



13<sup>TH</sup>  
ANNUAL REPORT  
2011-12

## **BOARD OF DIRECTORS**

Pavan Kumar Kuchana	Managing Director
Ramaswamy Kuchana	Non-Executive & Promoter Director
Narender Sirumalla	Non-Executive & Independent Director
Ravi Kumar Bijjala	Non-Executive & Independent Director

## **CHIEF FINANCE OFFICER**

V. K. Prasada Rao

## **COMPANY SECRETARY & COMPLIANCE OFFICER**

Divya Jain

## **AUDITORS**

P. Murali & Co. Chartered Accountants,  
6 -3 - 655 / 23 , Somajiguda,  
Hyderabad - 500 082

## **BANKERS**

IDBI Bank Limited

## **REGISTRAR & SHARE TRANSFER AGENT**

Bigshare Services Pvt Ltd,  
E-2/3,Ansa Industrial Estate,  
Sakivihar Road,Saki Naka,  
Andheri(E), Mumbai-400072.  
Email id: investor@bigshareonline.com

## **REGISTERED OFFICE**

Lanco Hills Technology Park Pvt Ltd. (SEZ),  
Survey No.201, Manikonda village,  
Rajendra Nagar Mandal,  
Hyderabad-500089(A.P.)  
Phone No: 040-40215915/17  
Email id : corporatecompliance@taksheel.com

**(Members are requested to bring their copy of the Annual Report at the Annual General Meeting)**

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**NOTICE**

Notice is hereby given that **Thirteenth Annual General Meeting** of **TAKSHEEL SOLUTIONS LIMITED** will be held on Friday the 28<sup>th</sup> day of December, 2012 at M Hotels, Plot No.116, Lumbini Layout, Acharya Maarg, Near Mindspace Circle, Gachibowli, Hyderabad - 500 031 (Andhra Pradesh) at 4.00 p.m. to transact the following business:-

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Balance Sheet of the Company as at 31<sup>st</sup> March 2012 and the profit and loss account for the year ended on that date together with report of directors and auditors thereon.
2. To appoint a director in place of Mr. Ramaswamy Kuchana who retires by rotation and being eligible offers himself for re-appointment
3. To appoint M/s P.Murali & Co., Chartered Accountants, Hyderabad, the retiring auditors, as statutory auditors of the company to hold office from the conclusion of this meeting till the conclusion of the next annual general meeting and to authorize the board to approve their remuneration.

**For and on behalf of the board**

Sd/-

Place: Hyderabad

**Divya Jain**

Date: 12.11 .2012

Company Secretary & Compliance Officer

**NOTES:**

1. A member of the company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the company.
2. The proxy form in order to be effective, must be deposited at the registered office of the company not less than 48 hours before commencement of the meeting. A proxy so appointed shall not have any right to speak at the meeting.
3. All documents referred to in notice are open for inspection at the registered office of the company between 11.00 a.m. to 1.00 p.m. on any working day prior to the date of the meeting and also at the meeting venue.
4. Members desiring to seek any information/clarifications on annual accounts are requested to write to the company at least 7 (seven) days before the date of AGM to enable the management to compile and keep the information ready.
5. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the meeting, as provided under Section 187 of the Companies Act, 1956.
6. **The Register of members and the Share Transfer Books of the Company will remain closed from Monday, 24<sup>th</sup> Dec,2012 to Friday, 28<sup>th</sup> Dec,2012 both days inclusive.**

7. Brief resume of all Directors including those proposed to be re-appointed, nature of their expertise in specific functional areas, name of companies in which they hold directorships and memberships/chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India is a part of this Annual Report.

8. Members holding shares in physical form are requested to forward all applications for transfers and all other shares related correspondence ( including intimation for change of address) to the Share Transfer Agents of the Company at the following address:

Bigshare Services Pvt Ltd,  
E-2/3,Ansa Industrial Estate, Sakivihar Road,  
Saki Naka, Andheri(E),Mumbai-400072.  
Email id: investor @bigshareonline.com

9. Members who hold shares in physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest, to avail of the nomination facility by filing Form2B in duplicate with the Share Transfer Agents which , on request will supply blank forms.

Members holding shares in the dematerialized form may contact the Depository participant for recording nomination in respect of their shares.

10. Members may please note that, Securities and Exchange Board of India (SEBI) has made Permanent Account Number(PAN) as the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transactions.SEBI has also mandated that for securities market transactions and off market/private transactions involving transfer of shares in physical form, it shall be necessary for the transferee(s) to furnish copy of PAN card to the Company/Share Transfer Agents for registration of such transfer of shares.

11. The Ministry of Corporate Affairs (MCA) has taken "Green Initiative in Corporate Governance" by allowing companies to send documents to their shareholders in electronic mode. To support this green initiative and to receive communications from the Company in electronic mode, members who have not registered their e-mail addresses and are holding shares in physical form are requested to contact the Share Transfer Agents of the Company and register their e-mail id. Members holding shares in dematerialised form are requested to contact their Depository participant.

Members who have registered their email ids with the Depository will be sent the Notice of the AGM and Annual Report by email. Members may please note that notices, annual reports etc. will be available on the Company's website-www.taksheel.com and the same shall also be available for inspection , during office hours, at the registered office of the Company. Members will be entitled to receive the said documents in physical form free of cost at any time upon request.

**Information regarding details of Directors seeking Appointments/Re-appointment in ensuing Annual General Meeting pursuant to Clause 49 of the Listing Agreement**

1	Name of Director	Ramaswamy Kuchana
	Designation	Director
	Date of Birth	02/07/1943
	Date of Appointment	26/06/2008
	Qualifications	HSC
	Expertise in Specific areas	He is a retired forest officer and has leadership skills and administrative experience, and was instrumental in setting up the offshore development centre at Hyderabad and in procuring the land from Government of Andhra Pradesh, for construction of the development center at Warangal.
	Shareholding in Taksheel Solutions Ltd	270090 equity shares
	Directorships held in other Companies	Nil.
	Membership/Chairmanship of Committees of other Public Companies	Nil

**DIRECTORS' REPORT**

To  
 The Members,  
 Your Directors have pleasure in presenting the **THIRTEENTH ANNUAL REPORT** on the business and operations of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March 2012. The Revenues of the Company was ₹ **172.14 Crores** during the year under review.

**FINANCIAL PERFORMANCE**

A summary of the financial performance of your Company for the Financial year ended March 31, 2012 is as under:

(₹ In Lakhs)

Sr. No.	Particulars	2011-12	2010-11
1.	Revenue from operations	<b>17214.51</b>	<b>14726.37</b>
2.	Expenses	<b>15488.00</b>	<b>11763.03</b>
3.	EBIDTA	<b>1726.51</b>	<b>2963.34</b>
4.	Depreciation & Amortization	<b>7.31</b>	<b>6.95</b>
5.	Finance Charges	<b>309.58</b>	<b>80.57</b>
6.	Other Income	<b>255.07</b>	<b>(134.22)</b>
7.	<b>Profit from ordinary activities Before Tax</b>	<b>1664.69</b>	<b>2741.60</b>
8.	Provision for Tax	<b>330.98</b>	<b>---</b>
9.	<b>Profit After Tax</b>	<b>1333.71</b>	<b>2741.60</b>

**REVIEW OF OPERATIONS**

The Revenue of our Company in the Financial Year 2011-12 was ₹ 17214.51 Lacs as compared to ₹ 14726.37 Lacs in the Financial Year 2010-11. On an annualized basis, there has been increase of 16.89 % in the Financial Year 2011-12.

The PBT of our company has decreased from ₹ 2741.60 Lacs in the FY 2010-11 to ₹ 1664.69 Lacs in the FY 2011-12. The Profit before Tax as percentage of Sales has decreased to 9.67% as compared to 18.62% in previous year. During the financial year 2011-12, the company has experienced a stable growth in top line with decrease in margins due to increasing costs because of depreciation of rupee vis-à-vis US dollar, increased competition and other global macro economic variables influencing global markets scenario.

A detailed discussion on the results of the operations and the financial position is included in the "Management Discussion and Analysis Report" section placed at Annexure – II.

**UTILIZATION OF FUNDS THROUGH IPO / FUTURE PLANS**

The Company has raised funds from the public through IPO in the year under review . The Company had issued Prospectus dated 10th October,2011 for raising funds through the Initial Public Offer(IPO)/Issue of equity shares. Accordingly, the Company had made the IPO through 100% Book building route and raised ₹ 8250 Lacs by issuing 55,00,000 Equity Shares of ₹ 10 each of the Company for cash at a price of ₹ 150 per Equity share(including Securities Premium of ₹ 140 per Equity share).The total proceeds of IPO were planned with certain objects ,as more particularly stated and described under section titled 'Objects of the Issue' on Page 36 of the Prospectus, as were considered appropriate and necessary by the management at that point of time and as detailed hereunder:-

S.No.	Particulars	Planned as per prospectus	Utilization upto 31 March,2012	Balance pending Utilisation Variations
1	Setting up a new SEZ development center at Hyderabad	914.83	-	914.83
2	Setting up a new SEZ development center at Warangal	865.64	-	865.64
3	Acquisition and other strategic initiatives	2,200.00	-	2,200.00
4	Financing Incremental working capital	1,280.00	1,032.73	247.27
5	General Corporate Purpose	2,411.18	3,956.00	(1,544.82)
6	Public Issue Expenses	578.35	406.28	172.07
7	Investments (ICDs and Fixed Deposits)	-	2,800.00	(2,800.00)
8	Balance with Banks	-	54.99	(54.99)
	<b>Total</b>	<b>8,250.00</b>	<b>8,250.00</b>	

The company has utilized ₹ 2300.00 lakhs of investments as above for acquisition of GRC business of ₹ 2400.00laks in May 2012. There are deviations in utilization of funds as explained as above due to shift in focus and other prudent financial considerations.

The equity shares of the Company got listed and admitted to dealings on the Bombay Stock Exchange Ltd and National Stock Exchange Ltd with effect from 19<sup>th</sup> October,2011. The issued, subscribed and paid up equity share capital of your company as on March 31, 2012 stood at ₹ 218,521,070/- comprising of 21,852,107 equity shares of ₹ 10/- each.

The Company already has presence in India and US. We propose to expand our operations in Asia-Pacific markets and Middle Eastern countries.

#### **SEBI's AD INTERIM ORDER dated 28th December, 2011**

SEBI issued an ad interim ex-parte order dated 28<sup>th</sup> December 2011. Your company filed a response to the SEBI order vide its letter dated 4<sup>th</sup> Jan,2012. Subsequently, the Company has filed its detailed reply on 12<sup>th</sup> September, 2012. The matter is pending.

#### **STRATEGIC ACQUISITIONS AND DEVELOPMENTS**

We have acquired GRC (Governing,Risk and Compliance) business in May 2012 as it supplements and supports existing business of Wealth Management Solutions and provides synergistic advantages through seamless integration.

We will continue to explore opportunities for acquisitions or joint ventures or alliances that leverage on the existing service offerings, cater to new client relationships or give us a presence in complementary markets.

#### **WARANGAL DEVELOPMENT CENTER**

Company has operationalised a development center at Warangal, a tier II city.The company could provide employment to nearly 100 people. Further, expansion of facilities at the center are on the anvil.

#### **DIVIDEND**

Your Directors recommend no dividend for the year under consideration. In order to conserve the capital base to meet the increased business operations of the company and to conserve cash outgo, the Board recommends that it would be in the best interests of the Shareholders of the Company that the distributable/disposable profits of the Company for the year be retained/ploughed back into business for huge expansion plans.

#### **EMPLOYEE STOCK OPTION SCHEME**

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India( Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines,1999, as amended, the details of stock options under IBSS Techno Park Pvt Ltd ESOS ,2006 are as under :

	<u>equity shares of face value Rs.10/- each</u>
<b>Approved options</b>	- 8,00,000
<b>Options granted</b>	- 3,20,000
<b>Options lapsed</b>	- 2,70,000
<b>Options exercised</b>	- Nil.
<b>Total Number of options in force</b>	- 50,000

#### **CORPORATE GOVERNANCE**

Your Company is committed to good corporate governance practices.The Company's philosophy on Corporate Governance is included under the Annexure I to this Report as per clause 49 of the Listing Agreement.

#### **MANAGEMENT DISCUSSION AND ANALYSIS OUTLOOK AND NEW INITIATIVES**

Management Discussion and Analysis as stipulated in Clause 49 of the Listing Agreement is included under Annexure II to this Report.

#### **DIRECTORS RESPONSIBILITY STATEMENT**

In terms of provisions of Section 217(2AA) of the Companies Act, 1956 as amended your Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed ;
2. They have, in the selection of the Accounting Policies, consulted the Statutory and Internal Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs for the Company at the end of the profit and Loss of the Company for that period;
3. They have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act,1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. They have prepared the annual accounts on a 'going concern' basis.

**REPLY TO AUDITOR'S OBSERVATIONS PURSUANT TO SEC 217(3) OF THE COMPANIES ACT,1956**

The Board has duly reviewed the qualifications by auditor in its Auditor's Report vide clause 3 and annexure to the auditors' report vide clause XX pertaining to Note No. 34(a),(b),(c) and (d) of notes to financial statements as below:

- a) Relating to Utilization of IPO Proceeds:
  - The company has raised an amount of Rs. 82,50,00,000/- through Initial Public Offer (IPO) which was subscribed by the public between 29-09-2011 to 04-10-2011. On the receipts of such IPO proceeds, company was under an obligation to utilize the proceeds as per the prospectus filed before SEBI. The SEBI had carried out an Investigation on the issue of utilization of IPO proceeds. During the course of investigation, the SEBI has come to a prima facie conclusion that the proceeds of the IPO were utilized for the objects other than the objects mentioned in the Prospectus.
- b) SEBI Order relating to Operative Instructions :
  - Vide Order No. WTM/PS/IVD/ID8/43/Dec/2011 dated 28th December, 2011, SEBI has directed the company and directors in the following ways:
    - (i) The Company is prohibited from raising any further capital, in any manner whatsoever, till further directions.
    - (ii) The Company and its directors are prohibited from buying, selling or dealing in securities in any manner whatsoever, till further directions.
- c) SEBI Order relating to Calling back of IPO funds:
  - Vide Order No. WTM/PS/IVD/ID8/43/Dec/2011 dated 28th December, 2011, SEBI has directed the company in the following ways:
    - a) To call back the ICD placed with Silverpoint Infratech Limited amounting to ₹ 23 Crores and place the proceeds in an interest bearing escrow bank account opened with a scheduled commercial bank, till further directions.
    - b) Proceeds of IPO invested by the company in the India bulls Mutual Fund-Liquid Fund; amounting to ₹ 5 Crores; shall also be redeemed and transferred to the said escrow account, till further directions.
    - c) In addition, the Company shall deposit the proceeds of IPO still remaining with it; as on the date of this Order; in the said escrow account, till further directions. The confirmation for the same should be given to stock exchanges where the company is listed; within 7days from the date of this Order.
- d) SEBI Vide Order No. WTM/PS/IVD/ID8/43/Dec/2011 dated 28th December, 2011 has made certain observations on matters relating to disclosures etc.

The company has filed its reply to SEBI Order No. WTM/PS/IVD/ID8/43/Dec/2011 dated 28th December, 2011 on 04th January 2012 by stating its stand to the SEBI Order. Subsequently, the company has filed its detailed reply on 12th September, 2012 by submitting its clarifications/explanations to the SEBI order.

The matter is pending and the company is expecting a favourable outcome in the matter.

**FIXED DEPOSITS**

During the period under review, your Company has not accepted any Deposits within the meaning of Section 58A of the Companies Act, 1956, and the rules framed thereunder.

**DIRECTORS**

During the year under review Mr. N V Ramana, Mr.Vijay Kumar Devarakonda and Mr.Pramod Chada resigned as directors w.e.f. February 13, 2012. The Company places on record its appreciation for the excellent services rendered by the directors during their tenure.

Mr. Narender Sirumalla and Mr.Ravi Kumar Bijjala were appointed as additional directors w.e.f from 13<sup>th</sup> February,2012 and they were regularized in Extra ordinary General Meeting held on 21<sup>st</sup> March 2012.

In accordance with the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Ramaswamy Kuchana, director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

**STATUTORY AUDITORS**

P.Murali & Co., Chartered Accountants, the retiring Statutory Auditors of your Company expressed their willingness to continue as Statutory Auditors, if re-appointed at the ensuing Annual General Meeting to hold the office until the conclusion of the next Annual General Meeting. The Company has received from the Statutory Auditors a certificate to this effect that their appointment if made, would be within the prescribed limit under Section 224 (1B) of the Companies Act, 1956.

**PARTICULARS OF EMPLOYEES**

No employees are covered under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO**

The Information required under Section 217 (1)(e) of the Companies Act, 1956 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 set out in Annexure III annexed hereto and forms part of this Report.

**ACKNOWLEDGEMENTS**

Your Directors wish to express their gratitude for the continuous support and assistance received from investors, Customers, Vendors, bankers, all Statutory, Regulatory and Government authorities during the year. Your Directors further place on record their appreciation for the significant contribution made by the employees at all levels and of their competence, perseverance, and hard work that have enabled the Company to cross new milestones on a continual basis.

**For and on behalf of the Board**

Date: 12.11.2012  
Place: Hyderabad

**Sd/-**  
Pavan Kumar Kuchana  
Chairman & Managing Director



**ANNEXURES TO THE DIRECTOR'S REPORT**
**ANNEXURE-I**
**REPORT ON CORPORATE GOVERNANCE**
**1. Company's Philosophy**

TAKSHEEL SOLUTIONS LIMITED (TSL), the Company being listed in the month of October, 2011, is consciously committed to the PHILOSOPHY OF CORPORATE GOVERNANCE for bringing in transparency, accountability and equity in all facets of its operations to all its STAKEHOLDERS viz., customers, investors, vendors, employees, the government and the society-at-large besides creating and enhancing long term sustainable shareholders' value. TSL is committed to conduct its business in a manner that exemplifies growth in shareholder value through ever improving performance. The Company has set a goal for attaining the highest standard of good governance, meticulously pursue it and thereby maximize value for its stakeholders.

**2. Board of Directors**

The Board comprised of four directors as on March 31, 2012. The Board of Directors brings with them rich and diverse experience in different fields of corporate functioning. The Chairman of the Board is an Executive Non - Independent Director and in compliance with the requirement of Clause 49 of the Listing Agreement, our Company's Board consists of 1 Executive Director, 1 Non Executive Non Independent Director and 2 Non Executive Independent Directors.

The Board held eleven meetings during the year ending March 31, 2012 i.e. on

Sr. No.	Date of Board Meeting	Sr. No.	Date of Board Meeting
1	10.06.2011	7	13.10.2011
2	16.07.2011	8	13.12.2011
3	20.07.2011	9	21.12.2011
4	06.09.2011	10	13.02.2012
5	19.09.2011	11	21.03.2012
6	10.10.2011		

**3. Audit Committee**

The Company has been constituted pursuant to the provisions of Section 292A of the Companies Act, 1956. The Scope of the activities of the Audit Committee is as per the provisions of Section 292A of the Companies Act, 1956. The Audit Committee comprises of following Directors:

S. No	Name of the Member	Designation
1.	Mr. Narender Sirumalla	Chairman
2.	Mr. Ravi Kumar Bijjala	Member
3.	Mr. Ramaswamy Kuchana	Member
4.	Mr.N.V.Ramana	Chairman (resigned w.e.f. 13 <sup>th</sup> February,2012)
5.	Mr.Vijay Kumar Devarakonda	Member(resigned w.e.f. 13 <sup>th</sup> February,2012)
6.	Mr.Pramod Chada	Member(resigned w.e.f. 13 <sup>th</sup> February,2012)

The Company Secretary acts as the Secretary to the Committee.

The Primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality financial reporting.

The terms of reference of the Audit Committee includes:

- oversight of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- reviewing with management the annual financial statement before submission to the board, focusing primarily on:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act;

- Any changes in accounting policies and practices;
  - Major accounting entries based on exercise of judgment by management;
  - Qualifications in draft audit report;
  - The Going Concern assumption;
  - Compliance with accounting standards;
  - Compliance with stock exchange and legal requirements concerning financial statements;
  - Any related party transactions i.e. transactions of our Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large;
  - Significant adjustments made in the financial statements arising out of audit findings.
5. review with the management of the quarterly financial statements before submission to the Board for approval.
  6. reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
  7. reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
  8. reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  9. discussion with statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern.
  10. discussion with internal auditors any significant findings and follow up there on.
  11. reviewing our Company's financial and risk management policies.
  12. look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  13. approval for appointment of CFO (i.e. the Whole Time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background etc. of the candidate; and
  14. any other function mentioned in the terms of reference of the Audit Committee.

#### 4. COMPENSATION / REMUNERATION COMMITTEE

Our Board constituted a Compensation/Remuneration Committee pursuant to the provisions of Section 292A of the Companies Act, 1956. The Compensation Committee of our Company currently consists of the following Directors as members:

S. No	Name of the Member	Designation
1.	Mr. Ravi Kumar Bijjala	Chairman
2.	Mr. Narender Sirumalla	Member
3.	Mr. Ramaswamy Kuchana	Member
4.	Mr. Pramod Chada	Chairman(resigned w.e.f. 13 <sup>th</sup> February,2012)
5.	Mr. Vijay Kumar Devarakonda	Member(resigned w.e.f. 13 <sup>th</sup> February,2012)
6.	Mr. N.V. Ramana	Member(resigned w.e.f. 13 <sup>th</sup> February,2012)
7.	Mr. Pavan Kumar Kuchana	Member till 13.02.2012

The Company Secretary will acts as the Secretary to the Committee.

Terms of reference of the Compensation/Remuneration Committee includes:

1. to review the overall compensation policy, service agreements and other employment conditions to Executive Directors and senior executives just below the Board of Directors and make appropriate recommendations to the Board of Directors;
2. to review the overall compensation policy for Non-Executive Directors and Independent Directors and make appropriate recommendations to the Board of Directors;
3. to make recommendations to the Board of Directors on the increments in the remuneration of the Directors;
4. to assist the Board in developing and evaluating potential candidates for senior executive positions and to oversee the development of executive succession plans;
5. to review and approve on annual basis the corporate goals and objectives with respect to compensation for the senior executives and make appropriate recommendations to the Board of Directors;

6. to review and make appropriate recommendations to the Board of Directors on an annual basis the evaluation process and compensation structure for our Company's officers just below the level of the Board of Directors;
7. to provide oversight of the management's decisions concerning the performance and compensation of other officers of our Company;
8. to administer and superintend Employee Stock Option Plan (ESOP).

#### 5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

Our Board constituted a Shareholders/Investor Grievance Committee pursuant to the provisions of Section 292A of the Companies Act, 1956. The Shareholders/Investor Grievance Committee of our Company currently comprises of the following Directors as members:

S. No	Name of the Member	Designation
1.	Mr. Ramaswamy Kuchana	Chairman
2.	Mr. Ravi Kumar Bijjala	Member
3.	Mr. Pavan Kumar Kuchana	Member

The Company Secretary will acts as the Secretary to the Committee.

The Shareholders/ Investor Grievances Committee looks into redressal of shareholder and investor complaints, issue of Duplicate/ Consolidated Share Certificates, Allotment and Listing of shares and review of cases for refusal of Transfer/ Transmission of shares and debentures and reference to Statutory and Regulatory Authorities. The scope and functions of the Shareholders/Investor Grievances Committee are as per Clause 49 of the Listing Agreement.

#### 6. INITIAL PUBLIC OFFER COMMITTEE

Our Board constituted a Initial public Offer Committee and comprised of the following Directors namely:

S. No	Name of the Member	Designation
1.	Mr. Pavan Kumar Kuchana	Chairman
2.	Mr. Ramaswamy Kuchana	Member
3.	Mr.Pramod Chada	Member

The Committee was dissolved pursuant to board resolution dated 13<sup>th</sup> February, 2012.

The Initial Public Offer Committee was formed for deciding on the number of equity shares to be offered in this issue as may be necessary, determining and finalizing the price band, bid opening and closing date of this issue, approving and finalizing the basis of allocation, determining the price at which the Equity shares are to be offered to the investors.

#### 7. General Body Meetings

Location, date and time of last three Annual General Meetings:

Year	Venue	Date	Time
2011	Registered Office	August 12, 2011	2.00 P.M.
2010	Registered Office	September 30, 2010	2.00 P.M.
2009	Registered Office	September 30, 2009	2.00 P.M.

During the year 2010-11, two (2) Extra-ordinary General Meetings were held on August 18, 2011 and March 21, 2012.

#### 8. Disclosures on Materially significant related party transactions

As required by the Accounting Standard-18, issued by the Institute of Chartered Accountants of India, the details of related-party transactions are mentioned in Notes to Accounts (Note No.25 ) forming the part of accounts for the year ended March 31, 2012.

#### 9. Means of Communications

The Quarterly /Yearly results of the Company are usually posted on company's website : [www.taksheel.com](http://www.taksheel.com) and published in the newspapers viz. Financial Express and regional language newspaper and are also notified to the Stock Exchanges as in the Listing Agreement to enable the Stock Exchanges to put it on their websites..

#### 10. Code of Conduct

In compliance with Clause 49 of the Listing Agreements, the Company has adopted a Code of Conduct for conduct of the business with highest standards of integrity, honesty and ethical conduct and uses their office in good faith and in the best interest of the Company. This Code is applicable to all the members of the Board, and senior management . A copy of the said

Code of Conduct is available on our website, [www.taksheel.com](http://www.taksheel.com). All the members of the senior management have affirmed compliance to the Code of Conduct for the financial year ended 31<sup>st</sup> March, 2012.

**11. General Information for Shareholders**

## i) Annual General Meeting

Date : December 28, 2012

Time : 4.00 P.M.

 Venue : M Hotels , Plot No.116,Lumbini Layout,  
 Acharya Maarg, Near Mindspace Circle, Gachibowli,  
 Hyderabad-500 031 (Andhra Pradesh)

**Registered Office Address:**

 Lanco Hills Technology Park Pvt Ltd, (SEZ),  
 Survey No.201, Manikonda Village,  
 Rajendra Nagar Mandal, Hyderabad-500089.

 ii) **Financial Calender for the Year 2012-13**

 April 1<sup>st</sup> , 2012 to March 31<sup>st</sup> , 2013

**Adoption of quarterly results ended**

 30<sup>th</sup> June,2012

 30<sup>th</sup> September,2012

 31<sup>st</sup> December,2012

 31<sup>st</sup> March,2013

**In the month of**

 14<sup>th</sup> August,2012 (already held)

 12<sup>th</sup> November,2012 (already held)

 February,2012 (2<sup>nd</sup> week -tentative)

 May,2013 (2<sup>nd</sup> week-tentative)

## iii) Listing on Stock Exchanges:

Your Company's shares are listed at National Stock Exchange of India Limited and Bombay Stock Exchange Limited. The Company has paid the requisite annual listing fees to both the stock exchanges for the financial year 2012-13.

## iv) Shareholding Pattern as on March 31, 2012

Name of the Shareholders	Equity Capital	
	Number of Equity Shares	Percentage (%)
<i>Promoters</i>	100,24,993	45.88
<i>Promoter Group</i>	327,114	1.50
<b>Total Holding of the Promoter and Promoter Group (A)</b>	<b>1,03,52,107</b>	<b>47.38</b>
Bodies Corporate	65,08,425	29.78
Individual shareholders holding nominal share capital upto ₹ 1 lakh.	29,82,195	13.64
Individual shareholders holding nominal share capital in excess of ₹1 lakh.	19,03,651	8.71
Clearing Member	50,552	0.23
Employee	3750	0.017
Non Resident Indians	51427	0.235
<b>Total Public Shareholding (B)</b>	<b>1,15,00,000</b>	<b>52.62</b>
<b>Total Shareholding (A+B)</b>	<b>2,18,52,107</b>	<b>100.00</b>

 v) **Distribution of shareholding as on 31<sup>st</sup> March, 2012 :**

Shareholding of Shares		Shareholders		No.of Shares	
From	To	Number	% of total	Amount	% of total
1	5000	7343	82.7753	10123300	4.6326
5001	10000	727	8.1952	5955000	2.7251
10001	20000	375	4.2273	5687450	2.6027
20001	30000	122	1.3753	3163370	1.4476
30001	40000	82	0.9244	2934880	1.3431
40001	50000	55	0.6200	2546180	1.1652
50001	100000	87	0.9807	6419070	2.9375
100001	999999999	80	0.9018	181691820	83.1461
	<b>TOTAL</b>	<b>8871</b>		<b>218521070</b>	<b>100.0000</b>

**vi) Dematerialization of Shares:**

As on 31<sup>st</sup> March, 2012, 83.11 per cent of the share capital was held in dematerialized form.

**vii) Stock code :**

Bombay Stock Exchange Ltd : 533639  
 National Stock Exchange of India Ltd : TAKSHEEL  
 ISIN in NSDL & CDSL : INE889I01011

**viii) Market Price data :**

Year 2011-12	BSE Limited			NSE India Limited		
	High price	Low price	No.of shares / traded quantity	High price	Low price	No.of shares / traded quantity
Oct 2011	185.00	26.15	4,25,73,327	184.30	27.00	5,68,75,489
Nov 2011	26.25	14.90	15,92,203	26.50	14.95	25,24,835
Dec 2011	16.70	12.30	7,76,934	16.50	12.25	13,22,309
Jan 2012	14.56	12.20	3,29,666	14.55	12.10	7,85,272
Feb 2012	18.15	13.00	6,26,856	17.90	12.70	11,76,990
Mar 2012	14.75	10.50	4,35,058	14.55	10.55	4,94,170

**ix) Registrar and Share Transfer Agent:**

Bigshare Services Pvt Ltd  
 E-2/3, Ansa Industrial Estate, Saki Vihar Road,  
 Saki Naka, Andheri (East), Mumbai-400072.  
 Tel: 022-40430200, Fax:022-28475207  
 Email: investor@bigshareonline.com

**x) Share Transfer System:**

The Company has constituted an Investor Grievance Committee of its Directors to approve the transfer, transmission, issue of duplicate share certificates and allied matters. The Company's Share Transfer Agents viz. Bigshare Services Pvt Ltd have adequate infrastructure to process the matters referred above.

**xi) Address for Communication:**

All Financial and Corporate Communication should be directed to :

**Registered Office Address:**

Lanco Hills Technology Park Pvt. Limited (SEZ),  
 Survey No. 201, Manikonda Village,  
 Rajendra Nagar Mandal, Hyderabad-500089.  
 Tel: 040-40215917/15, Fax : 040-40215916  
 Email id : [corporatecompliance@taksheel.com](mailto:corporatecompliance@taksheel.com)

**xi) Secretarial Audit:**

For each of the quarter in the financial year 2011-12, Mr.Y Koteshwara Rao, Practicing Company Secretary, Hyderabad carried out secretarial audits to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited and total issued and listed capital. The audit report confirm that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**xii) CIN:**

The Corporate Identity Number ("CIN") of the Company as allotted by Ministry of Company Affairs is: U72200AP1999PLC032556.

## **ANNEXURE-II**

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management of Taksheel Solutions Limited presents the analysis of performance of the Company for the year 2011-12 and its outlook for the future.

#### **Business overview, Development and Opportunities Outlook**

The changing demand outlook, customer conversations and requirements acted as a driver to build in greater efficiencies and flexibility within the service delivery and the business models - one which is here to stay 2012 was also instrumental for more ways than one for the industry. While the industry displayed tenacity and resilience, it also commenced its journey to achieve its aspirations in view of the altered landscape. It commenced working on its agenda to diversify beyond core offerings and markets through new business and pricing models, specialises to provide end-to-end service offerings with deeper penetration across verticals transform the process delivery through re-engineering and enabling technology, innovate through research and development and drive inclusive growth in India by developing targeted solutions for the domestic market. All these measures, along with India's game changing value proposition have helped India widen its leadership position in the global sourcing market. The advent of 2012 has signalled the revival of outsourcing within core markets, along with the emerging markets increasingly adopting outsourcing for enhanced competitiveness. Key demand indicators in the last two quarters such as increased deal flow, volume growth, stable pricing, and faster decision making has made the industry post good results. Though full recovery is expected in another two quarters, development of new growth levers, improved efficiency and changing demand outlook signifies early signs of recovery.

#### **Business Strategy**

TSL seek to further enhance our position as a leading provider of integrated IT Solutions and Services, to achieve this goal we seek to:

##### ***Focus on Wealth Management Solutions (WMS)***

Your Company will continue to strongly focus on our main strength WMS, as it is one of the growing and evolving segments. We are adopting proactive target marketing for gaining market share in the Wealth Management Solutions market. Our solutions help WMS providers distribute investment products, provide advice and enhance their services. The solution is scalable and addresses all compliance requirements. It delivers customized and adaptive solutions for service providers having clients from the mass affluent to the High Net worth and covers the full spectrum of investment processes of Brokerages, Banks, Insurance Firms and other Wealth Management providers. Our solutions address account/data aggregation, online collaboration and workflow-based functionalities.

##### ***Focus on Telecom products & Solutions.***

Your Company is majorly focused on providing customized solution in the area of Enterprise IP-Telephony, Unified Messaging System, Carrier Grade Solutions for wholesale retail clients over VOIP, VOIP Integrated Wireless solutions, IVRS, Voice Loggers, Video Conferencing, Network Monitoring & Management, Data Security Solutions. Our products range covers Analog, Digital & GSM PCI telephony Interface cards, Multi-functional IP Phones (Basic Executive and Advanced), Analog and GSM Channel banks. We are one stop shop providing complete range of telecom products required from SOHO office to Mid-Range and Large corporates.

##### ***Growing our business through expand service offerings like BPO, KPO***

After concentrating on our core business activities for the last 11 years we are planning to expand our business through providing captive BPO and KPO offerings in Financial Services and Telecom areas. We have received requests from our existing and satisfied customers to provide this service. We expect these to materialize in the near future.

##### ***Governance, Risk and Compliance business:***

The company has acquired Governance, Risk and Compliance in May'2012. As part of GRC, Taksheel helps the client to design & implement:

- Corporate governance structures and processes
- Risk management systems aligned to strategic priorities
- Business Assurance processes geared to provide independent and objective assurance on key business risks
- processes and internal control systems that are suitable to address emerging business challenges
- Framework to foster compliance with legal and regulatory requirements.
- Framework for contract authoring & management

***Geographical expansion***

TSL is in the process of expanding our operations and we have recently started our operations from Warangal Development Center. We already have our presence in India and New Jersey. We propose to expand our operations in Asia-Pacific markets and Middle Eastern countries.

***Inorganic Growth***

TSL will continue to explore opportunities for acquisitions or joint ventures or alliances that leverage on the existing service offerings, cater to new client relationships or give us a presence in complementary markets. We will pursue strategic acquisitions and other inorganic initiatives that will strengthen our competitive position as well as drive profitable revenue growth.

***Invest in Our People and Culture***

As a people-based business, we continue to invest in the development of our professionals and to provide them with entrepreneurial opportunities and career development and advancement. Our technology, business consulting and project management councils ensure that each client team learns best practices being developed across our company and our recognition program rewards teams for implementing those practices. We believe these results in a team of motivated professionals armed with the ability to deliver high-quality and high-value services for our clients.

***INORGANIC GROWTH***

The Company is consciously following a strategy of organic and inorganic growth. Since inception we have made the following Acquisitions:

<b>Year of Acquisition</b>	<b>Name of Acquired Company</b>	<b>Nature of Business</b>
2005	We have acquired 100% Equity in IBSS Inc	Wealth Management & IT Solutions to Financial services Industry.
2007	We have acquired business segments.	Data Warehousing & Business Intelligence businesses.
2009	We have acquired the Telecom Software Products	Telecom Software Products
2012	We have acquired the GRC business	Governance, Risk and compliance services

***Service Offerings***

Our business activities can be classified into three major segments:

- 1) Wealth Management Solutions (WMS);
- 2) Telecom & Managed services; and
- 3) Information Technology Services (IT).
- 4) Governance, Risk and Compliance services(GRC).

**1) Wealth Management Solutions (WMS)**

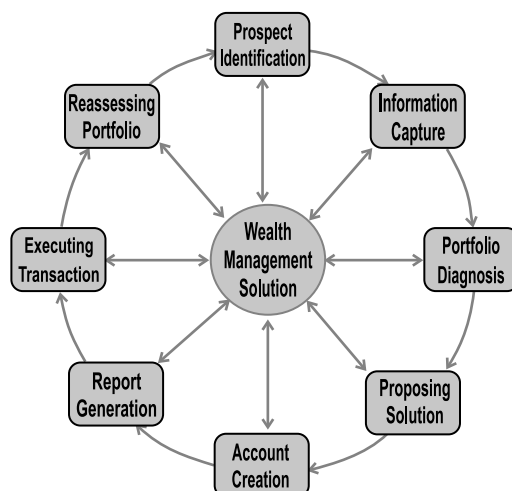
Your Company offers solutions to Banks, Asset and Investment Managers, Brokerage Houses, Insurance, Hedge Funds, Trusts and Family Offices .Our complete range of IT Services and solutions addresses the needs of both technology and business requirements to help organizations towards business improvement. WMS is provided through a Service Oriented Architecture (SOA) which enables us to deploy a customized version of its solutions to help the clients manage their customers' assets, increase their sales, improve their service and generally lower their operating costs, by processing the transactions faster, reducing the scope for human errors and the need for entering data at multiple points.

In a competitive market, providers of Wealth Management Services are forming their IT strategies to help build differentiating factors in their services/products in order to gain and retain customers and their assets. The right IT resources can help Wealth Management Firms to:

- Improve client service from reporting to call centers;
- Attract and retain top advisor and/or customer service talent;
- Reduce operational and administrative inefficiencies;
- Generate added revenue by rapidly developing and deploying new value-adding products and services;
- Achieve real competitive advantage.

Taksheel brings together domain knowledge, technological capabilities and its global delivery model to offer the best results and returns on IT investments of its clients. Taksheel's Wealth Management Solutions (WMS) are cost effective. They create competitive edge to the client company by enabling efficient and effective service delivery/management.

Technology architectures do not easily accommodate integration without the aid of middleware solutions. Indeed, unless a financial institution has the resources and funds to front the integration issue in-house, our company has to depend on outside vendors in the marketplace who can tackle the integration issue.



Thus, a key issue Financial Services Providers face during technology deployments is integrating disparate applications and systems. While it is complicated enough to introduce new systems in a technology environment, making sure these connect to each other efficiently is another task for technology departments. Wealth Management front-office activities such as Portfolio monitoring and trading rely on the ability to connect to back-end Portfolio Management, Accounting, and Compliance processes. In addition, institutions wish to capture vital client data and documents which may be generated through front-office activities and ensure they get captured in the back office. Without these types of connections, an institution cannot hope to deliver superior service.

Our Wealth Management Solutions provide ease of integration between Portfolio Management/Financial planning systems, Account aggregation vendors, Market data providers, and CRM systems. In addition, we have expertise in deploying, managing, maintaining and integrating front office and middle/back office services to an end-to-end solution, unifying all business processes and adding a broad range of features and functionalities.

## 2. Telecom & Managed services

Taksheel developed technology which is unique, versatile and state of art products made us integrated Telecom and IT services provider. As IT & Telecom integrated technology partner we offer our service on pay for use by providing our products and services on hosted basis. Revenue sharing as model for aggregator business platform and other SaaS model products and services. Growing demand getting down capex, as technology driven company we had focused in offering products & services as pocket suitable solution in SaaS model.

## 3. Governance, Risk and Compliance (GRC) business:

The company has acquired Governance, Risk and Compliance in May'2012. Taksheel provides GRC software solutions along with domain expertise which provides integrated approach (internal audit, compliance programs like SOX, enterprise risk management (ERM), operational risk and incident management, etc.) helps Banking & Financial institutions, manage all aspects of Governance, Risk, Compliance and Audit programs in a far more superior manner.

The integrated GRC process approach deploys a single system which administers multiple GRC initiatives & increases compliance effectiveness in a cost effective environment. Additionally, it provides a coordinated and cross-organizational approach to risk management. As a result, GRC initiatives are not only aligned centrally with corporate governance and reporting but are distributed to lines of business for execution and accountability.

## Competitive Strengths

Your Company believe that the following are our principal competitive strengths, which differentiates us from other IT solutions providers:

- Wide Range of Wealth Management Solutions
- Advantage of Early Entry
- Unique, Versatile and State of the art Telecom products
- Depth of experience and knowledge in targeted industry segments
- Ability to Manage and Establish Enduring Relationship with Large Clients
- **Qualified Professionals and Strong Management Team**



**Threats**

The industry risks such as pruning of IT budgets, fluctuations of Rupee vis-à-vis dollar, adverse changes in tax structures also are faced by the company. Other risks are client concentration, geographical concentration of clients, competition in industry etc., These risks are monitored constantly and derisking measures are initiated appropriately.

**Core Competencies:** The Company is specialized and developed products in IP multimedia subsystem (IMS), Telecom Signalling Integrated Standard Digital Network (ISDN), Channel Associated Signalling (CAS), Signalling System 7 (SS7), Short Message Service Centre (SMSCs), Least Cost Routing system (LCR), Optimal Routing Solutions (ORS), Voice Mail Servers (VMS) and other Value Added Services (VAS) content delivery platforms. Our product portfolio covers enterprise IP-Telephony, Unified Communication System, Carrier Grade solutions, Wireless VOIP solutions, IVRS, Voice Loggers, Video Conferencing, NMS and other IT Solutions. With products and services offered by us, we had secured business from various sectors CGISS, Healthcare, Defence, Domestic and Multinational enterprise and government organisations. Governance, Risk and Compliance (GRC) is an added strength to the overall portfolio.

**COMPANY PERFORMANCE**
**Table:1 Financial figures of the Company for the last five years**

(Amount in ₹ lacs)

PARTICULARS	FOR THE YEAR ENDED MARCH 31				
	2008	2009	2010	2011	2012
<b>Income</b>					
Software & Consultancy Services	3171.68	3319.53	4950.15	14726.37	17214.51
Other Income	31.29	223.50	0.00	-134.22	255.07
Total Income	3202.97	3543.03	4950.15	14592.15	17469.58
Total Expenditure	1617.50	3299.89	4141.14	11850.55	15804.89
Profit Before Tax (PBT)	1585.47	243.14	809.01	2741.60	1664.69
Profit After Tax (PAT)	1403.21	240.42	809.01	2741.60	1333.71

**Review of Financial Statements:**
**Balance Sheet**

Particulars	As on 31-03-2012	As on 31-03-2011
	₹ in Lakhs	₹ in Lakhs
<b>I. EQUITY AND LIABILITIES</b>		
<b>(1) Shareholder's Funds</b>		
(a) Share Capital	2,185.21	1,635.21
(b) Reserves and Surplus	17,384.09	7,425.40
<b>(2) Non-Current Liabilities</b>		
(a) Deffered Tax Liabilities (Net)	(2.09)	-
(b) Long Term Provisions	27.15	13.31
<b>(3) Current Liabilities</b>		
(a) Short-Term Borrowings	836.81	945.18
(b) Trade Payables	43.08	100.79
(c) Other Current Liabilities	177.98	30.13
(d) Short-Term Provisions	479.86	372.65
<b>Total</b>	<b>21,132.09</b>	<b>10,522.67</b>
<b>II. Assets</b>		
<b>(1) Non-Current Assets</b>		
(a) Fixed assets		
(i) Tangible Assets	35.71	37.22
(ii) Capital Work-In-Progress	1,330.49	1,180.38
(b) Long Term Loans and Advances	17.65	635.50
(c) Other Non-Current Assets	373.17	-
<b>(2) Current assets</b>		
(a) Trade Receivables	9,489.07	3,630.63
(b) Cash and Bank Balances	557.32	604.91
(c) Short-Term Loans and Advances	9,182.37	4,433.87
(d) Other Current Assets	146.31	0.16
<b>Total</b>	<b>21,132.09</b>	<b>10,522.67</b>

**Profit and Loss Statement for the year ended 31st March, 2012**

Particulars	As on 31-03-2012	As on 31-03-2011
	₹ in Lakhs	₹ in Lakhs
Revenue from Operations	17,214.51	14,726.37
Other Income	255.07	(134.22)
<b>Total Revenue</b>	<b>17,469.58</b>	<b>14,592.15</b>
<u>Expenses:</u>		
Cost of Software Development	14,362.07	10,884.25
Employee Benefit expenses	208.23	140.17
Other Operating & Admin Expenses	917.71	738.61
Financial Costs	309.58	80.57
Depreciation and Amortization Expense	7.31	6.95
<b>Total Expenses</b>	<b>15,804.90</b>	<b>11,850.55</b>
Profit Before Extraordinary items and Tax	<b>1,664.68</b>	2,741.60
Extraordinary Items	-	-
Profit Before Tax	<b>1,664.68</b>	<b>2,741.60</b>
Tax Expense:		
(1) Current tax	333.06	-
(2) Deferred tax	(2.09)	-
Profit After Tax	<b>1,333.71</b>	<b>2,741.60</b>

### Share Capital

Paid up share capital of the company has increase from ₹ 1635.21 lakhs to ₹ 2185.21 lakhs. The increase of ₹ 550 lakhs is due to issue of 55 lakh shares of ₹ 10 each in an IPO during the year.

### Reserves and Surplus

- ₹ 7700.00 lakhs on account share premium on issue of 55 lakh shares of ₹ 10 each at a premium of ₹ 140 each. There has been an increase in Reserves and surplus due to:
- Addition of ₹ 1333.71 lakhs of current year profit and
- recognition of ₹ 924.98 lakhs of foreign currency fluctuations.

Long Term Provisions have increased from ₹ 13.30 lakhs to ₹ 27.15 lakhs due to additional provisions on account of gratuity and leave encashment during the year.

**Short term borrowings** have decreased from ₹ 945.18 lakhs to ₹ 836.81 lakhs due to decrease in other loans and advances.

**Trade paybles** have decreased from ₹ 100.79 lakhs to ₹ 43.08 lakhs during the year.

**Other current liabilities** have increased from ₹ 30.12 lakhs to ₹ 177.98 lakhs during the year on account of repayment of installments of unsecured loans and provision of interest payable on ICDs borrowed and repaid during the year.

**Short term provisions** have increased from ₹ 372.65 lakhs to ₹ 479.86 lakhs during the year mainly on account of provision of MAT payable for the year 2011-12.

**Capital Work-In-Progress** has increased to ₹ 1330.49 lakhs during the year from ₹ 1180.38 lakhs due to developmental expenses of capital nature incurred at Warangal Center.

**Long Term Loans and Advances** have decreased to ₹ 17.65 lakhs during the year from ₹ 635.50 lakhs due to recovery of advances during the year.

**Other Current Assets** have increased due to IPO expenses ₹ 373.17 lakhs on account of IPO during the year.

**Trade Receivables:** Trade Receivables have increased from ₹ 3630.63 lakhs to ₹ 9489.07 lakhs

due to skewed billing towards end of the year. The company is constantly reviewing and pursuing with the customer. It is confident of realising all the receivables.

### Short-Term Loans and Advances have increased mainly on account of;

- inter corporate deposit of ₹ 2300.00 lakhs placed as interim use of IPO proceeds,
- ₹ 82.50 lakhs refundable IPO deposit with BSE,
- capital advances of ₹ 804.15 lakhs out of IPO proceeds and
- recoverable advances made and outstanding at year end of ₹ 5640.57 lakhs made during the year to Vendors of services. ₹ 3879.61 lakhs of vendor advances outstanding as on 31st March'2011 have been cleared during the year.

### Total Income

The Revenue of our Company in the Financial Year 2011-12 was ₹ 17214.51 Lacs as compared to ₹ 14726.37 lakhs in the Financial Year 2010-11. On an annualized basis, there has been increase of 16.89 % in the Financial Year 2011-12. This is due to incremental revenues from the existing clients reflecting growth of industry.

### Operational Cost

The cost of the Operation has been increased from ₹ 10884.25 Lacs in the Financial Year 2010-11 to ₹ 14362.07 Lacs in the Financial Year 2011-12. There is a marginal increase in operating cost as a percentage of total income in 2011-12 to 83.43% from 73.91% in 2010-11. This is mainly due to Inflationary increase in costs and depreciation of rupee vis-à-vis dollar.

### Personnel Cost

Personnel Cost of our company increased from Rs 140.17 Lacs in the Financial Year 2010-11 to ₹ 208.23 Lacs in the Financial Year 2011-12. On an annualized basis, there has been increase of 48.55% in the Financial Year 2011-12 as compared to FY 2010-11 due to increased level of operations.

### Administrative and Other Expenses

Administrative and Other Expenses increased from Rs 738.60 Lacs in 2010-11 to Rs 917.71 Lacs in 2011-12 and the increase was 24.25% as compared to previous year. This was necessitated on account of increased level of operations and inflationary trend of expenditure.

**Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA)**

EBIDTA of our Company is ₹ 1,981.58 Lacs in Financial Year 2011-12 at 11.51 % of Total Income as compared to ₹ 2829.12 Lacs in Financial Year 2010-11 which was 19.21% of Total Income. This substantial fall in EBIDTA is due to increased operating costs, personnel expenditure and administrative and other expenditure during 2011-12.

**Interest**

The Interest for the Financial year 2011-12 is ₹ 309.58 Lacs whereas for the Financial Year 2010-11 it was ₹ 80.57 Lacs. This is due to full utilisation of Cash credit limits during the year as compared to previous year and interest of ₹ 182.50 lakhs provided on ICDs borrowed during the year.

**Depreciation**

The depreciation for the Financial Year 2011-12 is ₹ 7.31 Lacs whereas for the Financial Year 2010-11 it was ₹ 6.95 Lacs.

**Profit Before Tax (PBT)**

The PBT of our company has decreased from ₹ 2741.60 Lacs in the FY 2010-11 to ₹ 1664.68 Lacs in the FY 2010-11. The Profit before Tax as percentage of Sales has decreased to 9.67 % as compared to 18.62% in previous year. This is due to decrease in EBIDTA and increase in interest costs as explained above.

**Profit after Tax (PAT)**

The PAT of our company is ₹ 1333.71 Lacs. The decrease is due to increase in costs as explained above and Provision for tax towards MAT at ₹ 330.98 Lacs during the year which has been introduced on SEZ units with effect from FY 2011-12.

**ANNEXURE-III**
**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION. FOREIGN EXCHANGE EARNINGS AND OUTGO.**
**1. CONSERVATION OF ENERGY**

Conservation of Energy, which is an ongoing process in the Company's activities. However your Company is working towards being environmental friendly and has taken adequate measures to conserve energy, wherever possible.

Form A: Form for Disclosure of particulars with respect to Conservation of Energy

Not applicable, Industry in which our company operates is not listed in the Schedule annexed to the Rules.

**2. TECHNOLOGY ABSORPTION**

Provision of state of art communication facilities to all software development centers and total technology solutions to its clients contribute to technology absorption and innovation.

Your Company was able to improve the quality of existing products and develop customer specific project with desired specifications, gaining an edge over competition and penetrating global markets.

**3. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The details of foreign exchange earnings and outgo, are as under:

Particulars	2011-12	2010-11
Inflows	1965.71	14726.37
Outflows	5489.58	11457.37

**DECLARATION OF COMPLIANCE WITH CODE OF CONDUCT UNDER CLAUSE 49(I)(D)(ii) OF THE LISTING AGREEMENT**

The Shareholders,

I, Pavan Kumar Kuchana, Managing Director of the Company, do hereby declare that all the Board members and senior management personnel have affirmed compliance with the Code of Conduct adopted by the Board of Directors, as applicable to the Board of Directors and Senior management of the Company. The same has been made available on the website of the Company i.e. www.taksheel.com.

Place : Hyderabad

Date: 12.11.2012

For and on behalf of the Board

Sd/-

**Pavan Kumar Kuchana**

Managing Director

**CERTIFICATE FROM THE CHAIRMAN & MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER**

We, Mr. Pavan Kumar Kuchana, Chairman and Managing Director And Mr. V.K.Prasad Rao, Chief Financial Officer of Taksheel Solutions Limited, certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the period and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements give a true and fair view of the Company's affairs and of the results of operations and cash flow. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including accounting standards, applicable laws and regulations.
- (b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept overall responsibility for the Company's internal control system for financial reporting. This is monitored by the internal audit function, which encompasses the examination and evaluation of the adequacy and effectiveness. Internal audit works with all levels of management and statutory auditors, and reports significant issues to the Audit Committee of the Board. The Auditors' and Audit Committee are apprised of any corrective action taken with regard to significant deficiencies and material weaknesses.
- (d) We indicate to the Auditors' and the Audit Committee:
- (i) significant changes in internal control overall financial reporting during the period;
  - (ii) significant changes in accounting policies during the period;
  - (iii) instances of significant fraud of which we have become aware of and which involve management or other employees who have significant role in the Company's internal control system over financial reporting.

However, during the period there were no such changes or instances.

For and on behalf of the Board

Date: 12.11.2012  
Place: Hyderabad

Sd/-  
**Pavan Kumar Kuchana**  
Chairman & Managing Director

Sd/-  
**V K Prasada Rao**  
Chief Financial Officer

**CERTIFICATE OF COMPLIANCE**

To,  
The Members of Taksheel Solutions Ltd,

I have examined the Compliance of conditions of Corporate Governance by Taksheel Solutions Limited("the Company"), for the year ended on 31st March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange and the National Stock Exchange.

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

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

Place : Hyderabad  
Date :12.11.2012

Sd/-  
**CS Y Koteswara Rao**  
Practicing Company Secretary  
C P No: 7427

**AUDITORS' REPORT**

To,  
The Members,  
M/s. Taksheel Solutions Limited

1. We have audited the attached Balance Sheet of **M/s Taksheel Solutions Limited** as at 31st March, 2012, the Profit and Loss Account and also the Cash flow statement for the period ended on the date 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. As more detailed in note no. 34 (a),(b),(c) &(d) of the financial statements, the company has received SEBI order dated 28th December,2011 regarding the Utilization of IPO proceeds and other disclosure requirements. Since the final outcome relating to the above matter is pending before appropriate authorities, we could not be able to quantify the impact of the said issue on the financial statements.
4. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of 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) Except for the matter referred to in paragraph 3 above, we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 & Loss Account and Cash flow statement dealt with by this report are in agreement with the books of accounts.
  - d) In our opinion, except for the matter referred to in paragraph 3 above, the Balance Sheet & Profit and Loss Account 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) In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matter stated in paragraph 3 above, the said accounts give the information required by the Companies Act, 1956 in the manner so and are in conformity with the accounting principles generally accepted in India.
    - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
    - ii) In the case of the Profit & Loss Account, of the Profit for the period ended on that date;  
And
    - iii) In the case of the Cash Flow, of the cash flows for the period ended on that date;

PLACE: HYDERABAD  
DATE : 12-11-2012

For P. MURALI & CO.,  
CHARTERED ACCOUNTANTS  
FRN No: 007257S  
Sd/-  
P. MURALI MOHANA RAO  
PARTNER  
M.No.23412

**ANNEXURE TO THE AUDITOR'S REPORT:**

- I. a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) As explained to us, the fixed assets have been physically verified by the management reasonable intervals and no discrepancies between the book records and the physical inventory have been noticed on such verification.
- c) During the year, the Company has not disposed off major fixed assets.
- II. The Company has no Inventory, hence this clause is not applicable.
- III. a) The Company has not granted any loans, secured or unsecured to Companies, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- b) As the Company has not granted any loans, the Clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under Section 301 prejudicial to the interest of company, is not applicable.
- c) As no loans are granted by company, the clause of receipt of interest & principal amount from parties, is not applicable to the company.
- d) No loans have been granted to Companies, Firms and other parties listed in the register U/S 301 of the Companies Act, 1956. Hence, overdue Amount of more than rupees one Lac does not arise and the clause is not Applicable.
- e) The Company has not taken any loans, secured or unsecured from Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.
- f) As the Company has not taken any loans, the clause of whether the rate of interest and other terms and conditions on which loans have been taken from parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
- g) As no loans are taken by the company, the clause of repayment of interest & principal amount to parties is not applicable to the company.
- IV. In our opinion and according to the information and explanation given to us, there are generally adequate internal controls commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and for sale of goods and services. There is no continuing failure by the Company to correct any major weaknesses in internal control.
- V. a) In our opinion and according to the information and explanations given to us, no contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been made by the Company in respect of any party in the financial year.
- b) According to the information and explanations given to us, there are no contracts or arrangements made by the Company and hence the reasonable price having regarded to the prevailing market prices at the relevant time does not arise.
- VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under does not arise.
- VII. In our opinion, the company is having internal audit system, commensurate with its size and nature of its business.
- VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of Sub Section (1) of Section 209 of the Companies Act, 1956.
- IX. a) The Company is generally regular in depositing statutory dues including PF, Income Tax, Cess, PT and any other statutory dues with the appropriate authorities except in few cases and at the end of last financial year there were amounts outstanding which were due for more than 6 months from the date they became payable.

The Outstanding balances as on 31.03.2012 are as under:

S.No	Particulars	Amount
1	TDS	24,20,273
2	Income Tax/MAT (including Interest)	3,33,06,593



- b) As per the information and explanation given to us the, there are dues of Income Tax which have not been deposited on account of dispute, details of which are as under:

S.No	Assessment Year	Demand raised by the A.O	Remarks
1	2008-09	₹ 12,44,50,327/-	The Company has decided to filed an appeal before - ITAT

- X. The Company has been registered for a period of not less than 5 years, and the company has no accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and in the immediately preceding financial year.
- XI. According to information and explanations given to us, the Company has not defaulted in repayment of dues to financial Institutions or banks.
- XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
- XIII. This clause is not applicable to this Company as the Company is not covered by the provision of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.
- XIV. According to the information and explanations given to us, the Company is not dealing or trading in shares securities, Debentures and other investments and hence the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- XV. According to the information explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions.
- XVI. According to the information and explanations given to us, the Term Loans obtained by the company were applied for the purpose for which such loans were obtained by the company.
- XVII. According to the information and explanations given to us, the Company has not used short term funds for long term Investment.
- XVIII. According to the information and explanation given to us, the Company has not made preferential allotment to parties covered in the Register maintained Under Section 301 of the Companies Act, 1956. Hence this clause is not applicable.
- XIX. According to the information and explanations given to us, the Company has not issued debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.
- XX. The company has made public issue during the year which was open for subscription from 29-09-2011 to 04-10-2011 and an amount of ₹ 5.50 Crores was received on account of equity share capital and ₹ 77 Crores was received on account of Securities Premium Account. SEBI has issued Order regarding the IPO and Utilisation of proceeds. However, as regard to the disclosure of the end use of money, it is submitted that an enquiry is pending before the Securities and Exchange Board of India (SEBI), which was also mentioned by us in the limited review report issued for the quarter ended 31-12-2011 and report for the year ended 31-03-2012. The end use of the funds raised is under scrutiny before the appropriate authorities and due mention has been made in the notes to the financial statements. and hence we are not in a position to commented upon the utilization of IPO proceeds.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

For P. MURALI & CO.,  
 CHARTERED ACCOUNTANTS  
 FRN No: 007257S

Sd/-

P. MURALI MOHANA RAO  
 PARTNER  
 M.No.23412

PLACE: HYDERABAD

DATE : 12-11-2012

**Balance Sheet as at 31st March, 2012**

Particulars	Note No	As on 31-03-2012	As on 31-03-2011
		₹	₹
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	218,521,070	163,521,070
(b) Reserves and Surplus	2	1,738,409,393	742,540,002
<b>(2) Non-Current Liabilities</b>			
(a) Defferred Tax Liabilities (Net)	3	(208,983)	-
(b) Long Term Provisions	4	2,714,977	1,330,859
<b>(3) Current Liabilities</b>			
(a) Short-Term Borrowings	5	83,681,368	94,518,226
(b) Trade Payables	6	4,308,260	10,079,413
(c) Other Current Liabilities	7	17,797,759	3,012,780
(d) Short-Term Provisions	8	47,985,830	37,265,368
<b>Total</b>		<b>2,113,209,674</b>	<b>1,052,267,718</b>
<b>II.Assets</b>			
<b>(1) Non-Current Assets</b>			
(a) Fixed assets			
(i) Tangible Assets	9	3,571,083	3,722,382
(ii) Capital Work-In-Progress	9	133,048,760	118,038,238
(b) Long Term Loans and Advances	10	1,765,000	63,550,273
(c) Other Non-Current Assets	11	37,317,438	-
<b>(2) Current assets</b>			
(a) Trade Receivables	12	948,907,221	363,062,590
(b) Cash and Bank Balances	13	55,732,057	60,491,076
(c) Short-Term Loans and Advances	14	918,236,785	443,387,024
(d) Other Current Assets	15	14,631,330	16,135
<b>Total</b>		<b>2,113,209,674</b>	<b>1,052,267,718</b>

Summary of Significant Accounting Policies

Notes To Financial Statements

AS PER OUR REPORT OF EVEN DATE

**For P.Murali & Co.,**  
**Firm Regn. No: 007257S**  
**Chartered Accountants**
**For and on behalf the Board of Directors**  
**TAKSHEEL SOLUTIONS LIMITED**

 Sd/-  
**P.Murali Mohana Rao**  
**Partner**  
**M.No. 023412**

 Sd/-  
**Pavan Kumar Kuchana**  
**Managing Director**

 Sd/-  
**Ramaswamy Kuchana**  
**Director**

 Sd/-  
**Divya Jain**  
 Company Secretary &  
 Compliance officer

Place : Hyderabad

Date : 12-11-2012

**Profit and Loss Statement for the year ended 31st March, 2012**

Particulars	Note No	Year Ending	Year Ending
		31-03-2012	31-03-2011
		₹	₹
Revenue from Operations	16	1,721,450,850	1,472,636,600
Other Income	17	25,507,432	(13,421,995)
<b>Total Revenue</b>		<b>1,746,958,282</b>	<b>1,459,214,605</b>
<u>Expenses:</u>			
Cost of Software Development	18	1,436,206,830	1,088,425,171
Employee Benefit expenses	19	20,822,506	14,017,394
Other Operating & Admin Expenses	20	91,770,573	73,860,264
Financial Costs	21	30,958,483	8,056,808
Depreciation and Amortization Expense	9	731,431	695,406
<b>Total Expenses</b>		<b>1,580,489,823</b>	<b>1,185,055,043</b>
Profit Before Extraordinary items and Tax		<b>166,468,459</b>	274,159,562
Extraordinary Items		-	-
Profit Before Tax		<b>166,468,459</b>	<b>274,159,562</b>
Tax Expense:			
(1) Current tax		33,306,593	-
(2) Deferred tax		(208,983)	-
Profit After Tax		<b>133,370,849</b>	<b>274,159,562</b>
Earning per equity share:			
(1) Basic		7.05	16.77
(2) Diluted		7.05	16.77

Summary of Significant Accounting Policies  
 Notes To Financial Statements  
 AS PER OUR REPORT OF EVEN DATE

**For P.Murali & Co.,**  
**Firm Regn. No: 007257S**  
**Chartered Accountants**

Sd/-  
**P.Murali Mohana Rao**  
**Partner**  
**M.No. 023412**

**For and on behalf the Board of Directors**  
**TAKSHEEL SOLUTIONS LIMITED**

Sd/-  
**Pavan Kumar Kuchana**  
**Managing Director**

Sd/-  
**Ramaswamy Kuchana**  
**Director**

Sd/-  
**Divya Jain**  
 Company Secretary &  
 Compliance officer

Place : Hyderabad  
 Date : 12-11-2012

**Cash flow statement for the year ended 31st March,2012**

Particulars	Year ended 31 <sup>st</sup> March 2012	Year ended 31 <sup>st</sup> March 2011
<b>A. Cash Flow from Operating Activities</b>		
Net Profit Before Tax	166,468,459	274,159,562
<b>Adjustment for :</b>		
Add: Depreciation	731,431	695,406
Preliminary expenses Written Offs	-	
Other Income	(25,507,432)	
Interest Paid on Long term Loans	403,007	812,256
<b>Operating Profit before Working Capital Changes</b>	<b>142,095,464</b>	<b>275,667,224</b>
<u>Adjustment for Working Capital Changes:</u>		
Increase/(Decrease) in Short term Borrowings	(10,836,858)	
Increase/(Decrease) in Trade Payables	(39,077,746)	
Increase/(Decrease) Other Current Liabilities	14,784,979	4,467,510
Increase/(Decrease) Short-Term Provisions	10,720,462	
Decrease/(Increase) Trade Receivables	(585,844,631)	<b>62,104,840</b>
Decrease/(Increase) Short-Term Loans and Advances	(474,849,761)	<b>(328,470,506)</b>
Decrease/(Increase) Other Current Assets	(14,615,195)	
	<b>(957,623,286)</b>	<b>13,769,068</b>
<b>B Cash Flow from Investing Activities</b>		
Long Term Provision	1,384,118	-
Purchase/Increase of assets	(15,590,654)	(1,010,896)
Decrease/(Increase) Of Long Term Loans & Advances	61,785,273	-
Other Income	25,507,432	-
IPO expenses	(37,317,438)	-
Net Cashflow from Investing Activities <b>B</b>	<b>35,768,731</b>	<b>(1,010,896)</b>
<b>C. Cash Flows from Financing Activities</b>		
Interest Paid	(403,007)	(812,256)
Increase in Share Capital	55,000,000	(1,292,007)
Share Premium Received	770,000,000	-
Foreign Exchange Fluctuation	92,498,543	-
Proceeds from Secured Loans	-	50,363,693
Proceeds from Unsecured Loans	-	(1,771,380)
Net Cash flow from financing activities <b>C</b>	<b>917,095,536</b>	<b>46,488,050</b>
Cash and cash equivalents at beginning of year	60,491,076	1,244,854
Net change in cash ( A+B+C)	(4,759,019)	59,246,222
Cash and cash equivalents at the end of the year	55,732,057	60,491,076

Summary of Significant Accounting Policies

Notes To Financial Statements

AS PER OUR REPORT OF EVEN DATE

For P.Murali & Co.,  
 Firm Regn. No: 007257S  
 Chartered Accountants

For and on behalf the Board of Directors  
 TAKSHEEL SOLUTIONS LIMITED

Sd/-  
**P.Murali Mohana Rao**  
 Partner  
 M.No. 023412

Sd/-  
**Pavan Kumar Kuchana**  
 Managing Director

Sd/-  
**Ramaswamy Kuchana**  
 Director

Place : Hyderabad  
 Date : 12-11-2012

Sd/-  
**Divya Jain**  
 Company Secretary &  
 Compliance officer

## **Significant Accounting Policies**

### **1. Preparation and presentation of financial statements:**

#### a) Basis of Preparation:

The financial statements are prepared under the historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP), the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

#### b) Use of Estimates:

The preparation of Financial Statements requires the management of the company to make estimates and assumptions that affect the reported amounts of revenues and expenses during the year. Difference between the actual and estimates are recognized in the period in which the results are known/ materialized

### **2. Fixed Assets:**

a) Fixed Assets are stated at the cost of acquisition including incidental costs related to acquisition, installation and all other costs including borrowing cost attributable to bringing the assets to commercial production are capitalized and shown at net of accumulated depreciation.

b) Goodwill represents difference between the purchase price and book value of assets and liabilities acquired. Goodwill is amortized- over the useful life of the asset. The goodwill is reviewed for impairment whenever events or changes in business indicate the carrying amount of assets may not be fully recoverable.

c) Depreciation on the Fixed Assets of the Company is provided on Straight Line Method at the rates and in the manner prescribed under Schedule-XIV of the Companies Act, 1956.

d) The carrying cost of the assets are reviewed and at each Balance Sheet date if there is any indication of impairment based on external/internal factors. An impairment loss is recognised 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 Company makes a reasonable estimate of the value in use.

### **3. Borrowing costs:**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as per of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

### **4. Investments:**

a) Investments that are readily realizable and intended to be held for a period not more than a year are classified as Current investments. All other investments are classified as long-term investments.

b) 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 decline, in the value of the investments.

### **5. Foreign Currency transactions:**

#### a) Initial Recognition:

Foreign Currency transactions are recorded in the reported currency, by applying for the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

#### b) Conversion:

Foreign currency monetary items are reported using the closing date. on-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction, and Non-monetary items which are carried at fair value or other similar valuation denominated in foreign currency are reported using the exchange rates that existed when the values were determined.

#### c) Exchange differences:

Exchange differences arising on the settlement of the monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are recognized as income or expenses in the period in which they arise.

Exchange differences in respect of fixed assets acquired, including foreign currency liabilities relating thereto, are recognized as income or expenses in the period in which they arise.

**6. Revenue Recognition:**

The Company generally follows mercantile system of accounting and recognizes significant items of income on accrual basis.

- a) Revenue from software development and consultancy services is recognized on the basis of agreements entered into with the Customers.
- b) Revenue from sale of software products and consultancy services is recognized based on billing of the clients as per contractual terms.
- c) Interest Income on term deposits is recognized using the time-proportion method, based on interest rates implicit in the transaction.
- d) Income on investments and dividends on units is recognized as and when right to receive the same is established.

**7. Expenditure:**

Expenses are accounted on the accrual basis and provisions are made for all known losses and liabilities.

**8. Retirement Benefits to employees:**

- a) The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days basic salary (last drawn basic salary) subject to maximum of 30 days of basic salary (last drawn basic salary) as per rules of the Company for each completed year of service.
- b) The company provides for gratuity liability based on the valuation report given by LIC.

**9. Provision, Contingent Liabilities and Contingent Assets:**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes.

**10. Income Tax:**

- a) Provision for Income Tax is made for both current and deferred taxes. Provision for current Income Tax is made at current tax rates based on assessable income. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases.
- b) The effect on deferred tax assets and liabilities of a change in tax rates is recognized using the tax rates and tax laws that have been enacted on substantively enacted by balance sheet date. Deferred tax assets are recognized and carried forward 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.

**11. Earnings per share:**

In determining earnings per share, the company considers the net profit after tax and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the year.

**12. Cash Flow Statement:**

- a) The Company has prepared Cash Flow Statement as per the **AS-3**.
- b) Cash flows are reported using the Indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the group are segregated.

**13. Related Party Disclosures:**

The Company furnishes the details of Related Party Disclosures as given in Para 25 and 26 as required by **AS-18**.

**Notes to Financial Statements for the year ended March 31, 2012**
**NOTE NO. 1 : SHARE CAPITAL**

S.No.	Particulars	As on 31-03-2012 ₹	As on 31-03-2011 ₹
a	Equity Share Capital		
	(a) Authorised ( 250,00,000 Shares for the Current Year ) ( 250,00,000 Shares for the Preious Year )	<b>250,000,000</b>	<b>250,000,000</b>
	(b) Issued 2,18,52,107No. of Shares Current Year ) ( 1,63,52,107 No. of Shares for the Preious Year )	<b>218,521,070</b>	<b>163,521,070</b>
	(c) Subscribed & Fully Paid Up ( 2,18,52,107No. of Shares Current Year ) ( 1,63,52,107 No. of Shares for the Preious Year )	<b>218,521,070</b>	<b>163,521,070</b>
	(d) Subscribed & not fully paid up	-	-
	(e) <b>Par Value per share Rs. 10/-</b> <b>Total Equity Share capital</b>	<b>218,521,070</b>	<b>163,521,070</b>
b	<b><u>A Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period:</u></b> <b>Equity Shares of Rs.10Each, Fully paid up</b> At the Beginning Equity Shares allotted during the year Under IPO - ( Refer Note 1.1 ) Forfeited / Bought Back during the year At the end	( In No's ) 16,352,107 5,500,000 -	( In No's ) 16,352,107 - -
		<b>21,852,107</b>	<b>16,352,107</b>
c	<b><u>Details of Shareholder holding more than 5% shares of the company:</u></b> <b>Equity Shares of Rs. 10 each Held By</b> Lexicon Private Limited - No. Of Shares (C.Y ) 92,45,935 - (P.Y) - 92,45,935 Verisoft Business Solutions Pvt Ltd - No. Of Shares (C.Y ) 22,63,750 - ( P.Y) - 2,70,090 Sparrow Hill Advisory Pvt Ltd - No. Of Shares (C.Y ) 22,50,000 - ( P.Y) - 22,50,000 Dinesh Kumar Singhi - No. Of Shares (C.Y )10,00,000 - ( P.Y) - 10,00,000		
		<b>% of Share Holding</b>	
		42.31%	56.54%
		10.36%	13.84%
		10.30%	13.76%
		4.58%	6.12%
	<b>Note 1.1- Equity Shares Issued During the Year:</b> <i>The Equity shares of the company got listed on BSE and NSE on 19th October, 2011 and it has issued 55,00,000 equity shares of Rs. 10/- each at a premium of Rs. 140/- per share. The equity shares were issued to public through Initial Public Offer (IPO).</i>		

**NOTE NO. 2 : RESERVES AND SURPLUS**

S. No.	Particulars	As on 31-03-2012 ₹	As on 31-03-2011 ₹
I	<b>RESERVES AND SURPLUS</b>		
	a) Securities Premium Reserve		
	As at the Commencement of the year	452,290,501	452,290,501
	Add: Additions during the year	770,000,000	-
	Less: Utilised during the year	-	-
		<b>1,222,290,501</b>	<b>452,290,501</b>
	b) Surplus :		
	i) Opening Balance - Profit and Loss Account	290,249,501	315,408,869
	Add: Transfer from Profit & Loss Account	133,370,848	274,159,562
	Less: Goodwill Written Off	-	299,318,930
		<b>423,620,349</b>	<b>290,249,501</b>
	ii) Dividend	-	-
	c) Foreign Exchange Fluctuation Reserve	92,498,543	-
	<b>Total Reserves and Surplus</b>	<b>1,738,409,393</b>	<b>742,540,002</b>

**NOTE NO. 3 : DEFERRED TAX LIABILITY ( NET )**

S. No.	Particulars	As on 31-03-2012 ₹	As on 31-03-2011 ₹
I	Opening Deferred Tax Liability		
	Add:		
	Deferred Tax Liability for the year (Due to SLM and WDV Difference)	671,891	-
	<b>Gross Deferred tax Liability</b>	<b>671,891</b>	<b>-</b>
	Opening Deferred Tax Asset	-	-
	Provision for Gratuity and Compensated Absences	880,874	-
	<b>Gross Deferred Tax Asset</b>	<b>880,874</b>	<b>-</b>
	<b>Deferred Tax Liability/ ( Asset ) - Net</b>	<b>(208,983)</b>	<b>-</b>

**NOTE NO. 4 : LONG TERM PROVISIONS**

S. No.	Particulars	As on 31-03-2012 ₹	As on 31-03-2011 ₹
I	a) Provisions for employee benefits		
	- Provision for Gratuity - ( Refer Note No. 29 )	1,688,479	1,043,600
	- Provision for Leave Encashment	1,026,498	287,259
	b) Others	-	-
	<b>Total Long Term Provisions</b>	<b>2,714,977</b>	<b>1,330,859</b>



**NOTE NO. 5 : SHORT TERM BORROWINGS.**

S. No.	Particulars	As on 31-03-2012 ₹	As on 31-03-2011 ₹
I	<b>Short Term Borrowings</b>		
	<b>a) Cash Credits and Working Capital Demand Loan from Banks</b>		
	- Secured		
	Cash Credit from IDBI Bank Ltd - ( Refer Note 5.1 )	83,681,368	80,925,957
	<b>b) Other Loans and Advances</b>	-	13,592,269
	<b>Note 5.1:</b>		
	<i>The company has availed Cash credit facility from IDBI Bank Limited for an amount of Rs.8,50,00,000/- and is primarily secured by first charge on all current assets, present and future of the company, Equitable mortgage of land &amp; Residential houses belonging to Managing director, Relatives and Others, Personal guarantee of Managing director, relatives of directors &amp; Others and Corporate Guarantee by Lexicon Private Limited.</i>		
	<b>Total Short Term Borrowings</b>	<b>83,681,368</b>	<b>94,518,226</b>

**NOTE NO. 6 : TRADE PAYABLES**

S. No.	Particulars	As on 31-03-2012 ₹	As on 31-03-2011 ₹
	a) Trade Payables	4,308,260	10,079,413
	b) Dues to Micro & Small Medium Enterprises	-	-
	<b>Total Trade Payables</b>	<b>4,308,260</b>	<b>10,079,413</b>

**NOTE NO. 7 : OTHER CURRENT LIABILITIES**

S. No.	Particulars	As on 31-03-2012 ₹	As on 31-03-2011 ₹
I	<b>a) Current Maturities of Long Term Debt</b>		
	Secured and Considered Good		
	From Financial Institutions		
	- Vehicle Loan from Sundaram Finance Limited - ( Refer Note 7.1 )	131,411	370,507
	Un Secured & Considered Good		
	From Banks		
	- ABN Amro Bank - ( Refer Note 7.2 )	825,694	1,314,478
	From Financial Institutions		
	- Reliance Capital Limited - ( Refer Note 7.3 )	427,982	1,327,795
	<b>Notes:</b>		
	<i>Note 7.1 : - The company has obtained a car loan of Rs.6,90,000/- from Sundaram Finance Limited at 12.73% rate of interest, repayable in 36 Equated Monthly Installments ( EMI's) from October, 2009 onwards.</i>		
	<i>Note 7.2 : - The company has obtained a Unsecured Business loan of Rs.25,00,000/- from ABN Amro Bank at 18.00% rate of interest, repayable in 48 Equated Monthly Installments ( EMI's) from September,2008 onwards.</i>		

S. No.	Particulars	As on 31-03-2012 ₹	As on 31-03-2011 ₹
	<p><i>Note 7.3 : - The company has obtained a Business loan of Rs.30,00,000/- from Reliance Capital Limited at 19.00% rate of interest, repayable in 48 Equated Monthly Installments ( EMI's) from September,2008 onwards.</i></p> <p>b) Interest accrued and due on borrowings.</p> <p><i>( The said interest amount was payable on Inter Corporate Deposits received by the company from various parties. The Inter Corporate Deposits were repaid during the year out of the proceeds of the IPO and the interest was payable as at the end of the year)</i></p>	16,412,672	-
	<b>Total Other Current Liabilities</b>	<b>17,797,759</b>	<b>3,012,780</b>

**NOTE NO. 8 : SHORT TERM PROVISIONS**

S. No.	Particulars	As on 31-03-2012 ₹	As on 31-03-2011 ₹
I	a) Provisions for Employee Benefits		
	- PF Payable	3,624	608,085
	- PT Payable	16,930	142,410
	- Salaries Payable	2,949,786	4,828,186
	- Bonus Payable	210,000	185,864
	b) Others - Statutory Liabilities		
	- TDS Payable	2,420,273	1,754,135
	- Income Tax/ MAT Payable	33,306,593	17,554,084
	- Audit Fee Payable	667,896	1,085,298
	- Internal Audit Fee Payable	310,978	190,978
	- Other Outstanding Expenses Payable	8,099,750	10,916,328
	<b>Total Short Term Provisions</b>	<b>47,985,830</b>	<b>37,265,368</b>

(Amount in ₹)

**NOTE NO 9 : TANGIBLE & INTANGIBLE ASSETS AS AT 31-03-2012**

Sl. No.	Particulars	Gross Block			Depreciation/Amortization			Net Block as on 31.03.2012	Net Block as on 31.03.2011
		As on 01.04.2011	Additions during the year	Sale/Deletions during the year	As on 31.03.2012	Dep. As on 01.04.2011	Dep. for the year 2011-2012		
<b>1.</b>	<b>Tangible Fixed Assets:</b>								
1	Electrical Equipments	-	19,000	-	19,000	-	251	251	-
2	Automobiles	995,027	-	-	995,027	141,792	47,264	189,056	853,235
3	Office Equipment	97,800	17,800	-	115,600	493	5,004	5,497	97,307
4	Computers	3,883,111	301,772	-	4,184,883	1,191,505	669,329	1,860,834	2,691,606
5	Furniture	80,935	241,560	-	322,495	701	9,583	10,284	80,234
<b>II</b>	<b>Capital Work In Progress</b>								
	Telecom Software Product	116,119,378	-	-	116,119,378	-	-	-	116,119,378
	Warangal Development Center	1,918,860	15,010,522	-	16,929,382	-	-	-	16,929,382
	<b>TOTAL</b>	<b>123,095,111</b>	<b>15,590,654</b>	<b>-</b>	<b>138,685,765</b>	<b>1,334,491</b>	<b>731,431</b>	<b>2,065,922</b>	<b>121,760,620</b>
	<b>PREVIOUS YEAR</b>	<b>421,403,145</b>	<b>1,010,896</b>	<b>299,318,930</b>	<b>123,095,111</b>	<b>639,085</b>	<b>695,406</b>	<b>1,334,491</b>	<b>420,764,060</b>

**NOTE NO. 10 : LONG TERM LOANS AND ADVANCES**

S.No.	Particulars	Non-Current	
		As on 31-03-2012	As on 31-03-2011
		₹	₹
1	Deposits Unsecured, Considered Good -Rental Deposit	1,765,000	1,253,550
2	Advances Recoverable in Cash or in kind	-	62,296,723
	<b>Total Short Term Loans and Advances</b>	<b>1,765,000</b>	<b>63,550,273</b>

**NOTE NO. 11 : OTHER NON CURRENT ASSETS**

S.No.	Particulars	Non-Current	
		As on 31-03-2012	As on 31-03-2011
		₹	₹
1.	Public Issue Expenses- Not Written Off	37,317,438	-
	<b>Total Other Non Current Assets</b>	<b>37,317,438</b>	<b>-</b>

**NOTE NO. 12 : TRADE RECEIVABLES**

S.No.	Particulars	As on 31-03-2012	As on 31-03-2011
		₹	₹
1.	<b>Outstanding for a period exceeding six months from the date they are due for payment</b> Unsecured, Considered Good	720,141,595	51,407,635
	<b>Other Receivables:</b> Unsecured, Considered Good	228,765,626	311,654,955
	<b>Total Trade Receivables</b>	<b>948,907,221</b>	<b>363,062,590</b>

**NOTE NO. 13 : CASH AND BANK BALANCES**

S.No.	Particulars	As on 31-03-2012	As on 31-03-2011
		₹	₹
1.	Cash and Cash Equivalents :		
	a) Balances with banks :		
	1) On Current Accounts	5,704,276	52,943,649
	b) Cheques, Draft on hand	-	7,513,191
	c) Cash on hand	27,781	9,236
	<b>Sub Total</b>	<b>5,732,057</b>	<b>60,466,076</b>
	<b>Other Bank Balances</b>		
	On Deposit Accounts		
	a) Having Maturity more than 3 Months but less than or equal to 12 months from date of deposit	50,000,000	25,000
	<b>Sub Total</b>	<b>50,000,000</b>	<b>25,000</b>
	<b>Total Cash and Cash Equivalents</b>	<b>55,732,057</b>	<b>60,491,076</b>

**NOTE NO. 14 : SHORT TERM LOANS AND ADVANCES**

S.No.	Particulars	Current	
		As on 31-03-2012	As on 31-03-2011
		₹	₹
1.	<b>Inter Corporate Deposit</b> Unsecured, Considered Good - ( Refer Note 14.1 )	230,000,000	-
2.	<b>Security Deposit</b> Unsecured, Considered Good	8,250,000	-
3.	<b>Other Advances &amp; Pre Paid Expenses:</b>		
	Advances Recoverable in Cash or in kind	80,415,000	835,745
	Advance Income Tax	-	28,844
	Loans and Advances to Employees	1,580,657	310,000
	IPO Advances	-	6,594,750
	Advances to Vendors & Others	597,991,128	435,617,685
	<b>Notes:</b>		
	<i>Note 14.1 :- The Company has made an Inter Corporate Deposit of Rs.23 Crores with M/s. Silver Point Infratech Limited on 14th October,2011. This said ICD shall carry an Interest @ 14% per annum.The initial tenure of the ICD is Six months which can be extendable by such period as lender and borrower deem fit by mutual Negotiations.</i>		
	<b>Total Short Term Loans and Advances</b>	<b>918,236,785</b>	<b>443,387,024</b>

**NOTE NO. 15 : OTHER CURRENT ASSETS**

S.No.	Particulars	Current	
		As on 31-03-2012	As on 31-03-2011
		₹	₹
	Interest Accrued on Deposits	147,045	16,135
	Interest accrued on ICD's	13,021,150	-
	TDS Receivables	1,463,135	-
	<b>Total Other Current Assets</b>	<b>14,631,330</b>	<b>16,135</b>

**NOTE NO. 16 : REVENUE FROM OPERATIONS**

S.No.	Particulars	Year Ended 31-03-2012 ₹	Year Ended 31-03-2011 ₹
(i)	Revenue from Operations		
	- Income from Software & Consultancy Services	1,721,450,850	1,472,636,600
	<b>Total Revenue from Operations</b>	<b>1,721,450,850</b>	<b>1,472,636,600</b>

**NOTE NO. 17 : OTHER INCOME**

S.No.	Particulars	Year Ended 31-03-2012 ₹	Year Ended 31-03-2011 ₹
1	(a) Interest income	16,550,496	-
	(b) Net gain/loss on foreign currency translation and transaction	8,956,936	(13,421,995)
	<b>Total Other Income</b>	<b>25,507,432</b>	<b>(13,421,995)</b>

**NOTE NO. 18 : COST OF REVENUE/SOFTWARE DEVELOPMENT COST**

S.No.	Particulars	Year Ended 31-03-2012 ₹	Year Ended 31-03-2011 ₹
1.	Cost of Revenue/ Software Development Cost	1,436,206,830	1,088,425,171
	<b>Total Cost of Revenue/ Software Development Cost</b>	<b>1,436,206,830</b>	<b>1,088,425,171</b>

**NOTE NO. 19 : EMPLOYEE BENEFIT EXPENSES**

S.No.	Particulars	Year Ended 31-03-2012 ₹	Year Ended 31-03-2011 ₹
1.	(a) Salaries & Wages	16,992,857	11,786,535
	(b) Contribution to Provident & Other Funds	46,268	50,940
	(c) Managerial Remuneration	3,546,774	2,086,500
	(d) Staff Welfare Expenses	236,607	93,419
	<b>Total Employee Benefit Expenses</b>	<b>20,822,506</b>	<b>14,017,394</b>

**NOTE NO. 20 : OTHER OPERATING & ADMIN EXPENSES**

S.No.	Particulars	Year Ended 31-03-2012 ₹	Year Ended 31-03-2011 ₹
1.	Rent	2,926,189	2,770,800
	Insurance	15,818	60,021
	Travelling Expenses	1,848,104	2,551,988
	Miscellaneous Expenditure	214,932	25,245
	Telephone, Postage and Others	402,393	156,783
	Business Promotion Expenses	22,417	12,358
	Conveyance	1,052,846	577,623
	Office Maintenance	1,384,940	1,572,280
	Printing & Stationery Expenses	251,424	135,788
	Security Charges	-	15,882
	Rates & Taxes (excluding Income Tax)	159,677	1,005,550
	Consultancy Charges	76,381,489	56,182,544
	Seminar Fee	-	95,000
	Web Development Expenses	57,000	22,448
	Professional Consultancy fee	4,890,888	4,736,802
	Director Sitting Fee	662,000	80,000
	Compounding Fee	765,000	550,000
	Interest on taxes Payable	115,456	2,905,827
	Payment to Auditors:		-
	(i) As Auditor	400,000	303,325
	(ii) For Internal Audit fee	120,000	100,000
	(iii) For Taxation Matters	100,000	-
	<b>Total Operating &amp; Administrative Expenses</b>	<b>91,770,573</b>	<b>73,860,264</b>

**NOTE NO. 21 : FINANCE COST**

S.No.	Particulars	Year Ended 31-03-2012 ₹	Year Ended 31-03-2011 ₹
1.	(a) Interest Expenses	-	-
	- Interest on Cash Credit	11,452,100	5,625,638
	- Interest on Car Loan	33,664	62,045
	- Interest on Unsecured Loan	369,343	750,211
	- Loan processing Charges & Bank Charges	853,404	1,618,914
	- Interest on ICD & Others	18,249,972	-
	<b>Total Finance Cost</b>	<b>30,958,483</b>	<b>8,056,808</b>

(Amount in ₹)

**22. Contingent Liabilities:**
**2011-12**
**2010-11**
**On Income Tax**
**₹ 12,44,50,327**
**-**

Income Tax demand notice dated 30.10.2011 for the Assessment year 2008-09 amounting of ₹ 12,44,50,327/- received from Deputy Commissioner of Income Tax, Hyderabad . The Company has decided to file an appeal against this same before Income Tax Appellate Tribunal (ITAT).

**23. Managerial Remuneration:**

The key management personnel comprise four directors. Particulars of Remuneration and other benefits provided to key management personnel is given below:

(Amount in ₹)

Particulars	Year Ended 31 March	
	2012	2011
Remuneration	3546774	2086500
Perquisites & Allowances	Nil	Nil
<b>Total</b>	<b>3546774</b>	<b>2086500</b>

**24. Auditor's Remuneration:**

(Amount in ₹)

Particulars	Year Ended 31 March	
	2012	2011
Statutory Audit Fees	400000	165450
Tax Audit Fee	100000	110300
Other Services	Nil	27575
<b>Total</b>	<b>500000</b>	<b>303325</b>

**25. Quantitative Details:**

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

**26. Related Party Transactions:**

During the financial year 2011-12 the Company has entered into some transactions, which can be deemed as related party transactions.

## (a) Related Parties:

S.No.	Particulars	Nature of Relationship
1	Pavan Kumar Kuchana	Chairman & Managing Director
2	Rama Swamy Kuchana	Director

## (b) Related Party Transaction:

(Amount in ₹)

Particulars	Nature of Relationship	Nature of Transaction	Year Ended 31 March	
			2012	2011
Pavan Kumar Kuchana	Chairman & Managing Director	Remuneration	3646774	2086500



**27. Operating Lease:**

The company has taken its office premises on lease under operating lease agreement that is renewable on a periodic basis at the option of the both the lessor and the lessee. Rental expenses under those leases were ₹ 2,400,000/- and for the previous year ₹ 2,400,000/-.

**28. Foreign Currency Outflows:**

Foreign Exchange outflows as reported by the Company to Government of India and as certified by Management.

(Amount in ₹)

Particulars	Year Ended 31 March	
	2012	2011
Capital Expenditure	90,962	NIL
Cost of Revenue	54,88,67,502	1,08,84,25,171
Consultancy Charges	NIL	5,61,82,544
Foreign Travel	NIL	11,29,285
Others		
<b>Total</b>	<b>54,89,58,464</b>	<b>114,57,37,000</b>

**29. Foreign Currency Inflows:**

Foreign Exchange inflows as reported by the Company to Government of India and as certified by Management.

(Amount in ₹)

Particulars	Year Ended 31 March	
	2012	2011
Sales & Services	19,65,71,127	1,47,26,36,600
Others	NIL	NIL
<b>Total</b>	<b>19,65,71,127</b>	<b>1,47,26,36,600</b>

**30. Employee Benefits ( Gratuity)**

The details of the Company's post – retirement benefit plans for its employees including whole-time directors are given below which are determined by Life Insurance Corporation of India.

## a) Valuation Method and Results of Valuation

S.No	Particulars	Amount (₹)
1	Present Value of Past Service Benefit	6,83,585
2	Current Service Cost	1,17,299
3	Total Service Gratuity	86,84,138
4	Accrued Gratuity	16,88,479
5	LCSA	65,06,593
6	LC Premium	12,033
7	Fund Value as on Renewal Data	2,87,795
8	Additional contribution for Existing Fund	3,95,790
9	Current Service Cost	1,17,299
10	Total Amount Payable ( 6+8+9 )	5,25,122

**b) Assumptions:**

Assumptions made for the purpose of Gratuity valuation for the year ended 31-03-2012

Particulars	Assumptions
Mortality Rate	LIC ( 1994-96) Ultimate
Withdrawal Rate	1% to 3% depending on age
Discount Rate	8% Per Annum
Salary Escalation	4%

**Leave Encashment**

The provision for Leave Encashment is calculated as per accrual method and included in current liability & provision.

**31. Earnings Per Share:**

(Amount in ₹)

Particulars	Year Ended 31 March	
	2012	2011
Profits Attributable to Equity Share Holders	13,33,70,849	27,41,59,562
Weighted Average No. of Shares Outstanding for the Year ended		
Basic	1,89,28,819	1,63,52,107
Diluted	1,89,28,819	1,63,52,107
Earnings per Share – Basic	7.05	16.77
Earnings per Share – Diluted	7.05	16.77

**32. Segment Reporting:**

The Company is mainly engaged in the area of providing Software Development Services. Hence, Segment reporting as required by Accounting Standard 17 “Segment Reporting” is not applicable to the company.

**33. Dues to Micro & Small Enterprises:**

There are no overdue principle amounts and interest thereon payable to Micro Enterprises and Small Enterprises, as at 31-03-2012.

**34. Compounding Fee:**

- a) Paid Up Share Capital includes preferential allotment of 43, 76,008 Equity shares by the company to Lexicon Private Limited in respect of which the company has filed an application with Foreign Investment Promotion Board (FIPB) and the approval of FIPB has been received vide FIPB approval letter No FC.II. 254 (2003)/196 (2003) dated 25.03.2011. Further the FIPB has directed the company to approach Reserve Bank of India (RBI) for levy of Compounding fees. The company has filed an application dated 24.05.2011 to RBI for levy of compounding fees. RBI had disposed the case with a compounded amount of ₹5,00,000/-vide compounding order CA.No.1806/2011 dated 6th September 2011, Against that company had paid compounding fee of ₹5,00,000/- to RBI on 12.09.2011.
- b) In addition to the above compounding fee, the company has also paid ₹ 1,00,000/- and 1,50,000/- to the RBI on 29-09-2011 in respect of the compounding application made by the company in respect of share transfers where FIPB approvals were obtained post facto.

**35. SEBI Order**
**a) Relating to Utilization of IPO Proceeds:**

The company has raised an amount of ₹ 82,50,00,000/- through Initial Public Offer (IPO) which was subscribed by the public between 29-09-2011 to 04-10-2011. On the receipts of such IPO proceeds, company was under an obligation to utilize the proceeds as per the prospectus filed before SEBI. The SEBI had carried out an Investigation on the issue of utilization of IPO proceeds. During the course of investigation, the SEBI has come to a prima facie conclusion that the proceeds of the IPO were utilized for the objects other than the objects mentioned in the Prospectus.

**b) SEBI Order relating to Operative Instructions:**

Vide Order No. WTM/PS/IVD/ID8/43/Dec/2011 dated 28th December, 2011, SEBI has directed the company and directors in the following ways:

- (i) The Company is prohibited from raising any further capital, in any manner whatsoever, till further directions.
- (ii) The Company and its directors are prohibited from buying, selling or dealing in securities in any manner whatsoever, till further directions.

**c) SEBI Order relating to Calling back of IPO funds:**

Vide Order No. WTM/PS/IVD/ID8/43/Dec/2011 dated 28th December, 2011, SEBI has directed the company in the following ways:

- a) To call back the ICD placed with Silverpoint Infratech Limited amounting to ₹ 23 Crores and place the proceeds in an interest bearing escrow bank account opened with a scheduled commercial bank, till further directions.
  - b) Proceeds of IPO invested by the company in the India bulls Mutual Fund-Liquid Fund; amounting to ₹ 5 Crores; shall also be redeemed and transferred to the said escrow account, till further directions.
  - c) In addition, the Company shall deposit the proceeds of IPO still remaining with it; as on the date of this Order; in the said escrow account, till further directions. The confirmation for the same should be given to stock exchanges where the company is listed; within 7days from the date of this Order.
- d) SEBI Vide Order No. WTM/PS/IVD/ID8/43/Dec/2011 dated 28th December, 2011 has made certain observations on matters relating to disclosures etc.
36. The company has filed its reply to the order issued by SEBI Vide Order No. WTM/PS/IVD/ID8/43/Dec/2011 dated 28th December, 2011 on 04th January 2012 by stating its objections to the SEBI Order.
- Subsequently, the company has filed its detailed reply on 12th September, 2012 by contesting the SEBI order through its legal consultants M/s. Mindspright Legal, Mumbai and the final outcome is pending.
37. Confirmation of Closing Balances:
- Closing Balances of Debtors, Creditors, Loans and Advances are subject to confirmations.
38. The figures of previous year have been re-grouped /re- arranged wherever necessary.
39. The figures have been rounded off to the nearest rupee.

**For P.Murali & Co.,**  
**Firm Regn. No: 007257S**  
**Chartered Accountants**

Sd/-  
**P.Murali Mohana Rao**  
**Partner**  
**M.No. 023412**

Place : Hyderabad  
Date : 12-11-2012

**For and on behalf the Board of Directors**  
**TAKSHEEL SOLUTIONS LIMITED**

Sd/-  
**Pavan Kumar Kuchana**  
**Managing Director**

Sd/-  
**Ramaswamy Kuchana**  
**Director**

Sd/-  
**Divya Jain**  
Company Secretary &  
Compliance officer









**TAKSHEEL SOLUTIONS LIMITED**

**Registered Office:** Lanco Hills Technology Park Private Limited (SEZ), Survey No.201, Manikonda Village, Rajendra Nagar Mandal, Hyderabad - 500 089, Andhra Pradesh, India

**ATTENDANCE SLIP**

Please complete this attendance slip and hand over at the entrance of the meeting hall, joint shareholders desiring to attend the meeting may obtain additional attendance slips on request, provided such request is received by the Company before December 28, 2012. I hereby record my presence at 13<sup>th</sup> Annual General Meeting of the Company held at M Hotels , Plot No.116,Lumbini Layout, Acharya Maarg, Near Mindspace Circle, Gachibowli, Hyderabad-500 031 (Andhra Pradesh) , Hyderabad - 500 089, Andhra Pradesh, India, at **4.00 P.M. on Friday, the 28<sup>th</sup> December, 2012.**

Name(s) of the Shareholders (In Block Capitals).....Name of the Proxy ( In Block Capitals).....Folio No./Client ID No.....\*DP ID No.....

Signature(s) if Shareholder:...../if Proxy:.....

Note: No Duplicate attendance slip will be issued at the Meeting venue. You are requested to bring your copy of the Annual Report to the Meeting.

*\*Applicable to only shareholders holding shares in demat form.*



**TAKSHEEL SOLUTIONS LIMITED**

**Registered Office:** Lanco Hills Technology Park Private Limited (SEZ), Survey No.201, Manikonda Village, Rajendra Nagar Mandal, Hyderabad - 500 089, Andhra Pradesh, India

**PROXY FORM**

I/We.....of (Place).....Being a member/members of Taksheel Solutions Limited under Folio No./Client No.....hereby appoint Mr./Ms.....of (Place) .....or failing him/her Mr./Ms.....of (Place).....as my/our proxy to vote for me/us and on my/our behalf at the 13<sup>th</sup> Annual General Meeting of the Company to be held on Friday, the 28<sup>th</sup> day of December, 2012 and at any adjournment(s) thereof.

Signed this.....day of .....2012.

Note. The Proxy form must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

Affix a Re. 1/- Revenue Stamp

No. of Equity shares held: .....

**BOOK - POST**

If undelivered please return to :

**TAKSHEEL SOLUTIONS LIMITED**

Survey No-201, Lanco Hills, Technology Park Pvt. Ltd (SEZ),  
Manikonda Village, Rajendra Nagar Mandal, Hyderabad - 500 089,