

An abstract graphic element spans the middle of the page. It consists of a thick, gold-colored ribbon that enters from the left, loops downwards, and then transitions into a series of thin, parallel gold lines that curve upwards and to the right, creating a sense of movement and transition.

# Transition

Annual Report 2011-12

## Board of Directors

### Wayne Berkowitz

Managing Director & CEO

### Indresh Narain

Non-Executive Independent Director

### Javed Gaya

Non-Executive Independent Director

### Narayan A. Menon

Non-Executive Independent Director

### Pankaj Agarwal\*

Non-Executive Director

### Vivek Malhotra\*\*

Non-Executive Independent Director

## Chief Financial Officer

### Suresh Rao\*\*\*

Group CFO

## Company Secretary

### Usha T N

Vice President, Legal & Company Secretary

## Auditors

### BSR & Company

## Bankers

### Axis Bank Ltd.

## Registrars and Share Transfer Agents

### Universal Capital Securities Private Limited

(Formerly Mondkar Computers Private Limited)

25, Shakil Niwas, Opp. Sai Baba Temple

Mahakali Caves Road, Andheri (E)

Mumbai-400093, India

Tel: 022-28207201/03/04/05 Fax :022-28207207

## Registered Office

16/3 Cambridge Road, Ulsoor

Bangalore-560008, India

Tel: 91 80 4154 8000

Fax: 91 80 4112 5813

\* Ceased to be an MD & CEO with effect from Feb 06, 2012.

Ceased to be a Director with effect from March 31, 2012.

\*\* Ceased to be a Director with effect from May 09, 2012.

\*\*\* Ceased to be Group CFO with effect from May 07, 2012.

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## LETTER TO SHAREHOLDERS

Dear Shareholders,

I am pleased to write to you as your new Managing Director and CEO, and to present the financial statements for the year ended March 31, 2012.

Looking back at the year at hand, revenue stood at Rs 2226.24 million (USD 46 million) as against Rs. 2408.67 million (USD 53 million) in 2010-11. Regrettably, the results were disappointing, though much was due to the impact of the depreciating Indian Rupee on forward exchange contracts. I am confident, however, that both revenue and profits will improve in the coming quarters.

### Laying the groundwork

This is a significant time for Mindteck. There are clear signs of momentum all around, and traction is evident in several key areas, such as Life Sciences, Smart Energy, Cloud Services, Enterprise Mobility and Electronic Design. During my first 90 days, I visited over 40 companies, ranging from installed clients to new potential prospects, and I'm pleased to report that our installed clients see deep value in our solutions to help them grow their business.

And yet, the main focus for 2012-2013 is to return to profitable growth. We will accomplish this through investment in key areas, operational efficiency, and striving for excellence.

### Investment in sales, pre-sales, marketing, delivery and practices

We are building a focused, best-in-breed sales force. This includes, but is not limited to, investing in pre-sales, sales training and processes, and aggressively hiring new sales resources.

We are fully committed to marketing. A number of initiatives are being undertaken to increase brand awareness and loyalty, leverage competitive advantages and enhance business development.

We are improving delivery and enhancing our practice areas. On the delivery front, we are focused on building additional subject matter expertise and implementing additional quality processes to continually meet and exceed client expectations. The practice teams are being strengthened with an eye toward uncovering further opportunities from recent successes as well as carving out new growth areas.

### Operational efficiency

We are determined to optimize efficiencies across the entire organization. Workforce 'bench' utilization, internal communications and knowledge management are a few of the immediate areas of concern, together with aggressive cost control. We are also building a management system that brings sales, delivery and practice teams together for both planning and execution. Earlier on in the year, other steps were taken to facilitate decision-making, streamline processes, maximize productivity and improve employee leadership capability. For example, the employee appraisal system became more robust, a career planning and progression program was instituted, and the Talent Incubation Center was developed to build domain competency.



## Leading the way forward

Wayne Berkowitz became Mindteck's Managing Director and CEO on February 6, 2012. His career in the Information Technology industry spans over twenty eight years, with twenty one years at IBM Corporation and eight years at Parametric Technology Corporation. During this time, he worked across a number of disciplines, including finance, distribution, marketing and sales; he also held executive international positions in Asia Pacific, Europe and Latin America.

### Excellence in everything we do

We are striving for excellence in everything we do. Simply put, this core ideology is fundamentally crucial for continually being of value to our clients, exceeding their expectations, and consistently improving our performance.

More than ever, we're also focused on building a winning, confident and proud culture.

This period of transition extends well beyond a change of leadership to a whole new outlook company-wide. Today we're laying the groundwork for the transformation that's yet to come. I look forward to sharing it with you.

### In appreciation

Over the course of my career I've had several invaluable experiences, and already I know that this will be another. Mindteck has great people and does great work for an impressive roster of renowned companies. Being at the helm to lead it forward today and in the years ahead is exciting and I'm very humbled by the opportunity.

In closing, I'd like to express my appreciation to our shareholders, clients and partners for their enduring confidence, our Board of Directors and Advisory Boards for their insightful guidance and counsel, and our management and staff for their tireless efforts and gracious welcome to me.

We remain steadfast in our commitment to doing all that we can do to consistently create value for our shareholders, and to maximize our clients' technology investments.

A handwritten signature of Wayne Berkowitz in blue ink, featuring a stylized 'W' and 'B'.

Wayne Berkowitz  
Managing Director & CEO

## Laying the groundwork for our future

Return to profitable growth

Exceed client expectations

Build winning culture

# DIRECTORS' REPORT

To the Members,

The Directors hereby present the Twenty-First Annual Report on our business and operations for the year ended March 31, 2012.

## 1. Results of Operation

Rs. in million

	Standalone		Consolidated	
	Year ended 31-Mar-12	Year ended 31-Mar-11	Year ended 31-Mar-12	Year ended 31-Mar-11
Revenue from operations	560.70	542.09	2,226.24	2,408.67
Other income	3.62	22.20	5.69	48.14
Employee benefit expense	336.96	303.48	1,471.22	1,363.14
Cost of technical sub-contractors	11.87	10.75	471.23	668.22
Finance cost	0.93	1.35	3.08	3.75
Depreciation and amortization expense	8.59	13.17	16.81	23.85
Other expenses	190.04	176.81	300.88	284.01
Profit/(loss) before tax	15.93	58.73	(31.29)	113.84
Tax expense	8.53	1.51	19.29	22.40
Profit/(loss) after tax	7.40	57.22	(50.58)	91.44
Paid-up equity share capital	244.52	243.49	244.52	243.49
Earnings per share (EPS)	0.30	2.35	(2.07)	3.76

## 2. Business

During the year under review your Company recorded consolidated revenue of Rs. 2,226.24 million as against Rs. 2,408.67 million in the previous year. Of the revenues that were recorded, 81% is attributed to the US and the rest to Europe and Asia.

Mindteck's net loss for the year stood at Rs. 50.58 million, as against a net profit of Rs. 91.44 million in the corresponding previous year.

At an operating margin level, Mindteck recorded negative EBITDA (including other income) of Rs. 11.40 million this year, as against positive EBITDA of Rs. 141.44 million last year. Operation costs increased primarily due to human resource costs, particularly due to the ongoing need to attract and retain valuable talent. Other expenses include net foreign exchange loss of Rs. 33.20 million as against net foreign exchange gain of Rs. 3.62 million last year.

On the whole, Mindteck remains debt free, continues to have strong relationships with a top-tier roster of clients, good momentum, and an excellent roadmap to put the Company back on track and headed for sustained growth.

## 3. Business Focus and Highlights Sampling

Mindteck's core services offerings include Product Engineering, IT Services and Professional Services. Amongst these, the vast array of specializations includes, but is not limited to, hi-tech product engineering, electronic design, independent validation and verification (IV&V), cloud services, enterprise mobility, and customized IT training.

Verticals of primary focus are Hi Tech (Semiconductor, Data Storage, Smart Energy), Life Sciences, and the Public Sector.

Mindteck has continually evolved and transformed its business strategy and applied its expertise in innovative technologies to

both drive growth and to meet client needs. In recent past, we have streamlined our focus in order to build domain specific expertise that enhances market penetration and improves operational performance, while ensuring the delivery of meaningful technology and services to our customers. Some of the year's many highlights include:

### Hi-Tech

Mindteck continues to deliver unique hi-tech solutions to varied industries, including Smart Energy, Semiconductor and Data Storage.

### Smart Energy:

Mindteck's smart energy services and solutions cater to building smart grid infrastructure product components and developing innovative smart grid applications which are scalable, reliable and maintainable, and are customized for semiconductor companies, home and building automation OEMs, system integrators, utilities, and commercial and institutional energy consumers.

### Semiconductor:

Mindteck's semiconductor software services and solutions have helped our clients to improve equipment software features, performance and also helped increase productivity. The Company's services specialize in catering to the software needs of semiconductor capital equipment manufacturers, subsystem vendors, and FABS.

The Company's semiconductor equipment product life cycle services address the complete value chain of providing new product development, product sustenance, IV&V, product support and performance improvement services and solutions, helping our semiconductor equipment manufacturing customers to fully leverage their core engineering team to fully focus on solutions for next generation equipment.



### **Data Storage:**

Mindteck had taken various initiatives in developing unique solutions, such as state-of-the-art solutions in emerging areas of Cloud and Virtual Storage and established Talent Incubation Centers to nurture talent and enhance skill sets. Mindteck is a Preferred Partner with the largest client in this domain.

### **Cloud Services**

Mindteck is the end-to-end solution provider in cloud services that cut across multiple cloud types (Private, Public and Hybrid) and provides Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS). Mindteck is poised to deliver practical solutions on cloud with years of rich experience working with our top-tier customers and continued technology-focused initiatives in areas such as building seamless cloud infrastructure via Virtual Cloud Appliance (VCDCA), running business critical solutions on the cloud (Analytics and Workflow), and Cloud Storage (via CDMI standard compliance).

Mindteck provides excellent combined on-site/offshore consultancy in terms of building an effective cloud migration strategy, cloud enablement, cloud automation and delivery, application management services, etc.

Mindteck has established the Amazon Partnership Network (APN) and works closely with other major cloud vendors, such as OpenStack, Eucalyptus, RightScale and VMware to provide optimal solutions to the Life Sciences, Healthcare, Smart Energy and Storage industries.

### **Enterprise Mobility**

Mindteck deeply focuses on building solutions that provide customers with a virtual office at hand with seamless EAI and unified data access.

Mindteck's incubative, innovative and iterative approach enables utilization of re-usable assets that capture, build, disseminate and leverage the knowledge of the organization in our project development and support offerings. These mobility solutions ensure maximization of clients' satisfaction levels through reduced process cycle times, increased end user productivity and reduced operating costs.

Mindteck is poised to develop capabilities in mobility to service demand across all its verticals. During the year under review, the Company is focusing on new competencies, which include mobile device management and security, along with mobile-driven CRM and analytics.

### **Product Engineering**

Mindteck, with its vast experience in various domains, including industrial automation systems (Monitoring and Control), analytical instruments, test and measurement systems and semiconductor equipment, provides services which are tailored for industry specific needs. Our in-house expertise in software development, electronics design, low power wireless design, cloud computing and mobility solutions enables us to provide end-to-end engineering services coverage to our customers. Mindteck's product engineering services help to reduce customer R&D and operations costs while providing much needed bandwidth to clients' core engineering teams

and enable them to fully focus on their next generation products and services.

### **Life Sciences**

Mindteck has strong domain knowledge and technology expertise in analytical instruments, chromatography, medical devices, etc., and has effectively served a variety of the largest life sciences industry customers globally.

Mindteck provides end-to-end solutions for analytical instruments, including designing and re-engineering boards, developing drivers, qualification protocols, evaluation of chromatography software, etc. Mindteck made a presentation on "Comforts and Complexities of Open Chromatography Data System" at Pittcon 2012.

### **Public Sector**

Mindteck's Public Sector Practice brings a deep understanding of clients' needs, knowledge of technologies adopted by governments, and solutions that can solve IT challenges.

Mindteck has been approved under numerous statewide IT procurement vehicles, including the PA Master Services ITQ (Pennsylvania), CATS II (Maryland), ITSAC (Texas), etc.

### **Professional Services**

During the year, Mindteck launched and successfully held several sessions of the Mindteck Academy – the rapid, and highly specialized IT workforce training program designed to benefit individuals, companies and communities alike.

## **4. Quality**

Mindteck continuously strives to strengthen its quality system by pursuing the highest quality standards throughout the company. We adhere to Quality Management Systems of International Standards, such as ISO 9001:2008, ISO 27001:2005 ISO 13485:2003 and CMMI version 1.2 level 5. Currently we are in the process of re-assessment for CMMI Version 1.3 Level 5 - a new version released by SEI.

We successfully completed our ISO 9001:2008 surveillance audit, held in January 2012, and ISO 13485:2003 and ISO 27001:2005 surveillance audits, held in May 2012, by our certifying agency BSi Management Systems. We are excited to announce that we have been recommended for continuation of the ISO 9001:2008, ISO 13485:2003 and ISO 27001:2005 certificates, which will help us in maintaining a competitive edge in the industry.

## **5. Infrastructure**

Mindteck has offices in the US, UK, Singapore, Malaysia, Bahrain and India. There are also four development centers equipped with R&D laboratories across the globe. This infrastructure includes space for workstations, conference rooms, meeting rooms, labs and a world-class communication system. The innovative 'best shore delivery model' has provided our customers with a mix of onsite, offshore, near-shore, offshore-onsite and other hybrid delivery options across geographies, for faster and quality delivery of services.

## **6. Subsidiaries**

As on March 31, 2012, Mindteck has six wholly-owned subsidiaries: Mindteck, Inc. (US), Mindteck Middle East

Limited SPC (Bahrain), Mindteck Software Malaysia Sdn Bhd (Malaysia), Mindteck Singapore Pte Ltd. (Singapore), Mindteck (UK) Limited (UK), and Chendle Holdings Limited (British Virgin Islands). Mindteck (UK) Limited has two subsidiaries – Mindteck Germany GmbH (Germany) and Mindteck Netherlands B.V. (Netherlands).

The Ministry of Corporate Affairs, vide its General Circular No. 2/2011, No: 51/12/2007-CL-III dated February 8, 2011, has granted a general exemption under Section 212(8). The Company is in compliance with all the conditions for availing such exemption. The Board of Directors of the Company has, by its resolution dated June 25, 2012, given consent for not attaching the balance sheet of the subsidiaries of the Company mentioned above.

The Consolidated Financials have been audited and form part of this Annual Report. The financials of subsidiaries have also been audited by respective statutory auditors. The Consolidated Financials have been prepared and audited in strict compliance with applicable Accounting Standards and Listing Agreement as prescribed by SEBI. All information, including (a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investment (except in case of investment in the subsidiaries) (f) turnover (g) profit before taxation (h) provision for taxation (i) profit after taxation and (j) proposed dividend as directed by the Ministry of Corporate Affairs, has been disclosed in the Consolidated Balance Sheet. Financial highlights with the Indian rupee equivalent of the figures given in the foreign currency, along with exchange rate as on closing day of the financial year, and the statement pursuant to Section 212, form part of this Annual Report, page numbers 79-80.

Further, the Company undertakes that the annual accounts of the subsidiary companies and the related detailed information will be made available to any investor of Mindteck, and its subsidiary companies, seeking such information at any point of time. The annual accounts of the subsidiary companies and related detailed information will also be kept for inspection by any investor at Mindteck's registered office and that of the respective subsidiary companies. We shall furnish a hard copy of the accounts of subsidiaries to any shareholder on demand and a soft copy of accounts is available on the Investors section of our website [www.mindteck.com](http://www.mindteck.com). The holding, as well as subsidiary companies, regularly file the applicable data to the various regulatory and government authorities, as and when required.

## **7. Awards and Recognition**

Mindteck has been selected among the top 100 global service providers for 2011. This is the second time we have been featured in the Global Services 100 – a survey conducted by the NeoGroup which lists the top IT and Product Engineering service providers. This is based on a survey wherein participants are analyzed on management excellence, customer maturity, global delivery maturity and breadth of services portfolio.

## **8. Litigation**

No material litigation is outstanding as on March 31, 2012.

## **9. Changes to Share Capital**

The Board of Directors of the Company allotted 102,879 Equity Shares on October 4, 2011 pursuant to shareholders approval on September 22, 2011. Consequently, the outstanding,

issued, subscribed and paid up Equity Share increased from 24,765,593 to 24,868,472 as at March 31, 2012.

## **10. Board Committees**

The details of various Committees of the Board are provided in the Corporate Governance Report.

## **11. Appropriation**

With a view to conserve cash for growth and investments in our businesses, the Board has not recommended distribution of dividend for the fiscal year 2011-12. No amount has been transferred to General Reserve during the year.

## **12. Fixed Deposits**

The Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as on the Balance Sheet date.

## **13. Directors**

As per Article 112 of the Articles of Association of the Company, Mr. Javed Gaya retires by rotation as Director in the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment. A brief resume of Mr. Javed Gaya is included in the notice for the Annual General Meeting.

Mr. Pankaj Agarwal resigned as Managing Director and CEO effective February 6, 2012, and further, as a Director of the Company, effective March 31, 2012. The members of the Board have placed on record their deep sense of appreciation for the valuable services rendered by Mr. Pankaj Agarwal during his tenure as a Director of the Company.

Following Mr. Agarwal's resignation as Managing Director and CEO of the Company, Mindteck's Board of Directors appointed Mr. Wayne Berkowitz as the new Managing Director and CEO with effect from February 6, 2012. The resolution seeking approval for appointment of Mr. Berkowitz as Managing Director and CEO forms part of the Notice to the AGM. A brief resume of Mr. Berkowitz is included in the notice for the Annual General Meeting.

Mr. Narayan A. Menon has been appointed as Non-Executive Independent Director and Additional Director, effective September 30, 2011. The resolution seeking appointment of Mr. Menon forms part of the Notice to the AGM. A brief resume of Mr. Menon is also included in the notice for the Annual General Meeting.

Further, Mr. Vivek Malhotra resigned as the Non-Executive Independent Director of the Company, effective May 9, 2012. The members of the Board have placed on record their deep sense of appreciation for the valuable services rendered by Mr. Malhotra during his tenure as a Director of the Company.

## **14. Auditors**

Mindteck's statutory auditors, M/s. BSR & Company, Chartered Accountants, Bangalore, hold office as Auditors until the conclusion of the ensuing Annual General Meeting, and have confirmed their eligibility and willingness to accept office if re-appointed.



## 15. Corporate Governance Report

Mindteck recognizes good corporate governance and is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability, for the benefit of its stakeholders and for long-term success. We adhere to standards set by SEBI corporate governance practices and a report on Corporate Governance pursuant to Section 217 of the Companies Act 1956, and Clause 49 of the Listing Agreement, forms part of this Annual Report.

## 16. Management Discussion and Analysis

The Management Discussion and Analysis is included in this Annual Report.

## 17. Responsibility Statement of the Board of Directors

The Directors' responsibility statement, setting out compliances with the accounting and financial requirements specified under Section 217 (2AA) of the Companies Amendment Act 2000, in respect to the financial statements, is annexed to this report.

## 18. Particulars of Employees

No employees come under the category of being reported under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and as amended therein by Ministry of Corporate Affairs notification dated March 31, 2011.

## 19. Human Resource Management

Mindteck is committed to providing leadership and direction to its employees through the development and support of employee friendly policies and procedures that contribute to an individual's personal and professional growth, and to overall internal equity. We strive to foster an environment based on respect for individuals, recognizing that such an atmosphere contributes to overall co-operation and teamwork.

## 20. CSR Initiatives

Mindteck recognizes that everyone in the Company is responsible to society as a whole, including the environment we inhabit. Moreover, we know that doing good things both inside and outside the organization – especially during times of prosperity -- provides many benefits. The cornerstone of our policy is aimed at being a good corporate citizen in the communities we serve, with an emphasis on compassion and care. We are committed to raising the quality of life and social well-being of our communities. As far as carbon footprint is concerned, we've instituted several initiatives to ensure that energy consumption is maintained at minimal levels. We also conceptualized and developed an innovative end-to-end Intelligent Street Lighting solution for a large UK-based utility system integrator. On a local community level in the US, we launched the previously mentioned Mindteck Academy which helps train displaced workers. With respect to our employees, we emphasize the importance of well-being and safety. Health talks and checks have been organized. Taking time off to participate in local citizenship initiatives is encouraged. We're keen on making a difference in the world

and our workplace, so we expect to embrace a wider policy platform in the months and years to come.

## 21. Mindteck Employee Stock Option Schemes

Mindteck believes in the policy of enabling Mindteckians, who are responsible for the management, growth and success of the Company, to participate in the ownership of the Company and share in its wealth creation. The Company has two Employee Stock Options Schemes viz. Mindteck Employee Stock Options Scheme 2005 and Mindteck Employee Stock Options Scheme 2008.

### (a) Mindteck Employee Stock Option Scheme 2005

During the year ended March 31, 2012, under Employee Stock Options Scheme 2005, the Company granted 301,200 options on August 11, 2011 at an exercise price of Rs. 19.10 per share, and 15,000 options on February 2, 2012 at Rs. 15.42 per share. The details as required under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 have been disclosed as annexure to this Report and under Notes to Consolidated Accounts, 3.1.1 item (i) which forms part of the Annual Report. There has been no variation in the terms of ESOP program during the year.

### (b) Mindteck Employee Stock Option Scheme 2008

No options have been granted under the Option Scheme 2008.

## 22. Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange and Outgo

Particulars that are required to be disclosed under subsection (1)(e) of Section 217 of the Companies Act 1956, read with the Companies (Disclosure of Particulars in the Report of Directors) Rules 1988 are set out in the annexure included in this Report.

## 23. Mindteck Employees Welfare Trust

In the year 2000, the Mindteck Employees Welfare Trust was set up to implement the Company's Share Incentive Scheme. As on March 31, 2012, the said Trust holds 416,000 shares of the Company and has not yet granted any shares to the Company's employees under the said scheme.

## 24. Acknowledgements

The Directors place on record their appreciation of co-operation and continued support extended by customers, shareholders, investors, partners, vendors, bankers, the Government, and statutory authorities for the Company's growth. We thank employees at all levels across the Group for their valuable contribution to our progress and look forward to your continued support.

On behalf of the Board of Directors

Bangalore  
Date: June 25, 2012

**Wayne Berkowitz**  
Managing Director & CEO

**Javed Gaya**  
Director

## ANNEXURES TO DIRECTORS' REPORT

### I DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Amendment Act, 2000, the Directors of the Company hereby confirm that:

- (a) in preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation related to material departures.
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and

estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of March 31, 2012, as well as its profits for the year ended on that date.

- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) the Directors have prepared the annual accounts on a going concern basis.

### II DISCLOSURES AS PER SEBI (EMPLOYEE STOCK OPTION SCHEME AND EMPLOYEE SHARE PURCHASE SCHEME) GUIDELINES 1999

	<b>Mindteck ESOP 2005</b>
a) Options granted during the year	316,200
b) Pricing formula	Exercise price has been determined as the closing price of the Company's shares traded on the Bombay Stock Exchange on the day prior to the date of grant of options.
c) Options vested at the beginning of the year	168,867
d) Options exercised during the year	-
e) Total no. of shares arising out of exercise of options	-
f) Options lapsed/forfeited during the year	78,367
g) Variation of terms of options	-
h) Money realized by exercise of options	-
i) Total no. of options in force	406,700
j) Employee-related details of options granted to:	
(i) Senior Mgt. Personnel	Surjit Lahiri (Vice President - Projects): 10,200 Dinesh Rai (Associate VP - HR): 10,200 Jacob Pillay (Senior VP - APAC): 10,200 Ranga Yeragudi (VP - US North East): 10,200 James Stokes (VP - Sales): 15,000
(ii) Any other employee(s) in receipt of grant in excess of 5% of options granted during the year	Nil
(iii) Employee(s) in receipt of grant in excess of 1% of issued capital as on the date of the grant	Nil
k) Diluted EPS pursuant to issue of shares calculated in accordance with AS 20	Rs. 0.30 per share
l) Difference between fair value and intrinsic value of options in the calculation of employee compensation costs and impact on net profit and EPS	The reported profit after taxation for the year ended March 31, 2012 would have been Rs. 6,944,510 (previous year Rs. 57,041,292) i.e. lower by Rs. 457,680 (previous year lower by Rs. 180,713) and the basic and diluted EPS for the year would have been Rs.0.28 and Rs. 0.28 (previous year Rs. 2.34 and Rs. 2.32) respectively.
m) Weighted average	
- exercise price of options exercised during the year	-
- fair value of options exercised during the year	-
n) Method and significant assumptions used during the year to estimate the fair value of options	The fair value of the options has been calculated using Black-Scholes option pricing model, considering the expected term of the options to be four years, an expected dividend yield of 5-10% on the underlying equity shares, volatility in the share price of 55-100% and a risk free rate of 7-9.5%.

### III PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

#### 1 Conservation of Energy

As previously mentioned, the Company has been conscious of its carbon footprint and has been working to effectively reduce the same in every manner possible. Various initiatives have been taken by the Company to ensure that consumption of energy is at minimal levels in our operations.

##### Power Conservation:

Mindteck has been vigilant in its power saving initiatives, and has been effectively working to reduce its power conservation across all premises. The steps taken are as follows:

- Monitors are turned off by the employees before leaving for the day. Desktops and laptops hibernate when not in use for more than ten minutes.
- Only fifty percent of the lifts are kept operational in the various office premises of Mindteck.
- The staff ensures that lights are switched off when employees are not in the office.
- The premises are planned so as to allow effective use of sunlight and thus reduce the need for lights during the day.
- Air conditioners are switched off in the evenings and during the weekends.
- Air conditioner runtime has also been minimized by altering the exhaust system.
- Within the premises, diesel generator sets are used only in case of extreme necessity, and are well maintained to increase efficiency, resulting in less wastage of fuel.
- The water pipes have been resized to reduce water consumption.

##### Waste Management:

Mindteck believes in the least possible level of waste accumulation by ensuring effective disposal and recycling of the Company's wastes. The steps taken are:

- We operate on the policy "paper free office" and storage is encouraged in digital format, rather than on paper.
- In spite of the above, all paper waste and shredded paper is sent to a recycling agent. This includes carton boxes and packing material.
- Separate dustbins are used to segregate bio-degradable and non bio-degradable wastes to effectively process their disposal mechanism.
- Food wastes are picked up by organic manure manufacturers.
- STP is set up in the premises to ensure the usage of treated water for common area cleaning and gardening.
- All e-wastes are disposed and recycled through e-waste recycling agencies.

#### 2 Technology Absorption and Research and Development

Mindteck has been actively involved in technology absorption in several areas supported by active in-house R&D activities.

The Company has several in-house labs and dedicated research personnel in its Bangalore and Kolkata centers. This includes a smart energy laboratory, R&D laboratory for chemical testing and software benchmarking, a storage laboratory, wireless sensor network laboratory, and an electronic design laboratory.

During the financial year, Mindteck was involved in several new and innovative projects and also enhanced its service offerings to new areas of industrial applications. These include:

##### Cloud Services:

During the year Mindteck heavily invested in emerging technology platforms such as Cloud, for which a Center of Excellence was established to provide expert services, and built solutions proactively to leverage cloud base opportunities. Some of the solutions Mindteck is currently building include:

*Mindteck's Virtual Cloud Appliance* – This solution enables a customer's local data center to seamlessly connect with public cloud for on-demand dynamic provisioning of IT infrastructure, thus allowing optimization of resources for better total cost of ownership and improved return on investment.

*Mindteck's Interoperable Cloud Storage* – This solution helps customers to cost-effectively build the right cloud storage strategy for their businesses that have high storage requirements, without compromising on security and performance requirements.

##### SAP Services:

During the year Mindteck became a SAP partner under the SAP® PartnerEdge™ program. This focus on SAP will include services around all aspects of the SAP solution geared toward enterprise mobility, SAP testing and post implementation AMS work with SAP customers. The competencies that we have developed are centered around SAP toolsets such as Sybase Unwired Platform (SUP), SAP TAO and SAP Solution Manager.

##### Enterprise Mobility:

This year we developed competencies around developing scalable mobile applications using native as well as hybrid platform frameworks. The competencies developed include enabling enterprise CRM on mobile devices, analytics/reports on mobile devices and other key areas around mobility in the enterprise, such as mobile device management and security.

##### Large Scale Solar Energy Monitoring and Maintenance Solution:

Mindteck conceptualized and developed an enterprise solution for a UK-based energy services company to monitor residential roof tops harvested solar (PV) energy that is fed into the UK national electricity grid. This solution provides comprehensive maintenance operations throughout its 20-year lifetime involving automated energy meter reading, energy generation efficiency maximization analytics, automated fault identification / classification / isolation, automated field maintenance workforce management and customer relationship management. This robust solution has been designed to scale to 700,000 Solar (PV) installations over 25 years of its operational lifetime, and enables our client to meet stringent maintenance SLAs and avoid penalties. Moreover, the advanced analytics and automated field

maintenance management has helped increase field force productivity. These key drivers are lowering the total cost of ownership for our client and accelerating the returns on their investment as they scale up their install base.

#### Next Generation Home Automation System:

During the year, Mindteck developed a ZigBee-based Wireless Solution that controls the AC system and door lock for a home appliances OEM client. This solution will be India's first to use ZigBee Wireless Technology in air conditioners, remotes and door locks. Our client will be launching their products – targeted for India's niche residential apartment segment -- based on our solution later this year.

#### Building Energy Monitoring and Management System:

Mindteck developed a Building Energy Monitoring and Management System for a leading building automation product manufacturer based on ZigBee Wireless Technology. This solution optimizes building lighting and AC control based on actual occupancy. It also helps measure and optimize power consumption within a building through the switching lights off/dimming and reducing the AC power consumption, or switching it off based upon energy demand analytics (largely dependent on detection of amount of human presence within a perimeter). Our Building Energy Monitoring and Management System is helping a building automation product manufacturer create technology differentiated products using a cutting edge technology solution, helping end customers lower cost of ownership, and accelerating the ROI via automated optimization of energy consumption.

#### Life Sciences Projects:

Mindteck has developed exclusive expertise in device integration of Chromatography Instruments successfully used by several chromatography instrument manufacturers. Recently, we strengthened our expertise in new technologies and frameworks in this area. We were also chosen as the

partner for the re-engineering of a complex control system that we successfully executed for a major US client in record time.

Product Engineering solutions during the year include:

- Delivery of interim milestones for the development of an innovative embedded system-based drug delivery device for a multinational pharmaceutical company end customer.
- Delivery of complex Electrostatic Discharge simulation software which can be used as a design tool for building consumer electronics devices, such as cell phones.
- Development and delivery of a complex vibration analysis software, featuring enhancements on hand-held device platforms.

### 3 Foreign Exchange Earnings and Outgo

- a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, and export plans.

Through off-shore leverage, Mindteck is seeking to increase exports and develop new markets through subsidiaries.

- b) Total foreign exchange used and earned:

Rs.

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Earnings	548,802,828	537,708,182
Expenditure	34,685,580	51,574,759

On behalf of the Board of Directors

Bangalore  
Date: June 25, 2012

**Wayne Berkowitz**  
Managing Director & CEO

**Javed Gaya**  
Director

# CORPORATE GOVERNANCE

Mindteck (India) Limited ('Mindteck' or 'the Company') is committed to ethical corporate practices based on conscience, openness, fairness, professionalism and accountability, for the benefit of its stakeholders and for long-term success. At Mindteck, we believe in maintaining the highest standards of corporate governance, not only in form but also in substance.

Over the years, our Company has ensured compliance of statutory requirements, effective governance systems and practices, and has worked towards transparency, disclosures, internal controls and promotion of ethics within the Company. The corporate governance philosophy of the Company has been further strengthened with the adoption of the Code of Business Conduct and Ethics Policy, Whistle Blower Policy, Human Rights and Labor Policy, Confidential Information and IP Protection Policy and Procedure, Code of Conduct for Prohibition of Insider Trading, etc.

We comply with Clause 49 of the Listing Agreement and substantially comply with the Corporate Governance Voluntary Guidelines. In accordance with Clause 49 of the Listing Agreement with the Bombay Stock Exchange (BSE) in India, a report containing the details of the governance system and processes at the Company is as under:

## I COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance envisages attainment of highest levels of transparency, accountability and equity in all facets of its operations and in all its transactions with its stakeholders, including its employees, customers, shareholders, vendors, supporting agencies, Government, and society at large.

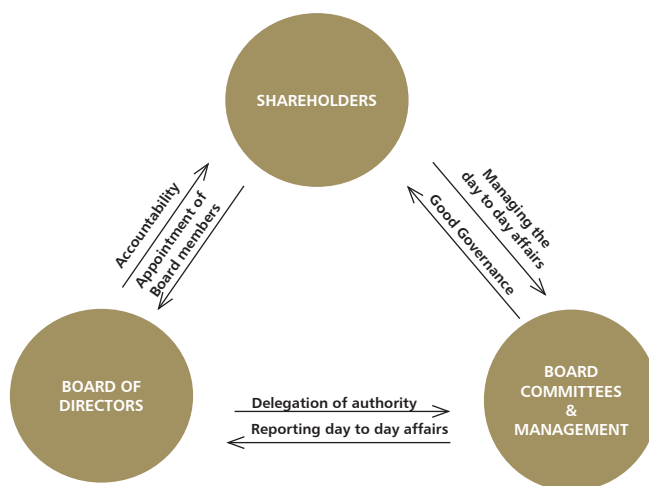
The Management aims to achieve its objective of increasing stakeholder's value while consistently observing the norms laid down in the Code of Corporate Governance. The Management has institutionalized Corporate Governance at all levels within the Company in order to ensure transparency, good practices and a systems-driven style of functioning.

The primary responsibility for ensuring Corporate Governance within the Company rests with the Board of Directors ('the Board'), which has put in place appropriate policies relating to its membership, deliberations, etc. These policies are in consonance with the requirements of the Listing Agreement and applicable SEBI Regulations. Keeping in view the Company's size, complexity, global operations and corporate traditions, Mindteck has adopted the following main principles and philosophies:

- Constitution of the Board of the Company with members of appropriate composition, size and expertise.
- Complete transparency in our operations.
- Timely and balanced disclosure of all material information concerning the Company to its stakeholders.
- Maintaining prescribed levels of disclosure and complete openness in communication.
- Independent verification and safeguarding integrity of the Company's financial reporting.

- A sound system of risk management and internal control.
- Comply with applicable laws of all countries in which we operate.
- Maintain high standards of safety and health.
- Adhere to good governance practices in spirit and not just in letter.

## II THE GOVERNANCE STRUCTURE AT MINDTECK



The governance mechanism adopted at Mindteck:

- The Board is appointed by the shareholders and is vested with responsibility of conducting the affairs of the Company with the objective of maximization of returns to all stakeholders.
- The Board of Directors is responsible for the vision, strategy and good governance of the Company. The Board and Committees ensure accountability and transparency in the affairs of the Company to the stakeholders by directing and controlling the management activities.
- The Managing Director & CEO and Senior Management are responsible for setting up of business targets and day to day management of the Company in line with the objectives and principles set by the Board.

### A. GOVERNANCE BY THE BOARD OF DIRECTORS

#### Composition:

The Board of Directors ('the Board') is at the core of our Corporate Governance practice and oversees how the management serves and protects the long-term interests of all our stakeholders. The Company's Board has an optimum combination of Executive, Non-Executive and Independent Directors with considerable experience in their respective fields to maintain the independence of the Board and to separate the functions of the Board from the management of the Company. As a matter of good Corporate Governance, to promote balance of power and as suggested in the Voluntary Corporate Governance Guidelines, we have segregated the offices of Chairman and Chief Executive Officer. There is a



clear demarcation in the roles and responsibilities of the Chairman of the Board and that of the Managing Director & CEO.

As at March 31, 2012 the Company has six Directors, of which four Directors are Non-Executive and Independent, as defined in Clause 49 of the Listing Agreement. The Managing Director & CEO manages the day-to-day affairs of the Company. The Board believes that the current size is appropriate, based on

the present circumstances. The Board periodically evaluates the need for change in its composition and size.

None of the Directors on the Board hold directorships more than the statutory maximum limit as prescribed under the Act, Clause 49 of the Listing Agreement and the Voluntary Corporate Governance Guidelines. Thus, none of the Directors on the Board are members of more than 10 Committees or act as Chairman of more than five Committees across all companies, in which they are Directors.

The names and categories of the Directors on the Board, directorships and shareholdings are given below:

Director	Designation & Category	Age	Equity Shareholding	No. of Directorship*		Committees	
				Public	Private	Chairman	Member
Mr. Wayne Berkowitz <sup>(1)</sup>	Managing Director & CEO	52	Nil	-	-	-	-
Mr. Pankaj Agarwal <sup>(2)</sup>	Non-Executive Director	49	1,199,900 (4.82%)	-	-	-	-
Mr. Vivek Malhotra <sup>(3)</sup>	Independent, Non-Executive Director	49	Nil	-	1	-	-
Mr. Indresh Narain	Independent, Non-Executive Director	67	Nil	3	-	2	1
Mr. Javed Gaya	Independent, Non-Executive Director	56	Nil	1	6	1	-
Mr. Narayan A. Menon <sup>(4)</sup>	Independent, Non-Executive Director	63	Nil	-	-	-	-

\* Excluding Directorship in Mindteck (India) Limited and Directorship in Foreign Companies.

(1) Appointed as Managing Director & CEO w.e.f. February 6, 2012.

(2) Resigned as Managing Director & CEO w.e.f. February 6, 2012 and resigned as Director w.e.f March 31, 2012.

(3) Resigned as Director w.e.f. May 9, 2012.

(4) Appointed as Additional Director w.e.f. September 30, 2011.

All the Independent Directors furnish to the Company a declaration at the time of their appointment that they qualify the test of Independence as laid down in Clause 49 of the Listing Agreement and certify annually regarding their independence. The process of selection of Independent Directors is rigorous, transparent and objective and is aligned with the needs of the Company. None of the Non-Executive/Independent Directors have any material pecuniary relationship or transactions with the Company. None of Non-Executive/Independent Directors served on the Board of any company for more than nine years.

#### Board's Definition of Independent Directors:

The Company has defined the independence as stipulated under Clause 49 of the Listing Agreement. Accordingly, an Independent Director means a person who is not an officer or employee of the Company or its subsidiaries or any other individual having a material pecuniary relationship or transaction with the Company which, in the opinion of our Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director.

#### Board Meetings:

The Board meets once in a quarter and additionally as and when required. The calendar of the Board meetings is decided in consultation with the Board and the schedule of meetings is communicated to all Directors in advance to enable them to schedule their effective participation during the Board meetings. The items in the Agenda are backed by comprehensive background information to enable the Board to take appropriate decisions. In addition to the information required under Annexure IA to Clause 49 of the Listing Agreement, the Board is also kept informed of major events/items and approvals taken wherever necessary.

The Board met five times in the financial year 2011-2012, on May 13, 2011, August 11, 2011, September 22, 2011, November 10, 2011 and February 2, 2012.

#### Remuneration:

During the year 2011-2012, no remuneration or sitting fee was paid to the Managing Director and CEO. The Company paid sitting fees of Rs. 20,000 per meeting to its Non-Executive Directors for attending meetings of the Board and Rs. 10,000 for attending Committee meetings.



Details of attendance of the Directors and sitting fees paid to them are as follows:

Name of the Director	No. of Board Meetings during 2011-12		Whether attended last AGM held on September 22, 2011	Sitting fees for Board and Committee meetings (in Rs.)
	Held	Attended		
Mr. Wayne Berkowitz <sup>(1)</sup>	5	0	No	Nil
Mr. Pankaj Agarwal <sup>(2)</sup>	5	5*	Yes	Nil
Mr. Vivek Malhotra <sup>(3)</sup>	5	4	Yes	140,000
Mr. Indresh Narain	5	4	No	170,000
Mr. Javed Gaya	5	3	No	130,000
Mr. Narayan A. Menon <sup>(4)</sup>	5	2	No	60,000

\* Attended one meeting through videoconferencing.

(1) Appointed as Managing Director & CEO w.e.f. February 6, 2012.

(2) Resigned as Managing Director & CEO w.e.f. February 6, 2012 and resigned as Director w.e.f. March 31, 2012.

(3) Resigned as Director w.e.f. May 9, 2012.

(4) Appointed as Additional Director w.e.f. September 30, 2011.

#### Non-Executive/Independent Director's Remuneration:

The members at the Annual General Meeting of the Company on August 11, 2010, approved the payment of commission to the Non-Executive Directors within the ceiling of 1% of the net profits of the Company as computed under the applicable provisions of the Companies Act, 1956. The amount of the said commission will be decided each year by the Board of Directors and distributed amongst the Non-Executive Directors. However, no commission has been paid to Non-Executive/ Independent Directors of the Company during the current year. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending the Meetings.

#### Shares and options held by Non-Executive and Independent Directors:

None of the Independent Directors hold shares or options in the Company. Mr. Pankaj Agarwal, who resigned from the Company w.e.f. March 31, 2012 held 1,199,900 shares in the Company. The Company has not granted any options to Mr. Pankaj Agarwal.

#### Proceedings of Board Meetings:

The agenda items for the Board meetings are decided in advance in consultations with heads of various functions and the Managing Director & CEO and circulated amongst the Board for their revision. Every Board member can suggest additional items for inclusion in the agenda. Managers who can provide additional insights into the items being discussed in the Board Meetings are also invited for the Board Meetings. The decisions taken at the Board Meetings are promptly communicated to all concerned departments for the completion of the action items arising out of the deliberations of the meeting. Report on the action items are placed before the Board at their succeeding meeting.

#### Information and updates to Board of Directors:

- Annual operating plans and budgets, including capital budgets and any updates.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of audit committee, other committees of the Board and subsidiaries.
- The information on recruitment and remuneration of senior officers.
- Show cause, demand, prosecution notices and penalty notices, which are materially important, if any.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any.
- Any material default in financial obligations to and by the Company, or substantial non-payment for services rendered by the Company, if any.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company, if any.
- Details of any joint venture or collaboration agreement or acquisition, if any.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property, if any.
- Significant labor problems and their proposed solutions. Any significant developments on the Human Resources/ Industrial Relations front, like signing of wage agreements, implementation of Voluntary Retirement Schemes, etc, if any.
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business, if any.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of Dividend, delay in share transfers, if any.

All the information to be provided to the Board as per Annexure-1A of Clause 49 of the Listing Agreement was made available to the Board. The Company's Board reviews and takes on record the statutory compliance reports submitted by the Company's Management on quarterly basis. In cases of business exigencies, resolutions of the Board are passed by circulation.

#### **Recording minutes of proceedings at Board and Committee Meetings:**

The Company Secretary records the Minutes of the proceedings of each Board and Committee Meetings. Draft minutes are circulated to all the members of the Board/Committee Meetings for their comments. The minutes are entered in the Minutes book immediately on approval and signed.

#### **Post meeting follow up mechanism:**

The important decisions taken at the Board/Committee meetings are communicated promptly to the concerned departments/divisions. Action taken report on the decisions/minutes of the previous meeting(s) is placed at the immediately succeeding meeting of the Board/Committee for noting and taking on record. Thus, an effective post meeting follow up, review and reporting of the decisions taken at the Board/Committee meetings is ensured.

## **B. GOVERNANCE BY SUB-COMMITTEES OF THE BOARD OF DIRECTORS**

Your Company has the following committees of Board of Directors:

- (i) Audit Committee
- (ii) HR and Compensation Committee
- (iii) Shareholders/Investors Grievance Committee
- (iv) Corporate Governance Committee
- (v) Administration Committee

### **(i) Audit Committee**

The Company's Board has constituted an Audit Committee pursuant to the provisions of the Companies Act, 1956 which has all the necessary features as required by the Listing Agreement.

#### **(a) Composition:**

Vivek Malhotra <sup>(1)</sup>	- Chairman (Independent Director)
Indresh Narain	- Member (Independent Director)
Javed Gaya	- Member (Independent Director)
Narayan A. Menon <sup>(2)</sup>	- Member (Independent Director)

(1) Resigned as Director w.e.f. May 9, 2012.

(2) Appointed as Member of the Committee w.e.f. September 30, 2011.

Ms. Usha T N, Company Secretary, acts as the Secretary of the Audit Committee.

#### **(b) Objective/Powers:** Powers of Audit Committee include:

- (i) To investigate any activity within its responsibilities.

- (ii) To have independent back office support and other resources from the Company.
- (iii) To have access to information contained in the records of the Company or from any employee.
- (iv) To obtain legal or professional advice from external sources.
- (v) To have the facility of separate discussions with both internal and external auditors as well as the management.
- (vi) To secure attendance of outsiders with relevant expertise, if it considers necessary.

### **(c) Roles and Responsibilities:**

- (i) Recommend the appointment, re-appointment and removal of external auditor, internal auditor, approve terms of engagement, including fixation of audit fee and also approve the payment for any other services. Committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process.
- (ii) Review financial reporting process and the disclosure of financial information of the Company and also subsidiaries to ensure that the financial statement is correct, sufficient and credible. Also monitor the integrity of the financial statements of the Company.
- (iii) Review with management the quarterly and annual financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices and reasons for the same.
  - Major accounting entries based on exercise of judgment by management.
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchange and legal requirements concerning financial statements.
  - Management discussion and analysis of financial conditions and results of operations.
  - Director's responsibility statement.
- (iv) Review, with management, the statement of uses/application of funds raised through an issue (i.e. Public issue, rights issue, preferential issue, etc.), the statement of funds utilized for the purposes other than those stated in the offer documents/prospectus/notice and the report submitted by the monitoring agency which monitors the utilization of proceeds of the public/rights issue as well as recommend to the Board the steps to be taken in this regard.
- (v) Review the adequacy of internal control systems and review internal audit reports, management letters relating to internal control weaknesses, if any.
- (vi) Review the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

- (vii) Discussion, reviewing and follow up 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, including management override of internal controls and financial irregularities involving management team members.
- (viii) Discussions with external auditors before the audit commences, about the nature and scope of audit, as well as have post-audit discussions to ascertain any areas of concern.
- (ix) Review the Company's financial and risk management policies and systems. Assist executive management to identify the risk impacting the Company's business and document the process of risk identification, risk minimization and risk optimization as a part of risk management policy.
- (x) Look into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors, and monitor utilization of funds raised through public and preferential issues.
- (xi) Review the functioning of the Whistle Blower mechanism established in the Company.
- (xii) Approve the appointment of the CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing his qualifications, experience and background.
- (xiii) Monitor and approve all Related Party Transactions including any modification/amendment, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large, and periodically revive minutes of subsidiary companies.
- (xiv) Any other matter referred to the Audit Committee by the Board of Directors of the Company.

**(d) Meetings:** The Audit Committee meeting was conducted four times during the year on May 13, 2011, August 11, 2011, November 10, 2011 and February 1, 2012. The minutes of the meetings are placed before the Board at the succeeding Board Meeting for information. The quorum for the Committee is two members or one-third of its members, whichever is higher. Quorum was present at all the meetings.

Attendance Record in Audit Committee Meetings held during the year, are given below:

Members	No of meetings	
	Held	Attended
Mr. Vivek Malhotra, Chairman <sup>(1)</sup>	4	4*
Mr. Indresh Narain	4	4
Mr. Javed Gaya	4	3
Mr. Narayan A. Menon <sup>(2)</sup>	4	2

\* Attended one meeting through videoconferencing.

(1) Resigned as Director of the Company w.e.f. May 9, 2012.

(2) Appointed as Member of the Audit Committee w.e.f. September 30, 2011.

## (ii) HR & Compensation Committee

### (a) Composition:

- Narayan A. Menon<sup>(1)</sup> - Chairman (Independent Director)
- Javed Gaya - Member (Independent Director)
- Pankaj Agarwal<sup>(2)</sup> - Member (Non-Executive Director)
- Wayne Berkowitz<sup>(3)</sup> - Member (Managing Director & CEO)

(1) Appointed as member and Chairman of the Committee w.e.f. September 30, 2011.

(2) Resigned as Managing Director & CEO w.e.f. February 6, 2012 and resigned as Director w.e.f. March 31, 2012.

(3) Appointed as member of the Committee w.e.f. May 5, 2012.

### (b) Powers/Roles: The Terms of reference of the HR & Compensation Committee include the following:

- (i) To decide on all matters relating to the Company's stock option/share purchase schemes including the grant of options/shares to the Directors and employees of the Company and/or of its subsidiaries.
- (ii) To determine and make suitable recommendations to the Board in all matters relating to qualification, appointment, evaluation and remuneration of the Non-Executive Directors of the Board, Executive Directors of the Company and its managerial personnel under the Companies Act, 1956.
- (iii) To review performance and determine the remuneration payable to Executive Directors.
- (iv) Establishment and administration of employee compensation and benefit plans.
- (v) To decide and make suitable recommendations to the Board on any other matter that the Board may entrust the Committee with or as may be required by any statutes/regulations/guidelines/listing agreements, etc.

As the HR & Compensation Committee is responsible for all the objectives of the Nomination Committee as suggested under Voluntary Corporate Governance Guidelines, no separate Nomination Committee has been constituted by the Company.

### (c) Meetings: The Committee held one meeting during the year, on August 11, 2011.

Attendance Record in HR & Compensation Committee meetings held during the year, are given below:

Members	No of meetings	
	Held	Attended
Mr. Javed Gaya	1	1
Mr. Pankaj Agarwal <sup>(1)</sup>	1	1
Mr. Narayan A. Menon <sup>(2)</sup>	1	-
Mr. Wayne Berkowitz <sup>(3)</sup>	-	-

(1) Resigned as Managing Director & CEO w.e.f. February 6, 2012 and as Director w.e.f. March 31, 2012.

(2) Appointed as a Member of the Committee w.e.f. September 30, 2011.

(3) Appointed as Member of the Committee w.e.f. May 5, 2012.

### (iii) Shareholders/Investors Grievance Committee

- (a) Composition:** The Shareholders/Investors Grievance Committee was formed to undertake the responsibilities of redressing shareholder and investor complaints pertaining to transfer of shares, non-receipt of Balance Sheet, non-receipt of declared Dividend, etc.

Javed Gaya - Chairman (Independent Director)

Indresh Narain - Member (Independent Director)

Vivek Malhotra<sup>(1)</sup> - Member (Independent Director)

(1) Resigned as Director w.e.f. May 9, 2012.

Ms. Usha T N, Company Secretary, acts as the Chief Compliance Officer.

- (b) Objective/Powers:** The Shareholders/Investors Grievance Committee approves the transfer of shares, issue of duplicate share certificates, etc. The Committee also oversees redressal of shareholders' grievances/complaints and compliance with the SEBI (Prohibition of Insider Trading) Regulations, 1992. Further, the Committee has delegated the power of transfer of shares to the Company

Secretary and M/s. Universal Capital Securities Pvt. Ltd, Company's Registrars and Share Transfer agents to attend to share transfers generally once in fifteen days, which are validated by the Committee.

- (c) Meetings:** The Committee met four times during the year on May 13, 2011, August 11, 2011, November 10, 2011 and February 1, 2012. The minutes of the meetings are placed before the Board at the succeeding Board Meeting for information. Quorum was present at all the meetings.

Attendance Record in Shareholders/Investors Grievances Committee Meetings held during the year, are given below:

Members	No of meetings	
	Held	Attended
Mr. Javed Gaya	4	3
Mr. Vivek Malhotra <sup>(1)</sup>	4	3
Mr. Indresh Narain	4	4

(1) Resigned as Director of the Company w.e.f. May 9, 2012.

### Report of Investor Complaints received and disposed of during year ended March 31, 2012:

	No. of cases outstanding as on April 1, 2011	No. of cases added during the year	No. of cases resolved during the year	No. of cases outstanding as on March 31, 2012
No. of Investor issues	Nil	3	3	Nil
No. of legal cases	Nil	Nil	Nil	Nil

There were no outstanding complaints pending for more than 15 days. There were no cases which were not solved to the satisfaction of the shareholders.

### (iv) Corporate Governance Committee

#### (a) Composition:

Indresh Narain - Chairman (Independent Director)

Pankaj Agarwal<sup>(1)</sup> - Member (Non-Executive Director)

Wayne Berkowitz<sup>(2)</sup> - Member (Managing Director & CEO)

(1) Resigned as Managing Director & CEO w.e.f. February 6, 2012 and as Director w.e.f. March 31, 2012.

(2) Appointed as Member of the Committee w.e.f. May 5, 2012.

- (b) Objective:** The objective of the Committee is to ensure excellence in governance, foster exemplary standards of business conduct, and aim to achieve the highest levels of transparency, accountability and equity in all facets of operations and transactions in pursuit of increased value to stakeholders.

#### (c) Terms of reference of the Corporate Governance Committee:

- Review Board/Corporate Codes and make suitable recommendations to the Board from time to time.
- Oversee Corporate Social Responsibility and Sustainability related issues.

- (iii) Review the Structure/Charters of other Board Committees and make suitable recommendations to the Board from time to time.

- (iv) Recommend best practices and standards in any particular area to the Board of Directors as per its mandate.

- (d) Meetings:** During the year, the Committee met on November 10, 2011 and all members were present.

#### (v) Administration Committee

##### (a) Composition:

Indresh Narain - Chairman (Independent Director)

Pankaj Agarwal<sup>(1)</sup> - Member (Non-Executive Director)

Narayan A. Menon<sup>(2)</sup> - Member (Independent Director)

Wayne Berkowitz<sup>(3)</sup> - Member (Managing Director & CEO)

(1) Resigned as Managing Director & CEO w.e.f. February 6, 2012 and as Director w.e.f. March 31, 2012.

(2) Appointed as a Member of the Committee w.e.f. September 30, 2011.

(3) Appointed as Member of the Committee w.e.f. May 5, 2012.

- (b) Objective:** The objective of the Committee is to enable the Directors to take faster decisions on day-to-day affairs of the Company, which would include transactions like

authorization to officials, opening of bank accounts, etc. in the course of normal day-to-day business. Any such decision taken by the Administration Committee needs ratification by the entire Board in their forthcoming meeting, failing which such resolutions stand to be cancelled.

**(c) Terms of reference of the Administration Committee:**

The Administration Committee is authorized to pass resolutions either at a meeting or through circular resolution relating to normal business transactions and such transactions include, but are not limited to:

- (i) Appointment and authorization of employees of the Company for the conduct of day-to-day transactions.
- (ii) Raise loans and cash credits for day-to-day transactions of the Company, and create charges and satisfaction of loans/charges and authorize MD & CEO or any officials of the Company.
- (iii) Opening of bank accounts and authorize the officials of the Company to operate the accounts.
- (iv) Principal Officer of the Company to raise such loans required from time to time for the operations of the Company.
- (v) Registration of transfer of shares and authorize issue of duplicate share certificates or to delegate the authority to Company Secretary or the Share Transfer Agent.
- (vi) Authorization to attend meetings on behalf of the Company.
- (vii) Allotment of shares on exercise of ESOP by the employees.
- (viii) Open branch offices/units and enter into lease agreements for premises.
- (ix) Engage service providers for the Company.
- (x) Conduct any such activities in the normal course of day-to-day business.

The frequency, notice and agenda will be set by the Chairman of the Committee.

## C. GOVERNANCE BY MANAGEMENT

### OTHER DISCLOSURES:

#### Related Party Transactions:

During the year 2011-12, no materially significant related party transactions were entered into by the Company with the Directors or management or their relatives that may have a potential conflict with the interest of the Company at large. The transactions with subsidiaries were at arm's length. Notes to accounts 3.18 of the Financials as at March 31, 2012 contains a list of related party relationships and transactions as required by Accounting Standard-18 on Related Party Disclosures as specified in Companies (Accounting Standards) Rules, 2006.

#### Disclosures regarding the appointment or re-appointment of Directors:

During the year, Mr. Narayan A. Menon was appointed as the Non-Executive Independent Director on the Board of Directors of the Company w.e.f. September 30, 2011. Mr. Wayne Berkowitz was appointed as the Managing Director and CEO of the Company w.e.f. February 6, 2012. An application has been made to the Central Government for approval of Mr. Berkowitz as the Managing Director and CEO of the Company.

Further, Mr. Pankaj Agarwal resigned as Managing Director & CEO w.e.f. February 6, 2012 and from the position of Director w.e.f. March 31, 2012. Mr. Vivek Malhotra, Non-Executive Independent Director has also resigned from the Board of Directors of the Company w.e.f. May 9, 2012.

According to the Article 112 of the Articles of Association of the Company, one third of the Directors retire by rotation and if eligible, seek re-appointment at the shareholders annual meeting. Mr. Javed Gaya will retire by rotation in the ensuing AGM. The Board has recommended his re-appointment and sought shareholders approval provided in the Notice convening the AGM. A copy of his Appointment letter will be made available to the Shareholders at the venue of the meeting.

#### Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or Securities and Exchange Board of India ('SEBI') or any statutory authority, on any matter related to capital markets, during the last three years:

No penalties have been imposed on the Company by the Stock Exchange or SEBI or any other statutory authority on any matter related to capital market during the last three years.

### COMPLIANCE CERTIFICATES:

#### Certificate on Corporate Governance:

As required under Clause 49 of the Listing Agreement, Auditor's certificate is obtained and provided in the Annual Report.

#### CEO and CFO Certificate:

The Certificate given by the Managing Director/CEO and Group CFO as per Clause 49 in the prescribed format also forms part of this Annual Report.

#### Code of Business Conduct and Ethics:

In compliance with Clause 49 of the Listing Agreement, the Company has adopted a Code of Business Conduct and Ethics for Directors and Senior Management of the Company and its subsidiaries. All members of the Board and Senior Management Personnel have affirmed compliance with the Company's Code of Business Conduct and Ethics. A copy of the said Code of Business Conduct and Ethics is available on our website [www.mindteck.com](http://www.mindteck.com).



**Risk Management:**

The Company has laid down systems to inform Board members about the risk assessment and minimization procedures. A Risk Committee consisting of Senior Management oversees the Risk assessment and mitigation of risk. Risk Charters for all functions have been developed and Risk note is presented to the Board periodically. Thus, there have been deliberate efforts made to identify the risk exposure of the organization and mitigation therein in light of the identified risk appetite of the organization.

The risks and Company's mitigation strategies are fully described in the risk management section and these procedures are periodically reviewed by Board of Directors to ensure effective controls.

**Compliance with laws:**

Mindteck believes in commitment to values and compliance of laws which are the hallmarks of good corporate governance. Legal Compliance Management at Mindteck transcends to using compliances as a yardstick to measure and manage business risks to maximize the stakeholder's values. The Board periodically reviews the status of compliance and the Company continuously aims to be compliant of all applicable laws at all times.

**Management Discussion and Analysis:**

A Management Discussion and Analysis Report has been included in the Annual Report.

**Subsidiaries:**

The Company has no Indian non-listed subsidiary. The statement pertaining to Section 212 of the Companies Act, 1956 contains details about the subsidiary companies of Mindteck (India) Limited.

**Compliance with mandatory and non-mandatory requirements under Clause 49 of the Listing Agreement:**

The Company has disclosed all the mandatory requirements under Clause 49 of the Listing Agreement. Among the non-mandatory requirements of Clause 49 of the Listing Agreement, the Company has set up a HR & Compensation Committee and has a Whistle Blower policy in place.

**Policies and Best Practices:**

In our endeavor towards good corporate governance, we have formulated various policies and procedures to maintain transparency, professionalism and accountability in the organization.

**Code for Corporate Disclosure Practices:**

In pursuance to Clause 12(2) of Chapter IV of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended by the SEBI (Insider Trading) (Amendment) Regulations, 2002, the Company has adopted a Code for Corporate Disclosure Practices for timely, appropriate and adequate disclosure of price sensitive information. The Company, through this policy, may provide investors with direct access to analyst briefing material, significant background information and questions and answers on its website.

**Board Charter:**

Mindteck believes that corporate governance as a discipline leads to effectiveness and transparency in the functioning of any corporate entity. Towards this end, Mindteck has adopted a Board Charter which clearly defines the mission, role, structure, responsibilities

and operations of the Board of Mindteck and its delegation of authority to management.

**Mindteck Code of Conduct for Prohibition of Insider Trading:**

Pursuant to Regulation 12 of the SEBI (Prohibition of Insider Trading) Regulations, 2002, the Company has formulated the "Mindteck Code of Conduct for Prohibition of Insider Trading" for regulating and preventing designated persons (as defined in the SEBI (Prohibition of Insider Trading) Regulations, 2002) from using unpublished price sensitive information to their advantage. The Company Secretary of the Company is the Compliance Officer for the purpose of this Code of Conduct and maintains a record of the designated persons. No designated person of the Company has violated this Code and no unpublished price sensitive information has been communicated or used by them.

**Whistle Blower:**

The Company has adopted a Whistle Blower Policy and has established the necessary mechanism in line with Clause 49 of the Listing Agreement with the Stock Exchanges, for employees to report concerns, alleged wrongful conduct, including unethical behavior, financial irregularities, sexual harassment infringement and misuse of intellectual property. It also provides protection against victimization of employees who avail of the mechanism and also allows direct access to the Ethical Committee and the Audit committee. The policy is displayed on the intranet of the Company.

**Software Development Centers:****Bangalore:**

- 16/3, Cambridge Road, Ulsoor, Bangalore 560 008.
- 2730, 'Trikannika', 80ft Road, Opp. CMH Hospital, Indiranagar, Bangalore 560 038

**Kolkata:**

- Millennium Towers, Unit: T-29C, Tower II, Level IX Plot No. 62, Block DN, Sector V, Salt Lake, Kolkata – 700 091

**Delhi:**

- 75/C (SF) Sector 18, Gurgaon, Haryana- 122 002

**Investor Contacts:****Registered Office Address for correspondence:****Mindteck (India) Limited**

16/3, Cambridge Road, Bangalore 560 008.  
Phone+91 80 4154 8000; Fax: +91 80 4112 5813  
For additional information on the Company, refer to website: [www.mindteck.com](http://www.mindteck.com)

**For queries relating to financial statements:****Ramesh B V**

Financial Controller

Tel: +91 80 4154 8000 Ext. 8005.

E-mail: [ramesh.venugopal@mindteck.com](mailto:ramesh.venugopal@mindteck.com)



**For queries relating to shares/dividend/compliance:****Usha T N**

VP – Legal & Company Secretary  
 Tel: +91 80 4154 8000 Ext. 8013.  
 E-mail: usha.tnram@mindteck.com

**Address of Registrar and Transfer Agents:**

**M/s. Universal Capital Securities Pvt. Ltd.,**  
*(formerly M/s. Mondkar Computers Pvt Ltd)*  
 21, Shakil Niwas, Mahakali Caves Road,  
 Andheri (East), Mumbai – 400 093.  
 Email address: Santosh Gamare [gamare@unisec.in]

**Addresses of Regulatory Authority/Stock Exchanges:**

**Securities and Exchange Board of India**  
 Plot No. C4-A, G Block, Bandra Kurla Complex,  
 Bandra (East), Mumbai 400 051.  
 Tel: +91 22 2644 9000/4045 9000

**Registrar of Companies, Karnataka**

Kendriya Sadan, Kormangala,  
 Bangalore 560 034.  
 Tel: +91 80 2563 3105  
 E-mail: roc.bangalore@mca.gov.in

**Bombay Stock Exchange Limited**

Phiroze Jeejeebhoy Towers  
 Dalal Street, Mumbai 400 001.  
 Tel: +91 22 2272 1233

**Depository for Equity Shares-India:****National Securities Depository Limited (NSDL)**

Trade World, A Wing, 4<sup>th</sup> and 5<sup>th</sup> floors,  
 Kamala Mills Compound, Senapathi Bapat Marg, Lower Parel,  
 Mumbai 400 013.  
 Tel: +91 22 2499 4200

**Central Depository Services (India) Limited (CDSL)**

Phiroze Jeejeebhoy Towers, Dalal Street, Fort,  
 Mumbai 400 001.  
 Tel: +91 22 2272 3333

**D. GOVERNANCE TO SHAREHOLDERS****Corporate Profile:**

Mindteck (India) Limited was incorporated in Mumbai in 1991 as Hinditron Informatics Limited under the Companies Act, 1956. We changed our name to Mindteck (India) Limited in September, 1999. Later on, in the year 2006, the registered office of the Company was shifted from Mumbai to Bangalore. The CIN of the Company is L30007KA1991PLC039702 and the address of our registered office is 16/3, Cambridge Road, Bangalore 560 008, Karnataka, India.

**Forthcoming Annual General Meeting (AGM):**

AGM for the year 2011-12 is scheduled on August 7, 2012 at 3.00 p.m. at St. Marks Hotel, 4/1, St. Mark's Road, Bangalore – 560001.

**Location and time of last three AGMs held**

Date of AGM	Time of AGM	Location
September 11, 2009	4.00 p.m.	Redwood, Hotel Royal Orchid Central, Manipal Centre, 47/1 Dickenson Road, Bangalore 400 042
August 11, 2010	4.00 p.m.	Redwood, Hotel Royal Orchid Central, Manipal Centre, 47/1 Dickenson Road, Bangalore 400 042
September 22, 2011	3.00 p.m.	Redwood, Hotel Royal Orchid Central, Manipal Centre, 47/1 Dickenson Road, Bangalore 400 042

The following special resolutions were passed by the Company in its AGM/EGMs listed below:

(i) EGM - Feb 05, 2008	<ul style="list-style-type: none"> <li>Acquisition of Mindteck Singapore Pte. Ltd., Mindteck (UK) Ltd and Chendle Holdings Ltd. on cash/stock basis.</li> <li>Issue of equity shares to shareholders of Mindteck Singapore Pte. Ltd., Mindteck (UK) Ltd and Chendle Holdings Ltd. and other investors.</li> </ul>
(ii) AGM – July 30, 2008	<ul style="list-style-type: none"> <li>Adoption of Mindteck Employees Stock Option Scheme 2008.</li> <li>Extension of Mindteck Employees Stock Option Scheme 2008 to the employees of its subsidiaries across the globe.</li> <li>Appointment and payment of remuneration to the Company's Managing Director under the Company's Act, 1956.</li> <li>Issue of equity shares to shareholders of Chendle Holdings Ltd. and other investors.</li> </ul>
(iii) EGM – January 19, 2009	<ul style="list-style-type: none"> <li>Issue of equity shares to shareholders of Chendle Holdings Ltd. and other investors.</li> </ul>
(iv) EGM – May 5, 2009	<ul style="list-style-type: none"> <li>Reduction of capital by writing down share premium account.</li> </ul>
(v) AGM- Sept 11, 2009	<ul style="list-style-type: none"> <li>No Special Resolution passed</li> </ul>
(vi) AGM- August 11, 2010	<ul style="list-style-type: none"> <li>No Special Resolution passed</li> </ul>
(vii) AGM- Sept 22, 2011	<ul style="list-style-type: none"> <li>Issue of equity shares to certain shareholders of Chendle Holdings Ltd. for which the PAN has been obtained.</li> </ul>

There was no postal ballot taken during the year and no special resolutions were passed through the postal ballot procedure.

**Financial Calendar:** April 1, 2011 to March 31, 2012

**Book Closure dates for the forthcoming AGM:**

July 30, 2012 to August 7, 2012 (both days inclusive)

Your Company's Equity Shares are listed on the Bombay Stock Exchange Limited ('BSE') as at March 31, 2012 and Stock code is – 517344.

An Annual Listing Fee for the year ended 2012-13 (as applicable) has been paid by the Company to BSE. The Annual Custodial Fees for the year ended 2012-13 (as applicable) has been paid by the Company to NSDL & CDSL.

**Share Transfer System:**

The Company's Registrars and Share Transfer agent, M/s. Universal Capital Securities Pvt. Ltd. (formerly Mondkar Computers Private Limited), processes shares sent for transfer/transmission, etc. in two batches every month and ensures that the share transfers/transmissions which are effected within stipulated time. Transfers/transmissions which are complete in all respects are processed and the certificates in respect thereof are returned to the lodger/shareholder within 15 days of lodgments.

**Secretarial Audit:**

As per the requirements of Clause 47 of the Listing Agreement and as a measure of good corporate governance practice, the Company has appointed Mr. Rajnikant Shah, Practicing Company Secretary, to undertake the reconciliation of the share capital of the Company and submit a report to BSE. The audit reconciles on a quarterly basis, the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) with the total issued and listed capital of the Company. The audit has confirmed that the total issued/paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**Dematerialization of shares and liquidity:**

The Company's shares are compulsorily traded in dematerialized form and are available for trading on both the depositories in India viz. NSDL and CDSL. Equity Shares of the Company representing

97.74% of the Company's equity share capital are dematerialized as on March 31, 2012. The Company continues to facilitate requests for dematerialization of shares on a regular basis and the request can be routed through our RTA agent M/s. Universal Capital Securities Private Limited (formerly Mondkar Computers Private Limited). Under the Depository system, the International Securities Identification Number (ISIN) allotted to our shares is INE110B01017.

**Investor's complaints**

Name of the Complaint	2011-12		2010-11	
	Received	Attended	Received	Attended
No. of investors issues	3	3	4	4
No of legal cases	Nil	Nil	Nil	Nil

There are no legal proceedings related to disputes in the matter of Shares of the Company.

**Shareholding Pattern as on March 31, 2012:**

	No. of shares	% of holding
Shareholding of Promoter	16,169,857	65.02
Bodies Corporate/Financial Institutions	116,562	0.47
Individuals	1,215,600	4.89
NRI/OCBs	2,200,469	8.85
Clearing Members	8,630	0.03
Foreign National	98,783	0.40
Foreign Corporate Bodies	3,790,415	15.24
Mindteck Employees Welfare Trust	416,000	1.67
Mindteck Investors Trust	852,156	3.43
<b>TOTAL</b>	<b>24,868,472</b>	<b>100.00</b>

**Shareholders holding more than 1% Share Capital of the Company (other than promoters of the Company):**

Sr.No.	Name of shareholders	No. of shares	% of holding
1	Banco Efisa S.A.	2,726,668	10.96
2	Infotech Ventures Ltd.	261,747	1.05
3	Tadhamon International Islamic Bank	802,000	3.22
4	Mahesh Tharani	320,149	1.29
5	Pankaj Agarwal*	1,199,900	4.82
6	Mindteck Employees Welfare Trust	416,000	1.67
7	Mindteck Investors Trust	852,156	3.43

\* Resigned as Managing Director & CEO w.e.f. February 6, 2012 and as Director w.e.f. March 31, 2012.

## Distribution of Shareholding as on March 31, 2012:

	As on March 31, 2012				As on March 31, 2011			
Range	Shareholders		Shares		Shareholders		Shares	
No. of Shares	Numbers	% to Total	Numbers	% to Total	Numbers	% to Total	Numbers	% to Total
1 – 500	7,091	95.38	469,202	1.89	7,265	95.656	485,597	1.961
501 – 1,000	171	2.30	136,262	0.55	167	2.199	135,342	0.546
1,001 – 2,000	65	0.88	94,857	0.38	68	0.895	99,664	0.403
2,001 – 3,000	25	0.34	60,735	0.24	23	0.303	55,984	0.226
3,001 – 4,000	19	0.26	68,771	0.28	15	0.197	55,017	0.222
4,001 – 5,000	7	0.09	31,100	0.12	8	0.105	36,405	0.147
5,001–10,000	27	0.36	209,044	0.84	22	0.290	175,016	0.707
10,001 & above	29	0.39	23,798,501	95.70	27	0.355	23,722,568	95.788
Total	7,434	100.00	24,868,472	100.00	7,595	100.00	24,765,593	100.00

### Unclaimed Dividend:

Section 205 of the Companies Act, 1956, mandates that companies transfer Dividend that has been unclaimed for a period of seven years from Unpaid Dividend Account to the Investor Education and Protection Fund (IEPF). In accordance with the following schedule, the Dividend for the years mentioned as follows, if unclaimed within a period of seven years, will be transferred to IEPF.

Dividend Year	Type of Dividend	Dividend rate	Date of Declaration	Due date for transfer to IEPF	As per the financials <sup>(1)</sup> (Rs.)
2004-05	Final Dividend	6%	29/07/2005	20/11/2012	121,162
2005-06	Final Dividend	10%	28/08/2006	20/12/2013	71,447
2006-07	Final Dividend	10%	28/09/2007	23/01/2015	83,875
2007-08	Final Dividend	5%	30/07/2008	23/11/2015	46,267
<b>Total</b>					<b>322,751</b>

<sup>(1)</sup>Amount unclaimed as at March 31, 2012

The shareholders may please write to M/s. Universal Capital Securities Pvt. Ltd before due dates to claim their unclaimed dividend. Shareholders are cautioned that once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof with the Company. The statement of unclaimed dividend as on March 31, 2012, as prescribed under Form 5 INV, has been posted on the website of the Company.

In accordance with the above provision, during the year Rs. NIL has been credited to the Investor Education and Protection Fund Account.

### Communication to the Shareholders:

#### (i) Quarterly Results:

The Company has published its quarterly financial results in the Financial Express (English) all editions and Udayavani (Bangalore Edition - Kannada) newspapers during the year ended March 31, 2012. The results have also been submitted to the Bombay Stock Exchange where the Company's equity shares are listed and posted on the Company's website [www.mindteck.com](http://www.mindteck.com).

#### (ii) News Releases and Presentations:

Official news releases, detailed presentations made to media, analysts, etc. are displayed on the Company's website: [www.mindteck.com](http://www.mindteck.com)

#### (iii) Website:

The Company's website [www.mindteck.com](http://www.mindteck.com) contains a separate dedicated section "Investors" where all the shareholders' information is available along with the full Annual Report of the Company.

#### (iv) Annual Report:

The Annual Report of the Company, containing the annual audited financial statements, both standalone and consolidated, along with the Auditors' Report thereon, the Director's Report, Management Discussion and Analysis Report and other important information, is circulated to the shareholders of the Company. We will be shortly sending the financial updates to all investors whose e-mail ID is registered/ made available to us as per the guidelines of the "Green Initiative" instituted by Ministry of Corporate Affairs.

**(v) Soft Copies:**

As you are aware, the Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) by allowing paperless compliances by companies through electronic mode. Thus, companies are now permitted to send various notices/documents, including Annual Reports to its shareholders, through electronic mode. We request all shareholders to be a part of this

"Green Initiative" and please update your Email IDs for all future correspondence with your respective DP's (for shares held in Demat form) or Email IDs of our RTA agents, viz. Universal Capital Securities Private Limited by sending a mail to [Mindteck.investors@uniseq.in](mailto:Mindteck.investors@uniseq.in) or to the Company to [usha.tnram@mindteck.com](mailto:usha.tnram@mindteck.com). The soft copy of the Annual Report will be made available on the website of the Company. You can also opt for a physical copy, by writing to [usha.tnram@mindteck.com](mailto:usha.tnram@mindteck.com). If not opted, it is deemed to be accepted to send a soft copy through e-mail.

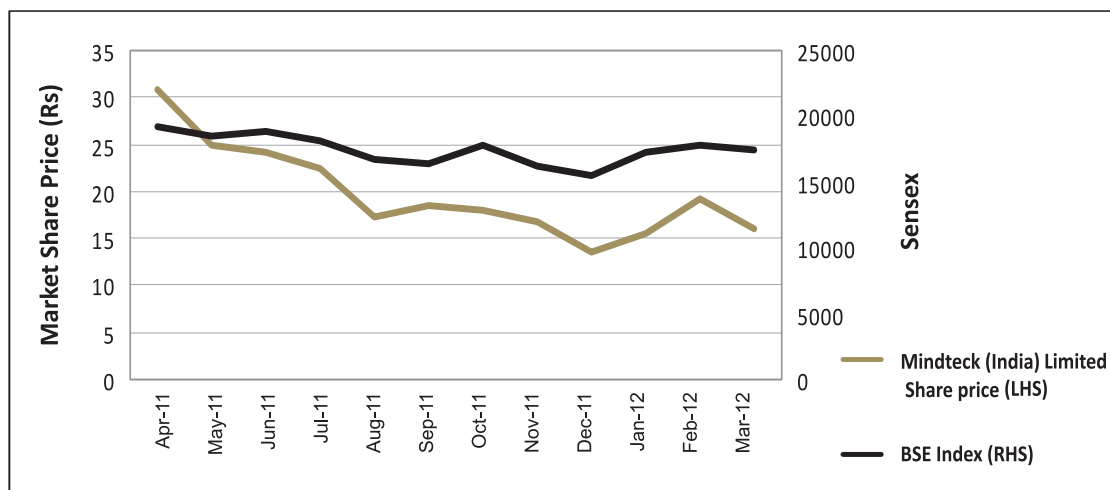
**Market Price Data: High, Low of Company's equity shares on the Bombay Stock Exchange, Mumbai during each month in the year ended March 31, 2012:**

Month	Sensex		Share Price		Trade	
	High	Low	High (Rs.)	Low (Rs.)	No. of shares traded	Value (Rs.)
April 2011	19,811.14	18,976.19	32.20	27.00	77	163,070
May 2011	19,253.87	17,786.13	32.00	23.85	115	261,203
June 2011	18,873.39	17,314.38	26.55	22.05	169	960,318
July 2011	19,131.70	18,131.86	25.85	21.95	78	178,595
August 2011	18,440.07	15,765.53	23.40	17.15	116	210,937
September 2011	17,211.80	15,801.01	21.00	16.35	145	278,644
October 2011	17,908.13	15,745.43	20.85	17.55	80	51,069
November 2011	17,702.26	15,478.69	18.25	14.10	114	124,426
December 2011	17,003.71	15,135.86	17.20	13.60	74	58,371
January 2012	17,258.97	15,358.02	18.75	13.70	71	102,942
February 2012	18,523.78	17,061.55	23.40	15.40	122	277,020
March 2012	18,040.69	16,920.61	20.00	16.00	60	108,479

**Performance in comparison to broad-based BSE Index & BSE IT Index:**

Month	Closing share price on month's last trading day (Rs.)	BSE Index	BSE IT Index
April 2011	30.90	19,135.96	6,144.39
May 2011	25.00	18,503.28	5,994.41
June 2011	24.25	18,845.87	6,100.30
July 2011	22.40	18,197.20	5,835.44
August 2011	17.15	16,676.75	5,061.83
September 2011	18.60	16,453.76	5,275.23
October 2011	17.90	17,705.01	5,828.26
November 2011	16.70	16,123.46	5,499.09
December 2011	13.60	15,454.92	5,751.93
January 2012	15.42	17,193.55	5,777.71
February 2012	19.20	17,752.68	6,161.06
March 2012	16.00	17,404.20	6,081.87

## Performance of Mindteck shares in comparison to BSE Index:



(Source data: [www.bseindia.com](http://www.bseindia.com))

On behalf of the Board of Directors

Bangalore  
Date: June 25, 2012

**Wayne Berkowitz**  
Managing Director & CEO

## DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Business Conduct and Ethics for its Senior Management including the Managing Director and Non-Executive Directors. I confirm that the Company has in respect of the financial year ended March 31, 2012, received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Business Conduct and Ethics as applicable to them.

Bangalore  
May 5, 2012

**Wayne Berkowitz**  
Managing Director & CEO

## MANAGEMENT DISCUSSION & ANALYSIS

*In addition to historical information, this Annual Report contains certain forward looking statements. The forward looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward looking statements. Factors that might cause the difference include, but are not limited to, those discussed in the Management Discussion and Analysis of financial performance and elsewhere in this report. Readers are cautioned not to place undue reliance on these forward looking statements, which reflect management's analysis as of the date hereof.*

### INDUSTRY OUTLOOK

Global IT spend for the fiscal year at hand was adversely affected as the financial crisis in the US and Europe continued. According to Gartner, worldwide IT spending is forecast to total US\$ 3.8 trillion in 2012, an increase of 3.7% from 2011. This has now been revised to 2.5% on account of the strengthening of the US dollar versus other currencies.

IT outsourcing is likely to undergo geographic expansion, consolidation, adoption of cloud, and offshore service providers will continue to work with US-based data center companies. IT applications outsourcing will be marked by an increased thrust on business analytics, driven by consumer computing and social media.

#### **IT outsourcing trends that will drive the industry in 2012:**

- Outsourcing buyers will continue to move slowly as the threat of recession holds them back from signing contracts until market conditions improve. Caution will prevail and buyers will make smaller deals.
- Vendors will try harder to win over smaller firms and introduce pricing models based on consumption, as well as business outcomes that will lower costs for clients.
- Customers will demand more than just low-cost services and will look for innovation, process improvement, flexibility and advanced technology.
- Businesses will pay more attention to the security of their data; hence, service providers will have to focus on newer and better ways to protect their customers' data.
- Offshore vendors will move beyond providing just application development and maintenance. Companies will shift their businesses to IT infrastructure providers in other outsourcing countries as opposed to US-based IT infrastructure providers.
- Organizations will begin outsourcing to countries such as Brazil, Malaysia, Mexico, South Africa, Romania and Bulgaria, though India will continue to remain the world's outsourcing capital and main offshoring center.
- In order to stay competitive, IT vendors may explore innovative and even risky offshore engagement models. There will be a rise in joint ventures, innovation labs and dedicated centers of excellence.
- Merger and acquisition activity is likely to moderate in the coming year, as many active acquirers have already broadened their product offerings to include a more complete IT solution.

NASSCOM predicts slow growth for the Indian IT-BPO Industry in FY 2012-2013, with a smaller growth rate of around 14% and revenues of around US\$ 115 billion in FY 2012-13, when

compared to revenues of around US\$ 101 billion at a 15% growth for FY 2011-12. In FY13, the IT and BPO export revenue is expected to grow at 11-14% (US\$ 78 billion), while domestic revenues are slated to grow by 13-16% (US\$ 37 billion) and reach a total of US\$ 115 billion. Growth is primarily driven by new business models and disruptive technologies, such as cloud, mobility, analytics, social media, and vertical specific solutions. While NASSCOM expected a 4.5% growth in global technology spending in 2012, it further predicted that the industry can meet the vision 2020 target of touching US\$ 225 billion by 2020.

#### **Market Outlook by Industry for 2012**

The technology industry has long been characterized by change, but 2011 stood out as a game changing year and this is expected to continue through 2012.

Technology is facing an accelerated shift from older technologies like servers, PCs and routers to new technologies, such as mobile devices, sensors and cloud computing.

Digitization, the large-scale adoption of Cloud and Mobile technologies across industries, is transforming every organization's interactions with its customers, suppliers and employees. Consumerization has made deeper inroads into the enterprise technology ecosystem, smartphones and tablets are gaining traction and taking a bit out of PC sales. The use of social media is becoming the norm both within the enterprise and as a tool for marketing and sales.

### LIFE SCIENCES

2011 presented many challenges for the Life Sciences industry. Slow recovery in the US economy, coupled with the unfolding of the financial crisis in the Eurozone has significantly impacted businesses worldwide, and it's likely these challenges will continue into 2012.

Expanding government healthcare coverage, aging populations, a growing prevalence of chronic diseases and an emerging middle class, have led to a combination of public and private willingness to spend on healthcare. This in turn has led to considerable growth opportunities – particularly for the medical devices sector.

The global medical device market is estimated to be worth US\$ 300 billion and continues to grow, with markets such as India and China expected to deliver double-digit growth over the next five years. In the long run though, the global pharmaceutical market is expected to grow by a CAGR of 6-8% to over US\$ 1 trillion by 2014, and medical devices is anticipated to grow by 4-6% over the next few years. While anticipated growth in the developed markets is forecast to be slower than the previous five years, emerging markets are expected to grow by 13-17% to 2015 and this is where the industry continues to invest heavily.

Mindteck has an impressive client base in Life Sciences and has added three clients to its portfolio this year. Domain knowledge and expertise, together with our delivery capabilities, continue to be core strengths that will spur growth in the years to come.



## HI-TECH

### Smart Energy

Aging grid infrastructure, rising energy demand and costs, and new and pending government legislation are some of the factors motivating consumers and utilities alike to seek more energy efficient, sustainable solutions. Smart grid technologies are the key to addressing these challenges and bringing energy management to the masses.

2012 will be a transitional year for the smart grid industry, as smart grid technologies and solutions become crucial to addressing energy challenges worldwide. Many utilities are preparing to leverage smart grid technologies to deliver improved reliability through increased automation. Through the smart grid, utilities and consumers will be able to work together to manage energy more efficiently, resulting in improved energy efficiency and lower costs.

Mindteck is proactively focusing on developing new and innovative solutions to meet our clients' needs. Our comprehensive set of smart energy services is aimed at supporting semiconductor companies, home and building automation OEMs and system integrators, utilities, independent service operators, and commercial and institutional energy consumers. Going forward, the focus will be on proactively building a reference solution for the yet-to-be released ZigBee IP and Smart Energy Profile 2.0 that will help in semiconductor companies' demand fulfillment in 2013. Also in the works is the development of a Cloud-based device testing/compliance framework for Smart Energy Profile 2.0. This solution will have a huge addressable market – meeting the needs for device compliance testing, performance testing and interoperability testing for several thousand product companies. Mindteck is also aiming to be a solutions leader in Automated Wireless Monitoring/Meter Reading and low-cost wireless-based intelligent lighting solutions.

### Semiconductor

The semiconductor industry is growing at a healthy pace due to an increase in investment by major international players, encouraged by the rapid rise in consumer demand worldwide. Increased industrial production and renewed consumer confidence has led to a further increase in global demand for semiconductor-related products and devices. The semiconductor market is expected to sustain this growth momentum with the improvement in market conditions worldwide.

Worldwide sales of semiconductors were US\$ 23.3 billion for the month of March 2012, a 1.5% increase from the prior month when sales were US\$ 23.0 billion, and a decrease of 7.9% from March 2011 when sales were US\$ 25.3 billion. Sales in the first quarter of 2012 reached US\$ 69.9 billion, a decrease of 7.9% over last year's first quarter sales of US\$ 75.9 billion, and a sequential decrease of 2.2 percent over the prior quarter.

However, analysts are encouraged to see sequential growth resume across all regions, especially in Europe and Japan during March, and expect to see moderate growth in the second quarter and build momentum as 2012 progresses. However, while forecasts for global economic growth are improving, macroeconomic and geopolitical uncertainties linger. Besides improving macroeconomic conditions, and increasing semiconductor content across a wide range of applications, supply chain recovery related to the Thailand floods of 2011 will continue to drive an improved outlook.

Mindteck saw a significant growth in revenue in semiconductor equipment services during the year. We directly supported end customers in their FABs in Taiwan, Korea and China. Our continued focus is on test automation and yield improvement services, global product support and also on establishing large-scale offshore development centers for new semiconductor customers.

### Data Storage

As storage becomes a key business driver in 2012, research predicts the industry will see new breakthroughs in storage research and business models coming from sectors such as entertainment and health care. The demand for infrastructure that can manage larger volumes of data will without doubt grow stronger this year, leading to an increase in demand for new storage solutions that are more secure, scalable and enterprise-level.

Following the flood situation in Japan, as well as a period of economic uncertainty in Western countries, the first quarter of 2012 could be one of the most challenging periods in the industry so far.

Our Data Storage domain is comprised of a strong team with expertise in NAS and SAN products. We cater to development and testing at platform level in areas such as high availability, compression, de-duplication and RAID. During the year, our excellent knowledge of tools and automation, and our custom-built solutions in areas of development testing and automation, contributed to our elevated status of Preferred Partner with our largest client. This will enable us to achieve the next level of growth, while developing state-of-the-art solutions in emerging areas of Cloud and Virtual Storage.

## OPPORTUNITIES AND THREATS

- *Proven track record* - Our demonstrable capability to scale up to challenges at hand and always ensure the right mix of resources, skills and technologies has helped improve our clients' business performance and facilitated mutual growth. This has been corroborated by repeat customer wins and the consistently high customer satisfaction ratings we've received over the years.
- *Subject Matter Experts of very high caliber* - Mindteck has some very high caliber individuals who have an in-depth understanding of the business and demonstrate thought leadership in their respective domains.
- *Competition* - Technology companies operate in a highly complex and dynamic ecosystem. They are constantly confronted with rising competition in the markets; hence, they are being challenged to continuously rethink their strategies on how to respond to market-altering change. Mindteck has been persistently designing, developing and marketing solutions and related products and services that are valued in the marketplace. We have invested in technologies of the future in the form of Cloud Computing and Enterprise Mobility. We are also penetrating newer geographies such as Malaysia and Singapore, while strengthening our positioning in Europe and the US. Seamless, scalable, cost-effective services, coupled with global delivery capabilities in onshore, offshore, nearshore and hybrid models add to our competitive edge.
- *Talent* - We have put programs in place to ensure we attract the right talent and retain them by providing the right culture, direction and opportunities.

## RISKS AND CONCERNS

- *Uncertainties in global economy and Eurozone crisis* - The US economy is showing signs of strength but the growth is below expectations. Despite this, we have been able to consistently gain the trust of clients who are keen to do repeat business with us as well as provide the opportunity for us to help them in their businesses in other parts of the world. This helps us mitigate the risk emerging out of the slow economic recovery in the US.

In Europe, we face a different set of challenges. Many parts of the continent are yet to recover from the meltdown. But we have had good traction in the UK and have won major contracts in other countries in the region as well, keeping us optimistic about a steady growth path in the geography.

- *Currency fluctuations* - The nature of the worldwide currency markets makes predicting the future almost impossible. As the earnings and expenses are in differing currencies, entities within the Mindteck Group face this risk at varying levels. The maximum risk for Mindteck is centered in India and the UK. However, in the global context, the risks are less significant as both geographies play a relatively minor role in worldwide operations. In order to mitigate these risks, Mindteck has undertaken forward contracts aligned with its corporate policy for hedging the risks associated with its receivables.
- *Client and geographic concentration* - About 72% of our revenue is attributed to our top ten customers and about 81% of our revenue is generated in the US. We have continued our efforts towards mitigating this risk by broadening our scope in other regions.
- *Liquidity risks* - Our cash flow standing is monitored on a regular basis and projections are made to help determine the cash requirements at any given time. Mindteck has adequate internal reserves and working capital credit lines to cater to its requirements.

## DISCUSSION ON FINANCIAL PERFORMANCE

### Share Capital

Mindteck has an issued share capital base of 24,868,472 equity shares of Rs. 10 face value. All the shares are fully paid up. In addition, 167,177 equity shares are reserved for allotment to certain allottees as at March 31, 2012, in relation to discharge of consideration for the acquisition of Chendle Holdings Ltd., one of the Company's wholly-owned subsidiaries. The allotment has been pending owing to the non-availability of Permanent Account Number (PAN) for these shareholders. Of the total issued capital, an aggregate of 10,969,944 equity shares have been issued for consideration other than cash. These allotments are connected to the M&A deals completed by the Company in FY08.

Further, issued capital also includes 416,000 equity shares allotted to the Mindteck Employee Welfare Trust (MEWT). The trust was set up with the objective of transferring its holding in Mindteck (India) Ltd to deserving employees, by way of share-based compensation. Consequent to ESOP schemes issued by the Company in 2005 and 2008, the allotted shares continue to be held by the MEWT. Owing to the consolidation of the Trust's accounts with that of Mindteck, the number of shares and corresponding capital and share premium held by the Trust are deducted from the issued share capital and securities premium accounts.

During the year, 316,200 options were granted to employees under the Mindteck Employees Stock option schemes 2005.

### Reserves and Surplus

Mindteck has retained a balance of Rs. 65.02 million in the Statement of Profit and Loss as at March 31, 2012. Shareholders' funds, excluding capital reserves, decreased from Rs. 1,194.99 million in FY11 to Rs. 1,177.57 million in FY12.

### Non-Current Liabilities

Non-current liabilities include rental deposit, rent equalization reserve and provision for employee benefits. The non-current liabilities decreased from Rs. 30.45 million in FY11 to Rs. 25.34 million in FY12.

### Current Liabilities

Current liabilities include short-term borrowings, trade payables, provision for employee benefits, provision for tax and other current liabilities. The current liabilities decreased from Rs. 292.48 million in FY11 to Rs. 285.57 million in FY12.

Mindteck Singapore Pte. Ltd. has a receivables factoring facility in Singapore and the borrowings as at March 31, 2012 is nil.

Trade payables decreased from Rs. 155.96 million in FY11 to Rs. 119.45 million in FY12.

Other current liabilities comprises unearned income, derivative liabilities, statutory liabilities, such as PF, TDS, etc., and payroll payables amounting to Rs. 94.93 million as at March 31, 2012.

Short-term provision for employee benefits and taxation stood at Rs. 71.18 million as at March 31, 2012.

### Non-Current Assets

Non-current assets include fixed assets, deferred tax asset (net), long-term loans and advances and other non-current assets.

Mindteck invested Rs. 20.14 million (includes Rs. 12.17 million of the effects of translation of assets held by foreign subsidiaries) in fixed assets during the fiscal year. We have been leasing most of our capital equipment from reputed vendors and plan to operate under lease agreements in the foreseeable future.

Deferred tax assets or liability arise while distributing the tax expense over a period of time that the tax profits and book profits differ on account of varying treatment of deductible items of expenses in the respective books, and varying depreciation methodologies in the tax books and financial statements. These are called temporary timing differences. Deferred tax assets are also generally recognized in respect of brought forward tax losses from earlier years, to the extent they are eligible for set off against likely tax profits from operations. In accordance with governing accounting standards on recognition of deferred tax asset/liability, the Company has recognized only such portion of deferred tax impact that results from temporary timing differences.

Long-term loans and advances comprises security deposits, advance tax, tax deducted at source and service tax input credit totaling to Rs. 90.50 million as at March 31, 2012.

Other non-current assets consist of MAT credit entitlement and it stood at nil as at March 31, 2012.

### Current Assets

Current assets include trade receivables, cash and bank balances, short-term loans, advances and other current assets.

Mindteck's accounts receivables as at March 31, 2012 amounted to Rs. 340.25 million, representing about 56 days of sales. All debts doubtful of recovery have been provided for the financial statements.

Cash and bank balances amounted to Rs. 106.05 million, including both rupee and foreign currency accounts. The amount includes bank guarantees issued by the Company's bankers.

Short-term loans and advances include security deposits, prepaid expenses, employee and supplier advances. The balance as at March 31, 2012 stood at Rs. 43.62 million.

Other current assets include unbilled revenue, claimable expenses, derivative assets and MAT credit entitlements. The balance as at March 31, 2012 stood at Rs. 90.84 million.

## Investments

Mindteck India Ltd has six wholly-owned subsidiaries as at March 31, 2012 and two step-subsiidiaries. The nature of operations of these subsidiaries is as follows:

- Mindteck, Inc., US - Operating company
- Mindteck Singapore Pte. Ltd, Singapore - Operating company
- Mindteck (UK) Ltd - Operating company
- Mindteck Middle East Ltd SPC - Operating company
- Mindteck Software Malaysia Sdn Bhd - Operating company
- Chendle Holdings Ltd - Investment arm holding stock in Mindteck Inc., US
- Mindteck Germany GmbH - Selling and marketing company (sub-subsidiary)
- Mindteck Netherlands BV - Selling and marketing company (sub-subsidiary)

## RESULTS OF OPERATION

### Income

Revenues from software services registered an 8% decrease in FY12. The Company recorded Rs. 2,226.24 million in FY12 as against Rs. 2,408.67 million in FY11. The items of other income include rental income from our own property, interest income from deposits, foreign exchange gains and other miscellaneous items.

### Expenses

Employee benefit expenses and cost of technical sub-contractors for the FY12 stood at Rs. 1,942.45 million as against Rs. 2,031.36 million in FY11. Manpower expenses for the year were 87% of revenue against 84% last year.

Finance cost in FY12 was Rs. 3.08 million as compared to Rs. 3.75 million in FY11. The reason for the expense reduction was due

to continued initiatives like prudent cash flow management, coupled with the conversion of rupee loans in India into foreign currency loans at significantly lower interest rates, thus eliminating borrowings.

Other expenses of FY12 amounted to Rs. 267.68 million, excluding Rs. 33.20 million of net foreign exchange loss compared to Rs. 284.01 million last year. The Company continued to implement several cost rationalization measures to ensure that the expense base was lower than the previous year's levels.

Tax provision for the year amounting to Rs. 19.29 million is the aggregate of current tax liability in all tax jurisdictions in which Company operates. Tax provision in India is based on the normal tax computation in accordance with the prevailing tax laws.

Tax provision in the US has been made after considering statutory regulation governing the set of brought forward losses arising from the M&A completed by the Company in FY 2008. In making this provision, due consideration has been given to the uncertainties regarding change in the ownership of merging entities. The provision also includes current tax liability for the double taxation avoidance and agreement (DTAA) in the US to the extent the same is not recoverable from India Tax Authorities under the DTAA.

## Operating Profit and Net Profit

EBIDTA (Operating Loss) for the year amounted to Rs. 11.40 million as against Operating profit of Rs. 141.44 million in the previous year. Net loss is Rs. 50.58 million in FY12, at about -2.27% of software revenue, whereas it was Rs. 91.44 million in FY11 at 3.80% of software revenue.

## HUMAN RESOURCES

As in recent years, the high demand for talent continued in 2011-12. Attrition levels remained comparably high as well, thus increasing both hiring and retention costs. As at March 31, 2012, the total number of resources across all geographies was 843.

While we value our employees and adopt best practices, we consistently strive to ensure that we're maximizing efficiency and productivity. As such, our human resource policies are aligned accordingly, with an emphasis on retention and training. Our human resource base is both productive and efficient. In the Spring, a first-ever sales training meeting took place at the Enola office location in the US. The entire sales team from across the globe attended the two-day session to learn about an innovative sales qualification method and also partake in other activities and discussions with colleagues.

On behalf of the Board of Directors

Bangalore  
Date: June 25, 2012


**Wayne Berkowitz**  
Managing Director & CEO

# CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

The Board of Directors  
Mindteck (India) Limited

We, Wayne Berkowitz, Managing Director & CEO, and Suresh Rao, Group CFO, to the best of our knowledge and belief, certify that:

- 1) We have reviewed the financial statements and the cash flow statement for the year ending March 31, 2012 and that to the best of our knowledge and belief:
  - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- 2) 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 which violate the company's code of conduct.
- 3) We are responsible for establishing and maintaining internal controls for financial reporting and we have:
  - a) Evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting;
  - b) Disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware; and
  - c) The steps we have taken or propose to take to rectify these deficiencies.
- 4) We have indicated to the company's auditors and the Audit committee of the Board of Directors:
  - a) Significant changes that have occurred in the internal control over financial reporting during the year;
  - b) All significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
  - c) Instances of significant fraud, if any, of which we are aware and the involvement therein of the management or an employee having a significant role in the company's internal control system over financial reporting;
  - d) All deficiencies, if any, in the design or operation of internal controls, which could adversely affect the company's ability to record, process, summarize and report financial data, and have identified for the company's auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies.



**Wayne Berkowitz**  
Managing Director & CEO

Bangalore  
May 5, 2012



**Suresh Rao**  
Group-CFO

# AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

## TO THE MEMBERS OF MINDTECK (INDIA) LIMITED

We have examined the compliance of conditions of corporate governance by Mindteck (India) Limited ('the Company'), for the year ended on March 31, 2012, as stipulated in Clause 49 of the listing agreement of the Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

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

For **B S R & Company**  
*Chartered Accountants*  
Registration number: 128032W

Place: Bangalore  
Date: June 15, 2012

**Zubin Shekary**  
*Partner*  
Membership No. 048814

# AUDITORS' REPORT

## TO THE MEMBERS OF MINDTECK (INDIA) LIMITED

We have audited the attached balance sheet of Mindteck (India) Limited ('the Company') as at 31 March 2012, the statement of profit and loss 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.

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

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Ministry of Corporate Affairs in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- (c) the balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are prepared in compliance with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) on the basis of written representations received from the directors, as at 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act on the said date; and
- (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, 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 31 March 2012;
  - (ii) in the case of the statement of profit and loss, of the profit of the Company for the year ended on that date; and
  - (iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

For **B S R & Company**  
Chartered Accountants  
Registration number: 128032W

**Zubin Shekary**  
Partner  
Membership No. 048814

Place: Bangalore  
Date: 5 May 2012



## ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in paragraph one of our report to the members of Mindteck (India) Limited ('the Company') for the year ended 31 March 2012. We report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noted.
- (c) Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
- ii. The Company is a service company, primarily rendering software, IT-enabled and related services. Accordingly it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
- iii. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
- v. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year 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 deposits from the public.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. The Central Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the services rendered by the Company.
- ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax,

Service tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities, though there has been a delay in a few cases. As explained to us, the Company did not have any dues on account of Sales-tax, Wealth tax, Customs duty, Excise duty and Investor Education and Protection Fund.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Service tax and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Service tax and Cess which have not been deposited with the appropriate authorities on account of any dispute. The Company, however, disputes the following income tax dues:

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax/ interest/ transfer pricing	15,179,082 (5,000,000)*	Assessment year 2006-07	Income Tax Appellate Tribunal, Bangalore
Income Tax Act, 1961	Income tax/ interest/ transfer pricing	12,623,480 (2,900,000)*	Assessment year 2007-08	Income Tax Officer, and Income Tax Appellate Tribunal
Income Tax Act, 1961	Income tax/ interest	4,883,185	Assessment year 2003-04	Commissioner of Income Tax Appeals, Bangalore

\* Amount in parenthesis represents the payment made under protest.

- x. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institutions or debenture holders during the year.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund/nidhi/ mutual benefit fund/society.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given a guarantee for a loan taken by others from a bank are not prejudicial to the interests of the Company.

According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from financial institutions.

- xvi. The Company did not have any term loans outstanding during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that funds raised on short-term basis have not been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money by public issues.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Company**  
*Chartered Accountants*  
Registration number: 128032W

**Zubin Shekary**  
*Partner*  
Membership No. 048814

Place: Bangalore  
Date: 5 May 2012

# BALANCE SHEET AS AT MARCH 31, 2012

Amount in Rs.

	Note	As at March 31, 2012	As at March 31, 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's funds</b>			
Share capital	3.1.1	244,524,720	243,495,930
Reserves and surplus	3.1.2	1,181,644,440	1,167,705,318
		<b>1,426,169,160</b>	1,411,201,248
<b>Share application money pending allotment</b>	3.1.1 (b)	<b>12,294,204</b>	19,859,926
<b>Non-current liabilities</b>			
Other long-term liabilities	3.2.1	2,690,738	3,998,030
Long-term provisions	3.2.2	6,940,961	7,606,475
		<b>9,631,699</b>	11,604,505
<b>Current liabilities</b>			
Trade payables	3.3.1	38,262,407	79,444,085
Other current liabilities	3.3.2	22,929,285	12,258,452
Short-term provisions	3.3.3	12,691,019	10,653,785
		<b>73,882,711</b>	102,356,322
		<b>1,521,977,774</b>	1,545,022,001
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	3.4.1	14,234,029	18,593,408
Intangible assets	3.4.1	5,566,061	4,020,171
Non-current investments	3.4.2	1,231,291,030	1,231,291,030
Deferred tax assets (net)	3.4.3	5,167,365	2,992,679
Long-term loans and advances	3.4.4	87,729,569	93,072,545
Other non-current assets	3.4.5	-	4,715,529
		<b>1,343,988,054</b>	1,354,685,362
<b>Current assets</b>			
Trade receivables	3.5.1	93,857,603	121,903,433
Cash and bank balances	3.5.2	26,154,418	32,343,119
Short-term loans and advances	3.5.3	36,684,014	10,895,575
Other current assets	3.5.4	21,293,685	25,194,512
		<b>177,989,720</b>	190,336,639
		<b>1,521,977,774</b>	1,545,022,001

Significant accounting policies and notes to the accounts

2 & 3

As per our report attached  
**For B S R & Company**  
*Chartered Accountants*  
Registration number: 128032W

**Zubin Shekary**  
*Partner*  
Membership No.: 048814

Place: Bangalore  
Date: 5 May 2012

**For Mindteck (India) Limited**

**Wayne Mitchell Berkowitz**  
*Managing Director*

**Suresh Rao Vittal Rajaram**  
*Group CFO*

Place: Bangalore  
Date: 5 May 2012

**Javed Gaya**  
*Director*

**Usha Talaguvaram Narayanamurthy**  
*Company Secretary*

# STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

Amount in Rs.

	Note	Year ended March 31, 2012	Year ended March 31, 2011
Revenue from operation		560,696,095	542,095,342
Other income	3.6	3,622,697	22,199,014
<b>Total Revenue</b>		<b>564,318,792</b>	<b>564,294,356</b>
<b>Expense:</b>			
Employee benefit expense	3.7	336,958,975	303,480,214
Cost of technical sub-contractors		11,867,988	10,748,588
Finance cost	3.8	927,334	1,344,890
Depreciation and amortisation expense	3.4.1	8,591,343	13,172,502
Other expenses	3.9	190,045,610	176,813,345
<b>Total expenses</b>		<b>548,391,250</b>	<b>505,559,539</b>
<b>Profit before tax</b>		<b>15,927,542</b>	<b>58,734,817</b>
Tax expense			
Current tax - domestic		10,700,038	14,412,691
Current tax - foreign		-	808,329
Current tax - MAT credit entitlement		-	(10,715,529)
Deferred tax		(2,174,686)	(2,992,679)
<b>Profit after tax</b>		<b>7,402,190</b>	<b>57,222,005</b>
<b>Earning per equity</b>			
Equity shares of par value Rs.10 each			
Basic		0.30	2.35
Diluted		0.30	2.32
Weighted average number of equity shares used in computing earnings per share			
Basic	3.19	24,400,189	24,348,727
Diluted	3.19	24,689,905	24,625,039
Significant accounting policies and notes to the accounts	2 & 3		

As per our report attached  
**For B S R & Company**  
*Chartered Accountants*  
Registration number: 128032W

**Zubin Shekary**  
*Partner*  
Membership No.: 048814

Place: Bangalore  
Date: 5 May 2012

**For Mindteck (India) Limited**

**Wayne Mitchell Berkowitz**  
*Managing Director*

**Suresh Rao Vittal Rajaram**  
*Group CFO*

Place: Bangalore  
Date: 5 May 2012

**Javed Gaya**  
*Director*

**Usha Talaguvaram Narayanamurthy**  
*Company Secretary*

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

Amount in Rs.

	Year ended March 31, 2012	Year ended March 31, 2011
<b>Cash flow from operating activities</b>		
Profit before taxation	15,927,542	58,734,817
Adjustments for:		
Depreciation and amortisation	8,591,343	13,172,502
Interest expense	22,271	634,417
Interest income	(791,366)	(567,917)
Exchange difference on derivatives	12,870,717	(3,247,390)
(Profit)/loss on sale of fixed assets	(83,406)	31,658
Operating profit before working capital changes	36,537,101	68,758,087
Decrease/(increase) in trade receivables	28,045,830	(38,172,435)
(Increase)/decrease in loans and advances and other assets	(9,316,374)	14,657,847
(Decrease)/increase in current liabilities and provisions	(43,268,507)	7,436,937
Net cash generated from operations before taxes	11,998,050	52,680,436
Taxes paid, net	(13,527,250)	(12,008,195)
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,529,200)</b>	<b>40,672,241</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(5,565,085)	(3,104,896)
Proceeds from sale of fixed assets	136,489	2,501
Interest received	791,366	567,917
<b>Net cash used in investing activities</b>	<b>(4,637,230)</b>	<b>(2,534,478)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of equity shares	-	27,350
Interest paid on loans	(22,271)	(634,417)
Utilisation of cash credit facilities, net	-	(17,356,124)
Dividends paid (including distribution tax)	-	(90,515)
<b>Net cash used in financing activities</b>	<b>(22,271)</b>	<b>(18,053,706)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,188,701)</b>	<b>20,084,057</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>32,343,119</b>	<b>12,259,062</b>
<b>Cash and cash equivalents at the end of the year*</b>	<b>26,154,418</b>	<b>32,343,119</b>

Cash and cash equivalents at the end of the year include deposits with banks aggregating to Rs. Nil (previous year Rs. 5,000,000) pledged against secured loans and margin money, which are not freely available for use by the Company, unpaid dividend account aggregating to Rs. 327,041 (previous year Rs. 326,736) and deposit with a maturity more than twelve months aggregating to Rs. 292,206 (previous year Rs. 4,442,992).

\* Refer note 3.5.2

As per our report attached  
**For B S R & Company**  
 Chartered Accountants  
 Registration number: 128032W

**Zubin Shekary**  
 Partner  
 Membership No.: 048814

Place: Bangalore  
 Date: 5 May 2012

**For Mindteck (India) Limited**

**Wayne Mitchell Berkowitz**  
 Managing Director

**Suresh Rao Vittal Rajaram**  
 Group CFO

Place: Bangalore  
 Date: 5 May 2012

**Javed Gaya**  
 Director

**Usha Talaguvaram Narayanamurthy**  
 Company Secretary

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2012

## 1 BACKGROUND

Mindteck (India) Limited ('Mindteck' or 'the Company') was incorporated to render engineering and IT services to customers across various industry verticals in specific service horizontals. Mindteck's core offerings are in Product Engineering, Application software, Electronic Design, Testing and Enterprise Business services.

In the product engineering space, Mindteck renders electronic design, firmware and software in key vertical areas of Life Sciences and analytical instruments, semiconductor fab equipments, medical instruments and in the high-end storage products segment. The enterprise business services line provides services in the areas of support and maintenance of enterprise wide applications. Application software services are centered around providing solutions to independent software vendors in the Banking and Financial Services Industry (BFSI) space and a broad range of services for custom application development, application management, re-engineering, validation and verification across the spectrum.

Through IT-enabled services, the Company provides offshore based employee resourcing, marketing and pre-sales support services to its subsidiaries.

Mindteck is headquartered in Bangalore with branch offices in Kolkata and Gurgaon. The software development centers in Bangalore and Kolkata are 100% Export Oriented Units ('EOU') set up under the Software Technology Parks of India (STPI) Scheme of the Government of India. Mindteck has subsidiaries in the United States of America, United Kingdom, Singapore, Malaysia and Bahrain.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation of financial statements

The financial statements are prepared in accordance with Generally Accepted Accounting Principles ('GAAP') in India under the historical cost convention on the accrual basis of accounting. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India ('SEBI') and other pronouncements of the Institute of Chartered Accountants of India ('ICAI'), to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy hitherto in use. The financial statements are prepared and presented in Indian rupees unless otherwise stated.

### 2.2 Use of estimates

The preparation of financial statements in conformity with the GAAP in India requires management to make estimates and assumptions that affect the reported amounts of income and expenses for the year, assets and liabilities and disclosures relating to contingent liabilities as on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

### 2.3 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition (including directly attributable costs such as freight, installation, etc.) or construction less accumulated depreciation and impairment. Borrowing costs directly attributable to acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised. Acquired intangible assets are recorded at the cost of acquisition.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use on such date, are disclosed under long term loans and advances and capital work-in-progress respectively.

Depreciation is provided on the straight-line method. The rates specified under Schedule XIV of the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of the acquisition of the asset, or of the remaining useful life on a subsequent review, is shorter than that envisaged in the aforesaid Schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. Pursuant to this policy, the management has estimated the useful life of fixed assets as follows:

Asset classification	Useful life
Computer equipment	6 years
Office equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years
Buildings	58 years

Leasehold improvements are amortised over the lease term or the estimated useful life of assets, whichever is shorter.

Significant purchased application software that is an integral part of the Company's computer systems, expected to provide lasting benefits, is capitalised and amortised on the straight-line method over its estimated useful life or six years whichever is shorter.

Fixed assets individually costing Rs 5,000 or less are fully depreciated in the year of purchase/ installation.

Pro-rata depreciation is provided on all fixed assets purchased and sold during the year.

### 2.4 Investments

Long-term investments are carried at cost less provision for any diminution, other than temporary, in the value of such investments determined on a specific identification basis. Current investments are valued at the lower of cost (determined on specific identification basis) and fair market value. The comparison of cost and fair market value is carried out separately in respect of each investment.

The cost of investment includes acquisition charges such as brokerage, fees and duties.



The cost of acquisition of an investment, or partly acquired, by the issue of shares or other securities, is the fair value of the securities issued which, in appropriate cases, may be indicated by the issue price as determined by the statutory authorities.

Profit or loss on sale of investments is determined separately for each investment.

## 2.5 Retirement benefits

Gratuity, a defined benefit, is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. The Company has an employees' gratuity fund managed by the Life Insurance Corporation of India ('LIC'). Provision for gratuity liabilities, pending remittance to the fund, is carried in the balance sheet. Actuarial gains and losses are charged to profit and loss account.

Compensated absences, a defined benefit, is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. The Company accrues for the expected cost of short-term compensated absences in the period in which the employee renders services.

Contributions paid/payable to the recognized provident fund, a defined contribution, are charged to the profit and loss account.

## 2.6 Revenue recognition

The Company derives its revenues from software and IT-enabled services provided primarily to related parties. Revenue from software services provided on time-and-material basis is recognized upon performance of services and at the agreed contractual rates. Revenue from fixed price contracts is recognized using the percentage completion method determined by relating the actual cost incurred to date to the estimated total cost of the contract. Provision for estimated losses, if any, on incomplete contracts are recorded in the year in which such losses become probable based on the current contract estimates.

Revenue from IT-enabled services is recognized as the related services are performed, in accordance with the specific terms of the contract with the customers.

Unbilled revenue represents earnings in excess of billings while unearned income represents billings in excess of earnings.

Revenues are stated net of discounts, if any, and any applicable duties or taxes.

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

Interest income is recognized using the time proportion method, based on the transactional interest rates.

## 2.7 Foreign exchange transactions

Foreign exchange transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date, the resultant exchange

differences are recognized in the profit and loss account. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

The Company is exposed to foreign currency transactions including foreign currency revenues and receivables. With a view to minimize the volatility arising from fluctuations in currency rates, the Company enters into foreign exchange forward contracts.

For forward exchange contracts that are not covered by AS 11 and that relate to a firm commitment or highly probable forecast transactions, the Company has adopted the principles of AS 30, 'Financial Instruments: Recognition and Measurement'. In accordance with the principles of AS 30, such derivative financial instruments that relate to a firm commitment or a highly probable forecast transaction and that do not qualify for hedge accounting, have been recorded at fair value at the reporting date and the resultant exchange loss/(gain) has been debited/ credited to profit and loss account for the year.

## 2.8 Provision and contingent liabilities

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

## 2.9 Taxation

The current income tax charge is determined in accordance with the relevant tax regulations applicable to the Company. Deferred tax charge or credit is recognized for the future tax consequences attributable to timing difference that result between the profit offered for income taxes and the profit as per the financial statements. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period is recognized in the year in which the timing difference originates. For this purpose, the timing differences which originate first are considered to reverse first. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, when there is a brought forward loss or unabsorbed depreciation under taxation laws, deferred tax assets are recognized only if there

is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realized.

Minimum Alternate Tax ('MAT') paid in accordance with the laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognized as an asset in the balance sheet if there is convincing evidence that the Company will pay normal tax after the tax holiday period and resultant assets can be measured reliably.

The Company offsets, on a year on year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

## 2.10 Earnings per share

In determining the earnings per share, the net profit after tax is divided by the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless issued at a later date. In computing dilutive earnings per share, potential equity shares that are dilutive i.e. which reduces earnings per share or increases loss per share are included.

The weighted average number of equity shares held by the Mindteck Employees Welfare Trust is reduced from the equity shares outstanding in computing basic and diluted earnings per share.

## 2.11 Goodwill

Goodwill has been recorded to the extent the cost of acquisition of the business, comprising purchase consideration and

transaction costs, exceeds the value of net assets acquired. Goodwill is amortized over its useful life of five years, assessed at each year end for impairment. (also refer to 2.12 below)

## 2.12 Impairment of assets

The Company assesses, at each balance sheet date, whether there is any indication that an asset (including goodwill) may be impaired. If any such indications exist, the Company estimates the recoverable amount of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined if no impairment loss had been recognized.

## 2.13 Employee Stock Options

The Company measures the compensation cost relating to employee stock options using the intrinsic value method. The compensation cost, if any, is amortized over the vesting period of the options.

## 2.14 Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals, or accruals of past or future operating cash receipts or payments and item of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

# 3 NOTES TO THE FINANCIAL STATEMENTS

## 3.1.1 SHARE CAPITAL

Amount in Rs.		
Particulars	As at March 31, 2012	As at March 31, 2011
<b>Authorised capital</b>		
<b>Equity shares</b>		
28,000,000 (previous year 28,000,000) equity shares of Rs. 10 each	280,000,000	280,000,000
<b>Preference shares</b>		
500,000 (previous year 500,000) cumulative, non-convertible, redeemable preference shares of Rs. 100 each	50,000,000	50,000,000
	<u>330,000,000</u>	<u>330,000,000</u>
<b>Issued, subscribed and paid-up capital</b>		
<b>Equity shares</b>		
24,868,472 (previous year 24,765,593) equity shares of Rs. 10 each fully paid-up	248,684,720	247,655,930
Less: 416,000 (previous year 416,000) equity shares of Rs. 10 each fully paid-up held by the Mindteck Employees Welfare Trust (refer to note 'a' below)	(4,160,000)	(4,160,000)
	<u>244,524,720</u>	<u>243,495,930</u>

a) Consolidation of the Mindteck Employees Welfare Trust

In March 2008, the Company had sought a legal opinion regarding consolidation of the financial statements of the Trust in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 dated June 30, 2003 ('the Guidelines'). The Company was advised that the financial statements of the Trust should be consolidated with the standalone financial statements of the Company. Accordingly, the Company has consolidated the financial statements of the Trust with its own standalone financial statements to comply with the requirements of the Guidelines.

The investment in the equity shares of the Company held by the Trust has been reduced from the share capital and securities premium account. Further, the opening retained earnings of the Trust has been included in the Company's opening retained earnings. Balances, after inter-company eliminations, have been appropriately consolidated in the Company's financial statements on a line by line basis.

b) On April 1, 2008, the Company acquired 100% equity in its fellow subsidiary Chendle Holdings Limited, BVI ('Chendle Holdings') including its wholly owned subsidiary Primetech Solutions Inc., USA.

At an agreed valuation of USD 6,600,000 (approximately Rs. 264,664,741), the purchase consideration was agreed to be settled by a fresh issue of the equity shares of the Company to the shareholders of Chendle Holdings. The issue of equity shares to discharge the purchase consideration has been recorded at a price of Rs 73.54 per equity share, being the fair value of the equity shares issued, in accordance with the requirements of paragraph 10 of AS-13, 'Accounting for Investments'.

Of the total purchase consideration payable, 167,177 equity shares (Previous year: 270,056 equity shares) have been reserved for allotment to certain shareholders of Chendle Holdings, subject to the furnishing of Permanent Account Number ('PAN') and other requirements by these shareholders. The submission of PAN is a pre-requisite to complete the allotment of shares. The Company is in the process of following up with the shareholders of Chendle Holdings to obtain the PAN and upon receiving the PAN, the Company will allot the shares to these shareholders. During the year, the Company, on receipt of the PAN, has allotted 102,879 shares of Rs. 10 par value at the aforesaid price of Rs. 73.54, which has been described in the preceding paragraph. Accordingly, an amount of Rs. 6,536,932, i.e., Rs. 63.54 per equity share, has been recorded as securities premium in the current year. The remaining 167,177 shares aggregating Rs. 12,294,204 (at a price of Rs. 73.54 each) shall be issued on receipt of PAN from the shareholders.

c) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year is given below:

Particulars	As at March 31, 2012		As at March 31, 2011	
	Numbers	Amount	Numbers	Amount
<b>Equity Shares</b>				
Number of shares outstanding at the beginning of the year (after reduction of equity shares held by Mindteck Employees Welfare Trust)	<b>24,349,593</b>	<b>243,495,930</b>	24,348,593	243,485,930
Add: shares issued on exercise of employee stock options	-	-	1,000	10,000
Add: shares issued from the shares reserved for issuance (refer note 3.1.1 (b) of schedule 3)	<b>102,879</b>	<b>1,028,790</b>	-	-
Number of shares outstanding at the end of the year	<b>24,452,472</b>	<b>244,524,720</b>	24,349,593	243,495,930

d) The Company has two class of shares referred to as equity shares having a par value of Rs.10 and cumulative, non-convertible, redeemable preference shares having a par value of Rs.100. Each holder of the equity share, as reflected in the records of the Company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company after distribution of all preferential amounts. However, no such preferential amounts exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

e) Equity shares held by the related parties is given below:

Particulars	As at March 31, 2012	As at March 31, 2011
Embtch Holdings Limited, Holding company	<b>16,169,857</b>	<b>16,169,857</b>
Infotech Ventures Limited	<b>261,747</b>	<b>261,747</b>

f) Equity shareholder holding more than 5 percent of equity shares along with the number of equity shares held is as given below:

S.No.	Name of the shareholder	As at March 31, 2012		As at March 31, 2011	
		No. of shares	%	No. of shares	%
1	Embtech Holdings Limited	16,169,857	66.12%	16,169,857	66.41%
2	Banco Efisa S.A	2,726,668	11.15%	2,726,668	11.20%

- g) The Company has not allotted any fully paid up equity shares by way of bonus shares nor has bought back any class of equity shares during the period of five years immediately preceding the balance sheet date.
- h) Details of equity shares allotted as fully paid up without payment being received in cash during the period of five years immediately preceding the balance sheet date is given below:

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007
Class of shares	Equity	Equity	Equity	Equity	Equity
No of shares	-	100,000	3,069,944	7,800,000	-

The above 10,969,944 equity shares of Rs. 10 each are allotted as fully paid-up for consideration other than cash to the shareholders of erstwhile ICI Tech Holdings Inc., Mindteck Singapore Pte Ltd., Mindteck (UK) Limited and Chendle Holdings Limited pursuant to the acquisitions.

i) Employee stock options

i) *Employee Share Incentive Scheme 2000*

The Company has an Employee Share Incentive Scheme 2000 ('ESIS 2000') for the benefit of its employees administered through the Mindteck Employees Welfare Trust ('The Trust'). The Trust, which was constituted for this purpose, subscribed to 416,000 equity shares renounced in its favour by the Company's promoters/directors in the Company's earlier Rights Issue. These shares are to be distributed amongst the Company's employees, based on the recommendations made by the Company's Appraisal Committee. No equity shares have been distributed under the ESIS 2000 and therefore, no stock compensation expense has been recorded.

ii) *Mindteck Employee Stock Option Scheme 2005*

During the year ended March 31, 2006, the Company introduced the 'Mindteck Employees Option Scheme 2005' ('the Option Scheme 2005') for the benefit of the employees, as approved by the Board of Directors in its meeting held on July 4, 2005 and the shareholders meeting held on July 29, 2005. The Option Scheme 2005 provides for the creation and issue of 500,000 options that would eventually convert into equity shares of Rs. 10 each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of and at the exercise price determined by the Compensation Committee of the Board of Directors. The options vest annually in a graded manner over a three year period and are exercisable during a maximum period of 5 years from the date of vesting.

During the year ended March 31, 2012, the Company has granted 301,200 options on August 11, 2011 at an exercise price of Rs.19.10 per share and 15,000 options on February 2, 2012 at Rs. 15.42 per share.

Option activity during the year and weighted average exercise price of stock options under the Option Scheme 2005 is given as below:

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Options outstanding at the beginning of the year	168,867	40.44	310,567	43.23
Granted during the year	316,200	18.93	10,200	40.40
Exercised during the year	-	-	1,000	27.50
Forfeited during the year	49,567	42.58	99,600	37.21
Lapsed during the year	28,800	34.65	51,300	63.85
Options outstanding at the end of the year	406,700	23.86	168,867	40.44
Options exercisable at the end of the year	82,233	41.60	139,334	42.63

The weighted average remaining contractual life of the options outstanding as at March 31, 2012 is 5.75 years (previous year 3.89 years).

The Company uses the intrinsic value method to account for the stock compensation cost. The exercise price has been determined as the closing price of the Company's shares traded on the Bombay Stock Exchange on the day prior to the date of grant of options and thus there is no stock compensation expense under the intrinsic value method for the options granted during the year.

The Guidance Note on 'Accounting for Employee Share-Based Payments' issued by the ICAI requires the disclosure of pro-forma net results and EPS, both basic and diluted, had the Company adopted the fair value approach described in the guidance note. Had the Company accounted for compensation cost under the fair value method, the reported profit after taxation for the year ended March 31, 2012 would have been Rs 6,944,510 (previous year Rs 57,041,292) i.e. lower by Rs 457,680 (previous year lower by Rs 180,713) and the basic and diluted EPS for the year would have been Rs. 0.28 and Rs. 0.28 (previous year Rs. 2.34 and Rs. 2.32) respectively.

The fair value of stock based awards to employees is calculated through the use of option pricing models, requiring subjective assumptions which greatly affect the calculated values. The said fair value of the options has been calculated using Black-Scholes option pricing model, considering the expected term of the options to be 4 years, an expected dividend yield of 5-10% on the underlying equity shares, volatility in the share price of 55-100% and a risk free rate of 7-9.5%. The Company's calculations are based on a single option valuation approach. The expected volatility is based on historical volatility of the share price during the period after eliminating abnormal price fluctuations.

### iii) Mindteck Employee Stock Option Scheme 2008

During the year ended March 31, 2009, the Company introduced 'Mindteck Employees Stock Option Scheme 2008' ('the Option Scheme 2008') for the benefit of the employees, as approved by the Board of Directors in its meeting held on May 27, 2008 and the shareholders meeting held on July 30, 2008. The Option Scheme 2008 provides for the creation and issue of 1,200,000 options that would eventually convert into equity shares of Rs. 10 each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of and at the exercise price determined by the Compensation Committee of the Board of Directors. The options will vest after the expiry of a period of twelve months from the date on which the options are granted. The vesting term and the period over which the options are exercisable is to be decided by the Compensation Committee.

No options have been granted under the Option Scheme 2008.

## 3.1.2 RESERVES AND SURPLUS

Amount in Rs.		
Particulars	As at March 31, 2012	As at March 31, 2011
<b>Capital reserve</b>	<b>35,689,935</b>	35,689,935
<b>Securities premium reserve</b>		
Opening balance	<b>1,018,047,852</b>	1,018,030,502
Less: Premium on equity shares held by the Mindteck Employees Welfare Trust [refer note 3.1.1(a)]	<b>(36,240,000)</b>	(36,240,000)
Add: Additions during the period on exercise of employee stock options	-	17,350
Add: Additions during the period on issue of shares from shares reserved for issuance [refer note 3.1.1(b)]	<b>6,536,932</b>	-
	<b>988,344,784</b>	981,807,852
<b>Surplus (Balance in the statement of profit and loss)</b>		
Opening balance	<b>150,207,531</b>	92,985,526
Add: Amount transferred from statement of profit and loss	<b>7,402,190</b>	57,222,005
Amount available for appropriations	<b>157,609,721</b>	150,207,531
Total	<b>1,181,644,440</b>	1,167,705,318

## 3.2.1 OTHER LONG-TERM LIABILITIES

Amount in Rs.		
Particulars	As at March 31, 2012	As at March 31, 2011
<b>Others</b>		
Rent equalisation reserve	<b>277,455</b>	1,248,675
Rental deposit	<b>2,413,283</b>	2,749,355
Total	<b>2,690,738</b>	3,998,030

### 3.2.2 LONG-TERM PROVISIONS

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Provision for employee benefits</b>		
- Gratuity	2,569,378	3,639,341
- Compensated absences	4,371,583	3,967,134
Total	6,940,961	7,606,475

### 3.3.1 TRADE PAYABLES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Due to micro and small enterprises (refer note 3.21)	37,673	-
Inter-company payables	25,552,509	65,570,367
Others	4,486,632	4,007,177
Accrued expenses	8,185,593	9,866,541
Total	38,262,407	79,444,085

### 3.3.2 OTHER CURRENT LIABILITIES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Unearned income	1,158,190	1,588,614
Unpaid dividends	322,751	322,446
Bank overdraft	-	2,831,583
Other liabilities		
- Derivative liability	12,870,717	-
- Statutory liabilities	6,241,175	6,139,010
- Rent equalisation reserve	1,031,244	507,331
- Salary payable	1,305,208	869,468
Total	22,929,285	12,258,452

### 3.3.3 SHORT-TERM PROVISIONS

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Provision for employee benefits		
- Compensated absences	730,305	661,317
- Bonus and incentives	9,253,657	7,285,411
Other provisions		
- Taxation	2,707,057	2,707,057
Total	12,691,019	10,653,785



# SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2012

The following table sets out the status of the gratuity plan as required under AS 15 Employee Benefits

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008
Obligations at beginning of the year	8,031,700	7,401,745	7,297,187	4,645,668	2,856,307
Service cost	4,506,137	2,067,453	1,023,457	3,105,642	1,694,319
Interest cost	643,842	509,623	544,981	310,953	214,203
Benefits paid	(1,037,925)	(2,034,183)	(656,250)	(424,958)	-
Actuarial (gain)/loss	(1,501,236)	87,062	(807,630)	(340,118)	(119,161)
<b>Obligations at end of the year</b>	<b>10,642,518</b>	<b>8,031,700</b>	<b>7,401,745</b>	<b>7,297,187</b>	<b>4,645,668</b>
<b>Change in plan assets</b>					
Plans assets at beginning of the year, at fair value	4,392,359	5,582,750	3,718,637	2,419,100	1,694,168
Expected return on plan assets	461,072	381,264	352,761	229,940	123,398
Actuarial gain/(loss)	57,634	62,249	129,612	(112,330)	102,534
Contributions	4,200,000	400,279	2,037,990	1,606,885	499,000
Benefits paid	(1,037,925)	(2,034,183)	(656,250)	(424,958)	-
<b>Plans assets at end of the year, at fair value</b>	<b>8,073,140</b>	<b>4,392,359</b>	<b>5,582,750</b>	<b>3,718,637</b>	<b>2,419,100</b>
<b>Reconciliation of present value of the obligation and the fair value of the plan assets</b>					
Present value of the defined benefit obligations at the end of the year	10,642,518	8,031,700	7,401,745	7,297,187	4,645,668
Fair value of plan assets at the end of the year	(8,073,140)	(4,392,359)	(5,582,750)	(3,718,637)	(2,419,100)
<b>Liability recognized in the balance sheet</b>	<b>2,569,378</b>	<b>3,639,341</b>	<b>1,818,995</b>	<b>3,578,550</b>	<b>2,226,568</b>

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008
<b>Gratuity cost</b>					
Service cost	4,506,137	2,067,453	1,023,457	3,105,642	1,694,319
Interest cost	643,842	509,623	544,981	310,953	214,203
Expected return on plan assets	(461,072)	(381,264)	(352,761)	(229,940)	(123,398)
Actuarial (gain)/loss	(1,558,870)	24,813	(937,242)	(227,788)	(221,695)
<b>Net gratuity cost</b>	<b>3,130,037</b>	<b>2,220,625</b>	<b>278,435</b>	<b>2,958,867</b>	<b>1,563,429</b>
<b>Assumptions</b>					
Interest rate	8.57% p.a.	7.98% p.a.	7.82% p.a.	7.00% p.a.	7.50% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.00% p.a.	8.00% p.a.	8.00% p.a.	8.00% p.a.
Expected rate of salary increase	11.00% p.a.	10.00% p.a.	6.00% p.a.	6.00% p.a.	10.00% p.a.
Attrition rate	20.00% p.a.	28.00% p.a.	20.00% p.a.	15.00% p.a.	30.00% p.a.
Retirement age	58 years	58 years	58 years	58 years	58 years

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

### 3.4.1 FIXED ASSETS

Amount in Rs.

Assets	Gross Block			Accumulated Depreciation			Net block	
	As at April 1, 2011	Additions during the year	Deletions	As at March 31, 2012	As at April 1, 2011	Charge for the year	Deletions during the year	As at March 31, 2012
<b>Tangible assets</b>								
Computer equipment	32,667,883	1,008,476	-	33,676,359	27,024,484	3,127,401	-	30,151,885
Office equipment	13,067,120	451,301	8,950	13,509,471	9,745,661	1,336,346	2,104	11,079,903
Furniture and fixtures	13,141,231	66,877	51,750	13,156,358	11,737,871	1,184,826	51,750	12,870,947
Vehicles	157,500	-	157,500	-	91,985	19,278	111,263	-
Building								
- Asset given under operating lease	10,156,520	-	-	10,156,520	1,996,845	165,099	-	2,161,944
<b>Total (A)</b>	<b>69,190,254</b>	<b>1,526,654</b>	<b>218,200</b>	<b>70,498,708</b>	<b>50,596,846</b>	<b>5,832,950</b>	<b>165,117</b>	<b>56,264,679</b>
<b>Intangible assets, owned:</b>								
Goodwill (arising on business acquisition)	7,000,000	-	-	7,000,000	7,000,000	-	-	7,000,000
Computer software	24,916,760	4,304,283	-	29,221,043	20,896,589	2,758,393	-	23,654,982
<b>Total (B)</b>	<b>31,916,760</b>	<b>4,304,283</b>	<b>-</b>	<b>36,221,043</b>	<b>27,896,589</b>	<b>2,758,393</b>	<b>-</b>	<b>30,654,982</b>
<b>Total (A+B)</b>	<b>101,107,014</b>	<b>5,830,937</b>	<b>218,200</b>	<b>106,719,751</b>	<b>78,493,435</b>	<b>8,591,343</b>	<b>165,117</b>	<b>86,919,661</b>
Previous year	115,493,418	2,790,416	17,176,820	101,107,014	82,463,594	13,172,502	17,142,661	78,493,435
								22,613,579

### 3.4.2 NON-CURRENT INVESTMENTS

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Trade investment</b>		
<b>Un-quoted equity shares, fully paid up (valued at cost)</b>		
- Investment in subsidiaries	1,231,291,030	1,231,291,030
Total	1,231,291,030	1,231,291,030

Details of investment in equity instruments of subsidiaries (100% wholly owned) is as given below:

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
500 (previous year 500) common stock of BD 100 par value of Mindteck Middle East SPC, Bahrain, fully paid	1,830,360	1,830,360
250,000 (previous year 250,000) common stock of MR 1 par value of Mindteck Software Malaysia SDN. BHD, fully paid	3,016,212	3,016,212
1,310,500 (previous year 1,310,500) shares of SGD 1 par value of Mindteck Singapore Pte Ltd., fully paid	84,664,219	84,664,219
968,408 (previous year 968,408) ordinary shares of GBP 1 par value of Mindteck (UK) Limited, fully paid	14,804,544	14,804,544
2 (previous year 2) shares of USD 1 par value of Chendle Holdings Limited, fully paid	195,419,991	195,419,991
13,000 (previous year 13,000) common stock of USD 1 par value of Mindteck, Inc., USA., fully paid	931,555,704	931,555,704
Total	1,231,291,030	1,231,291,030

### 3.4.3 DEFERRED TAX ASSETS (NET)

Deferred tax assets included in the balance sheet comprise the following:

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Deferred tax asset</b>		
Excess of depreciation provided in accounts over depreciation allowable under income tax law	2,174,191	(411,628)
Provision for doubtful debts	79,624	74,647
Provision for compensated absences	1,655,308	1,537,456
Provision for gratuity	833,635	1,208,898
Others	424,607	583,306
Total deferred tax assets	5,167,365	2,992,679

### 3.4.4 LONG-TERM LOANS AND ADVANCES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
(Unsecured considered good)		
Capital advances	-	314,479
Security deposits	11,012,871	34,278,611
Advance tax and tax deducted at source	27,396,144	21,705,350
Amount paid under protest	7,900,000	5,000,000
Service tax input credit	41,420,554	31,774,105
Total	87,729,569	93,072,545

### 3.4.5 OTHER NON-CURRENT ASSETS

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
MAT credit entitlement	-	4,715,529
Total	-	4,715,529

### 3.5.1 TRADE RECEIVABLES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
(Unsecured)		
Debts overdue for a period exceeding six months		
- Considered good	-	891,964
- Considered doubtful	245,413	224,721
Other debts		
- Considered good	93,857,603	121,011,469
Less: Provision for doubtful debts	(245,413)	(224,721)
Total	93,857,603	121,903,433

### 3.5.2 CASH AND BANK BALANCES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Cash and cash equivalent</b>		
Balances with banks		
- Current accounts	15,541,492	22,406,451
- Deposit accounts	9,953,260	133,954
Cash on hand	40,419	32,986
Other bank balances		
- Unpaid dividends account	327,041	326,736
- Margin money deposit	-	5,000,000
- Deposit with a maturity for more than twelve months	292,206	4,442,992
Total	26,154,418	32,343,119

### 3.5.3 SHORT-TERM LOANS AND ADVANCES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
(Unsecured, considered good)		
Security deposits	28,094,140	400,000
Prepaid expenses	5,196,089	4,893,168
Service tax input credit	1,570,000	1,620,000
Employee advances	1,717,151	3,747,916
Supplier advances	106,634	234,491
Total	36,684,014	10,895,575

### 3.5.4 OTHER CURRENT ASSETS

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Unbilled revenue	10,111,030	8,519,251
Claimable expenses	2,742,820	604,615
Due from related parties [refer note 3.18(e)]	3,487,888	4,132,823
Derivative assets	-	3,247,390
MAT credit entitlement	4,951,947	6,000,000
Recoverable from Mindteck Employees Gratuity Fund	-	2,690,433
<b>Total</b>	<b>21,293,685</b>	<b>25,194,512</b>

### 3.6 OTHER INCOME

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Interest income	791,366	567,917
Foreign exchange gain, net	-	4,952,858
Rental income	2,088,456	16,659,591
Profit on sales of fixed assets, net	83,406	-
Other non-operating income	659,469	18,648
<b>Total</b>	<b>3,622,697</b>	<b>22,199,014</b>

### 3.7 EMPLOYEE BENEFIT EXPENSE

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Salaries and wages	311,288,581	281,022,516
Contribution to provident and other funds	16,529,436	14,144,492
Staff welfare expenses	9,140,958	8,313,206
<b>Total</b>	<b>336,958,975</b>	<b>303,480,214</b>

### 3.8 FINANCE COST

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Interest expense	22,271	634,417
Bank charges	905,063	710,473
<b>Total</b>	<b>927,334</b>	<b>1,344,890</b>

### 3.9 OTHER EXPENSES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Rent	48,274,942	62,313,448
Hiring charges	7,892,414	8,516,398
Marketing and sales support costs	11,713,126	14,204,265
Travel expenses	28,299,959	37,740,881
Foreign exchange loss, net	30,860,733	-
Power and fuel	13,780,253	12,171,065
Communication expenses	7,618,652	8,435,302
Professional charges	10,291,871	8,197,114
Repairs and maintenance-building	-	234,962
Repairs and maintenance-others	8,424,767	7,969,290
Project supply and services	2,931,738	864,458
Rates and taxes	1,312,283	217,092
Insurance	1,975,645	2,537,452
Remuneration to auditors	2,101,750	2,101,750
Membership and subscription	1,965,807	2,950,957
Printing and stationery	1,190,392	1,100,794
Recruitment expenses	5,301,001	3,038,566
Loss on sale of fixed assets, net	-	31,658
Provision for doubtful debts, net	20,692	-
Miscellaneous expenses	6,089,585	4,187,893
<b>Total</b>	<b>190,045,610</b>	<b>176,813,345</b>

### 3.10 CONTINGENT LIABILITIES AND COMMITMENTS

- Guarantees given by the Company's bankers as at March 31, 2012 is Rs. Nil (previous year: Rs. Nil).
- Corporate Guarantee of Rs. 104,061,600 i.e. USD 2 million (previous year: Rs. 181,141,600 i.e. USD 4 million) in favour of a banking institution in the United States of America with respect to the extension of credit facilities by the banking institution to Mindteck, Inc., a wholly owned subsidiary of the Company.
- Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at March 31, 2012 is Rs. NIL (previous year: Rs. NIL).
- Claims against the Company not acknowledged as debt as at March 31, 2012 is Nil (previous year: Nil).
- Income tax matter aggregating to INR 32,685,747 (previous year: INR 35,747,102) are pending at various forums. The management believes that the Company has a good case to defend and no liability is expected in this regard.

### 3.11 QUANTITATIVE DETAILS

The Company is engaged in providing software, IT-enabled and related services. Such services are not capable of being expressed in any generic unit and hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii) (c) of general instructions for preparation of the statement of profit and loss as per revised Schedule VI to the Companies Act, 1956.



### 3.12 VALUE OF IMPORTS ON CIF BASIS

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Capital goods*	17,343,301	29,821,278
Total	17,343,301	29,821,278

\* Amounts disclosed are gross of capital goods received free of cost or on a loan basis.

### 3.13 EXPENDITURE IN FOREIGN CURRENCY

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Foreign travel	20,325,825	28,848,158
Marketing and sales support costs	11,713,126	14,204,265
Consultancy charges	-	4,814,338
Project expenses	2,205,772	2,508,347
Membership and subscription	440,857	1,199,651
Total	34,685,580	51,574,759

### 3.14 EARNINGS IN FOREIGN CURRENCY

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Export of software services	508,080,884	499,911,995
IT-enabled services	40,721,944	37,796,187
Total	548,802,828	537,708,182

### 3.15 MANAGERIAL REMUNERATION

Mr. Pankaj Agarwal was appointed as the Company's Managing Director with effect from April 1, 2008 and resigned with effect from February 6, 2012. Subsequently, Mr. Wayne Mitchell Berkowitz was appointed as the Company's Managing Director with effect from February 6, 2012. No remuneration is payable to the Managing Director by the Company in the current as well as in the previous year. Further, no remuneration has been paid to non-executive directors during the current as well as previous year. Mr. Wayne Mitchell Berkowitz is a non-resident Indian and foreign citizen and is therefore unable to satisfy condition mentioned in Part 1(e) of Schedule XIII of the Companies Act, 1956. Accordingly the Company vide its letter dated March 23, 2012 has filed an application in Form 25A seeking approval of the Central Government to the appointment of Mr. Wayne Mitchell Berkowitz as the Managing Director of the Company pursuant to Section 269 of the Companies Act, 1956 and awaiting approval.

### 3.16 SEGMENTAL REPORTING

The Company's operations predominantly relate to providing software and IT-enabled services which constitute the Company's two primary business segments. The Company considers the business segment as the primary segment and geographical segment based on the location of customers as the secondary segment.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments.

Income and direct expenses in relation to segments is categorized based on items that are individually identifiable to that segment, while the remainder of costs are apportioned on an appropriate basis. Certain expenses are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company therefore believes that it is not practical to provide segment disclosures relating to such expenses and accordingly such expenses are separately disclosed as unallocable and directly charged against total income.

Segment assets excluding sundry debtors, segment liabilities and fixed assets used in the Company's business have not been identified to any reportable segment, as these are used interchangeably between segments and hence Management believes that it is currently

not practical to provide segment disclosures relating to total carrying amount of segment assets, liabilities and fixed assets, since a meaningful segregation is not possible.

## Business segments

Amount in Rs.			
Statement of profit and loss for the year ended March 31, 2012	Software services	IT-enabled services	TOTAL
Revenues	519,974,151	40,721,944	560,696,095
Operating expenses, net	334,383,150	16,109,687	350,492,837
<b>Segmental operating income</b>	<b>185,591,001</b>	<b>24,612,257</b>	<b>210,203,258</b>
Unallocable expenses			196,971,079
Interest expense			927,334
Other income			3,622,697
<b>Net profit before taxes</b>			<b>15,927,542</b>
Income taxes			8,525,352
<b>Net profit after taxes</b>			<b>7,402,190</b>

Amount in Rs.			
Statement of profit and loss for the year ended March 31, 2011	Software services	IT-enabled services	TOTAL
Revenues	504,299,155	37,796,187	542,095,342
Operating expenses, net	310,718,996	19,365,345	330,084,341
<b>Segmental operating income</b>	<b>193,580,159</b>	<b>18,430,842</b>	<b>212,011,001</b>
Unallocable expenses			174,130,308
Interest expense			1,344,890
Other income			22,199,014
<b>Net profit before taxes</b>			<b>58,734,817</b>
Income taxes			1,512,812
<b>Net profit after taxes</b>			<b>57,222,005</b>

## Segment assets

Amount in Rs.			
Segment assets for the year ended March 31, 2012	Software services	IT-enabled services	TOTAL
Sundry debtors	89,159,490	4,698,113	93,857,603
Unallocable	-	-	1,428,120,171
<b>Total</b>	<b>89,159,490</b>	<b>4,698,113</b>	<b>1,521,977,774</b>

Amount in Rs.			
Segment assets for the year ended March 31, 2011	Software services	IT-enabled services	TOTAL
Sundry debtors	109,321,237	12,582,196	121,903,433
Unallocable	-	-	1,423,119,568
<b>Total</b>	<b>109,321,237</b>	<b>12,582,196</b>	<b>1,545,023,001</b>

## Geographical segments

		Amount in Rs.
Revenue	As at March 31, 2012	As at March 31, 2011
USA	440,044,507	439,921,505
Europe	100,929,878	94,531,746
India	11,893,267	4,387,160
Rest of the world	7,828,443	3,254,931
Total	560,696,095	542,095,342

### 3.17 LEASE TRANSACTIONS

The Company leases office and residential facilities and certain equipment under operating lease arrangements.

Lease rental expense for office facilities under non-cancellable operating leases during the year ended March 31, 2012 amounted to Rs. 3,811,471 (previous year Rs. 46,560,001).

Future minimum lease payments under non-cancellable operating lease are set out below:

		Amount in Rs.
Minimum lease payments	As at March 31, 2012	As at March 31, 2011
Payable - not later than one year	4,049,141	4,168,891
Payable - later than one year and not later than five years	4,012,285	1,309,250

Additionally, the Company leases office facilities, residential facilities and equipment under cancellable operating leases. The rental expense under cancellable operating leases during the year ended March 31, 2012 amounted to Rs. 44,463,471 (previous year Rs. 15,753,447).

Rental income from sub-leasing of building and office facilities during the year ended March 31, 2012 was Rs. Nil (previous year Rs. 16,659,591).

### 3.18 RELATED PARTY TRANSACTIONS

#### a) Related parties where control exists

The related parties where control exists are the holding companies (including ultimate and intermediary holding companies), subsidiaries and the Mindteck Employees Welfare Trust.

##### (i) Holding companies

Transcompany Ltd., British Virgin Islands (BVI) - Ultimate holding company  
Vanguard Investments Ltd., BVI - Intermediary holding company  
Mindteck Holdings Ltd., BVI - Intermediary holding company  
Business Holdings Ltd., BVI - Intermediary holding company  
Garrington Investments Ltd., BVI - Intermediary holding company  
Embtech Holdings Ltd., Mauritius - Holding company

##### (ii) Subsidiaries (including step subsidiaries)

Mindteck, Inc., USA [formerly Infotech Consulting Inc.]  
Mindteck Software Malaysia SDN. BHD, Malaysia  
Mindteck Middle East Limited SPC, Kingdom of Bahrain  
Mindteck (UK) Limited, United Kingdom  
Mindteck Singapore Pte. Limited, Singapore  
Mindteck Netherlands BV, Netherlands  
Mindteck Germany GmbH, Germany  
Chendle Holdings Ltd, BVI

##### (iii) Mindteck Employees Welfare Trust ('MEWT')

**b) Key managerial personnel**

Wayne Mitchell Berkowitz - Managing Director (appointed with effect from February 6, 2012)

Pankaj Agarwal - Managing Director (resigned with effect from February 6, 2012)

Vivek Malhotra - Non-Executive Director

Indresh Narain - Non-Executive Director

Javed Gaya - Non-Executive Director

Narayan Ambat Menon - Non-Executive Director (appointed with effect from September 30, 2011)

**(c) Transactions with related parties for the year ended are as follows:**

Amount in Rs.

Sl. No.	Transaction/nature of relationship	Subsidiaries (including step-subsubsidiaries)	
		For the year ended March 31, 2012	For the year ended March 31, 2011
(i)	<b>Income from software and IT-enabled services:</b>		
	Mindteck, Inc., USA	440,044,507	430,270,253
	Mindteck (UK) Limited	100,929,878	92,196,659
	Mindteck Singapore Pte. Limited	5,797,911	3,254,142
	Mindteck Middle East Limited SPC	2,030,532	1,102,822
	Mindteck Netherlands BV	-	1,163,282
	<b>TOTAL</b>	<b>548,802,828</b>	<b>527,987,158</b>
(ii)	<b>Reimbursement of expenses incurred on behalf of:</b>		
	Mindteck, Inc., USA	35,057,775	13,845,672
	Mindteck (UK) Limited	11,619,953	8,951,186
	Mindteck Singapore Pte. Limited	2,016,319	1,031,086
	Mindteck Middle East Limited SPC	972,249	1,067,180
	Mindteck Netherlands BV	16,545	263,226
	Mindteck Software Malaysia SDN. BHD	788,243	592,825
	Mindteck Germany GmbH	16,545	163,971
	<b>TOTAL</b>	<b>50,487,629</b>	<b>25,915,146</b>
(iii)	<b>Marketing and sales support expense:</b>		
	Mindteck (UK) Limited	11,713,126	14,204,265
	<b>TOTAL</b>	<b>11,713,126</b>	<b>14,204,265</b>
(iv)	<b>Reimbursement of expenses incurred by:</b>		
	Mindteck, Inc., USA	16,130,694	12,675,680
	Mindteck (UK) Limited	360,846	479,303
	Mindteck Singapore Pte. Limited	73,549	32,076
	Mindteck Middle East Limited SPC	158,229	267,303
	<b>TOTAL</b>	<b>16,723,318</b>	<b>13,454,362</b>

(d) Transactions with the key management persons for the year ended are as follows:

		Amount in Rs.	
Sl. No.	Nature of transaction	For the year ended March 31, 2012	For the year ended March 31, 2011
(i)	Remuneration to directors*	-	-
(ii)	Directors' sitting fees	500,000	510,000

The Company did not have any transaction with the holding company and the fellow subsidiaries.

\* Refer to note 3.15

(e) The balances receivable from and payable to related parties as at March 31, 2012 are as follows:

		Amount in Rs.	
Sl. No.	Transaction/nature of relationship	Subsidiaries (including step-subsiaries)	
		For the year ended March 31, 2012	For the year ended March 31, 2011
(i)	<b>Balance (due to)/due from:</b>		
	<b>A) Amounts receivable:</b>		
	Mindteck, Inc., USA	44,396,589	58,691,927
	Mindteck (UK) Limited	40,833,907	59,095,370
	Mindteck Singapore Pte. Limited	3,684,668	3,368,848
	Mindteck Middle East Limited SPC	1,437,884	112,459
	<b>TOTAL</b>	<b>90,353,048</b>	<b>121,268,604</b>
	<b>B) Advances:</b>		
	Mindteck, Inc., USA	722,394	1,535,877
	Mindteck (UK) Limited	428,981	565,780
	Mindteck Singapore Pte. Limited	1,631,675	922,534
	Mindteck Middle East Limited SPC	525,537	378,089
	Mindteck Netherlands BV	-	61,407
	Mindteck Software Malaysia SDN. BHD	179,301	587,803
	Mindteck Germany GmbH	-	81,333
	<b>TOTAL</b>	<b>3,487,888</b>	<b>4,132,823</b>
	<b>C) Amounts payable:</b>		
	Mindteck, Inc., USA	23,235,981	46,076,833
	Mindteck (UK) Limited	2,081,873	9,215,154
	Mindteck Singapore Pte. Limited	76,427	32,233
	Mindteck Middle East Limited SPC	158,228	-
	Mindteck Software Malaysia SDN. BHD	-	73,441
	Mindteck Germany GmbH	-	10,172,706
	<b>TOTAL</b>	<b>25,552,509</b>	<b>65,570,367</b>

### 3.19 EARNINGS PER SHARE ('EPS')

The computation of earnings per share is set out below:

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Profit after taxation (Rs.)	7,402,190	7,402,190	57,222,005	57,222,005
Shares				
Weighted average number of equity shares outstanding during the year	24,349,593	24,400,189	24,348,593	24,348,727
Weighted average number of equity shares resulting from assumed exercise of employee stock options	-	70,256	134	6,256
Weighted average number of equity shares resulting from equity shares reserved for issuance	50,596	219,460	-	270,056
Weighted average number of equity shares for calculation of earnings per share	24,400,189	24,689,905	24,348,727	24,625,039

As per the Guidance Note on 'Accounting for Employee Share-Based Payments' issued by the ICAI, 416,000 (previous year 416,000) weighted average number of equity shares held by the Mindteck Employees Welfare Trust have been reduced from the equity shares outstanding in computing basic and diluted earnings per share.

### 3.20 AUDITOR'S REMUNERATION

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Audit fees	1,700,000	1,700,000
Tax audit fee	100,000	100,000
Other services	200,000	200,000
Reimbursement of expenses	101,750	101,750
Total	2,101,750	2,101,750

3.21 The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated August 26, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2012 has been made in the financials statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act is not expected to be material. The Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act.

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
The principal amount and the interest due thereon remaining unpaid to any supplier at the end of the year:		
- Principal amount payable to suppliers	37,673	-
- Interest accrued on the above amount	-	-
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year.		
- Amount of interest for delayed payment to suppliers actually paid during the year	-	-
- Amount of delayed payments actually made to suppliers during the year	-	-
The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act.	-	-
The amount of interest accrued and remaining unpaid at the end of the year.	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	-	-



### 3.22 DERIVATIVE INSTRUMENTS

The Company has taken forward contracts to mitigate its risks associated with foreign currency fluctuations in respect of highly probable forecast transactions. The Company does not enter into any forward contract, which is intended for trading or speculative purposes. The details of forward contracts outstanding at March 31, 2012 and March 31, 2011 are as follows:

Particulars	As at March 31, 2012	As at March 31, 2011
Number of contracts	14	21
Amount in Foreign currency	USD 2,950,000	USD 2,450,000
Amount in Indian Rupees	Rs 139,670,500	Rs 110,949,230

Foreign currency exposures that have not been hedged by derivative instruments or otherwise are as follows:

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
	Amount (Rs.)	Amount (Foreign currency)	Amount (Rs.)	Amount (Foreign currency)
<i>Due from:</i>				
Debtors for services rendered	54,494,649	USD 1,046,775	69,818,311	USD 1,541,743
	1,374,638	BHD 9,903	21,138	BHD 176
	2,162,776	EUR 31,131	656,793	EUR 10,288
	32,320,985	GBP 388,124	50,322,035	GBP 693,148
	-	-	17,071	CHF 348
	-	-	473,163	SGD 13,189
Advances recoverable	3,238,063	USD 62,174	4,052,812	USD 123,705
	249,825	GBP 3,000	21,138	BHD 176
	-	-	58,873	SGD 1,641
<i>Due to:</i>				
Creditors for services availed	23,394,210	USD 449,195	55,599,787	USD 1,227,764
	2,081,873	GBP 25,000	7,762,081	GBP 106,922
	-	-	2,208,499	EUR 34,593
	76,426	SGD 1,844	-	-

### 3.23 TRANSFER PRICING

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-Tax Act, 1961. Since the law required existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with the associated enterprise during the financial year and expects such records to be in existence latest by the due date, as required by law. The Management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of provision for taxation.

**3.24** The Company has prepared these financial statements as per the format prescribed by Revised Schedule VI to the Companies Act, 1956 ('the schedule') issued by Ministry of Corporate Affairs. Previous periods' figures have been recast/restated to conform to the classification required by the Revised Schedule VI.

As per our report attached  
**For B S R & Company**  
*Chartered Accountants*  
 Registration number: 128032W

**Zubin Shekary**  
*Partner*  
 Membership No.: 048814

Place: Bangalore  
 Date: 5 May 2012

**For Mindteck (India) Limited**

**Wayne Mitchell Berkowitz**  
*Managing Director*

**Suresh Rao Vittal Rajaram**  
*Group CFO*

Place: Bangalore  
 Date: 5 May 2012

**Javed Gaya**  
*Director*

**Usha Talaguvaram Narayanamurthy**  
*Company Secretary*

# AUDITORS' REPORT

## TO THE BOARD OF DIRECTORS OF MINDTECK (INDIA) LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MINDTECK (INDIA) LIMITED AND ITS SUBSIDIARIES

We have audited the attached consolidated balance sheet of Mindteck (India) Limited ('the Company') and its subsidiaries including step subsidiaries (collectively referred to as 'the Mindteck Group') as at 31 March 2012, the consolidated statement of profit and loss of the Mindteck Group and the consolidated cash flow statement of the Mindteck Group 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.

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

We did not audit the financial statements of certain subsidiaries (including step subsidiaries) whose financial statements reflect total assets of Rs. 50,473,311 as at 31 March 2012, total revenue of Rs. 111,401,938 and cash flows amounting to Rs. 10,490,560 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included for those subsidiaries, is

based solely on the reports of the other auditors. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, prescribed by the Companies (Accounting Standards) Rules, 2006.

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

- i. in the case of the consolidated balance sheet, of the state of affairs of the Mindteck Group as at 31 March 2012;
- ii. in the case of the consolidated statement of profit and loss, of the loss of the Mindteck Group for the year ended on that date; and
- iii. in the case of the consolidated cash flow statement, of the cash flows of the Mindteck Group for the year ended on that date.

For **B S R & Company**  
Chartered Accountants  
Registration number: 128032W

**Zubin Shekary**  
Partner  
Membership No. 048814

Place: Bangalore  
Date: 5 May 2012

# CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

Amount in Rs.

	Note	As at March 31, 2012	As at March 31, 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3.1.1	244,524,720	243,495,930
Reserves and surplus	3.1.2	1,007,479,400	1,018,369,241
		<b>1,252,004,120</b>	<b>1,261,865,171</b>
<b>Share application money pending allotment</b>	3.1.1 (b)	<b>12,294,204</b>	<b>19,859,926</b>
<b>Non-current liabilities</b>			
Other long-term liabilities	3.2.1	4,332,872	5,612,989
Long-term provisions	3.2.2	21,008,968	24,839,826
		<b>25,341,840</b>	<b>30,452,815</b>
<b>Current liabilities</b>			
Short-term borrowings	3.3.1	-	2,848,727
Trade payables	3.3.2	119,451,656	155,960,835
Other current liabilities	3.3.3	94,931,256	64,413,992
Short-term provisions	3.3.4	71,189,388	69,263,104
		<b>285,572,300</b>	<b>292,486,658</b>
		<b>1,575,212,464</b>	<b>1,604,664,570</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	3.4.1	19,892,220	29,124,442
Intangible assets	3.4.1	878,863,481	874,425,156
Deferred tax assets(net)	3.4.2	5,167,365	20,646,343
Long-term loans and advances	3.4.3	90,505,539	95,489,804
Other non-current assets	3.4.4	-	4,715,529
		<b>994,428,605</b>	<b>1,024,401,274</b>
<b>Current assets</b>			
Trade receivables	3.5.1	340,255,863	395,032,991
Cash and bank balances	3.5.2	106,059,549	60,753,609
Short-term loans and advances	3.5.3	43,621,867	16,313,509
Other current assets	3.5.4	90,846,580	108,163,187
		<b>580,783,859</b>	<b>580,263,296</b>
		<b>1,575,212,464</b>	<b>1,604,664,570</b>

Significant accounting policies and notes to the accounts

2 & 3

As per our report attached  
**For B S R & Company**  
*Chartered Accountants*  
Registration number: 128032W

**Zubin Shekary**  
*Partner*  
Membership No.: 048814

Place: Bangalore  
Date: 5 May 2012

**For Mindteck (India) Limited**

**Wayne Mitchell Berkowitz**  
*Managing Director*

**Suresh Rao Vittal Rajaram**  
*Group CFO*

Place: Bangalore  
Date: 5 May 2012

**Javed Gaya**  
*Director*

**Usha Talaguvaram Narayanamurthy**  
*Company Secretary*

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

Amount in Rs.

	Note	Year ended March 31, 2012	Year ended March 31, 2011
Revenue from operations		2,226,242,994	2,408,670,241
Other income	3.6	5,688,560	48,140,076
<b>Total Revenue</b>		<b>2,231,931,554</b>	<b>2,456,810,317</b>
<b>Expenses:</b>			
Employee benefit expense	3.7	1,471,222,976	1,363,137,616
Cost of technical sub-contractors		471,226,421	668,217,636
Finance cost	3.8	3,079,604	3,752,292
Depreciation and amortisation expense	3.4.1	16,813,986	23,847,404
Other expenses	3.9	300,885,452	284,019,416
<b>Total expenses</b>		<b>2,263,228,439</b>	<b>2,342,974,364</b>
<b>(Loss)/profit before tax</b>		<b>(31,296,885)</b>	<b>113,835,953</b>
Tax expense			
Current tax		3,807,122	38,928,070
Current tax - MAT credit entitlement		-	(10,715,529)
Deferred tax		15,478,980	(5,815,939)
<b>(Loss)/profit after tax</b>		<b>(50,582,987)</b>	<b>91,439,351</b>
<b>(Loss)/earning per equity</b>			
Equity shares of par value Rs.10 each	3.15		
Basic		(2.07)	3.76
Diluted		(2.07)	3.71
Weighted average number of equity shares used in computing earnings per share			
Basic		24,400,189	24,348,727
Diluted		24,689,905	24,625,039
Significant accounting policies and notes to the accounts		2 & 3	

As per our report attached  
**For B S R & Company**  
*Chartered Accountants*  
Registration number: 128032W

**Zubin Shekary**  
*Partner*  
Membership No.: 048814

Place: Bangalore  
Date: 5 May 2012

**For Mindteck (India) Limited**

**Wayne Mitchell Berkowitz**  
*Managing Director*

**Suresh Rao Vittal Rajaram**  
*Group CFO*

Place: Bangalore  
Date: 5 May 2012

**Javed Gaya**  
*Director*

**Usha Talaguvaram Narayanamurthy**  
*Company Secretary*

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

Amount in Rs.

	Year ended March 31, 2012	Year ended March 31, 2011
<b>Cash flow from operating activities</b>		
(Loss)/profit before taxation	(31,296,885)	113,835,953
Adjustments for:		
Depreciation and amortisation expenses	16,813,986	23,847,404
Interest expense	676,870	1,336,181
Interest income	(800,517)	(588,111)
Exchange difference on derivatives	12,870,717	(3,247,390)
(Profit)/Loss on sale of fixed assets	(83,406)	31,658
Provision no longer required written back	(410,013)	(25,772,181)
Provision for doubtful debts	3,210,830	3,175,796
Operating profit before working capital changes	981,582	112,619,310
Decrease/(increase) in trade receivables	52,947,411	(41,074,271)
Decrease/(increase) in loans and advances and other assets	2,607,346	(26,483,706)
(Decrease)/increase in current liabilities and provisions	(19,929,143)	5,051,825
Net cash generated from operations before taxes	36,607,196	50,113,158
Taxes paid, net	(8,680,444)	(14,243,062)
<b>Net cash generated from operating activities</b>	<b>27,926,752</b>	<b>35,870,096</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(7,703,342)	(6,630,066)
Proceeds from sale of fixed assets	568,368	201,706
Interest received	800,517	588,111
<b>Net cash used in investing activities</b>	<b>(6,334,457)</b>	<b>(5,840,249)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of equity shares	-	27,350
Interest paid	(676,870)	(1,336,181)
Repayment of secured loans, net	(2,848,727)	(17,356,124)
Repayment of unsecured loans, net	-	(1,387,313)
Dividends paid (including distribution tax)	-	(2,770,707)
<b>Net cash used in financing activities</b>	<b>(3,525,597)</b>	<b>(22,822,975)</b>
<b>Net increase in cash and cash equivalents</b>	<b>18,066,698</b>	<b>7,206,872</b>
Effect of exchange rate changes	27,239,242	3,670,832
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60,753,609</b>	<b>49,875,905</b>
<b>Cash and cash equivalents at the end of the year*</b>	<b>106,059,549</b>	<b>60,753,609</b>

Cash and cash equivalents at the end of the year include deposits with banks aggregating to Rs. Nil (previous year Rs. 5,000,000) pledged against secured loans and margin money, which are not freely available for use by the Company, unpaid dividend account aggregating to Rs. 327,041 (previous year Rs. 326,736) and deposit with a maturity more than twelve months aggregating to Rs. 292,206 (previous year Rs. 4,442,992).

\*Refer note 3.5.2.

As per our report attached  
**For B S R & Company**  
 Chartered Accountants  
 Registration number: 128032W

**Zubin Shekary**  
 Partner  
 Membership No.: 048814

Place: Bangalore  
 Date: 5 May 2012

**For Mindteck (India) Limited**

**Wayne Mitchell Berkowitz**  
 Managing Director

**Suresh Rao Vittal Rajaram**  
 Group CFO

Place: Bangalore  
 Date: 5 May 2012

**Javed Gaya**  
 Director

**Usha Talaguvaram Narayanamurthy**  
 Company Secretary

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED FINANCIAL ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2012

## 1 DESCRIPTION OF THE GROUP

Mindteck (India) Limited ('Mindteck' or 'the Company') together with its wholly owned subsidiaries, set out below, collectively referred to as 'the Group' is a provider of Information Technology services to a wide range of Fortune 500 companies, multinationals and small and medium enterprises worldwide. The Group offers a complete range of technology outsourcing services, including IT Services, Product Engineering and R&D Services, IT Infrastructure & Managed Services and energy management software solutions.

The Group's clientele constitute varied industry verticals, including Public Sector (Government), High Technology (such

as Semiconductor, Data Storage, Cloud Services), Smart Energy and Product Engineering (such as Life Sciences and Analytical Instruments, Industrial Systems, Medical Systems).

The Group has four global delivery centers located in the United States, India and Singapore and has fifteen offices across India, the United States, United Kingdom, Netherlands, Germany, Bahrain, Singapore and Malaysia.

Mindteck has wholly owned subsidiaries (including step-down subsidiaries) in United States of America, Singapore, Malaysia, Bahrain, United Kingdom, Netherlands, and Germany. Mindteck is the flagship company of the Group and is listed in India on the Bombay Stock Exchange.

### List of subsidiaries with percentage holding as on March 31, 2012

Subsidiaries	Country of incorporation and other particulars	Percentage of ultimate holding (%)
Chendle Holdings Limited ('Chendle')	A subsidiary of Mindteck from April 1, 2008, organised under the laws of British Virgin Islands	100
Mindteck UK Limited ('Mindteck UK')	A subsidiary of Mindteck from April 1, 2008, organised under the laws of the United Kingdom	100
Mindteck Netherlands BV ('Mindteck Netherlands')	A subsidiary of Mindteck UK from October 17, 2008, organised under the laws of Netherlands	100
Mindteck Germany GmbH ('Mindteck Germany')	A subsidiary of Mindteck UK from April 2, 2008, organised under the laws of Germany	100
Mindteck Singapore Pte Ltd. ('Mindteck Singapore')	A subsidiary of Mindteck from April 1, 2008, organised under the laws of Singapore	100
Mindteck, Inc.	A subsidiary of Mindteck organised under the laws of the Commonwealth of Pennsylvania, USA	100
Mindteck Software Malaysia SDN. BHD ('Mindteck Malaysia')	A subsidiary of Mindteck organised under the laws of Malaysia	100
Mindteck Middle East Ltd SPC, Kingdom of Bahrain ('Mindteck Middle East')	A subsidiary of Mindteck organised under the laws of the Kingdom of Bahrain	100

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006 ('the Rules'), other pronouncements of the Institute of Chartered Accountants of India ('ICAI'), the relevant provisions of the Companies Act, 1956, (the 'Act') to the extent applicable and the guidelines issued by Securities and Exchange Board of India ('SEBI'). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in an accounting policy hitherto in use. The financial statements are

prepared and presented in Indian Rupees unless otherwise stated.

### 2.2 Principles of consolidation

The consolidated financial statements include the financial statements of Mindteck and its subsidiaries, which are more than 50% owned or controlled. The financial statements of the parent company and its majority owned/controlled subsidiaries have been combined on a line-by-line basis by adding together the book values of all items of assets, liabilities, incomes and expenses after eliminating all inter-company balances/transactions and resulting unrealized gain/loss from the date the parent company acquired these subsidiaries.

The consolidated financial statements are prepared using uniform accounting policies in use at the Group.



## 2.3 Use of estimates

The preparation of consolidated financial statements in conformity with the Generally Accepted Accounting Principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amounts of income and expenses for the year, assets and liabilities and disclosures relating to contingent liabilities as on the date of the consolidated financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

## 2.4 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition (including directly attributable costs such as freight, installation, etc.) or construction less accumulated depreciation and impairment. Borrowing costs directly attributable to acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised.

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after April 1, 2001 are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use on such date, are disclosed under loans and advances and capital work-in-progress respectively.

Depreciation is provided on the straight-line method. The rates specified under Schedule XIV of the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of the acquisition of the asset, or of the remaining useful life on a subsequent review, is shorter than that envisaged in the aforesaid Schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. Pursuant to this policy, the management has estimated the useful life of fixed assets as follows:

Asset classification	Useful life
Computer equipment	3 to 7 years
Office equipment	5 years
Furniture and fixtures	5 to 7 years
Vehicles	6 years
Buildings	58 years

Leasehold improvements are amortised over the lease-term or the estimated useful life of assets whichever is shorter.

Significant purchased application software that is an integral part of the Group's computer systems, expected to provide lasting benefits, is capitalised and amortised on the straight-line method over its estimated useful life or six years whichever is shorter.

Fixed assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase/installation. Pro-rata

depreciation is provided on all fixed assets purchased and sold during the year.

## 2.5 Retirement benefits

Gratuity, a defined benefit for employees of the Indian entity, is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. The Company has an employees' gratuity fund managed by the Life Insurance Corporation of India ('LIC'). Provision for gratuity liabilities, pending remittance to the fund, is carried in the balance sheet. Actuarial gains and losses are charged to the profit and loss account.

Compensated absences, a long-term defined employee benefit, is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. The Group accrues for the expected cost of short-term compensated absences in the period in which the employee renders services.

Contributions payable to the recognized provident fund employee pension and social security schemes in certain overseas subsidiaries, which are defined contribution schemes, are charged to the profit and loss account.

## 2.6 Revenue recognition

The Group derives its revenues from software services. Revenue from software services on a time-and-material basis is recognized upon performance of services and at the agreed contractual rates. Revenue from fixed price contracts is recognized using the percentage completion method determined by relating the actual cost incurred to date to the estimated total cost of the contract. Provision for estimated losses, if any, on incomplete contracts are recorded in the year in which such losses become probable based on the current contract estimates.

Unbilled revenue represents earnings in excess of billings while unearned income represents billings in excess of earnings.

Revenues are stated net of discounts and any applicable duties or taxes.

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

Interest income is recognized using the time proportion method, based on the transactional interest rates.

## 2.7 Intangible assets

Intangible assets are measured initially at cost. After initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses.

### *Acquired intangible assets*

Intangible assets are recorded at the consideration paid for acquisition.

### *Internally generated intangible assets*

The cost of internally generated intangible assets arising from development comprise expenditure that can be directly attributed, or allocated on a reasonable and consistent basis for creating, producing and making the asset ready for its intended use.

Expenditure on research (or on the research phase of an internal project) are recognized as an expense when they are incurred.

#### *Goodwill*

Any excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, is recorded as goodwill arising on consolidation.

In an amalgamation in the nature of a purchase, any excess of the amount of the consideration over the value of the net assets of the transferor company acquired is recorded as goodwill arising on amalgamation.

Goodwill, arising on purchase of business, is recorded to the extent the cost of acquisition of the business, comprising purchase consideration and transaction costs, exceeds the value of net assets acquired.

#### *Amortization*

Intangible assets are amortised over their estimated useful life on a straight-line basis commencing from the date the asset is available to the Group for its use.

Goodwill arising on consolidation/acquisition of assets is not amortised. It is tested for impairment on a periodic basis and written off, if found impaired. Goodwill, arising on purchase of business, is amortised over its useful life of five years and is assessed at each balance sheet date for the impairment. Goodwill arising on amalgamation is amortized on a systematic basis over its useful life of three years.

## **2.8 Foreign exchange transactions**

Foreign exchange transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognized in the profit and loss account. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

For forward exchange contracts that are not covered by AS 11 and that relate to a firm commitment or highly probable forecast transactions, the Company has adopted the principles of AS 30, 'Financial Instruments: Recognition and Measurement'. In accordance with the principles of AS 30, such derivative financial instruments that relate to a firm commitment or a highly probable forecast transaction and that do not qualify for hedge accounting, have been recorded at fair value at the reporting date and the resultant exchange loss/(gain) has been debited/credited to profit and loss account for the year.

All the subsidiaries of the Company have been identified as non-integral operations in accordance with the requirements of AS 11. The financial statements of such non-integral foreign operations are translated into Indian Rupees as follows:

- \* All assets and liabilities, both monetary and non-monetary are translated using the closing rate.

- \* Revenue items are translated at the respective monthly average rates.
- \* The resulting net exchange difference is credited or debited to a foreign currency translation reserve. However, an exchange difference arising out of an intra-group monetary item, whether short-term or long-term, is recognized in the profit and loss account.
- \* Contingent liabilities are translated at the closing rate.

The exchange difference arising on a monetary item that is a part of the enterprise's net investment in a foreign operation is accumulated in a foreign currency translation reserve until the disposal of the net investment. On disposal of the net investment, the amount accumulated in the foreign currency translation reserve is recognized as income or as expense.

## **2.9 Provision and contingent liabilities**

The Group creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

## **2.10 Taxation**

The current income tax charge is determined in accordance with the relevant tax regulations applicable to respective entities within the Group.

Deferred tax charge or credit are recognized for the future tax consequences attributable to timing difference that result between the profit offered for income taxes and the profit as per the financial statements. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, when there is a brought forward loss or unabsorbed depreciation under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/virtually certain to be realized.

Minimum Alternate Tax ('MAT') paid in accordance with the Indian Income Tax laws, which gives rise to future economic

benefits in the form of tax credit against future income tax liability, is recognized as an asset in the balance sheet if there is convincing evidence that the Company will pay normal tax after the tax holiday period and the resultant assets can be measured reliably.

The entities within the Group offset, on a year on year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

## **2.11 Earnings per share**

In determining the earnings per share, the net profit after tax is divided by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless issued at a later date. In computing dilutive earnings per share, potential equity shares that are dilutive i.e. which reduces earnings per share or increases loss per share are included.

The weighted average number of equity shares held by the Mindteck Employees Welfare Trust is reduced from the equity shares outstanding in computing basic and diluted earnings per share.

## **2.12 Impairment of assets**

The Group assesses, at each balance sheet date, whether there is any indication that an asset (including goodwill) may be impaired. If any such indication exists, the Group estimates

the recoverable amount of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognized. In respect of goodwill, impairment loss is reversed only when it is caused by specific external events and their effects have been reversed by subsequent external events.

## **2.13 Employee Stock Options**

The Group measures the compensation cost relating to employee stock options using the intrinsic value method. The compensation cost, if any, is amortised over the vesting period of the options.

## **2.14 Cash flow statement**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for effects of transactions of non-cash nature, any deferrals, or accruals of past or future operating cash receipts or payments and items of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

### 3 NOTES TO THE FINANCIAL STATEMENTS

#### 3.1.1 SHARE CAPITAL

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Authorised capital</b>		
<b>Equity shares</b>		
28,000,000 (previous year 28,000,000) equity shares of Rs. 10 each	<b>280,000,000</b>	280,000,000
<b>Preference shares</b>		
500,000 (previous year 500,000) cumulative, non-convertible, redeemable preference shares of Rs. 100 each	<b>50,000,000</b>	50,000,000
	<b>330,000,000</b>	330,000,000
<b>Issued, subscribed and paid-up capital</b>		
<b>Equity shares</b>		
24,868,472 (previous year 24,765,593) equity shares of Rs. 10 each fully paid-up	<b>248,684,720</b>	247,655,930
Less: 416,000 (previous year 416,000) equity shares of Rs. 10 each fully paid-up held by the Mindteck Employees Welfare Trust (refer to note 'a' below)	<b>(4,160,000)</b>	(4,160,000)
	<b>244,524,720</b>	243,495,930

a) Consolidation of the Mindteck Employees Welfare Trust

In March 2008, the Company had sought a legal opinion regarding consolidation of the financial statements of the Trust in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 dated June 30, 2003 ('the Guidelines'). The Company was advised that the financial statements of the Trust should be consolidated with the standalone financial statements of the Company. Accordingly, the Company has consolidated the financial statements of the Trust with its own standalone financial statements to comply with the requirements of the Guidelines.

The investment in the equity shares of the Company held by the Trust has been reduced from the share capital and securities premium account. Further, the opening retained earnings of the Trust has been included in the Company's opening retained earnings. Balances, after inter-company eliminations, have been appropriately consolidated in the Company's financial statements on a line by line basis.

b) On April 1, 2008, the Company acquired 100% equity in its fellow subsidiary Chendle Holdings Limited, BVI ('Chendle Holdings') including its wholly owned subsidiary Primetech Solutions, Inc., USA.

At an agreed valuation of USD 6,600,000 (approximately Rs. 264,664,741), the purchase consideration was agreed to be settled by a fresh issue of the equity shares of the Company to the shareholders of Chendle Holdings. The issue of equity shares to discharge the purchase consideration has been recorded at a price of Rs 73.54 per equity share, being the fair value of the equity shares issued, in accordance with the requirements of paragraph 10 of AS-13, 'Accounting for Investments'.

Of the total purchase consideration payable, 167,177 equity shares (Previous year: 270,056 equity shares) have been reserved for allotment to certain shareholders of Chendle Holdings, subject to the furnishing of Permanent Account Number ('PAN') and other requirements by these shareholders. The submission of PAN is a pre-requisite to complete the allotment of shares. The Company is in the process of following up with the shareholders of Chendle Holdings to obtain the PAN and upon receiving the PAN, the Company will allot the shares to these shareholders. During the year, the Company, on receipt of the PAN, has allotted 102,879 shares of Rs. 10 par value at the aforesaid price of Rs. 73.54, which has been described in the preceding paragraph. Accordingly, an amount of Rs. 6,536,932, i.e., Rs. 63.54 per equity share, has been recorded as securities premium in the current year. The remaining 167,177 shares aggregating Rs. 12,294,204 (at a price of Rs. 73.54 each) shall be issued on receipt of PAN from the shareholders.

c) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year is given below:

Particulars	As at March 31, 2012		As at March 31, 2011	
	Numbers	Amount	Numbers	Amount
<b>Equity Shares</b>				
Number of shares outstanding at the beginning of the year (after reduction of equity shares held by Mindteck Employees Welfare Trust)	<b>24,349,593</b>	<b>243,495,930</b>	24,348,593	243,485,930
Add: shares issued on exercise of employee stock options	-	-	1,000	10,000
Add: shares issued from the shares reserved for issuance (refer note 3.1.1 (b) of schedule 3)	<b>102,879</b>	<b>1,028,790</b>	-	-
Number of shares outstanding at the end of the year	<b>24,452,472</b>	<b>244,524,720</b>	24,349,593	243,495,930

d) The Company has two class of shares referred to as equity shares having a par value of Rs.10 and cumulative, non-convertible, redeemable preference shares having a par value of Rs.100. Each holder of the equity share, as reflected in the records of the Company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company after distribution of all preferential amounts. However, no such preferential amounts exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

e) Equity shares held by the related parties is given below:

Particulars	As at March 31, 2012	As at March 31, 2011
Embtch Holdings Limited, Holding company	<b>16,169,857</b>	<b>16,169,857</b>
Infotech Ventures Limited	<b>261,747</b>	<b>261,747</b>

f) Equity shareholder holding more than 5 percent of equity shares along with the number of equity shares held is as given below:

S.No.	Name of the shareholder	As at March 31, 2012		As at March 31, 2011	
		No. of shares	%	No. of shares	%
1	Embtch Holdings Limited	<b>16,169,857</b>	<b>66.12%</b>	16,169,857	66.41%
2	Banco Efisa S.A	<b>2,726,668</b>	<b>11.15%</b>	2,726,668	11.20%

g) The Company has not allotted any fully paid up equity shares by way of bonus shares nor has bought back any class of equity shares during the period of five years immediately preceeding the balance sheet date.

h) Details of equity shares allotted as fully paid up without payment being received in cash during the period of five years immediately preceeding the balance sheet date is given below:

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007
Class of shares	Equity	Equity	Equity	Equity	Equity
No of shares	-	100,000	3,069,944	7,800,000	-

The above 10,969,944 equity shares of Rs. 10 each are allotted as fully paid-up for consideration other than cash to the shareholders of erstwhile ICI Tech Holdings Inc., Mindteck Singapore Pte Ltd., Mindteck UK Limited and Chendle Holdings Limited pursuant to the acquisitions.

i) Employee stock options

i) *Employee Share Incentive Scheme 2000*

The Company has an Employee Share Incentive Scheme 2000 ('ESIS 2000') for the benefit of its employees administered through the Mindteck Employees Welfare Trust ('The Trust'). The Trust, which was constituted for this purpose, subscribed to 416,000 equity

shares renounced in its favour by the Company's promoters/directors in the Company's earlier Rights Issue. These shares are to be distributed amongst the Company's employees, based on the recommendations made by the Company's Appraisal Committee. No equity shares have been distributed under the ESIS 2000 and therefore, no stock compensation expense has been recorded.

ii) *Mindteck Employee Stock Option Scheme 2005*

During the year ended March 31, 2006, the Company introduced the 'Mindteck Employees Option Scheme 2005' ('the Option Scheme 2005') for the benefit of the employees, as approved by the Board of Directors in its meeting held on July 4, 2005 and the shareholders meeting held on July 29, 2005. The Option Scheme 2005 provides for the creation and issue of 500,000 options that would eventually convert into equity shares of Rs. 10 each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of and at the exercise price determined by the Compensation Committee of the Board of Directors. The options vest annually in a graded manner over a three year period and are exercisable during a maximum period of five years from the date of vesting.

During the year ended March 31, 2012, the Company granted 301,200 options on August 11, 2011 at an exercise price of Rs.19.10 per share and 15,000 options on February 2, 2012 at Rs. 15.42 per share.

Option activity during the year and weighted average exercise price of stock options under the Option Scheme 2005 is given as below:

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Options outstanding at the beginning of the year	168,867	40.44	310,567	43.23
Granted during the year	316,200	18.93	10,200	40.40
Exercised during the year	-	-	1,000	27.50
Forfeited during the year	49,567	42.58	99,600	37.21
Lapsed during the year	28,800	34.65	51,300	63.85
Options outstanding at the end of the year	406,700	23.86	168,867	40.44
Options exercisable at the end of the year	82,233	41.60	139,334	42.63

The weighted average remaining contractual life of the options outstanding as at March 31, 2012 is 5.75 years (previous year 3.89 years).

The Company uses the intrinsic value method to account for the stock compensation cost. The exercise price has been determined as the closing price of the Company's shares traded on the Bombay Stock Exchange on the day prior to the date of grant of options and thus there is no stock compensation expense under the intrinsic value method for the options granted during the year.

The Guidance Note on 'Accounting for Employee Share-Based Payments' issued by the ICAI requires the disclosure of pro-forma net results and EPS, both basic and diluted, had the Company adopted the fair value approach described in the guidance note. Had the Company accounted for compensation cost under the fair value method, the reported loss after taxation for the year ended March 31, 2012 would have been Rs. 51,040,667 (previous year Profit Rs 91,258,638) i.e. higher by Rs 457,680 (previous year profit lower by Rs 180,713) and the basic and diluted EPS for the year would have been Rs. (2.09) and Rs. (2.09) (previous year Rs. 3.75 and Rs. 3.71) respectively.

The fair value of stock based awards to employees is calculated through the use of option pricing models, requiring subjective assumptions which greatly affect the calculated values. The said fair value of the options has been calculated using Black-Scholes option pricing model, considering the expected term of the options to be 4 years, an expected dividend yield of 5-10% on the underlying equity shares, volatility in the share price of 55-100% and a risk free rate of 7-9.5%. The Company's calculations are based on a single option valuation approach. The expected volatility is based on historical volatility of the share price during the period after eliminating abnormal price fluctuations.

iii) *Mindteck Employee Stock Option Scheme 2008*

During the year ended March 31, 2009, the Company introduced 'Mindteck Employees Stock Option Scheme 2008' ('the Option Scheme 2008') for the benefit of the employees, as approved by the Board of Directors in its meeting held on May 27, 2008 and the shareholders meeting held on July 30, 2008. The Option Scheme 2008 provides for the creation and issue of 1,200,000 options that would eventually convert into equity shares of Rs. 10 each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of and at the exercise price determined by the Compensation Committee of the Board of Directors. The options will vest after the expiry of a period of twelve months from the date on which the options are granted. The vesting term and the period over which the options are exercisable is to be decided by the Compensation Committee.

No options have been granted under the Option Scheme 2008.



### 3.1.2 RESERVES AND SURPLUS

Amount in Rs.		
Particulars	As at March 31, 2012	As at March 31, 2011
<b>Capital reserve</b>	<b>86,726,769</b>	86,726,769
<b>Securities premium reserve</b>		
Opening balance	<b>1,018,047,852</b>	1,018,030,502
Less: Premium on equity shares held by the Mindteck Employees Welfare Trust (refer note 3.1.1(a))	<b>(36,240,000)</b>	(36,240,000)
Add: Additions during the period on exercise of employee stock options	-	17,350
Add: Additions during the period on issue of shares from shares reserved for issuance (refer note 3.1.1(b))	<b>6,536,932</b>	-
	<b>988,344,784</b>	981,807,852
<b>Surplus (Balance in the statement of profit and loss)</b>		
Opening balance	<b>115,606,558</b>	24,167,207
Add: Amount transferred from statement of profit and loss	<b>(50,582,987)</b>	91,439,351
Amount available for appropriations	<b>65,023,571</b>	115,606,558
<b>Foreign currency translation reserve</b>		
Opening balance	<b>(14,286,931)</b>	(20,542,662)
Additions during the period	<b>33,156,214</b>	6,255,731
	<b>18,869,283</b>	(14,286,931)
<b>Adjustment on amalgamation of foreign subsidiaries</b>		
[Pursuant to the amalgamation of ISS Consultants Inc. into its parent, Mindteck (USA) Inc. which was effective May 31, 2007, in accordance with AS-14 'Accounting for Amalgamations', goodwill was adjusted with revenue reserves. Mindteck (USA) Inc. was subsequently merged with Mindteck, Inc.]	<b>(151,485,007)</b>	(151,485,007)
Total	<b>1,007,479,400</b>	1,018,369,241

### 3.2.1 OTHER LONG-TERM LIABILITIES

Amount in Rs.		
Particulars	As at March 31, 2012	As at March 31, 2011
<b>Others</b>		
Rent equalisation reserve	<b>1,919,589</b>	2,747,975
Rental deposit	<b>2,413,283</b>	2,865,014
Total	<b>4,332,872</b>	5,612,989

### 3.2.2 LONG-TERM PROVISIONS

Amount in Rs.		
Particulars	As at March 31, 2012	As at March 31, 2011
<b>Provision for employee benefits</b>		
- Gratuity	<b>2,569,378</b>	3,639,341
- Compensated absences	<b>18,439,590</b>	21,200,485
Total	<b>21,008,968</b>	24,839,826

### 3.3.1 SHORT-TERM BORROWINGS

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Loans repayable on demand from banks (Secured)		
- Receivables purchase facility* (refer note 3.18)	-	2,848,727
Total	-	2,848,727

\* Secured by charge on underlying receivables

### 3.3.2 TRADE PAYABLES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Due to micro and small enterprises (refer note 3.19)	37,673	-
Others	55,348,578	96,640,052
Accrued expenses	64,065,405	59,320,783
Total	119,451,656	155,960,835

### 3.3.3 OTHER CURRENT LIABILITIES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Unearned income	3,911,986	1,576,626
Unpaid dividends	322,751	322,446
Book overdraft	-	2,831,583
Other liabilities		
- Derivative liability	12,870,717	-
- Statutory liabilities	22,941,185	16,750,121
- Rent equalisation reserve	1,579,519	738,432
- Salary payable	53,305,098	42,194,784
Total	94,931,256	64,413,992

### 3.3.4 SHORT-TERM PROVISIONS

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Provision for employee benefits		
- Compensated absences	2,131,880	1,474,555
- Bonus and incentives	12,427,687	9,499,188
Other provisions		
- Taxation	56,629,821	58,289,361
Total	71,189,388	69,263,104

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2012

The following table sets out the status of the gratuity plan as required under AS 15 Employee Benefits

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008
Obligations at beginning of the year	8,031,700	7,401,745	7,297,187	4,645,668	2,856,307
Service cost	4,506,137	2,067,453	1,023,457	3,105,642	1,694,319
Interest cost	643,842	509,623	544,981	310,953	214,203
Benefits paid	(1,037,925)	(2,034,183)	(656,250)	(424,958)	-
Actuarial (gain)/loss	(1,501,236)	87,062	(807,630)	(340,118)	(119,161)
<b>Obligations at end of the year</b>	<b>10,642,518</b>	<b>8,031,700</b>	<b>7,401,745</b>	<b>7,297,187</b>	<b>4,645,668</b>
<b>Change in plan assets</b>					
Plans assets at beginning of the year, at fair value	4,392,359	5,582,750	3,718,637	2,419,100	1,694,168
Expected return on plan assets	461,072	381,264	352,761	229,940	123,398
Actuarial gain/(loss)	57,634	62,249	129,612	(112,330)	102,534
Contributions	4,200,000	400,279	2,037,990	1,606,885	499,000
Benefits paid	(1,037,925)	(2,034,183)	(656,250)	(424,958)	-
<b>Plans assets at end of the year, at fair value</b>	<b>8,073,140</b>	<b>4,392,359</b>	<b>5,582,750</b>	<b>3,718,637</b>	<b>2,419,100</b>
<b>Reconciliation of present value of the obligation and the fair value of the plan assets</b>					
Present value of the defined benefit obligations at the end of the year	10,642,518	8,031,700	7,401,745	7,297,187	4,645,668
Fair value of plan assets at the end of the year	(8,073,140)	(4,392,359)	(5,582,750)	(3,718,637)	(2,419,100)
<b>Liability recognized in the balance sheet</b>	<b>2,569,378</b>	<b>3,639,341</b>	<b>1,818,995</b>	<b>3,578,550</b>	<b>2,226,568</b>

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008
<b>Gratuity cost</b>					
Service cost	4,506,137	2,067,453	1,023,457	3,105,642	1,694,319
Interest cost	643,842	509,623	544,981	310,953	214,203
Expected return on plan assets	(461,072)	(381,264)	(352,761)	(229,940)	(123,398)
Actuarial (gain)/loss	(1,558,870)	24,813	(937,242)	(227,788)	(221,695)
<b>Net gratuity cost</b>	<b>3,130,037</b>	<b>2,220,625</b>	<b>278,435</b>	<b>2,958,867</b>	<b>1,563,429</b>
<b>Assumptions</b>					
Interest rate	8.57% p.a.	7.98% p.a.	7.82% p.a.	7.00% p.a.	7.50% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.00% p.a.	8.00% p.a.	8.00% p.a.	8.00% p.a.
Expected rate of salary increase	11.00% p.a.	10.00% p.a.	6.00% p.a.	6.00% p.a.	10.00% p.a.
Attrition rate	20.00% p.a.	28.00% p.a.	20.00% p.a.	15.00% p.a.	30.00% p.a.
Retirement age	58 years	58 years	58 years	58 years	58 years

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

### 3.4.1 FIXED ASSETS

Amount in Rs.

Assets	Gross Block			Accumulated Depreciation			Net block	
	As at April 1, 2011	Additions/Deletions during the year^	As at March 31, 2012	As at April 1, 2011	Charge for the year	Deletions/Adjustments during the year^	As at March 31, 2012	As at March 31, 2011
<b>Tangible assets</b>								
Computer equipment	77,223,618	6,029,840	53,154,218	69,144,807	7,119,424	25,567,358	2,457,345	8,078,811
Office equipment	13,871,481	707,095	14,272,004	10,449,285	1,441,207	207,209	2,588,721	3,422,196
Furniture and fixtures	38,624,842	4,881,895	34,879,365	29,573,941	5,030,634	6,298,751	6,573,541	9,050,901
Vehicles	876,144	114,222	832,866	463,285	135,353	43,809	278,037	412,859
Building								
- Asset given under operating lease	10,156,520	-	10,156,520	1,996,845	165,099	-	7,994,576	8,159,675
<b>Total (A)</b>	<b>140,752,605</b>	<b>11,733,052</b>	<b>113,294,973</b>	<b>111,628,163</b>	<b>13,891,717</b>	<b>32,117,127</b>	<b>19,892,220</b>	<b>29,124,442</b>
<b>Intangible Assets, Owned:</b>								
Goodwill (arising on business acquisition)	867,311,626	2,971,750	-	-	-	-	870,283,376	867,311,626
Computer software	40,734,304	5,440,818	43,423,117	33,620,774	2,922,269	1,700,031	8,580,105	7,113,530
<b>Total (B)</b>	<b>908,045,930</b>	<b>8,412,568</b>	<b>913,706,493</b>	<b>33,620,774</b>	<b>2,922,269</b>	<b>1,700,031</b>	<b>878,863,481</b>	<b>874,425,156</b>
<b>Total (A+B)</b>	<b>1,048,798,535</b>	<b>20,145,620</b>	<b>1,027,001,466</b>	<b>145,248,937</b>	<b>16,813,986</b>	<b>33,817,158</b>	<b>898,755,701</b>	<b>903,549,598</b>
Previous year	1,065,859,479	9,695,176	1,048,798,535	146,741,916	23,847,404	25,340,383	903,549,598	

^ Includes the effect of translation of assets held by foreign subsidiaries which are considered as non-integral operation in terms of AS 11, 'The Effects of Changes in Foreign Exchange Rates'

### 3.4.2 DEFERRED TAX ASSETS (NET)

Deferred tax assets included in the balance sheet comprise the following:

Particulars	Amount in Rs.	
	As at March 31, 2012	As at March 31, 2011
<b>Deferred tax asset</b>		
Excess of depreciation provided in accounts over depreciation allowable under income tax law	2,174,191	4,596,620
Provision for doubtful debts	79,624	876,832
Provision for expenses	424,607	5,100,424
Provision for compensated absences	1,655,308	8,863,569
Provision for gratuity	833,635	1,208,898
Total deferred tax assets	5,167,365	20,646,343

In view of unabsorbed depreciation and carry forward business losses under tax laws, some of the entities within the Group are unable to demonstrate virtual certainty as required by the Explanation in Accounting Standard 22 'Accounting for taxes on income'. Accordingly for these entities, no deferred tax asset has been recognized (except to the extent of deferred tax liabilities) as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized.

As at the balance sheet date, Mindteck, Inc. has carry forward business losses of Rs. 274,700,511 (USD 5,274,557), which are not likely to be utilized due to certain restrictions imposed by local tax laws. Accordingly, such losses have not been considered by the Company for the purposes of recording deferred tax assets. Accordingly, the Company believes that it is not required to establish virtual certainty for the recognition of the remaining deferred tax assets of Mindteck, Inc.

### 3.4.3 LONG-TERM LOANS AND ADVANCES

Particulars	Amount in Rs.	
	As at March 31, 2012	As at March 31, 2011
(Unsecured considered good)		
Capital advances	-	314,479
Security deposits	12,830,027	36,123,626
Advance tax and tax deducted at source (net of provision for income tax)	28,354,958	22,277,594
Taxes paid under protest	7,900,000	5,000,000
Service tax input credit	41,420,554	31,774,105
Total	90,505,539	95,489,804

### 3.4.4 OTHER NON-CURRENT ASSETS

Particulars	Amount in Rs.	
	As at March 31, 2012	As at March 31, 2011
MAT credit entitlement	-	4,715,529
Total	-	4,715,529

### 3.5.1 TRADE RECEIVABLES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
(Unsecured)		
Debts overdue for a period exceeding six months		
- Considered good	-	753,515
- Considered doubtful	8,362,756	6,533,039
Other debts		
- Considered good	340,255,863	394,279,476
Less: Provision for doubtful debts	(8,362,756)	(6,533,039)
Total	340,255,863	395,032,991

### 3.5.2 CASH AND BANK BALANCES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Cash and cash equivalent</b>		
Balances with banks		
- Current accounts	93,614,075	49,184,182
- Deposit accounts	11,646,265	1,608,805
Cash on hand	179,962	190,894
Other bank balances		
- Unpaid dividends account	327,041	326,736
- Margin money deposit	-	5,000,000
- Deposit with a maturity of more than twelve months	292,206	4,442,992
Total	106,059,549	60,753,609

### 3.5.3 SHORT-TERM LOANS AND ADVANCES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
(Unsecured, considered good)		
Security deposits	28,646,452	766,333
Prepaid expenses	9,327,283	8,038,590
Service tax input credit	1,570,000	1,620,000
Employee advances	3,079,780	4,306,913
Supplier advances	998,352	1,581,673
Total	43,621,867	16,313,509



### 3.5.4 OTHER CURRENT ASSETS

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Unbilled revenue	82,801,101	94,369,814
Claimable expenses	3,093,532	1,855,550
Derivative assets	-	3,247,390
MAT credit entitlement	4,951,947	6,000,000
Recoverable from Mindteck Employees Gratuity Fund	-	2,690,433
Total	90,846,580	108,163,187

### 3.6 OTHER INCOME

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Interest income	800,517	588,111
Foreign exchange gain, net	-	3,628,270
Rental income	3,441,135	17,239,815
Profit on sales of fixed assets, net	83,406	-
Other non-operating income	1,363,502	26,683,880
Total	5,688,560	48,140,076

### 3.7 EMPLOYEE BENEFIT EXPENSE

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Salaries and wages	1,322,799,956	1,231,405,974
Contribution to provident and other funds	93,560,604	84,223,354
Staff welfare expenses	54,862,416	47,508,288
Total	1,471,222,976	1,363,137,616

### 3.8 FINANCE COST

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Interest expense	676,870	1,336,181
Bank charges	2,402,734	2,416,111
Total	3,079,604	3,752,292

### 3.9 OTHER EXPENSES

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Rent	69,845,114	87,148,030
Hiring charges	8,150,348	8,930,375
Travel expenses	51,168,459	62,377,347
Foreign exchange loss, net	33,208,807	-
Power and fuel	14,142,618	12,446,183
Communication expenses	17,488,304	18,928,888
Professional charges	44,150,366	34,437,180
Repairs and maintenance-building	-	234,962
Repairs and maintenance-others	10,893,757	10,539,392
Project supply and services	2,931,738	864,458
Rates and taxes	6,470,898	7,145,279
Insurance	3,350,012	4,032,551
Remuneration to auditors	3,101,750	3,101,750
Membership and subscription	14,338,345	15,728,133
Printing and stationery	2,679,057	2,155,816
Recruitment expenses	7,078,804	3,733,809
Loss on sale of fixed assets, net	-	31,658
Provision for doubtful debts, net	3,210,830	3,175,796
Miscellaneous expenses	8,676,245	9,007,809
<b>Total</b>	<b>300,885,452</b>	<b>284,019,416</b>

### 3.10 CONTINGENT LIABILITIES AND COMMITMENTS

- Guarantees given by the Company's bankers as at March 31, 2012 is Rs. Nil (previous year: Rs. Nil).
- Corporate Guarantee of Rs. 104,061,600, i.e. USD 2 million (previous year: Rs. 181,141,600, i.e. USD 4 million) in favour of a banking institution in the United States of America with respect to the extension of credit facilities by the banking institution to Mindteck, Inc., a wholly owned subsidiary of the Company.
- Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at March 31, 2012 is Rs. Nil (previous year: Rs. Nil).
- Claims against the Company not acknowledged as debt as at March 31, 2012 is Nil (previous year: Nil).
- Income tax matter aggregating to INR 32,685,747 (previous year: INR 35,747,102) are pending at various forums. The management believes that the Company has a good case to defend and no liability is expected in this regard.

### 3.11 QUANTITATIVE DETAILS

The Company is engaged in providing software, IT-enabled and related services. Such services are not capable of being expressed in any generic unit and hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii) (c) of general instructions for preparation of the statement of profit and loss as per revised Schedule VI to the Companies Act, 1956.

### 3.12 SEGMENTAL REPORTING

The Group's operations predominantly relate to providing software services to external customers and providing IT-enabled services to consolidated subsidiaries within the Group. The Group considers business segment as the primary segment and geographical segment based on the location of customers as the secondary segment.

Since IT-enabled services are rendered to subsidiaries which are consolidated, the disclosure of a separate IT-enabled services segment as a separate primary segment is not applicable. The Group is therefore considered to constitute a single primary business segment and accordingly primary segment disclosures have not been presented.

The accounting principles consistently used in the preparation of the consolidated financial statements are also consistently applied to record income and expenditure in individual segments.

## Geographical segments

Amount in Rs.		
Revenue	As at March 31, 2012	As at March 31, 2011
USA	1,809,240,694	2,069,736,176
India	11,893,267	14,108,185
Rest of the world	405,109,033	324,825,880
Total	2,226,242,994	2,408,670,241

## 3.13 LEASE TRANSACTIONS

The Group leases office and residential facilities and certain equipment under operating lease arrangements.

Lease rental expense for office facilities under non-cancellable operating leases during the year ended March 31, 2012 amounted to Rs. 14,357,315 (previous year Rs. 19,591,533).

Future minimum lease payments under non-cancellable operating lease are set out below:

Amount in Rs.		
Minimum lease payments	As at March 31, 2012	As at March 31, 2011
Payable - not later than one year	14,261,880	15,531,496
Payable - later than one year and not later than five years	24,060,764	27,906,905

Additionally, the Group leases office facilities, residential facilities and equipment under cancellable operating leases. The rental expense under cancellable operating leases during the year ended March 31, 2012 was Rs. 55,487,799 (previous year Rs. 35,968,867).

Rental income from sub-leasing of office facilities during the year ended March 31, 2012 was Rs. 1,352,679 (previous year Rs. 17,239,815).

## 3.14 RELATED PARTY TRANSACTIONS

Name of the related party	Nature of relationship
Transcompany Ltd., British Virgin Islands (BVI)	Ultimate holding company
Vanguard Investments Ltd., BVI	Intermediary holding company
Mindteck Holdings Ltd., BVI	Intermediary holding company
Business Holdings Ltd., BVI	Intermediary holding company
Garrington Investments Ltd., BVI	Intermediary holding company
Embatech Holdings Ltd., Mauritius	Holding company

## Key managerial personnel

Wayne Mitchell Berkowitz	Managing Director (appointed with effect from February 6, 2012)
Pankaj Agarwal	Managing Director (resigned with effect from February 6, 2012)
Vivek Malhotra	Non-Executive Director
Indresh Narain	Non-Executive Director
Javed Gaya	Non-Executive Director
Narayan Ambat Menon	Non-Executive Director (appointed with effect from September 30, 2011)

Transactions with the above key management personnel during the period is given below:

Amount in Rs.

Nature of transaction	For the year ended March 31, 2012	For the year ended March 31, 2011
(i) Remuneration to key managerial personnel	31,255,615	20,836,962
(ii) Directors' sitting fees	500,000	510,000

The balances receivable from and payable to related parties as at March 31, 2012 and as at March 31, 2011 are Nil.

### 3.15 EARNINGS PER SHARE ('EPS')

The computation of earnings per share is set out below:

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
<b>Profit after taxation (Rs)</b>	<b>(50,582,987)</b>	<b>(50,582,987)</b>	91,439,351	91,439,351
<b>Shares</b>				
Weighted average number of equity shares outstanding during the year	24,349,593	24,400,189	24,348,593	24,348,727
Weighted average number of equity shares resulting from assumed exercise of employee stock options	-	70,256	134	6,256
Weighted average number of equity shares resulting from equity shares reserved for issuance	50,596	219,460	-	270,056
Weighted average number of equity shares for calculation of earnings per share	24,400,189	24,689,905	24,348,727	24,625,039

As per the Guidance Note on 'Accounting for Employee Share-Based Payments' issued by the ICAI, 416,000 (previous year 416,000) weighted average number of equity shares held by the Mindteck Employees Welfare Trust have been reduced from the equity shares outstanding in computing basic and diluted earnings per share.

### 3.16 AUDITOR'S REMUNERATION

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
Audit fees	1,700,000	1,700,000
Tax audit fee	100,000	100,000
Other services	1,200,000	1,200,000
Reimbursement of expenses	101,750	101,750
<b>Total</b>	<b>3,101,750</b>	<b>3,101,750</b>

### 3.17 DERIVATIVE INSTRUMENTS

The Company has taken forward contracts to mitigate its risks associated with foreign currency fluctuations in respect of highly probable forecast transactions. The Company does not enter into any forward contract, which is intended for trading or speculative purposes. The details of forward contracts outstanding at March 31, 2012 and March 31, 2011 are as follows:

Particulars	As at March 31, 2012	As at March 31, 2011
Number of contracts	14	21
Amount in Foreign currency	USD 2,950,000	USD 2,450,000
Amount in Indian Rupees	Rs 139,670,500	Rs 110,949,230

### 3.18 SHORT-TERM FINANCING

As at March 31, 2012, certain specified trade accounts receivables amounting to Rs. Nil (previous year Rs. 2,848,727) were factored with a financial institution to secure credit facilities for Mindteck Singapore Pte. Ltd. The interest rate on the factoring facility was 0.5 % (previous year 0.5%) per annum above the prime lending rate in Singapore. The receivable purchase facility with the financial institution is with recourse and accordingly the factoring liability and the underlying receivables have been disclosed on a gross basis in these consolidated financial statements.

**3.19** The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated August 26, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2012 has been made in the financials statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

Amount in Rs.

Particulars	As at March 31, 2012	As at March 31, 2011
The principal amount and the interest due thereon remaining unpaid to any supplier at the end of the year:		
- Principal amount payable to suppliers	37,673	-
- Interest accrued on the above amount	-	-
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year.		
- Amount of interest for delayed payment to suppliers actually paid during the year	-	-
- Amount of delayed payments actually made to suppliers during the year	-	-
The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act.	-	-
The amount of interest accrued and remaining unpaid at the end of the year.	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	-	-

**3.20** The Company has prepared these financial statements as per the format prescribed by Revised Schedule VI to the Companies Act, 1956 ('the schedule') issued by Ministry of Corporate Affairs. Previous periods' figures have been recast/restated to conform to the classification required by the Revised Schedule VI.

As per our report attached  
**For B S R & Company**  
*Chartered Accountants*  
 Registration number: 128032W

**Zubin Shekary**  
*Partner*  
 Membership No.: 048814

Place: Bangalore  
 Date: 5 May 2012

**For Mindteck (India) Limited**

**Wayne Mitchell Berkowitz**  
*Managing Director*

**Suresh Rao Vittal Rajaram**  
*Group CFO*

Place: Bangalore  
 Date: 5 May 2012

**Javed Gaya**  
*Director*

**Usha Talaguvaram Narayanamurthy**  
*Company Secretary*

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Rs. in lakhs

1 Name of the Subsidiary Company	Mindteck, Inc.	Mindteck Middle East Ltd.	Mindteck Software Malaysia SDN BHD	Mindteck Singapore Pte. Ltd.	Mindteck (UK) Ltd.	Chendle Holdings Ltd.	Mindteck Germany GmbH	Mindteck Netherlands B.V.
2 Financial year of the subsidiary ended on	31st March 2012	31st March 2012	31st March 2012	31st March 2012	31st March 2012	31st March 2012	31st March 2012	31st March 2012
3 Date from which it became a subsidiary	1st February 2008	12th July 2005	22nd December 2005	1st April 2008	1st April 2008	1st April 2008	1st April 2008	17th October 2008
4 Shares of the subsidiary held by the company on the above date								
a) Number and Face Value	19,000 Shares of USD 1 each (Note 1)	500 Shares of BD 100 each	250,000 Shares of RM 1 each	1,310,500 Shares of SD 1 each	968,408 Shares of GBP 1 each	2 Shares of USD 1 each	25,000 Shares of Euro 1 each (Note 2)	180 Share of Euros 100 each (Note 2)
b) Extent of holding	100%	100%	100%	100%	100%	100%	100%	100%
5 Net aggregate amount of profits/(losses) of the subsidiary for the above financial year of the subsidiary so far as they concern members of the company								
a) Dealt with in the accounts of the company for the year ended 31st March 2012	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Loss	Profit	Profit	Loss	Profit		Loss	Loss
b) Not dealt with the accounts of the company for the year ended 31st March 2012	633.10	31.59	15.14	36.84	86.53	Nil	20.11	2.91
6 Net aggregating amount of profits/(losses) for the previous financial years of the subsidiary, since it became a subsidiary so far as they concern members of the company								
a) Dealt with in the accounts of the company for the year ended 31st March 2012	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Loss	Profit	Profit	Loss	Profit		Loss	Loss
b) Not dealt with in the accounts of the company for the year ended 31st March 2012	2,317.15	69.80	106.52	92.90	82.69	Nil	16.35	14.82
7 Conversion rates used for translating the								
a) Profit and Loss account	48.53	129.40	15.86	38.69	77.40	48.53	66.75	66.75
b) Balance Sheet	52.08	138.81	17.01	41.44	83.27	52.08	69.47	69.47

Note 1: Includes shares held through Chendle Holdings Limited.

Note 2: Shares held through Mindteck (UK) Limited.

**For Mindteck (India) Limited****Wayne Mitchell Berkowitz**  
Managing Director**Javed Gaya**  
Director**Suresh Rao Vittal Rajaram**  
Group CFO**Usha Talaguvaran Narayanamurthy**  
Company SecretaryPlace: Bangalore  
Date: 5 May 2012

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Rs. in lakhs

Name of the Subsidiary Company	Issued and Subscribed Share Capital	Reserves (Reserves available for share holders)	Total Assets	Total Liabilities	Investments	Turnover	Profit/ (Loss) Before Taxation	Provision for Taxation	Profit/ (Loss) after Taxation	Proposed dividend
Mindteck, Inc.	8.20	(1,923.10)	4,187.74	4,187.74	Nil	18,349.54	(529.35)	103.75	(633.10)	Nil
Mindteck Middle East Ltd.	57.51	(53.17)	156.99	156.99	Nil	386.29	31.59	Nil	31.59	Nil
Mindteck Software Malaysia SDN BHD	30.16	106.52	152.05	152.05	Nil	363.13	18.99	3.85	15.14	Nil
Mindteck Singapore Pte. Ltd.	380.47	20.38	677.18	677.18	Nil	1,293.06	(36.84)	Nil	(36.84)	Nil
Mindteck (UK) Ltd.	772.07	(799.87)	707.65	707.65	26.63	1,903.42	86.53	Nil	86.53	Nil
Chendle Holdings Ltd.	0.00	-	200.30	200.30	200.30	Nil	Nil	Nil	Nil	Nil
Mindteck Germany GmbH	16.22	(16.35)	230.14	230.14	Nil	362.73	(20.11)	Nil	(20.11)	Nil
Mindteck Netherlands B.V.	10.41	(14.82)	2.88	2.88	Nil	Nil	(2.91)	Nil	(2.91)	Nil

**For Mindteck (India) Limited**

**Wayne Mitchell Berkowitz**  
Managing Director

**Javed Gaya**  
Director

**Suresh Rao Vittal Rajaram**  
Group CFO

**Usha Talaguvaram Narayanamurthy**  
Company Secretary

Place: Bangalore  
Date: 5 May 2012

Dear Shareholder,

Green Initiative

The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative" by allowing paperless compliances by the companies through electronic mode.

We, at Mindteck, believe in Going Green and would like to avail this opportunity for sending all future correspondence such as Notices, Annual Reports, Financial Statements and all other statutory documents in electronic mode. The documents sent to you in electronic mode shall also be available on the Company's website [www.mindteck.com](http://www.mindteck.com).

You are requested to register/update changes of your e-mail address with your depository participant or with Universal Capital Securities Pvt. Ltd, our STA ([mindteck.investors@unisec.in](mailto:mindteck.investors@unisec.in)) or to the Company ([usha.tnram@mindteck.com](mailto:usha.tnram@mindteck.com)) to ensure receipt of future communications and avoid loss and delays in postal transit.

Please note, as a valued shareholder, you are always entitled to request and receive, free of cost, a printed copy of the Annual Report of the Company and all other documents. If you wish to receive future communications in physical form, please inform by writing to us at [usha.tnram@mindteck.com](mailto:usha.tnram@mindteck.com) or to the Registered Office of the Company. In case you do not communicate your preference of receiving the documents in physical form, it shall be deemed that you have consented to receive the same in electronic mode by e-mail.

We solicit your patronage and support in helping the Company to implement the Green Initiatives of the Government.

Thanking you,

Yours faithfully,

For **Mindteck (India) Limited**

**Usha TN**  
Vice President – Legal and Secretarial



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER  
SCHEDULE VI, PART - (IV) OF THE COMPANIES ACT, 1956

<b>I Registration Details</b>	
Registration no.	11-62649 of 1991
State code	11
Balance sheet date	31.03.2012
<b>II Capital Raised during the year</b>	<b>(Amount in Thousands)</b>
Public issue	Nil
Rights issue	Nil
Bonus issue	Nil
Private placements	Nil
<b>III Position of Mobilisation and Deployment of Funds</b>	<b>(Amount in Thousands)</b>
Total liabilities	1,521,977
Total assets	1,521,977
<i>Equity and liabilities</i>	
Paid up capital	244,525
Equity shares reserve for issuance	12,294
Reserves & surplus	1,181,644
Other long-term liabilities	2,691
Long-term provisions	6,941
Trade payables	38,262
Other current liabilities	22,929
Short-term provisions	12,691
<i>Assets</i>	
Fixed assets	19,800
Non-current investments	1,231,291
Deferred tax assets (net)	5,167
Long-term loans and advances	87,729
Other non-current assets	-
Trade receivables	93,858
Cash and bank balances	26,154
Short-term loans and advances	36,684
Other current assets	21,294
<b>IV Performance of the Company</b>	
Turnover	560,696
Total expenditure	548,391
Profit before tax	15,928
Profit after tax	7,402
Earnings per share (Rs.)	0.30
Dividend rate	-
<b>V Generic Name of Principle product/services of the Company</b>	
Item code (ITC Code)	8,524
Product description	Computer Software

**For Mindteck (India) Limited**

**Wayne Mitchell Berkowitz**  
Managing Director

**Javed Gaya**  
Director

**Suresh Rao Vittal Rajaram**  
Group CFO

**Usha Talaguvaram Narayanamurthy**  
Company Secretary

Place: Bangalore  
Date: 5 May 2012

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWENTY-FIRST ANNUAL GENERAL MEETING of the Members of Mindteck (India) Limited will be held on Tuesday August 7, 2012 at 3.00 pm at St. Marks Hotel, 4/1, St. Mark's Road, Bangalore – 560001, to transact the following business:

### AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on March 31, 2012 and the Profit & Loss Account for the financial year ended on that date, together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Javed Gaya, who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

"RESOLVED THAT M/s BSR & Company, Chartered Accountants be and are hereby appointed as auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company.

RESOLVED FURTHER THAT the Board of Directors or a Committee thereof be and are hereby authorized to determine the remuneration of the auditors and the manner of its payment."

### AS SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Narayan A. Menon, who was appointed by the Board of Directors as an Additional Director of the Company on September 30, 2011 and who holds office until the date of the Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956 and the Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member under section 257 of the Companies Act, 1956, proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company who is liable to retire by rotation."

5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with sections 198, 260, 269, 310, 311, 312, 314, 317 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, as amended from time to time, and subject to approval of the Central Government, the approval of the Company be and is hereby accorded to the appointment of Mr. Wayne Berkowitz as Director and 'Managing Director' and CEO of the Company on the terms and conditions as set out in the Employment Agreement dated February 2, 2012, as stated in the explanatory statement and for a period of three years with effect from February 6, 2012, subject to conformance with all regulatory guidelines, regulatory approvals, and applicable laws including any statutory modification and re-enactment thereof for the time being in force.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to vary, alter or modify the terms of employment as may agreed to by the Board of Directors and Mr. Berkowitz.

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

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including the rules and regulations there under and any statutory modifications, amendments or re-enactments of the Principal Act or of such Rules and Regulations for the time being in force) and in accordance with the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time, and such other statutes, notifications, rules and regulations as may be applicable and relevant, issued by the Reserve Bank of India ("RBI"), the Securities and Exchange Board of India ("SEBI"), Stock Exchanges and any other appropriate authorities, institutions or bodies, as may be applicable, including the enabling provisions of the Listing Agreements entered into by the Company with the relevant stock exchanges and the provisions of the Memorandum of Association and the Articles of Association of the Company and any and all other concerned and relevant authorities to the extent applicable, from time to time and subject to such approvals, consents, permissions and sanctions of SEBI and any and all other appropriate authorities, institutions or bodies including the approval of the shareholders, as may be required, and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions, the Board of Directors of the Company (the "Board", which expression shall be deemed to include person(s) authorised or any committee(s) constituted/ to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) be and are hereby authorized, on behalf of the Company to create, offer, issue and allot, 64,299 (Sixty Four Thousand Two Hundred and Ninety Nine) Equity Shares of Rs. 10/- (Rupees Ten only) each to Mr. Mohamed Ouda Al-Ouda, an Independent Shareholder of Chendle Holdings Ltd. on a private/preferential placement basis and on a stock swap basis.

### RESOLVED FURTHER THAT

- (i) The Equity shares so offered and allotted to the independent shareholder of Chendle Holdings Limited shall be subject to the provisions of the Memorandum of Association and the Articles of Association of the Company.
- (ii) The Equity shares shall rank pari passu in all respects with the existing Equity Shares of the Company, including entitlements to Dividend.
- (iii) The Board or committee thereof be and is hereby authorized and directed for the purpose of giving effect to the foregoing resolutions to execute such deeds, documents and agreements and finalize the other terms and conditions of the issue of the Equity Shares as it may deem expedient and to do all such acts, deeds, matters and things as it in its sole discretion may deem necessary or desirable without being required to seek any further consent or approval of the Company in General Meeting and with power on behalf of the Company to settle any question, difficulty or doubt that may arise in this regard as

it may in its absolute discretion deem fit and proper, including without limitation the power to agree to any amendment, alteration or modification to the terms of the investment and the issue of Equity Shares.

- (iv) The offer, issue and allotment of the aforesaid shares on a stock swap basis shall be made within 15 (Fifteen) days of the date of this resolution approved by the shareholders in their Meeting to be held on August 7, 2012. Provided that where the allotment is pending on account of pendency of any regulatory or Central Government approval(s), the allotment shall be completed within 15 (Fifteen) days of such approval(s).

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to any Director or Directors or a Committee thereof, or to any officer or officers of the Company to give effect to this resolution.

RESOLVED FURTHER THAT any Director or the Company Secretary, be and is hereby severally authorized on behalf of the Board to do all such acts, things, deeds and negotiate, amend and execute such deeds, documents, applications and agreements as may be required in connection with the foregoing.

RESOLVED FURTHER THAT any Director or the Company Secretary, be and is hereby authorized to file all requisite forms with the Registrar of Companies, Karnataka and to do all other things necessary to implement the foregoing."

BY ORDER OF THE BOARD  
For Mindteck (India) Limited

Usha T N  
VP, Legal & Company Secretary

Registered Office:  
16/3, Cambridge Road,  
Ulsoor, Bangalore 560 008.  
Date: June 25, 2012

#### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and a proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company at its Registered Office not less than 48 hours before the commencement of the meeting.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business is annexed hereto.
3. Corporate members intending to depute their authorized representatives to attend the Annual General Meeting are requested to send a duly certified copy of the board resolution authorizing their representative(s) to attend and vote at the Annual General Meeting.
4. A blank Attendance Slip is annexed to the Proxy Form. Members/proxies are requested to fill in their particulars on the attendance slip, affix their signature in the appropriate place and hand it to Company's officials/Registrars at the entrance of the meeting venue.
5. Pursuant to Section 154 of Companies Act, the Register of Members and Share Transfer Books will be closed from Monday, July 30, 2012 to Tuesday, August 7, 2012 (both days inclusive), for the purposes of Annual General Meeting.
6. The Register of Directors' shareholding maintained by the Company under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the said AGM.
7. The Register of Contracts maintained by the Company under Section 301 of the Companies Act, 1956, will be available for inspection by the members at the registered office of the Company.
8. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their updated e-mail IDs, bank details, Electronic Clearing Services (ECS), mandates, nominations, power of attorney, change of address, change of name, etc., to their Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records that will help the Company and their RTA's to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to their RTA, Universal Capital Securities Private Limited (formerly Mondkar Computers Pvt. Ltd.) at 21, Shakil Niwas, Mahakali Caves Road, Andheri (East), Mumbai – 400 093. Contact No. 022-28207201/03/04, Fax No. 022 -28207207.
9. Members holding shares in physical form are requested to consider converting their holding to dematerialized form to eliminate all risks associated with the physical shares and for ease in portfolio management. Members can contact its RTA Universal Capital Securities Private Limited (formerly Mondkar Computers Pvt. Ltd.) in this regard.
10. Members intending to seek explanation/clarification/copy of any document at the meeting about the information contained in the Annual Report are requested to inform the Company at least a week in advance of their intention to do so, so that relevant information may be made available, if the Chairman permits such information to be furnished.
11. Pursuant to provisos of Section 205A(5) of the Companies Act, 1956, the amount of dividend which remains unpaid/unclaimed for a period of seven years is transferred to the 'Investor Education and Protection Fund' constituted by the Central Government. As such, if any member(s) have not yet encashed his/her dividends for the previous years, please write to the Company Registrars for claiming outstanding dividends declared. Member's attention is particularly drawn to the "Corporate Governance" section of the Annual Report in respect of unclaimed Dividend.
12. As per the Circular No. MRD/Dop/Cir-5/2009 dated May 20, 2009 issued by Securities and Exchange Board of India (SEBI) it is mandatory to quote PAN for transfer of shares in physical form. Therefore, the transferee(s) are required to furnish a copy of their PAN to the Company Registrars.
13. The Ministry of Corporate Affairs (vide Circular nos.17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively), has undertaken a 'Green Initiative in Corporate Governance' and allowed companies to share documents with its shareholders through electronic mode. Members are requested to support this initiative in full measure and contribute towards a greener environment by registering/ updating their e-mail addresses, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with the RTA.
14. Any member requiring any information or copies of financials of Subsidiary, can write to the Company Secretary or inspect the same on the website of the Company under the Investors Section.

## ANNEXURE TO THE NOTICE

### INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT REGARDING RE-APPOINTMENT OF DIRECTOR

#### Item No. 2 – Re-Appointment of Mr. Javed Gaya as Director of the Company:

In accordance with the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Javed Gaya retires by rotation in the ensuing Annual General Meeting. Details of Mr. Javed Gaya, pursuant to the requirement of the Listing Agreement with the Stock Exchanges, relating to Corporate Governance, are given in the statement attached below.

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

#### Item No. 4 – Appointment of Mr. Narayan A. Menon as Director of the Company:

Mr. Narayan A. Menon was co-opted as an Additional Director of the Company with effect from September 30, 2011. As per Section 260 of the Companies Act, 1956, read with the Articles of Association of the Company, Mr. Narayan A. Menon holds office of Director up to the ensuing Annual General Meeting and is eligible for appointment as Director. The Company has received notice in writing from a member proposing the candidature of Mr. Narayan A. Menon for the office of the Director under the provisions of section 257 of the Companies Act, 1956.

Details of Mr. Narayan A. Menon, pursuant to the requirement of the Listing Agreement with the Stock Exchanges, are given in the statement attached below.

None of the Directors, except Mr. Narayan A. Menon is, in any way, concerned or interested in the resolution set out at item no. 4 of the notice.

The resolution mentioned in item no. 4 of the notice is recommended for your approval.

#### Item No. 5 – Appointment of Mr. Wayne Berkowitz as Director and Managing Director & CEO of the Company:

Mr. Wayne Berkowitz has been appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 and also as Managing Director and CEO of the Company w.e.f. February 6, 2012, in the Board Meeting dated February 2, 2012 for a period of three years. The shareholders approval is sought for his appointment as Managing Director and CEO of the Company pursuant to the provisions of Section 269 of the Companies Act, 1956. The Company has sought approval from the Central Government for appointment of Mr. Berkowitz as Managing Director and CEO and no remuneration is paid to Mr. Berkowitz from the Company. The Company has received notice in writing from a member proposing the candidature of Mr. Wayne Berkowitz for the office of the Director under the provisions of section 257 of the Companies Act, 1956.

The major terms and conditions of his appointment are as follows:

- A. Term of appointment: Three years commencing February 6, 2012.
- B. Compensation: Mr. Wayne Berkowitz will not draw any remuneration from Mindteck (India) Limited as its Managing

Director. However, he will be drawing remuneration from its subsidiary, Mindteck, Inc. USA.

The compensation payable by Mindteck, Inc. USA is as follows:

1. Base salary - \$250,000 per annum, payable at monthly intervals.
  2. Incentive Bonus on a graded scale, based on net profit/performance of the Company, to be paid out 50% in cash and 50% by way of stock options, subject to prevailing law.
  3. Long-term incentive based on meeting certain performance criteria by March 2015 to be paid out by way of stock options, subject to prevailing law, and/or cash.
  4. Saving and retirement plans: As per the existing policy of the Company.
  5. Medical and dental policies/programs, Insurance, paid Vacation and Retirement plans as per the existing Company policy.
- C. The period of notice of termination: 60 days.
- D. The main objective of Mr. Wayne Berkowitz is to manage and control the Company's business and operations with the aim of securing significant, sustained increase in the value of the company for its shareholders. He is entrusted with substantial powers of management of the operations, performance and all other areas of Mindteck and each of its subsidiaries, irrespective of location, subject to the superintendence, control and direction of Board of Directors.

The resolution seeks the approval of the members in terms of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 for the appointment of Mr. Wayne Berkowitz for a period of three years commencing from February 6, 2012.

The copies of relevant resolutions of the Board with respect to the appointment is available for inspection by the members at the registered office of the Company during working hours on any working day till the date of Annual General Meeting.

Details of Mr. Wayne Berkowitz, pursuant to the requirement of the Listing Agreement with the Stock Exchanges, relating to Corporate Governance, are given in the statement attached below.

None of the Directors, except Mr. Wayne Berkowitz is, in any way, concerned or interested in the resolution set out at item no. 5 of the notice.

The resolution mentioned in item no. 5 of the notice is recommended for your approval.

#### Item No. 6 – Power to issue shares:

The Company's shareholders had in their Extra-Ordinary General Meeting held on February 5, 2008 passed a special resolution under Section 372A of the Companies Act, 1956 approving the simultaneous investment/acquisition of the 100% issued and paid up capital of Chendle Holdings Ltd. (CHL).

The Company had also obtained the necessary Foreign Investment Promotion Board (FIPB) approval on 7th September, 2007 for the 100% acquisition of CHL as required by Reserve Bank of India (RBI). Further, the Company obtained the necessary in-principle approval for listing of the shares on the Bombay Stock Exchange Limited (BSE), entered into Stock Purchase Agreement with the

shareholders of CHL and acquired the entire share capital of CHL effective 1st April, 2008 on a stock swap basis.

According to the Stock Purchase Agreement, Mindteck had issued the shares on a share swap basis to those who had obtained Permanent Account Number (PAN) and reserved shares for other investors pending allotment till PAN is obtained. As per regulation No. 13.1C of Security Exchange Board of India (Disclosure and Investors Protection) Guidelines, 2000, the preferential shares can be allotted only to those who have PAN in India and can be issued only in electronic form. Presently, an investor, Mr. Mohamed Ouda Al-Ouda, has obtained PAN and it is proposed to allot the shares which were reserved for allotment to him.

Disclosures in terms of Regulation 73 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 are given as under:

**(i) The objects of the issue through preferential offer:**

To issue and allot Equity Shares to the shareholder of Chendle Holdings Ltd., on its acquisition by the Company on a share swap basis.

**(ii) The intention of the promoters/directors/key management persons to subscribe to the offer:**

None of the above mentioned categories will subscribe to the shares.

**(iii) Shareholding pattern of the Company before and after the proposed issue of Equity Shares, pursuant to the resolution:**

Category of Shareholders	Pre-Allotment		Post-Allotment	
	Holding	%age	Holding	%age
1. Promoter	16,169,857	65.02	16,169,857	64.85
2. Directors	1,199,900	4.82	1,199,900	4.81
3. Mindteck Employees Welfare Trust	416,000	1.67	416,000	1.67
4. Independent shareholders of Chendle Holdings Ltd				
• Existing	1,032,194	4.15	1,032,194	4.14
• Proposed Allottee	0	0	64,299	0.26
5. General Public	6,050,521	24.34	6,050,521	24.27
<b>TOTAL</b>	<b>24,868,472</b>	<b>100.00</b>	<b>24,932,771</b>	<b>100.00</b>

**(iv) Proposed time within which allotment will be completed:**

The allotment of the equity shares shall be made within 15 (Fifteen) days of the date of this resolution. Provided that where the allotment is pending on account of pendency of any regulatory or Central Government approval(s), the allotment shall be completed within 15 (Fifteen) days from the date of such approval(s), as the case may be.

**(v) Identity of the proposed allottees and the percentage of post preferential issued capital that may be held by the said allottees:**

Identity of proposed allottees	No. of Equity Shares to be allotted	% of post issue Equity Capital
1. Mohamed Ouda Al-Ouda	64,299	0.26%

**(vi) Auditor's Certificate:**

The Statutory Auditors Certificate that the above preferential issue is in accordance with the SEBI Regulations will be kept open for inspection at the registered office of the Company during working hours between 9.30 a.m. and 5.00 p.m except on holidays up to the date of the Annual General Meeting. Copies of the above mentioned Certificate shall also be laid before the Annual General Meeting.

The proposed resolution is an enabling resolution conferring authority on the Board of Directors to cover all the contingencies and corporate requirements which is in direct contrast to the provisions of Section 81(1A) and the Listing Agreement entered into with the Stock Exchange, which requires that new shares are first to be offered to the existing shareholders of the Company, unless the shareholders at a General Meeting decide otherwise by passing a Special Resolution. Accordingly, the consent of the shareholders is being sought pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 and in terms of the Listing Agreement executed by the Company with the Stock Exchange where its shares are listed.

The Board recommends the Special resolution as set out in Item No. 6 for your approval.

None of the Directors of the Company is in any way concerned or interested in the resolution.

Registered Office:  
16/3, Cambridge Road,  
Ulsoor, Bangalore 560 008  
Date: June 25, 2012

BY ORDER OF THE BOARD  
For Mindteck (India) Limited

Usha T N  
VP, Legal & Company Secretary



**Details of Directors to be Appointed/Re-appointed at the Annual General Meeting to be held on August 7, 2012.**

Particulars	Mr. Javed Gaya	Mr. Narayan A. Menon	Mr. Wayne Berkowitz
Date of Birth	19.02.1956	22.02.1949	07.07.1960
Date of Appointment	March 24, 2009	September 30, 2011	February 6, 2012
Brief profile and nature of expertise in specific functional areas	<p>“Mr. Gaya is a lawyer by profession, practicing Civil Law in India and overseas. Mr. Gaya has contributed immensely in cross border transactions and providing administrative solutions and policies for various companies. He brings with him his wide experience across a variety of industries. Mr. Gaya had a challenging role at Advani &amp; Co. in Mumbai where he worked as a partner and established its branch extension to New Delhi. In 2000, Mr. Gaya set up his own law firm in Mumbai. His clientele includes MNCs, Construction, Oil and Gas, and Pharmaceutical companies. He also shares his time working with other Indian subsidiaries of foreign clients.</p> <p>Mr. Gaya received his Law degree from Oxford University in England. He has been a member of the Honorable Society of Lincoln’s Inn, London.”</p>	<p>“Mr. Menon is a retired Banker with nearly four decades of banking experience, spanning a wide gamut of commercial banking and investment banking activities, both in India and overseas. During his banking career, he served the State Bank of India, in India and overseas, for a period of 25 years, and contributed to improving the quality and profitability of loan portfolios of fourteen international branches. He was also involved in general management, team building and leadership, tight house-keeping and overall success in profit-centre responsibilities in all his assignments. He also served TAIB Bank in Bahrain for a period of 14 years as Senior Vice President - Risk Management and was responsible for enterprise-wide Risk Management for TAIB and its eight active subsidiaries. Apart from his banking experience, Mr. Menon’s multi-cultural living experience during his tenures abroad served him well over the years.</p> <p>Mr. Menon holds a Master of Business Administration (MBA) degree from IMEDE International Management Development Institute in Lausanne, Switzerland.”</p>	<p>“Mr. Berkowitz’s broad experience in both hardware and software spans several continents and key roles in finance, sales and marketing.</p> <p>He brings to Mindteck over 25 years of expertise in the IT sector, most notably with hands-on development of high performance sales teams, global operations management, and consistent profit growth success.</p> <p>Until recently, Mr. Berkowitz was a channel marketing executive for IBM’s Software Group in Somers, NY. As Director of Worldwide Business Partner Marketing, he had business partner marketing responsibility across the seven software brands – Lotus, Rational, Tivoli, Websphere, Industry Solutions, Information Management, and Business Analytics. This last position at IBM was preceded by eight others he held at IBM stretching over the course of 20 years, and only interrupted by an eight-year assignment with Parametric Technology Corporation (PTC), an enterprise software engineering company based in Needham, MA. (Nasdaq: PMTC).</p> <p>He holds a B.S. in Business Logistics from Pennsylvania State University.”</p>
List of other Indian Companies in which directorship is held	<ol style="list-style-type: none"> <li>1. Mecklai Financial Services Ltd.</li> <li>2. Photolink Creative India Pvt Ltd.</li> <li>3. IQPC India Pvt.Ltd.</li> <li>4. Bloom Plantation &amp; Resort (P) Ltd.</li> <li>5. Flourish Plantation Resort (P) Ltd.</li> <li>6. Nilgiris Garden &amp; Services (P) Ltd.</li> <li>7. Thierry Betancourt Furniture Designs Pvt. Ltd.</li> </ol>	Nil	Nil
Chairman/Member of the Committee(s) of Board of Directors of the Company	<ol style="list-style-type: none"> <li>1. Chairman of Shareholders’ Grievances Committee.</li> <li>2. Member of Audit Committee and HR &amp; Compensation Committee.</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman of HR &amp; Compensation Committee.</li> <li>2. Member of the Audit Committee and Administration Committee</li> </ol>	<ol style="list-style-type: none"> <li>1. Member of HR &amp; Compensation Committee, Corporate Governance Committee and Administration Committee.</li> </ol>
Chairman/Member of the Committee(s) of Board of Directors of other companies in which he is a Director a) Audit Committee b) Share Transfer and Investor Grievance Committee c) Remuneration Committee	Chairman of Remuneration Committee of Mecklai Financial Services Ltd	Nil	Nil
Shareholding/Stock Options held in the Company	Nil	Nil	21,000 options were granted on May 5, 2012.

## MINDTECK (INDIA) LIMITED

Registered Office: 16/3, Cambridge Road, Ulsoor, Bangalore 560 008.

### ATTENDANCE SLIP

Please complete this Attendance Slip in all respects and hand it over at the entrance of the meeting hall.

REGD. FOLIO NO./CLIENT ID:

DP ID NO:

NAME:

ADDRESS:

I hereby record my presence at the Twenty-First Annual General Meeting of the Company.

**Venue:** St. Marks Hotel, 4/1, St. Mark's Road, Bangalore – 560001

**Date:**

**NAME OF THE SHAREHOLDER (IN BLOCK CAPITALS)**

**SIGNATURE OF THE SHAREHOLDER OR PROXY**

Note :

A Proxy attending on behalf of the Member(s) shall write the name of the Member(s) from whom he holds Proxy.

## MINDTECK (INDIA) LIMITED

Registered Office: 16/3, Cambridge Road, Ulsoor, Bangalore 560 008.

### PROXY FORM

I/We ..... of .....  
in the district of ..... being a Member/Members of the above named Company, hereby appoint  
Mr./Mrs. .... of ..... in the district ..... to or failing him/her,  
Mr./Mrs. .... of ..... in the district ..... as my/our proxy to attend  
and vote for me/us on my/our behalf at the Twenty-First Annual General Meeting of the Company to be held on Tuesday August 7,  
2012 at 3.00 pm at St. Marks Hotel, 4/1, St. Mark's Road, Bangalore – 560001 and at any adjournment thereof.

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

Reg. Folio/Client ID No.:

DP ID No.:

No. of shares: .....

Signature: .....

*Affix  
Re. One  
Revenue  
Stamp*

Note: The proxy form duly signed across the revenue stamp of One Rupee must reach the Company's Registered Office not less than 48 hours before the time of the meeting.



## Adding more value with new partnerships

SAP® PartnerEdge™ Program

QNX Software Systems

Amazon Web Services (AWS) System Integration Solutions Provider

Microsoft Gold Competency Level Partnership (upgrade)

## Quality Accreditations

ISO 9001:2008

ISO 27001:2005

ISO 13485:2003

**India**

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Bangalore 560 008  
India  
Tel: 91 80 4154 8000, 6690 8000  
Fax: 91 80 41125813

**United States**

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Suite 201  
Enola, PA 17025  
Tel: 1-717-732-2211  
Fax: 1-717-732-2927

**United Kingdom**

4 Imperial Place  
Maxwell Road, Borehamwood  
Hertfordshire WD6 1JN  
Tel: 44 (0) 208 213 3121  
Fax: 44 (0) 208 213 3001

**Singapore**

7B Keppel Road  
#05-09 PSA Tanjong  
Pagar Complex  
Singapore 089055  
Tel: 65 62254516, 63720067  
Fax: 65 62254517

**Malaysia**

No 10-1 Biz Avenue  
Neo Cyber  
Lingkar Cyber Point Barat  
63000 Cyberjaya  
Selangor, Malaysia  
Tel: 603 8322 2520  
Fax: 603 8322 2562

**Bahrain**

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Diplomatic Area  
PO Box 10795, Manama  
Kingdom of Bahrain  
Tel: 973 17 534469  
Fax: 973 17 536332