

Annual Report **2011 - 12**



We say what we believe and
we deliver what we say!



Note on forward looking statements

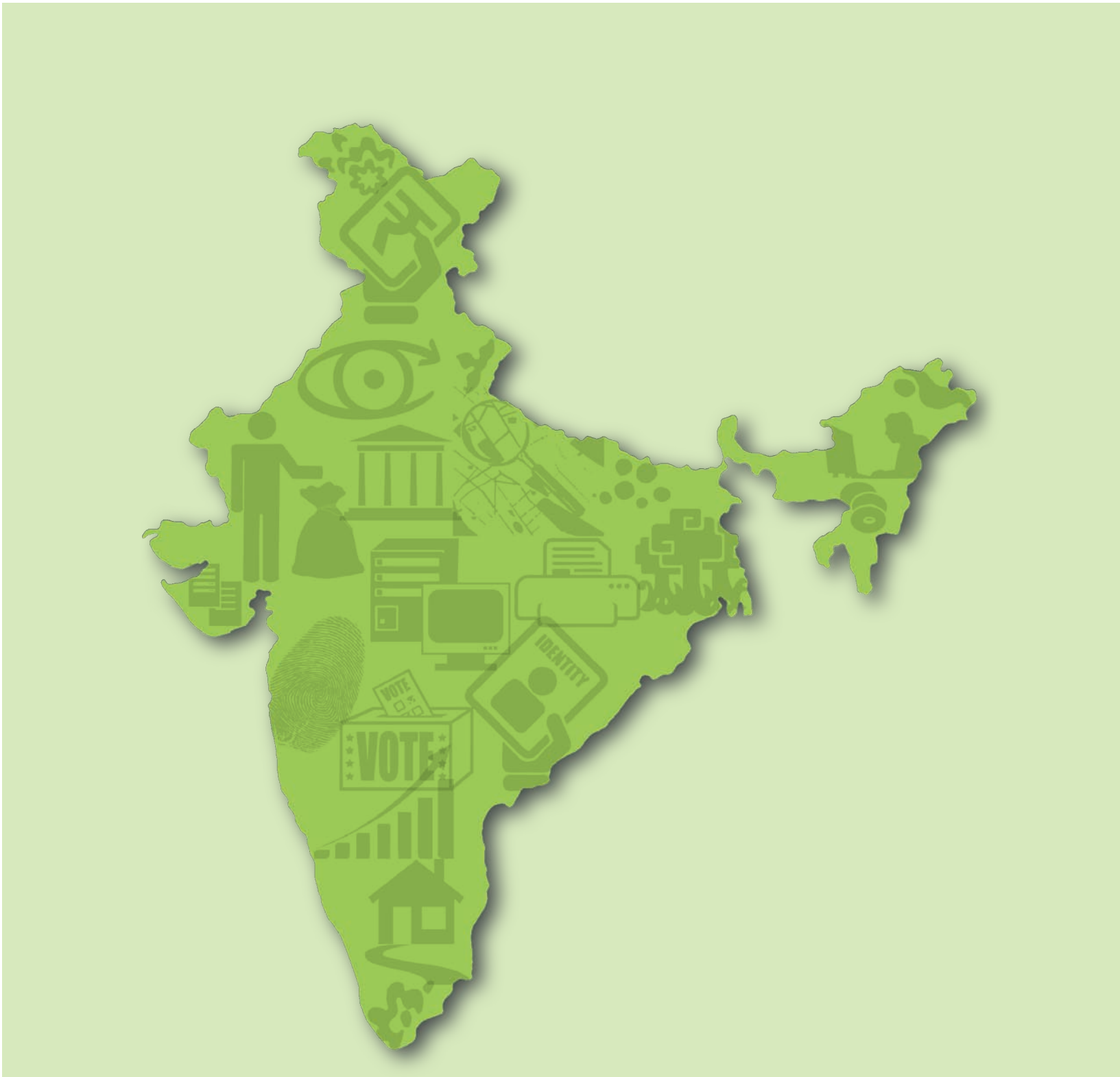
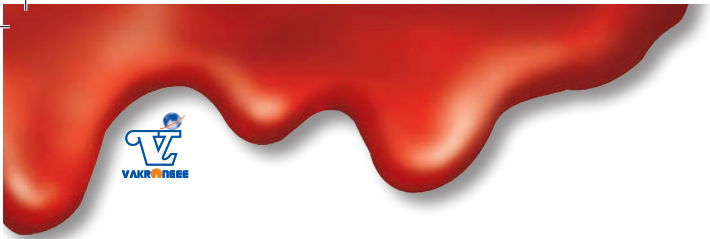
In this Annual Review, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This review and other statements – written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

C O N T E N T S

| | | | | | |
|---------------------------------|---|---|------------------------------------|--|--|
| 02 Theme Introduction | 04 Introduction to Vakrangee Softwares | 08 Financial Highlights | 10 Theme Story | 16 Chairman's Address | 18 Management Discussion & Analysis |
| 34 Directors' Report | 39 Corporate Governance Report | 49 Auditor's Certificate on Corporate Governance | 50 CEO / CFO Certificate | 51 Certificate from the Company Secretary | 52 Financials |

The **Value** of Commitment
lies in its
Fulfillment



FROM ASPIRATION TO ACHIEVEMENT, YEAR AFTER YEAR.

There is nothing as satisfying as putting the “delivered” seal on our claim. It is a reiteration of our firm belief in ourselves and our ability as a team to transform ambitious goals into a reality.

- We have emerged as the #2 implementer of AADHAR in terms of the data uploaded – we achieved this distinction despite the fact that we began our implementation later than all other entrants.
- We are creating the largest chain of village services supermarkets – The Citizens Service Centres which will deliver G2C, B2C, and B2B services at the village level.
- We have successfully implemented the Haryana PDS pilot project – an important proof of concept that will be replicated across the country.
- We have also rewarded our shareholders by declaring a 1:1 bonus, while our market valuation has reached an all time record of 1384 crores as on March 31, 2012.

These achievements are even more important to us as they are milestones in our grand vision to become a US\$1 billion enterprise with the largest pool of trained people implementing the maximum number of e-governance projects in the industry.

We say what we believe. Then we put all our collective might in efforts to make our aspiration a vibrant reality.

Vakrangee – We speak words you can count on, and deliver numbers you can believe in.

Walking The Talk



Leading player in the **Touch Point domain** of e-governance in India

Handling massive, mission mode **multi state e-governance enrolment projects** that covers metros, big towns, villages and remote hamlets

Integrating software, training, on ground activation and massive people based **national presence** to make e-governance projects a success

Providing **last mile connectivity** for e-governance projects

Vakrangee is **#2 agency** in terms of the "total number of enrolments" and **#3** in terms of "number of UID generated"

Pioneers in the **successful implementation** of the Haryana Smart Card based, PDS Pilot Project

Now building **2571 CSC centers** in Rajasthan and **205 centres** in Punjab already set up

Growing at an exponential rate of **66.24% CAGR** over the past three years

Headquarter in **Mumbai with 11 offices** in New Delhi, Gurgaon, Lucknow, Jaipur, Pune, Ahmedabad, Chandigarh (Panchkula), Patna, Bhopal, Raipur and Philippines



Corporate

Vakrangee Softwares Ltd.
- 1990

Work force
approx. 5000

Revenue growth
52.52% over the last year

Market capitalization
₹ 1384 Cr.
as on March 31, 2012

Public shareholding
70.16% as on March 31, 2012

Promoters Shareholding
29.84% as on March 31, 2012



Board of Directors

Mr. Dinesh Nandwana
- *Chairman & Managing Director*

Dr. Nishikant Hayatnagarkar
- *Whole Time Director, R&D*

Mr. Ramesh M. Joshi

Mr. Anil Patodia

Mr. Sunil Agarwal

Mr. K. L. Varma

Mr. B. L. Meena



Compliance

Statutory Auditors

M/s. S. K. Patodia & Associates, Chartered
Accountants, Mumbai

Company Secretary

Mr. Pratik Bhanushali

Solicitors and Legal Advisors

M/s Vinod Mistry & Co, Mumbai



Committees

AUDIT COMMITTEE

Mr. K. L. Varma (*Chairman*)

Dr. Nishikant Hayatnagarkar

Mr. Anil Patodia

Mr. B. L. Meena

REMUNERATION & COMPENSATION COMMITTEE

Mr. B. L. Meena (*Chairman*)

Mr. Ramesh Joshi

Mr. K. L. Varma

SHAREHOLDERS' / INVESTORS GRIEVANCE COMMITTEE

Mr. Ramesh Joshi (*Chairman*)

Mr. Anil Patodia

Dr. Nishikant Hayatnagarkar



Bankers

Union Bank of India

Axis Bank Limited

ICICI Bank Limited

ING Vysya Bank Limited

Axis Trustee Services Limited

Andhra Bank Limited

Punjab National Bank Limited

Dhanlaxmi Bank Limited



Registrars

M/s Bigshare Services Pvt. Ltd.

E-2, Ansa Industrial Estate,

Saki - Vihar Road, Sakinaka,

Mumbai 400 072

Tel: +91-22-4043 0200

Fax: +91-22-28475207

Email: info@bigshareonline.com

THE BOARD OF DIRECTORS



1. DINESH NANDWANA (Chairman and Managing Director)

Mr. Dinesh Nandwana is one of the main promoters of the company, by profession, Mr. Nandwana is a Chartered Accountant. He is the navigator who drove the Company from a modest consultancy company to a well renowned and prominent e-governance Company. His vast experience is backed by astute and dynamic leadership qualities. Mentoring the core management team and to carry the team to deliver the best in the class e-governance and IT & IT enabled services has been his forte over the years. His vision to take the Company to the new orbit has helped the Company to achieve the stringent targets and to claim the position of one of the best e-governance players in the market.

2. NISHIKANT HAYATNAGARKAR (Executive Director - R&D)

Dr. Nishikant Hayatnagarkar is a Doctorate in Computer Science from IIT, Powai, Mumbai. He is associated with the company since 1994. He is a well-known personality in the field of microchip designing. He has developed a voice recognition system, which is widely used in various applications like Tele Banking, Tele Gas Booking etc. He has also designed & developed Multilingual Keyboard and is consultant to Media Labs Asia – Kamal Rekhi School for Information Technology (IIT Mumbai) for development of Multilingual data input device – Marathi language Key Board (Key – Lekh) and E-Lekh (Tablet based Marathi language Input).

3. RAMESH M. JOSHI (Non Executive Independent Director)

Mr. Ramesh M. Joshi is a graduate in Economics & Law from the University of Nagpur. He had held various important positions in the Reserve Bank of India. He had the privilege of being nominated as a nominee of RBI on the Boards of various Banks. He had retired as an Executive Director of SEBI. He is also practicing as a senior corporate consultant.

4. ANIL PATODIA (Non Executive Independent Director)

Mr. Anil Patodia has a Bachelor's degree in commerce with over 20 years experience of administration and has good leadership qualities to control huge projects involving large manpower.

5. SUNIL AGARWAL (Non Executive Independent Director)

Mr. Sunil Agarwal is Bachelor of Commerce with over 25 years experience in business administration. He is a very successful businessman with good leadership qualities to control huge projects and explore new business opportunities.

6. K. L. VARMA (Non Executive Independent Director)

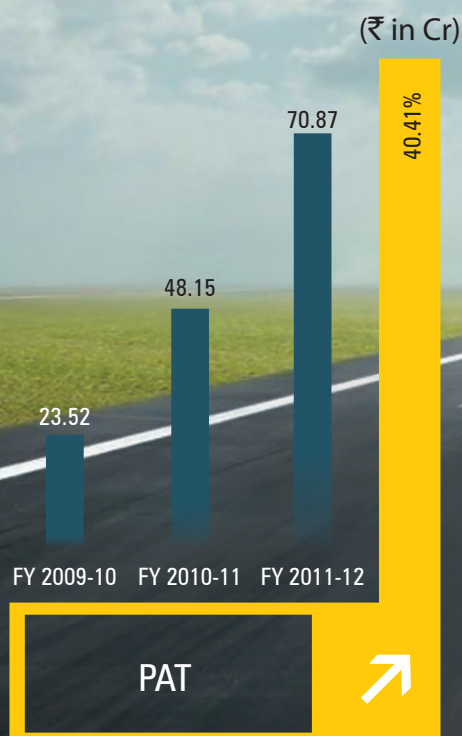
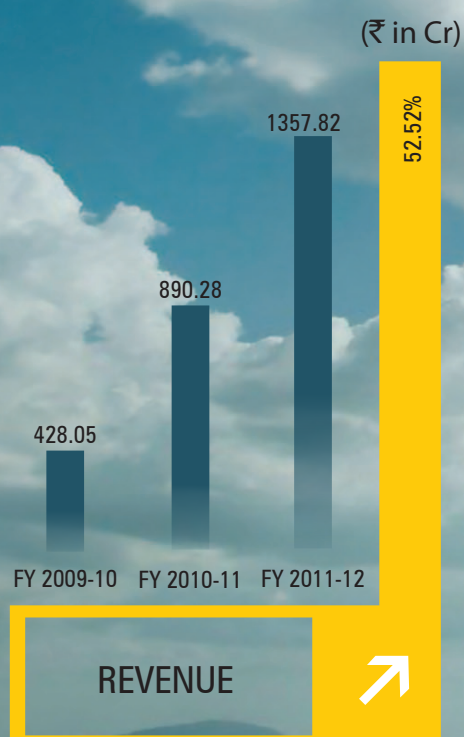
Mr. K. L. Varma is a retired Financial Advisor and Chief Accounts Officer, Western Railway. He has vast experience in handling financial management and financial planning and introducing and implementing internal control systems.

7. B. L. MEENA (Non Executive Independent Director)

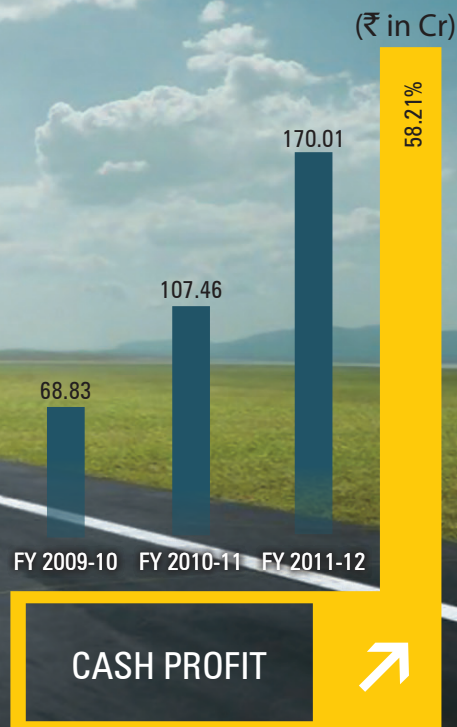
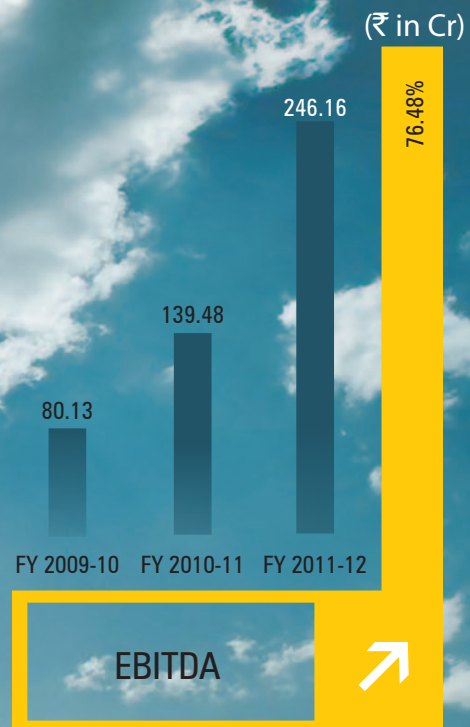
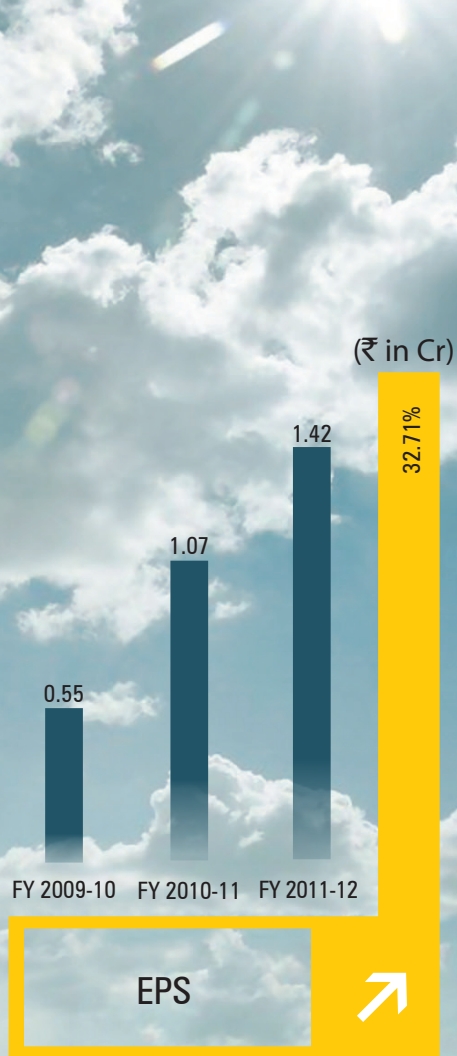
Shri B. L. Meena has rich experience of having worked in different Government departments, including being Chief Commercial Manager NW Railway Jaipur of Indian Railway Traffic Service where he served for 28 years.



CONSOLIDATED FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS



AADHAR – YOU CAN COUNT ON OUR NUMBERS

#2 in AADHAR data upload, #3 in Total AADHAR numbers generated

AADHAR - It is one number that has a several life changing applications.

- It will be the bedrock of all e-governance implementations, as it gives each Indian resident a unique identification number that will specify the entitlements he/she is eligible for.

- It will stop leakage of precious government resources by enabling direct transfers of subsidies and entitlements.
- It will transform the security scenario, and bring accountability to the system.
- It will drastically reduce the leakage in the financial system.
- It will enable the implementation of the Citizens Charter and facilitate institutional monitoring.

It is the world's biggest biometric database, even in its first phase.

The first phase for the implementation of AADHAR began in September 2010. We started our implementation in April 2011, several months behind the others.

But while we started late, we implemented at a scorching pace. Vakrangee agents could be found in the Andamans, in the littoral islands of Lakshadweep, in the South, the East and the North of the country. They worked with a missionary fervour, achieving numbers that were considered difficult if not impossible.

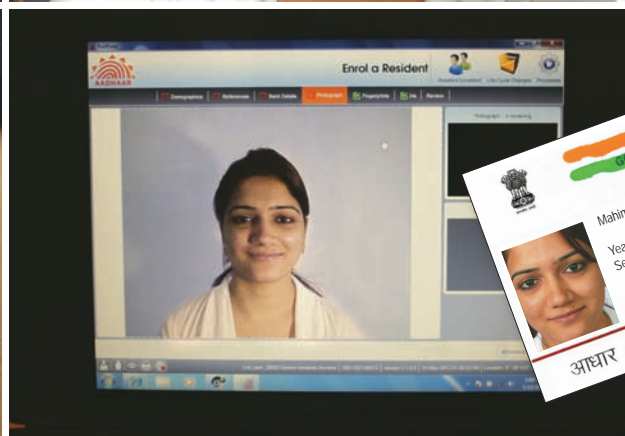
Today the results are out. Vakrangee is the second largest implementer of AADHAR in terms of data uploaded and third in terms of total AADHAR numbers generated.

But if one were to take the average days worked against the average numbers generated, Vakrangee could be unarguably #1.

The first phase is over and we have already contributed to making the world's largest biometric database.

Today we are committed to another goal. To emerge as one of the largest PAN India implementer of AADHAR scheme, delivering the maximum number of AADHAR numbers in the country.

We have committed to these words, and the numbers will follow in the years to come.



YOU CAN COUNT ON OUR COMMITMENT TO CITIZENS SERVICE CENTRES

Our commitment to bring the Government at the doorstep of the citizen.

Over the decades, the government machinery functioned like a centralised monolith. People who wanted government services or entitlements travelled to government offices in the district headquarters, state headquarters and to the capital. The movement was from many places to one.

CSC is an attempt to pivot this movement from many to one place to many to many places; an attempt to take the government and its services to the people, in the vicinity of where they live. The plan is to have one Citizens Service Centre in every 6 villages. The CSC will serve as an omnibus government office where all services of the government will be delivered – without people having to run from pillar to post in different locations.

But the CSC is more than a decentralised government office:

- The CSCs would provide high quality and cost-effective video, voice and data content and services, in the areas of e-governance, education,

health, telemedicine, entertainment as well as other private services.

- CSCs are being designed as ICT-enabled retail distribution outlets for delivery of Government, Social as well as Private Sector services in the areas of Telecom, Agriculture, Health, Education, Entertainment, FMCG products, Banking and Financial services, Utility payments, etc.
- It offers B2B and B2C business services
- It offers Financial inclusion through banking correspondent services etc.
- It facilitates direct subsidy transfers from government to citizens.
- It will encourage Village level entrepreneurs by offering them opportunities and means to start their own business.

The government is planning on setting up 100,000 CSC's across the length and breadth of India. The CSCs are set up by private franchisees called as Service Center Agencies (SCA) – who are appointed



by respective States. The SCAs further appoint Village Level Entrepreneurs (VLE) to run and manage the CSCs in pre-defined locations. The scheme is implemented in a Public Private Partnership Framework with a Focus on Rural Entrepreneurship & Market Mechanisms.

Vakrangee is a SCA and is actively rolling out 205 CSC's in Punjab and 2571 CSC's in the state of Rajasthan. We are also actively bidding for rolling out this initiative in other states.

We aim to be a leader in the CSC implementation and management in the country and it is a goal, we are actively working for.

We have committed to these words, and the numbers will follow in the years to come.

YOU CAN COUNT ON OUR PDS COMMITMENT

#1 company to successfully implement the PDS Pilot Program in Haryana.
Now seeking to roll it out in other states of India.

Feeding a population of a billion plus people is an immensely challenging task. The Govt. of India has been distributing food grains at affordable prices to the people of India via 4.5 lac Fair Price Shops spread across the country. According to the planning commission estimates, more than 150 million families purchase commodities at Fair Price Shops through the year. Yet this is a system that is prone to leakages, resulting in the much needed grain finding its way to open markets to be sold at higher prices. Fixing this leakage and ensuring the distribution of the grains to the rightfully entitled population is the task that the government has decided to undertake with the help of ICT as a tool.

The Government rolled out the Haryana and Chandigarh Smart Card Based Ration Card program in the year 2008.

The project involved the setting up of IT infrastructure at more than 300 offices of the Food and Supplies Department, along with 10,000 Fair Price Shops across the state. Vakrangee is solely carrying out procurement

of POS (Point of Sale) machines, development of POS software for issuance of rations to citizens. Apart from this, Vakrangee is also undertaking massive data digitization across the state to build a database of all the citizens.

The project scope includes:

- Procurement, commissioning and maintenance of IT and Smart Card infrastructure at various locations for implementation of Smart Card based Public Distribution System
- Site Preparation at various locations
- Installation and Up gradation of Application Software required for PDS operations
- Replacement of existing Paper based Ration Cards with Smart Card based Ration Cards
- Provisioning of Manpower at various locations for providing training, technical support, and
- Call centre at a centralized location

The Pilot program has been implemented and is



universally regarded as a resounding success.

The use of biometric data ensures that there is zero leakage of the grains and ensures directs the distribution to the people who are entitled to these subsidised commodities. The scheme is not merely commercially successful, but it is a resounding social success.


Vakrangee, by its virtue of being the first to successfully implement the pilot scheme is in the forefront to bid for

this project across different states.

We aim to be a leader in the PDS smart card implementation and management in the country and it is a goal, we are actively working for.

We have committed to these words, and the numbers will follow in the years to come.

Saying What We Believe...

A man in a dark suit, white shirt, and light blue striped tie stands in front of a textured orange and brown background. To his right is a large, abstract, metallic sculpture of a head. A dark text box is overlaid on the lower left of the image.

Three years back we came to you with our ambitions, and our statement of purpose. Today we have redeemed those promises in substantial measure. Today we can proudly stand up and say, we said what we believed, and we delivered what we said.

Dear Shareholders,

Greetings from Vakrangee!

This was another important year for all of us at Vakrangee. It was a year of achievements. It has been a year of expanding opportunities in our Touch-Point business, wherein we, as the touch-point between Government and Citizen, deliver the government services to the citizens using state of the art technology. You will be glad to know that we have ventured into the CSC business in the pursuit of expansion of our Touch-Point Business. Now, our centres at the gram panchayat level in Rajasthan and Punjab shall deliver Land Record, Driving License, Passport, Election I-Card, NREGS Card, Cast/Domicile/Birth/Income Certificate etc. at the doorsteps of the citizen. The citizens shall no more be required to frequently visit different government offices for this purpose.

We have achieved remarkable success in each of these Touch-Point projects. In the UID project we have become #2 in terms of the "total number of enrolments" and #3 in terms of "number of UID generated". We achieved these numbers despite the fact that we began the rollout of our UID project implementation much later than the others. We successfully completed the pilot implementation of the Smart Card based PDS project in Haryana, and are now gearing up for implementation in other states.

As you all will agree with me, India lives in Villages...80% of Indians live in villages and small towns with less than one million population. This population represents 56% of India's income, 64% of India's expenditure and 33% of India's savings. This is a One billion population that accounts for a US\$ one trillion market opportunity!!! We aim to cater to this market by leveraging our expertise and experience of Touch-Point business acquired over last two decades.

Two factors have helped us in our immense growth over the past 5 years. One is our people, and the second is our technology capability.

Our people are by far our biggest strength and the reason why we stand differentiated from all the other players in the industry. We have the capability, expertise and experience of raising large teams of people, training and certifying them and deploying them to meet and exceed challenging tasks.

Our technology strengths help us assimilate new technology, devise the cutting – edge software required for implementation and seamlessly roll these out in complex implementation environment spread over large geographies.

This year we also declared a bonus in the ratio of 1:1 to our shareholders.

Three years back we came to you with our ambitions, and our statement of purpose. Today we have redeemed those promises in substantial measure. Today we can proudly stand up and say, we said what we believed, and we delivered what we said.

We are well on our way to emerge as a US \$1 Billion company by 2015.

We believe in this statement, and in time to come, we will achieve this too.

I wish to conclude by sincerely thanking my colleagues on the Board for their valuable guidance, my team for their enthusiastic and dedicated work, our shareholders for their continued support, our customers for giving us the opportunity to serve and grow, our vendors for being an extension of our organisation, our bankers for their continued support, and last but not the least, the government and their various departments whose farsightedness and vision has brought to us the opportunity for a transformative change in e-governance. I end by rededicating the efforts of our team to the achievement of goals for our stakeholders' continued growth.

Warm regards,



Dinesh Nandwana

Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS



Front: Dinesh Nandwana, from left: Pratik Bhanushali, Shesh Upadhyay, Rahul Dev Pal, Pradeep Kumar, and from right: Santosh Dash, Suresh Barupal, Shashank Chowdhury, Prem Meiwal

Area of Opportunity

Global Market Size, Trends & Potential

Gartner's forecast for overall global IT spending growth in 2012 in current U.S. dollars has been revised down from 3.7% last quarter to 2.5% now. However, this reduction is due to the recent strengthening in the value of the U.S. dollar versus other currencies.

Early signs in 2012 suggest the global economic outlook has brightened a little, with no more than a 25% risk of a return to recession. Nevertheless, uncertainties remain, and global real GDP growth is forecast at a modest 2.4% for 2012.

Indian role in Global Outsourcing business

India is the global leader in the outsourcing industry with half of the world's back office being located here. Indian outsourcing revenue at \$59 billion for 2011, accounts for 51% of the global offshore market share, says a report from Tholons Research, a Bangalore based advisory firm. The total direct employment by Indian IT-BPO sector (as of 2011) was 1.98 million and indirect employment was 7.5 million.

The figures from India's National Association of Software and Services Companies (NASSCOM) show worldwide IT and BPO spending in 2011 reached about \$574 billion and \$158 billion, respectively. From a total of \$732 billion only about 15% (or \$110 billion) is currently outsourced by global firms to destinations like India, Philippines, China and Malaysia leaving lot of headroom for growth.

Increasing IT spends by the Government of India

The Government of India is amongst the biggest spenders on Information Technology in the country with increased emphasis on service delivery for G2B and G2C initiatives. The Government of India's IT spend was estimated at ₹150 billion (USD 3.1 billion) for the Financial Year 2010-11, and it is expected to reach to nearly ₹250 billion (₹5.1 billion) for the financial year 2011-2012. There is an allocated investment of around ₹400 billion (USD 9 billion) till the year 2012 for the National e-governance Plan (NEGP) projects alone.

These budgetary allocations ensure that government spends are insulated from economic cycles.

Budgetary Support for e-governance projects

| Direct Allocation in Union Budget 2012-2013 | US\$ Millions |
|---|---------------|
| Modernisation of Land record | 30.2 |
| NIC | 150.7 |
| IT induction and Modernisation of Post Offices | 103.1 |
| National Food Security Mission | 369.6 |
| UID (Unique Identity) | 2843.6 |
| National Knowledge Network | 71.9 |
| e-governance Programme | 194.8 |
| Computerisation of Courts | 46.8 |
| Telecommunication Services | 3043.2 |
| R-APDRP (Restructured Accelerated Power Development & Reform Program) | 622.2 |
| Total | 7476.1 |

Apart from these projects there are projects like the MGNREGS, National Rural Livelihood Mission, the Sarva Shiksha Abhiyan, Rastriya Madhyamik Shiksha Abhiyan, The National Program of Mid Day Meals in Schools, National

Rural Health Mission, the Panchayati Raj, and the Urban Development Programme that together account for budgetary allocation of US\$ 22,571 million. Of these the IT spend could be in the region of 5 - 10 % of the total project cost.

Source: gartner.com, economictimes.com

Targeting The Next Achievable

Increasing opportunities in the Indian e-governance sector – Focus areas for the company

The NeGP which originally started with 27 Mission Mode Projects (MMPs) has been expanded to 31 MMPs encompassing 10 Central MMPs, 14 State MMPs and 7 Integrated MMPs as follows.

| Central MMPs | State MMPs | Integrated MMPs |
|--|---------------------|--|
| Banking | Agriculture | CSC |
| Central Excise & Customs | Commercial Taxes | e-Biz |
| Income Tax (IT) | e-District | e-Courts |
| Insurance | Employment Exchange | e-Procurement |
| MCA-21 | Land Records | EDI For eTrade |
| National Citizen Database | Municipalities | National e-governance Service Delivery Gateway |
| Passport | Gram Panchayats | India Portal |
| Immigration, Visa and Foreigners Registration & Tracking | Police | |
| Pension | Road Transport | |
| e-Office | Treasuries | |
| | Health | |
| | Education | |
| | PDS | |

The company is presently focused on implementing the huge UID project across the country

We have emerged as #2 implementer of AADHAR in terms of the data uploaded in the Phase -1 of the project

We are implementing AADHAR inabled smart card PDS project for the first time in India

The Company is also leading in the Common Service Centre and is presently involved in setting up 2571 CSCs in the state of Rajasthan. The Company has already set up 205 CSCs in Punjab

Amongst the mission mode projects, most of the central projects have been completed and in the coming years, the focus is on the implementation of the State Mission Mode Projects. Vakrangee, with its existing presence in the district and village level in many states, has the ability to take on state specific projects at economic costs





Capitalising on Our Touch-Point Capabilities

Prime Bidder Strategy

We are the only player in the e-governance area who has the capability in the design/development / deployment of software application along with hardware and network commissioning. We also have large capabilities in the grass-root level enrolment of citizens under inhospitable and hostile conditions. As all the e-governance projects now are based on outcome based models, our unique capability across the spectrum gives us the unique advantage of going solo on all Mission Mode Projects the Government of India. We are geared up to execute the balance of 17 projects under the e-governance action plan amounting to ₹30,000 crores in next three to four years.

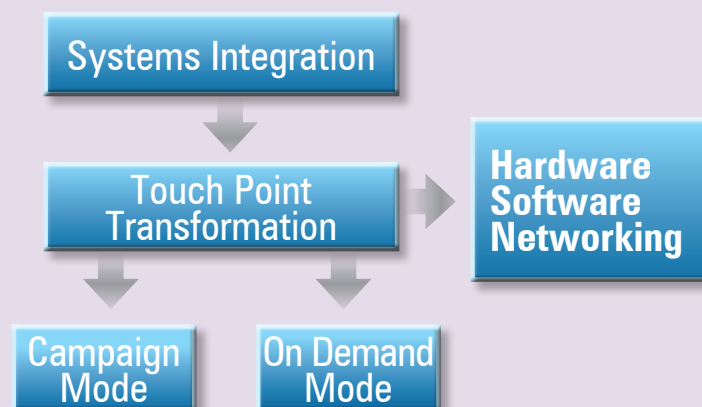
These are multibillion dollar projects that are being implemented on a fast track. The estimated spends on these projects are scheduled to touch a staggering ₹40,000 crores.

Future Plan

Expansion of Our Touch-Point Business

VSL is a system integrator in the Touch-Point business. Vakrangee, with its cutting edge technology deployment, delivers the services of the government to the citizens effectively and efficiently.

The Company began its foray into the business of touch points by setting up the platform for issuing of Election ID for the Election Commission. During this phase, the company had campaign mode touch-points that went to different locations and issued the Election ID cards. The business expanded with the issuance of the Biometric cards under the RSBY program and MCA-21 Project. Currently we are executing the UID and PDS project as follows:



Delivering Touch Points

UID – Creating a billion plus identities

The Unique identity scheme involves the allocation of a unique identification number for every resident in the country, and this is to emerge as the single most important means to identify people in the country, underpinning all other instruments of identification such as the Ration Card, the Passport or Pan card etc.

At one stroke, the use of the UID based government to citizen transaction will eliminate leakage, ensure targeted distribution of subsidies, and make the interaction both faster and transparent. It will forever eliminate the use of multiple identities by people.

PDS – Ensuring targeted distribution of grains

The Public Distribution system was initially created to ensure efficient distribution of subsidised food grains to the economically backward populace. But systemic misuse and lack of accountable controls have ensured that most of the grains meant for the poor find their way to the open market.

The Biometric based Smart Card is a replacement for the old paper based ration card. The use of this smart card will demand physical presence and identification of the deserving person for distribution of the subsidised grains. It will ensure the elimination of leakage, and certify that the grains reach the people it is meant for. The company has already successfully implemented the pilot scheme for the generation of Biometric Smart Cards for PDS in Haryana, and is now seriously working on implementation of this project in other states. As the successful implementer of this project at the pilot stage, we are poised to bag the contracts in other states.

Today, we have transited into setting up permanent, on demand touch points – such as the Common Service Centres, which is a physical touch point that delivers a range of G2C, G2B, B2C, and B2 B services at village levels. Under the CSC, we bring a whole host of services under one roof, to create what we like to call the Village Level touch point!

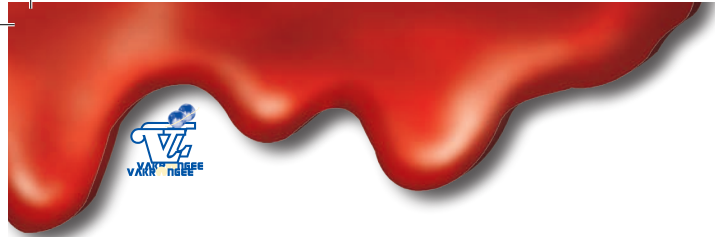
Taking Governance to the Citizens–The Common Service Centres

Until now, getting any government business done involved visits to multiple government offices and the dealing with the official red tape. This delayed implementation of government tasks and entailed long waits and multiple visits on the part of the citizens for fulfilling the simplest of tasks.

The Common Service Centre is a system that will completely transform the way government deals with people. Now instead of citizens visiting Government offices located in district or zilla headquarters, they can visit nearby Common Service Centres and seek a single window service for getting multiple tasks done. The scheme envisages one Common Service Centre for every six villages, thus making their presence ubiquitous. Apart from the G2C, the CSC will also serve a mix of B2B and B2C services, making it a kind of a Village Touch-Point. Vakrangee has taken on a pioneering role in the implementation of the CSC scheme and it has already established 205 such centres in the state of Punjab. We have also secured the mandate for setting up and operating a further 2571 CSC in the state of Rajasthan.

Amongst the mission mode projects, most of the central projects have been completed and in the coming years, the focus is on the implementation of the State Mission Mode Projects. Vakrangee, with its existing presence in almost all the states /UTs till the district level and in some states till the Gram Panchayat level has the competitive cost advantage to bag these state specific projects like e-district/PDS/ Panchayat computerisation etc.





Investing in Achievers

HR Strategy

The Company is dependent on skilled and talented manpower to implement its massive, nationwide e-governance initiatives. To ensure a steady and committed stream of manpower, we have continued to invest in developing our human capital, building strong relationships with academia and establishing our brand in the market to attract and retain the best talent. We continually recruit people, train them in the specific skill sets we require and deploy them across the nation.

Creating a Manpower and Technology centric Organisation

Many of the projects we implement such as the UID requires us to deploy manpower that is certified by the Authority for their competency and skill sets. By default, training and skill development form a large part of our business. We have, over the years, created a learning organisation that is adept at absorbing new recruits, training them for specific tasks and deploying them on the field.

Grooming leadership for the future

We have a well designed matrix in place to groom future leaders. Selected candidates undergo special grooming with exposure to new skills and they are deployed in positions where they can prove their management and leadership skills. The Company offers both, lateral and vertical growth opportunities. We are a talent centric organisation that believes in nurturing abilities and rewarding achievements.

Minimising Risks, Maximising Opportunities



Risk Management

Opportunities and Risks

VAKRANGEE is a major national player in e-governance space. Continuing investments on e-governance initiatives by Central and State governments offer many opportunities for VAKRANGEE. The Company's integrated full services capability, global delivery footprint and scale have expanded its addressable market, strengthened its reputation and ensured its inclusion in the top tier list of vendors invited for the largest and most complex bids in e-governance space. These projects offer a sizable growth opportunity for the Company.

Risks and Risk Mitigation

The risk management process is continuously improved and adapted to the changing global risk scenario. The agility of the risk management process is monitored and reviewed for appropriateness with the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event driven as well as quarterly basis. The risk categories covered under the risk management programme

includes strategic, operational and financial as well as compliance-related risks across various levels of the organisation. This includes risk assessment and mitigation at the company level, business / functional unit level, relationship level and project level. Some of the key strategic risks the Company faces, their impact and corresponding risk mitigation actions undertaken by the Company are discussed herein:

Derisking Philosophy

| Risk Identification | Risk Mitigation |
|--|--|
| <p>Government Policies</p> <p>Government policies are subject to change, and any such change can adversely impact the Company plans for growth.</p> | <p>All the e-governance projects are announced as mid to long term programs and are adequately funded by the budget. As India's economic growth is robust and its industrial and service sectors are powering economic development, the government is unlikely to face any setbacks in implementation and funding of these e-governance projects. In view of demand of people for more teeth to RTI and Lokpal, it is necessary for govt. to implement more and more e-governance projects at the earliest time frame possible. The Company is also not solely dependent on the Government business and has an ongoing agenda to expand its business in the private sectors of BFSI, Telecom and Power Utilities, Retail and Aviation etc. These will adequately de-risk our operations.</p> |

| Risk Identification | Risk Mitigation |
|---|--|
| <p>Increasing Competition</p> <p>The entry of large players will result in fierce competition and raising the bar for eligibility. This will impact the business of the Company.</p> | <p>The Company has already entered into tie-ups with leading IT companies and OEM's from India and abroad to be a build partner in e-governance projects. This will help us meet rising eligibility norms and climb the value chain. Simultaneously, in several sectors where the Company has the competency, it will undertake projects on its own strength. This will help the Company meet increasing eligibility norms, and enable it to win large projects that the government plans to award to single consortiums, as against dividing the project amongst several players. The Company is also broadening its service offerings to become an integrated full services partner to its clients.</p> |
| <p>Margin Pressure</p> <p>The margins in the Systems Integration business in e-governance are under pressure and this may impact the bottom-line of the Company.</p> | <p>The Company in its initial stages could not qualify as a prime bidder and then bid for projects as a consortium, undertook many projects as a sub contractor to larger companies. This resulted in pressure on the margin front. Presently we qualify as a prime bidder and expect our margins to become much healthier.</p> |
| <p>Funding Requirements</p> <p>The e-governance programs involve long gestation projects that will require to be funded with secure financing over the project lifespan. This will also increase our debtor's cycle.</p> | <p>The Company's Management is aware of the above and has taken the necessary initiatives to mitigate the risk; the following steps have been taken for the same.</p> <ol style="list-style-type: none"> 1) The Company has carefully bid for those projects and tenders, wherein there is a balanced mix of capex and opex. Out of the huge outlay on the e-governance segment by the government, there are many projects wherein the government will pay the amount for the Capex upfront, and thereafter the services have to be provided for next 5-7 years, for example the PDS projects, IGRS projects etc. 2) The Company has already tied up its working capital requirement and is adequately geared to execute the projects. 3) The Debtor Cycle is going to be extended, but the Company is making back to back tie ups with its major suppliers so that the strain of the delay does not solely impact the Company. |
| <p>Time and Cost overruns</p> <p>As all e-governance projects are funded and controlled by the Government, there are possibilities of delay in implementation, which could adversely impact the Company's bottom-line.</p> | <p>The management is aware of the risk, and has framed a policy to de risk the same.</p> <ol style="list-style-type: none"> 1) The Company is only focused on Mission Mode Projects as specified in the e-governance action plan of Gol. 2) These projects are designed by world class consultants and implemented with minimal cost and time overrun irrespective of changes in Governments/bureaucrats/Ministers. 3) The projects are monitored by world class consultants and project implementors are paid in time bound manner. |

| Risk Identification | Risk Mitigation |
|---|--|
| <p>Manpower Capabilities</p> <p>The implementation of e-governance projects requires large scale manpower mobilization, training and deployment for the duration of the project. Finding and training such manpower may be difficult.</p> | <p>The Company has adequate experience in large scale mobilisation of manpower across different geographies and it has access to a pool of such talent. The Company management has proven time and again that it has the bandwidth to recruit, train, deploy and manage such distributed teams within short notice.</p> |
| <p>Threat to Reputation</p> <p>Vakrangee is developing a track record and building a reputation of timely and quality delivery with integrity. Damage to this reputation and image which Vakrangee is creating could lead to decrease in market share.</p> | <p>The Company is focusing on quality and process, and has developed efficient service models to mitigate this risk. Strict adherence to Company's Quality Management System, Code of Conduct and Corporate Governance framework have helped Company evolve as one of the best e-Governance Companies in the market.</p> |
| <p>Innovation related risk</p> <p>Innovative initiatives are often linked to strategic growth objectives, so failures could not only lead to write-offs of the investments made and potential reputational damage and/or services liabilities but also imperil those strategic objectives.</p> | <p>The Company is assuming structured periodic reviews of all innovation programmes by senior management and separate risk evaluation at a business unit level for the company's strategic growth initiatives is implemented.</p> |
| <p>Regulatory non-compliance</p> <p>Vakrangee is a large group and many laws apply to Vakrangee Group. Any failure to comply with any of the relevant regulations could result in financial penalties and reputational damage.</p> | <p>The Company is employing qualified professionals and also assuming consultation of local managers as well as auditors, consultants, lawyers, specialists and experts for effective and efficient regulatory compliance. Vakrangee is also implementing a security policy that complies with information security and data privacy laws, backed by rigorous processes and a robust infrastructure, which assures physical and virtual security.</p> |
| <p>Resistance to initiatives from vested interests</p> <p>Vakrangee implements e-governance projects that may run against the vested interests of many establishment entities. This could result in stiff resistance to change and obstruction to the implementation of these projects.</p> | <p>Today, with enhanced public awareness, PIL's, and court intervention, there is a ground swell of support for programs that will benefit the public at large. This citizen and court activism will ensure that projects that are in public interest will be implemented despite the obstruction of lobbies with vested interests. To cite an example, when vested interests tried to block the implementation of the PDS program, the Supreme Court intervened in the favour of the program and ensured its implementation under the oversight of the Wadhwa Committee. Such initiatives and the public demand for more transparent and leak proof delivery processes will ensure implementation of land mark e-governance projects.</p> |
| <p>Supply-side risks</p> <p>The business of Vakrangee is people-centric and any disturbance in its ability to attract and retain talent can impact demand fulfilment and eventually, revenue growth.</p> | <p>The Company has broadened its catchment area and is recruiting graduates to expand the available pool of fresh human resources. The company observes highly mature HR processes, which along with competitive remuneration, growth opportunities and an empowering, engaging workplace continue to help attract and retain talent.</p> |

Connecting The Dots

Performance Trend

Over the years, we have built up a track record of solid growth. This has come to pass due to our partnership approach to customers, our innovative solutions, and superior quality of service. While we started out being a reliable provider of e-governance systems integration services, today we have become the go to advisors for any large scale e-governance implementation project. Today, we have assumed our rightful place as one of the leaders in the IT/ITES space. All along this journey, the Company has created significant wealth for its stakeholders.

Earning Trends

Financial Performance (Consolidated)

VAKRANGE is a public company listed on "The Bombay Stock Exchange Limited (BSE)" since 1993-94 and on "National Stock Exchange of India Limited (NSE)", August 25, 2004. The financial statements of VAKRANGE are prepared in compliance with the Companies Act, 1956 and generally accepted accounting principles in India (Indian GAAP). VAKRANGE has four (4) subsidiary companies which are either wholly-owned or partly-owned. VAKRANGE publishes audited consolidated financial results on annual basis and standalone result on a quarterly basis. The financial results of VAKRANGE as per Indian GAAP are discussed herein.



DIRECTORS' REPORT

Dear Shareholders,

We are pleased to present the 22nd Annual Report together with the audited Balance Sheet and Profit and Loss Account for the year ended March 31, 2012.

1. PERFORMANCE OF THE COMPANY

The Company's performance is summarized below:

• FINANCIAL RESULTS

₹ in Crores except EPS and per share data

| | Consolidated | | | Standalone | | |
|--|---------------------------------|-----------|----------------|---------------------------------|-----------|----------------|
| | 2011-2012 | 2010-2011 | YoY growth (%) | 2011-2012 | 2010-2011 | YoY growth (%) |
| Sales and other income | 1357.82 | 890.28 | 52.52 | 1356.68 | 853.77 | 58.90 |
| Profit before tax | 102.91 | 66.81 | 54.03 | 99.55 | 66.74 | 49.16 |
| Provision for Income Tax | 20.34 | 14.35 | - | 20.34 | 14.35 | - |
| Provision for Deferred Tax | 11.70 | 4.31 | - | 11.70 | 4.31 | - |
| Profit after tax | 70.87 | 48.15 | 47.19 | 67.51 | 48.08 | 47.19 |
| Appropriations: | | | | | | |
| Proposed dividend on equity shares (₹ per share) | 0.20 (After bonus and Split) | 2.00 | - | 0.20 (After bonus and Split) | 2.00 | - |
| Transfer to General Reserve | 5.06 | 3.69 | - | 5.06 | 3.69 | - |
| EPS (₹) | 1.42 | 1.07 | 32.71 | 1.35 | 1.07 | 26.17 |

• PERFORMANCE

Consolidated:

During the year, your Company recorded the total income of ₹1357.82 Crores from ₹890.28 Crores in previous year, a growth of 52.52%. The EBITDA stood at ₹246.16 Crore from ₹139.48 Crore in previous year, an increase of 76.48%. Profit after Tax was increased to ₹70.87 crores from ₹48.15 Crores in previous year, up by 47.19%.

Standalone:

During the year, your Company recorded the total income of ₹1356.68 Crores from ₹853.77 Crores in previous year, a growth of 58.90%. The EBITDA stood at ₹242.20 Crores from ₹137.94 Crore in previous year, an increase of 75.58%. Profit after Tax was increased to ₹67.51 Crores from ₹48.08 Crores in previous year, up by 40.41%.

Reserves:

Your Company has transferred ₹5.06 Crores to General Reserve out of amount of ₹193.95 Crores

available for appropriations and balance amount of ₹177.24 Crores is retained in the Profit & Loss Account of your Company.

2. DIVIDEND

Your Directors recommended a dividend of ₹0.20 per equity share i.e. (20% on each equity share having Face value of ₹1 each, subject to the approval by the shareholders at the ensuing Annual General Meeting. The total dividend payout will be of ₹11.63 Crores inclusive of tax amount of ₹1.62 Crores.

The dividend, if approved by the shareholders, will be paid to those members whose names appear in the Register of Members as on the date of Annual General Meeting.

3. SHARE CAPITAL

During the year,

- (a) Your company has allotted 12,20,000 Equity Shares having face Value of ₹10 each to M/s. Vakrangee Holdings Private Limited (Erstwhile



DIRECTORS' REPORT

NJD Holdings Private Limited) (one of the Promoter Group Companies) upon conversion of equitable number of Fully Convertible Warrants issued on Preference basis.

- (b) Your Company also issued and allotted 92,466 Equity Shares having face Value of ₹10 each under the 'ESOP Scheme 2008' of the Company to employees and directors of the Company.

After the aforesaid issues & allotment, the paid-up share capital of the Company as on March 31, 2012 was at ₹25,02,39,790 comprising of 25023979 shares of ₹10 each.

During the year, the Company passed special Resolution (by way of Postal Ballot) for (a) sub-division of each Equity share of the Company having face value of ₹10 each into 10 Equity shares having Face Value of ₹1 each, and (b) Capitalization of Reserves of the Company by issuance of Bonus shares in the ratio of 1:1. The record date for both the Corporate Action was April 13, 2012.

Post the aforesaid Corporate Actions, i.e. as of April 14, 2012, issues & allotments (except allotment of Bonus shares which took place on April 14, 2012), the paid-up share capital of the Company stands increased to 500479580 shares of ₹1 each aggregating to ₹50,04,79,580.

4. SUBSIDIARIES

No additional investments in subsidiaries were made during the year 2011-12.

In terms of the exemption granted by the Central Government vide notification number 5/12/2007-CL-III dated February 8, 2011, the Balance Sheet and Profit and Loss Account, Report of the Board of Directors and Auditors of the Subsidiaries have not been attached with the Annual Report of the Company. However upon request by the shareholder of the Company, the annual accounts of the subsidiary companies will be made available. Pursuant to Section 212 of the Companies Act, 1956, the financial data alongwith equity share capital of the subsidiaries forming part of this Annual Report. Further, pursuant to Accounting Standard 21 issued by the Institute of Chartered Accountants of India, consolidated financial statement presented

by the Company includes financial information of its subsidiaries.

The Company has the following subsidiaries:

- **Vakrangee IT Solutions Limited**

We hold 100% of Equity Share capital of the Company, originally incorporated as V-Techno Services Limited, Vakrangee IT Solutions Limited has proprietary softwares like Document Management Services (DMS), Human Capital Management (HCM) and School ERP which are ready to be utilized in years to come.

- **e-Doc Vision Infotech Pvt. Ltd.**

The Company is to focus on consultancy on document and business process outsourcing to various customers. e-Doc Vision provides state of the art technology solutions. The Company has been allotted an Industrial plot admeasuring to 5 Acres from HSIIDC at IMT Manesar, Haryana, where on the Company is planning to develop an IT Centre. The project shall be financed partly by Vakrangee Softwares Limited in form of equity and partly by debt from outsiders.

- **Vakrangee e-Solutions INC.**

We hold 100% of Equity Share capital of the Company which is incorporated in the financial year 2009-10 at Philippines for implementing the project we have bagged for Digitization of critical records for Govt. of Philippines by setting up digitization centers all over Philippines.

- **Vakrangee Finserve Limited**

Vakrangee Finserve Limited is a 100% Subsidiary of the Vakrangee Softwares Limited, incorporated in September 2011 with a focus on working as Business Correspondent for various Banks under the BC Model of Reserve Bank of India (2006) in the area of Financial Inclusion.

The Company has already signed agreements with State Bank of India, Bank of India and Union Bank of India for carrying out BC services for these banks in identified Gram Panchayats. The services include opening of Bank Accounts, Deposits, Withdrawals and remittances. Besides, the company would provide

DIRECTORS' REPORT

Business Facilitator Services to these banks which involve mobilization deposits and loans.

The company has a plan to extend its network to about 5000 outlets across the country in the next three years.

5. MANAGEMENT DISCUSSION & ANALYSIS REPORT

Management discussion & Analysis Report, as required under the Listing Agreement with Stock Exchanges, is enclosed separately with this Annual Report.

6. LISTING AT STOCK EXCHANGE

The equity shares of the Company continue to be listed on Bombay Stock Exchange and National Stock Exchange. The annual listing fees for the year 2011-12 have been paid to these Exchanges.

7. DISCLOSURE OF PARTICULARS

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the relevant information is given hereunder;

• Conservation of Energy

The Operations of the Company are not energy intensive. However, measures have been taken to reduce energy consumptions by using efficient computers, IT Assets and other equipments with latest technologies. The expense on power in relation to income is nominal and under control and the use of the same is under continued surveillance with strict security measures.

• Technology Absorption

Since business and technologies are changing constantly, investment in research and development activities is of paramount importance. Your company continues its focus on quality up-gradation of products and services development. It has helped maintain margins.

• Foreign Exchange Earning and Outgo

Foreign Exchange Earning : ₹163.02 Lakhs
Foreign Exchange Outgo : ₹6.78 Lakh

8. FIXED DEPOSITS

During the year, the Company has not invited / received any fixed deposits from the public.

9. DIRECTORS RESPONSIBILITY STATEMENT

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

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures, wherever applicable.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company, as at the end of the financial year and of the profits of the Company for that period.
- (iii) The Directors have taken proper and sufficient care 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 necessary checks and balances are in place for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts on a going concern basis

10. RE-APPOINTMENT OF DIRECTORS

As per the provisions of the Companies Act, 1956 read with Articles of Association of the Company, Mr. Anil Patodia and Mr. K. L. Varma retire by rotation and being eligible, offer themselves for re-appointment at this Annual General Meeting.

During the year, Mr. B. K. Gupta resigned from the Board of Directors w.e.f. December 29, 2011 and the members of the Board appreciated the contribution by Mr. B. K. Gupta during his tenure.

As per the information available with the Company, none of the Directors of the Company are disqualified for being appointed as a Director as specified in Section 274 of the Companies Act, 1956 as amended.

11. EMPLOYEES STOCK OPTION SCHEME

The Company implemented the Employees Stock Option Scheme ("Scheme") in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase

DIRECTORS' REPORT

Scheme) Guidelines, 1999 ('the SEBI Guidelines'). The Remuneration and Compensation Committee, constituted in accordance with the SEBI Guidelines, administers and monitors the Scheme. The applicable disclosures as stipulated under the SEBI Guidelines as at March 31, 2012 (cumulative position) are given below: (Face Value ₹ 10 Per Share)

| Date of all grants as at 31.03.2012 | Price per options | No. of options granted |
|---|-------------------|--------------------------|
| 31.07.2009 | ₹61.90 | 270700 |
| 30.12.2009 | ₹67.85 | 20600 |
| 18.05.2010 | ₹146.50 | 156200 |
| 24.11.2010 | ₹150 | 86750 |
| 12.08.2011 | ₹150 | 64850 |
| Total | | 599100 |
| Options Vested as at 31.03.2012 | Price per options | No. of options Vested |
| 31.07.2009 grant | ₹61.90 | 178662 |
| 30.12.2009 grant | ₹67.85 | 13596 |
| 18.05.2010 grant | ₹146.50 | 51546 |
| 24.11.2010 grant | ₹150 | 28628 |
| 12.08.2011 grant | ₹150 | 0 |
| Total | | 272432 |
| Options Exercised as at 31.03.2012 | Price per options | No. of options Exercised |
| 31.07.2009 grant | ₹61.90 | 126748 |
| 30.12.2009 grant | ₹67.85 | 3216 |
| 18.05.2010 grant | ₹146.50 | 24133 |
| 24.11.2010 grant | ₹150 | 3717 |
| 12.08.2011 grant | ₹150 | 0 |
| Total | | 157814 |
| The total number of shares arising as a result of exercise of Options | | 92466 |
| Options Lapsed as at 31.03.2012 | | 67368 |
| Variation in terms of Options | | - |
| Money realised by exercise of Options | | ₹81,11,901 |
| Total number of Options in force as at 31.03.2012 (granted – exercised – lapsed) | | 373918 |
| Employee wise details of Options granted to: (pre Bonus and split) | | |
| i. Senior managerial personnel | | |
| 1. Mr. Nitin Sharma | | 15000 Options |
| 2. Mr. Shashank Chowdhury | | 15000 Options |
| ii. Any other employee who received a grant in any one year of Options amounting to 5% or more of Options granted | | NIL |
| iii. Identified employees, who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant | | NIL |
| Diluted Earnings Per Share (EPS) before exceptional items pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share' (Face value ₹1 per share) | | ₹1.33 |

The Company has obtained a certificate from the Auditors of the Company that the Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed by the shareholders.

12. CORPORATE GOVERNANCE

It is the on going process for us to comply with the recommendations of the Narayana Murthy Committee constituted by Securities Exchange Board of India (SEBI). For the financial year ended March, 2011, report

on Corporate Governance along-with the Certificate of the Auditors, M/s S. K. Patodia & Associates, confirming compliance with conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

DIRECTORS' REPORT

13. AUDITORS

M/s. S. K. Patodia & Associates, Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if re-appointed.

14. PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, are given in annexure appended hereto and forms part of this report. In terms of Section 219(1)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

15. ACKNOWLEDGEMENT AND APPRECIATION

The Directors take this opportunity to thank Company's customers, shareholders, suppliers, bankers, Central

and State Government for their consistent support to the Company. The Board also wishes to place on record their appreciation for the hard work, dedication and commitment of the employees at all levels. The enthusiasm and unstinting efforts of the employees have enabled the Company to grow in the competitive environment. The Board looks forward to their continued support and understanding in the years to come.

On behalf of the Board of Directors

Sd/-

Dinesh Nandwana

Chairman & Managing Director

Place: Mumbai,

Date: July 7, 2012



CORPORATE GOVERNANCE REPORT 2011-12

CORPORATE GOVERNANCE

Vakrangee's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices. Corporate Governance is that crucial muscle which encourages and moves a viable and accessible financial reporting structure and which enables a transparent system. Through the Governance mechanism in the Company, the Board along with its Committees undertake its fiduciary responsibilities to all its stakeholders by ensuring transparency, fairplay and independence in its decision making.

Corporate Governance signifies acceptance by management of the inalienable rights of shareholders as the true owners of the organization and of their own role as trustees on behalf of the shareholders. Strong corporate governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection.

At Vakrangee, our aspirations have always been of protecting, strengthening and aligning together the interest of all the stakeholders and to satisfy that, we strive hard to implement and continue to follow our core values which are "Belief in people, Entrepreneurship, Customer orientation and pursuit of excellence". Your Company endeavors to put in the right pedestal blocks for future growth and ensuring that we achieve our ambitions in a prudent and sustainable manner with strict adherence to best corporate governance practices.

Corporate Governance is a set of systems and practices to ensure that the affairs of the company are being managed in a way which ensures accountability, transparency, and fairness in all its transactions in the widest sense and meet its stakeholders' aspirations and societal expectations.

At Vakrangee, we are committed to meeting the aspirations of all our stakeholders. This is demonstrated in shareholder returns, our credit ratings, governance processes and an entrepreneurial and performance focused work environment.

The Board of Directors manages the affairs of the company in the best interest of the shareholders, providing necessary guidance and strategic vision. The Board is also responsible to ensure that the Company's management and employees operate with the highest degree of ethical standards.

Over the years, governance processes and systems have been strengthened and institutionalised at Vakrangee. Towards implementation and continuation of sound code of corporate governance practices, 4 committees are operating for specific purposes: viz. Audit Committee, Remuneration and Compensation Committee, Corporate Governance Committee and Shareholders/Investor Grievance Committee.

Your Company is committed to maintain the highest standards of Corporate Governance. Your directors adhere to the stipulations set out in the listing agreements with the Stock Exchanges. A report on Corporate Governance as stipulated under clause 49 of the listing agreement forms part of Annual Report.

Your Board of Directors present the Corporate Governance Report for the year 2011-12 based on the disclosure requirements under Clause 49 of the Listing Agreement existing as on March 31, 2012.

CORPORATE GOVERNANCE REPORT 2011-12

BOARD OF DIRECTORS

Composition:

The Board comprised of 7 directors including the Chairman and Managing Director, The details of the Board of Directors as on March 31, 2012 are given below:

| Name | Category | Designation | Date of appointment | Directorship in other companies | Chairmanship in Committees of Boards of other companies | Membership in Committees of Boards of other companies |
|-----------------------------|----------------------------|------------------------------|---------------------|---------------------------------|---|---|
| Mr. Dinesh Nandwana | Promoter & Executive | Chairman & Managing Director | 28/05/1990 | 16 | Nil | 1 |
| Dr. Nishikant Hayatnagarkar | Executive | Whole Time Director | 27/08/1999 | 3 | Nil | Nil |
| Mr. Anil Patodia | Non Executive, Independent | Director | 02/04/1994 | 6 | Nil | Nil |
| Mr. Sunil Agarwal | Non Executive, Independent | Director | 28/06/2002 | Nil | Nil | Nil |
| Mr. K. L. Varma | Non Executive, Independent | Director | 30/11/2002 | Nil | Nil | Nil |
| Mr. Ramesh M. Joshi | Non Executive, Independent | Director | 20/10/2006 | 5 | Nil | Nil |
| Mr. B. L. Meena | Non Executive, Independent | Director | 25/10/2010 | Nil | Nil | Nil |

Note: Mr. B. K. Gupta ceased to be director w.e.f. December 29, 2011

The Chairman is the Executive Director and the number of Independent / Non-Executive Directors constitutes more than 50% of the Board at any point of time. All Independent, Non-Executive Directors comply with the legal requirements of being "independent".

According to Clause 49 of the Listing Agreement with the stock exchanges, an independent director means a person other than an officer or employee of the company or its subsidiaries or any other individual having a material pecuniary relationship or transactions with the company which, in the opinion of the Board of Directors would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

BRIEF RESUMES OF THE BOARD OF DIRECTORS:

MR. DINESH NANDWANA

(Chairman and Managing Director)

Mr. Dinesh Nandwana is one of the main promoters of the company, by profession, Mr. Nandwana is a

Chartered Accountant. He is the navigator who drove the Company from a modest consultancy company to a well renowned and prominent e-governance Company. His vast experience is backed by astute and dynamic leadership qualities. Mentoring the core management team and to carry the team to deliver the best in the class e-governance and IT & IT enabled services has been his forte over the years. His vision to take the Company to the new orbit have helped the Company to achieve the stringent targets and to claim the position of one of the best e-governance players in the market.

DR. NISHIKANT HAYATNAGARKAR

(Executive Director - R&D)

Dr. Nishikant Hayatnagarkar is a Doctorate in computer science from IIT, Powai, Mumbai. He is associated with the company since 1994. He is a well-known personality in the field of microchip designing. He has developed a voice recognition system, which is widely used in various applications like Tele Banking, Tele Gas Booking

CORPORATE GOVERNANCE REPORT 2011-12

etc. He has also designed & developed Multilingual Keyboard and is consultant to Media Labs Asia – Kamal Rekhi School for Information Technology (IIT Mumbai) for development of Multilingual data input device – Marathi language Key Board (Key – Lekh) and E-Lekh (Tablet based Marathi language Input).

MR. RAMESH M. JOSHI

(Non Executive Independent Director)

Mr. Ramesh M. Joshi is a graduate in Economics & Law from the University of Nagpur. He had held various important positions in the Reserve Bank of India. He had the privilege of being nominated as a nominee of RBI on the Board's of various Banks. He had retired as an Executive Director of SEBI. He is also practicing as a senior corporate consultant.

MR. ANIL PATODIA

(Non Executive Independent Director)

Mr. Anil Patodia has a Bachelor's degree in commerce with over 20 years experience of administration and has good leadership qualities to control huge projects involving large manpower.

MR. SUNIL AGARWAL

(Non Executive Independent Director)

Mr. Sunil Agarwal is Bachelor of Commerce with over 25 years experience in business administration. He is a very successful businessman with good leadership qualities to control huge projects and explore new business opportunities.

MR. K. L. VARMA

(Non Executive Independent Director)

Mr. K. L. Varma is retired Financial Advisor and Chief Accounts Officer, Western Railway. He has vast experience in handling financial management and financial planning and introducing and implementing internal control systems.

MR. B. L. MEENA

(Non Executive Independent Director)

Shri B. L. Meena has rich experience of having worked in different Government department, including being Chief Commercial Manager NW Railway Jaipur of Indian Railway Traffic Service where he served for 28 years.

BOARD MEETINGS:

As per the Listing agreement, the Board of Directors must meet at least four times in a year, with a maximum time gap of four months between any two meetings.

During the last financial year, our Board met Seven times, on April 21, 2011, May 9, 2011, June 1, 2011, July 26, 2011, November 14, 2011, January 7, 2012, February 23, 2012. All the Board meetings were held at the Company's registered office at Mumbai, India.

The attendance of the directors at the board meetings held during the year is given below:

| Name of the Director | Number of meetings held | Number of meetings attended | Attended Last AGM | Shareholding in the Company as of March 31, 2012 (no. of shares)# |
|-----------------------------|-------------------------|-----------------------------|-------------------|---|
| Dinesh Nandwana | 7 | 7 | Yes | 1488300 |
| Ramesh M. Joshi | 7 | 5 | Yes | 100 |
| B. K. Gupta* | 7 | 4 | Yes | 0 |
| Dr. Nishikant Hayatnagarkar | 7 | 2 | Yes | 38 |
| Anil Patodia | 7 | 7 | Yes | 86519 |
| Sunil Agarwal | 7 | 3 | Yes | 0 |
| K. L. Varma | 7 | 5 | Yes | 425 |
| B. L. Meena | 7 | 5 | Yes | 0 |

*Ceased to be Director w.e.f 29th December, 2011

Data is pre-split & pre-Bonus



CORPORATE GOVERNANCE REPORT 2011-12

Director's membership in Board Committees:

As per the Listing Agreement, no Director can be a member in more than ten Committees or act as Chairman of more than five Committees across all companies in which he is a director.

In terms of the Listing Agreement, none of the Directors of our Company were members in more than ten Committees nor acted as Chairman of more than five Committees across all Companies in which they are Directors.

Details of Directors being re-appointed and appointed.

Two of the existing Directors who retire by rotation are proposed to be re-appointed as Directors at the ensuing Annual General Meeting.

BOARD COMMITTEES:

As of March 31, 2012 your Company has four Board Committees. These are:

1. Audit Committee
2. Remuneration and Compensation Committee
3. Corporate Governance Committee
4. Shareholders'/ Investor Grievance Committee

AUDIT COMMITTEE

Terms of reference

The terms of reference stipulated by the Board to the Audit Committee are as contained under Clause 49 of the Listing Agreement, as follows:

Overseeing inter alia the Company's financial reporting process and the disclosure of its financial information. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.

Reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and

practices, (ii) major accounting entries based on exercise of judgment by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) any related party transaction i.e. transactions of the 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.

Reviewing with the management, external and internal auditors, the adequacy of internal control systems. Reviewing the adequacy of internal audit functions. Discussion with internal auditors any significant findings and follow up there on. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board. Discussion with external auditors before the audit commences nature and scope of audit as well as post-audit discussion to ascertain any area of concern. Reviewing the Company's financial and risk management policies. To look into the reasons for substantial defaults in the payment to the creditors.

Composition

The Audit Committee comprised solely of independent directors. As on January 7, 2012, the committee had Shri K. L. Varma as its Chairman and Shri Sunil Agarwal and Shri B. K. Gupta as its other members. Due to the resignation of Shri. B. K. Gupta, the Audit committee was reconstituted having Shri K. L. Varma as the Chairman and Shri. Anil Patodia, Shri. B. L. Meena and Dr. Nishikant Hayatnagarkar as the other members of the committee.

Meetings & Attendance during the year

There were four meetings of the Audit Committee viz. on 9.05.2011, 26.07.2011, 14.11.2011, and 7.01.2012 and following is the table showing attendance for the same.

CORPORATE GOVERNANCE REPORT 2011-12

| Meeting Date Member Name | Description | 9.05.2011 | 26.07.2011 | 14.11.2011 | 7.01.2012 |
|-----------------------------|-------------|--------------|--------------|--------------|--------------|
| Mr. K. L. Varma | Chairman | Attended | Attended | Attended | Attended |
| Mr. B. K. Gupta | Member | Attended | Not Attended | Attended | Not Attended |
| Mr. Sunil Agarwal | Member | Not Attended | Attended | Not Attended | Attended |

REMUNERATION AND COMPENSATION COMMITTEE

The Remuneration and Compensation Committee previously comprised of three non-executive independent directors, Shri K. L. Varma, Shri Sunil Agarwal and Shri Brij Kishor Gupta (Chairman), after which the committee was reconstituted on January 7, 2012 having Shri B. L. Meena as the Chairman of the Committee and Shri Ramesh Joshi and Shri K. L. Varma as the other members of the committee.

The remunerations paid to the Executive Directors are in

accordance with the provisions of Schedule XIII of the Companies Act, 1956.

Executive Directors are paid remuneration within the limits envisaged under Schedule XIII of the Companies Act 1956. The remuneration payable is always recommended by the Remuneration & Compensation Committee to the Board and is approved by the Board.

The details of remuneration paid to Executive Directors during the financial year 2011-2012 are as under:

| Particulars | Mr. Dinesh Nandwana (Chairman & Managing Director) | Dr. Nishikant Hayatnagarkar (Executive Director) |
|----------------------------|---|---|
| Salary (₹) | 63.39 Lacs | 16.40 Lacs |
| Allowances and perquisites | NIL | 21.31 Lacs |

Non-Executive Director:

Non-Executive Directors have been paid sitting fee of ₹20,000 for attending every Board meeting. Sitting fee of ₹5,000 was paid for attending Committee meeting by the non-executive directors.

comprised of Shri Sunil Agarwal as the Chairman, Shri B. K. Gupta and Dr. Nishikant Hayatnagarkar as the other members of the Committee. Shri Pratik Bhanushali is the Company Secretary and compliance officer of the committee. All the members attended all the meetings of the Committee.

SHAREHOLDERS' / INVESTORS GRIEVANCE COMMITTEE

The board of directors of the company has, at its meeting dated January 7, 2012, reconstituted the Shareholders' / Investors Grievance Committee in accordance with the requirements of Clause 49 of the Listing Agreement comprising of two non-executive independent directors and one executive director. Shri Ramesh Joshi is the Chairman of the Committee. Shri Anil Patodia and Dr. Nishikant Hayatnagarkar are the other members of the committee. Prior to the reconstitution, the committee

The functions of the committee include:

To specifically look into interalia redressing investors' grievances pertaining to:

- Transfer of Shares
- Dividends
- De-materialization of Shares
- Replacement of lost/stolen/mutilated share certificates
- Non-receipt of right/bonus/split share certificates
- Any other related issues

CORPORATE GOVERNANCE REPORT 2011-12

Complaints:

| Sr. No. | Nature of the complaint | Received | Replied | Pending |
|---------|---|-----------|-----------|----------|
| 1 | Non-receipt of share certificates lodged for transfer | 8 | 8 | 0 |
| 2 | Non-receipt of dividend warrants | 7 | 7 | 0 |
| 3 | Non-receipt of Bonus shares | 0 | 0 | 0 |
| 4 | Non receipt of duplicate share certificates | 0 | 0 | 0 |
| 5 | Non receipt of Demat rejection documents | 0 | 0 | 0 |
| 6 | Letters from Department of Company Affairs / Other Statutory Bodies | 0 | 0 | 0 |
| 7 | Non Receipt of Demat Credit | 3 | 3 | 0 |
| 8 | Stock Exchange letters | 0 | 0 | 0 |
| | Total | 18 | 18 | 0 |

The company had no transfers pending at the close of 31.03.2012.

ANNUAL GENERAL MEETING:

Date, Venue and Time for the last three Annual General Meetings

| Date | Venue | Time | No. of Special Resolutions |
|--------------------|---|----------|----------------------------|
| August 26, 2011 | Chancellor Suite, Hotel Hilton, Mumbai, Sahar Airport Road, Andheri (East), Mumbai 400 099 | 11.00 AM | NIL |
| September 14, 2010 | Chancellor Suite, Hotel Le Royal Meridien, Sahar Airport Road, Andheri (East), Mumbai 400 099 | 11.00 AM | 3 |
| September 25, 2009 | Chancellor Suite, Hotel Le Royal Meridien, Sahar Airport Road, Andheri (East), Mumbai 400 099 | 11.00 AM | 2 |

Resolutions passed through Postal Ballot:

During the year, the Company passed the following Special Resolutions through a single Postal Ballot.

| Sr. No. | Description |
|---------|--|
| 1. | Special Resolution under Section 94 of Companies Act, 1956 for Increase in Authorised Share Capital of the Company from ₹45,00,00,000 (Rupees Forty Five Crores Only) to ₹75,00,00,000 (Rupees Seventy Five Crores Only) |
| 2. | Special Resolution for issue of Bonus shares in the ratio 1:1 |
| 3. | Special Resolution under Section 16 and 94 of the Companies Act, 1956 for sub-division of equity shares of face value of ₹10 each to ₹1 each |
| 4. | Special Resolution under Section 16 and 31 of the Companies Act, 1956 for affecting consequent changes in Memorandum and Articles of Association |

M/s. S. K. Jain, Practicing Company Secretary, who was appointed as Scrutinizer for conducting the Postal Ballot process in fair and transparent manner submitted its Report to the Board of Directors of the Company on March 30, 2012. Based on the said Report, the Chairman of the Board of Directors declared Result of the Postal Ballot.

CORPORATE GOVERNANCE REPORT 2011-12

Disclosures

Disclosure on material significant related party transactions with its promoter, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

There is no material transaction with any related party, which may have potential conflict with the interest of the company at large.

During the last three years, there were no strictures or penalties imposed by either the Securities and Exchange Board of India or the Stock Exchanges or any statutory authorities for non-compliance of any matter related to the capital markets.

MEANS OF COMMUNICATION:

| | | |
|---|---|---|
| 1 | Quarterly Results | News Paper Advertisement |
| 2 | Newspaper wherein results are normally published | Economic Times (English and Gujarati), Times of India (English), Free Press Journal (English) & Navshakti (Marathi) |
| 3 | Any Website where displayed | www.vakrangee.in, www.nseindia.com, www.bseindia.com |
| 4 | Whether it also displayed official news releases | Yes |
| 5 | The presentation made to Institutional Investor or to the Analyst | Yes |

GENERAL SHAREHOLDERS INFORMATION

Annual General Meeting

The next Annual General Meeting of the company will be held on July 31, 2012 at 11.00 a.m. at The Chancellor Suite, Hotel Hilton Mumbai, Sahar Airport Road, Andheri (East), Mumbai 400 099

Financial Calendar for 2012-13

| Tentative Schedule | Likely Board Meeting Schedule |
|--|----------------------------------|
| Financial reporting for the quarter ending June 30, 2012 | Second fortnight of July 2012 |
| Financial reporting for half year ended September 30, 2012 | Second fortnight of October 2012 |
| Financial reporting for the quarter ending December 31, 2012 | Second fortnight of January 2013 |
| Financial reporting for the year ended March 31, 2013 | Second fortnight of April 2013 |
| Annual General Meeting for the year ending March 31, 2013 | Second fortnight of August 2013 |

Book Closure

The Company's register of members and share transfer books will remain closed from July 25, 2012 to July 31, 2012 (both days inclusive).

Dividend payment

i. Payment date:

Dividend, when declared at the AGM, will be paid before August 31, 2012

ii. Payment Entitlement:

Dividend will be paid to those members whose name would appear;

- For shares in demat form: As beneficial owner as at the end of the business hours on July 24, 2012 as per the list to be provided by the Depositories to the Company.
- For shares in physical form: As a member in the Register of Members of the Company as on July 24, 2012

CORPORATE GOVERNANCE REPORT 2011-12

Listing on Stock Exchanges:

Your company's securities are listed on the following stock exchanges:

| Equity Shares |
|--|
| Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 023 |
| National Stock Exchange of India Ltd. Exchange Plaza, 5 th Floor, Plot No. C/1, G Block, Bandra (East), Mumbai - 400 051. |

Listing fees for the year 2012-13 have been paid to the Indian Stock Exchanges.

Stock Code

| Stock Exchange | Code |
|---------------------------------------|---------------|
| Bombay Stock Exchange Ltd. | 511431 |
| National Stock Exchange of India Ltd. | VAKRANSOFT |
| ISIN no. for Equity Shares (NSDL) | INE051B01013* |
| ISIN no. for Equity Shares (CDSL) | INE051B01013* |

**Pursuant to the Subdivision of stock of the Company, the Company obtained a new ISIN - INE051B01021, w.e.f. April 10, 2012*

Stock Market Data relating to Equity Share listed in India:

| Month (2011-12) | Price on BSE during each month | | Volume traded | Price on NSE during each month | | Volume traded |
|--------------------|-----------------------------------|--------|---------------|-----------------------------------|--------|---------------|
| | High | Low | | High | Low | |
| April | 388 | 343 | 6,79,365 | 388 | 321.60 | 544755 |
| May | 394.9 | 349.1 | 10,75,851 | 419 | 343.50 | 1004759 |
| June | 378 | 350 | 5,68,712 | 378 | 350 | 393994 |
| July | 411.6 | 366.5 | 6,31,414 | 411.40 | 361.15 | 607523 |
| August | 404.85 | 355 | 4,71,013 | 405 | 355 | 413129 |
| September | 389.7 | 349 | 2,31,887 | 389.90 | 348 | 243602 |
| October | 366 | 350 | 2,81,219 | 365.10 | 350 | 99787 |
| November | 360 | 326.15 | 6,41,107 | 400 | 321.60 | 555488 |
| December | 362 | 315 | 7,74,988 | 362 | 282 | 602514 |
| January | 394 | 324.9 | 9,61,536 | 395 | 324 | 573816 |
| February | 588.05 | 371.65 | 29,48,129 | 588.20 | 372.25 | 2713190 |
| March | 565 | 435.8 | 10,49,079 | 564.60 | 434.80 | 932198 |

REGISTRAR AND SHARE TRANSFER AGENT:

The Board has delegated the power of share transfer to Registrar and Share transfer agents for processing of share transfers to Big Share Services Pvt. Ltd. Their complete address is as follows:

Big Share Services Pvt. Ltd.
E-2, Ansa Industrial Estate, Saki Vihar Road
Sakinaka, Andheri (E),
Mumbai – 400072.
Tele No. : 022-28470652 / 40430200
Fax No. : 022-28475207
Email : info@bigshareonline.com

CORPORATE GOVERNANCE REPORT 2011-12

Distribution of shareholding: - Face Value ₹10 Per Share

| As on March 31, 2012 | | | | |
|--------------------------|---------------------|-------------------|-----------------|----------------|
| Category (No. of Shares) | No. of shareholders | % of shareholders | No. of shares | % total equity |
| 0-5000 | 7160 | 91.5718 | 774357 | 3.0945 |
| 5001-10000 | 330 | 4.4405 | 267170 | 1.0677 |
| 10001-20000 | 129 | 1.6498 | 197774 | 0.7903 |
| 20001-30000 | 58 | 0.7418 | 149452 | 0.5972 |
| 30001-40000 | 20 | 0.2558 | 69550 | 0.2779 |
| 40001-50000 | 21 | 0.2686 | 96608 | 0.3861 |
| 50001-100000 | 32 | 0.4093 | 232710 | 0.9299 |
| 100001-to above | 69 | 0.8825 | 23236358 | 92.8564 |
| Total | 7819 | 100.00 | 25023979 | 100.00 |

Category of Shareholders:

| | Category | March 31, 2012 | | March 31, 2011 | |
|------------|---|-------------------------|---------------|--------------------------|---------------|
| | | Face Value ₹1 Per Share | | Face Value ₹10 Per Share | |
| | | No. of shares held | % of Holding | No. of shares held | % of Holding |
| (A) | Shareholding of Promoter and Promoter Group | | | | |
| (a) | Individuals/ Hindu Undivided Family | 14939450 | 5.97 | 2653895 | 11.19 |
| (b) | Bodies Corporate | 59727560 | 23.87 | 3589456 | 15.14 |
| | Total (A) | 74667010 | 29.84 | 6243351 | 26.33 |
| (B) | Public Shareholding | | | | |
| B1 | Institutions | | | | |
| (a) | Financial Institutions / Banks | 219310 | 0.09 | 258809 | 1.09 |
| (b) | Foreign Institutional Investors | 0 | 0.00 | 0 | 0.00 |
| | Sub-Total (B)(1) | 219310 | 0.09 | 258809 | 1.09 |
| B 2 | Non-institutions | | | | |
| (a) | Bodies Corporate | 142217360 | 56.83 | 12918394 | 54.48 |
| b(i) | Individual shareholders holding nominal share capital up to ₹1 lakh | 15213190 | 6.08 | 2255025 | 9.51 |
| b(ii) | Individual shareholders holding nominal share capital in excess of ₹1 lakh. | 17185240 | 6.87 | 1945606 | 8.21 |
| (c) | Clearing members | 211170 | 0.08 | 55039 | 0.23 |
| (d) | Non Residents Indians(NRI) | 526510 | 0.21 | 35289 | 0.15 |
| | Sub-Total (B)(2) | 175353470 | 70.07 | 17209353 | 72.58 |
| (B) | Total Public Shareholding (B)= (B)(1)+(B)(2) | 175572780 | 70.16 | 17468162 | 73.67 |
| | GRAND TOTAL (A) + (B) | 250239790 | 100.00 | 23711513 | 100.00 |

Dematerialization of shares and liquidity:

Over 99.27% of outstanding equity has been dematerialized upto March 31, 2012.

Fully Convertible Warrants issued on preferential basis, pending conversion:

The Company had issued 34,70,000 Fully Convertible Warrants on March 22, 2010 to M/s. Vakrangee Holdings Private Limited (Erstwhile NJD Holdings Private Limited), a promoter group Company, convertible each into equivalent number of fully paid equity shares having face value of ₹10 each at a premium of ₹60 per share, convertible at the sole option of the allottee but before expiry of 18 months from the date of allotment. 11,00,000 Fully Convertible Warrants out of the above got converted into equivalent number of equity shares by allotment of the equivalent number of fully paid equity shares on March 29, 2010 in lieu thereof and 11,50,000 Warrants got converted into equivalent number of equity shares by allotment of the equivalent number of fully paid equity shares on March 25, 2011 in lieu thereof. During the year, the remaining 12,20,000 Fully Convertible Warrants got converted into equivalent number of equity shares by allotment of the equivalent number of fully paid equity shares on April 1, 2012 in lieu thereof.



CORPORATE GOVERNANCE REPORT 2011-12

Address of Correspondence:

Vakrangee Softwares Limited

"Vakrangee House", Plot No. 66,
Marol Co-op Industrial Estate,
Off. M. V. Road, Andheri (E),
Mumbai – 400 059.

Company's corporate website:

www.vakrangeesoftware.in

Shareholders can contact the following officials for Company secretarial matters related to the company:

| Name | Telephone No. | Email ID | Fax No. |
|-------------------|--------------------|--|--------------|
| Pratik Bhanushali | 67765101, 67765102 | info@vakrangee.in | 022-28502017 |

Vakrangee Softwares Ltd's Code of Conduct:

Vakrangee Softwares Ltd's Code of Conduct, as adopted by the Board of Directors, is applicable to the Directors, senior management and employees of the Company. The Code of Conduct is available on the Company's corporate website.

Vakrangee Softwares Ltd's Code of Insider Trading:

Vakrangee Softwares Ltd has Code of Conduct for Prevention of Insider Trading ('VSL Code') in the shares of the Company and same is available on the Company's corporate website.



AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the members of Vakrangee Softwares Limited

We have examined the Compliance of the conditions of Corporate Governance procedures implemented by Vakrangee Softwares Limited, for the year ended March 31, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchange in India.

The Compliance of the conditions of corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the company for ensuring compliance with the conditions of corporate Governance. It is neither an audit nor an expression of opinion of the financial statement of the company.

In our opinion and to the best of our information and according to the explanation given to us, and the representations made by the Directors and management, we certify that the company has complied with the conditions of corporate Governance as stipulated in clause 49 of the Listing Agreement.

As required by the Guidance note issued by the Institute of Chartered Accountants of India, we have to state that based on the report given by the Registrars of the company to the Investors' Grievance Committee, as on March 31, 2012, there were no valid investor grievance matters against the Company remaining unattended/pending for more than 30 days.

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

For S. K. Patodia & Associates

Chartered Accountants

FRN : 112723W

Sunil Patodia

Partner

Mem. No. : 045489

Place : Mumbai

Date : July 7, 2012

CEO / CFO CERTIFICATE

To the Board of Directors of Vakrangee Softwares Limited

Dear Sirs,

Sub: CEO / CFO Certificate

(Issued in accordance with the provisions of Clause 49 of the Listing Agreement)

We have reviewed the financial statements, read with cash flow statement, of Vakrangee Softwares Limited for the year ended March 31, 2012 and that to the best of our knowledge and belief, we state that;

- (a) (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 together present a true and fair view of the company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit committee, deficiencies in the design or operation of such internal controls, if any, and steps taken or proposed to be taken for rectifying these deficiencies.
- (d) We have indicated to the auditors and the Audit committee
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud, of which, we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Yours sincerely,

Dinesh Nandwana
Chairman & Managing Director
Vakrangee Softwares Limited

Subhash Singhania
Finance Head
Vakrangee Softwares Limited

Place : Mumbai
Date : April 26, 2012



CERTIFICATE FROM THE COMPANY SECRETARY

I, Pratik Bhanushali, Company Secretary of Vakrangee Softwares Limited, hereby confirm that the Company has:

- a. Filed the:
 - (i) Annual Return for the year 2010-11 as per the Provision of Section 159 of the Companies Act, 1956; and
 - (ii) Balance Sheet and Profit and Loss Accounts for the financial year 2010-11 as per the Provisions of Section 220 of the Companies Act, 1956;
- b. Filed all other forms and returns and furnished all necessary particulars to the office of Registrar of Companies and / or authorities as required under the Companies Act, 1956;
- c. Maintained all the Books of accounts and Statutory register under the Companies Act, 1956;
- d. Conducted all the Board Meetings and Annual General Meeting as per the Companies Act, 1956 and the minutes thereof are properly recorded in the minutes Book;
- e. Effected the Share Transfers and dispatched the Share Certificates within the time limit prescribed by various authorities;
- f. Exercised all powers as per the Provisions of the Act and has not exceeded the borrowing powers;
- g. Not invited and hence not defaulted in payment of any interests and principals against any fixed deposits;
- h. Not issued and hence not defaulted in payment of interest and principals against any fixed deposits;
- i. Paid dividend to the shareholders within the time limit prescribed and will transfer the unpaid / un-claimed dividends within the time limit prescribed to the Investor Education Protection Fund;
- j. Complied with the Regulations prescribed by the Stock Exchanges, SEBI, and other Statutory Authorities and Statutory requirement under the Companies Act, 1956 and other applicable statutes in force;

The Certificate is given by the undersigned according to the best of his knowledge and belief, knowing fully well that on the faith and strength of what is stated above, the Shareholders of the Company will place full reliance on it.

Pratik Bhanushali
Company Secretary

Place : Mumbai
Date : April 26, 2012



AUDITOR'S REPORT

To the Members of Vakrangee Softwares Limited,

We have audited the attached Balance Sheet of **Vakrangee Softwares Limited** as at **March 31, 2012**, the Profit and Loss Account and the Cash Flow Statement for the year ended on that 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.

1. 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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.
2. As required by the Companies (Auditor's Report) Order, 2003 and amendments thereto issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company as it appears from our examination of those books.
 - c) The said Balance Sheet, the Profit & Loss Account and the Cash Flow statement dealt with by this report are in agreement with the books of accounts.

- d) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- e) On the basis of written representations received from the directors as on March 31, 2012 and taken on record by the Board, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes appearing thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012,
 - ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - iii) In the case of Cash Flow Statement, of the Cash Flows of the company for the year ended on that date.

For **S. K. Patodia & Associates**
Chartered Accountants
FRN : 112723W

Sunil Patodia
Partner
Mem. No. : 045489
Place : Mumbai
Date : April 26, 2012



ANNEXURE TO AUDITOR'S REPORT

Annexure referred to in Paragraph 2 of the Auditor's Report to the members of **Vakrangee Softwares Limited** for the year ended March 31, 2012.

As required by the Companies (Auditor's Report) Order, 2003 and amendments thereto and according to the information and explanations given to us during the course of the audit and on the basis of such checks of the books and records as were considered appropriate we report that:

- (i) a) The Company has maintained proper records showing full particulars, including quantitative details and situations of fixed assets.
- b) All the assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size of the company and the nature of business. The frequency of verification is reasonable and no material discrepancies have been noticed on such physical verification.
- c) During the year, there is no substantial disposal of Fixed Assets.
- (ii) a) The inventories have been physically verified by the management during the year at reasonable intervals.
- b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The Company has maintained proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material.
- (iii) a) The Company has granted unsecured loans to nine parties including four subsidiary companies covered in the register maintained under Section 301 of the Companies Act, 1956 on call basis. The maximum amount outstanding during the year was ₹2,400.09 lacs and the year-end balance was ₹1,420.77 lacs.
- b) Interest is charged on all the said loans except in case of Vakrangee Lactus & Hortus Pvt. Ltd. Other terms and conditions on which the loans have been granted are prima facie, not prejudicial to the interest of the Company.
- c) According to information provided to us, the repayment of said loans is regular.
- d) The Company has taken unsecured loans from Vakrangee Capital Pvt. Ltd. and Vakrangee Holdings Pvt. Ltd. covered in the register maintained under Section 301 of the Companies Act, 1956 on call basis. The maximum amount outstanding during the year was ₹1,443.25 lacs and the year-end balance was ₹943.25 lacs.
- e) The said loans are interest-free loans. Other terms and conditions on which the loans have been taken are prima facie, not prejudicial to the interest of the Company.
- f) According to information provided to us, there is no default in repayment of said loans.
- (iv) In our opinion and according to the information and explanation given to us there is adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
- (v) a) Based on the audit procedures performed by us, we are of the opinion that particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained in that section.
- b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any public deposit.
- (vii) The Company has an adequate internal audit system commensurate with the size and nature of

ANNEXURE TO AUDITOR'S REPORT

- its business.
- (viii) The Central Government has not prescribed for maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for the Company.
- (ix) a) According to the records of the Company, the undisputed statutory dues including Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty and Excise Duty, Cess have regularly been deposited with the appropriate authorities. There are no significant undisputed amount payable in respect of such statutory dues which have remained outstanding as at March 31, 2012 for a period more than six months from the date they became payable.
- b) According to the records of the company and information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses during the financial year and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of its dues to banks and financial institutions.
- (xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/ Societies are not applicable to the company.
- (xiv) In respect of dealing in shares, securities and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities and other investments have been held by the company in its own name.
- (xv) The Company has not given any guarantee for loans taken by others from banks and financial institutions except guarantee given in respect of loan granted to Vakrangee e-Solutions Inc., a subsidiary company, by Barclays Bank Plc. The outstanding amount of loan as on March 31, 2012 is Nil.
- (xvi) The Company has taken Term Loans during the year and has applied the loans for the purposes for which they were obtained.
- (xvii) On an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long term investments.
- (xviii) The Company has made preferential allotment of equity shares against share warrants issued in the previous year(s) to the parties covered in the register maintained under section 301 of the Companies Act, 1956. The same has been made in conformity with the guidelines issued by the Securities and Exchange Board of India relating to such preferential allotment and the basis of said allotment is not prejudicial to the interest of the company.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of material fraud on or by the Company, noticed or reported during the year.

For **S. K. Patodia & Associates**

Chartered Accountants

FRN : 112723W

Sunil Patodia

Partner

Mem. No. : 045489

Place : Mumbai

Date : April 26, 2012

BALANCE SHEET AS AT MARCH 31, 2012

₹ in Lacs

| | Particulars | Note No. | As at March 31, 2012 | As at March 31, 2011 |
|-----------|---|----------|----------------------|----------------------|
| I | EQUITY & LIABILITIES | | | |
| | 1. Shareholders' funds | | | |
| | (a) Share Capital | 2 | 2,502.40 | 2,371.15 |
| | (b) Reserves and Surplus | 3 | 38,906.36 | 32,392.25 |
| | (c) Money received against share warrants | 4 | - | 854.00 |
| | | | 41,408.76 | 35,617.40 |
| | 2. Share application money pending allotment | 5 | - | 6.53 |
| | 3. Non - Current Liabilities | | | |
| | (a) Long -Term Borrowings | 6 | 15,596.11 | - |
| | (b) Deferred Tax Liabilities (Net) | 7 | 7,315.92 | 5,172.14 |
| | (c) Other Long - Term Liabilities | 8 | 699.17 | 47.56 |
| | | | 23,611.20 | 5,219.70 |
| | 4. Current Liabilities | | | |
| | (a) Short - Term Borrowings | 9 | 20,824.94 | 15,288.65 |
| | (b) Trade Payables | 10 | 11,890.74 | 8,287.95 |
| | (c) Other Current Liabilities | 11 | 9,655.69 | 495.22 |
| | (d) Short - Term Provisions | 12 | 2,145.61 | 1,372.38 |
| | | | 44,516.98 | 25,444.20 |
| | TOTAL | | 1,09,536.94 | 66,287.83 |
| II | ASSETS | | | |
| | 1. Non - Current Assets | | | |
| | (a) Fixed Assets | 13 | | |
| | (i) Tangible Assets | | 48,711.77 | 21,491.73 |
| | (ii) Intangible Assets | | - | - |
| | (iii) Capital Work-in-Progress | | 7.88 | - |
| | (b) Non - Current Investments | 14 | 5,837.30 | 6,006.08 |
| | (c) Long - Term Loans and Advances | 15 | 3,302.08 | 2,999.49 |
| | (d) Other Non - Current Assets | 16 | 472.32 | 264.16 |
| | | | 58,331.35 | 30,761.46 |
| | 2. Current Assets | | | |
| | (a) Inventories | 17 | 358.99 | 89.57 |
| | (b) Trade Receivables | 18 | 44,523.52 | 26,779.70 |
| | (c) Cash and Cash equivalents | 19 | 2,596.97 | 1,750.44 |
| | (d) Short - Term Loans and Advances | 20 | 3,179.53 | 1,030.36 |
| | (e) Other Current Assets | 21 | 546.58 | 5,876.30 |
| | | | 51,205.59 | 35,526.37 |
| | TOTAL | | 1,09,536.94 | 66,287.83 |
| | Significant Accounting Policies | 1 | | |

As per our report of even date

For S. K. PATODIA & ASSOCIATES For and on behalf of the Board

Chartered Accountants

Firm Regd. No. 112723W

SUNIL PATODIA

Partner

Membership No. 045489

Place : Mumbai

Date : April 26, 2012

DINESH NANDWANA

Chairman & Managing Director

DR. NISHIKANT HAYATNAGARKAR

Director

PRATIK BHANUSHALI

Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2012

₹ in Lacs except EPS

| | Particulars | Note No. | For the Year Ended March 31, 2012 | | For the Year Ended March 31, 2011 | |
|------|---|----------|--------------------------------------|--------------------|--------------------------------------|------------------|
| I | Revenue from Operations | 24 | 1,35,214.43 | | 85,233.77 | |
| II | Other Income | 25 | 423.48 | | 143.67 | |
| III | Total Revenue (I + II) | | | 1,35,637.91 | | 85,377.44 |
| IV | Expenses | | | | | |
| | Operating Expenses | 26 | 1,09,076.02 | | 69,926.82 | |
| | Changes in Inventories | 27 | (108.22) | | 28.27 | |
| | Employee Benefits Expenses | 28 | 1,224.13 | | 644.28 | |
| | Finance Costs | 29 | 5,525.15 | | 1,790.53 | |
| | Depreciation and Amortization Expense | 13 | 8,739.96 | | 5,329.68 | |
| | Other Expenses | 30 | 1,226.12 | | 983.84 | |
| | Total Expense | | | 1,25,683.16 | | 78,703.42 |
| V | Profit before Exceptional and Extraordinary Items and Tax (III-IV) | | | 9,954.75 | | 6,674.02 |
| VI | Exceptional Items | | | - | | - |
| VII | Profit before Extraordinary Items and Tax (V-VI) | | | 9,954.75 | | 6,674.02 |
| VIII | Extraordinary Items | | | - | | - |
| IX | Profit Before Tax (VII-VIII) | | | 9,954.75 | | 6,674.02 |
| X | Tax Expense: | | | | | |
| | (a) Current Tax | | 2,034.45 | | 1,331.24 | |
| | (b) Deferred Tax | | 2,143.78 | | 949.83 | |
| | (c) Tax of Earlier Year | | - | | 103.82 | |
| | (d) MAT Credit Entitlement | | (974.08) | | (518.45) | |
| | | | | 3,204.15 | | 1,866.44 |
| XI | Profit for the Period from Continuing Operations (IX - X) | | | 6,750.60 | | 4,807.58 |
| XII | Profit/(Loss) for the Period from Discontinuing Operations | | | - | | - |
| XIII | Tax Expense of Discontinuing Operations | | | - | | - |
| XIV | Profit/(Loss) from Discontinuing Operations (After Tax) (XII-XIII) | | | - | | - |
| XV | Profit for the Period (XI + XIV) | | | 6,750.60 | | 4,807.58 |
| XVI | No. of equity shares for computing EPS | | | | | |
| | (1) Basic | | | 49,98,08,546 | | 45,05,86,400 |
| | (2) Diluted | | | 50,77,57,003 | | 49,81,72,120 |
| XVII | Earnings Per Equity Share (Face Value ₹1 Per Share): | 31 | | | | |
| | (1) Basic (₹) | | | 1.35 | | 1.07 |
| | (2) Diluted (₹) | | | 1.33 | | 0.97 |
| | Significant Accounting Policies | 1 | | | | |

As per our report of even date

For S. K. PATODIA & ASSOCIATES For and on behalf of the Board

Chartered Accountants

Firm Regd. No. 112723W

SUNIL PATODIA

Partner

Membership No. 045489

Place : Mumbai

Date : April 26, 2012

DINESH NANDWANA

Chairman & Managing Director

DR. NISHIKANT HAYATNAGARKAR

Director

PRATIK BHANUSHALI

Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2012

₹ in Lacs

| S. No. | Particulars | For the Year Ended March 31, 2012 | For the Year Ended March 31, 2011 |
|-----------|--|--------------------------------------|--------------------------------------|
| I | CASH FLOW FROM OPERATING ACTIVITIES | | |
| | Profit before tax from continuing operations | 9,954.78 | 6,674.01 |
| | Profit before tax from discontinuing operations | - | - |
| | Profit before tax | 9,954.78 | 6,674.01 |
| | Non-cash adjustment to reconcile profit before tax to net cash flows | | |
| | Depreciation/amortization on continuing operation | 8,739.97 | 5,329.68 |
| | Depreciation/amortization on discontinuing operation | - | - |
| | Loss/(profit) on sale of fixed assets | (39.42) | (1.25) |
| | Employee stock compensation expense | 124.60 | 26.86 |
| | Net gain on sale of non-current investments | (0.99) | - |
| | Interest expense | 4,929.80 | 1,628.75 |
| | Interest income | (378.91) | (136.73) |
| | Dividend income | - | (0.01) |
| | Operating profit before working capital changes | 23,329.83 | 13,521.31 |
| | Movements in working capital: | | |
| | Increase / (decrease) in trade payables | 3,602.79 | 2,441.71 |
| | Increase / (decrease) in short-term provisions | 146.62 | 27.60 |
| | Increase / (decrease) in other current liabilities | 9,160.49 | 192.91 |
| | Increase / (decrease) in other long-term liabilities | 651.60 | 44.51 |
| | Decrease / (increase) in trade receivables | (17,743.82) | (16,729.44) |
| | Decrease / (increase) in inventories | (269.43) | 687.00 |
| | Decrease / (increase) in long-term loans and advances | 671.49 | (1,244.15) |
| | Decrease / (increase) in short-term loans and advances | (2,149.17) | (383.69) |
| | Decrease / (increase) in other current assets | 5,329.71 | (5,401.59) |
| | Decrease / (increase) in other non-current assets | (208.16) | 3,910.66 |
| | Cash generated from / (used in) operations | 22,521.95 | (2,933.17) |
| | Direct taxes paid (net of refunds) | (1,992.51) | (1,095.58) |
| | Net cash flow from / used in operating activities (A) | 20,529.44 | (4,028.75) |
| II | CASH FLOW FROM INVESTING ACTIVITIES | | |
| | Purchase of fixed assets, including intangible assets, CWIP and capital advances | (36,013.70) | (5,778.58) |
| | Proceeds from sale of fixed assets | 85.21 | 2,037.61 |
| | Proceeds of non-current investments | 336.07 | - |
| | Purchase of non-current investments | (166.30) | (694.08) |
| | Interest received | 378.91 | 136.73 |
| | Dividends received | - | 0.01 |
| | Net cash flow from / (used in) investing activities (B) | (35,379.81) | (4,298.31) |

CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2012

| | | | |
|-----|--|------------------|-----------------|
| III | CASH FLOW FROM FINANCING ACTIVITIES | | |
| | Proceeds from issuance of share capital | 131.25 | 121.53 |
| | Proceeds from securities premium on issuance of share capital | 803.87 | 723.92 |
| | Proceeds from long-term borrowings | 15,596.12 | - |
| | Proceeds from short-term borrowings | 5,536.29 | 10,388.76 |
| | Warrant & Share Application Money | (860.53) | 445.78 |
| | Interest paid | (4,929.80) | (1,628.75) |
| | Dividends paid on equity shares | (499.30) | (337.44) |
| | Tax on equity dividend paid | (81.00) | (56.04) |
| | Net cash flow from/(used in) in financing activities (C) | 15,696.90 | 9,657.76 |
| | | | |
| | Net increase / (decrease) in cash and cash equivalents (A + B + C) | 846.53 | 1,330.70 |
| | Cash and cash equivalents at the beginning of the year | 1,750.44 | 419.74 |
| | Cash and cash equivalents at the end of the year | 2,596.97 | 1,750.44 |
| | | | |
| | Components of cash and cash equivalents | | |
| | Cash on hand | 47.40 | 45.26 |
| | Cheques/ drafts on hand | - | - |
| | With banks - on current account | 462.81 | 835.11 |
| | on deposit account | 2,067.40 | 855.18 |
| | unpaid dividend accounts* | 19.36 | 14.89 |
| | Total cash and cash equivalents (Note 19) | 2,596.97 | 1,750.44 |

* The company can utilize these balances only toward settlement of the respective unpaid dividend.

For S. K. PATODIA & ASSOCIATES For and on behalf of the Board

Chartered Accountants

Firm Regd. No. 112723W

SUNIL PATODIA

Partner

DINESH NANDWANA

Chairman & Managing Director

DR. NISHIKANT HAYATNAGARKAR

Director

PRATIK BHANUSHALI

Company Secretary

Membership No. 045489

Place : Mumbai

Date : April 26, 2012



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 1 - Significant Accounting Policies

Vakrangee Softwares Limited (The Company) is a public company domiciled in India and incorporated in May 1990 under the provisions of the Companies Act, 1956. Its shares are listed on Bombay stock exchange and National Stock Exchange in India. Vakrangee Softwares Limited along with its subsidiaries Vakrangee IT Solution Ltd., e-Doc Vision Infotech Pvt. Ltd., Vakrangee e-Solutions Inc. (Philippines), Vakrangee Finserve Ltd. provides diverse solutions, services in e-governance sector with special competencies in handling massive, multi-state and e-governance enrollment projects and software and IT solutions, Data Digitisation, Data Management System and Print Management System.

A. Basis of Accounting

The financial statements are prepared under the historical cost convention, on a going concern concept and in compliance with the Accounting Standards notified by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956. Accounting policies not specifically referred to otherwise, are consistent and in consonance with the generally accepted accounting principles.

B. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known / materialised.

C. Recognition of Income

Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection.

The Company follow the accrual basis of accounting except in the following cases, where the same are recorded on cash basis on ascertainment of right and obligation.

- i. Insurance Claim
- ii. Dividend Income, if any.

D. Change in Accounting Policies

Presentation & disclosure of financial statements:

During the year ended March 31, 2012, the Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

E. Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalized inclusive of all direct costs and attributable overheads. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, preoperative expenses are capitalized upto the commencement of commercial production.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

The carrying amounts of the assets belonging to each cash generating unit (CGU) are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying amounts exceed the recoverable amount of the assets CGU, assets are written down to their recoverable amount. Further, assets held for disposal are stated at the lower of the net book value or the estimated net realizable value.

F. Impairment of Fixed Assets

At the end of each year, the Company determines whether a provision should be made for impairment

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

loss on fixed assets by considering the indication that an impairment loss may have occurred in accordance with Accounting Standard 28 on "Impairment of Assets". Where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made.

G. Depreciation

- i. Depreciation is provided on the Straight Line Method (SLM) unless otherwise mentioned, pro-rata to the period of use of assets and is based on management's estimate of useful lives of the fixed assets or at rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher:

| Description of Asset | Rate of Depreciation |
|---|----------------------|
| Building | 1.63% |
| Computers including Computer Peripherals & Software | 16.21% |
| Office Equipments | 4.75% |
| Furniture & Fixture | 6.33% |
| Motor Car | 9.50% |
| Plant & Machinery | 4.75% |
| Project Assets | 25.00% |

- ii. Depreciation on assets acquired/sold during the year is provided on prorata basis.

H. Investments

Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investment and are carried at cost less any provision for permanent diminution in value. Investments other than long term investments being current investments are valued at cost or fair market value whichever is lower.

I. Valuation of inventories

Inventories are valued at lower of cost or net realizable value.

J. Lease

Lease arrangements where the risks and rewards incident to ownership of an asset substantially vest with the lessor, are recognised as operating leases. The lease agreements contain rent escalation clause. Lease rental expenses including escalations for operating leases are recognised in the Profit and Loss

Account on a straight-line basis over the minimum lease term.

K. Miscellaneous Expenditure

Preliminary expenses are amortised in the year in which they are incurred.

L. Foreign Currency Transactions

- i. The transactions in foreign currencies are stated at the rate of exchange prevailing on the date of transactions.
- ii. The difference on account of fluctuation in the rate of exchange prevailing on the date of transaction and the date of realization is charged to the Profit and Loss Account.
- iii. Differences on translations of Current Assets and Current Liabilities remaining unsettled at the year-end are recognized in the Profit and Loss Account.

M. Treatment of Contingent Liabilities

Contingent liabilities are disclosed by way of notes to accounts. Disputed demands in respect of income tax and other proceeding are disclosed as contingent liabilities. Payments in respect of such demands, if any are shown as advances.

N. Accounting for Taxation of Income

Current taxes:

Income Tax is accrued in the same period the related revenue and expenses arise. A provision is made for income tax annually based on the tax liability computed after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowance or other matters is probable. MAT paid in accordance with the tax laws, which gives rise to future economic benefits in the form of tax credit against future tax liability, is recognised as an asset in the Balance sheet if there is convincing evidence that the group will pay normal tax after the tax holiday period and the resultant assets can be measured reliably. The Company offsets, on a year to year basis, the current tax assets and liabilities, where its legally enforceable right and where it intends to settle such assets and liabilities on a net basis.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Deferred taxes:

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted at the balance sheet date. The effect of a change in tax rates on deferred tax assets or liabilities are recognized in the period that includes the enactment date. Deferred tax Assets are recognized only to the extent there is virtual certainty that the assets can be realized in the future. Deferred Tax Assets are reviewed as at each Balance Sheet date.

O. Retirement benefits of the Employee:

The Company has both defined contribution and defined benefit plans of which some have assets in special funds or similar securities. The plans are financed by the Company and in case of some defined contribution plans, by the Company along with its employees.

- **Gratuity**

In accordance with the Payment of Gratuity Act, 1972, the Company provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the company. The gratuity fund is managed by the Life Insurance Corporation of India (LIC). The Company's gratuity benefit scheme is a defined benefit plan. The company's obligation in respect of the gratuity plan is provided by for based on

actuarial valuation carried out by an independent actuary using the projected unit credit method. The Company recognises actuarial gains and losses immediately in the profit and loss account.

- **Provident fund, State Insurance, Labour Welfare Fund, Professional Tax**

These are the defined contribution plans in which the Company pays pre-defined amounts to separate funds. The Company's contributions to these funds are reported as an expense during the period in which the employees perform services that the payment covers.

- **Compensated Absences**

The employees of the Company are entitled to compensate absence. The employees can carry forward a portion of the unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence. The company follows the cash basis of accounting for recording the obligation of leave encashment. In other words, the company records an obligation for compensated absences in the period in which it has been encashed by the employees.

- **Employee Stock Option Plan (ESOP)**

In respect of employee's stock options, the excess of market price on the date of grant over the exercise price is recognised as deferred employee compensation expense amortised over vesting period.

As per our report of even date

For S. K. PATODIA & ASSOCIATES For and on behalf of the Board

Chartered Accountants

Firm Regd. No. 112723W

SUNIL PATODIA

Partner

Membership No. 045489

Place : Mumbai

Date : April 26, 2012

DINESH NANDWANA

Chairman & Managing Director

DR. NISHIKANT HAYATNAGARKAR

Director

PRATIK BHANUSHALI

Company Secretary

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 2 - Share Capital

₹ in Lacs

| (a) | Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-----|---|----------------------|----------------------|
| | Authorised: 75,00,00,000 Equity Shares of ₹1 each (Previous Year 4,50,00,000 Equity Shares of ₹10 each) | 7,500.00 | 4,500.00 |
| | TOTAL | 7,500.00 | 4,500.00 |
| | Issued, Subscribed and Paid-up: 25,02,39,790 Equity Shares of ₹1 each (Previous Year 2,37,11,513 Equity Shares of ₹10 each) fully paid up | 2,502.40 | 2,371.15 |
| | TOTAL | 2,502.40 | 2,371.15 |

(b) Detailed note on the terms of the rights, preferences and restrictions relating to each class of shares including restrictions on the distribution of dividends and repayment of capital.

- i) The Company has only one class of Equity Shares having a par value of ₹1 (Previous Year ₹10) per share. Each holder of Equity Share is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. During the year ended March 31, 2012 the amount of per share dividend recognised as distributions to Equity Shareholders is ₹0.20 per share of ₹1 each including bonus shares (P.Y. ₹2 per share of ₹10 each). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.
- ii) On receipt of shareholders' approval by way of postal ballot on March 30, 2012, the Company has increased & subdivided its authorised share capital from ₹4500 lacs divided into 4,50,00,000 Equity Shares of ₹10 each to ₹7500 lacs divided into 75,00,00,000 Equity Shares of ₹1 each & the Company has altered its Memorandum & Articles of Association accordingly.
- iii) The dividend appropriation for the year ended March 31, 2011 provided for in the books of accounts in FY 2010-2011 was ₹579.75 lacs including corporate dividend tax of ₹80.92 lacs. However, the dividend declared & paid was ₹580.30 lacs including corporate dividend tax of ₹81 lacs. These liabilities were higher by ₹0.55 lacs (including corporate dividend tax of ₹0.08 lacs) due to issue of 23,733 equity shares as ESOPs on July 16, 2011 i.e. before book closure date notified for the declaration of dividend. The same has been accounted for in the current year in Profit & Loss Appropriation Account.
- iv) In the event of liquidation of the Company, the holders of Equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity shares held by the shareholders.

(c) Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|----------------------|----------------------|
| No. of shares at the beginning of the year | 2,37,11,513 | 2,24,96,165 |
| Add: Issue of Shares during the year | | |
| Bonus Issue | - | - |
| Conversion of ESOPs | 92,466 | 65,348 |
| Conversion of Share Warrants | 12,20,000 | 11,50,000 |
| | 13,12,466 | 12,15,348 |
| | 2,50,23,979 | 2,37,11,513 |
| Less: Cancellation of shares of ₹10 each | (2,50,23,979) | - |
| Add: Issuance of new shares of ₹1 each on account of sub-division | 25,02,39,790 | - |
| No. of shares at the end of the year | 25,02,39,790 | 2,37,11,513 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(d) Aggregate details for five immediately previous reporting periods for each class of shares

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| - No. of shares allotted as fully paid up pursuant to contracts without payment being received in cash | - | - |
| - No. of shares allotted as fully paid by way of Bonus Shares | - | - |
| - No. of shares bought back | - | - |

In addition, the company has issued total 1,57,814 shares (P.Y. 65,348 shares) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in the form of employee services.

(e) Details of Promoters' holding more than 5% shares in the company

| No. of Shares held by | As at March 31, 2012 | | As at March 31, 2011 | |
|------------------------------|----------------------|-------|----------------------|-------|
| | Nos. | % | Nos. | % |
| Vakrangee Holdings Pvt. Ltd. | 46,28,300 | 18.50 | 22,50,000 | 9.49 |
| Vakrangee Capital Pvt. Ltd. | 13,44,456 | 5.37 | 13,39,456 | 5.65 |
| Dinesh Nandwana | 14,88,300 | 5.95 | 25,43,300 | 10.72 |

(f) Detailed note on shares reserved to be issued under options and contracts (ESOPs or Loans) / commitment for the sale of shares (without payment being received in cash) divestments including the terms and conditions.

The Company has formulated Employees Stock Option Scheme, 2008 (ESOP Scheme) which was approved by the members of the Company at their meeting held on September 23, 2008, as modified on January 10, 2011.

Employees covered under Stock Option Plans are granted an option to purchase shares of the company at the respective exercise prices, subject to requirements of vesting conditions. These options generally vest over a period of four years from the date of grant. Upon vesting, the employees can acquire one equity share for every option.

The stock compensation cost is computed under the intrinsic value method and amortized on a straight line basis over the total vesting period of four years. For the year ended March 31, 2012, the company has recorded stock compensation expense of ₹124.60 Lacs (Previous year ₹26.86 Lacs)

The Remuneration & Compensation committee of the Board evaluates the performance and other criteria of employees and approves the grant of options. These options vest with employees over a specified period subject to fulfillment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at a price determined on the date of grant of options.

On July 31, 2009, company granted 2, 70,700 options ("Grant 1") convertible into equity shares of ₹10 each exercisable at ₹61.90.

On December 30, 2009, company granted 20,600 options ("Grant 2") convertible into equity shares of ₹10 each exercisable at ₹67.85.

On May 18, 2010, company granted 1,56,200 options ("Grant 3") convertible into equity shares of ₹10 each exercisable at ₹146.50.

On November 24, 2010, company granted 86,750 options ("Grant 4") convertible into equity shares of ₹10 each exercisable at ₹150.00.

On August 12, 2011 company granted 64,850 options ("Grant 5") convertible into equity shares of ₹10 each exercisable at ₹150.00.

The above options vest over a period ranging from one to three years as follows:

| Percent to Vest | Period of Vesting from the date of grant |
|-----------------|--|
| 33% | At the end of twelve months |
| 33% | At the end of twenty four months |
| 34% | At the end of thirty six months |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

The activity in the Scheme 2008 during the year ended March 2012 is set out as below:

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| The Scheme 2008 | | |
| Options outstanding, beginning of the period | 4,68,902 | 2,91,300 |
| Add : Granted | 64,850 | 2,42,950 |
| Less: Exercised | 92,466 | 65,348 |
| Forfeited | - | - |
| Options outstanding, end of the period | 4,41,286 | 4,68,902 |
| Options exercisable, end of the period | 1,14,618 | 30,781 |

The options once granted to an eligible employee gets lapsed with the resignation / termination of the employment with the Company. However, the unvested / unexercised portion of the ESOP entitlement to that employee remain part of the respective grant out of which it was issued & they can be granted to any other eligible employee as decided by the Remuneration & Compensation Committee.

Particulars of payments received during the year towards ESOP Scheme 2008:

| Particular of Grant | "Amount received during the year (₹ in Lacs)" | "No. of shares allotted during the year (In Nos)" | "Consideration amount towards shares allotted (₹ in Lacs)" |
|---------------------|---|---|--|
| Grant 1 | 38.00 | 61,400 | 38.00 |
| Grant 2 | 2.18 | 3,216 | 2.18 |
| Grant 3 | 35.35 | 24,133 | 35.35 |
| Grant 4 | 5.58 | 3,717 | 5.58 |
| Grant 5 | - | - | - |
| | 81.11 | 92,466 | 81.11 |

Note: The Remuneration & Compensation Committee has been authorised to make amendments in the ESOP Scheme - 2008, with regard to the number of shares for every option granted & the price to be revised, to give effect of stock split & bonus issue announced by way of postal ballot during the year.

- (g) Detailed terms of any securities convertible into shares, e.g. in the case of convertible warrants, debentures, bonds etc.

The Company does not have any securities convertible into shares as on reporting date.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 3 - Reserves & Surplus

₹ in Lacs

| | Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-------|--|----------------------|----------------------|
| (i) | Securities Premium Account | | |
| | As per last Balance Sheet | 18,450.15 | 17,726.23 |
| | Add: On shares issued during the year | 803.87 | 723.92 |
| | Add: Transferred from Shares Options Outstanding Account | 5.40 | - |
| | Less: Capitalised on issue of shares | - | - |
| | Less: Share issue expenses | - | - |
| | | 19,259.42 | 18,450.15 |
| (ii) | Shares Options Outstanding Account | | |
| | As per last Balance Sheet | 125.92 | - |
| | Add : On further grant of options | 161.12 | 125.91 |
| | Less: Deferred Employee Compensation Expense | (135.58) | (99.05) |
| | Less: Transferred to Securities Premium Account | (5.40) | - |
| | | 146.06 | 26.86 |
| (iii) | General Reserve | | |
| | As per last Balance Sheet | 1,270.10 | 901.34 |
| | Add: Transferred from Profit and Loss Account | 506.30 | 368.76 |
| | Less: Transferred to Profit and Loss Account | - | - |
| | | 1,776.40 | 1,270.10 |
| (iv) | Surplus in The Profit & Loss Account | | |
| | As per last Balance Sheet | 12,645.14 | 8,786.07 |
| | Add: Profit for the year | 6,750.60 | 4,807.58 |
| | Amount available for appropriations | 19,395.74 | 13,593.65 |
| | Appropriations: | | |
| | Add: Transferred from reserves | - | - |
| | Less: Transferred to general reserve | (506.30) | (368.76) |
| | Proposed dividend | (1,000.96) | (498.83) |
| | Corporate Dividend Tax | (162.38) | (80.92) |
| | Short Provision for Dividend | (0.47) | - |
| | Short Provision for FBT | (1.07) | - |
| | Short Provision for Dividend Tax Payable | (0.08) | - |
| | | 17,724.48 | 12,645.14 |
| | TOTAL | 38,906.36 | 32,392.25 |

- Note: 1. The short provision for dividend & dividend tax above is towards dividend declared for the financial year 2010-11.
2. Out of the Securities Premium account balance as on year end, an amount of ₹2502.40 lacs will be capitalized and transferred to Share Capital account pursuant to the resolution passed by the members through postal ballot for allotment of bonus shares in the ratio of one equity share of ₹1 each for every share held as on record date i.e. April 13, 2012.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 4 - Money received against share warrants

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|----------------------|----------------------|
| Share warrants application money received for Nil warrants (P. Y. 12,20,000) which are warrants issued at a price of ₹70 each fully paid-up | - | 854.00 |
| TOTAL | - | 854.00 |

The amount of ₹854.00 lacs received upto March 31, 2011 towards 12,20,000 convertible warrants out of 34,70,000 convertible warrants issued in the financial year 2009-10, has been converted into equivalent number of equity shares during the year. Balance 22,50,000 convertible warrants have been converted into equivalent equity shares upto the end of the financial year 2010-11.

Note 5 - Share application money pending allotment

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| Employee Stock Option Plan (ESOP) | | |
| Nil (P.Y.7,132) ESOP at a price of ₹61.90 each fully paid-up | - | 4.42 |
| Nil (P.Y.3,116) ESOP at a price of ₹67.85 each fully paid-up | - | 2.11 |
| TOTAL | - | 6.53 |

Note 6 - Long-Term Borrowings

₹ in Lacs

| (a) | Particulars | As at March 31, 2012 | | As at March 31, 2011 | |
|-----|----------------------------|----------------------|-----------|----------------------|---|
| | (A) Secured Loans | | | | |
| | (i) Term Loans | | | | |
| | - From Banks | 13,373.90 | | - | |
| | - From Others | 2,222.21 | 15,596.11 | - | - |
| | (ii) Deposits | | - | | - |
| | (A) | | 15,596.11 | | - |
| | (B) Unsecured Loans | | | | |
| | (i) Term Loans | | | | |
| | - From Bank | - | | - | |
| | - From Others | - | - | - | - |
| | (iii) Deposits | | - | | - |
| | (B) | | - | | - |
| | TOTAL (A+B) | | 15,596.11 | | - |



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(b) Terms of repayment of term loans and other loans.

i) Term Loan from Banks:

The Company has entered into a Common Loan Agreement during the year appointing M/s. Axis Trustee Services Limited as Security Trustee for reallocation of the Rupee Term Loan amounting to ₹22500 lacs sanctioned during the year by Axis Bank Limited, under multiple banking arrangement.

The said Rupee Term Loan has been allocated to each of the lenders (parties to the Common Loan Agreement) as follows:

| | |
|------------------------|---------------|
| - Axis Bank Limited | - ₹10000 lacs |
| - Andhra Bank | - ₹7500 lacs |
| - Punjab National Bank | - ₹5000 lacs |

The initial interest rate in respect of all the lenders shall be 13% p.a. payable with monthly rests irrespective of the individual interest rates mentioned in respective lenders' sanction letters, subject to further change in Base Rate till date of documentation. The highest rate of interest of any lender shall be applicable and payable by the Company to all the lenders. The interest spread reset shall be done every 2 years from the date of first disbursement. The loan is to be repaid in 14 unequal quarterly installments commencing after moratorium period of six months from the date of first disbursement / LC opening. First installment shall be due at the end of six months, thereby total tenor of the loan to be 45 months.

- ii) Term Loan from GE Money Financial Services Pvt. Ltd. carries an interest rate of 11.50% p.a. fixed for the first 6 months of the tenure, subject to the drawdown being made on or before July 31, 2011. After the expiry of first 6 months, the rate of interest has been increased to 12.93% p.a. The interest payment to be made monthly. Principal repayment shall be in monthly equal instalments for 36 months from the date of drawdown.

(c) Nature of security of each type of secured loans.

i) Term Loans from Banks:

1. First pari-passu & exclusive charge on entire UID kits purchased out of the term loan.
2. Second parri-passu charge on current assets of the Company, including UID project receivables.
3. Second parri-passu charge on moveable assets of the Company.
4. Second parri-passu charge through mortgage on the office premises of the Company, situated at Marol Co-Operative Industrial Society & Hind Saurashtra Industries Co-Operative Society Limited, Marol, Andheri (East), Mumbai.
5. First charge on the office premises of the Company, situated at New Delhi.
6. Personal Guarantee of Mr. Dinesh Nandwana, Chairman & Managing Director of the Company.

ii) Term Loans from Others - GE Money Financial Services Pvt Ltd:

1. First pari-passu charge on all present and future fixed assets of the Company excluding (i) UID kits financed by Axis Bank & (ii) immovable property on the balance sheet of the Borrower as on March 31, 2011.
2. In the event that the Company acquires any immovable property after March 31, 2011, it is required to create a charge on the said immovable property for the due repayment of this facility.
3. Second pari-passu charge on all present and future current assets.
4. Personal Guarantee of Mr. Dinesh Nandwana, Chairman & Managing Director of the Company.

(d) Details of the aggregate of each loan guaranteed by directors or others, each headwise.

All the term loans amounting to ₹15,596.12 lacs (P. Y. Nil) guaranteed by Mr. Dinesh Nandwana, Chairman and Managing Director of the Company.

(e) Details of continuing default in the repayment of loans and interest, specifying the period and amount separately in each case.

There has been no default in the repayment of loans or interest thereon as on date.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 7 - Deferred Tax Liabilities (Net)

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| Liabilities | | |
| (i) On account of difference in depreciation on Fixed Assets | 7,321.78 | 5,174.31 |
| (ii) Timing differences on Tax Provisions | - | - |
| (A) | 7,321.78 | 5,174.31 |
| Assets | | |
| (i) Provision for Gratuity & Leave Encashment | (5.86) | (2.17) |
| (ii) Timing differences on Tax Provisions | - | - |
| (B) | (5.86) | (2.17) |
| TOTAL (A + B) | 7,315.92 | 5,172.14 |

Note 8 - Other Long-Term Liabilities

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|------------------------|----------------------|----------------------|
| Trade payables | 18.46 | 47.56 |
| Others: | | |
| - Buyers Credit on FLC | 680.71 | - |
| TOTAL | 699.17 | 47.56 |

Note 9 - Short-Term Borrowings

₹ in Lacs

| (a) | Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-----|--|----------------------|----------------------|
| | (A) Secured Loans | | |
| | (i) Loans repayable on demand | | |
| | - From Banks | 19,361.69 | 14,880.02 |
| | - From Others (Vehicle Loans) | - | 8.63 |
| | | 19,361.69 | 14,888.65 |
| | (ii) Loans & Advances from Related Parties | - | - |
| | (iii) Inter Corporate Deposits | 370.00 | - |
| | (A) | 19,731.69 | 14,888.65 |
| | (B) Unsecured Loans | | |
| | (i) Loans & Advances from Related Parties | 943.25 | - |
| | (ii) Inter Corporate Deposits | 150.00 | 400.00 |
| | (iii) Other Loans & Advances | - | - |
| | (B) | 1,093.25 | 400.00 |
| | TOTAL (A + B) | 20,824.94 | 15,288.65 |

(b) Nature of security of each type of secured loans.

a) Loans repayable on demand from Banks:

The Company had entered into a Security Trustee Agreement appointing M/s. Axis Trustee Services Limited as Security Trustee for availing the working capital facilities under the multiple banking arrangement aggregating to ₹37500 lacs, with the following bankers:

- Axis Bank Limited
- Union Bank of India
- Barclays Bank PLC
- ICICI Bank Limited
- ING Vysa Bank Limited
- Dhanlaxmi Bank Limited

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

These facilities are secured against the following charge on various assets of the Company:

1. Primary: First pari-passu charge on the entire current assets of the Company, both present & future.
2. Collateral:
 - First pari-passu charge on the entire movable fixed assets of the Company (excluding UID kits purchased out of the term loan facilities), both present & future.
 - First pari-passu charge on office premises of the company & of Vakrangee Technologies Limited, situated at Marol Co-Operative Industrial Society & Hind Saurashtra Industries Co-Operative Society Limited., Marol, Andheri (East), Mumbai.
3. Personal Guarantee of Mr. Dinesh Nandwana, Chairman & Managing Director of the Company.
 - b) Loans repayable on demand from Others: Vehicle loans are secured against the specific asset (vehicle) finance
 - c) Loans and advances from Related Parties: For details, refer Note 37.
 - d) Inter Corporate Deposits: The Inter-Corporate Deposit amounting to ₹370.00 lacs is secured against the Bank Guarantee given by the Company.
- (c) Details of the aggregate of each loan guaranteed by directors or others, each headwise.
 1. All the loans repayable on demand from banks amounting to ₹19,361.69 lacs (P. Y. ₹14,880.02 lacs) guaranteed by Mr. Dinesh Nandwana, Chairman and Managing Director of the Company.
 2. Loan from banks repayable on demand (facility from Dhanlaxmi Bank Limited) amounting to ₹2490 lacs guaranteed by M/s. Vakrangee Technologies Limited.
- (d) Details of continuing default in the repayment of loans and interest, specifying the period and amount separately in each case.
There has been no default in the repayment of loans or interest thereon as on date.

Note 10 - Trade Payables

| ₹ in Lacs | | |
|--|----------------------|----------------------|
| Particulars | As at March 31, 2012 | As at March 31, 2011 |
| Current payables (including acceptances) outstanding for less than 12 months | 11,890.74 | 8,287.95 |
| TOTAL | 11,890.74 | 8,287.95 |

Note 11 - Other Current Liabilities

| ₹ in Lacs | | |
|--|----------------------|----------------------|
| Particulars | As at March 31, 2012 | As at March 31, 2011 |
| Current maturities of long-term debts | 8,749.83 | - |
| Interest accrued and due on borrowings | 113.38 | - |
| Interest accrued but not due on borrowings | 109.54 | 47.77 |
| Unpaid Dividend | 19.36 | 14.89 |
| Other Payables | | |
| PF, ESIC & LWF Payable | 3.18 | 2.37 |
| Service Tax Payable | 177.25 | 94.00 |
| Sales Tax & WCT Payable | 248.78 | 228.12 |
| TDS Payable | 38.46 | 31.54 |
| Staff Emoluments Payable | 142.60 | 51.03 |
| Security Deposit | 25.50 | 25.50 |
| Other Liabilities | 27.81 | - |
| TOTAL | 9,655.69 | 495.22 |

Note 12 - Short-Term Provisions

| ₹ in Lacs | | |
|--|----------------------|----------------------|
| Particulars | As at March 31, 2012 | As at March 31, 2011 |
| Provision for Expenses | 93.92 | 74.07 |
| Provisions for Employees' benefits | 19.01 | 6.53 |
| Provision for Wealth Tax | 0.42 | - |
| Provision for Interest on Taxation | 113.88 | - |
| Provision for Taxation (net of taxes paid) | 755.04 | 712.03 |
| Provision for Proposed Dividend | 1,000.96 | 498.83 |
| Provision for Tax on Proposed Dividend | 162.38 | 80.92 |
| TOTAL | 2,145.61 | 1,372.38 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 13 - Fixed Assets

| (a) | Description | Gross Block | | | | Depreciation Block | | | | Net Block | | | | |
|-----|---|-----------------------------|-----------|--|-------------------------|-----------------------|----------------------------------|----------------|-------------------------|----------------------------|-------------------|------------|-----------------------|------------------------|
| | | Beginning of Current Period | Additions | Acquisitions through Business Combinations | Deductions/ Adjustments | End of Current Period | Upto Beginning of Current Period | For the Period | Deductions/ Adjustments | Upto End of Current Period | Before Impairment | Impairment | End of Current Period | End of Previous Period |
| | (i) Tangible Assets | | | | | | | | | | | | | |
| | Buildings | 798.53 | - | - | 21.05 | 777.48 | 77.77 | 12.85 | 1.67 | 88.95 | - | - | 688.53 | 720.76 |
| | Plant and Machinery | 755.53 | - | - | - | 755.53 | 156.31 | 35.89 | - | 192.20 | - | - | 563.33 | 599.22 |
| | Furnitures and Fixtures | 576.71 | 15.32 | - | - | 592.03 | 271.63 | 37.04 | - | 308.67 | - | - | 283.36 | 305.08 |
| | Vehicles | 86.73 | 16.48 | - | 22.24 | 80.97 | 27.04 | 6.99 | 4.05 | 29.98 | - | - | 50.99 | 59.69 |
| | Office Equipments | 552.45 | 7.92 | - | - | 560.37 | 230.71 | 26.52 | - | 257.23 | - | - | 303.14 | 321.75 |
| | Computers and Printers | 32,453.36 | 1.71 | - | 0.31 | 32,454.76 | 12,968.14 | 5,260.83 | 0.03 | 18,228.94 | - | - | 14,225.82 | 19,485.23 |
| | Project Assets | | | | | | | | | | | | | |
| | - Computers and Printers | - | 31,403.23 | - | 4.90 | 31,398.33 | - | 2,875.76 | 0.16 | 2,875.60 | - | - | 28,522.73 | - |
| | - Office Equipments | - | 650.07 | - | 3.90 | 646.17 | - | 87.00 | 0.70 | 86.30 | - | - | 559.87 | - |
| | - Furniture & Fixtures | - | 3,911.08 | - | - | 3,911.08 | - | 397.08 | - | 397.08 | - | - | 3,514.00 | - |
| | TOTAL | 35,223.31 | 36,005.81 | - | 52.40 | 71,176.72 | 13,731.60 | 8,739.96 | 6.61 | 22,464.95 | - | - | 48,711.77 | 21,491.73 |
| | (ii) Intangible Assets (Other than Internally Generated) | | | | | | | | | | | | | |
| | TOTAL | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | (iii) Capital Work-In-Progress (excluding Capital Advances) | | | | | | | | | | | | | |
| | TOTAL | - | 7.88 | - | - | 7.88 | - | - | - | - | - | - | 7.88 | - |
| | GRAND TOTAL | 35,223.31 | 36,013.69 | - | 52.40 | 71,184.60 | 13,731.60 | 8,739.96 | 6.61 | 22,464.95 | - | - | 48,719.65 | 21,491.73 |
| | PREVIOUS YEAR | 31,764.80 | 5,778.58 | - | 2,320.06 | 35,223.32 | 8,685.61 | 5,329.68 | 283.70 | 13,731.59 | - | - | 21,491.73 | - |

(b) Details of Capital Work-in-Progress

Capital Work-in-Progress represents cost incurred towards purchase of software (pending installation).

(c) Detailed note on Fixed Assets taken on Lease

The Company has not taken any assets on lease, except computer equipments assets taken on operating lease under non-cancellable agreements. As the assets taken on lease are not under finance lease, the details thereon has not been classified into owned assets & leased assets above. For further details on operating lease, please refer Note No. 40.

(d) During the year Company has started prestigious UID Enrolment project of Government of India. UID Project is highly capital intensive and required substantial investment in form of fixed assets. For the purpose company has acquired fixed assets worth approximately 36000 lacs and classified the same as project Assets. The management of the company envisage that the useful life of these assets assigned to any project, present or future, will be 4 years and accordingly has accelerated the depreciation at higher rate. For the purpose of acquiring these assets company has taken loan from Axis Bank, Punjab National Bank & Andhra Bank totalling to 22500 lacs.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 14 - Non-Current Investments

₹ in Lacs

| | Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-----|--|----------------------|----------------------|
| (a) | Trade Investments | | |
| | (i) Investment in Equity Instruments | | |
| | Unquoted Investments | | |
| | - In Subsidiary Companies | | |
| | 1,00,50,000 Equity Shares in Vakrangee IT Solutions Ltd. | | |
| | of ₹10 each fully paid up (Previous Year 1,00,50,000) | 5,005.00 | 5,005.00 |
| | 56,49,999 Equity Shares of E-Doc Vision Infotech Pvt. Ltd. | - | - |
| | of ₹10 each fully paid up (Previous Year 56,49,999) | 565.00 | 565.00 |
| | 96,000 Equity Shares of Vakrangee e-Solutions Inc., Philippines | - | - |
| | of Peso 100 each fully paid up (Previous Year 96,000) | 96.00 | 96.00 |
| | Nil Equity Shares of Vakrangee Energy Pvt. Ltd. | - | - |
| | of ₹10 each fully paid up (Previous Year 49,998) | - | 5.00 |
| | 2,50,000 Equity Shares of Vakrangee Finserve Ltd. | - | - |
| | of ₹10 each fully paid up (Previous Year Nil) | 25.00 | - |
| | (A) | 5,691.00 | 5,671.00 |
| | - In Associate Companies | | |
| | Nil Equity Shares of Vakrangee Technologies Ltd. | | |
| | of ₹10 each fully paid up (Previous Year 21,00,000) | - | 210.00 |
| | 13,000 Equity Shares of Omnis Infra Power Ltd | - | - |
| | of ₹10 each fully paid up (Previous Year Nil) | 1.30 | - |
| | (B) | 1.30 | 210.00 |
| | (ii) Investment in Mutual Funds | | |
| | 12,00,000 units of Axis Hybrid Fund Series - I | | |
| | of ₹10 each fully paid up (Previous Year Nil) | 120.00 | - |
| | Nil units of Axis Mid Cap Fund | | |
| | of ₹10 each fully paid up (Previous Year 10,01,001) | - | 100.00 |
| | 24.9375 units of Aditya Birla Real Estate Fund - I | | |
| | of ₹1,00,000 each partly paid up ₹40,000 per unit (Previous Year ₹20,000/- per unit, 24.9375 units) | 10.00 | 5.00 |
| | 1,50,000 units of Union KBC Equity Fund | | |
| | of ₹10 each fully paid up (Previous Year Nil) | 15.00 | - |
| | Nil units of Axis Triple Advantage Fund | | |
| | of ₹10 each fully paid up (Previous Year 2,00,804.833) | - | 20.08 |
| | (C) | 145.00 | 125.08 |
| | TOTAL (A + B + C) | 5,837.30 | 6,006.08 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

₹ in Lacs

| (b) | Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-----|---|----------------------|----------------------|
| | Aggregate value of: Quoted investments - Mutual Funds (Market Value: ₹162.12 lacs, P.Y. ₹130.10 lacs) | 145.00 | 125.08 |
| | Unquoted investments | 5,692.30 | 5,881.00 |
| | TOTAL | 5,837.30 | 6,006.08 |

Note 15 - Long-Term Loans & Advances

₹ in Lacs

| (a) | Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-----|--|----------------------|----------------------|
| | (i) Capital Advances | | |
| | (Unsecured, considered good) | | |
| | Advance against property | 75.00 | 75.00 |
| | Advance against capital goods | 0.74 75.74 | - 75.00 |
| | (ii) Security Deposits | | |
| | (Unsecured, considered good) | | |
| | Security Deposit | 1,172.70 | 1,157.77 |
| | (iii) Loans & Advances to Related Parties | | |
| | (Unsecured, considered good) | | |
| | Dues from subsidiaries | - | 642.35 |
| | Dues from associate companies | - | - |
| | Dues from companies in which the company's managing director is a director | - | - 642.35 |
| | (iv) Other Loans and Advances | | |
| | (Unsecured, considered good) | | |
| | MAT Credit Entitlement | 1,935.08 | 961.00 |
| | Balances with statutory / revenue authorities: | | |
| | - Income Tax (net of provision for taxation) | 76.71 | 77.78 |
| | - Sales Tax | 41.85 2,053.64 | 85.59 1,124.37 |
| | TOTAL | 3,302.08 | 2,999.49 |

(b) Details of Loans and Advances to Related Parties

For Details refer Note 37

(c) Detailed note on loans and advances due by the following persons:

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| (i) Directors and other officers | - | - |
| (ii) Firms in which any director is a partner | - | - |
| (iii) Private companies in which director is a member/director | - | - |
| TOTAL | - | - |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 16 - Other Non-Current Assets

₹ in Lacs

| Particulars | As at March 31, 2012 | | As at March 31, 2011 | |
|---|----------------------|---------------|----------------------|---------------|
| (i) Long Term Trade Recievables | | | | |
| - Unsecured, considered good | | 187.80 | | 206.47 |
| - Doubtful | - | | - | |
| Less: Provision for Doubtful Debts | - | - | - | - |
| (ii) Others | | | | |
| - Non-Current Bank Balances (Note No. 19) | | 284.52 | | 57.69 |
| TOTAL | | 472.32 | | 264.16 |

Note 17 - Inventories

₹ in Lacs

| (a) Particulars | As at March 31, 2012 | | As at March 31, 2011 | |
|-----------------------|----------------------|---------------|----------------------|--------------|
| (i) Raw Material | 21.21 | | 21.04 | |
| (ii) Work in Progress | 114.80 | | 6.58 | |
| (iii) Finished Goods | - | | - | |
| (iv) Consumables | 218.26 | | 50.61 | |
| (v) Stores & Spares | 4.72 | | 11.34 | |
| TOTAL | | 358.99 | | 89.57 |

(b) Basis of valuation of Inventories

Inventories are valued at lower of cost or net realizable value on FIFO basis which is in accordance with AS 2 as issued by the ICAI.

Note 18 - Trade Receivables

₹ in Lacs

| (a) Particulars | As at March 31, 2012 | | As at March 31, 2011 | |
|---|----------------------|------------------|----------------------|------------------|
| (i) Due for a period exceeding six months | | | | |
| - Unsecured, considered good | | 32.94 | | 420.53 |
| - Doubtful | - | | - | |
| Less: Provision for Doubtful Debts | - | - | - | - |
| | | 32.94 | | 420.53 |
| (ii) Others | | | | |
| - Unsecured, considered good | | 44,490.58 | | 26,359.17 |
| - Doubtful | - | | - | |
| Less: Provision for Doubtful Debts | - | - | - | - |
| | | 44,490.58 | | 26,359.17 |
| TOTAL | | 44,523.52 | | 26,779.70 |

(b) Detailed note on debts due by the following persons:

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| (i) Directors and other officers | - | - |
| (ii) Firms in which any director is a partner | - | - |
| (iii) Private companies in which director is a member/director | - | - |
| TOTAL | - | - |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 19 - Cash & Cash equivalents

₹ in Lacs

| Particulars | As at March 31, 2012 | | As at March 31, 2011 | |
|--|----------------------|----------|----------------------|----------|
| (A) Cash & Cash Equivalents | | | | |
| (i) Balances with Banks: | | | | |
| - Current Accounts | 462.81 | | 835.11 | |
| (ii) Cash-in-hand | 47.40 | | 45.26 | |
| (iii) Cheques & Drafts in-hand | - | | - | |
| | | 510.21 | | 880.37 |
| (B) Other Bank Balances | | | | |
| (i) Earmarked balances | 19.36 | | 14.89 | |
| (ii) Amount held as margin money or security against borrowings, guarantee, other commitments | 2,351.92 | | 912.87 | |
| (iii) Deposits with Banks: | | | | |
| - with original maturity period of more than 3 months but less than 12 months | - | | - | |
| - with original maturity period of more than 12 months | - | | - | |
| | | 2,371.28 | | 927.76 |
| | | 2,881.49 | | 1,808.13 |
| Less: Non-Current Other Bank Balances, disclosed under Other Non-Current Assets (Note No. 16) | | | | |
| (i) Amount held as margin money or security against borrowings, guarantee, other commitments | 284.52 | | 57.69 | |
| (ii) Deposits with Banks: | | | | |
| - with original maturity period more than 12 months | - | | - | |
| | | 284.52 | | 57.69 |
| TOTAL | | 2,596.97 | | 1,750.44 |

Note 20 - Short-Term Loans and Advances

₹ in Lacs

| (a) | Particulars | As at March 31, 2012 | | As at March 31, 2011 | |
|-----|--|----------------------|----------|----------------------|----------|
| | (i) Loans and Advances to Related Parties (Unsecured, considered good) | | | | |
| | Dues from subsidiaries | 1,420.77 | | 98.59 | |
| | Dues from associate companies | - | | 8.24 | |
| | Dues from companies in which the company's managing director is a director | - | | 85.74 | |
| | | | 1,420.77 | | 192.57 |
| | (ii) Other Loans and Advances (Unsecured, considered good) | | | | |
| | Loans to others | 500.00 | | 559.00 | |
| | Earnest Money Deposit | 770.60 | | 266.20 | |
| | Balances with statutory / revenue authorities : | | | | |
| | - Sales Tax | 232.68 | | 2.25 | |
| | - CENVAT Credit receivable | 255.48 | | 10.34 | |
| | | | 1,758.76 | | 837.79 |
| | TOTAL | | 3,179.53 | | 1,030.36 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(b) Details of Loans and Advances to Related Parties

For Details, refer Note 37

(c) Detailed note on loans and advances due by the following persons:

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| (i) Directors and other officers | - | - |
| (ii) Firms in which any director is a partner | - | - |
| (iii) Private companies in which director is a member/director | - | - |
| TOTAL | - | - |

Note 21 - Other Current Assets

₹ in Lacs

| (a) | Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-----|---|----------------------|----------------------|
| | (i) Interest accrued on investments and deposits | | |
| | Interest Accrued on FDRs | 22.56 | 23.81 |
| | | 22.56 | 23.81 |
| | (ii) Other advances receivable in cash or kind or for value to be received | | |
| | Staff Loans | 10.21 | 0.61 |
| | Interest recoverable on Cash Credit Account | 29.48 | - |
| | Advances for Expenses | 13.22 | 5,159.88 |
| | Prepaid Expenses | 471.11 | 430.88 |
| | | 524.02 | 5,591.37 |
| | (iii) Other Assets | | |
| | Share Application Money | | |
| | - In Subsidiary Companies | - | 5.12 |
| | - In Other Body Corporates | - | 256.00 |
| | | - | 261.12 |
| | TOTAL | 546.58 | 5,876.30 |

Note 22 - Contingent Liabilities and Commitments (to the extent not provided for)

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| (A) Contingent Liabilities | | |
| (i) Claims against the company not acknowledged as debts | - | - |
| (ii) Company has provided Bank Guarantee to various parties which is not acknowledged in books of accounts | 1,669.45 | 472.44 |
| (iii) Other contingent liabilities | - | - |
| (A) | 1,669.45 | 472.44 |
| (B) Commitments | | |
| (i) Estimated amount of contracts remaining to be executed on capital account not provided for | 25.00 | 25.00 |
| (ii) Uncalled liabilities on share and other investments partly paid up | 15.00 | 20.00 |
| (iii) Others commitments | - | - |
| (B) | 40.00 | 45.00 |
| TOTAL (A + B) | 1,709.45 | 517.44 |

During previous year, the Company has provided guarantee to Barclays Bank Plc. in respect of working capital loan of ₹700.00 Lacs granted to Vakrangee e-solutions Inc., Philippines (wholly-owned subsidiary of the Company). The amount of liabilities, which may occur on levying of penalty and/or charges by clients for delays in execution of contracts within the time prescribed in the agreement, is unascertained.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 23 - Dividends

(a) Detailed note on Proposed Equity Dividend & Proposed Preference Dividend for the period and related amount per share.

The Board of Directors of the Company recommended Dividend of ₹0.20 per share on fully paid up equity share of ₹1 each (including bonus shares issued after Balance sheet date) for the financial year ended March 31, 2012, subject to members approval in the ensuing Annual General Meeting.

Note 24 - Revenue from Operations

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | | For the year ended March 31, 2011 | |
|--|-----------------------------------|--------------------|-----------------------------------|------------------|
| (a) Income from e-governance activities | | 1,29,402.02 | | 70,703.07 |
| (b) Sale of Products | | | | |
| - Computer consumables & peripherals | 4,460.11 | | 12,111.96 | |
| - Others | 6.72 | | 13.25 | |
| | | 4,466.83 | | 12,125.21 |
| (c) Sale of Services | | | | |
| - Information Technology-enabled Services (ITeS) | 1,321.45 | | 2,385.67 | |
| - Others | 23.61 | | 17.10 | |
| | | 1,345.06 | | 2,402.77 |
| (d) Other Operating Revenues | | | | |
| - Commission | 0.15 | | - | |
| - Scrap Sale | 0.37 | | 2.72 | |
| | | 0.52 | | 2.72 |
| TOTAL | | 1,35,214.43 | | 85,233.77 |

Note 25 - Other Income

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | | For the year ended March 31, 2011 | |
|---|-----------------------------------|---------------|-----------------------------------|---------------|
| (i) Interest Income on | | | | |
| - Bank Deposits | 122.93 | | 33.06 | |
| - Others | 255.98 | 378.91 | 103.67 | 136.73 |
| (ii) Dividend Income on | | | | |
| - Investment in Subsidiaries | - | | - | |
| - Investment in Other Long-Term Instruments | - | - | 0.01 | 0.01 |
| (iii) Net gain on sale of Fixed Assets | | 39.42 | | 1.25 |
| (iv) Net gain on sale of Investments | | 0.99 | | - |
| (v) Other Non-Operating Income (net of expenses directly attributable to such income) | | | | |
| - Rent Received | 3.50 | | 4.39 | |
| - Sundry Balances written back | - | | 0.87 | |
| - Miscellaneous Income | 0.66 | 4.16 | 0.42 | 5.68 |
| TOTAL | | 423.48 | | 143.67 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 26 - Operating Expenses

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|--|-----------------------------------|-----------------------------------|
| Cost for Sales | | |
| - Opening Stock | 82.99 | 741.72 |
| - Add : Purchases during the year | 1,02,706.54 | 67,625.63 |
| | 1,02,789.53 | 68,367.35 |
| - Less : Closing Stock | 244.20 | 82.99 |
| | 1,02,545.33 | 68,284.36 |
| Lease Rent | 4,111.19 | 903.83 |
| Procurement of Manpower | 1,890.61 | 47.41 |
| Project Expenses | 167.74 | 198.59 |
| Software Development Charges | 14.50 | 113.30 |
| Image Processing Expenses | 78.03 | 60.70 |
| Printing Charges | 152.24 | 241.39 |
| Machinery Hire Charges | 3.34 | 16.35 |
| Electricity Expenses | 7.08 | 0.90 |
| Conveyance & Travelling Expenses | 28.84 | 6.59 |
| Transportation, Octroi & Loading / Unloading charges | 17.01 | 10.33 |
| Rent | 53.62 | 23.15 |
| Refurbishment Charges | 1.13 | 16.16 |
| Packaging Expenses | 2.00 | 2.44 |
| Communication Costs | 3.36 | 1.32 |
| TOTAL | 1,09,076.02 | 69,926.82 |

Note 27 - Changes in Inventories

₹ in Lacs

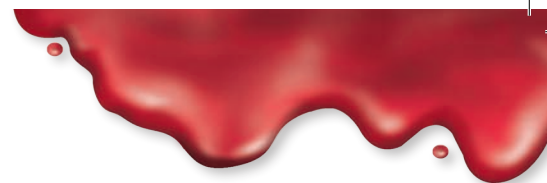
| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|------------------------------------|-----------------------------------|-----------------------------------|
| (a) At the beginning of the period | | |
| (i) Finished Goods | - | - |
| (ii) Work-in-Progress | 6.58 | 34.85 |
| | 6.58 | 34.85 |
| Less: (b) At the end of the period | | |
| (i) Finished Goods | - | - |
| (ii) Work-in-Progress | 114.80 | 6.58 |
| | 114.80 | 6.58 |
| TOTAL | (108.22) | 28.27 |

Note 28 - Employee Benefits Expenses

₹ in Lacs

| (a) Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|--|-----------------------------------|-----------------------------------|
| (i) Salaries & Wages | 1,044.92 | 574.97 |
| (ii) Contribution to Provident & Other Funds | 17.56 | 15.00 |
| (iii) Employee Compensation Expenses | 124.60 | 26.86 |
| (iv) Staff Welfare Expenses | 37.05 | 27.45 |
| TOTAL | 1,224.13 | 644.28 |

(b) Detailed note on disclosure as required by AS-15
For details, refer Note No. 38



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 29 - Finance Costs

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | | For the year ended March 31, 2011 | |
|---------------------------|-----------------------------------|-----------------|-----------------------------------|-----------------|
| Interest Expenses | | | | |
| - Banks | 4,267.85 | | 1,628.75 | |
| - Others | 661.95 | 4,929.80 | - | 1,628.75 |
| Bank Charges & Commission | | 595.35 | | 161.78 |
| TOTAL | | 5,525.15 | | 1,790.53 |

Note 30 - Other Expenses

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | | For the year ended March 31, 2011 | |
|---|-----------------------------------|-----------------|-----------------------------------|---------------|
| Repairs & Maintenance: | | | | |
| - Building | 2.43 | | 6.25 | |
| - Vehicle | 4.23 | | 2.98 | |
| - Others | 17.36 | 24.02 | 11.47 | 20.70 |
| Loss on Foreign Exchange Fluctuation (net) | | 80.36 | | 0.17 |
| Advertisement and Publicity Expenses | | 30.70 | | 67.47 |
| Business Promotion Expenses | | 33.61 | | 31.12 |
| Tender & Bid Expenses | | 1.82 | | 14.29 |
| Commission & Brokerage | | 1.66 | | 0.83 |
| Rates & Taxes | | 8.01 | | 8.60 |
| Insurance | | 56.65 | | 10.03 |
| Electricity Expenses | | 26.38 | | 27.29 |
| Printing and Stationery | | 21.71 | | 29.71 |
| Communication Costs | | 42.08 | | 27.83 |
| Fees & Subscriptions | | 26.45 | | 16.78 |
| Listing, Registrar & Share Issue/Transfer Expenses | | 23.61 | | 15.06 |
| Directors' Remuneration | | 79.79 | | 77.17 |
| Directors' Sitting Fees | | 3.75 | | 3.90 |
| Legal & Professional Fees - Other than payments to Auditor: | | | | |
| - Consultancy Charges | 412.96 | | 256.38 | |
| - Legal & Professional Fees | 120.31 | | 109.68 | |
| - Filing Stamp Duty and Franking Charges | 49.19 | | 120.27 | |
| - Registration charges | 3.63 | 586.09 | 2.13 | 488.46 |
| Payments to Auditors: | | | | |
| - Audit fees | 14.05 | | 7.50 | |
| - Tax Audit fees | 2.81 | | 2.50 | |
| - For Other Services | 2.45 | | 1.75 | |
| - For Reimbursement of Expenses | - | 19.31 | - | 11.75 |
| Conveyance & Travelling | | 88.87 | | 98.52 |
| Vehicle Expenses | | 8.76 | | 7.64 |
| Office & General Expenses | | 52.07 | | 26.52 |
| Sundry Balances written off | | 10.42 | | - |
| TOTAL | | 1,226.12 | | 983.84 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 31 - Earnings Per Equity Share

₹ in Lacs except EPS

| | Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|-----|--|--------------------------------------|--------------------------------------|
| (a) | Net profit after tax attributable to equity shareholders for Basic EPS | 6,750.60 | 4,807.58 |
| | Add/Less: Adjustment relating to potential equity shares | - | - |
| | Net profit after tax attributable to equity shareholders for Diluted EPS | 6,750.60 | 4,807.58 |
| (b) | Weighted average no. of equity shares outstanding during the year | | |
| | For Basic EPS | 49,98,08,546 | 45,05,86,400 |
| | For Diluted EPS | 50,77,57,003 | 49,81,72,120 |
| (c) | Face Value per Equity Share (₹) | 1.00 | 1.00 |
| | Basic EPS | 1.35 | 1.07 |
| | Diluted EPS | 1.33 | 0.97 |

Earnings Per Share for the previous year have been reworked to give the effect of sub-division of equity shares from ₹10 each into ₹1 each and issue of bonus shares in accordance with Accounting Standard (AS) 20 on "Earnings Per Share".

* Bonus Declaration:

Share holders by way of postal ballot have approved issue of bonus shares on March 30, 2012 in the ratio of one fully paid up equity share for every equity share held on April 13, 2012 being the record date. In view of this, the effect of actual allotment of equity shares as bonus issue out of the Securities Premium Account, has not been given in the books of accounts for the current year ended March 31, 2012. However, the Basic & Diluted EPS has been adjusted for both the reporting periods as per the requirements of Accounting Standard - 20 on "Earning Per Share" issued by the Institute of Chartered Accountants of India.

(d) Reconciliation between no. of shares used for calculating basic and diluted EPS

| | | |
|--|--------------|--------------|
| No. of shares used for calculating Basic EPS | 49,98,08,545 | 45,05,86,400 |
| Add: Potential equity shares | 79,48,457 | 4,75,85,720 |
| No. of shares used for calculating Diluted EPS | 50,77,57,002 | 49,81,72,120 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 32 - Prior Period Items

₹ in Lacs

| | Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|-----|---|--------------------------------------|--------------------------------------|
| (a) | Prior Period Expenses | | |
| | Purchases | 9.07 | - |
| | Repairs & Maintenance | - | 0.14 |
| | Salary & Wages | 1.64 | 1.16 |
| | Staff Welfare Expenses | 0.06 | - |
| | Business Promotion | - | 0.04 |
| | Rent | 0.24 | - |
| | Rates & Taxes | 0.56 | 2.38 |
| | Electricity | 0.02 | - |
| | Printing & Stationery | - | 0.42 |
| | Telephone & Postage | 0.04 | 0.03 |
| | Transportation, Octroi & Loading / Unloading Expenses | 0.29 | - |
| | Lodging & Boarding Expenses | 0.03 | - |
| | Office & General Expenses | 4.08 | 0.66 |
| | Travelling & Conveyance | - | 0.55 |
| | TOTAL | 16.03 | 5.38 |
| (b) | Prior Period Incomes | | |
| | Interest received on others | 1.03 | - |
| | Rent received | 0.16 | - |
| | Electricity (recovered from customer) | 0.50 | - |
| | Tender & Bid Expenses (refund received) | 5.00 | - |
| | TOTAL | 6.69 | - |

Note 33 - Value of Raw Materials, Spare Parts and Components Consumed

Since the Company is engaged in providing e-governance related services, the quantitative details with respect to Opening Stock, Purchases, Sales and Closing Stock are not applicable to the Company and hence not given.

Note 34 - Earnings & Expenditure in Foreign Currency

(a) Earnings in Foreign Currency

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|--------------------------------|--------------------------------------|--------------------------------------|
| FOB Value of Exports | - | 1,319.75 |
| Interest on loan to subsidiary | 163.02 | 51.76 |
| TOTAL | 163.02 | 1,371.51 |

(b) Expenditure in Foreign Currency

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|------------------------------------|--------------------------------------|--------------------------------------|
| Travelling Expenses | 6.78 | 4.42 |
| License Fees | - | 16.20 |
| Professional and Consultation Fees | - | 18.66 |
| TOTAL | 6.78 | 39.28 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 35 - CIF Value of Imports

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---------------------------------|-----------------------------------|-----------------------------------|
| In respect of: | | |
| (i) Raw Materials | - | - |
| (ii) Components and Spare parts | - | - |
| (iii) Capital Goods | 1,651.83 | - |
| TOTAL | 1,651.83 | - |

Note 36 - Loans and Advances in the nature of loans given to subsidiaries and associates as required to be disclosed in the annual accounts of the company pursuant to clause 32 of the listing agreement is as under:

(i) Details of loans to subsidiaries

₹ in Lacs

| Name of Subsidiaries | 2011-2012 | | 2010 - 2011 | |
|---------------------------------------|-----------|-------------|-------------|-------------|
| | Amount | Max. Amount | Amount | Max. Amount |
| Vakrangee IT Solutions Limited | - | 55.31 | 41.21 | 41.21 |
| E-Doc Vision Infotech Private Limited | - | 371.22 | 26.21 | 582.99 |
| Vakrangee e-Solutions Inc. | 1,420.77 | 1,420.77 | 642.35 | 661.61 |
| Vakrangee Energy Private Limited | - | 34.65 | 31.16 | 126.72 |
| Vakrangee Finserve Limited | - | 38.10 | - | - |

(ii) Details of Investment in Subsidiaries

| Name of Subsidiaries | No. of Shares as at year-end | % of shareholding |
|---------------------------------------|------------------------------|-------------------|
| Vakrangee IT Solutions Limited | 1,00,50,000 | 100.00% |
| E-Doc Vision Infotech Private Limited | 564,99,99 | 66.47% |
| Vakrangee e-Solutions Inc. | 96,000 | 100.00% |
| Vakrangee Finserve Limited | 2,50,000 | 100.00% |

Note 37 - Related Party Details

(a) Key Management Personnel

| | |
|------------------------------|------------------------------|
| Mr. Dinesh Nandwana | Chairman & Managing Director |
| Dr. Nishikant Hayatnagarkar | Whole-Time Director |
| Mr. Ramesh Multanchand Joshi | Director |
| Mr. Sunil Agarwal | Director |
| Mr. Anil Patodia | Director |
| Mr. Kanhaiya Lal Varma | Director |
| Mr. Babu Lal Meena | Director |
| Mr. B. K. Gupta** | Director |

**Resigned w.e.f. December 29, 2011

(b) Relative of key management personnel and Name of the enterprises having same key management personnel and/ or their relatives as the reporting enterprises with whom the Company has entered into transactions during the year

Vakrangee Holdings Private Limited
Vakrangee Technologies Limited
Vakrangee Infraprojects Limited
Omnis Edu-Health Limited
Omnis Infra Power Limited
Mr. Manoj Nandwana

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(c) Subsidiary Companies with whom the Company has entered into transactions during the year

| Name of subsidiaries | Country of incorporation | Holding as at | |
|---------------------------------|--------------------------|----------------|----------------|
| | | March 31, 2012 | March 31, 2011 |
| Vakrangee IT Solutions Ltd. | India | 100.00% | 100.00% |
| E-Doc Vision Infotech Pvt. Ltd. | India | 66.47% | 99.99% |
| Vakrangee e-Solutions Inc. | Phillipines | 100.00% | 100.00% |
| Vakrangee Energy Pvt. Ltd. | India | 0.00% | 99.99% |
| Vakrangee Finserve Ltd. | India | 100.00% | 0.00% |

Related Party Transactions

- In relation to (a)

₹ in Lacs

| Nature of Transactions | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|------------------------------------|-----------------------------------|-----------------------------------|
| Director Remuneration | 79.79 | 77.17 |
| ESOP Perquisites | 21.13 | 15.21 |
| Rent received | 3.00 | 3.00 |
| Balance outstanding as on 31 March | NIL | NIL |

- In relation to (b)

₹ in Lacs

| Nature of Transactions | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Loans granted | 157.56 | 129.14 |
| Interest received on loan granted | 20.23 | 6.11 |
| Loan Received back | 271.77 | 55.05 |
| Loans Taken | 2,023.25 | - |
| Loans repaid | 1,080.00 | - |
| Balance Outstanding as on 31 March: | - | (1,037.23) |
| Short - term Borrowings | (943.25) | - |
| Short - Term Loans and Advances | - | 93.98 |

- In relation to (c)

₹ in Lacs

| Nature of Transactions | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Loans granted | 1,245.42 | 975.22 |
| Interest received on loan granted | 229.50 | 85.29 |
| Loan Received back | 795.08 | 978.17 |
| Balance Outstanding as on March 31: | | |
| Short - Term Loans and Advances | 1,420.77 | 98.59 |
| Long-term Loans and Advances | - | 642.35 |

Note 38 - Gratuity & Leave encashment

The Company has provided for Gratuity and leave encashment, in accordance with revised AS-15, "Employee Benefits", the company has provided the liability on actuarial basis.

a) Gratuity

Actuarial assumptions:

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-----------------------|---------------------------|---------------------------|
| Mortality Table (LIC) | 1994-96 (Ultimate) | 1994-96 (Ultimate) |
| Withdrawal Rate | 1% to 3% depending on age | 1% to 3% depending on age |
| Discount rate | 8% per annum | 8% per annum |
| Salary Escalation | 5% | 5% |

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factor, such as demand and supply in employment market.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Amount recognized in the Profit and Loss account

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|----------------------|----------------------|
| PV of Past Service Benefit | 19.80 | 21.28 |
| Current Service Cost | 7.42 | 7.38 |
| Actuarial (gains)/losses for the period | 0.95 | 6.53 |
| Obligation at the end of the year. | 34.40 | 36.63 |

b) Leave encashment

Actuarial assumptions:

| Particulars | As at March 31, 2012 |
|-----------------------------|---------------------------------------|
| Period | From: April 1, 2011 to March 31, 2012 |
| Discount rate | 8.75% per annum |
| Salary growth rate | 5.00% per annum |
| Mortality | LIC 94-96 ultimate |
| Expected rate of return | - |
| Withdrawal rate (per annum) | 2.00 % per annum (18 - 60 years) |

Amount recognized in the Profit and Loss account

₹ in Lacs

| Particulars | As at March 31, 2012 |
|-----------------------|----------------------|
| Current Liability | 0.56 |
| Non current liability | 17.50 |
| Total | 18.06 |

**The Company followed the cash basis accounting in case of leave encashment on ascertainment of right and obligation upto March 31, 2011.

Note 39 - Segment Reporting

The Company's activities predominantly revolve around providing the e-governance related services. Considering the nature of Company's business and operations, there is only one reportable segment (business and / or geographical) in accordance with the requirements of the Accounting Standard 17 – "Segment Reporting" notified in the Companies (Accounting Standards) Rules 2006.

Note 40 - Operating leases

The Company has taken Computer Equipments on operating lease under non-cancellable lease agreement. Lease payments recognized in the Profit and Loss Account for the year is ₹4111.19 lacs (Previous Year ₹9,03.83 lacs). Future minimum lease payments under non-cancellable operating leases are as below:

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|----------------------|----------------------|
| Not later than one year | 4,111.19 | 4,111.19 |
| Later than one year and not later than five years | 3,207.36 | 7,318.56 |
| Total | 7,318.55 | 11,429.75 |

Note 41 - Amounts due to Micro, Small and Medium Enterprises:

The Company has not received any intimation from the suppliers under the The Micro, Small & Medium Enterprises Development Act 2006 and therefore disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.

Note 42-Previous year figures

The figures of the previous year have been re-arranged, re-grouped and re-classified wherever necessary.



AUDITOR'S REPORT

To the Members of Vakrangee Softwares Limited,

We have audited the attached Consolidated Balance Sheet of Vakrangee Softwares Limited (hereinafter referred as "the Company"), the holding company, and its subsidiaries (hereinafter collectively referred to as "the Group") as at **March 31, 2012**, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that 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.

1. 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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.
2. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements" notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the Consolidated Financial Statements.

3. We did not audit the financial statements of two subsidiaries, which have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on those reports. The financial statements of these subsidiaries reflect the group's share of total assets of ₹3952.07 lacs as at March 31, 2012 and total revenues of ₹96.26 lacs for the year ended March 31, 2012.

4. In our opinion and to the best of our information and according to the explanations given to us and on the consideration of the separate audit reports on individual financial statements of the Company and its subsidiaries, we are of the opinion that the consolidated financial statements give a true and fair view:

- i) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012,
- ii) In the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date.
- iii) In the case of Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

For **S. K. Patodia & Associates**

Chartered Accountants

FRN : 112723W

Sunil Patodia

Partner

Mem. No. : 045489

Place : Mumbai

Date : April 26, 2012

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

₹ in Lacs

| | Particulars | Note No. | As at March 31, 2012 | As at March 31, 2011 |
|-----------|--|----------|----------------------|----------------------|
| I | EQUITY & LIABILITIES | | | |
| | 1. Shareholders' funds | | | |
| | (a) Share Capital | 2 | 2,502.40 | 2,371.15 |
| | (b) Reserves and Surplus | 3 | 39,187.90 | 32,337.63 |
| | (c) Money received against share warrants | 4 | - | 854.00 |
| | | | 41,690.30 | 35,562.78 |
| | 2. Share application money pending allotment | 5 | - | 6.53 |
| | 3. Minority Interest | | 285.02 | 0.00031 |
| | 4. Non - Current Liabilities | | | |
| | (a) Long - Term Borrowings | 6 | 15,596.11 | - |
| | (b) Deferred Tax Liabilities (Net) | 7 | 7,315.92 | 5,172.14 |
| | (c) Other Long - Term Liabilities | 8 | 699.17 | 47.56 |
| | | | 23,611.20 | 5,219.70 |
| | 5. Current Liabilities | | | |
| | (a) Short - Term Borrowings | 9 | 21,558.94 | 16,342.52 |
| | (b) Trade Payables | 10 | 12,183.24 | 8,682.44 |
| | (c) Other Current Liabilities | 11 | 10,143.85 | 1,749.76 |
| | (d) Short - Term Provisions | 12 | 2,145.66 | 1,372.60 |
| | | | 46,031.69 | 28,147.32 |
| | TOTAL | | 1,11,618.21 | 68,936.33 |
| II | ASSETS | | | |
| | 1. Non - Current Assets | | | |
| | (a) Fixed Assets | 13 | | |
| | (i) Tangible Assets | | 48,726.99 | 22,235.72 |
| | (ii) Intangible Assets | | 5,000.00 | 5,000.00 |
| | (iii) Capital Work-in-Progress | | 1,435.21 | - |
| | (b) Non - Current Investments | 14 | 146.30 | 335.08 |
| | (c) Long - Term Loans and Advances | 15 | 3,302.08 | 2,923.90 |
| | (d) Other Non - Current Assets | 16 | 472.32 | 264.16 |
| | | | 59,082.90 | 30,758.86 |
| | 2. Current Assets | | | |
| | (a) Inventories | 17 | 2,443.33 | 1,774.93 |
| | (b) Trade Receivables | 18 | 44,548.33 | 27,451.75 |
| | (c) Cash and Cash equivalents | 19 | 2,841.04 | 1,759.04 |
| | (d) Short - Term Loans and Advances | 20 | 1,960.91 | 1,254.18 |
| | (e) Other Current Assets | 21 | 590.21 | 5,934.04 |
| | | | 52,383.82 | 38,173.94 |
| | 3. Foreign Currency Translation Reserve | | 151.49 | 3.53 |
| | TOTAL | | 1,11,618.21 | 68,936.33 |
| | Significant Accounting Policies | 1 | | |

As per our report of even date

For S. K. PATODIA & ASSOCIATES For and on behalf of the Board

Chartered Accountants

Firm Regd. No. 112723W

SUNIL PATODIA

Partner

Membership No. 045489

Place : Mumbai

Date : April 26, 2012

DINESH NANDWANA

Chairman & Managing Director

DR. NISHIKANT HAYATNAGARKAR

Director

PRATIK BHANUSHALI

Company Secretary

CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2012

| | | ₹ in Lacs except EPS | | | |
|-------|--|----------------------|--------------------------------------|--------------|--------------------------------------|
| | Particulars | Note No. | For the year Ended March 31, 2012 | | For the year Ended March 31, 2011 |
| I | Revenue from Operations | 22 | 1,35,318.74 | | 88,967.71 |
| II | Other Income | 23 | 463.76 | | 60.68 |
| III | Total Revenue (I + II) | | | 1,35,782.50 | 89,028.39 |
| IV | Expenses | | | | |
| | Operating Expenses | 24 | 1,09,198.57 | | 71,073.86 |
| | Changes in Inventories | 25 | (507.20) | | (348.21) |
| | Employee Benefits Expenses | 26 | 1,247.36 | | 2,645.99 |
| | Finance Costs | 27 | 5,579.87 | | 1,760.65 |
| | Depreciation and Amortization Expense | 13 | 8,744.42 | | 5,500.60 |
| | Other Expenses | 28 | 1,227.76 | | 1,714.40 |
| | Total Expenses | | | 1,25,490.78 | 82,347.29 |
| V | Profit before Exceptional and Extraordinary Items and Tax (III-IV) | | | 10,291.72 | 6,681.10 |
| VI | Exceptional Items | | | - | - |
| VII | Profit before Extraordinary Items and Tax (V-VI) | | | 10,291.72 | 6,681.10 |
| VIII | Extraordinary Items | | | - | - |
| IX | Profit Before Tax (VII-VIII) | | | 10,291.72 | 6,681.10 |
| X | Tax Expense: | | | | |
| | (a) Current Tax | | 2,034.86 | | 1,331.81 |
| | (b) Deferred Tax | | 2,143.78 | | 949.83 |
| | (c) Tax of Earlier Year | | - | | 103.82 |
| | (d) MAT Credit Entitlement | | (974.08) | | (518.45) |
| | | | | 3,204.56 | 1,867.01 |
| XI | Profit for the Period from Continuing Operations (IX - X) | | | 7,087.16 | 4,814.09 |
| XII | Profit/(Loss) for the Period from Discontinuing Operations | | | - | - |
| XIII | Tax Expense of Discontinuing Operations | | | - | - |
| XIV | Profit/(Loss) from Discontinuing Operations (After Tax) (XII-XIII) | | | - | - |
| XV | Minority Interest | | | 0.02 | - |
| XVI | Profit for the Period (XI + XIV-XV) | | | 7,087.14 | 4,814.09 |
| XVII | No. of equity shares for computing EPS | | | | |
| | (1) Basic | | | 49,98,08,546 | 45,05,86,400 |
| | (2) Diluted | | | 50,77,57,003 | 49,81,72,120 |
| XVIII | Earnings Per Equity Share (Face Value ₹1 Per Share): | 32 | | | |
| | (1) Basic (₹) | | | 1.42 | 1.07 |
| | (2) Diluted (₹) | | | 1.40 | 0.97 |
| | Significant Accounting Policies | 1 | | | |

As per our report of even date

For S. K. PATODIA & ASSOCIATES For and on behalf of the Board

Chartered Accountants

Firm Regd. No. 112723W

SUNIL PATODIA

Partner

Membership No. 045489

Place : Mumbai

Date : April 26, 2012

DINESH NANDWANA

Chairman & Managing Director

DR. NISHIKANT HAYATNAGARKAR

Director

PRATIK BHANUSHALI

Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

| ₹ in Lacs | | | |
|-----------|--|--------------------------------------|--------------------------------------|
| S.No | Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
| I | CASH FLOW FROM OPERATING ACTIVITIES | | |
| | Profit before tax from continuing operations | 10,291.75 | 6,681.11 |
| | Profit before tax from discontinuing operations | - | - |
| | Profit before tax | 10,291.75 | 6,681.11 |
| | Non-cash adjustment to reconcile profit before tax to net cash flows | | |
| | Depreciation/amortization on continuing operation | 8,744.42 | 5,500.60 |
| | Depreciation/amortization on discontinuing operation | - | - |
| | Loss/(profit) on sale of fixed assets | (301.86) | (1.25) |
| | Employee stock compensation expense | 124.60 | 26.86 |
| | Net gain on sale of non-current investments | (0.99) | - |
| | Interest expense | 4,982.41 | 1,760.65 |
| | Interest income | (156.55) | (53.61) |
| | Dividend income | - | (0.01) |
| | Operating profit before working capital changes | 23,683.78 | 13,914.35 |
| | Movements in working capital: | | |
| | Increase / (decrease) in trade payables | 3,500.80 | 3,993.80 |
| | Increase / (decrease) in short-term provisions | 146.62 | 27.60 |
| | Increase / (decrease) in other current liabilities | 8,394.10 | (2,297.99) |
| | Increase / (decrease) in other long-term liabilities | 651.60 | (1,203.64) |
| | Decrease / (increase) in trade receivables | (17,096.59) | (14,659.57) |
| | Decrease / (increase) in inventories | (668.41) | 310.52 |
| | Decrease / (increase) in long-term loans and advances | 595.90 | (1,441.96) |
| | Decrease / (increase) in short-term loans and advances | (706.72) | (307.46) |
| | Decrease / (increase) in other current assets | 5,343.82 | (5,678.00) |
| | Decrease / (increase) in other non-current assets | (208.16) | 3,910.66 |
| | Cash generated from /(used in) operations | 23,636.74 | (3,431.69) |
| | Direct taxes paid (net of refunds) | (1,993.46) | (1,085.22) |
| | Net cash flow from / used in operating activities (A) | 21,643.28 | (4,516.91) |
| II | CASH FLOW FROM INVESTING ACTIVITIES | | |
| | Purchase of fixed assets, including intangible assets, CWIP and capital advances | (37,449.03) | (6,046.43) |

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

| | | | |
|------------|--|--------------------|-------------------|
| | Proceeds from sale of fixed assets | 1,079.99 | 2,037.61 |
| | Proceeds of non-current investments | 331.07 | - |
| | Purchase of non-current investments | (141.30) | (125.08) |
| | Interest received | 156.55 | 53.61 |
| | Dividends received | - | 0.01 |
| | Foreign Currency Translation Reserve | (147.96) | (8.53) |
| | Net cash flow from/(used in) investing activities (B) | (36,170.68) | (4,088.81) |
| | | | |
| III | CASH FLOW FROM FINANCING ACTIVITIES | | |
| | Proceeds from issuance of share capital | 416.25 | 121.53 |
| | Proceeds from securities premium on issuance of share capital | 803.87 | 723.92 |
| | Proceeds from long-term borrowings | 15,596.12 | (383.92) |
| | Proceeds from short-term borrowings | 5,216.40 | 11,122.19 |
| | Warrant & Share Application Money | (860.53) | 445.78 |
| | Interest paid | (4,982.41) | (1,760.65) |
| | Dividends paid on equity shares | (499.30) | (337.44) |
| | Tax on equity dividend paid | (81.00) | (56.04) |
| | Net cash flow from/(used in) in financing activities (C) | 15,609.40 | 9,875.37 |
| | | | |
| | Net increase / (decrease) in cash and cash equivalents (A + B + C) | 1,082.00 | 1,269.65 |
| | Cash and cash equivalents at the beginning of the year | 1,759.04 | 489.39 |
| | Cash and cash equivalents at the end of the year | 2,841.04 | 1,759.04 |
| | | | |
| | Components of cash and cash equivalents | | |
| | Cash on hand | 48.61 | 49.21 |
| | Cheques/ drafts on hand | - | - |
| | With banks - on current account | 515.54 | 839.76 |
| | on deposit account | 2,257.53 | 855.18 |
| | unpaid dividend accounts* | 19.36 | 14.89 |
| | Total cash and cash equivalents (Note 19) | 2,841.04 | 1,759.04 |

* The company can utilize these balances only toward settlement of the respective unpaid dividend.

For S. K. PATODIA & ASSOCIATES For and on behalf of the Board

Chartered Accountants

Firm Regd. No. 112723W

SUNIL PATODIA

Partner

Membership No. 045489

Place : Mumbai

Date : April 26, 2012

DINESH NANDWANA

Chairman & Managing Director

DR. NISHIKANT HAYATNAGARKAR

Director

PRATIK BHANUSHALI

Company Secretary



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 1- Significant Accounting Policies

I. Significant Accounting Policies

A. Basis of Consolidation:

The Consolidated financials results comprise of the results of Vakrangee Softwares Limited (hereinafter referred to as "the Company" and its subsidiaries Vakrangee IT Solutions Limited, E-Doc Vision InfoTech Private Limited, Vakrangee e-Solutions Inc., Philippines, Vakrangee Energy Private Limited and Vakrangee Finserve Limited which are consolidated in accordance with Accounting Standard 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI).

The financial statements of the Company and its subsidiary has been combined on a line-by-line basis by adding together the balances of like items of assets, liabilities, income and expenditure after fully eliminating the intra- group balances and intra-group transactions resulting in unrealized profit or loss.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

The excess of cost to the Company of its investments in the subsidiaries over its portion of equity of subsidiaries at the dates they become subsidiaries is recognized in the financial statements as goodwill. When the cost to the parent of its investment in subsidiaries is less than the parent's portion of equity, the difference is recognized in the financial statements as capital reserve.

B. Basis of Accounting

The financial statements are prepared under the historical cost convention, on a going concern concept and in compliance with the Accounting Standards notified by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act 1956. Accounting policies not

specifically referred to otherwise, are consistent and in consonance with the generally accepted accounting principles.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known / materialise.

D. Recognition of Income

Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection.

The Company follow the accrual basis of accounting except in the following cases, where the same are recorded on cash basis on ascertainment of right and obligation.

- i) Insurance Claim
- ii) Dividend Income, if any.

E. Fixed Assets and Intangible Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalized inclusive of all direct costs and attributable overheads. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, preoperative expenses are capitalized upon the commencement of commercial production.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

The carrying amounts of the assets belonging to each cash generating unit (CGU) are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying amounts exceed the recoverable amount of the assets CGU, assets are written down to their recoverable amount. Further, assets held for disposal are stated at the lower of the net book value or the estimated net realizable value.

F. Impairment of Fixed Assets

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indication that an impairment loss have occurred in accordance with Accounting Standard 28 on "Impairment of Assets". Where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made

G. Depreciation/Amortization

i) Depreciation / Amortisation is provided on the straight line method (SLM) unless otherwise mentioned, pro-rata to the period of use of assets and is based on management's estimate of useful lives of the fixed assets or at rates specified in schedule XIV to the Act, whichever is higher:

| Description of Asset | Rate of Depreciation |
|---|----------------------|
| Building | 1.63% |
| Computers including Computer Peripherals & Software | 16.21% |
| Office Equipments | 4.75% |
| Furniture & Fixture | 6.33% |
| Motor Car | 9.50% |
| Plant & Machinery | 4.75% |
| Project Assets | 25.00% |

ii) Depreciation on assets acquired/sold during the year is provided on prorata basis.

H. Investments

Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investment and are carried at cost less any provision for permanent diminution in value.

Investments other than long term investments being current investments are valued at cost or fair market value whichever is lower.

I. Valuation of inventories

Inventories are valued at lower of cost or net realizable value.

J. Lease

Lease arrangements where the risks and rewards incident to ownership of an asset substantially vest with the lessor, are recognised as operating leases. The lease agreements contain rent escalation clause. Lease rental expenses including escalations for operating leases are recognised in the Profit and Loss Account on a straight-line basis over the minimum lease term.

K. Miscellaneous Expenditure

Preliminary expenses are amortised in the year in which they are incurred.

L. Foreign Currency Transactions

- The transactions in foreign currencies are stated at the rate of exchange prevailing on the date of transactions.
- The difference on account of fluctuation in the rate of exchange prevailing on the date of transaction and the date of realization is charged to the Profit and Loss Account.
- Differences on translations of Current Assets and Current Liabilities remaining unsettled at the year-end are recognized in the Profit and Loss Account.

M. Treatment of Contingent Liabilities

Contingent liabilities are disclosed by way of notes to accounts. Disputed demands in respect of income tax and other proceeding are disclosed as contingent liabilities. Payments in respect of such demands, if any are shown as advances.

N. Accounting for Taxation of Income

Current taxes

Income Tax are accrued in the same period the related revenue and expenses arise. A provision is made for income tax annually based on the tax liability computed after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowance or other matters is probable. MAT paid in accordance with



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

the tax laws, which gives rise to future economic benefits in the form of tax credit against future tax liability, is recognised as an assets in the Balance sheet if there is convincing evidence that the group will pay normal tax after the tax holiday period and the resultant assets can be measured reliably. The Company offsets, on a year to year basis, the current tax assets and liabilities, where its legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

Deferred taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted at the balance sheet date. The effect of a change in tax rates on deferred tax assets or liabilities are recognized in the period that includes the enactment date. Deferred tax Assets are recognized only to the extent there is virtual certainty that the assets can be realized in the future. Deferred Tax Assets are reviewed as at each Balance Sheet date.

O. Retirement benefits of the Employee:

The Company has both defined contribution and defined benefit plans of which some have assets in special funds or similar securities. The plans are financed by the Company and in case of some defined contribution plans, by the Company along with its employees.

- **Gratuity**

In accordance with the Payment of Gratuity Act, 1972, the Company provides for a lump sum payment to eligible employees, at retirement or termination

of employment based on the last drawn salary and years of employment with the company. The gratuity fund is managed by the Life Insurance Corporation of India (LIC). The Company's gratuity benefit scheme is a defined benefit plan. The company's obligation in respect of the gratuity plan is provided by for based on actuarial valuation carried out by an independent actuary using the projected unit credit method. The Company recognises actuarial gains and losses immediately in the profit and loss account.

- **Provident fund, State Insurance, Labour Welfare Fund, Professional Tax**

These are the defined contribution plans in which the Company pays pre-defined amounts to separate funds. The Company's contributions to these funds are reported as an expense during the period in which the employees perform services that the payment covers.

- **Compensated Absences**

The employees of the Company are entitled to compensate absence. The employees can carry forward a portion of the unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence. The company follows the cash basis of accounting for recording the obligation of leave encashment. In other words, the company records an obligation for compensated absences in the period in which it has been encashed by the employees.

- **Employee Stock Option Plan (ESOP)**

In respect of employee's stock options, the excess of market price on the date of grant over the exercise price is recognised as deferred employee compensation expense amortised over vesting period.

As per our report of even date

For S. K. PATODIA & ASSOCIATES For and on behalf of the Board

Chartered Accountants

Firm Regd. No. 112723W

SUNIL PATODIA

Partner

Membership No. 045489

Place : Mumbai

Date : April 26, 2012

DINESH NANDWANA

Chairman & Managing Director

DR. NISHIKANT HAYATNAGARKAR

Director

PRATIK BHANUSHALI

Company Secretary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 2 - Share Capital

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| Authorised: | | |
| 75,00,00,000 Equity Shares of ₹1 each (Previous Year | | |
| 4,50,00,000 Equity Shares of ₹10 each) | 7,500.00 | 4,500.00 |
| TOTAL | 7,500.00 | 4,500.00 |
| Issued, Subscribed and Paid-up: | | |
| 25,02,39,790 Equity Shares of ₹1 each (Previous Year | | |
| 2,37,11,513 Equity Shares of ₹10 each) fully paid up | 2,502.40 | 2,371.15 |
| TOTAL | 2,502.40 | 2,371.15 |

Note 3 - Reserves & Surplus

₹ in Lacs

| | Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-------|--|----------------------|----------------------|
| (i) | Securities Premium Account | | |
| | As per last Balance Sheet | 18,450.15 | 17,726.23 |
| | Add: On shares issued during the year | 803.87 | 723.92 |
| | Add: Transferred from Shares Options outstanding account | 5.40 | - |
| | Less: Capitalised on issue of shares | - | - |
| | Less: Share issue expenses | - | - |
| | | 19,259.42 | 18,450.15 |
| (ii) | Shares Options Outstanding Account | | |
| | As per last Balance Sheet | 125.92 | - |
| | Add: On further grant of options | 161.12 | 125.92 |
| | Less: Deferred Employee Compensation Expense | (135.58) | (99.05) |
| | Less: Transferred to Securities Premium Account | (5.40) | - |
| | | 146.06 | 26.87 |
| (iii) | General Reserve | | |
| | As per last Balance Sheet | 1,270.10 | 901.34 |
| | Add: Transferred from Profit and Loss Account | 506.30 | 368.76 |
| | Less: Transferred to Profit and Loss Account | - | - |
| | | 1,776.40 | 1,270.10 |
| (iv) | Surplus In The Profit & Loss Account | | |
| | As per last Balance Sheet | 12,590.14 | 8,724.92 |
| | Add: Profit for the year | 7,087.14 | 4,814.10 |
| | Amount available for appropriations | 19,677.28 | 13,539.02 |
| | Appropriations: | | |
| | Add: Transferred from reserves | - | - |
| | Less: Transferred to general reserve | (506.30) | (368.76) |
| | Proposed dividend | (1,000.96) | (498.83) |
| | Corporate Dividend Tax | (162.38) | (80.92) |
| | Short Provision for Dividend | (0.47) | - |
| | Short Provision for FBT | (1.07) | - |
| | Short Provision for Dividend Tax Payable | (0.08) | - |
| | | 18,006.02 | 12,590.51 |
| | TOTAL | 39,187.90 | 32,337.63 |

Note: 1. The short provision for dividend & dividend tax above is towards dividend declared for the financial year 2010-11.
2. Out of the Securities Premium account balance as on year end, an amount of ₹2502.40 lacs will be capitalized and transferred to Share Capital account pursuant to the resolution passed by the members through postal ballot for allotment of bonus shares in the ratio of one equity share of ₹1 each for every share held as on record date i.e. April 13, 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 4 - Money received against share warrants

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|----------------------|----------------------|
| Share warrants application money received for Nil warrants (P. Y. 12,20,000) which are warrants issued at a price of ₹70 each fully paid-up | - | 854.00 |
| TOTAL | - | 854.00 |

The amount of ₹854.00 lacs received upto March 31, 2011 towards 12,20,000 convertible warrants out of 34,70,000 convertible warrants issued in the financial year 2009-10, has been converted into equivalent number of equity shares during the year. Balance 22,50,000 convertible warrants have been converted into equivalent equity shares upto the end of the financial year 2010-11.

Note 5 - Share application money pending allotment

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| Employee Stock Option Plan (ESOP) | | |
| Nil (P. Y. 7,132) ESOP at a price of ₹61.90 each fully paid-up | - | 4.42 |
| Nil (P. Y. 3,116) ESOP at a price of ₹67.85 each fully paid-up | - | 2.11 |
| TOTAL | - | 6.53 |

Note 6 - Long-Term Borrowings

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|----------------------------|----------------------|----------------------|
| Secured Loans | | |
| (i) Term Loans | | |
| - From Banks | 13,373.90 | - |
| - From Others | 2,222.21 | 15,596.11 |
| (ii) Deposits | - | - |
| (A) | 15,596.11 | - |
| (B) Unsecured Loans | | |
| (i) Term Loans | | |
| - From Bank | - | - |
| - From Others | - | - |
| (iii) Deposits | - | - |
| (B) | - | - |
| TOTAL (A + B) | 15,596.11 | - |

Note 7 - Deferred Tax Liabilities (Net)

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| Liabilities | | |
| (i) On account of difference in depreciation on Fixed Assets | 7,321.78 | 5,174.31 |
| (ii) Timing differences on Tax Provisions | - | - |
| (A) | 7,321.78 | 5,174.31 |
| Assets | | |
| (i) Provision for Gratuity & Leave Encashment | (5.86) | (2.17) |
| (ii) Timing differences on Tax Provisions | - | - |
| (B) | (5.86) | (2.17) |
| TOTAL (A + B) | 7,315.92 | 5,172.14 |

Note 8 - Other Long-Term Liabilities

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|------------------------|----------------------|----------------------|
| Trade payables | 18.46 | 47.56 |
| Others: | | |
| - Buyers Credit on FLC | 680.71 | - |
| TOTAL | 699.17 | 47.56 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 9 - Short-Term Borrowings

₹ in Lacs

| Particulars | As at March 31, 2012 | | As at March 31, 2011 | |
|--|----------------------|------------------|----------------------|------------------|
| Secured Loans | | | | |
| (i) Loans repayable on demand | | | | |
| - From Banks | 19,361.69 | | 15,253.63 | |
| - From Others (Vehicle Loans) | - | 19,361.69 | 8.63 | 15,262.26 |
| (ii) Loans & Advances from Related Parties | | 734.00 | | - |
| (iii) Inter Corporate Deposits | | 370.00 | | - |
| (A) | | 20,465.69 | | 15,262.26 |
| (B) Unsecured Loans | | | | |
| (i) Loans & Advances from Related Parties | | 943.25 | | - |
| (ii) Inter Corporate Deposits | | 150.00 | | 400.00 |
| (iii) Other Loans & Advances | | - | | 680.26 |
| (B) | | 1,093.25 | | 1,080.26 |
| TOTAL (A + B) | | 21,558.94 | | 16,342.52 |

Note 10 - Trade Payables

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| Current payables (including acceptances) outstanding for less than 12 months | 12,183.24 | 8,682.44 |
| | 12,183.24 | 8,682.44 |

Note 11 - Other Current Liabilities

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| Current maturities of long-term debts | 8,749.83 | - |
| Interest accrued and due on borrowings | 113.38 | - |
| Interest accrued but not due on borrowings | 109.54 | 47.75 |
| Unpaid Dividend | 19.36 | 14.89 |
| Other Payables | | |
| PF, ESIC & LWF Payable | 3.24 | 2.37 |
| Service Tax Payable | 177.25 | 94.00 |
| Sales Tax & WCT Payable | 721.04 | 1,114.95 |
| TDS Payable | 40.13 | 32.60 |
| Staff Emoluments Payable | 149.92 | 114.91 |
| Security Deposit | 25.72 | 25.50 |
| Other Liabilities | 34.44 | 302.79 |
| TOTAL | 10,143.85 | 1,749.76 |

Note 12 - Short-Term Provisions

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|--|----------------------|----------------------|
| Provision for Expenses | 93.92 | 74.07 |
| Provisions for Employees' benefits | 19.00 | 6.53 |
| Provision for Taxation (net of taxes paid) | 755.10 | 712.25 |
| Provision for Interest on Taxation | 113.88 | - |
| Provision for Wealth Tax | 0.42 | - |
| Provision for Proposed Dividend | 1,000.96 | 498.83 |
| Provision for Tax on Proposed Dividend | 162.38 | 80.92 |
| TOTAL | 2,145.66 | 1,372.60 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 13 - Fixed Assets

| (a) | Description | Gross Block | | | | Depreciation Block | | | | Net Block | | | | |
|-----|---|-----------------------------|-----------|--|-------------------------|-----------------------|----------------------------------|----------------|-------------------------|----------------------------|-------------------|------------|-----------------------|------------------------|
| | | Beginning of Current Period | Additions | Acquisitions through Business Combinations | Deductions/ Adjustments | End of Current Period | Upto Beginning of Current Period | For the Period | Deductions/ Adjustments | Upto End of Current Period | Before Impairment | Impairment | End of Current Period | End of Previous Period |
| | (i) Tangible Assets | | | | | | | | | | | | | |
| | Buildings | 798.53 | - | - | 21.05 | 777.48 | 77.77 | 12.85 | 1.67 | 88.95 | - | - | 688.53 | 720.76 |
| | Plant and Machinery | 755.53 | - | - | - | 755.53 | 156.31 | 35.89 | - | 192.20 | - | - | 563.33 | 599.22 |
| | Furnitures and Fixtures | 697.26 | 23.32 | - | 110.70 | 609.88 | 292.06 | 37.04 | 16.91 | 312.19 | - | - | 297.69 | 405.19 |
| | Vehicles | 101.04 | 16.48 | - | 35.83 | 81.69 | 31.92 | 6.99 | 8.83 | 30.08 | - | - | 51.61 | 69.12 |
| | Office Equipments | 635.85 | 7.92 | - | 83.40 | 560.37 | 268.75 | 27.80 | 38.04 | 258.51 | - | - | 301.86 | 367.11 |
| | Computers and Printers | 33,287.01 | 1.71 | - | 824.81 | 32,463.91 | 13,212.69 | 5,264.01 | 240.16 | 18,236.54 | - | - | 14,227.37 | 20,074.32 |
| | Project Assets | | | | | | | | | | | | | |
| | - Computers and Printers | - | 31,403.23 | - | 4.90 | 31,398.33 | - | 2,875.76 | 0.16 | 2,875.60 | - | - | 28,522.73 | - |
| | - Office Equipments | - | 650.07 | - | 3.90 | 646.17 | - | 87.00 | 0.70 | 86.30 | - | - | 559.87 | - |
| | - Furniture & Fixtures | - | 3,911.08 | - | - | 3,911.08 | - | 397.08 | - | 397.08 | - | - | 3,514.00 | - |
| | TOTAL | 36,275.22 | 36,013.81 | - | 1,084.59 | 71,204.44 | 14,039.50 | 8,744.42 | 306.47 | 22,477.45 | - | - | 48,726.99 | 22,235.72 |
| | | | | | | | | | | | | | | |
| | (ii) Intangible Assets (Other than Internally Generated) | | | | | | | | | | | | | |
| | | 5,000.00 | - | - | - | 5,000.00 | - | - | - | - | - | - | 5,000.00 | 5,000.00 |
| | TOTAL | 5,000.00 | - | - | - | 5,000.00 | - | - | - | - | - | - | 5,000.00 | 5,000.00 |
| | | | | | | | | | | | | | | |
| | (iii) Capital Work-In-Progress (excluding Capital Advances) | | | | | | | | | | | | | |
| | | - | 1,435.21 | - | - | 1,435.21 | - | - | - | - | - | - | 1,435.21 | - |
| | TOTAL | - | 1,435.21 | - | - | 1,435.21 | - | - | - | - | - | - | 1,435.21 | - |
| | | | | | | | | | | | | | | |
| | GRAND TOTAL | 41,275.22 | 37,449.02 | - | 1,084.59 | 77,639.65 | 14,039.50 | 8,744.42 | 306.47 | 22,477.45 | - | - | 55,162.20 | 27,235.72 |
| | PREVIOUS YEAR | 37,548.84 | 6,046.43 | - | 2,320.06 | 41,275.22 | 8,822.60 | 5,500.60 | 283.70 | 14,039.50 | - | - | 27,235.72 | 28,726.25 |

(b) Details of Capital Work-in-Progress

Capital Work-in-Progress represents cost incurred towards purchase of Land & computer software (pending installation).

(c) Detailed note on Fixed Assets taken on Lease

The Company has not taken any assets on lease, except computer equipments assets taken on operating lease under non-cancellable agreements. As the assets taken on lease are not under finance lease, the details thereon has not been classified into owned assets & leased assets above. For further details on operating lease, please refer Note No. 40.

(d) During the year Company has started prestigious UID Enrolment project of Government of India. UID Project is highly capital intensive and required substantial investment in form of fixed assets. For the purpose company has acquired fixed assets worth approximately 36000 lacs and classified the same as project Assets. The management of the company envisage that the useful life of these assets assigned to any project, present or future, will be 4 years and accordingly has accelerated the depreciation at higher rate. For the purpose of acquiring these assets company has taken loan from Axis Bank, Punjab National Bank & Andhra Bank totalling to 22500 lacs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 14 - Non-Current Investments

₹ in Lacs

| | Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-----|--|----------------------|----------------------|
| (a) | Trade Investments | | |
| | (i) Investment in Equity Instruments | | |
| | Unquoted Investments | | |
| | - In Associate Companies | | |
| | Nil Equity Shares of Vakrangee Technologies Ltd. | | |
| | of ₹10 each fully paid up (Previous Year 21,00,000) | - | 210.00 |
| | 13,000 Equity Shares of Omnis Infra Power Ltd | | |
| | of ₹10 each fully paid up (Previous Year Nil) | 1.30 | - |
| | (A) | 1.30 | 210.00 |
| | (ii) Investment in Mutual Funds | | |
| | 12,00,000 units of Axis Hybrid Fund Series - I | | |
| | of ₹10 each fully paid up (Previous Year Nil) | 120.00 | - |
| | Nil units of Axis Mid Cap Fund | | |
| | of ₹10 each fully paid up (Previous Year 10,01,001) | - | 100.00 |
| | 24.9375 units of Aditya Birla Real Estate Fund - I | | |
| | of ₹1,00,000 each partly paid up ₹40,000 per unit (Previous Year ₹20,000 per unit, 24.9375 units) | 10.00 | 5.00 |
| | 1,50,000 units of Union KBC Equity Fund | | |
| | of ₹10 each fully paid up (Previous Year Nil) | 15.00 | - |
| | Nil units of Axis Triple Advantage Fund | | |
| | of ₹10 each fully paid up (Previous Year 2,00,804.833) | - | 20.08 |
| | (B) | 145.00 | 125.08 |
| | TOTAL (A + B) | 146.30 | 335.08 |

₹ in Lacs

| | Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-----|---|----------------------|----------------------|
| (b) | Aggregate value of: | | |
| | Quoted investments - Mutual Funds (Market Value : ₹162.12 lacs, P.Y. ₹130.10 lacs) | 145.00 | 125.08 |
| | Unquoted investments | 1.30 | 210.00 |

Note 15 - Long-Term Loans & Advances

₹ in Lacs

| | Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-----|--|----------------------|----------------------|
| (a) | (i) Capital Advances | | |
| | (Unsecured, considered good) | | |
| | Advance against property | 75.00 | 630.68 |
| | Advance against capital goods | 0.74 | - |
| | | 75.74 | 630.68 |
| | (ii) Security Deposits | | |
| | (Unsecured, considered good) | | |
| | Security Deposit | 1,172.70 | 1,168.85 |
| | (iii) Other Loans and Advances | | |
| | (Unsecured, considered good) | | |
| | MAT Credit Entitlement | 1,935.08 | 961.00 |
| | Balances with statutory / revenue authorities: | | |
| | - Income Tax (net of provision for taxation) | 76.71 | 77.78 |
| | - Sales Tax | 41.85 | 85.59 |
| | TOTAL | 3,302.08 | 2,923.90 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 16 - Other Non-Current Assets

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|----------------------|----------------------|
| (i) Long Term Trade Recievables | | |
| - Unsecured, considered good | 187.80 | 206.47 |
| - Doubtful | - | - |
| Less: Provision for Doubtful Debts | - | - |
| (ii) Others | | |
| - Non-Current Bank Balances (Note No. 19) | 284.52 | 57.69 |
| TOTAL | 472.32 | 264.16 |

Note 17 - Inventories

₹ in Lacs

| (a) Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-----------------------|----------------------|----------------------|
| (i) Raw Material | 21.21 | 21.04 |
| (ii) Work in Progress | 2,199.14 | 1,691.94 |
| (iii) Finished Goods | - | - |
| (iv) Consumables | 218.26 | 50.61 |
| (v) Stores & Spares | 4.72 | 11.34 |
| TOTAL | 2,443.33 | 1,774.93 |

(b) Basis of valuation of Inventories

Inventories are valued at lower of cost or net realizable value on FIFO basis which is in accordance with AS 2 as issued by the ICAI.

Note 18 - Trade Receivables

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|----------------------|----------------------|
| (i) Due for a period exceeding six months | | |
| - Unsecured, considered good | 35.24 | 425.97 |
| - Doubtful | - | - |
| Less: Provision for Doubtful Debts | - | - |
| (ii) Others | | |
| - Unsecured, considered good | 44,513.09 | 27,025.78 |
| - Doubtful | - | - |
| Less: Provision for Doubtful Debts | - | - |
| TOTAL | 44,548.33 | 27,451.75 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 19 - Cash & Cash equivalents

| ₹ in Lacs | | | |
|---|----------------------|--|----------------------|
| Particulars | As at March 31, 2012 | | As at March 31, 2011 |
| (A) Cash & Cash Equivalents | | | |
| (i) Balances with Banks: | | | |
| - Current Accounts | 515.54 | | 839.76 |
| (ii) Cash-in-hand | 48.61 | | 49.21 |
| (iii) Cheques & Drafts in-hand | - | | - |
| | 564.15 | | 888.97 |
| (B) Other Bank Balances | | | |
| (i) Earmarked balances | 19.36 | | 14.89 |
| (ii) Amount held as margin money or security against borrowings, guarantee, other commitments | 2,542.05 | | 912.87 |
| | 2,561.41 | | 927.76 |
| | 3,125.56 | | 1,816.73 |
| Less: Non-Current Other Bank Balances, disclosed under Other Non-Current Assets (Note No.16) | | | |
| (i) Amount held as margin money or security against borrowings, guarantee, other commitments | 284.52 | | 57.69 |
| (ii) Deposits with Banks: | | | |
| - with original maturity period more than 12 months | - | | - |
| | 284.52 | | 57.69 |
| TOTAL | 2,841.04 | | 1,759.04 |

Note 20 - Short-Term Loans and Advances

| ₹ in Lacs | | | |
|--|----------------------|--|----------------------|
| Particulars | As at March 31, 2012 | | As at March 31, 2011 |
| (i) Loans and Advances to Related Parties | | | |
| (Unsecured, considered good) | | | |
| Dues from associate companies | - | | 8.24 |
| Dues from companies in which the company's managing director is a director | - | | 85.74 |
| | - | | 93.98 |
| (ii) Other Loans and Advances | | | |
| (Unsecured, considered good) | | | |
| Loans to others | 500.00 | | 630.79 |
| Earnest Money Deposit | 770.84 | | 266.20 |
| Balances with statutory / revenue authorities: | | | |
| - Sales Tax | 233.18 | | 57.09 |
| - CENVAT Credit receivable | 456.89 | | 206.12 |
| | 1,960.91 | | 1,160.20 |
| TOTAL | 1,960.91 | | 1,254.18 |

Note 21 - Other Current Assets

| ₹ in Lacs | | | |
|---|----------------------|--|----------------------|
| Particulars | As at March 31, 2012 | | As at March 31, 2011 |
| (i) Interest accrued on investments and deposits | | | |
| Interest Accrued on FDRs | 22.56 | | 23.81 |
| | 22.56 | | 23.81 |
| (ii) Other advances receivable in cash or kind or for value to be received | | | |
| Staff Loans | 10.24 | | 0.61 |
| Interest recoverable on Cash Credit Account | 29.48 | | - |
| Advances for Expenses | 13.23 | | 5,159.87 |
| Prepaid Expenses | 471.34 | | 431.44 |
| | 524.29 | | 5,591.92 |
| (iii) Other Assets | | | |
| Share Application Money | | | |
| - In Other Body Corporates | - | | 256.00 |
| | - | | 256.00 |
| Pre Operative Expenses | 43.36 | | 62.31 |
| | 43.36 | | 62.31 |
| TOTAL | 590.21 | | 5,934.04 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 22 - Revenue from Operations

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | | For the year ended March 31, 2011 | |
|--|-----------------------------------|--------------------|-----------------------------------|------------------|
| (a) Income from e-governance activities | | 1,29,402.02 | | 72,523.42 |
| (b) Sale of Products | | | | |
| - Computer consumables & peripherals | 4,460.11 | | 10,867.22 | |
| - Others | 6.72 | | 13.25 | |
| | | 4,466.83 | | 10,880.47 |
| (c) Sale of Services | | | | |
| - Information Technology-enabled Services (ITeS) | 1,416.80 | | 5,544.00 | |
| - Others | 32.45 | | 17.10 | |
| | | 1,449.25 | | 5,561.10 |
| (d) Other Operating Revenues | | | | |
| - Commission | 0.15 | | - | |
| - Scrap Sale | 0.49 | | 2.72 | |
| | | 0.64 | | 2.72 |
| TOTAL | | 1,35,318.74 | | 88,967.71 |

Note 23 - Other Income

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | | For the year ended March 31, 2011 | |
|---|-----------------------------------|---------------|-----------------------------------|--------------|
| (i) Interest Income on | | | | |
| - Bank Deposits | 125.14 | | 35.35 | |
| - Others | 31.42 | 156.56 | 18.26 | 53.61 |
| (ii) Dividend Income on | | | | |
| - Investment in Other Long-Term Instruments | - | - | 0.01 | 0.01 |
| (iii) Net gain on sale of Fixed Assets | | 301.86 | | 1.25 |
| (iv) Net gain on sale of Investments | | 0.99 | | - |
| (v) Other Non-Operating Income (net of expenses directly attributable to such income) | | | | |
| - Rent Received | 3.50 | | 4.39 | |
| - Sundry Balances written back | - | | 0.87 | |
| - Miscellaneous Income | 0.85 | 4.35 | 0.55 | 5.81 |
| TOTAL | | 463.76 | | 60.68 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 24 - Operating Expenses

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|--|-----------------------------------|-----------------------------------|
| Cost for Sales | | |
| - Opening Stock | 82.99 | 1,985.35 |
| - Add: Purchases during the year | 1,02,706.54 | 67,529.04 |
| | 1,02,789.53 | 69,514.39 |
| - Less: Closing Stock | 244.20 | 82.99 |
| | 1,02,545.33 | 69,431.40 |
| Lease Rent | 4,111.19 | 903.83 |
| Procurement of Manpower | 1,989.37 | 47.41 |
| Project Expenses | 167.74 | 198.59 |
| Software Development Charges | 38.29 | 113.30 |
| Image Processing Expenses | 78.03 | 60.70 |
| Printing Charges | 152.24 | 241.39 |
| Machinery Hire Charges | 3.34 | 16.35 |
| Electricity Expenses | 7.08 | 0.90 |
| Conveyance & Travelling Expenses | 28.84 | 6.59 |
| Transportation, Octroi and Loading / Unloading Charges | 17.01 | 10.33 |
| Rent | 53.62 | 23.15 |
| Refurbishment Charges | 1.13 | 16.16 |
| Packaging Expenses | 2.00 | 2.44 |
| Communication Costs | 3.36 | 1.32 |
| TOTAL | 1,09,198.57 | 71,073.86 |

Note 25 - Changes in Inventories

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|------------------------------------|-----------------------------------|-----------------------------------|
| (a) At the beginning of the period | | |
| (i) Finished Goods | - | - |
| (ii) Work-in-Progress | 1,691.94 | 34.85 |
| | 1,691.94 | 34.85 |
| Less: (b) At the end of the period | | |
| (i) Finished Goods | - | - |
| (ii) Work-in-Progress | 2,199.14 | (383.06) |
| | 2,199.14 | (383.06) |
| TOTAL | (507.20) | (348.21) |

Note 26 - Employee Benefits Expenses

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|--|-----------------------------------|-----------------------------------|
| (i) Salaries & Wages | 1,064.89 | 2,542.37 |
| (ii) Contribution to Provident & Other Funds | 17.56 | 15.00 |
| (iii) Employee Compensation Expenses | 124.60 | 26.86 |
| (iv) Staff Welfare Expenses | 40.31 | 61.76 |
| TOTAL | 1,247.36 | 2,645.99 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 27 - Finance Costs

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | | For the year ended March 31, 2011 | |
|---------------------------|-----------------------------------|-----------------|-----------------------------------|-----------------|
| Interest Expenses | | | | |
| - Banks | 4,320.47 | | 1,546.40 | |
| - Others | 661.95 | 4,982.42 | 40.25 | 1,586.65 |
| Bank Charges & Commission | | 597.45 | | 174.00 |
| TOTAL | | 5,579.87 | | 1,760.65 |

Note 28 - Other Expenses

₹ in Lacs

| Particulars | For the year ended March 31, 2012 | | For the year ended March 31, 2011 | |
|---|-----------------------------------|-----------------|-----------------------------------|-----------------|
| Repairs & Maintenance: | | | | |
| - Building | 2.43 | | 6.25 | |
| - Vehicle | 4.23 | | 2.98 | |
| - Others | 16.68 | 23.34 | 36.78 | 46.01 |
| Loss on Foreign Exchange Fluctuation (net) | | 44.73 | | 2.47 |
| Advertisement and Publicity Expenses | | 30.70 | | 67.91 |
| Business Promotion Expenses | | 33.61 | | 73.57 |
| Tender & Bid Expenses | | 1.82 | | 14.29 |
| Commission & Brokerage | | 1.66 | | 0.83 |
| Rates & Taxes | | 18.92 | | 91.72 |
| Insurance | | 56.65 | | 31.12 |
| Electricity Expenses | | 29.25 | | 69.00 |
| Printing and Stationery | | 21.76 | | 76.99 |
| Communication Costs | | 43.26 | | 71.28 |
| Fees & Subscriptions | | 26.45 | | 20.85 |
| Listing, Registrar & Share Issue/Transfer Expenses | | 23.61 | | 15.06 |
| Directors' Remuneration | | 79.79 | | 77.17 |
| Directors' Sitting Fees | | 3.75 | | 3.90 |
| Legal & Professional Fees - Other than payments to Auditor: | | | | |
| - Consultancy Charges | 413.78 | | 256.38 | |
| - Legal & Professional Fees | 121.10 | | 111.88 | |
| - Filing Stamp Duty and Franking Charges | 49.23 | | 120.32 | |
| - Registration charges | 3.63 | 587.74 | 2.13 | 490.71 |
| Payments to Auditors: | | | | |
| - Audit fees | 18.02 | | 11.42 | |
| - Tax Audit fees | 2.81 | | 2.50 | |
| - For Other Services | 2.45 | | 1.75 | |
| - For Reimbursement of Expenses | - | 23.28 | - | 15.67 |
| Conveyance & Travelling | | 101.48 | | 283.57 |
| Vehicle Expenses | | 8.76 | | 7.64 |
| Office & General Expenses | | 56.76 | | 115.49 |
| Sundry Balances written off | | 10.44 | | 0.39 |
| Set up Cost | | - | | 138.76 |
| TOTAL | | 1,227.76 | | 1,714.40 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 29 - Companies considered in the consolidated financial statement are:

| Name of the Company | Date of becoming Subsidiary | Country of Incorporation | % voting power held | |
|---------------------------------------|-----------------------------|--------------------------|----------------------|----------------------|
| | | | As at March 31, 2012 | As at March 31, 2011 |
| Vakrangee IT Solutions Limited | 8-Nov-07 | India | 100.00 | 100.00 |
| E-Doc Vision InfoTech Private Limited | 3-Jun-08 | India | 66.47 | 99.99 |
| Vakrangee e-Solutions Inc. | 8-May-09 | Philippines | 100.00 | 100.00 |
| Vakrangee Finserve Limited | 7-Sep-11 | India | 100.00 | 100.00 |
| Vakrangee Energy Private Limited | 1-Sep-10 | India | - | 99.99 |

The audited financial statements of the Company and its subsidiaries are drawn for the twelve-month period ending on March 31, 2012, except for the subsidiary Company, M/s Vakrangee e-Solutions Inc., Philippines, whose audited accounts are for the period from January 1, 2011 to December 31, 2011. For the purpose of consolidation, unaudited financial statements for the period from April 1, 2011 to March 31, 2012 have been considered so as to incorporate adjustments for the effect of transactions or other events that occurred between January 1, 2012 to March 31, 2012.

Note 30 - Contingent Liabilities and Commitments (to the extent not provided for)

₹ in Lacs

| Particulars | As at March 31, 2012 | | As at March 31, 2011 | |
|--|----------------------|-----------------|----------------------|---------------|
| (A) Contingent Liabilities | | | | |
| (i) Claims against the company not acknowledged as debts | - | | - | |
| (ii) Company has provided Bank Guarantee to various parties which is not acknowledged in books of accounts | 1,669.45 | | 472.44 | |
| (iii) Other contingent liabilities | - | | - | |
| (A) | | 1,669.45 | | 472.44 |
| (B) Commitments | | | | |
| (i) Estimated amount of contracts remaining to be executed on capital account not provided for | 1,169.57 | | 25.00 | |
| (ii) Uncalled liabilities on share and other investments partly paid up | 15.00 | | 20.00 | |
| (iii) Others commitments | - | | - | |
| (B) | | 1,184.57 | | 45.00 |
| TOTAL (A + B) | | 2,854.02 | | 517.44 |

During previous year, the Company has provided guarantee to Barclays Bank Plc. in respect of working capital loan of ₹700.00 Lacs granted to Vakrangee e-solutions Inc., Philippines (wholly-owned subsidiary of the Company).

The amount of liabilities, which may occur on levying of penalty and/or charges by clients for delays in execution of contracts within the time prescribed in the agreement, is unascertained.

Note 31 - Segment Reporting

The Company's activities predominantly revolve around providing the e-governance related services. Considering the nature of Company's business and operations, there is only one reportable segment (business and / or geographical) in accordance with the requirements of the Accounting Standard 17 – "Segment Reporting" notified in the Companies (Accounting Standards) Rules 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 32 - Earnings Per Equity Share

| | | ₹ in Lacs Except EPS | |
|-----|--|--------------------------------------|--------------------------------------|
| | Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
| (a) | Net profit after tax attributable to equity shareholders for | | |
| | Basic EPS | 7,087.18 | 4,814.10 |
| | Add/Less: Adjustment relating to potential equity shares | - | - |
| | Net profit after tax attributable to equity shareholders for Diluted EPS | 7,087.18 | 4,814.10 |
| (b) | Weighted average no. of equity shares outstanding during the year | | |
| | For Basic EPS | 49,98,08,546 | 45,05,86,400 |
| | For Diluted EPS | 50,77,57,003 | 49,81,72,120 |
| (c) | Face Value per Equity Share (₹) | 1.00 | 1.00 |
| | Basic EPS | 1.42 | 1.07 |
| | Diluted EPS | 1.40 | 0.97 |

Earnings Per Share for the previous year have been reworked to give the effect of sub-division of equity shares from ₹10 each into ₹1 each and issue of bonus shares in accordance with Accounting Standard (AS) 20 on "Earnings Per Share".

Bonus Declaration:

Share holders by way of postal ballot have approved issue of bonus shares on March 30, 2012 in the ratio of one fully paid up equity share for every equity share held on April 13, 2012 being the record date. In view of this, the effect of actual allotment of equity shares as bonus issue out of the Securities Premium Account, has not been given in the books of accounts for the current year ended March 31, 2012. However, the Basic & Diluted EPS has been adjusted for both the reporting periods as per the requirements of Accounting Standard - 20 on "Earnings Per Share" issued by the Institute of Chartered Accountants of India.

Note 33 - Prior Period Items

| | | ₹ in Lacs | |
|-----|---|--------------------------------------|--------------------------------------|
| | Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
| (a) | Prior Period Expenses | | |
| | Purchases | 9.07 | - |
| | Repairs & Maintenance | - | 0.14 |
| | Salary & Wages | 1.64 | 1.16 |
| | Business Promotion | - | 0.04 |
| | Rent | 0.24 | - |
| | Rates & Taxes | 0.56 | 2.38 |
| | Electricity | 0.02 | - |
| | Printing & Stationery | - | 0.42 |
| | Telephone & Postage | 0.04 | 0.03 |
| | Transportation, Octroi & Loading / Unloading Expenses | 0.29 | - |
| | Lodging & Boarding Expenses | 0.03 | - |
| | Office & General Expenses | 4.08 | 0.66 |
| | Travelling & Conveyance | - | 0.55 |
| | TOTAL | 15.97 | 5.38 |
| (b) | Prior Period Incomes | | |
| | Interest received on others | 1.03 | - |
| | Rent received | 0.16 | - |
| | Electricity (recovered from customer) | 0.50 | - |
| | Tender & Bid Expenses (refund received) | 5.00 | - |
| | TOTAL | 6.69 | - |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 34 - Gratuity & Leave encashment

The Company has provided for Gratuity and leave encashment, in accordance with revised AS-15, "Employee Benefits", the company has provided the liability on actuarial basis.

a) Gratuity

Actuarial assumptions:

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|-----------------------|---------------------------|---------------------------|
| Mortality Table (LIC) | 1994-96 (Ultimate) | 1994-96 (Ultimate) |
| Withdrawal Rate | 1% to 3% depending on age | 1% to 3% depending on age |
| Discount rate | 8% per annum | 8% per annum |
| Salary Escalation | 5% | 5% |

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factor, such as demand and supply in employment market.

Amount recognized in the Profit and Loss account

₹ in Lacs

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|----------------------|----------------------|
| PV of Past Service Benefit | 19.80 | 21.28 |
| Current Service Cost | 7.42 | 7.38 |
| Actuarial (gains)/losses for the period | 0.95 | 6.53 |
| Obligation at the end of the year. | 34.40 | 36.63 |

b) Leave encashment

Actuarial assumptions:

| Particulars | As at March 31, 2012 |
|-----------------------------|---------------------------------------|
| Period | From: April 1, 2011 to March 31, 2012 |
| Discount rate | 8.75% per annum |
| Salary growth rate | 5.00% per annum |
| Mortality | LIC 94-96 ultimate |
| Expected rate of return | - |
| Withdrawal rate (per annum) | 2.00 % per annum (18 - 60 years) |

Amount recognized in the Profit and Loss account

₹ in Lacs

| Particulars | As at March 31, 2012 |
|-----------------------|----------------------|
| Current Liability | 0.56 |
| Non current liability | 17.50 |
| Total | 18.06 |

**The Company followed the cash basis accounting in case of leave encashment on ascertainment of right and obligation upto March 31, 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 35 - Related Party Details

(a) Key Management Personnel

| | |
|------------------------------|------------------------------|
| Mr. Dinesh Nandwana | Chairman & Managing Director |
| Dr. Nishikant Hayatnagarkar | Whole-Time Director |
| Mr. Ramesh Multanchand Joshi | Director |
| Mr. Sunil Agarwal | Director |
| Mr. Anil Patodia | Director |
| Mr. Kanhaiya Lal Varma | Director |
| Mr. Babu Lal Meena | Director |
| Mr. B. K. Gupta ** | Director |

**Resigned w.e.f. December 29, 2011

(b) Relative of key management personnel and Name of the enterprises having same key management personnel and/ or their relatives as the reporting enterprises with whom the Company has entered into transactions during the year

Vakrangee Holdings Private Limited
 Vakrangee Technologies Limited
 Vakrangee Infraprojects Limited
 Omnis Edu-Health Limited
 Omnis Infra Power Limited
 Mr. Manoj Nandwana

Related Party Transactions

- In relation to (a)

| Nature of Transactions | ₹ in Lacs | |
|------------------------------------|-----------------------------------|-----------------------------------|
| | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
| Director Remuneration | 79.79 | 77.17 |
| ESOP Perquisites | 21.13 | 15.21 |
| Rent received | 3.00 | 3.00 |
| Balance outstanding as on 31 March | NIL | NIL |

- In relation to (b)

| Nature of Transactions | ₹ in Lacs | |
|-------------------------------------|-----------------------------------|-----------------------------------|
| | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
| Loans granted | 891.56 | 129.14 |
| Interest received on loan granted | 20.23 | 6.11 |
| Loan Received back | 271.77 | 55.05 |
| Loans Taken | 2,023.25 | - |
| Loans repaid | 1,080.00 | - |
| Balance Outstanding as on 31 March: | - | - |
| Short - term Borrowings | (1,677.25) | - |
| Short - Term Loans and Advances | - | 93.98 |

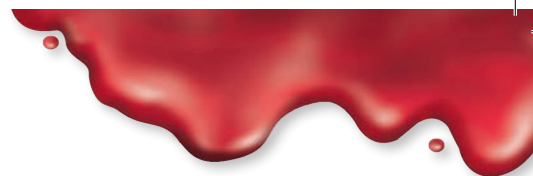
Note 36 - Operating leases

The Company has taken Computer Equipments on operating lease under non-cancellable lease agreement. Lease payments recognized in the Profit and Loss Account for the year is ₹4111.19 lacs (Previous Year ₹903.83 lacs). Future minimum lease payments under non-cancellable operating leases are as below:

| Particulars | ₹ in Lacs | |
|---|----------------------|----------------------|
| | As at March 31, 2012 | As at March 31, 2011 |
| Not later than one year | 4,111.19 | 4,111.19 |
| Later than one year and not later than five years | 3,207.36 | 7,318.56 |
| Total | 7,318.55 | 11,429.75 |

Note 37-Previous year figures

The figures of the previous year have been re-arranged, re-grouped and re- classified wherever necessary.



Statement Pursuant to Section 212 of the Companies Act, 1956

| Name of the Subsidiary Company | Vakrangee Finserve Limited | Vakrangee IT Solutions Limited | eDoc Vision Infotech Private Limited | Vakrangee E-Solutions Inc. |
|--|----------------------------|--------------------------------|--------------------------------------|----------------------------|
| Financials as on | March 31, 2012 | March 31, 2012 | March 31, 2012 | December 31, 2011 |
| Reporting Currency | INR (₹) | INR (₹) | INR (₹) | Pesos (P) |
| Exchange Rate | - | - | - | 1 P = ₹1.1859* |
| Capital | 25,00,000 | 10,05,00,000 | 8,50,00,000 | P 96,00,000 |
| Reserves | NIL | 39,59,20,735 | NIL | P 2,18,556 |
| Total Assets | 6988245 | 50,21,91,186 | 14,83,48,467 | P 21,48,86,810 |
| Total Liabilities | 6988245 | 50,21,91,186 | 14,83,48,467 | P 21,48,86,810 |
| Investment Other than Investment in Subsidiary | NIL | NIL | NIL | NIL |
| Turnover | NIL | 8,05,000 | 79,300 | P 19,08,89,138 |
| Profit before Taxation | NIL | 8,190 | 9,238 | P 99,997 |
| Provision for Tax | NIL | 2,455 | 2,686 | P 29,999 |
| Profit after Tax | NIL | 5,735 | 6,552 | P 69,998 |
| Proposed Dividend | NIL | NIL | NIL | NIL |
| Country | India | India | India | Philippines |

*Exchange rate as on March 31, 2012



VAKRANGEE SOFTWARES LIMITED

"Vakrangee House", Plot No-66, Marol, Co-op. Industrial Estate,
Off M. V. Road, Andheri (East), Mumbai 400059

ATTENDANCE SLIP ANNUAL GENERAL MEETING - JULY 31, 2012 AT 11.00 A.M

| | |
|--|----------------|
| REGD. FOLIO NO. CLIENT ID: | |
| | |
| DP ID NO: | NO. OF SHARES: |
| | |
| NAME & ADDRESS OF REGISTERED SHARE HOLDER: | |
| | |

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company at Chancellor Suite, Hotel Hilton Mumbai, Sahar Airport Road, Andheri (East), Mumbai 400 099 on Tuesday, July 31, 2012.

| NAME OF THE SHAREHOLDER (IN BLOCK CAPITALS) | SIGNATURE OF THE SHAREHOLDER OR PROXY |
|--|---------------------------------------|
| | |

Note: Please complete this and hand it over at the entrance of the hall.



VAKRANGEE SOFTWARES LIMITED

"Vakrangee House", Plot No-66, Marol, Co-op. Industrial Estate,
Off M. V. Road, Andheri (East), Mumbai 400059

PROXY FORM ANNUAL GENERAL MEETING - JULY 31, 2012 AT 11.00 A.M

I/We..... of.....
in the district of.....being a member/members of VAKRANGEE SOFTWARES LIMITED hereby appoint
..... of in the district of or failing
him of in the district of as my/our proxy to vote for me/us on
my/our behalf at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company to be held on Tuesday, July 31, 2012 at 11.00 a.m. at the Chancellor
Suite, Hotel Hilton Mumbai, Sahar Airport Road, Andheri (East), Mumbai 400 099 and at any adjournment thereof.

Signed this day of 2012.

Reg. Folio/Client ID No:

DP ID No:

No. of Shares:

Affix a
15 paise
Revenue Stamp

Signature of the Proxy Holder: Signature of the Member:

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

NOTES

Lined area for notes.

LIST OF OFFICES & ADDRESSES

Registered Office

Mumbai

Vakrangee Softwares Limited
'Vakrangee House'
Plot No. 66,
Marol Co-op. Indl. Estate,
Off. M. V. Road, Marol,
Andheri (East),
Mumbai 400 059
Phone No : +91 22 2850 4028 / 3412,
 +91 22 6776 5100
Fax : +91 22 2850 2017

New Delhi

B-7/28, Safdarjung Enclave Extn.,
Opp. Deer Park,
New Delhi 110 029

Gurgaon

L - 31/1, DLF Phase II,
Near Sahar Mall,
Behind Private Hospital,
Gurgaon 122 002

Lucknow

G - 13, Sector G,
L.D.A. Colony, Kanpur Road,
Lucknow 226 012

Jaipur

105, Royal Ensign,
Opposite Central Park,
Statue Circle, C - Scheme,
Jaipur 302 001

Pune

Unit No. 243/244, 2nd Floor,
Akshay Complex Condominium,
Dhole Patil Road,
Near to Ganapati Mandir,
Pune 411 001

Ahmedabad

A/7, Subodh Sagar Apartment,
Near New Sharda Mandir School,
Shreyas Crossing, Paldi,
Ahmedabad 380 007

Chandigarh (Panchkula)

House No. 23, Mansa Devi Complex,
Sector 4, Panchkula 134109
Chandigarh, Haryana

Patna

Flat No. 203, B- Aditya Tower,
2nd Floor, White House, Budh Marg,
Patna, Bihar 800 001

Bhopal

A 164, Housing Board Colony,
Behind Kohe fiza fitness center,
Bhopal 462 001

Raipur

Flat No. 103-104,
Golden Park,
VIP Estate,
Vidhansabha Road, Raipur,
Chhattisgarh

Philippines Subsidiary Office

Vakrangee e-Solutions INC,
19th Floor, Octagon,
Near Sanmiguel Corp.,
Ortigas, Pasig city,
Manila NCR



Vakrangee Softwares Limited
www.vakrangeesoftware.com

