108.74
Contribution to Provident and Other Funds	121.51	71.37
Staff Welfare	92.79	50.47
Recruitment and Relocation	224.54	10.04
Rent	122.01	110.97
Rates and Taxes	105.46	41.90
Repairs and Maintenance		
– Plant & Machinery	35.72	38.71
– Building	180.67	100.12
– Others	20.97	18.93
Communication Expenses	30.77	33.27
Travel Expenses	371.23	147.24
Electricity and Water Charges	66.72	68.32
Depreciation	107.47	158.63
Professional, Legal & Consultancy Charges	745.08	688.19
Auditor's Remuneration		
– Audit fees	11.25	8.70
– Other Services	4.03	0.25
– Out of Pocket Expenses (including service tax)	2.45	0.41
Training and Conference Expenses	58.01	40.14
Directors' sitting fees	3.00	1.72
Donations	54.24	2.43
Insurance	102.80	79.12
Miscellaneous	484.47	450.92
Diminution in value of current investments (non trade)	1.45	3.72
Software Expenses	60.14	–
Less: Recovery of common costs from subsidiary companies	(485.76)	(188.78)
Total	**4,223.96**	**3,045.53**

Schedules Forming Part of the Profit and Loss Account (Contd.)

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
Schedule 14		
Other Income		
Miscellaneous income	1.87	5.43
Dividend received on current investments (non trade)	463.36	542.42
Net gain on sale of current investments (non trade)	168.27	5.96
Interest income on Bank Deposits (Gross)*	6.36	8.28
Net profit on sale of long term investments (non trade)	–	26.12
Write back of advance from customer	61.00	–
Reversal of provision for diminution in value of current investments (non trade)	–	25.09
Other interest income *	8.90	3.22
Interest on Loan/Optionally Convertible Debentures to subsidiary companies	34.96	–
Total	**744.72**	**616.52**
* Tax deducted at source	0.01	7.97

Schedule 15		
Interest Expense		
Loan Processing fees	0.20	–
On Short term loans	63.86	–
Others	0.53	0.20
Total	**64.59**	**0.20**

Notes Forming Part of Accounts

Schedule 16

Notes to Accounts

1. Description of Business

Sasken Communication Technologies Limited ("Sasken" or "the Company") is a provider of telecommunication software services and solutions to network equipment manufacturers, mobile terminal vendors and semiconductor companies around the world. Sasken delivers end-to-end solutions that enable richer content delivery on next generation networks.

Sasken has its headquarters in Bangalore, India with offices in Pune, Chennai, China, Germany, Japan, Sweden, United Kingdom (UK) and the United States of America (USA).

2. Significant Accounting Policies

a) Basis for Preparation of Financial Statements

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used during the previous year.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in future, actual results ultimately may differ from the estimates.

b) Revenue Recognition

The Company derives its revenues from product and technology licensing, and software services.

Licensing revenue is recognized when the product or technology is delivered and accepted. Revenue related to customized products or technology development agreements is recognized using the proportionate completion method, determined based on the achievement and acceptance of the milestone. In all cases revenue is recognized only when no further vendor obligations remain and collection is probable. Revenue related to post contract customer support is recognized over the support period.

Revenue from time and material service contracts is recognized as the services are provided. Revenue from fixed price service contracts is recognized based on the proportionate completion method, determined based on the achievement and acceptance of the milestone, provided collection is probable. Revenue from maintenance is recognized ratably over the term of the maintenance arrangement.

Revenue from royalty is recognized on an accrual basis based on the terms of the agreement, provided collection is probable.

Dividend income is recognized when the right to receive dividend is established.

Interest income is recognized on an accrual basis.

c) Work in Progress

Costs related to milestones that have not been met are treated as costs of future activity and are reported as work in progress. Work in progress is carried at cost or net realizable value whichever is lower. Cost includes all expenses directly identifiable to a project and other costs directly attributable to the project. Net Realizable value is the estimated revenue expected in the ordinary course of business on completion of the milestone less expected costs of completion of milestone.

d) Fixed Assets (including Intangible Assets)

Fixed assets (including intangible assets) are stated at cost, less accumulated depreciation less impairment, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets, which necessarily take substantial period of time to get ready for intended use, are also included to the extent they relate to the period till such assets are ready to be put to use.

e) Depreciation

Depreciation is provided on Straight Line Method (SLM) at the rates mentioned below, which are greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956:

Type of asset	Rates (SLM)(%)	Schedule XIV rates (SLM) (%)
Building	5	1.63
Computers	25	16.21
Electrical Fittings	20	4.75
Furniture & Fittings	10	6.33
Plant and Machinery including Office Equipment	20	4.75

Leasehold improvements at leased premises are depreciated over the estimated useful life or the lease period, whichever is lower.

Assets with unit value of Rs. 5,000 or less are depreciated entirely in the year of acquisition.

Intangible assets comprise of the following and are amortised over the estimated useful life as given below:

1. Computer Software –
   a) Computer Software used for development of software/rendering software services – over the life of the project/product.
   b) Generic Computer Software – over 12 months.
   c) Product Software for administration purposes – 3 years.

2. Non-compete fee – over the contract period of 24 months, on a straight line basis. (Refer note 6 (f) below).

3. Technical know-how – over a period of 36 months, on a straight line basis.

f) Capitalisation and Amortisation of Software Products

Costs incurred towards development of computer software products meant for sale, lease or otherwise marketed, are capitalised subsequent to establishing technological feasibility. Capitalisation ceases when the product is available for general release to customers. Capitalised software product costs are amortised on a product-by-product basis. The amortisation shall be greater of the amount computed using (a) the ratio that current gross revenue for a product bears to the total of current and anticipated future gross revenues for that product or (b) straight line method over the remaining estimated economic life of the product. The unamortised cost of Capitalised software products is carried at cost, less accumulated amortisation less impairment, if any.

g) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

h) Foreign Currency Transactions

i) Initial Recognition – Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency approximately at the date of the transaction.

ii) Conversion – Foreign currency monetary items are reported using the closing rate. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

iii) Exchange Differences – Exchange differences arising on the settlement or conversion of monetary items, are recognised as income or as expenses in the period in which they arise except those arising on liabilities pertaining to fixed assets acquired from outside India, which are adjusted with the cost of the fixed assets.

iv) Forward Exchange Contracts – The Company uses forward exchange contracts to hedge its exposure to movements in foreign exchange rates. The Company does not use the forward exchange contracts for trading or speculation purposes. The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss of the relevant period. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

v) Foreign Operations – The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself. Exchange differences arising on a monetary item forming part of net investment in a non-integral foreign operation is accumulated in foreign currency translation reserve until disposal of the net investments.

i) Retirement Benefits to Employees

The Company contributes to a Group Gratuity Scheme, administered by a private insurance company. The contributions are charged to the Profit and Loss account. Provision is made for the difference between the actuarial valuation (determined as at the balance sheet date) and the funded balance.

Provision for leave encashment benefits is made based on actuarial valuation as at the balance sheet date.

The Company has established a Provident Fund Trust to which contributions towards provident fund are made each month. The contributions towards the Pension Fund are remitted to the Regional Provident Fund. Contributions towards Provident Fund and Pension Fund are charged to the Profit and Loss account on an accrual basis. The Trust guarantees a specified rate of return on such contributions of employee and employer on a yearly basis. The Company will meet the shortfall in the return, if any, and the same is charged to the Profit and Loss account on an accrual basis

The Company contributes to a superannuation scheme maintained by an insurance company. Such contributions are charged to the Profit and Loss account on an accrual basis. The Company has no other obligations beyond its monthly contributions.

j) Impairment of Assets

i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

iii) A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

k) Warranty

The Company provides for the estimated costs based on trend of past analysis and nature of services rendered, which may be incurred under free warranties, as provided in licensing and service contracts.

l) Research and Development

Research and development costs are charged to Profit and Loss account when incurred. Equipment or facilities that are acquired or constructed for research and development activities, which have alternative future uses are Capitalised as tangible assets. Depreciation on such assets is charged to expense as research and development costs.

m) Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 and tax laws applicable to the overseas branches under the respective jurisdictions. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Company does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the Company has carry forward of unabsorbed depreciation and tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realized.

n) Stock Compensation Expense

The Company accounts for stock compensation expense based on the fair value of the options granted, determined on the date of grant. Compensation expense is amortised over the vesting period of the option on a straight-line basis. The accounting value of the options net of the Deferred Compensation Expense is reflected as Employee Stock Options Outstanding.

o) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

p) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

q) Segment Policy

Identification of segments:
The Company is focused in the telecommunication space. The risks and returns of the Company are predominantly determined by the nature of the solution offered to its customers, which may be in the form of products or services. The primary reporting segments are Software Services and Software Products.

The geographical segment information is disclosed based on the location of the customers.

Allocation of Common Costs

Common allocable costs are allocated to the segments according to the relative contribution of each segment to the total common costs.

Unallocated Items

The Corporate and other segment include general corporate income and expense items, which are not allocated to any business segment.

r) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating lease. Operating lease payments are recognized as expense in the Profit and Loss account on a straight-line basis over the lease term.

3. Revised Accounting Standard 15

The Company has decided to defer the adoption of the revised Accounting Standard 15 – Employee Benefits (hereinafter referred to as 'Revised AS 15'), following the announcement from the Council of the Institute of Chartered Accountants of India in February 2007. The Company had recorded a liability for employee short term and long term compensated expenses and other benefits, for the nine months ended December 31, 2006 under Revised AS 15 in its interim financial statements. The Company had debited balance in Profit & Loss account as at April 1, 2006 for a sum of Rs. 647.65 Lakhs and had recorded an expense of Rs. 128.36 Lakhs for the nine months ended December 31, 2006 towards employee benefits covered under Revised AS 15. These adjustments have been reversed now pursuant to the deferral of the adoption of Revised AS 15.

4. Mergers

a) Sasken and Sasken Network Systems Limited

On July 27, 2006, Sasken received the order of the High Court of Karnataka dated June 30, 2006, approving the Scheme of Amalgamation of Sasken Network Systems Limited ('SNS' or 'the Transferor Company') with the Company ('the Scheme'). The Scheme is effective with retrospective date of April 1, 2005 ('the Appointed Date'). The Scheme was filed with the Registrar of Companies, Karnataka on July 31, 2006. The Scheme was earlier ratified by Sasken and SNS in their Board meetings on October 27, 2005 and October 26, 2005, respectively and by the shareholders of Sasken on February 25, 2006. SNS was incorporated as a wholly owned subsidiary of Sasken on October 20, 2003 and obtained its certificate to commence business on November 21, 2003, from the Registrar of Companies, Karnataka. SNS provided consultative engineering services focused on telecom operation systems.

As per the approved Scheme and in accordance with the pooling of interest method referred to in Accounting Standard 14 on Accounting for Amalgamations, the assets and liabilities of SNS have been merged with those of the Company at their respective carrying values and the balance in Profit and Loss account as at April 1, 2005 (being the appointed date) of Rs. 167.79 Lakhs has been transferred to the General Reserve of the Company and the balance has been merged with the Profit and Loss account balance of the Company. Consequently, the Company's investment in SNS of Rs. 500,000 as at March 31, 2006 has been adjusted. The Profit and Loss account for the year ended March 31, 2007 includes the income and expenses of SNS for the year ended March 31, 2007.

b) Sasken and Integrated Softtech Solutions Private Limited

Sasken entered into a share purchase agreement with the shareholders of Integrated Softtech Solutions Private Limited ('iSoftTech' or 'the Transferor Company'), on April 5, 2006, for acquiring 100% of their shares in iSoftTech. iSoftTech was incorporated as a private limited company on March 19, 2001 with the Registrar of Companies, Tamil Nadu. iSoftTech provided software services focused on telecom operation systems. The Company completed the acquisition on June 1, 2006, for a purchase consideration of Rs. 480.82 Lakhs.

The Boards of Directors of iSoftTech and Sasken approved a Scheme of Amalgamation ('the Scheme') of iSoftTech with Sasken, at their respective meetings held on July 19, 2006 and July 26, 2006. The Scheme was approved by the Shareholders of Sasken at meeting convened on October 14, 2006.

On February 2, 2007 and March 24, 2007, Sasken received the orders of the High Court of Karnataka and High Court of Judicature of Madras, respectively, approving the Scheme. The Scheme was filed with the Registrar of Companies, Karnataka on February 14, 2007 and Registrar of Companies, Tamil Nadu on March 28, 2007. The Scheme is effective with retrospective date of April 1, 2006 ('the Appointed Date').

As per the approved Scheme and in accordance with the pooling of interest method referred to in Accounting Standard 14 on Accounting for Amalgamations, the assets and liabilities of iSoftTech have been merged with those of the Company at their respective carrying values as at April 1, 2006 and the debit balance in Profit and Loss account of iSoftTech as at April 1, 2006 has been adjusted with the General Reserve of the Company. Prior to the approval of the Scheme, the interim financial statements of the Company reflected its investment of Rs. 480.82 Lakhs as "Investment in Subsidiary Company". The excess of purchase consideration over the paid up share capital of iSoftTech as at April 1, 2006, amounting to Rs. 127.25 Lakhs has been adjusted against the General Reserve of the Company. The Profit and Loss account for the year ended March 31, 2007 includes the income and expenses of iSoftTech from the appointed date.

Prior to the approval of the Scheme of Merger by the respective High Courts, the consolidated financial statements for each of the quarters ended June 30, 2006, September 30, 2006 and December 31, 2006 included the results of iSoftTech from June 1, 2006 being the date of acquisition under AS 21 and included goodwill amounting to Rs. 183.00 Lakhs as at each of the aforesaid dates under the provisions of AS 21. Consequent to the approval of the merger of iSoftTech, the accounting treatment has now been given in accordance with AS 14 as discussed in the preceding paragraph above.

5. Joint Venture

In January 2007, Sasken and Tata AutoComp Systems Limited ("TACO") formed a joint venture company called TACO Sasken Automotive Electronics Private Limited ("TSAE") in Pune. TSAE will focus on automotive electronics products in the areas of telematics, infotainment and occupant convenience. Currently, Sasken and TACO each hold 50% of the equity in TSAE. TSAE is yet to commence commercial operations as at March 31, 2007 and there are no material financial items requiring specific disclosures as at March 31, 2007.

6. Other Notes

a) Based on the information available with the Company, dues to small-scale industrial undertakings (SSIs) outstanding for more than 30 days are given below:

Amount in Rs. Lakhs

Name of the Vendor	As at March 31, 2007	As at March 31, 2006
Halda Office Systems P Ltd.	1.45	4.09
Total	**1.45**	**4.09**

Based on the information available with the Company, there are no suppliers who are registered as micro, small or medium enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2007.

b) Estimated amount of contracts remaining to be executed on capital account (net of advances) amounted to Rs. 62.00 Lakhs (As at March 31, 2006 Rs. 45.81 Lakhs).

c) Contingent Liabilities

Contingent liabilities towards taxes on income not provided for amounts to Rs. 317.23 Lakhs (As at March 31, 2006 Rs.126.85 Lakhs). There are certain claims made against the Company by an investee company, which is under arbitration proceedings. In the view of the management of the Company such claims are frivolous and are not tenable. No provision has been made for such claims pending arbitration proceedings as the amount of claims are currently not ascertainable.

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Bank Guarantees	206.93	201.43
Corporate Guarantee on behalf of subsidiaries [Refer Note 12(c)]	11,013.00	–

d) Foreign exchange gain arising on account of foreign exchange forward contracts entered into by the Company to be recognized in the future financial periods amount to Rs. 244.96 Lakhs as at March 31, 2007 and Rs.61.23 Lakhs as at March 31, 2006.

e) The shares held in Extandon Inc, US are held by Extandon Inc as collateral to secure the Company's compliance with all terms and conditions under a software licensing agreement entered into by the Company with Extandon Inc and performance of the delivery obligations under the repurchase options available with Extandon Inc under the terms of investment agreement.

f) Non-compete fee:

The Company has incurred Rs. 493.08 Lakhs as non-compete fees in respect of two of its key employees under their respective non-compete agreements. The non-compete agreement restricts the employees from solicitation of Company's and its subsidiary's customers and employees and restricts such employees from joining as employees or otherwise providing similar services to the Company's and its subsidiary's competitors. The contract is for a period of two years. Such non-compete fee has been recorded as intangible asset under Accounting Standard 26 – Intangible Assets and the same is being amortised over two years on a straight-line basis from the date of termination of services.

g) The Company enters into foreign exchange forward contracts to hedge its net foreign currency receivables position including its future receivables. As at March 31, 2007, the Company had foreign exchange forward contracts amounting to USD 539 Lakhs at an average forward exchange rate of Rs. 45.88 [March 31, 2006 USD 374 Lakhs at an average forward rate of Rs.44.69]. As at the balance sheet date, except for receivable from subsidiaries amounting to USD 19.78 Lakhs and Euro 3.06 Lakhs (previous year – USD 9.67 Lakhs), the Company does not have material foreign currency assets or liabilities unhedged (March 31, 2006 – Nil). As per the current policy of the Company, the Company takes foreign exchange forward contracts for currencies primarily denominated in the US Dollar. The Company currently does not have a foreign currency hedge in respect of its investment in subsidiaries outside of India.

h) Earnings and Expenditure in Foreign Currency

Amount in Rs. Lakhs

	Year Ended March 31, 2007	Year Ended March 31, 2006
Earnings in Foreign Currency (on accrual basis)		
Income from Licensing and Software development	35,013.46	25,677.04
Royalty	521.02	280.68
Reimbursement for expenses other than Travel	19.31	–
Interest on loan to subsidiary	34.96	–
Expenditure in Foreign Currency (on payment basis)		
Travel	1,143.21	890.56
Less: Recovered from customers	(1,195.83)	(640.69)
Selling Expenses	89.35	209.52
Professional, Legal & Consultancy Charges	1,232.11	1,066.41
Software Expenses	312.75	179.38
Expenses at Branch Offices	4,988.18	4,574.93
Others	370.34	1,120.60
Value of Imports on CIF Basis – Capital Goods	1,469.75	1,774.65
Remittance in foreign currency on account of dividends		
No. of Shareholders	33	33
No. of shares of Rs. 10 (par value per share)	7,505,623	4,808,559
Amount of dividend paid	225.17	144.26
Year to which dividend relate	2005-06	2004-05

i) Aggregate of expenses, incurred during the year, that are required to be disclosed under Part II to Schedule VI of the Companies Act, 1956, is as below:

Amount in Rs. Lakhs

Expenditure	Year Ended March 31, 2007	Year Ended March 31, 2006
Salaries & Bonus	21,354.06	15,584.51
Contribution to Provident and Other Funds	1,099.38	643.81
Staff Welfare	356.24	320.04
Recruitment and Relocation	576.88	260.72
Rates and Taxes	105.46	41.90
Rent	1,303.22	1,006.25
Repairs and Maintenance		
– Plant & Machinery	503.60	406.43
– Building	576.38	379.04
– Others	230.05	187.23
Communication Expenses	413.41	385.54
Travel Expenses	1,411.03	1,618.94
Electricity and Water Charges	680.49	534.05
Professional, Legal & Consultancy Charges	2,589.75	1,901.97
Auditor's Remuneration		
– Audit Fees	11.25	8.70
– Other Services	4.03	0.25
– Out of Pocket Expenses (including service tax)	2.45	0.41
Agency Commission (others)	62.29	69.43
Directors' sitting fees	3.00	1.72
Insurance	102.80	79.12
Miscellaneous	484.47	450.92
Diminution in value of current investments (non trade)	1.45	3.72
Selling Expenses – others	135.02	169.21
Membership & Subscriptions	4.45	65.79
Depreciation	1,869.20	1,705.79
Donations	62.74	2.43
Software Expenses	390.04	367.17
Training and Conference Expenses	257.14	143.58
Warranty Expenses provided /(reversed)	6.09	(26.49)
Bad Debts	22.37	–
Provision for doubtful debts, net of reversals	(100.69)	202.27
Add: Opening balance of work in progress	174.11	19.75
Less: Closing balance of work in progress	(30.94)	(174.11)
Less: Capitalised software product costs	(1,702.77)	(1,413.45)
Less: Recovery of common costs from subsidiary companies	(485.76)	(188.78)
Amortisation of capitalised software product costs	252.29	–
Amortisation of Technical Knowhow	11.57	–
Total	**32,736.55**	**24,757.86**

j) Exceptional item

Exceptional item for the year ended March 31, 2006 pertains to a provision against the sum awarded in arbitration in a dispute with a customer with whom a licensing agreement had been made. The same was subsequently paid by the Company.

k) Disclosures required under clause 32 of the listing agreement are provided in Schedule 8.

7. Initial Public Offer (IPO)

In August 2005, the Company completed an Initial Public Offering (IPO) and made a fresh issue of 5,000,000 equity shares of Rs. 10 each at a price of Rs. 260 per share. Consequently, the Company's shares were listed on September 9, 2005 on the Bombay Stock Exchange and National Stock Exchange of India.

The Company obtained approval of the shareholders, under a postal ballot, for revision in the proposed utilization of the IPO funds to utilize the proceeds raised in its IPO in the following manner: (a) To finance in part or in whole, the acquisition of Sasken Finland Oy (erstwhile Botnia Hightech Oy) (Sasken Oy); (b) Towards the establishment of software development facility/ies, and / or; (c) Towards general corporate purposes.

During the year, the Company invested the IPO proceeds in a wholly owned subsidiary in Finland under the name and style Sasken Communication Technologies Oy (Sasken Finland). The acquisition of shares in Sasken Finland Oy (erstwhile Botnia Hightech Oy) (Sasken Oy) has been effected by the said subsidiary along with debt raised by Sasken Finland. The Company has utilized the entire IPO proceeds of Rs. 12,415.69 Lakhs (net of issue expenses) towards the acquisition of Sasken Finland Oy during the year. Until such investment, the Company had invested the IPO proceeds in units of mutual funds.

8. Managerial Remuneration

a) Managerial Remuneration Paid / Payable to Directors

Amount in Rs. Lakhs

	Year Ended March 31, 2007	Year Ended March 31, 2006
Whole Time Directors		
Salaries and bonus	207.17	204.29
Contribution to Provident Fund and other Funds #	9.49	8.37
Non Whole Time Directors*	51.28	29.11
Total	**267.94**	**241.77**

The above does not include provisions for gratuity determined on actuarial basis and provisions for leave encashment.
* Stock compensation cost in respect of options issued to the directors of Rs. 33.92 Lakhs (previous year – Nil) has not been considered as managerial remuneration.

b) **Computation of net profit under Section 198 read with Section 349 and Section 350 of the Companies Act, 1956 for the year ended March 31, 2007.**

Amount in Rs. Lakhs

Particulars		March 31, 2007
Profit before Taxation		4,416.88
Add:		
Managerial remuneration to directors	267.94	
Directors' sitting fee	3.00	
Stock compensation cost	168.17	
Provision for doubtful debts, created (net of reversals)	(100.69)	
Depreciation as per accounts (except intangibles)	1,395.97	
Warranty expenses	6.09	1,740.48
Less:		
Depreciation as per Section 350 of the Companies Act, 1956	861.37	
Gain (Net) on sale of investments (non trade)	168.27	1,029.64
Net profit as per Section 349 of the Companies Act, 1956		5,127.72
Remuneration to Managing and Wholetime Directors @ 10% of the net profit (maximum)		512.77
Remuneration to Non Wholetime Directors @ 1% of the net profit (maximum)		51.28

c) **Computation of net profit under Section 198 read with Section 349 and Section 350 of the Companies Act, 1956 for the year ended March 31, 2006.**

Amount in Rs. Lakhs

Particulars		March 31, 2006
Profit before Taxation		1,823.03
Add:		
Managerial remuneration to directors	241.77	
Directors' sitting fee	1.72	
Stock compensation cost	53.59	
Provision for doubtful debts, created (net of reversals)	202.27	
Depreciation as per accounts (except intangibles)	1,475.98	
Warranty expenses	(26.49)	1,948.84
Less:		
Depreciation as per Section 350 of the Companies Act, 1956	801.03	
Gain (Net) on sale of investments (non trade)	32.08	
Reversal of provision for diminution of investments (non trade)	25.09	858.20
Net profit as per Section 349 of the Companies Act, 1956		2,913.67
Remuneration to Managing and Wholetime Directors @ 10% of the net profit (maximum)		291.37
Remuneration to Non Wholetime Directors @ 1% of the net profit (maximum)		29.14

9. Provision for Taxation

A significant portion of the Company's income is non-taxable as the Company claims deduction under Section 10A of the Income Tax Act, 1961. Further, the timing differences reverse within the balance period of tax holiday under Section 10A of the Income Tax Act, 1961.

Amount in Rs. Lakhs

	Year Ended March 31, 2007	Year Ended March 31, 2006
Overseas income taxes (comprising of withholding taxes and overseas branch income taxes)	231.28	446.11
The above are net of refund/reversal of overseas taxes	144.76	56.89

10. Fixed Price Revenue Contracts

The following table provides disclosures in accordance with the revised Accounting Standard 7 on Construction Contracts:

Amount in Rs. Lakhs

Particulars	Year Ended March 31, 2007	Year Ended March 31, 2006
Contract revenue recognized during the year	2,742.55	2,779.47
Aggregate amount of costs incurred and recognized profits (less recognized losses) up to date of balance sheet for contracts in progress as at that date	173.58	1,204.58
	As at March 31, 2007	**As at March 31, 2006**
Advances received from Customers	–	–
Gross amount due from customers for contract work- presented as an asset	30.94	174.11
Gross amount due to customers for contract work- presented as a liability	–	–

11. Employee Stock Option Plan

Sasken ESOP 2000

On September 22, 2000, the shareholders of the Company approved Stock Option Plan [ESOP-2000] in accordance with the Guidelines issued by the Securities and Exchange Board of India (SEBI) for Employees Stock Option Plans. The Plan covered all employees of the Company including foreign branches, employees of the subsidiaries including its part time/ full time Directors other than the promoter directors/employees. The Plan provided for the issue of 30 lakh shares (including the shares issued under the SAS Stock Option plan, 1997) of Rs. 10 each duly adjusted for any bonus, splits, etc. A Compensation Committee comprising of three independent directors on the Board administers the scheme.

On April 2, 2004 and June 1, 2004, the Company issued 378,925 options to 1,372 employees and 971,533 options to 347 employees, respectively convertible into equity shares of Rs. 10 each. These options carry a vesting period ranging one to four years at an exercise price ranging from Rs. 160 to Rs. 256 per share of Rs. 10 each depending upon the vesting period being the fair value of the Company's share as determined by the Company as at the date of grant.

On February 23, 2005, the Company issued 42,530 options to 41 employees of Sasken Network Systems Ltd. and 2,735 options to 3 employees of the Company. These options carry a vesting period ranging one to four years at an exercise price ranging from Rs. 184 to Rs. 256 per share depending upon the vesting period, being the fair value of the Company's share as determined by the Company as at the date of grant.

On April 19, 2005, the Company issued 304,050 options to 1,212 employees including 25,350 options to 80 employees of SNS and 21,100 options to 113 employees of SNEL. These options carry a vesting period ranging one to four years at an exercise price ranging from Rs. 225 to Rs. 321 per share depending upon the vesting period, being the fair value of the Company's share as determined by the Company as at the date of grant.

All the options granted have an exercise period of two years from the date of vesting.

Sasken ESOP 2006

On February 25, 2006, the shareholders of the Company approved Stock Option Plan [ESOP-2006] in accordance with the Guidelines issued by the Securities and Exchange Board of India (SEBI) for Employees Stock Option Plans. The Plan covers all employees of the Company including foreign branches, employees of the subsidiaries and Directors other than the promoter directors/employees. The Plan provides for the issue of 3,575,000 shares of Rs. 10 each duly adjusted for any bonus, splits, etc. A Compensation Committee comprising of three independent directors on the Board administers the scheme. The terms of each issuance would be determined by the Compensation Committee.

On June 17, 2006 and October 18, 2006, the Company issued 138,750 options to 5 employees and 4 non-executive directors and 150,000 options to 1 employee respectively, convertible into equity shares of Rs. 10 each. These options carry a vesting period ranging one to four years at an exercise price ranging from Rs. 234 to Rs. 394 per share of Rs. 10 each depending upon the vesting period being the fair value of the Company's share as determined by the Company as at the date of grant.

On January 2007, the Company issued 5,000 options to 1 employee, convertible into equity shares of Rs. 10 each. These options carry a vesting period ranging one to four years at an exercise price ranging from Rs. 367 to Rs. 559 per share of Rs. 10 each depending upon the vesting period being the fair value of the Company's share as determined by the Company as at the date of grant.

All the options granted have an exercise period of two years from the date of vesting.

Employee Stock Options outstanding (Net of deferred compensation cost) is as follows:

Amount in Rs. Lakhs

	March 31, 2007	March 31, 2006
Total accounting value of options outstanding (A)	461.78	92.84
Deferred Compensation Cost	461.78	92.84
Less: Amortised	172.40	77.32
Net Deferred Compensation Cost (B)	289.38	15.52
(A) – (B)	**172.40**	**77.32**

The following table summarizes the Company's stock options activity for Sasken ESOP 2000 and Sasken ESOP 2006:

Shares Underlying Options Outstanding

	March 31, 2007		March 31, 2006	
	No. of Shares	Weighted average- Exercise Price (Rs.)	No of Shares	Weighted average Exercise Price (Rs.)
Outstanding at the beginning of the year	1,141,658	201.89	1,418,488	175.00
Granted during the year	293,750	303.40	304,050	238.80
Forfeited during the year	(151,980)	233.27	(151,915)	209.36
Exercised during the year	(563,755)	177.60	(428,965)	136.58
Outstanding at the end of the year	719,673	255.73	1,141,658	201.89
Exercisable at the end of the year	154,187	194.40	360,208	153.10
Weighted average remaining contractual life (in Years)	2.54	–	2.40	–
Weighted average fair value of options granted during the year	–	156.77	–	17.49

The weighted average market price of the Company's shares during the year ended March 31, 2007 was Rs. 410.09 per share.

The estimated weighted average fair value of options granted is as detailed below:

June 2006	Rs. 98.79
October 2006	Rs. 208.29
January 2007	Rs. 219.31

This was calculated by applying the Black – Scholes – Merton formula with the following assumptions:

	June 2006	October 2006	January 2007
Average risk free interest rate	7.60%	7.60%	8.63%
Weighted average expected life of options granted in (years)	2.54	3.17	3.40
Expected dividend yield	1.11%	0.70%	1.11%
Volatility (annualised) *	47.74%	46.46%	46.25%

* Based on historical market price of the Company's shares for the period since listing.

The details of exercise price of outstanding options is as follows:

As at March 31, 2007

Range of exercise price (Rs.)	Number of options outstanding	Weighted average remaining life of options (in years)	Weighted average exercise price (Rs.)
160 – 225	224,925	1.41	201.47
226 – 321	399,748	2.73	260.40
322 – 559	95,000	4.38	364.54

As at March 31, 2006

Range of exercise price (Rs.)	Number of options outstanding	Weighted average remaining life of options (in years)	Weighted average exercise price (Rs.)
80	43,120	0.50	80.00
160-225	785,555	2.02	190.13
226-321	312,983	3.61	248.21

12. Related Party Disclosures

a) Remuneration paid/payable to Key Managerial Personnel

Amount in Rs. Lakhs

Name of the related party	Relationship	Year Ended March 31, 2007	Year Ended March 31, 2006
Rajiv C Mody	Managing Director	71.77	75.84
Krishna Jhaveri	Whole-time Director	102.16	94.11
G Venkatesh	Whole-time Director	42.73	42.71

The above does not include provisions for gratuity determined on actuarial basis and provisions for leave encashment.
Total dividend paid out for the year 2005-06, during the period, to the above Directors was Rs. 6.81 Lakhs (March 31, 2006: Rs. 6.86 Lakhs).
Stock compensation cost in respect of options issued to the directors of Rs. 33.92 Lakhs (previous year – Nil) has not been considered as managerial remuneration.

b) Following is the list of subsidiary companies:

Subsidiary	Percentage of holding as at	
	March 31, 2007	March 31, 2006
Sasken Network Systems Limited (SNS) #	–	100%
Sasken Network Engineering Limited (SNEL)	100%	100%
Sasken Communication Technologies Mexico, S.A.de C.V (Sasken Mexico)	100%	100%
Sasken Communication Technologies (Shanghai) Co. Ltd. (Sasken China)	100%	100%
Sasken Communication Technologies Oy (Sasken Finland) ##	100%	–

Refer Note 4(a) above

On August 31, 2006, Sasken Finland completed the acquisition of 100% of the outstanding and issued shares of Sasken Finland Oy (erstwhile Botnia Hightech Oy). Sasken Finland Oy had two wholly owned subsidiaries namely Ionific Oy and Botnia Hardware Oy, which have been merged with Botnia Hightech Oy effective March 31, 2007.

c) Transactions and balances due to / from subsidiary companies:

Amount in Rs. Lakhs

Particulars	As at March 31, 2007	As at March 31, 2006
Equity Holding		
– SNS	–	5.00
– SNEL #	305.00	5.00
– Sasken Mexico	2.03	2.03
– Sasken China	114.55	–
– Sasken Finland	13,173.25	–
Optionally Convertible Debentures (interest free) due from		
– SNEL	263.71	263.71
Loans outstanding from		
– SNEL (interest free) #	455.00	630.00
– Sasken Mexico ##	655.25	431.05
Corporate Guarantee provided to banks in respect of loans to:		
– Sasken Mexico	870.00	–
– Sasken Finland	9,843.00	–
– SNEL	300.00	–
Other Receivable / (Payable) for reimbursement of expenses, Net		
– SNS	–	8.02
– SNEL	430.78	198.29
– Sasken Mexico (net of payables of Rs. 1.06 Lakhs)	204.60	–
– Sasken Finland	103.56	–
– Sasken Oy	73.51	–
– Sasken China	0.09	–

On December 22, 2006, Rs. 300 Lakhs of loan receivable from SNEL was converted into Investment by issue 3,000,000 fully paid Equity Shares of Rs. 10 each of SNEL.

On December 22, 2006, dues receivable of Rs. 259.75 Lakhs from Sasken Mexico were converted to loans carrying interest at rate of LIBOR 5.29% + 200 bps (7.29% per annum)

d) The following table summarizes the transactions of the Company with subsidiary companies

Amount in Rs. Lakhs

Particulars	Year Ended March 31, 2007	Year Ended March 31, 2006
Cross charges for common administrative services, net		
– SNEL	81.39	144.02
– Sasken Mexico	132.67	–
– Sasken Finland	103.86	–
– Sasken Oy	57.40	–
Software Development Services rendered to,		
– Sasken Oy	35.13	–
Network Support Services procured from		
– SNEL	68.13	–
Interest on Loan charged to		
– Sasken Mexico	34.96	–

13. Segment Reporting

The business segmental information is given based on Software Services and Software Products offerings. Services that are related with Intellectual Property based product offerings are considered part of the Software Products segment.

a) Business Segment Information

Segment Balance Sheet

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Segment Assets		
Software Services	8,424.88	6,663.75
Software Products	5,361.25	3,243.91
Corporate and others	33,235.58	30,718.00
Total	**47,021.71**	**40,625.66**
Segment Liabilities		
Software Services	712.00	629.16
Software Products	503.06	499.93
Unallocated Liabilities	3,966.53	2,102.53
Total	**5,181.59**	**3,231.62**
Capital Expenditure		
Software Services*	1,120.17	382.08
Software Products	109.70	1,225.37
Corporate and others	1,395.70	1,258.88
Total	**2,625.57**	**2,866.33**
Capitalised software product costs		
Software Products	3,327.36	1,413.45
Total	**3,327.36**	**1,413.45**

* Excluding assets acquired on merger of SNS & iSoftTech.

Segment Profit & Loss Account

Amount in Rs. Lakhs

	Year Ended March 31, 2007	Year Ended March 31, 2006
Revenues	**36,630.72**	**26,754.43**
Software Services	34,357.31	24,003.42
Software Products	2,273.41	2,751.01
Segmental Profits	**10,344.45**	**7,405.13**
Software Services	12,390.46	7,829.54
Software Products	(2,046.01)	(424.41)
Less:		
Corporate Expenses	6,618.45	5,462.15
Profit from Operations	**3,726.00**	**1,942.98**
Less: Amortisation – Non compete fees	224.41	94.03
Less: Interest expense	64.59	0.20
Add: Other Income, including exchange gain/(loss)	979.88	650.36
Less: Exceptional item	–	676.08
Profit before tax	**4,416.88**	**1,823.03**
Income tax including fringe benefit tax	603.78	532.56
Profit after tax	**3,813.10**	**1,290.47**
Other information		
Depreciation/Amortisation		
Software Services	1,136.59	1,073.01
Software Products	596.55	448.19
Corporate and others	372.04	278.49
Total	**2,105.18**	**1,799.69**

Note: Unallocated corporate assets and liabilities comprise of assets and liabilities not identifiable with reportable segments, as these assets and liabilities are used interchangeably between the segments. However, depreciation on such assets has been allocated to the segments based on the related utilisation by the respective segments, as used by management for its internal reporting purposes.

b) Geographic Segment Information

Revenues:

Amount in Rs. Lakhs

Region	Year Ended March 31, 2007	Year Ended March 31, 2006
North America (including Canada)	12,459.02	9,191.12
Europe	13,671.75	10,989.05
Asia Pacific (other than India)	2,408.22	2,196.79
India	8,091.73	4,377.47
Total	**36,630.72**	**26,754.43**

Assets:

Sundry Debtors and Unbilled Revenues

Amount in Rs. Lakhs

Region	As at March 31, 2007	As at March 31, 2006
North America (including Canada)	2,198.48	1,794.07
Europe	4,124.20	2,379.15
Asia Pacific (other than India)	552.00	205.96
India	1,530.64	1,377.88
Total	**8,405.32**	**5,757.06**

Note: Most of the other tangible and intangible assets relate to India. Assets for other geographical segments are not significant and hence not furnished.

14. Earnings Per Share (EPS)

Reconciliation of the net income and number of shares considered in the computation of basic and diluted EPS is given below:

Amount in Rs. Lakhs

	Year Ended March 31, 2007	Year Ended March 31, 2006
Profit for computation of basic and diluted EPS	3,813.10	1,290.47
Weighted average number of shares considered for basic EPS	28,099,694	25,233,227
Add: Effect of stock options	433,232	599,886
Weighted average number of shares considered for diluted EPS	28,532,926	25,833,113

15. Operating Leases

The Company has operating leases for office premises that are (a) renewable on a periodic basis and are cancellable by giving a notice period ranging from 1 month to 6 months and (b) are non-cancellable for specified periods under arrangements. Rent escalation clauses vary from contract to contract.

Amount in Rs. Lakhs

	Year Ended March 31, 2007	Year Ended March 31, 2006
Rent expenses included in Profit and Loss account towards operating leases	1,252.13	973.80

Minimum lease obligation under non-cancellable lease contracts amounts to:

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Due within one year of the balance sheet date	773.89	521.65
Due between one to five years	969.10	50.36

16. Provisions

The following table provides disclosures in accordance with Accounting Standard 29 on Provisions, Contingent Liabilities & Contingent Assets:

Amount in Rs. Lakhs

Particulars	Provision for FBT		Provision for Warranty	
	2006-07	2005-06	2006-07	2005-06
Opening Balance	–	–	–	26.49
Additions during the year	89.26	70.60	14.91	–
Less: Amounts used/paid during the year	89.26	70.60	8.82	–
Less: Unused amounts reversed during the year	–	–	–	26.49
Closing balance	–	–	6.09	–

17. Previous year figures have been re-grouped / rearranged, wherever necessary to conform to the current year presentation. The figures of the year ended March 31, 2007 include the financial results of SNS and iSoftTech post merger as discussed in Notes 4(a) and 4(b) above, while those of the corresponding previous year do not include SNS and iSoftTech. Hence, the same are strictly not comparable.

Signatures to Schedules 1 to 16

S.R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bangalore
Date : April 20, 2007

For and on behalf of the Board of Directors

Rajiv C Mody
Managing Director

G Venkatesh
Whole-time Director

Neeta Revankar
Chief Financial Officer

R Vittal
Company Secretary

Cash Flow Statement

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
A. Cash flows from operating activities:		
Net Profit before tax	4,416.88	1,823.03
Adjustments for:		
Depreciation	1,647.97	1,549.11
Amortisaton of Non Compete Fees	224.41	94.03
Amortisaton of Technical Knowhow	11.57	–
Amortisaton of Capitalised Software Costs	252.29	–
Other non-cash (writeback)/charges	89.85	211.01
Foreign exchange adjustments	(548.98)	234.49
Interest expense	64.59	0.20
Other income	(707.89)	(585.99)
Operating Profit before working capital changes	5,450.69	3,325.88
Adjustments for:		
(Increase)/decrease in Sundry Debtors	(1,769.34)	(917.82)
(Increase)/decrease in Work in progress	143.17	(154.35)
(Increase)/decrease in Loans & Advances	(1,077.79)	(900.93)
Increase/(decrease) in Current Liabilities and Provisions	991.30	(180.38)
Cash generated from operations	3,738.03	1,172.40
Direct Taxes (Paid)/Refund Received, net	(687.86)	(771.11)
Net Cash from operations	**3,050.17**	**401.29**
B. Cash flows from investing activities:		
Purchase of fixed assets and intangible assets	(2,289.55)	(2,839.08)
Capitalisation of Software product development expenses	(1,481.54)	(1,256.90)
Interest received & Other Income	21.74	20.26
Sale/(purchase) of Investments, net	15,602.06	(17,827.86)
Investment in Subsidiary	(13,287.80)	(2.03)
Investment in Joint venture	(17.21)	–
Sale of Long term investments (non trade)	–	33.55
Investment in iSoftTech	(480.82)	–
Loans/Advances given to Subsidiaries	(956.47)	(1,212.53)
Repayment of Loans by Subsidiaries	–	612.38
Net cash used in investing activities	**(2,889.59)**	**(22,472.21)**

Cash Flow Statement (Contd.)

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
C. Cash flows from financing activities:		
Proceeds from issue of shares (includes share application money), net of share issue expenses	1,001.25	22,914.51
Proceeds from Short term loan and Bridge loan	14,500.00	–
Repayment of Short- term loan and Bridge loan	(14,500.00)	–
Increase/(decrease) in working capital loans	–	(45.03)
Dividend paid inclusive of dividend tax	(955.63)	(576.30)
Interest paid	(64.59)	(0.20)
Net cash (used in)/from financing activities	**(18.97)**	**22,292.98**
Net increase in Cash and Bank Balances (A+B+C)	141.61	222.06
Effect of translation on Bank balance	(51.09)	–
Cash and Bank Balances at the beginning of the year	1,136.34	914.28
Addition on merger of subsidiary – iSoftTech	132.20	–
Addition on merger of subsidiary – SNS	343.81	–
(Refer Notes 4(a) and 4(b) in Notes to Accounts)		
Cash and Bank Balances at the end of the year (Refer Schedule 7 for details)	**1,702.87**	**1,136.34**
Supplementary non-cash flow information		
Issuance of Share Capital out of Share Application money	–	25.49
Increase in investment in subsidiary through conversion of loan	300.00	–
Dividends received and re-invested in units of mutual funds	463.36	542.42

As per our attached report of even date.

S.R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bangalore
Date : April 20, 2007

For and on behalf of the Board of Directors

Rajiv C Mody
Managing Director

G Venkatesh
Whole-time Director

Neeta Revankar
Chief Financial Officer

R Vittal
Company Secretary

Balance Sheet Abstract

Information pursuant to Part IV of Schedule VI to the Companies Act, 1956
Statement on Balance Sheet Abstract and General Business Profile of the Company

I. Registration Details			
Registration No.	U72100KA1989PLC014226	State Code	8
Balance Sheet Date	31.03.07		

II. Capital raised during the year

			Amount in Rs. Lakhs
Public Issue	Nil	Rights Issue/Preferential Allotment:	Nil
Bonus Issue	Nil	Stock Options	56.37

III. Position of mobilisation and deployment of funds

			Amount in Rs. Lakhs
Total Liabilities	41,840.12	Total Assets	41,840.12
Sources of Funds			
Paid-up Capital	2,850.01		
Reserves & Surplus	38,990.11		
Unsecured Loans	Nil		
Secured Loans	Nil		
Application of Funds			
Net Fixed Assets	9,942.99		
Capitalised Software	3,327.36		
Investments	17,556.33		
Net Current Assets	11,013.44		
Misc. Expenditure	Nil		
Accumulated Losses	Nil		

IV. Performance of the Company

			Amount in Rs. Lakhs
Turnover	36,630.72	Total Expenditure	32,817.62
Profit/(Loss) Before tax	4,416.88	Profit/(Loss) After tax	3,813.10
Earnings per share (Rs.) (Weighted average)	13.57	Dividend rate	40%
(Weighted average)			

V. Generic names of three principal products of the Company
(as per monetary terms)

Item Code No	85249009.10
(ITC Code)	
Product Description:	Computer Software

Auditors' Report

To The Board of Directors of
Sasken Communication Technologies Limited

1. We have audited the attached consolidated Balance Sheet of Sasken Communication Technologies Limited ("the Company") and its subsidiaries (collectively called "Sasken Group"), as at March 31, 2007, and also the consolidated Profit and Loss account and Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. a) We did not audit the financial statements of the subsidiaries included herein, whose financial statements together reflect total assets of Rs. 389,297,246 as at March 31, 2007, total revenues (including other income) of Rs. 421,115,157, total expenditure of Rs. 394,925,631 and cash inflows, net amounting to Rs. 17,145,933 for the year then ended.

   b) We did not audit the consolidated financial statements of a subsidiary incorporated in Finland, included herein, whose consolidated financial statements [prepared as per accounting principles generally accepted in Finland ('Finnish GAAP')], reflect total assets of Rs. 2,433,913,660 as at March 31, 2007 and total revenues (including other income) of Rs. 699,559,766, total expenditure of Rs. 656,552,240 and cash inflow, net amounting to Rs. 157,244,455 for the period September 1, 2006 to March 31, 2007. We have undertaken the audit of conversion of such financial statements from Finnish GAAP to accounting principles generally accepted in India.

   These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.

   c) We also did not audit the financial statements of Sasken Communication Technologies (Shanghai) Co. Ltd. ["Sasken China"] for the year ended March 31, 2007. The financial statements of Sasken China, included in the consolidated financial statements, are based on unaudited financial statements, which reflect total assets of Rs. 5,382,484 as at March 31, 2007 and other income of Rs. 29,811, total expenditure of Rs. 7,838,333 and cash inflows, net amounting to Rs. 648,200 for the year then ended.

4. The consolidated financial statements of Sasken Group for the year ended March 31, 2007 include the financial statements of erstwhile Integrated Softtech Solutions Private Limited, Chennai ('iSoftTech') pursuant to an approved Scheme of Merger effective April 1, 2006 as detailed in Note 4(b) in Schedule 18 to the financial statements. The financial statements of iSoftTech as

included reflect total assets of Rs. 54,262,261 as at March 31, 2007, total revenues of Rs. 113,426,664 and total expenditure of Rs. 93,664,278 for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of the other auditors.

5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

6. Based on our audit and on consideration of the reports, as available, of the other auditors on separate financial statements and on the other financial information of the subsidiaries, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   a) in the case of the consolidated balance sheet, of the state of affairs of Sasken Group as at March 31, 2007,

   b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and

   c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No: 35141

Bangalore
April 20, 2007

Consolidated Balance Sheet

Amount in Rs. Lakhs

	Schedule No.	As at March 31, 2007	As at March 31, 2006
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2,850.01	2,793.64
Employee Stock Options Outstanding (Net of deferred compensation cost)		172.40	77.32
Reserves and Surplus	2	39,152.74	35,631.05
Government Subsidy (PROSOFT)		25.09	–
Loan Funds			
Secured Loans	3	9,091.13	115.04
Unsecured Loans	4	68.76	–
Deferred Tax Liability		7.10	–
Total Sources		**51,367.23**	**38,617.05**
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		41,758.48	18,946.94
Less: Accumulated Depreciation		12,303.53	9,178.08
Net Block		29,454.95	9,768.86
Capital Work in Progress including capital advances		500.43	342.93
Total		**29,955.38**	**10,111.79**
Capitalised software product costs (net of Amortisation)		3,327.36	1,413.45
Investments	6	3,680.58	18,651.01
Deferred Tax Asset		62.98	19.50
Current Assets, Loans and Advances			
Inventories	7	79.91	334.97
Sundry Debtors	8	11,081.98	6,528.59
Cash and Bank Balances	9	3,487.61	1,514.49
Loans and Advances	10	7,470.28	3,852.76
Gross Current Assets	(A)	22,119.78	12,230.81
Less: Current Liabilities and Provisions	11		
Current Liabilities		5,020.51	2,663.57
Provisions		2,758.34	1,145.94
Total	(B)	**7,778.85**	**3,809.51**
Net Current Assets	(A-B)	14,340.93	8,421.30
Total Applications		**51,367.23**	**38,617.05**
Notes to Consolidated Accounts	18		

The Schedules referred to above and notes to consolidated accounts form an integral part of the Consolidated Balance Sheet.

As per our report of even date.

S.R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bangalore
Date : April 20, 2007

For and on behalf of the Board of Directors

Rajiv C Mody
Managing Director

G Venkatesh
Whole-time Director

Neeta Revankar
Chief Financial Officer

R Vittal
Company Secretary

Consolidated Profit and Loss Account

Amount in Rs. Lakhs

	Schedule No.	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
Revenues		47,712.90	30,812.79
Cost of Revenues	12	31,660.68	20,115.06
Gross Profit		**16,052.22**	**10,697.73**
Research and Development Expenses	13	2,223.20	1,518.76
Gross Profit after Research and Development Expenses		**13,829.02**	**9,178.97**
Selling and Marketing Expenses	14	2,501.47	2,388.28
Administrative and General Expenses	15	6,028.96	3,615.81
Employee stock option compensation cost (net)		168.17	53.59
(Refer Note 11 in the Notes to Consolidated Accounts)			
Profit from operations		**5,130.42**	**3,121.29**
Amortisation of Non Compete Fees		224.41	94.03
Other Income	16	740.83	616.52
Exchange Gain (net)		233.85	24.20
Profit Before Interest, Exceptional Items and Income Taxes		**5,880.69**	**3,667.98**
Interest Expense	17	447.22	14.30
Exceptional Item (Refer Note 6(g) in Notes to Consolidated Accounts)		–	676.08
Profit Before Taxes		**5,433.47**	**2,977.60**
Income Tax expense/(credit), net			
– Current		908.75	595.07
– Deferred		(43.48)	(19.50)
Fringe Benefit Tax		141.26	110.41
Profit After Tax		**4,426.94**	**2,291.62**
Add: Balance brought forward		6,446.39	5,239.45
Less: Transfer to General Reserve on account of Merger of SNS (Also refer Note 4(a) in Notes to Consolidated Accounts)		(167.79)	–
Profit available for appropriations		**10,705.54**	**7,531.07**
Appropriations:			
Proposed Equity dividend		1,140.01	838.09
Tax on proposed equity dividend		193.74	117.54
Transfer to General Reserve		381.31	129.05
Balance carried to Consolidated Balance Sheet		8,990.48	6,446.39
Earnings Per Share (Equity Share par value Rs. 10 each)			
Basic		15.75	9.08
Diluted		15.52	8.87
Weighted average number of Equity Shares used in computation of			
Basic EPS		28,099,694	25,233,227
Diluted EPS		28,532,926	25,833,133
(Refer Note 14 in Notes to Consolidated Accounts)			
Notes to Consolidated Accounts	18		

The Schedules referred to above and the notes to consolidated accounts form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date.

S.R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bangalore
Date : April 20, 2007

For and on behalf of the Board of Directors

Rajiv C Mody
Managing Director

G Venkatesh
Whole-time Director

Neeta Revankar
Chief Financial Officer

R Vittal
Company Secretary

Schedules Forming Part of the Consolidated Balance Sheet

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Schedule 1		
Share Capital		
Authorised Capital		
50,000,000 Equity Shares of Rs. 10 each	5,000.00	3,500.00
(At March 31, 2006, 35,000,000 Equity Shares of Rs. 10 each)		
Total	**5,000.00**	**3,500.00**
Issued, Subscribed and Paid Up Capital		
28,500,136 Equity Shares of Rs. 10 each fully paid up (At March 31, 2006, 27,936,381 Equity Shares of Rs. 10 each fully paid up) (Of the above, 5,675,000 equity shares of Rs. 10 each have been allotted as fully paid up Bonus shares by capitalisation of balance in Profit and Loss Account of Rs. 502.83 Lakhs and General Reserve of Rs. 64.67 Lakhs) Also refer Note 7 and Note 11 in Notes to Consolidated Accounts	2,850.01	2,793.64
Total	**2,850.01**	**2,793.64**
Schedule 2		
Reserves and Surplus		
Securities Premium		
Opening Balance	28,024.19	6,133.79
Add: Received during the year	1,017.96	22,474.71
Less: Share issue expenses (relating to initial public offer)	–	584.31
Total	**29,042.15**	**28,024.19**
General Reserve		
Opening Balance	1,160.47	1,031.42
Adjustments due to merger (Refer Notes 4(a) & 4(b) of Notes to Consolidated Accounts)		
Add: Transfer of Balance in Profit & Loss Account as at April 1, 2005 of SNS	167.79	–
Less: Transfer of Balance in Profit & Loss Account as at April 1, 2006 of iSoftTech	70.76	–
Less: Adjustment arising on merger of iSoftTech	127.25	–
Add: Transferred from Profit & Loss Account	381.31	129.05
Total	1,511.56	1,160.47
Profit & Loss Account	8,990.48	6,446.39
Foreign Exchange Translation Reserve	(391.45)	–
Total	**39,152.74**	**35,631.05**

Schedules Forming Part of the Consolidated Balance Sheet *(Contd.)*

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Schedule 3		
Secured Loans		
Loan from Nordea Bank (Secured against shares of Sasken Finland Oy and corporate guarantee given by the Company)	7,558.20	–
Loan from OKO Bank (Secured against assets of Sasken Finland Oy)	1,279.08	–
Cash Credit from Union Bank of India (Secured against book debts of Sasken Network Engineering Limited and corporate guarantee given by the Company)	253.85	115.04
Total	**9,091.13**	**115.04**
Schedule 4		
Unsecured Loans		
Loan – Others	68.76	–
Total	**68.76**	**–**

Schedule 5 – Fixed Assets

Amount in Rs. Lakhs

	GROSS BLOCK					DEPRECIATION					NET BLOCK	
Particulars	Balance as at April 1, 2006	Adjustments [Refer Note (1)]	Additions during the year	Deletions during the year	Balance as at March 31, 2007	Balance as at April 1, 2006	Adjustments [Refer Note (1)]	For the year	Adjustments	Balance as at March 31, 2007	As at March 31, 2007	As at March 31, 2006
Land	2,287.67	–	–	–	2,287.67	–	–	–	–	–	2,287.67	2,287.67
Building	3,310.98	–	–	–	3,310.98	792.04	–	167.94	–	959.98	2,351.00	2,518.94
Leasehold Improvements	352.04	–	265.44	–	617.48	106.96	–	134.53	–	241.49	375.99	245.08
Computers	4,123.77	162.53	1,036.13	321.21	5,001.22	2,702.65	72.72	636.69	321.02	3,091.04	1,910.18	1,421.12
Electrical Fittings	211.89	–	87.01	–	298.90	126.90	–	32.93	–	159.83	139.07	84.99
Furniture and Fittings	1,827.36	264.65	226.77	–	2,318.78	709.68	145.97	236.83	–	1,092.48	1,226.30	1,117.68
Plant & Machinery including Office Equipment	3,535.90	1,182.85	1,043.61	18.85	5,743.51	2,698.94	754.99	533.63	18.37	3,969.19	1,774.32	836.96
Vehicles	0.08	–	–	–	0.08	0.08	–	–	–	0.08	–	–
Intangible Assets – Computer Software	2,902.67	413.55	371.62	880.20	2,807.64	1,872.86	180.31	610.75	327.77	2,336.15	471.49	1,029.81
– Goodwill	–	18,592.25	–	–	18,592.25	–	–	–	–	–	18,592.25	–
– Technical Knowhow	–	–	138.85	–	138.85	–	–	11.57	–	11.57	127.28	–
– Contracts	148.04	–	–	–	148.04	73.94	–	49.34	–	123.28	24.76	74.10
– Non Compete Fees	246.54	–	246.54	–	493.08	94.03	–	224.41	–	318.44	174.64	152.51
Total	**18,946.94**	**20,615.83**	**3,415.97**	**1,220.26**	**41,758.48**	**9,178.08**	**1,153.99**	**2,638.62**	**667.16**	**12,303.53**	**29,454.95**	**9,768.86**
Balance as at March 31, 2006	16,025.31	–	3,030.40	108.77	18,946.94	7,328.77	–	1,944.69	95.38	9,178.08	9,768.86	–

Note (1): Relates to addition of fixed assets on acquisition/merger of Sasken Finland Oy and Integrated Softtech Solutions Pvt. Ltd. Also refer Notes 4(b) and 4(c) in Notes to Consolidated Accounts

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Schedule 6		
Investments		
A. Long term, Non Trade, unquoted at cost		
Indira Vikas Patra /National Savings Certificate	–	0.12
14,584 fully paid Common Stock of 2Wire Inc, a company incorporated in USA (As on March 31, 2006: 14,584 fully paid common stock)	83.00	83.00
Less: Provision for diminution in value of investment	(50.86)	(50.86)
392,285 fully paid equity shares of Rs. 10 each of Prime Telesystems Ltd. (As on March 31, 2006: 392,285 fully paid common stock)	240.00	240.00
Less: Provision for diminution in value of investment	(240.00)	(240.00)
203,500 common shares of Extandon Inc, a company incorporated in USA (Refer Note 6(d) in the Notes to Consolidated Accounts)	0.23	0.23
B. Current – Non Trade, unquoted at lower of cost and net realisable value		
[also refer Note 7 in the Notes to Consolidated Accounts]		
– UTI Liquid Cash Plan – Institutional Plan – Weekly Income Option [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 40,438.47 Units of Rs. 1015.534 each]; [Market value – Rs. 412.22 Lakhs]	–	410.67
– GFCW Grindlays Floating Rate – ST-Super Inst Plan C – Weekly Dividend [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 1,649,474.30 Units of Rs. 10.000 each]; [Market value – Rs. 164.94 Lakhs]	–	164.94
– TATA Floating Rate Short Term Institutional Plan – Daily Dividend [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 2,409,512.79 Units of Rs. 10.006 each]; [Market value – Rs. 241.20 Lakhs]	–	241.10
– Reliance Fixed Maturity Fund – Monthly Plan – Dividend [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 9,223,581.17 Units of Rs. 10.000 each]; [Market value – Rs. 926.83 Lakhs]	–	922.36
– Reliance Fixed Maturity Fund – Quarterly Plan – Dividend [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 5,225,083.29 Units of Rs. 10.000 each]; [Market value – Rs. 522.96 Lakhs]	–	522.51
– Birla Sunlife Cash Manager – Institutional Plan – Daily Dividend [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 5,206,576.19 Units of Rs. 10.000 each]; [Market value – Rs. 520.80 Lakhs]	–	520.70

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
– HSBC Liquid Plus-Inst. Plus – Daily Dividend [As at March 31, 2007 14,665,193.05 Units of Rs. 10.010 each]; [Market value – Rs. 1,468.37 Lakhs] [As at March 31, 2006 Nil Units]; [Market value – Rs. Nil]	1,467.28	–
– UTI Floating Rate Fund – Short Term Plan (Dividend Option) [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 2,827,356.51 Units of Rs. 10.077each]; [Market value – Rs. 286.02 Lakhs]	–	284.91
– Birla Floating Rate Fund – Long Term – Monthly Dividend [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 4,985,658.21 Units of Rs. 10.403 each]; [Market value – Rs. 519.25 Lakhs]	–	518.65
– ING Vysya Floating Rate Fund – Weekly Dividend [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 15,182,722.86 Units of Rs. 10.086 each]; [Market value – Rs. 1,533.86 Lakhs]	–	1,531.29
– Principal Floating Rate Fund SMP – Institutional Plan-Weekly Dividend [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 15,377,338.60 Units of Rs. 10.005 each]; [Market value – Rs. 1,538.12 Lakhs]	–	1,538.12
– Prudential ICICI Long Term Floating Rate Plan B – Dividend [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 15,230,898.83 Units of Rs. 10.047 each]; [Market value – Rs. 1,537.95 Lakhs]	–	1,530.20
– Principal Income Fund – Short Term – Institutional Plan – Monthly Dividend [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 10,141,960.13 Units of Rs. 10.090 each]; [Market value – Rs. 1,019.98 Lakhs]	–	1,019.98
– LIC MF FMP Series 1 Year – Growth [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 10,000,000.00 Units of Rs. 10.000 each]; [Market value – Rs. 1,034.22 Lakhs]	–	1,000.00
– JM Equities & Derivative Fund – Dividend [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 4,984,007.55 Units of Rs. 10.130 each]; [Market value – Rs. 515.62 Lakhs]	–	504.89
– Prudential ICICI Institutional FMP – 15 Month Plan Series XXV [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 4,668,708.45 Units of Rs. 10.710 each]; [Market value – Rs. 502.34 Lakhs]	–	500.00

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
– HSBC Fixed Term Series 1 – Growth [As at March 31, 2007 5,007,063.33 Units of Rs. 10.440 each]; [Market value – Rs. 543.05 Lakhs] [As at March 31, 2006 5,007,063.33 Units of Rs. 10.000 each]; [Market value – Rs. 502.86 Lakhs]	500.71	500.71
– UTI FMP Growth Plan [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 5,000,000.00 Units of Rs. 10.000 each]; [Market value – Rs. 514.94 Lakhs]	–	500.00
– HSBC Fixed Term Series-7-Dividend [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 1,005,901.98 Units of Rs. 10.000 each]; [Market value – Rs. 100.63 Lakhs]	–	100.59
– LIC MF Liquid Fund – Dividend Plan [As at March 31, 2007 6,208,389.61 Units of Rs. 10.980 each]; [Market value – Rs. 681.69 Lakhs] [As at March 31, 2006 10,101,962.07 Units of Rs. 10.954 each]; [Market value – Rs. 1,106.83 Lakhs]	681.69	1,106.54
– LIC MF Liquid Fund (Quarterly) [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 20,000,000.00 Units of Rs. 10.000 each]; [Market value – Rs. 2,000.00 Lakhs]	–	2,000.00
– UTI Fixed Maturity Plan (Quarterly) [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 – 2,000,000.00 Units at Rs. 10.000 each]; [Market value – Rs. 200.29 Lakhs]	–	200.00
– ING Vysya Quarterly FMP Dividend Option [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 15,000,000.00 Units of Rs. 10.000 each]; [Market value – Rs. 1,500.00 Lakhs]	–	1,500.00
– TATA Fixed Horizon Fund [As at March 31, 2007 4,500,000.00 Units of Rs. 10.000 each]; [Market value – Rs. 450.49 Lakhs] [As at March 31, 2006 10,000,000.00 Units of Rs. 10.000 each]; [Market value – Rs. 1,000.61 Lakhs]	450.00	1,000.00
– Prudential ICICI FMP [As at March 31, 2007 Nil Units]; [Market value – Rs. Nil] [As at March 31, 2006 5,003,639.45 Units of Rs. 10.000 each]; [Market value – Rs. 501.63 Lakhs]	–	500.36

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
– Tata Liquidity Management Fund – Daily Dividend [As at March 31, 2007 21,616.98 Units of Rs. 1,002.260 each]; [Market value – Rs. 216.66 Lakhs] [As at March 31, 2006 Nil Units]; [Market value – Rs. Nil]	216.66	–
– Reliance Liquidity Fund [As at March 31, 2007 3,317,616.72 Units of Rs. 10.003 each]; [Market value – Rs. 331.87 Lakhs] [As at March 31, 2006 Nil Units]; [Market value – Rs. Nil]	331.87	–
Total	**3,680.58**	**18,651.01**
Schedule 7		
Inventories		
Work in progress	79.91	334.97
Total	**79.91**	**334.97**
Schedule 8		
Sundry Debtors		
a) Debts outstanding for a period exceeding six months		
– Unsecured, considered good	295.85	260.27
– Unsecured, considered doubtful	218.11	262.12
b) Other debts		
– Unsecured, considered good	10,786.13	6,268.32
– Unsecured, considered doubtful	–	34.17
Less: Provisions	(218.11)	(296.29)
Total	**11,081.98**	**6,528.59**
Schedule 9		
Cash and Bank Balances		
Cash on Hand	16.42	9.99
Balances with Banks:		
– in Current Accounts	3,230.37	1,422.84
– in Deposit Accounts	240.82	81.66
(held as margin money for bank guarantees / letters of credit as on March 31, 2007 – Rs. 30.26 Lakhs; as on March 31, 2006 – Rs. 30.86 Lakhs)		
Total	**3,487.61**	**1,514.49**

Schedules Forming Part of the Consolidated Balance Sheet *(Contd.)*

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Schedule 10		
Loans and Advances		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	2,395.38	1,087.76
Deposits with Government Departments and others	1,604.17	1,220.15
Loans and Advances to Staff	281.36	226.91
Interest Income Accrued but not due	0.24	6.48
Unbilled Revenues	2,447.57	915.43
Advance Income Tax (Net of Provision for Tax)	741.56	396.03
Total	**7,470.28**	**3,852.76**
Schedule 11		
Current Liabilities and Provisions		
Current Liabilities		
Sundry Creditors for goods, expenses and services		
Dues to Small Scale Industrial Units	1.66	4.20
Others	3,533.61	2,078.16
Other Liabilities	1,377.17	129.10
Deferred Revenues	–	18.53
Advance received from customers	108.07	433.58
Total (A)	**5,020.51**	**2,663.57**
Provisions		
Provision for Income Tax	202.80	14.54
Proposed Equity Dividend	1,140.01	838.09
Tax on Proposed Equity Dividend	193.74	117.54
Provision for Leave Encashment	1,076.99	163.53
Provision for Warranty	6.09	–
Provision for Gratuity	97.60	12.24
Provision for Other defined benefit plan	41.11	–
Total (B)	**2,758.34**	**1,145.94**
Total (A) + (B)	**7,778.85**	**3,809.51**

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
Schedule 12		
Cost of Revenues		
Salaries & Bonus	21,444.92	13,764.54
Contribution to Provident and Other Funds	1,655.99	586.92
Staff Welfare	315.31	208.90
Recruitment and Relocation	355.98	226.48
Rent	1,544.48	1,015.08
Repairs and Maintenance		
– Plant & Machinery	453.59	285.26
– Building	301.15	212.39
– Others	192.07	150.01
Communication Expenses	398.27	264.74
Travel Expenses	1,137.84	1,316.10
Electricity and Water Charges	572.35	441.52
Professional & Consultancy Charges	580.47	277.69
Depreciation	1,640.98	1,231.59
Software expenses	306.89	349.04
Training and Conference Expenses	245.70	77.49
Warranty Expenses provided /(reversed)	6.09	(26.49)
Miscellaneous	(10.32)	49.02
Sub Total	**31,141.76**	**20,430.28**
Amortisation of capitalised software product costs	252.29	–
Amortisation of technical know how	11.57	–
Add: Opening balance of work in progress	334.97	19.75
Less: Closing balance of work in progress	(79.91)	(334.97)
Total	**31,660.68**	**20,115.06**

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
Schedule 13		
Research and Development Expenses		
Salaries & Bonus	1,542.51	1,230.95
Contribution to Provident and Other Funds	99.97	61.32
Staff Welfare	11.81	12.37
Recruitment and Relocation	52.19	8.16
Rent	107.43	92.05
Repairs and Maintenance		
– Plant & Machinery	73.80	76.63
– Building	94.33	41.45
– Others	19.80	14.93
Communication Expenses	33.61	21.91
Travel Expenses	188.92	209.35
Electricity and Water Charges	54.36	43.14
Professional & Consultancy Charges	1,068.14	727.28
Depreciation	489.16	354.29
Software Expenses	71.26	18.13
Donations	8.50	–
Training and Conference Expenses	10.18	20.25
	3,925.97	**2,932.21**
Less: Capitalised software product costs	(1,702.77)	(1,413.45)
Total	**2,223.20**	**1,518.76**

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
Schedule 14		
Selling and Marketing Expenses		
Salaries & Bonus	1,131.14	1,034.67
Contribution to Provident and Other Funds	60.24	14.37
Staff Welfare	53.89	49.17
Recruitment and Relocation	41.32	25.27
Rent	104.21	77.30
Repairs and Maintenance		
– Plant & Machinery	7.98	6.60
– Building	19.84	27.63
– Others	5.77	5.56
Communication Expenses	102.41	80.87
Travel Expenses	430.62	300.38
Electricity and Water Charges	10.73	8.17
Professional, Legal & Consultancy Charges	354.27	210.01
Agency Commission (others)	62.29	69.43
Selling Expenses – others	145.32	169.31
Membership & Subscriptions	4.45	65.79
Depreciation	28.96	30.07
Training and Conference Expenses	6.04	5.69
Software Expenses	7.62	–
Bad debts	25.06	5.72
Doubtful debts provided/(reversed), net	(100.69)	202.27
Total	**2,501.47**	**2,388.28**

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
Schedule 15		
Administrative and General Expenses		
Salaries & Bonus	2,277.02	1,219.85
Contribution to Provident and Other Funds	200.19	79.48
Staff Welfare	108.53	58.72
Recruitment and Relocation	226.84	12.11
Rent	199.55	150.08
Rates and Taxes	110.61	44.42
Repairs and Maintenance		
– Plant & Machinery	40.26	38.71
– Building	206.40	100.12
– Others	37.79	20.58
Communication Expenses	66.91	45.01
Travel Expenses	471.92	163.26
Electricity and Water Charges	82.19	80.12
Depreciation	243.82	234.67
Professional, Legal & Consultancy Charges	873.06	739.57
Software Charges	18.03	–
Auditor's Remuneration		
– Audit fees	11.25	8.70
– Other Services	4.03	0.25
– Out of Pocket Expenses (including service tax)	2.45	0.41
Training and Conference Expenses	60.19	52.58
Directors' sitting fees	3.00	1.72
Donations	54.24	2.43
Insurance	124.44	83.32
Miscellaneous	604.79	468.50
Diminution in the value of Current Investments (non trade)	1.45	4.33
Loss on sale of fixed assets (net)	–	6.87
Total	**6,028.96**	**3,615.81**

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
Schedule 16		
Other Income		
Miscellaneous income	75.04	5.43
Dividend received on current investments (non trade)	463.36	542.42
Net gain on sale of current investments (non trade)	168.27	5.96
Interest income on Bank Deposits (Gross)*	25.25	8.28
Net profit on sale of long term investments (non trade)	–	26.12
Profit on Sale of Fixed Asset	0.01	–
Reversal of provision for diminution in value of long term investments (non trade)	–	25.09
Other interest income*	8.90	3.22
Total	**740.83**	**616.52**
* Tax deducted at source	0.10	7.97
Schedule 17		
Interest Expense		
Term loans from Banks and others	435.12	–
Loan processing fees	0.20	–
Others	11.90	14.30
Total	**447.22**	**14.30**

Schedules forming part of the consolidated accounts for the year ended March 31, 2007

Schedule 18

1. Description of Business

Sasken Communication Technologies Limited ("Sasken" or "the Company") and its subsidiaries (hereinafter collectively referred to as "the Group") is a provider of telecommunications software services and solutions to network equipment manufacturers, mobile terminal vendors and semiconductor companies around the world. Sasken delivers end-to-end solutions that enable richer content delivery on next generation networks.

Sasken has its headquarters in Bangalore, India with offices in Pune, Chennai, China, Germany, Japan, Sweden, United Kingdom and the United States of America.

2. Significant Accounting Policies

a) Basis for Preparation of Financial Statements

The accompanying consolidated financial statements include the accounts of Sasken and its subsidiaries. The details of subsidiaries are as follows:

Name of Subsidiary	Country of Incorporation	% Holding
Sasken Network Engineering Limited (SNEL)	India	100%
Sasken Communication Technologies Mexico S.A. de C.V (Sasken Mexico)	Mexico	100%
Sasken Communication Technologies (Shanghai) Co Ltd (Sasken China)	China	100%
Sasken Communication Technologies Oy (Sasken Finland)	Finland	100%
Sasken Finland Oy (erstwhile Botnia Hightech Oy)* (Sasken Oy)	Finland	100%

* Fully held by Sasken Finland

The consolidated financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group and are consistent with those used during the previous year.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Group may undertake in future, actual results ultimately may differ from the estimates.

All inter company balances and transactions between the Company and its subsidiaries have been eliminated in consolidation.

b) Revenue Recognition

The Group derives its revenues from product and technology licensing, software services and installation and commissioning services.

Licensing revenue is recognized when the product or technology is delivered and accepted. Revenue related to customized products or technology development agreements is recognized using the proportionate completion method, determined based on the achievement and acceptance of the milestone. In all cases revenue is recognized only when no further vendor obligations remain and collection is probable. Revenue related to post contract customer support is recognized over the support period.

Revenue from time and material service contracts is recognized as the services are provided. Revenue from fixed price service contracts is recognized based on the proportionate completion method, determined based on the achievement and acceptance of the milestone, provided collection is probable. Revenue from maintenance is recognized ratably over the term of the maintenance arrangement.

Revenue from royalty is recognized on an accrual basis based on the terms of the agreement, provided collection is probable.

Dividend income is recognized when the right to receive dividend is established.

Interest income is recognized on an accrual basis.

c) Work in Progress

Costs related to milestones that have not been met are treated as costs of future activity and are reported as work in progress. Work in progress is carried at cost or net realizable value whichever is lower. Cost includes all expenses directly identifiable to a project and other costs directly attributable to the project. Net Realizable value is the estimated revenue expected in the ordinary course of business on completion of the milestone less expected costs of completion of milestone.

d) Fixed Assets (including Intangible Assets)

Fixed assets (including intangible assets) are stated at cost, less accumulated depreciation less impairment, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets, which necessarily take substantial period of time to get ready for intended use, are also included to the extent they relate to the period till such assets are ready to be put to use.

e) Depreciation

Depreciation is provided on Straight Line Method (SLM) at the rates mentioned below, which are greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956:

Type of asset	Rates (SLM)(%)	Schedule XIV rates (SLM)(%)
Building	5	1.63
Computers	25 – 33$^1/_3$	16.21
Electrical Fittings	20	4.75
Furniture & Fittings	10 – 20	6.33
Plant & Machinery including Office Equipment	20 – 25	4.75
Vehicles	20	9.50

Leasehold improvements at leased property are depreciated over the estimated useful life or the lease period of the property, whichever is lower.

Assets with unit value of Rs. 5,000 or less are depreciated entirely in the year of acquisition, except in case of Sasken Finland and its subsidiaries where the assets with unit value of Euro 5,000 or less are depreciated entirely in the year of acquisition.

Intangible assets comprise of the following and are depreciated over the estimated useful life as given below:

1. Goodwill – Goodwill represents the excess of the purchase price over the book value of the net assets of the acquired subsidiary companies on the date of investment. Goodwill is not amortised but is tested for impairment on a periodic basis.

2. Computer Software –
   a) Computer Software used for development of software/rendering software services – over the life of the project/product.
   b) Generic Computer Software – over 12 months.
   c) Product Software for administration purposes – 3 years.

3. Contract Rights – over 3 years.

4. Non-compete Fee – over the contract period of 24 months. (Refer note 6(e)).

5. Technical Know-how – over a period of 36 months, on a straight line basis.

6. In case of Sasken Finland and its subsidiaries
   Software licenses
   a) Over Euro 3,000 – 3 years
   b) Development – 5 years
   c) Business value (Mechanical) – 3 years

f) Capitalisation and Amortisation of Software Products

Costs incurred towards development of computer software products meant for sale, lease or otherwise marketed, are capitalised subsequent to establishing technological feasibility. Capitalisation ceases when the product is available for general release to customers. Capitalised software product costs are amortised on a product-by-product basis. The amortisation shall be greater of the amount computed using (a) the ratio that current gross revenue for a product bears to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product. The unamortised cost of capitalised software products is carried at cost, less accumulated amortisation less impairment, if any.

g) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

h) Foreign Currency Transactions

i) Initial Recognition – Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency approximately at the date of the transaction.

ii) Conversion – Foreign currency monetary items are reported using the closing rate. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

iii) Exchange Differences – Exchange differences arising on the settlement or conversion of monetary items, are recognised as income or as expenses in the year in which they arise except those arising on liabilities pertaining to fixed assets acquired from outside India, which are adjusted with the cost of the fixed assets.

iv) Forward Exchange Contracts – The Group uses forward exchange contracts to hedge its exposure to movements in foreign exchange rates. The Group does not use the forward exchange contracts for trading or speculation purposes. The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss of the relevant year. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

v) Foreign operations – The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Group itself. In translating financial statements of non-integral operation for incorporation in financial statements, income and expenditure items are translated at the approximate exchange rates at the dates of the transactions and the assets and liabilities both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate. Exchange differences arising from such translations are accumulated in foreign currency translation reserve until the disposal of the net investment. On disposal of a non-integral foreign operation, the cumulative amount of the exchange difference which have been deferred and which relate to that operation are recognised as income or expense in the same year in which the gain or loss on disposal is recognised. Where there is a change in the classification of a foreign operation, the translation procedure applicable to the revised classification are applied from the date of the change in the classification.

i) Retirement Benefits to Employees

The Company and SNEL contribute to a Group Gratuity Scheme, administered by a private insurance company. The contributions are charged to the Profit and Loss account. Provision is made for the difference between the actuarial valuation (determined as at the balance sheet date) and the funded balance.

Provision for leave encashment benefits is made based on actuarial valuation as at the balance sheet date.

The Company has established a Provident Fund Trust to which contributions towards Provident Fund are made each month. The contributions towards the Pension Fund are remitted to the Regional Provident Fund. The Trust guarantees a specified rate of return on such contributions of employee and employer on a yearly basis. The Company will meet the shortfall in the return, if any, and the same is charged to the Profit and Loss account on an accrual basis. The contributions towards Provident Fund and Pension Fund of SNEL are remitted to the Regional Provident Fund. Contributions towards Provident Fund and Pension Fund are charged to the Profit and Loss account on an accrual basis.

The Company contributes to a superannuation scheme maintained by an insurance company. Such contributions are charged to the Profit and Loss account on an accrual basis. The Company has no other obligations beyond its monthly contributions.

In case of foreign subsidiary companies, contributions are made as per the respective country laws and regulations. The same is charged to the Profit and Loss account on an accrual basis. There are no obligations beyond the contributions in case of such subsidiary companies.

j) Impairment of Assets

i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

iii) A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

k) Warranty

The Group provides for the estimated costs based on trend of past analysis and nature of services rendered, which may be incurred under free warranties, as provided in licensing and service contracts.

l) Research and Development

All research and development costs are charged to Profit and Loss account when incurred. Equipment or facilities that are acquired or constructed for research and development activities, which have alternative future uses are capitalised as tangible assets. Depreciation on such assets is charged to expense as research and development costs.

m) Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 and tax laws applicable to the overseas branches under the respective jurisdictions. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Company does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised.

n) Stock Compensation Expense

The Group accounts for stock compensation expense based on the fair value of the options granted on the date of grant. Compensation expense is amortised over the vesting period of the option on a straight-line basis. The accounting value of the options net of the Deferred Compensation Expense is reflected as Employee Stock Options Outstanding.

o) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting year. The weighted average number of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

p) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

q) Segment Policy

Identification of segments

The Group is focused in the telecommunication space. The risks and returns of the Group are predominantly determined by the nature of the solutions offered to its customers, which may be in the form of products or services. The primary reporting segments are Software Services, Software Products and Network Engineering Services.

The geographical segment information is disclosed based on the location of the customers.

Allocation of Common Costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated Items

The Corporate and other segment include general corporate income and expense items, which are not allocated to any business segment.

r) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating lease. Operating leases payments are recognized as expense in the Profit and Loss account on a straight-line basis over the lease term.

s) Government Subsidy

Sasken Mexico is participating in program called PROSOFT offered and managed by State Government of Nuevo León, México and Federal Government of Mexico. The program offers incentive in the area of Information Technologies to sponsor their projects with advance funding to be utilized broadly towards Training, Implementing processes for Quality certification, Purchases of Infrastructure and Office Equipment and participation in trade shows/job fare. Sasken Mexico was sanctioned with a funding of MXN 5,780,000 for the year 2006. As per the rules of operations the funds were to be utilized for the said activities for the projects during the year 2006 or to apply for an extension. The Company applied for an extension to utilize the funds until March 31, 2007 and utilized MXN 4,373,867 part of which (MXN 635,788) was allowed by the State Government to be adjusted against initial investment company had made to set up infrastructure before allotment of subsidy funds from the Government. And the balance unutilized funds of MXN 1,406,133 was returned to Government (Federal 1,015,333 and State Government MXN 390,800).

The accounting treatment given to account for receipt of funds from Government and its utilization are in line with AS 12 and guidelines issued by ICAI. During the year ended March 31, 2007 Company has utilized these funds towards training costs and purchase of Fixed Assets as listed in the table below and the balance funds are shown under capital account.

Account Head	Category	Amount in MXN	Amount in Rs. Lakhs
Training	Profit & Loss Account Item shown as other Income	115,914	4.71
	Netted with Training Expense in the Profit and Loss Account	488,010	17.47
	Netted with Training Expense in the Profit and Loss Account	100,292	3.96
Computers	Balance Sheet Item reduced from FA value	1,178,789	47.64
Leasehold Improvements		949,339	32.65
Office Equipment		905,529	34.62
	Total	**3,737,873**	**141.05**

3. Revised Accounting Standard 15

The Group has decided to defer the adoption of the revised Accounting Standard 15 – Employee Benefits (hereinafter referred to as 'Revised AS 15'), following the announcement from the Council of the Institute of Chartered Accountants of India in February 2007. The Group had recorded a liability for employee short term and long term compensated expenses and other benefits, for the nine months ended December 31, 2006 under Revised AS 15 in its interim financial statements. The Company had debited balance in Profit & Loss account as at April 1, 2006 for a sum of Rs. 664.16 Lakhs and had recorded an expense of Rs. 141.11 Lakhs for the nine months ended December 31, 2006 towards employee benefits covered under Revised AS 15. These adjustments have been reversed now pursuant to the deferral of the adoption of Revised AS 15.

4. Acquisitions & Mergers

a) Sasken and Sasken Network Systems Limited

On July 27, 2006, Sasken received the order of the High Court of Karnataka dated June 30, 2006, approving the Scheme of Amalgamation of Sasken Network Systems Limited ('SNS' or 'the Transferor Company') with the Company ('the Scheme'). The Scheme is effective with retrospective date of April 1, 2005 ('the Appointed Date'). The Scheme was filed with the Registrar of Companies, Karnataka on July 31, 2006. The Scheme was earlier ratified by Sasken and SNS in their Board meetings on October 27, 2005 and October 26, 2005, respectively and by the shareholders of Sasken on February 25, 2006. SNS was incorporated as a wholly owned subsidiary of Sasken on October 20, 2003 and obtained its certificate to commence business on November 21, 2003, from the Registrar of Companies, Karnataka. SNS provided consultative engineering services focused on telecom operation systems.

As per the approved Scheme and in accordance with the pooling of interest method referred to in Accounting Standard 14 on Accounting for Amalgamations, the assets and liabilities of SNS have been merged with those of the Company at their respective carrying values and the balance in Profit and Loss account as at April 1, 2005 (being the appointed date) of Rs. 167.79 Lakhs has been transferred to the General Reserve of the Company. Consequently, the Company's investment in SNS of Rs. 500,000 as at March 31, 2006 has been adjusted. The Profit and Loss account for the year ended March 31, 2007 includes the income and expenses of SNS for the year ended March 31, 2007.

b) Sasken and Integrated Softtech Solutions Private Limited

Sasken entered into a share purchase agreement with the shareholders of Integrated Softtech Solutions Private Limited ('iSoftTech' or 'the Transferor Company'), on April 5, 2006, for acquiring 100% of their shares in iSoftTech. iSoftTech was incorporated as a private limited company on March 19, 2001 with the Registrar of Companies, Tamil Nadu. iSoftTech provided software services focused on telecom operation systems. The Company completed the acquisition on June 1, 2006, for a purchase consideration of Rs. 480.82 Lakhs.

The Boards of Directors of iSoftTech and Sasken approved a Scheme of Amalgamation ('the Scheme') of iSoftTech with Sasken, at their respective meetings held on July 19, 2006 and July 26, 2006. The Scheme was approved by the Shareholders of Sasken at meeting convened on October 14, 2006.

On February 2, 2007 and March 24, 2007, Sasken received the orders of the High Court of Karnataka and High Court of Judicature of Madras, respectively, approving the Scheme. The Scheme was filed with the Registrar of Companies, Karnataka on February 14, 2007 and Registrar of Companies, Tamil Nadu on March 28, 2007. The Scheme is effective with retrospective date of April 1, 2006 ('the Appointed Date').

As per the approved Scheme and in accordance with the pooling of interest method referred to in AS 14 on Accounting for Amalgamations, the assets and liabilities of iSoftTech have been merged with those of the Company at their respective carrying values as at April 1, 2006 and the debit balance in Profit and Loss account of iSoftTech as at April 1, 2006 has been adjusted with the General Reserve of the Company. Prior to the approval of the Scheme, the interim financial statements of the Company reflected its investment of Rs. 480.82 Lakhs as "Investment in Subsidiary Company". The excess of purchase consideration over the paid up share capital of iSoftTech as at April 1, 2006 of Rs. 127.25 Lakhs has been adjusted against the General Reserve of the Company. The Profit and Loss account for the year ended March 31, 2007 includes the income and expenses of iSoftTech from the appointed date.

Prior to the approval of the Scheme of Merger by the respective High Courts, the consolidated financial statements for each of the quarters ended June 30, 2006, September 30, 2006 and December 31, 2006 included the results of iSoftTech from June 1, 2006 being the date of acquisition under AS 21 and included goodwill amounting to Rs. 183.00 Lakhs as at each of the aforesaid dates under the provisions of AS 21. Consequent to the approval of the merger of iSoftTech, the accounting treatment has now been given in accordance with AS 14 as discussed in the preceding paragraph above.

c) Sasken Communication Technologies Oy

On August 23, 2006, the Company established Sasken Communication Technologies Oy ("Sasken Finland") with the object of providing technology services relating to hardware design, software design, testing and mechanical design particularly relating to communication technology.

The Company has invested Rs. 13,173.25 Lakhs in Sasken Finland towards equity capital. On August 31, 2006 Sasken Finland completed the acquisition of 100% of the outstanding and issued shares of Sasken Finland Oy (erstwhile Botnia Hightech Oy (Sasken Oy) for an amount of Rs. 20,576.43 Lakhs (Euro 34.38 million). Sasken Oy had two wholly owned subsidiaries namely Ionific Oy and Botnia Hardware Oy, which were merged in to Sasken Oy effective March 31, 2007. The Company has provided a corporate guarantee for Rs. 9,843.00 Lakhs (Euro17.00 million) towards a bank loan obtained by Sasken Finland to fund the balance purchase consideration.

In accordance with AS 21 – Consolidated Financial Statements, the Company has recorded a Goodwill of Rs. 18,595.45 Lakhs being the excess of consideration over the book value of Sasken Oy and its subsidiaries, as at the date of acquisition. The consolidated Profit and Loss account for the year ended March 31, 2007 includes the revenues and expenses of Sasken Oy and its subsidiaries from September 1, 2006.

d) Sasken Communication Technologies (Shanghai) Co. Ltd. (Sasken China)

During the year ended March 31, 2006, the Company promoted Sasken China. Sasken China was incorporated on January 4, 2006. Sasken China is yet to commence commercial operations as at March 31, 2007.

5. Joint Venture

In January 2007, Sasken and Tata AutoComp Systems Limited ("TACO") formed a joint venture company called TACO Sasken Automotive Electronics Private Limited ("TSAE"). TSAE will focus on automotive electronics products in the areas of telematics, infotainment and occupant convenience. As at March 31, 2007, Sasken and TACO each hold 50% of the equity in TSAE. TSAE is yet to commence commercial operations as at March 31, 2007. Sasken share of the expenses of TSAE, amounting to Rs. 37.00 Lakhs have been provided for and as the transactions are not material, the Company has not done the joint venture accounting under Accounting Standard 27 on Financial Reporting of Interests in Joint Ventures.

6. Other Notes

a) Estimated amount of contracts remaining to be executed on capital account (net of advances) amounted to Rs. 244.42 Lakhs (As at March 31, 2006 Rs. 205.40 Lakhs).

b) **Contingent Liabilities**

Contingent liabilities towards taxes on income not provided for amounts to Rs. 317.23 Lakhs (As at March 31, 2006 Rs. 126.85 Lakhs). There are certain claims made against the Company by an investee Company, which are under Arbitration proceedings. In the view of the management of the Company such claims are frivolous and are not tenable. No provision has been made for such claims pending arbitration proceedings as the amount of claims are currently not ascertainable.

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Bank Guarantees	261.63	201.43
Corporate Guarantee	11,013.00	–

c) Foreign exchange gain arising on account of foreign exchange forward contracts entered into by the Group to be recognized in the future financial periods amount to Rs. 244.96 Lakhs as at March 31, 2007 and Rs. 61.23 Lakhs as at March 31, 2006.

d) The shares held in Extandon Inc, US are held by Extandon Inc as collateral to secure the Company's compliance with all terms and conditions under a software licensing agreement entered into by the Company with Extandon Inc and performance of the delivery obligations under the repurchase options available with Extandon Inc under the terms of investment agreement.

e) **Non-compete Fee**

The Company has incurred Rs. 493.08 Lakhs as non compete fees in respect of two of its key employees under their respective non-compete agreements. The non-compete agreement restricts the employees from solicitation of Company's and its subsidiary's customers and employees and restricts such employees from joining as employee or otherwise providing similar services to the Company's and its subsidiary's competitor. The contract is for a period of two years. Such non-compete fee has been recorded as an intangible asset under Accounting Standard 26 – Intangible Assets and the same is being amortised over two years on a straight-line basis from the date of termination of services.

f) The Group enters into foreign exchange forward contracts to hedge its net foreign currency receivables position including its future receivables. As at March 31, 2007, the Group had foreign exchange forward contracts amounting to USD 539 Lakhs at an average forward exchange rate of Rs. 45.88 [March 31, 2006 USD 374 Lakhs at an average forward rate of Rs. 44.69]. As at the balance sheet date, except for receivable at Sasken Mexico amounting to USD 10.48 Lakhs, the Group did not have any material foreign currency assets or liabilities unhedged. As per the current policy of the Group, the Group takes foreign exchange forward contracts for currencies primarily denominated in the US Dollar. The Company doesn't have a foreign currency hedge in respect of its investments in subsidiaries outside India.

g) **Exceptional Item**

Exceptional item for the year ended March 31, 2006 pertains to a provision made against the sum awarded in arbitration in a dispute with a customer with whom a licensing agreement had been made. The same was subsequently paid by the Company.

h) Based on the information available with the Company, there are no suppliers who are registered as micro, small or medium enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2007.

i) During the year, Sasken Finland entered into an interest rate swap arrangement with a bank to convert a floating interest rate commitment to a fixed interest rate on a total loan amount of Euro 13 million.

7. Initial Public Offer (IPO)

In August 2005, the Company completed an Initial Public Offering (IPO) and made a fresh issue of 5,000,000 equity shares of Rs. 10 each at a price of Rs. 260 per share. Consequently, the Company's shares were listed on September 9, 2005 on the Bombay Stock Exchange and National Stock Exchange of India.

The Company obtained approval of the shareholders, under a postal ballot, for revision in the proposed utilization of the IPO funds to utilize the proceeds raised in its IPO in the following manner: – (a) To finance in part or in whole, the acquisition of Sasken Finland Oy (erstwhile Botnia Hightech Oy) (Sasken Oy); (b) Towards the establishment of software development facility/ies, and/or; (c) Towards general corporate purposes.

During the year, the Company invested the IPO proceeds in a wholly owned subsidiary in Finland under the name and style Sasken Communication Technologies Oy (Sasken Finland) and the acquisition of shares in Sasken Finland Oy has been effected by the said subsidiary alongwith debt raised by Sasken Finland. The Company has utilized the entire IPO proceeds of Rs. 12,415.69 Lakhs (net of issue expenses) towards the acquisition of Sasken Finland Oy during the year. Until such investment, the Company had invested the IPO proceeds in units of mutual funds.

8. Managerial Remuneration

Managerial remuneration paid / payable to Directors.

Amount in Rs. Lakhs

	Year ended March 31, 2007	Year ended March 31, 2006
Whole-time Directors		
Salaries and bonus	207.17	204.29
Contribution to Provident Fund and other Funds #	9.49	8.37
Non Whole-time Directors *	51.28	29.11
Total	**267.94**	**241.77**

The above does not include provisions for gratuity determined on an actuarial basis and provisions for leave encashment.

* Stock compensation cost in respect of stock options issued to directors of Rs. 33.92 Lakhs has not been considered as managerial remuneration. (Previous year – Nil)

9. Provision for Taxation

A significant portion of income of the Company is non-taxable as the Company claims deduction under section 10A of the Income Tax Act, 1961. The operations of other Group companies are taxable under the respective tax laws. The timing differences reverse within the balance period of tax holiday under section 10A of the Income Tax Act, 1961. Deferred tax asset (DTA) is recognised only where it is reasonably/virtually certain, as the case may be, that such DTA would be realized.

Income tax expense/(credit) comprises of:

Amount in Rs. Lakhs

	Year ended March 31, 2007	Year ended March 31, 2006
Overseas income taxes (Including withholding taxes)	525.03	446.11
The above are net of refund/reversal of overseas taxes	144.76	56.89

The operations of SNEL, Sasken Mexico and Sasken Finland are taxable under the respective Income Tax laws. The following are the components of the DTA and Deferred Tax Liability (DTL):

Amount in Rs. Lakhs

Deferred Tax Asset	As at March 31, 2007	As at March 31, 2006
Depreciation	56.03	14.75
Others	6.95	4.75
Total	**62.98**	**19.50**

Amount in Rs. Lakhs

Deferred Tax Liability	As at March 31, 2007	As at March 31, 2006
Depreciation	7.10	–
Total	**7.10**	**–**

10. Fixed Price Revenue Contracts

The following table provides disclosures in accordance with the revised Accounting Standard 7 on "Construction Contracts":

Amount in Rs. Lakhs

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
Contract revenue recognized	4,562.54	3,559.98
Aggregate amount of costs incurred and recognized profits (less recognized losses) up to date of balance sheet for contracts in progress as at that date	1,001.85	1,204.58

Particulars	As at March 31, 2007	As at March 31, 2006
Advances received from customers for works in progress	3.64	–
Gross amount due from customers for contract work – presented as an asset	79.92	334.97
Gross amount due to customers for contract work – presented as a liability	–	–

11. Employee Stock Option Plan

Sasken ESOP 2000

On September 22, 2000, the shareholders of the Company approved Stock Option Plan [ESOP-2000] in accordance with the Guidelines issued by the Securities and Exchange Board of India (SEBI) for Employees Stock Option Plans. The Plan covered all employees of the Company including foreign branches, employees of the subsidiaries including its part time/full time Directors other than the promoter directors/employees. The Plan provided for the issue of 30 lakh shares (including the shares issued under the SAS Stock Option plan, 1997) of Rs. 10 each duly adjusted for any bonus, splits, etc. A Compensation Committee comprising of three independent directors on the Board administers the scheme.

On April 2, 2004 and June 1, 2004, the Company issued 378,925 options to 1,372 employees and 971,533 options to 347 employees, respectively convertible into equity shares of Rs. 10 each. These options carry a vesting period ranging one to four years at an exercise price ranging from Rs. 160 to Rs. 256 per share of Rs. 10 each depending upon the vesting period being the fair value of the Company's share as determined by the Company as at the date of grant.

On February 23, 2005, the Company issued 42,530 options to 41 employees of Sasken Network Systems Ltd. and 2,735 options to 3 employees of the Company. These options carry a vesting period ranging one to four years at an exercise price ranging from Rs. 184 to Rs. 256 per share depending upon the vesting period, being the fair value of the Company's share as determined by the Company as at the date of grant.

On April 19, 2005, the Company issued 304,050 options to 1,212 employees including 25,350 options to 80 employees of SNS and 21,100 options to 113 employees of SNEL. These options carry a vesting period ranging one to four years at an exercise price ranging from Rs. 225 to Rs. 321 per share depending upon the vesting period, being the fair value of the Company's share as determined by the Company as at the date of grant.

All the options granted have an exercise period of two years from the date of vesting.

Sasken ESOP 2006

On February 25, 2006, the shareholders of the Company approved Stock Option Plan [ESOP-2006] in accordance with the Guidelines issued by the Securities and Exchange Board of India (SEBI) for Employees Stock Option Plans. The Plan covers all employees of the Company including foreign branches, employees of the subsidiaries and Directors other than the promoter directors/employees. The Plan provides for the issue of 3,575,000 shares of Rs. 10 each duly adjusted for any bonus, splits, etc. A Compensation Committee comprising of three independent directors on the Board administers the scheme. The terms of each issuance would be determined by the Compensation Committee.

On June 17, 2006 and October 18, 2006, the Company issued 138,750 options to 5 employees and 4 non-executive directors and 150,000 options to 1 employee respectively, convertible into equity shares of Rs. 10 each. These options carry a vesting period ranging one to four years at an exercise price ranging from Rs. 234 to Rs. 394 per share of Rs. 10 each depending upon the vesting period being the fair value of the Company's share as determined by the Company as at the date of grant.

On January 2007, the Company issued 5,000 options to 1 employee, convertible into equity shares of Rs. 10 each. These options carry a vesting period ranging one to four years at an exercise price ranging from Rs. 367 to Rs. 559 per share of Rs. 10 each depending upon the vesting period being the fair value of the Company's share as determined by the Company as at the date of grant.

All the options granted have an exercise period of two years from the date of vesting.

Employee Stock Options outstanding (Net of deferred compensation cost) is as follows:

Amount in Rs. Lakhs

	March 31, 2007	March 31, 2006
Total accounting value of options outstanding (A)	461.78	92.84
Deferred Compensation Cost	461.78	92.84
Less: Amortised	172.40	77.32
Net Deferred Compensation Cost (B)	289.38	15.52
(A) – (B)	**172.40**	**77.32**

The following table summarizes the Company's stock options activity for Sasken ESOP 2000 and Sasken ESOP 2006:

Shares Underlying Options Outstanding

	March 31, 2007		March 31, 2006	
	No. of Shares	Weighted average exercise price (Rs.)	No. of Shares	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	1,141,658	201.89	1,418,488	175.00
Granted during the year	293,750	303.40	304,050	238.80
Forfeited during the year	(151,980)	233.27	(151,915)	209.36
Exercised during the year	(563,755)	177.60	(428,965)	136.58
Outstanding at the end of the year	719,673	255.73	1,141,658	201.89
Exercisable at the end of the year	154,187	194.40	360,208	153.10
Weighted average remaining contractual life (in Years)	2.54	–	2.40	–
Weighted average fair value of options granted during the year	–	156.77	–	17.49

The weighted average market price of the Company's shares during the year ended March 31, 2007 was Rs. 410.09 per share.

The estimated weighted average fair value of options granted, during the year, is summarized in the following table:

June 2006	Rs. 98.79
October 2006	Rs. 208.29
January 2007	Rs. 219.31

This was calculated by applying the Black – Scholes – Merton formula with the following assumptions:

	June 2006	October 2006	January 2007
Average risk free interest rate	7.60%	7.60%	8.63%
Weighted average expected life of options granted (in years)	2.54	3.17	3.40
Expected dividend yield	1.11%	0.70%	1.11%
Volatility (annualised) *	47.74%	46.46%	46.25%

* Based on historical market price of the Company's shares for the period since listing.

The details of exercise price of outstanding options is as follows:

As at March 31, 2007

Range of exercise price (Rs.)	Number of options outstanding	Weighted average remaining life of options (in years)	Weighted average exercise price (Rs.)
160 – 225	224,925	1.41	201.47
226 – 321	399,748	2.73	260.40
322 – 559	95,000	4.38	364.54

As at March 31, 2006

Range of exercise price (Rs.)	Number of options outstanding	Weighted average remaining life of options (in years)	Weighted average exercise price (Rs.)
80	43,120	0.50	80.00
160 – 225	785,555	2.02	190.13
226 – 321	312,983	3.61	248.21

12. Related Party Disclosures

Remuneration paid/payable to Key Managerial Personnel

Amount in Rs. Lakhs

Name of the related party	Relationship	Year Ended March 31, 2007	Year Ended March 31, 2006
Rajiv C Mody	Managing Director	71.77	75.84
Krishna Jhaveri	Whole-time Director	102.16	94.11
G Venkatesh	Whole-time Director	42.73	42.71

The above does not include provisions for gratuity determined on actuarial basis and provisions for leave encashment.

Stock compensation cost in respect of stock options issued to directors of Rs. 33.92 Lakhs has not been considered as managerial remuneration. (Previous year – Nil)

13. Segment Reporting

The business segmental information is given based on Software Services, Software Products and Network Engineering Services. Software Services that are related with Intellectual Property based product offerings are considered part of the Products segment. Network Engineering Services segment provides network planning, deployment, commissioning, integration and network operations support to network equipment vendors and operators.

a) Business Segment Information

Segment Balance Sheet

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Segment Assets		
Software Services	33,919.80	7,746.00
Software Products	5,361.25	3,243.91
Network Engineering Services	2,411.84	2,049.37
Unallocated Corporate Assets	17,453.19	29,387.28
Total	**59,146.08**	**42,426.56**
Segment Liabilities		
Software Services	11,810.93	711.07
Software Products	503.06	499.93
Network Engineering Services	690.42	972.76
Unallocated Corporate Liabilities	3,966.52	1,625.75
Total	**16,970.93**	**3,809.51**
Capital Expenditure *		
Software Services	22,393.83	382.08
Software Products	109.70	1,225.37
Network Engineering Services	132.59	162.50
Corporate and others	1,395.68	1,260.45
Total	**24,031.80**	**3,030.40**
Capitalised Software Product Costs		
Software Products	3,327.36	1,413.45
Total	**3,327.36**	**1,413.45**

* includes additions through acquisitions

Segment Profit and Loss Account

Amount in Rs. Lakhs

	Year Ended March 31, 2007	Year Ended March 31, 2006
Revenues	**47,712.90**	**30,812.79**
Software Services	42,551.05	25,823.79
Software Products	2,273.41	2,751.02
Network Engineering Services	2,888.44	2,237.98
Segmental Profit	**13,829.02**	**9,178.97**
Software Services	14,924.50	8,749.07
Software Products	(2,046.01)	(424.41)
Network Engineering Services	950.53	854.31
Less:		
Corporate Expenses	8,698.60	6,057.68
Profit from Operations	**5,130.42**	**3,121.29**
Less: Amortisation-Non-compete fee	224.41	94.03
Less: Interest expense	447.22	14.30
Add: Other Income including Exchange gain / (loss), net	974.68	640.72
Less: Exceptional item	–	676.08
Profit before taxes	**5,433.47**	**2,977.60**
Income tax expense	1,006.53	685.98
Profit after taxes	**4,426.94**	**2,291.62**
Other information		
Depreciation/Amortisation	**2,638.62**	**1,944.69**
Software Services	1,470.61	1,090.30
Software Products	596.55	448.19
Network Engineering Services	199.42	127.65
Unallocated Depreciation	**372.04**	**278.55**

Note: Unallocated corporate assets and liabilities comprise of assets and liabilities not identifiable with reportable segments, as these assets and liabilities are used interchangeably between the segments. However, depreciation on such assets has been allocated to the segments based on the related utilisation by the respective segments, as used by management for its internal reporting purposes.

b) Geographic Segment Information

Revenues:

Amount in Rs. Lakhs

Region	Year Ended March 31, 2007	Year Ended March 31, 2006
North America (including Canada)	13,760.94	10,752.94
Europe	20,634.56	11,243.24
Asia Pacific (other than India)	2,704.00	2,199.99
India	10,613.40	6,616.62
Total	**47,712.90**	**30,812.79**

Assets:

Amount in Rs. Lakhs

Region	As at March 31, 2007	As at March 31, 2006
North America (including Canada)	3,318.00	2,165.17
Europe	28,478.98	2,474.74
Asia Pacific (other than India)	2,308.44	209.96
India	25,040.66	37,576.69
Total	**59,146.08**	**42,426.56**

Additions:

Amount in Rs. Lakhs

Region	As at March 31, 2007	As at March 31, 2006
North America (including Canada)	334.31	90.14
Europe	20,654.31	–
Asia Pacific (other than India)	59.72	–
India	2,983.46	2,940.26
Total	**24,031.80**	**3,030.40**

14. Earnings Per Share (EPS)

Reconciliation of the net income and number of shares considered in the computation of basic and diluted EPS is given below:

Amount in Rs. Lakhs

	Year Ended March 31, 2007	Year Ended March 31, 2006
Profit for computation of basic and diluted EPS	4,426.94	2,291.62
Weighted average number of shares considered for basic EPS	28,099,694	25,233,227
Add: Effect of stock options	433,232	599,886
Weighted average number of shares considered for diluted EPS	28,532,926	25,833,113

15. Operating Lease

The Group has operating leases for office premises that are (a) renewable on a periodic basis and are cancellable by giving a notice period ranging from 1 month to 6 months and (b) are non-cancellable for specified periods under arrangements. Rent escalation clauses vary from contract to contract.

Amount in Rs. Lakhs

	Year Ended March 31, 2007	Year Ended March 31, 2006
Rent expenses included in Profit & Loss account towards operating leases	1,783.65	1,141.76

Minimum lease obligation under non-cancellable lease contracts amounts to:

Amount in Rs. Lakhs

	As at March 31, 2007	As at March 31, 2006
Due within one year of the balance sheet date	1,134.08	604.08
Due between one to five years	1,254.35	50.36

16. Provisions

The following table provides disclosures in accordance with Accounting Standard 29 on Provisions, Contingent Liabilities & Contingent Assets:

Amount in Rs. Lakhs

Particulars	Provision for FBT		Provision for Warranty	
	2006-07	2005-06	2006-07	2005-06
Opening Balance	37.10	–	–	26.49
Additions during the year	141.26	110.40	14.91	–
Less: Amounts used/paid during the year *	89.26	110.40	–	–
Less: Unused amounts reversed during the year	–	–	8.82	26.49
Closing balance	89.10	–	6.09	–

* As at 31.03.2007, Rs. 88.35 Lakhs has been paid by SNEL as advance tax towards Fringe Benefit Tax.

17. Comparatives

Previous year figures have been re-grouped / re arranged, wherever necessary to conform to the current year presentation. The figures for the year ended March 31, 2007 include the financial results of iSoftTech & Sasken Oy, as discussed in Note 4, while those of the corresponding previous year do not include iSoftTech & Sasken Oy. Hence the same are strictly not comparable.

Signature to Schedules 1 to 18

S.R. Batliboi & Co.
Chartered Accountants

Per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bangalore
Date: April 20, 2007

For and on behalf of the Board of Directors

Rajiv C Mody
Managing Director

G Venkatesh
Whole-time Director

Neeta Revankar
Chief Financial Officer

R Vittal
Company Secretary

Consolidated Cash Flow Statement

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
A. Cash flows from operating activities:		
Net Profit before tax	5,433.47	2,977.60
Adjustments for:		
Depreciation and amortisation of technical know how and capitalised software	2,395.93	1,694.11
Amortisation of Non Compete Fees and Contract Rights	273.75	94.03
Other non-cash (writeback)/charges	67.49	241.74
Foreign exchange adjustments	(551.75)	234.49
Interest expense	447.22	14.30
Other income	(726.72)	(567.98)
Operating Profit before working capital changes	7,339.39	4,688.29
Adjustments for:		
(Increase)/decrease in Sundry Debtors	(2,556.74)	(1,335.67)
(Increase)/decrease in Work in progress	255.05	(315.21)
(Increase)/decrease in Loans & Advances	(2,170.97)	(1,420.00)
Increase/(decrease) in Current Liabilities and Provisions	1,222.12	10.85
Cash generated/(used) from operations	4,088.85	1,628.26
Taxes (Paid)/Refund received, net	(1,204.57)	(937.59)
Net Cash from operations	**2,884.28**	**690.67**
B. Cash flows from investing activities:		
Purchase of fixed assets and intangible assets	(2,720.18)	(3,305.85)
Capitalisation of Software product development expenses	(1,481.54)	(1,256.90)
Interest received	40.38	2.04
Sale/(purchase) of Investments , net	15,602.06	(18,029.03)
Sale of Long term investments (non trade)	–	33.55
Acquisition of Subsidiary (net of cash received)	(19,783.29)	–
Net cash used in investing activities	**(8,342.56)**	**(22,556.19)**

Consolidated Cash Flow Statement (Contd.)

Amount in Rs. Lakhs

	For the Year Ended March 31, 2007	For the Year Ended March 31, 2006
C. Cash flows from financing activities:		
Proceeds from issue of shares (includes share application money)	1,001.25	22,914.52
Proceeds from Government Subsidy – Net of utilisation	25.09	–
Proceeds from Short-term loan and Bridge loan	14,753.44	–
Repayment of Short-term loan and Bridge loan	(14,900.37)	–
Net Proceeds from long-term borrowing	7,781.36	–
Increase/(decrease) in working capital loans	138.81	(30.56)
Dividend Paid inclusive of dividend tax	(955.63)	(576.30)
Interest paid	(447.22)	(14.29)
Net cash from financing activities	**7,396.73**	**22,293.37**
Net increase in Cash and Bank Balances (A+B+C)	1,938.44	427.85
Effect of translation on Bank balance	(97.52)	–
Cash and Bank balances at the beginning of the year	1,514.49	1,086.64
Addition on merger of subsidiary – Integrated Softtech Solutions Pvt. Ltd.	132.20	–
Cash and Bank balances at the end of the year (Refer Schedule 9 for details)	**3,487.61**	**1,514.49**
Supplementary non-cash flow information		
Issuance of Share Capital out of Share Application money	–	25.49
Dividends received and re-invested in units of mutual funds	463.36	542.42

As per our attached report of even date

S.R. Batliboi & Co.
Chartered Accountants

Per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bangalore
Date : April 20, 2007

For and on behalf of the Board of Directors

Rajiv C Mody
Managing Director

G Venkatesh
Whole-time Director

Neeta Revankar
Chief Financial Officer

R Vittal
Company Secretary

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

(in Rupees)

1	Name of the Subsidiary	Sasken Network Engineering Limited	Sasken Communication Technologies Mexico S.A de C.V	Sasken Communication Technologies (Shanghai) Co. Ltd.	Sasken Communication Technologies Oy	Sasken Finland Oy (erstwhile Botnia Hightech Oy)
2	Financial year / period of the Subsidiary ended on	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007
3	Holding Company's interest Equity Share Capital	100% (3,050,000 equity shares of Rs. 10 each fully paid up)	100% (100 equity shares of $500 [Mexican Peso] each)	100%	100% (22,008,000 equity shares of 1 Euro each)	100% (20,197 equity shares of 1 Euro each)
4	Net aggregate amounts of the profits/(losses) of the subsidiary so far as it concerns the members of the holding company and is not dealt within accounts of holding company					
	– For the financial year of the subsidiary	8,904,060	17,285,466	(7,808,522)	(35,702,574)	78,710,100
	– For the previous financial year of the subsidiary since it became its subsidiary	23,886,161	(6,531,195)	–	–	–
5	Net aggregate amounts of the profits/(losses) of the subsidiary so far as it concerns the members of the holding Company and is dealt within accounts of holding company					
	– For the financial year of the subsidiary	–	–	–	–	–
	– For the previous financial year of the subsidiary since it became its subsidiary	–	–	–	–	–

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies (Contd.)

(in Rupees)

	Name of the Subsidiary	Sasken Network Engineering Limited	Sasken Communication Technologies Mexico S.A de C.V	Sasken Communication Technologies (Shanghai) Co. Ltd.	Sasken Communication Technologies Oy	Sasken Finland Oy (erstwhile Botnia Hightech Oy)
	Financial year / period of the Subsidiary ended on	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007
6	Capital	30,500,000	203,169	11,454,900	1,317,324,956	1,208,924
7	Reserves	26,692,725	9,065,235	(7,808,522)	(73,751,812)	217,555,035
8	Total Assets	278,453,272	110,843,974	5,382,484	2,012,469,136	560,905,023
9	Total Liabilities	221,260,547	101,575,570	1,736,106	768,895,992	342,141,064
10	Details of Investments (except Investment in Subsidiary)	–	–	–	–	–
11	Turnover	294,548,046	125,907,764	–	–	696,979,577
12	Profit before Taxation	21,162,060	16,778,960	(7,808,522)	(35,702,574)	107,385,815
13	Provision for Taxation	12,258,000	(506,506)	–	–	28,675,715
14	Profit after Taxation	8,904,060	17,285,466	(7,808,522)	(35,702,574)	78,710,100
15	Proposed dividend	–	–	–	–	–

Rajiv C Mody
Managing Director

G Venkatesh
Whole-time Director

Place: Bangalore
Date : April 20, 2007

Neeta Revankar
Chief Financial Officer

R Vittal
Company Secretary

Management Discussion and Analysis Report

IN ADDITION TO HISTORICAL INFORMATION, THIS ANNUAL REPORT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THE MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE AND ELSEWHERE IN THIS REPORT. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH REFLECT MANAGEMENT'S ANALYSIS ONLY AS OF THE DATE HEREOF.

Management's Discussion and Analysis of Financial Performance

The consolidated financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The management accepts responsibility for the integrity and objectivity of these consolidated financial statements, as well as for various estimates and judgments used in preparing the financial statements. The management's discussion and analysis is based on the consolidated financial statements.

Industry Structure and Developments

Headquartered in Bangalore, India, Sasken is a global communication software and support solutions provider offering a unique combination of software services and products to global companies across the communications industry. Established in 1989, Sasken employs 3,611 people, operating from state of the art research and development centers in Bangalore, Chennai and Pune in India, and near shore development centers in Finland, Mexico and China, with offices in Germany, Japan, Sweden, UK and US.

Our services can broadly be termed as embedded wireless services. Our core expertise lies in developing solutions and providing support across the product life cycle for companies across the communications value chain – network equipment manufacturers, test and measurement companies, semiconductor companies, mobile terminal manufacturers and service providers (operators). Our growth strategy is focused on offering compelling value propositions to our customers by spotting and exploiting opportunities to help them grow. Our subsidiaries extend our offerings to network equipment manufacturers and the operators to service their deployment and post-deployment requirements.

Our products are typically software components that are used by our customers to create solutions for their clients. All our product initiatives are focused on creating components for terminals or customer premise equipments. Each of our product lines – wireless protocol stacks, multimedia subsystems, and application framework, addresses a specific technology or market need of a mobile handset maker. Our products are available across 2G, 2.5G and 3G technology platforms. Our products are today typically sold on a licensing plus royalty model, along with customization fees, if any.

The communications industry today is growing steadily, but is increasingly faced with the need to be competitive in terms of price points, especially in the emerging markets. This is sparking off an increased thrust towards offshoring R&D activities to cost-competitive locations like India and China. It is estimated that the global R&D spend of our addressable market across network equipment makers, semiconductors and wireless handset makers is $41 Billion. Of this, about 15-20% is estimated to be offshored today. It is expected that this number will grow steadily in the next 2-5 years. Companies in this space also typically adopt a dual strategy of captive centers and third party outsourced partners (like Sasken). It is estimated that on an average, 40~50% of the offshored business is outsourced to partners.

This indicates that the headroom for growth in this industry is considerable- being sharply focused on this industry and having a scaled global presence, we are well positioned to connect the dots and achieve profitable growth going forward.

Outlook

In each of our business segments, the outlook is healthy. In the network equipment manufacturers space, a marked shift is seen in terms of Asian (primarily Chinese) vendors becoming dominant players in the market. This has led to consolidation happening in this space as seen by the mergers of Nokia-Siemens, and Alcatel-Lucent-Nortel UMTS. This consolidation has meant a slowdown in offshore spends and outsourcing, as these companies get their integration efforts on track. We expect the position to get clearer and the pace of growth increase in the new financial year.

The worldwide semiconductor market revenue is likely to increase by about 10 percent to around $274 billion in 2007. Semiconductor chipsets going into mobile phones will be about 20% of this, and this sub-space is expected to grow at 10~15%. It is estimated that for the next year will be a cyclical peak for the industry.

Worldwide mobile phone sales surpassed 1 Billion units in 2006, a 20%+ increase from 2005. In addition, vendors outside the top six continued to lose market share and accounted for 14% of the worldwide mobile phone sales in 2006, down 5% from 2005.

Some key updates on the global wireless subscribers' market are given below:

- Worldwide wireless subscribers will touch 3 billion by end of 2007; market penetration will touch 47%
- Four out of every five new worldwide mobile subscriptions will come from a developing market; India is expected to have the fastest growth rate in 2007
- Global mobile content and services market to top $150 Billion by 2011

Financial Highlights for the Year Ended March 31, 2007

- Sasken recommended a dividend of 40%
- Consolidated revenues increased by 55%, from Rs. 30,812.79 Lakhs in fiscal 2006 to Rs. 47,712.90 Lakhs in fiscal 2007
- Software Services revenue grew by 65%, Software Products revenues declined by 17% and Network engineering services recorded growth of 29%
- The revenue mix amongst Software Services, Network Engineering Services and Software Products was 89:6:5 in fiscal 2007 as against 84:7:9 in fiscal 2006
- Consolidated Profit after Tax increased during the fiscal ended 2007 by 93.18%, from Rs. 2,291.62 Lakhs to Rs. 4,426.94 Lakhs
- Consolidated basic Earnings Per Share (EPS) for fiscal 2007 was Rs. 15.75 (Rs. 9.08- fiscal 2006) and diluted earnings per share was Rs. 15.52 (Rs. 8.87- fiscal 2006). EPS from services business (including network engineering services) is Rs. 26.84 for the year March 31, 2007
- Investment in R&D:
  - Increased to Rs. 2,223.20 Lakhs during fiscal 2007 from Rs. 1,518.76 Lakhs during fiscal 2006. The increase is mainly due to cessation of capitalisation of expenses pertaining to one of our products, Sasken Application Framework
  - Started amortisation of capitalised product costs w.e.f January 2007
- Cash and cash equivalents (including investments) stood at Rs. 7,168.19 Lakhs as on March 31, 2007
- Headcount of the group increased from 2,575 as on March 31, 2006 to 3,611 as on March 31, 2007

- Completed acquisition of 100% of outstanding shares of Integrated SoftTech Solutions Pvt. Ltd. (iSoftTech), having an office in Chennai, India and consolidated the financials from April 2006 onwards. Merger effective from April 1, 2006
- Completed acquisition of 100% of outstanding shares of Sasken Finland Oy (erstwhile Botnia Hightech Oy) (Sasken Oy), having 3 offices in Finland and consolidated the financials from September '06 onwards
- Mexico center achieves cumulative profitability in Q3 & the team strength has reached 64

Other Highlights

- The consolidated revenues have grown by 55% during the year ended March 31, 2007 to Rs. 47,712.90

Results of Operations

Particulars	Year ended March 31, 2007 (Rs. in Lakhs)	Year ended March 31, 2007 (%)	Year ended March 31, 2006 (Rs. in Lakhs)	Year ended March 31, 2006 (%)	Increase/ (Decrease) (%)
Revenues	**47,712.90**	**100.0**	**30,812.79**	**100.0**	**54.8**
Cost of Revenues	31,660.68	66.4	20,115.06	65.3	57.4
Gross Profit	16,052.22	33.6	10,697.73	34.7	50.1
Research And Development	2,223.20	4.7	1,518.76	4.9	46.4
Gross Profit after Research and Development	13,829.02	29.0	9,178.97	29.8	50.7
Selling and Marketing Expense	2,501.47	5.2	2,388.28	7.8	4.7
Administrative and General expenses	6,028.96	12.6	3,615.81	11.7	66.7
ESOP Compensation Cost	168.17	0.4	53.59	0.2	213.8
Profit from operations	**5,130.42**	**10.8**	**3,121.29**	**10.1**	**64.4**
Amortisation of Intangibles	224.41	0.5	94.03	0.3	138.7
Other Income	740.83	1.6	616.52	2.0	20.2
Exchange gain (net)	233.85	0.5	24.20	0.1	866.3
Profit before interest and Income taxes	5,880.69	12.3	3,667.98	11.9	60.3
Interest	447.22	0.9	14.30	0.0	3,027.4
Exceptional Item	–	–	676.08	2.2	–
Profit before Income taxes	5,433.47	11.4	2,977.60	9.7	82.5
Income Taxes including FBT, net	1,006.53	2.1	685.98	2.3	46.7
Profit after Income taxes	**4,426.94**	**9.3**	**2,291.62**	**7.4**	**93.2**

Segmental Revenue and EBITDA

Amount in Rs. Lakhs

	Year ended March 31, 2007	Year ended March 31, 2006
Total Revenue	**47,712.90**	**30,812.79**
Software Services	42,551.05	25,823.79
Network Engineering services	2,888.44	2,237.98
Software Products	2,273.41	2,751.02
EBITDA Margins	**7,575.99**	**4,818.31**
Software Services	9,820.90	6,026.60
Network Engineering services	422.84	531.32
Software Products	(2,667.75)	(1,739.61)
EBITDA Margins in%	**15.9%**	**15.6%**
Software Services	23.1%	23.3%
Network Engineering services	14.6%	23.7%
Software Products	-117.3%	-63.2%

Note: the allocation method used in computation of EBITDA given above was not subject to audit.

The software services revenues witnessed volume growth of 65% during the year ended March 31, 2007 to Rs. 42,551.05 Lakhs from Rs. 25,823.79 Lakhs during the year ended March 31, 2006. The proportion of the software services business was 89.2% of total revenue during the year ended March 31, 2007 as against 83.8% of total revenue during the year ended March 31, 2006.

The revenues from network engineering services decreased to 6.1% of consolidated revenues during the year ended March 31, 2007 from 7.3% during the year ended March 31, 2006. The revenues from software products declined to 4.8% during the year ended March 31, 2007 from 8.9% during the year ended March 31, 2006.

EBITDA margins from software services business was 23.1% during the year ended March 31, 2007 as against 23.3% during the year ended March 31, 2006. The EBITDA margins declined marginally due to global expansion and due to strengthening of leadership team.

EBITDA margins from network engineering services reduced to 14.6% during the year ended March 31, 2007 as against margins of 23.7% during the year ended March 31, 2006 on account of increase in investments and reduced utilization.

EBITDA margins from software products was negative at 117.3% of revenues during the year ended March 31, 2007 as against a negative EBITDA margin of 63.2% during the year ended March 31, 2006. This was due to the incurring of developments costs and subsequent amortisation of costs incurred towards 'Sasken Application Framework'.

Cost of Revenues

Cost of Revenues comprise of costs incurred by the business units and operating costs allocated to the business unit, based on the related utilization by each of the segments. Cost of revenues increased to Rs. 31,660.68 Lakhs during the year ended March 31, 2007 from Rs. 20,115.06 Lakhs during the year ended March 31, 2006, an increase of 57.4%, and Rs. 11,545.62 Lakhs in absolute terms. The increase in cost of revenue was driven by growth in employee strength, increased investment in infrastructure for the growth in business and amortisation of capitalised software development costs. The cost of revenues has also increased due to geographical expansion in Finland, Mexico, China and Chennai. Salaries, for offshore employees, were increased by 15% during the fiscal 2007.

Research and Development Expenses

Research and Development expenses include the costs of product development, and modifications and enhancements to products that are already available to customers. The Research and Development expenses constitute 4.7% of revenues for fiscal 2007, as compared with 4.9% in fiscal 2006. In absolute terms, there has been an increase in the amount of expenses incurred in Research and Development by Rs. 704.44 Lakhs. The costs incurred towards development of 'Sasken Application Framework' were not capitalised subsequent to December 31, 2006 as the product was available for generic release. Professional and consultancy expenses have increased on account of the use of Professional consultants from Israel and Ukraine as part of the development effort on the 'Sasken Application Framework'. Depreciation has increased due to full year depreciation of Software license, as compared to part year in fiscal 2006.

Selling and Marketing Expenses

Selling and Marketing expenses primarily include costs related to employment and travel expenses of the marketing and sales staff, rent for foreign offices and distributor fees. The Selling and Marketing expense constitute 5.2% of revenues for fiscal 2007, as compared with 7.8% in fiscal 2006, with an absolute increase of Rs. 113.19 Lakhs. The increase has been on account of strengthening of the sales team, increase in travel costs and consulting costs related towards acquisition of Sasken Oy.

Administrative and General Expenses

Administrative and General expenses primarily include costs related to employment expenses of corporate functions, rent, professional, legal and consultancy fees and training expenses. Administrative and General expenses increased by Rs. 2,413.15 Lakhs during the year ended March 31, 2007. Costs have increased due to strengthening of the leadership team, increase in headcount, expansion of operations in Finland and Mexico and towards costs incurred in the joint venture with TACO.

Employee Stock Compensation Cost

During the year, the Company issued 293,750 options, which carry a vesting period ranging one to four years at an exercise price ranging from Rs. 234 to Rs. 559 per share depending upon the exercise period. The exercise price was determined based on the fair value of the Company's share as determined by the Company as at the date of grant. The Company accounts for stock compensation expenses based on the fair value of the options granted on the date of grant. An amount of Rs. 168.17 Lakhs was charged as compensation cost to profits during the year ended March 31, 2007 as against Rs. 53.59 Lakhs during the year ended March 31, 2006.

Amortisation of Non Compete Fees

During the year ended March 31, 2006, the Company paid non-compete fees of Rs. 493.08 Lakhs to two of its key employees under a non-compete and non-solicitation agreement entered into with these employees. One of the employees resigned from the services of the company during fiscal 2006 and the other employee resigned in June 2006. Consequently the non-compete fees paid to these employees is being amortised over a period of two years on a straight-line basis. Accordingly, an amount of Rs. 224.41 Lakhs has been charged to profits for the year.

Other Income & Exchange Gain

Other Income and Exchange gain amounted to Rs. 740.83 Lakhs and Rs. 233.85 Lakhs, constituting 1.6% and 0.5%, of total revenues during the year ended March 31, 2007 respectively.

The company manages its foreign exchange exposures in line with its hedging policy. The policy is not so much to make profit from currency movements but to ensure that foreign exchange exposures on exports and imports are properly monitored, limiting risks to tolerable levels. Thus, risk limitation / reduction is the prime objective.

Interest

Interest expenses charged to profits increased by Rs. 432.92 Lakhs to Rs. 447.22 Lakhs during the year ended March 31, 2007 from Rs. 14.30 Lakhs during the year ended March 31, 2006. The increase was primarily on interest payment and processing charges for a loan of 13 Million Euros, used towards acquisition of Sasken Oy in August 2006.

Exceptional Item

During the year ended March 31, 2006, the honorable Arbitrator of The London Court of International Arbitration awarded against the Company, damages of US$1.15 million in favor of the claimant and reimbursement of associated legal expenses and arbitrator's fees approximating US$0.35 million. The amount of award and legal expenses totaling to Rs. 676.08 Lakhs has been charged against profits of the year.

The arbitration proceedings were in connection with a contract with the semiconductor company entered into during 2001, for the supply of a single mode UMTS protocol stack.

Income Taxes

The income tax expense was 2.1% of revenues during fiscal 2007, while the income tax for fiscal 2006 was 2.2% of revenues. The higher taxation in absolute amount has been a result of higher overseas taxation, withholding tax on products and an increase of domestic income, leading to a higher tax incidence and fringe benefit tax.

Profit After Taxation

Consolidated profit after taxation has grown by 93% in fiscal 2007, as compared to fiscal 2006. The profit after taxation, for fiscal 2007, stood at Rs. 4,426.94 Lakhs largely fuelled by growth in services business.

Financial Condition

Share Capital

The issued share capital increased to Rs. 2,850.01 Lakhs as at March 31, 2007 as against Rs. 2,793.64 Lakhs in March 31, 2006. The increase was due to allotment of 563,755 equity shares of Rs. 10 each on exercise of options under ESOP scheme.

Employee Stock Options (net of Deferred Compensation Cost)

The employee stock option outstanding (net of deferred compensation cost) represents the amount charged to the Profit and Loss account towards Employee Stock Option compensation cost. The company issued 293,750 options during the year to its employees under the ESOP scheme.

Reserves and Surplus

Reserves and surplus as at March 31, 2007 was Rs. 39,152.74 Lakhs, as against Rs. 35,631.05 Lakhs as at March 31, 2006.

The increase in reserves and surplus is attributable to:

- i) Share premium on allotment of shares to employees under the ESOP scheme.
- ii) Transfer of profits to the reserves.
- iii) Recognition of Translation reserve on non integral operations in Finland and Mexico.

Secured Loans

Secured loans increased to Rs. 9,091.13 Lakhs as at March 31, 2007, as against Rs. 115.04 Lakhs on March 31, 2006, primarily due to a new loan arrangement of 13 million euros, with a bank in Finland, for acquisition of Sasken Oy.

Unsecured Loans

Unsecured loans, which stand at Rs. 68.76 Lakhs as at March 31, 2007, represents loan of 118k euros prevailing at Sasken Oy.

Fixed Assets

The Net Fixed Assets, including capital work-in-progress, represents 58.3% of the total assets. The Fixed Assets, as at March 31, 2007, were at Rs. 29,955.38 Lakhs as against Rs. 10,111.79 Lakhs as at March 31, 2006. The increase of Fixed Assets during fiscal 2007 is primarily attributable to:

- i) Acquisition of Fixed Assets of Sasken Oy and iSoftTech.
- ii) Recognition of goodwill of Rs. 18,592.25 Lakhs, being the excess of purchase consideration over the book values of Sasken Oy as at the date of acquisition

Capitalised Software Product Costs (Net of Amortisation)

During the year, product development expenses capitalised towards 'Sasken Application Framework' amounted to Rs. 1,702.77 Lakhs. The capitalised product development costs would be amortised over a period of 36 months, starting from January 1, 2007.

Investments

The investments, representing 7.2% of the total assets, as at March 31, 2007 were Rs. 3,680.58 Lakhs, as against Rs. 18,651.01 Lakhs, as at March 31, 2006. During the year, the company liquidated the investments of IPO proceeds to fund the acquisition of Sasken Oy.

The company invests surplus funds in highly rated Mutual Fund papers, considering the safety and liquidity as the key determinants for the investment in a fund.

Deferred Tax Asset and Liability

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Company does not have a legal right to do so. The Deferred tax assets and liability have been recognized on Finland, Mexico and Network engineering services operations.

Inventories

Inventories represent costs related to project milestones that have not been met. The inventories, as at March 31, 2007 were at Rs. 79.91 Lakhs, as against Rs. 334.97 Lakhs as at March 31, 2006.

Sundry Debtors

Sundry debtors, representing 21.6% of the total assets, as at March 31, 2007 were at Rs. 11,081.98 Lakhs, as against Rs. 6,528.59 Lakhs as at March 31, 2006.The increase in debtors is primarily due to the increase of revenue in services business. The management periodically reviews the quality of receivables and makes provision where necessary.

Cash and Bank balances

Cash and Bank balances, representing 6.8% of the total assets, as at March 31, 2007 were at Rs. 3,487.61 Lakhs, as against Rs. 1,514.49 Lakhs as at March 31, 2006. The Company maintains sufficient cash balance for operational requirements and invests surplus funds in highly rated Mutual Fund papers.

Loans and Advances

Loans and Advances, representing 14.5% of the total assets, as at March 31, 2007 were at Rs. 7,470.28 Lakhs, as against Rs. 3,852.76 Lakhs as at March 31, 2006. The increase is primarily due to increase in unbilled revenue for March 2007. Unbilled revenue represents amounts recognized based on services performed in accordance with contract terms and where invoices have not been raised.

Current Liabilities and Provisions

Current Liabilities and Provisions, representing 15.1% of the total assets, as at March 31, 2007 were at Rs. 7,778.85 Lakhs, as against Rs. 3,809.51 Lakhs as at March 31, 2006. The increase is significantly due to increase in business operations, provision for equity dividend, provision for taxation and leave encashment.

Cash Flow

The net cash from operating activities was Rs. 2,884.28 Lakhs during the year ended March 31, 2007 as against Rs. 690.67 Lakhs during the year ended March 31, 2006.

The inflow on account of Operating profits before working capital changes was Rs. 7,339.39 Lakhs during the year ended March 31, 2007 as against Rs. 4,688.29 Lakhs during the year ended March 31, 2006, an increase of Rs. 2,651.10 Lakhs. The increase was mainly on account of higher profits before taxes, depreciation and amortisation compared with that of the previous year. The outflow on account of working capital was Rs. 3,250.54 Lakhs for the year ended March 31, 2007 as against an outflow of Rs. 3,060.03 Lakhs during the year ended March 31, 2006.

The net cash used in investing activities was Rs. 8,342.56 Lakhs during the year ended March 31, 2007 as against Rs. 22,556.19 Lakhs net used during the year ended March 31, 2006. During the year, investments were liquidated and the net cash was used towards acquisition of Sasken Oy in Finland and iSoftTech in Chennai.

The net cash generated from financing activities was Rs. 7,396.73 Lakhs during the year ended March 31, 2007 as against net cash generated of Rs. 22,293.37 Lakhs during the year ended March 31, 2006. The inflow during 2007 was largely on account of long term borrowing in Sasken Finland. The inflow during fiscal 2006 was on account of the issuance of the share capital amounting to Rs. 22,914.27 Lakhs.

Opportunities and Threats

We see significant opportunities in all our business segments. In the network equipment space, platforms are being standardized and companies are moving towards a Service Oriented Architecture (SoA) approach. The value today really lies in the software, and this is where we have a great opportunity. Opportunities for support and deployment of 2.5G/3G networks are also high, as more networks get rolled out across the world, especially in emerging nations. In the semiconductor space, companies are looking at platforms and a complete System on Chip approach – this helps both our services and products businesses. On the terminals side, the acquisition of Sasken Finland Oy (erstwhile Botnia Hightech Oy) gives us enhanced capabilities to provide total system solutions and this should keep us in good stead. Also, handset companies today are more willing to buy software as well as build software with partners – both of which help our products / services businesses. We also see huge opportunities with telecom service providers as they make the transition from being pure telcos to becoming media/content channel providers.

Key challenges for us across segments, include the fact that we need to be able to recruit and retain quality talent and scale our business globally to meet customer requirements. We are closely watching the consolidation and change of ownership happening in the network equipment and semiconductor spaces, and assessing these for any impact on our business. We are also watchful of the global economic situation and its impact on the communications industry.

Material Developments in HR

Our total employee headcount, excluding contractors, has increased from 2,575 in 2005-06 to 3,611 in 2006-07. We had gross additions of 1,784 and net additions of 1,036 during the year gone by. Our attrition rate for the full year stood at 21.5%. The expenses incurred on training for the year was Rs. 322 Lakhs. More details of all relevant metrics and developments are discussed in the PeopleFirst section of this Annual Report.

Risk and Concerns

The management of Sasken actively takes steps to manage the various risks that the Company is exposed to. The major activities to this end are as follows:

Sasken is an embedded communications solutions and support company that is committed to innovation. Sasken works with terminal device manufacturers, network equipment manufacturers, semiconductor vendors and network operators.

Business Risks

Sasken derives revenues from software products and software services. Revenues from software products were at 5% of revenues in fiscal 2007, as against 8.9% in fiscal 2006. Investments in products entail a certain amount of risk, and hence we keep such investments within limits. We also make sure that such investment decisions are made carefully and are periodically reviewed. Such investments are expected to yield recurring revenues in the longer term.

Sasken understands the need to be geographically diversified in order to mitigate political and economic risks on account of excessive exposure to specific regions. The acquisition of Sasken Oy in Finland has given us a stronger revenue base in Europe, and an enhanced European presence in proximity to our customers. The proportion of revenues from Europe therefore increased significantly during the year whereas the proportion of revenues from other regions remained stable. Likewise, a well-diversified customer base, with scaled engagements with multiple clients, has been another goal at Sasken. To this end, we have added more customers during fiscal 2007, as well as scaled one more customer to more than $20M in annual revenues and one customer to greater than $10M in annual revenues. The contribution of our top customer has also reduced, signifying an increasingly well-diversified customer base.

However, as the services business does target Tier 1 accounts across each of the 4 segments in Telecom, the number of customers is not expected to be very large. It is the dependence on the top 10 that would reduce.

Revenue Range	Number of Clients Year ended March 31, 2007	Number of Clients Year ended March 31, 2006
less than US $ 1 Million	75	50
more than US $ 1 Million less than US $ 3 Million	3	6
more than US $ 3 Million less than US $ 10 Million	3	2
more than US $ 10 Million less than US $ 20 Million	1	1
more than US $ 20 Million	2	1
Total Number of engagements with Clients during the year	84	60

Protection of Intellectual Property

It is the prime and foremost responsibility of any company in the knowledge industry to safeguard its own intellectual property. The management has taken the following measures to protect its IP:

Filing of Patents

The Company actively encourages employees to file patents to protect its intellectual property. Apart from serving the purpose of protection, these patents, as and when granted, could lead to revenues from their license, or to other benefits, by cross licensing of these patents, in exchange for others that we may want to use. Sasken has applied for 39 patents out of which 15 have already been granted and 1 patent has been allowed by USPTO.

Filing of Trademarks

Trademarks have acquired much importance to Sasken with the software market focusing on branding of software products and services. We have also applied for registration of certain trademarks in USA, EU, Russia, Japan, China and India.

Protection of Confidentiality

Sasken assigns much importance to the confidentiality of its software, trade secrets, internal data, systems and processes. Sasken ensures that the employees, clients, prospects, subcontractors, advisors, consultants, vendors, prospective investors who are exposed to any of the confidential information of Sasken, are contractually bound to keep it confidential.

Contracting Process for Limitation of Liability

Each and every contract entered into by Sasken, including both customer and vendor contracts, undergoes a well-settled legal and commercial contract review process. The process ensures that, the clauses, which may be imposed by the customer / vendors that expose Sasken to risks, are proportionate with the benefits accruing from the contract. Sasken is also protected by insurance coverage.

Financial Risks

Foreign Exchange Fluctuation Risk

Most of Sasken's revenues are in US Dollars, while its expenses are in Indian Rupees. Operating profits are therefore subject to fluctuations in exchange rates. The exchange rate between the Rupee and the US Dollar has changed substantially in the recent years. During the year Rupee appreciated from Rs. 44.62 for a US Dollar as on April 1, 2006 to Rs. 43.50 for a US Dollar on March 31, 2007. Subsequent to the acquisition of Sasken Oy, we expect that majority of our billings in future will be in US Dollar and Euro, while a significant portion of our expense will be in Indian Rupee. This will result in our operations being significantly impacted on account of exchange fluctuations.

The following are the de-risking measures we adopt to minimize the impact of exchange fluctuations.

The Company periodically reviews its foreign exchange exposures and takes appropriate hedges regularly. The policy of the Company is to take hedges for risk mitigation and not for profit maximization. The Company has pre set loss limits and unhedged exposures are subject to these loss limits for the purpose of deciding the hedge.

Liquidity Risk

The Board reviews the liquidity position periodically and determines the need for infusion of equity and debt capital into the business. During the year, the Company invested the IPO proceeds, along with debt raised for Rs. 7,781.36, towards acquisition of Sasken Oy.

Internal Control Systems

The Company has continued with the initiative taken last year on Enterprise Risk Management (ERM) which is mandated by Clause 49 of the listing agreement. The exercise involves identifying all significant (a) locations and (b) business processes, followed by (c) documenting each of the process flows (d) creation of risk registers and (e) an assessment of controls by way of testing. The risk register captures all areas of potential financial risks and operational risks and, the associated internal controls that are already in place or have been identified.

As part of the assessment exercise conducted, certain proposed controls identified in previous periods have been implemented and tested for their effectiveness, and other proposed controls are being implemented. Additionally, certain new controls have been identified for matters of significant importance or relevance, for implementation in the coming periods.

Further, as a good corporate governance measure, all matters of significant importance or relevance have been reported to the Audit Committee and the Company's Statutory Auditors.

During the year, the Company has achieved a milestone by automating the ERM process. All risks and controls are now being captured and tracked through a software tool.

Going forward, the Company would continue to do regular assessment of the risks and controls for the existing and new process flows. The processes followed by Subsidiary companies would also be brought under the purview of ERM.

Route Map to Sasken Corporate Office

sasken

INDIA
CHINA
FINLAND
FRANCE
GERMANY
JAPAN
MEXICO
SWEDEN
UK
USA

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