

Product Engineering | Virtual Simulation | Manufacturing Solutions | Value Engineering Solutions



# 21<sup>st</sup> Annual Report 2011-2012

**Help Customers gain competitive ADVANTAGE  
in the GLOBAL marketplace**

**Board of Directors**

Mr. Harish Mehta	Chairman and Managing Director
Mrs. Shaila Mehta	Director
Mr. Pradip Dubhashi	Director
Mr. Arun Meghani	Director
Mr. Samir Desai	Director
Dr. Atul Wad	Director
Mr. Sudhir Karnik	Alternate Director to Dr. Atul Wad

**Auditors**

Kirtane & Pandit  
Chartered Accountants  
'Sangati', Bhakti Marg  
Off. Law College Road  
Pune – 411 004.

**Registered Office**

Sterling Centre, 2<sup>nd</sup> Floor  
Dr. A. B. Road  
Worli  
Mumbai – 400 018.

**Registrar & Share Transfer Agents**

Link Intime India Pvt. Ltd.  
C-13, Pannalal Silk Mills Compound  
L.B.S. Marg  
Bhandup (West)  
Mumbai – 400 078.

**Corporate Website**

[www.onwardgroup.com](http://www.onwardgroup.com)

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## Notice

**NOTICE** is hereby given that the twenty-first Annual General Meeting of Onward Technologies Limited will be held on Friday, July 27, 2012 at Victoria Memorial School for the Blind, Opp. Tardeo A/C Market, 73, Tardeo Road, Mumbai - 400 034 at 3.30 p.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Statement of Profit and Loss for the year ended March 31, 2012, the Balance Sheet as at that date and the Report of the Auditors and that of the Directors thereon.
2. To appoint a director in place of **Mr. Arun Meghani**, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of **Mr. Samir Desai**, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if deemed fit, to pass with or without modification(s), the following resolution as an **ordinary resolution**:

**“RESOLVED THAT M/s. Kirtane & Pandit, Chartered Accountants, Pune, be and are hereby reappointed as the Statutory Auditors of the Company, to hold office from the conclusion of this annual general meeting till the conclusion of the next annual general meeting of the Company and that the board of directors of the Company be and are hereby authorized to fix their remuneration.”**

### SPECIAL BUSINESS

5. To consider and if deemed fit, to pass with or without modification(s), the following resolution as a special resolution:

**“RESOLVED THAT** pursuant to the provision of Section 314 (1B) and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government and subject to such other approvals, permissions, consents and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions, consents and sanctions, the consent of the members of the Company be and is hereby accorded to Mr. Jigar Mehta, a relative of Mr. Harish Mehta and Mrs. Shaila Mehta, directors of the Company to continue to hold an office or place of profit in the Company as Vice President – Global Operations on following revised remuneration and the terms and conditions with effect from 1st April, 2012.

a) Salary:

1. Basic Salary	: ₹ 275,000 per month
2. HRA	: 40% of the Basic salary per month
3. Special Allowance	: ₹ 85,030 per month
4. Transport Allowance	: ₹ 800 per month
5. Performance Allowance	: ₹ 97,000 per month
6. Medical	: ₹ 1,250 per month
7. Leave Travel Allowance	: ₹ 22,917 per month
8. Provident Fund	: ₹ 33,000 per month

- b) Performance incentive: Incentive under this clause will be based on individual performance based on revenue targets. This will be determined by the board. However, the said incentive shall not exceed ₹ 50 Lac p.a.

**RESOLVED FURTHER THAT** the board of directors/committee of directors be and are hereby authorized to change/revise the designation, grade of Mr. Jigar Mehta and to increase, augment and/or enhance the gross remuneration to be paid to Mr. Jigar Mehta up to 20% per annum, effective from April 1 each year, first such increase to be granted with effect from April 1, 2013.

**Notice (Contd.)**

**RESOLVED FURTHER THAT** the board of directors (hereinafter referred to as “the board” which term shall be deemed to include any existing duly authorized committee(s) or which the board may constitute to exercise the powers of the board including the powers conferred by this resolution), subject to the consent of the Central Government, if any, as may be necessary, be authorized at its discretion and as deemed fit and proper, to fix or otherwise decide at various intervals the managerial grade and remuneration including perquisites payable to Mr. Jigar Mehta while he continues to hold an office or place of profit under the Company.

**RESOLVED FURTHER THAT** subject to section 314 (1B) of the Companies Act, 1956, the Company shall apply for approval of the Central Government with such modification(s) and variation(s) as the Central Government may suggest and which the board of directors of the Company is hereby authorized to accept.”

**By the order of the Board of Directors**

Place: Mumbai  
Date: May 25, 2012

**Harish Mehta**  
*Chairman & Managing Director*

**Registered Office:**  
Sterling Centre, 2nd Floor  
Dr. A. B. Road  
Worli  
Mumbai - 400 018

**Notice (Contd.)****Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The explanatory statement pursuant to sub-section (2) of Section 173 of the Companies Act, 1956 is annexed to this notice. The bio data of the directors proposed to be appointed/re-appointed is also annexed to this notice as required under the listing agreement.
4. The register of members and share transfer books of the Company will remain closed from July 25, 2012 to July 27, 2012 (both days inclusive).
5. Members are requested to address all correspondence pertaining to their securities mentioning either the folio number or client ID and DP ID numbers as applicable including any change of address, if any, to the registrars and transfer agents of the Company viz.:  
 Link Intime India Pvt. Ltd.  
 C-13, Pannalal Silk Mills Compound  
 L. B. S. Marg, Bhandup (West), Mumbai - 400078
6. Members/proxies attending the meeting are requested to bring their copies of annual report together with attendance slip at the meeting.
6. Members seeking any information relating to accounts are requested to write to the Company at least 10 days before the date of the annual general meeting to enable the management to keep the required information ready at the meeting.
7. The Ministry of Corporate Affairs has come out with a circular dated April 29, 2011 which allows the companies to send documents including annual reports and other intimation by an email. Therefore you are requested to register your email IDs with the registrar and transfer agent of the Company. The Company is already having email ID of the members holding their shares in Demat through their respective depository participants, The said email ID shall be considered as registered email ID for the said members unless informed otherwise to the Company or registrar and transfer agent.

**EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 2 and 3:**

**As required under Clause 49 VI of the listing agreement given below are the details of the director proposed for re-appointment of Mr. Arun Meghani and Mr. Samir Desai.**

Mr. Arun Meghani is a business entrepreneur and an industrialist and holds a degree in Business Administration from the USA.

Mr. Samir Desai has done his graduation in Mechanical Engineering from the Baroda University and holds a Master of Science degree in Industrial Engineering from the Illinois Institute of Technology, USA. He was the founder president and chief executive of Systems Resources Corporation a high tech Company specializing in systems for military and law enforcement applications, information control systems, office automation, etc. He is currently the president of Aditi Inc., USA.

## **Notice (Contd.)**

### **Item No. 5**

Mr. Jigar Mehta was appointed as a Manager - Corporate Affairs by way of passing special resolution in 10<sup>th</sup> annual general meeting held on October 10, 2001. Thereafter his terms of appointment were revised with effect from July 1, 2004 by way of special resolution passed in the annual general meeting held on November 19, 2004 for appointing him as a General Manager - Corporate Affairs. The Company had applied for the approval for the said revision of remuneration and accordingly the approval received vide a letter dated October 27, 2005. Thereafter his terms of appointment were again revised with effect from February 16, 2009 by way of special resolution passed in the annual general meeting held on August 31, 2009 for appointing him as a General Manager - Corporate Affairs. Now considering his performance, board of directors is recommending elevating him to the post of Vice President - Global Operations. Therefore, his remuneration needs to be revised in consonance with his post, his responsibilities and commensurate with market rates. The said remuneration is exceeding the prescribed limit requiring approval from Central Government. Therefore, Company intends to revise his remuneration with approval from shareholders and from the Central Government also.

Mr. Jigar Mehta is a Bachelor of Science in Business Administration with concentrations in Marketing and Management Information System from Boston University, MA, USA. Mr. Jigar Mehta has satisfactorily contributed to the business affairs of the Company in the past two years and has shown capacities to shoulder higher responsibilities. Considering his qualifications and experience, the directors consider the remuneration payable as indicated in the resolution to be reasonable and commensurate with the market conditions. The Company may entrust upon him such other additional duties and functions with suitable designation and level as it may consider appropriate from time to time.

Mr. Jigar Mehta is the son of Mr. Harish Mehta and Mrs. Shaila Mehta, directors of the Company and accordingly, this resolution is placed for the approval of the members under Section 314 of the Companies Act, 1956. In accordance with the usual practice followed by the Company for increase in the remuneration to its managers, Mr. Jigar Mehta's remuneration may also be increased on a year to year basis. In the event the total monthly remuneration payable to Mr. Jigar Mehta increases beyond the limit prescribed by the Central Government in terms of Section 314 (1B) of the Act, the approval for the same shall be obtained from the Central Government and the remuneration shall be payable subject to such modification(s) and variation(s) as the Central Government may suggest, and which the board of directors are hereby authorized to accept.

**By the order of the Board of Directors**

Place: Mumbai  
Date: May 25, 2012

**Harish Mehta**  
*Chairman & Managing Director*

**Registered Office:**  
Sterling Centre, 2<sup>nd</sup> Floor  
Dr. A. B. Road  
Worli  
Mumbai - 400 018

## Director's report

To

The Members,

Your directors are pleased to present before you the twenty-first annual report together with audited annual accounts of the Company for the financial year ended 31<sup>st</sup> March, 2012.

### Financial performance

As a globally integrated unit, Onward operates through its Indian subsidiary, (Onward eServices Limited (OeSL)) and global subsidiaries in North America (Onward Technologies, Inc. (OTI) & Germany (Onward Technologies GmbH) and with global branch office in UK (Onward Technologies Ltd., UK).

The summarized consolidated results of the Company are as under:

Particulars	(₹ in Lac)	
	For the year ended 31.3.2012	For the year ended 31.3.2011
Sales and other income (net)	13,196.97	10,433.42
Profit before finance costs and depreciation	1,392.25	1,169.83
Finance costs	410.19	243.17
Depreciation	453.27	461.00
Operating profit before prior period expenses	528.79	465.66
Prior period expenses	1.16	23.15
Profit before tax	527.63	442.51
Provision for taxation		
- Current tax	12.49	19.05
- Current tax (Mat)	114.99	—
- Mat credit entitlement	(114.99)	—
- Deferred tax expenses/(benefits)	(135.80)	(76.41)
- Wealth tax	—	0.25
Profit after tax	650.94	499.62

### Transfer to reserves

During the year, the Company has not transferred any amount to reserves.

### Dividend

The overall performance of the Company has been satisfactory. The Company sees tremendous growth prospects and to capitalise on the opportunities the management has not recommended any dividend for the current financial year.

### Operations

The Company has two major lines of focussed areas:

- 1) Mechanical Engineering Design Services (EDS)
- 2) IT Consulting Services (ITS)

EDS operations are part of Onward Technologies in India & ITS operations are run through its wholly owned subsidiary, Onward eServices Limited (OeSL). Both these business lines are supported through global subsidiaries in North America (Onward Technologies, Inc. (OTI) & Germany (Onward Technologies GmbH) and with global branch office in UK (Onward Technologies Ltd., UK).

## Director's report (Contd.)

**Global customers believed in our strength:** The financial year 2011-2012 saw robust addition of International customers from India, Europe and US markets. In all, 23 new customers in engineering business were added majorly pushing-up demand for areas in product engineering group, virtual simulation engineering group and manufacturing engineering group. Onward added 200+ mechanical engineers with domain expertise in Powertrain, BIW, Thermal, Seating, Interiors, Virtual Simulation and Analysis.

**Customer support, delight and appreciation:** The sales and business development teams were strengthened to support global customer enquiries from all over the world. Major contracts were signed and orders received from Original Equipment Manufacturers (OEM), their captives and tier-1 suppliers. Customers have applauded deliveries which were highly complex in nature, further establishing Onward as a global leader in mechanical engineering services and solutions.

**Record established:** MasterCAM product team added over 50 customers from a single state in a single quarter thus breaking the record of highest order from a single state. Continued to secure one amongst the top 10 worldwide reseller for SAARC countries consecutive third year.

**Domain specialists:** To further enhance customers' experience and confidence, Onward has added experienced specialists in niche areas of agri-equipment, construction equipment, engines and transmissions, chassis, body engineering, seating and interior systems and BIW-fixtures and tooling.

Corporate values and growth strategy alignment through Onward-SHINE, an internal motivational theme was conceptualized by the management and adopted by all stake-holders to achieve aggressive growth plans with sustenance, honest, innovation, noble and excellence. A significant and distinctive Onward marque.

**Facility upgradation:** Onward has further invested in opening new offices at Frankfurt, Germany and Bangalore, India. We expect both these to be important regions for Onward presence and providing dedicated support for client engagements.

**Customer data security:** Onward has diligently invested in its up-gradation of infrastructure and IT high-end servers (NAS, Intranet, etc.) for efficient handling of IT-related data management in secured manner. The addition of intranet servers has significantly enhanced the capabilities of internally developed sales enquiry tools, project management tools, and knowledge management tools.

### Human resource initiatives

Onward has found success in its manpower planning process that steps-up and supports its unique business model. The sourcing and staffing models strategically complement each other. With business performance indicators in place, review models and strategic committees were conceptualized and introduced to foster healthy project deliveries and in turn customer satisfaction.

To raise quality standards to world class level, a formal **Design Review Board** was formed to monitor critical projects and steer them to success resulting in repeat orders from both Indian and International customers.

The **Resource Management Team** adopted quick turnaround models so as to acquire, enhance and match critical skill-sets to meet global customer demands. Over 26,000 hours of technical training and 16,000 hours of soft-skills, etiquette, behavioral and language trainings were imparted round the year. The training team works in conjunction of the need of the centers of excellence, knowledge management, resource management group and overall organizational growth demands.

Our internal **Centers of Excellence (CoE)** had technology up-gradation of all its core competency areas of technology platforms and process platforms. Granting access to significant trainings and tools to our engineers is the fundamental aspect of this CoE's. It is mandatory for every Onwardian to join a CoE, to learn and contribute world-leading technical innovations. Each CoE helps decision-makers to rapidly orient to global customer specific demands supporting the CoEs, in general is the **Knowledge Management Committee**. Onward has indigenously developed an internal KM tool that harnesses global technology trends.

**Program Management and Quality Enhancement** were further strengthened by adopting significant metrics and project-health indicators. Onward has always regarded these areas as the highest delivery priority aspects. Hence, technical and managerial specialists were added in areas of agri-equipment, construction equipment, engines, transmission, chassis, body engineering, seating, interior systems, BIW-fixtures and tooling.

## Director's report (Contd.)

**Employee recognitions:** Onward celebrated its 20<sup>th</sup> anniversary amidst grand fun-fare, employee appreciations and cultural activities with a theme of sophistication-sustainability-scale. During the year, recommendations and recognitions were received by Onwardians directly from customers stating the technologically different approaches we use. Additionally, Onward offered ESOPs, spot rewards to key performers during the year.

Onward has put in place an exclusive team of **Employee Relationship Executives**, working towards harmonization of employees' goals by proactively reaching out to them, understanding aspirations and challenges and bring quick solutions to their grievances with personalized focus. At each stage, the HR personnel along with business managers, program managers and stake-holders are constantly thriving to put in place a perfect work-life balance, at all levels.

As stress busting mechanism, **Behavioral and Personal Counseling** plays a crucial role in Onward's employee management strategy. Onward acknowledges the need for the same and has put in place mechanism to counter and thwart such stresses on its engineers. Internal personal counseling sessions are conducted and employees are made to feel safe and secure. Assurance of information confidentiality is a guaranteed aspect in the process.

### Subsidiaries

The subsidiaries of your Company are as follows:

#### Onward eServices Limited

Company during the FY 2011-12 has seen all-round growth and has consolidated the strategic alliances with large SIs (System Integrators) and has successfully delivered turnkey projects including data migration, training and handholding support to various institutions of both public and private sectors.

In state of Tamil Nadu, Onward has been replicating success stories across various e-Governance initiatives that includes developing online portals, web based centralized application as well as developing and implementing a comprehensive banking application for Co-operative institutions. This banking application is being piloted in different states across the Country.

With renewed zest, we are well positioned to further strengthen our strategic partnerships with our clients and SIs. The trust and support of our clients, employees, and shareholders inspire us to consistently raise the bar of our performance.

#### Onward Technologies GmbH

Onward Technologies GmbH operations moved its main sales office from Wiesbaden to Frankfurt in FY 2011-12. The Company has appointment focused management and sales team operating at the newly opened Frankfurt office which will cater to customers across Europe, including UK. Germany being the engineering leader of the world was chosen as Onward's European headquarters. The Company has plans to continue investment in Germany and the European continent over the next 3 years in the phase wise approach.

In our first year of operations, the focus was to create Onward brand awareness and meeting maximum prospects and engineering ecosystem of the country. We have been very pleased with the progress and have been able to establish Onward as a vendor in few of the most prominent European companies. Today, we have successfully working with global leaders in Germany, UK, Italy, Austria and Sweden.

Over the next 12 months, we will expand the sales and delivery teams in Frankfurt with a combination of both local hires and experienced Onward personnel. The focus will continue to establish Onward as an engineering partner of choice and become a preferred outsourcing vendor. We expect the growth momentum of our operations in Europe to accelerate and becoming an integral part of our business model.

#### Onward Technologies, Inc.

The Company has continued investing in expanding its presence in North America. The investment has been both in ramping up existing teams and create additional space for both its existing operations in the Midwest and the Northeast.

To help facilitate this expansion, the Boston office is moving into a bigger state of the art facility in the Seaport area, one of the most prestigious and fast growing business district of Boston. The Midwest expansion will be facilitated by an additional office in Michigan. Both these offices will be fully functional by July 2012.

## **Director's report (Contd.)**

The North American operations have been growing at a steady pace in the last 3 years. The Company's revenue for the financial year ended March 31, 2012 grew by 12%. The Company was able to add a number of new clients in the said year and expand its client base across various business segments.

The current year's investments and expansion plans would be totally focused towards strengthening the current business operations to help propel the next round of growth in the coming three years.

### **Shantmurli Holdings Private Limited**

During the year under review, the Company did not undertake any substantial activities.

As per Section 212 of the Companies Act, 1956, the Company is required to attach the Directors' Report, Balance Sheet, and Statement of Profit and Loss of its subsidiaries. The Ministry of Corporate Affairs, Government of India vide its circular no. 2/2011 dated February 8, 2011 has provided an exemption to companies from complying with Section 212, provided such companies publish the audited consolidated financial statements in the annual report. Accordingly, the annual report for the year 2011-12 contain the summary of financial statements of our Company's subsidiaries duly audited by its respective statutory auditors. Relevant information for each subsidiary has been disclosed in the consolidated balance sheet. Refer Notes to Consolidated Financial Statements.

We hereby undertake that annual accounts of subsidiary companies and the related detailed information shall be made available to shareholders of holding and subsidiary companies seeking such information at any point of time. The annual accounts of subsidiary companies shall kept for inspection by any shareholders in the registered office of the holding Company and of the subsidiary companies.

We shall furnish the hard copies of details of accounts of subsidiaries to any shareholder on demand within a reasonable period of time.

### **Share capital**

During the year the share capital of the Company was increased from ₹ 133,200,700 to ₹ 135,155,200 by allotment of 1,954,500 new shares issued under ESOP scheme. At present the paid-up capital is ₹ 135,155,200 divided into 13,515,520 equity shares of ₹ 10 each.

### **Fixed deposits**

During the year under review, the Company had not invited or accepted any deposits from the public.

### **Employee stock option scheme**

Your Company had implemented employee stock option scheme 2009 for the benefit of employees of the Company and its subsidiaries. The aforesaid scheme was approved by the members of the Company at the annual general meeting held on August 31, 2009 and the scheme is monitored under the guidance of the members of compensation committee of the board of directors. The rational of implementation of new scheme was to attract, motivate and retain talented personnel with the organization for long time. The total number of warrants approved under the scheme for employees of the Company, independent directors and employees of its subsidiaries are 875,000 with option to convert into 3,500,000 equity shares. The subsidiaries include Onward eServices Limited, India, Onward Technologies, Inc. USA and Onward Technologies GmbH in Germany.

The disclosures required to be made under SEBI (employees stock option scheme and employees stock purchase scheme) Guidelines 1999, is given as Annexure to this report including details on the grant, vesting, exercise, and lapsed options under the aforesaid ESOP schemes.

An independent director has been granted 2,500 options under the ESOP Scheme, 2009.

### **Auditors**

M/s. Kirtane & Pandit, Chartered Accountants, Pune, auditors of the Company, hold office until the conclusion of the ensuing annual general meeting. The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

### **Auditor's report**

The Auditors have drawn their attention towards trade receivables and trade payables being subject to confirmation and also not having full time Company Secretary.

## Director's report (Contd.)

The management clarifies that in spite of sending confirmation letters to customers and vendors, most of the parties have not responded to our confirmation letters. However, the Company has initiated a procedure to get maximum confirmations in future. Also, the management clarifies that though the Company has not yet appointed a Company Secretary, however, the Company has appointed a full time advisory firm to take care of all statutory compliances.

With respect to the auditor's observation no. ix (c) in annexure to auditor's report about the disputed statutory amounts, we are pleased to inform you that income tax demands for the assessment year 2006-07 for ₹ 38,393,111 and for the assessment year 2007-08 for ₹ 26,076,636 have been reversed by the respective appellate authority but are pending for rectification orders by the income tax departments and the same are not required to be paid to the respective statutory authority. For rest of the matters, our appeals with the respective appellate authority is pending.

With respect to auditor's observation no. ix (a) in annexure to auditor's report about not being regular in depositing government dues, we would like to state that due to increase in volume of transactions and higher frequency of deposit of various dues on various dates, our team sometimes misses out the due dates. However, the Company is not defaulting in making such payments and has been depositing the dues with the respective authority with some period of delay. Your management will put in place a system for timely payment of statutory dues.

## Director's responsibility statement

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (a) in the preparation of the annual accounts for the financial year ended March 31, 2012, the applicable accounting standards have been followed and that no material departures have been made from the same, save to the extent, referred to in the auditor's report;
- (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 March 31, 2012 and of the profit or loss of the Company for the year ended March 31, 2012;
- (c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) the directors have prepared the annual accounts for the financial year ended March 31, 2012 on a going concern basis.

## Listing information

The equity shares of the Company are listed on The Stock Exchange, Mumbai, and National Stock Exchange of India Limited. The Company has initiated process of voluntary delisting of its equity shares from Ahmedabad Stock Exchange; however, the delisting approval from the exchange is awaited.

## Corporate governance

The Company has taken appropriate steps and measures to comply with all the applicable provisions of the revised Clause 49 on corporate governance and Section 292A of the Companies Act, 1956. A detailed report on corporate governance along with a certificate of statutory auditors of the Company is attached herewith as an Annexure to this report.

## Conservation of energy, technology absorption, foreign exchange earnings and outgo:

### (i) Conservation of energy:

The Company utilizes electricity for operation of computers and initiates all efforts to minimize the consumption. At all levels conservation of energy is stressed upon. Company also takes possible measures to reduce the consumption by deploying automation.

## Director's report (Contd.)

### (ii) Technology absorption:

#### Research and development

The IT and ITES Industry are subject to high rate of technological obsolesce. The Company is continuing its efforts to develop new software products with an eye to expand the levels of automation in the industries its customers operate. The constant R&D efforts have delivered new versions and features for the existing products in all the segments it works.

#### a) Specific areas for R & D

The Company believes that technological obsolescence is a practical reality. It invests and encourages continuous innovation. Its R&D is always focused to provide unique benefits to our customers and other stakeholders by working both proactively (self-driven research) and reactively (customer-driven research).

#### b) Benefits derived as a result of R&D effort

R & D activities taken up by the Company helps it to remain competitive.

#### b) Future plans

Expansion of current activities by adding more R&D related activities in manufacturing and other information technology applications, which have potential for commercial applications.

### (iii) Foreign exchange earnings and outgo: (Standalone, India operations)

	<u>2011 - 12</u>	<u>2010 - 11</u>
Foreign exchange earnings	<b>₹ 2,622.94 Lac</b>	₹ 2,284.19 Lac
Foreign exchange outgo	<b>₹ 335.22 Lac</b>	₹ 308.70 Lac

### Employee particulars

The particulars of employees as required to be disclosed in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, form part of this directors' report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the report and the accounts are being sent to all members of the Company excluding the aforesaid information. Any members interested in obtaining such particulars may write to the Company at its registered office address.

### Directors

Mr. Arun Meghani and Mr. Samir Desai shall retire by rotation and being eligible offer themselves for re-appointment.

### Audit committee

The present audit committee of the board comprises of Mr. Pradip Dubhashi, Mr. Arun Meghani and Dr. Atul Wad. Mr. Pradip Dubhashi is the chairman of the committee.

### Acknowledgements

Your directors hereby put on record their sincere gratitude towards the continued assistance and co-operation extended to the Company by its customers, stakeholders, suppliers, banks, financial institutions and various government authorities towards the growth of the Company.

Your directors also place on record their deep sense of appreciation for the dedicated services rendered by the employees of the Company.

**For and on behalf of the Board of Directors**

Place : Mumbai  
 Date : May 25, 2012

**Harish Mehta**  
*Chairman & Managing Director*

## Disclosure required under SEBI (Employee Stock Option Plan) Guidelines, 1999

### Annexure “A”

Sr.No.	Description	ESOP 2009	
		2011 - 12	2010 - 11
1	Total number of options under the Plan	875,000	875,000
2	Options granted during the year	206,500	201,500
3	Pricing formula	₹ 10	₹ 10
4	Options vested (as of March 31)	69,625	19,250
5	Options exercised during the year	48,863	9,500
6	Total number of shares arising as a result of exercise of option (as of March 31)	195,450	38,000
7	Options lapsed	38,950	28,950
8	Variation of terms of options	Nil	Vesting period shall commence on the expiry of one year from the date of grant of the options to the employees and could extend up to a period of four years from the said expiry of one year from the date of grant of options
9	Money realized by exercise of options during the year	₹ 1,954,500	₹ 380,000
10	Total number of options in force at the end of the year	358,738	240,050
11	Employee wise details of options granted to:	Nil	Nil
	a) Senior management during the year		
	b) Employees holding 5% or more of the total number of options granted during the year	N.A.	N.A.
	c) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	N.A.	N.A.
12	Diluted earnings per share pursuant to issue of shares on exercise of option calculated in accordance with International Accounting Standard (IAS) 33.	₹ 5.95	₹ 2.66

## Management discussion and analysis

### Overview

The year 2011-12 provided a brilliant array of opportunities for both Engineering Design Services and IT Services.

With global brands added to the Onward portfolio, engineering confidence reached new levels of customer satisfaction.

Adapting to the growing new technologies and business models of global OEMs has remained Onward's key strength. Achievements indicated to the well-established matrix-blending of key functions such as sales, talent sourcing, operations and delivery.

Onward was proud with this all around achievements scaling engineering opportunities from off-highway majors, consumer goods majors, engine and drivetrain majors, automotive majors, to mention a few.

The Company has confidence in its stride and is geared up for even better FY 2012-13.

### Performance snapshot

Your Company is proud of achieving revenues of **₹ 130 crores** and retaining a healthy bottom line.

Your Company connected and serviced clients from across the globe including Japan, Austria, Italy, Sweden, Australia, Singapore, Indonesia, Mexico, UAE, Saudi Arabia apart from the usual business territories such as India, Americas, Germany and the United Kingdom.

Investing in the right sales, business development and techno commercial team with local and global reach, Onward added more than 23 new clients in engineering business and 15 clients in the IT business. Major investments during the year were setting up an office in Frankfurt, Germany and Bangalore, India in order to pursue and up-keep our excellence.

Onward now has in place a fully functional-specialists delivery and execution teams, resource management and resource training teams, and most importantly a steering committee for growth of centers of excellence and knowledge management.

With world-leading infrastructure, operational models, domain-specialists and over 1,500+ engineers, Onward team is geared up for delivering a strong performance in FY 2012-13 and the coming years.

A design review board comprising of senior technical specialists was constituted to monitor major project-health and deliveries. This has led to various organizational performance indicators and related metrics that helps the top management to take quick informed decisions.

Likely wise, the right distribution of client base and the revenues have kept the growth with de-risking apart from maintaining the assured business as a major share.

Balancing the revenue models with profitability focus has contributed to healthy bottom line.

The continuous efforts on attracting the client base and talent base, the marketing of Onward's unique value proposition has become handy vide various initiatives during the year.

Customer's cautious approach in spending, optimizing with internal resources has resulted in limiting the growth.

The overall economy, as we know, has been affected by rising inflation and forex fluctuations. This has shadowed some of our operational efforts. Nevertheless, our presence in multiple engineering specializations as well as geographies has helped us to bounce back effectively.

Understanding the macro effects, the Onward management has taken proactive steps at every level and at every function, to up-keep the morale of customers, employees, stake-holders and investors.

### Opportunities and threats

The global auto-sector has shown a robust growth during the year. The sector is expected to launch 386 new car models across the globe in FY 2012-13, up 3% as compared to FY 2011-12. This in itself shows the tremendous opportunities ahead for the engineering design services and solutions sector.

## Management discussion and analysis (Contd.)

India has also seen tremendous growth in vehicle R&D. The introduction of world-class trucks and passenger cars indicate the maturity of this industry. Earlier vehicle development and testing was majorly done overseas. Now, India offers such infrastructure at lower costs. Onward, through its partnerships and industry reach has been strategically positioned to cater to the needs of its clients.

Onward has been stepping up efforts to meet its customer needs and deliveries. It has already established strong ties with global OEMs and tier 1 suppliers, both Indian and International.

This said, the Indian government and industry has to boost up the necessary eco-system, supply chains and simultaneously evolve strategies to sustain the “Low Cost” benefit.

The rising of engineering design services in LCCs across the globe can pose serious threat to the Indian EDS sector. The rising infra-cost in major cities like Pune and Bangalore can further dent growth. Manpower compensation and benefits have to be acknowledged. Premium should be in comparison with globally demanded skill-sets. Our engineers should be trained and educated in similar lines.

Overseas opportunities, particularly in North America have been an issue of concern. Major service providers have raised concerns in the North America stringent and surprising new immigration policies.

Onward has been the front-runner in understanding these challenges and converting them into opportunities through turnaround strategies. Your Company assures you the ultimate corporate governance in all such sticky situations.

### Risks and concerns

As part of business growth, the Onward management proactively studies risks and concerns so as to thwart any kind of value-hampering scenarios.

As a part of the Indian and the global industry, Onward acknowledges that rampant increase in skill-sets and proper management of the same will help in being the industry leaders. Right levers are in place and FY 2012-13 will surely be a fruitful journey.

### Internal control adequacy

Your Company, through regular quality and security audits, ensures suitable delivery, quality and security control in its work-environment. It safeguards all its assets and protects from unauthorized uses. The incidence occurrence metrics are periodically monitored and strict compliance actions are taken to avoid repeated situations.

Through diversification of type of business (Product Engineering, Manufacturing Engineering, Virtual Simulation Engineering), geographical spread and manpower skill-set and deployment categories, the Company has managed to off-set potential and identified risks.

### Cautionary statement

Statement in this management discussion and analysis deals with Company's objectives, projections, estimates, expectations and predictions. The expectations of the management are regarded as forward looking statements with meaning of applicable securities, laws and regulations. These 'forward looking statements' are inherently subject to risks and uncertainties, beyond the control of the Company or its management. Many factors could cause the actual results, performance and achievements of the Company to be materially different from any future results, performances or achievement that may be expressed or implied by such forward looking statements. Onward Technologies Limited shall not be liable for any loss which may arise as a result of any action taken on the basis of the information contained herein nor would be any obligation to update the forward looking statements to reflect developments of events or circumstances hereafter.

**For and on behalf of the Board of Directors**

Place : Mumbai  
Date : May 25, 2012

**Harish Mehta**  
Chairman & Managing Director

## Report on corporate governance for the year 2011-12

### I Company's philosophy on corporate governance:

Corporate governance is maximizing the shareholder value in a corporation while ensuring fairness to all stakeholders, customers, employees, investors and other stakeholders of the Company. It is a system by which companies are directed and controlled by the management in the best interest of shareholders and other stakeholders of the Company. Corporate governance stands for responsible and value creating management and control of the Company.

The Company's policies and practices are not only consistent with the statutory requirements but also underline our commitment to operate in the best interest of the stakeholders in order to build an environment of trust and confidence among all components having conflicting as well as competing interest. Your Company firmly believes that corporate governance is a powerful tool to subserve the long-term growth of the Company and such practices are founded upon the core values of transparency, professionalism, empowerment, equity and accountability. Your Company makes best endeavours to uphold and nurture these core values in all facets of its operations and aim to increase and sustain its corporate value through growth and innovation.

Your Company fully implements the corporate governance code of conduct. The board of directors fully support and endorse corporate governance practices.

### II Board of directors:

The size and composition of the board is in conformity with the requirements of Clause 49 of listing agreement entered into with the stock exchanges.

#### A Composition of the board and other related information as on March 31, 2012:

Name of director	Designation / category	No. of directorships in other companies in India (excludes private companies and alternate directorships)	No. of other committee memberships (excludes private companies and alternate directorships)	No. of board meetings attended	Last annual general meeting attended
Mr. Harish Mehta	Chairman & Managing Director/ Promoter Director	2	Nil	4	Yes
Mrs. Shaila Mehta	Non Independent/ Non-Executive	1	Nil	4	Yes
Mr. Arun Meghani	Non Independent/ Non-Executive	1	Nil	3	Yes
Mr. Samir Desai	Independent / Non-Executive	Nil	Nil	Nil	No
Mr. Pradip Dubhashi	Independent / Non-Executive	2	1	4	Yes
Dr. Atul Wad	Independent / Non-Executive	Nil	Nil	Nil	No
Mr. Sudhir Karnik (Alternate Director to Dr. Atul Wad)	Independent / Non-Executive	1	Nil	4	Yes

## Report on corporate governance for the year 2011-12 (Contd.)

### B. Board meetings

As a process of good corporate governance, all corporate affairs and matters requiring discussion/decisions by the board, the Company has a policy for the meetings of board of directors and committee thereof. This policy ensures to systematize the decision making process at the meetings of board/committees, in an informed and most efficient manner.

The board meetings are held at least once in every quarter. The board meetings are generally held at Mumbai. The dates of the board meetings are fixed well in advance and intimated to the board members so as to enable the directors to plan their schedule accordingly. The agenda items are comprehensive and informative in nature to facilitate deliberations and appropriate decisions at the board meeting. On selective items, presentations are made to the board. Annexure 1A of Clause 49 has been complied as applicable to the Company. Agenda items inter alia include the following:

- Annual operating plans
- Quarterly and annual financial results
- Recommendation of dividend
- Change in constitution of various committees
- Monitoring and noting business transacted by various committees by taking on record minutes of various committees
- Proposal for amalgamation, merger, acquisitions etc.
- Floating of subsidiaries in India as well as abroad
- Details of investment in joint ventures
- New projects and expansion plans
- General notices of interest of directors and various disclosure from directors
- Laying down policies for code of conduct and prevention of insider trading and its implementation
- Laying down ESOP schemes
- Deciding managerial remuneration
- Litigation matters
- Allotment of shares
- Application to Central Government in various matters relating to the Companies Act, 1956

Four board meetings were held during the year ended 31<sup>st</sup> March, 2012 and the gap between two meetings did not exceed four months. The board meetings were held on: 16<sup>th</sup> May, 2011, 15<sup>th</sup> July, 2011, 21<sup>st</sup> October, 2011 and 23<sup>rd</sup> January, 2012 respectively.

#### Code of conduct:

The Company has laid down a "Code of Conduct" for the members of the board of directors and the senior management. Annual affirmation of compliance with the code have been made by the directors and senior management of the Company. A declaration to this effect signed by the CEO is given in this report. The code has also been posted on Company's website, [www.onwardgroup.com](http://www.onwardgroup.com).

The CEO has certified to the board with reference to the financial statement and other matters as required in clause 49 of the listing agreement.

#### Prohibition of insider trading policy:

The company has formulated and implemented the code of conduct for prevention of insider trading to comply with relevant regulations laid down by SEBI. Accordingly, the Company announces closure of trading windows, free period, declaration of prohibited period etc. The Company has designed a reporting system to prevent insider trading by designated persons as mentioned in the said policy and takes quarterly and annual disclosure from the concerned persons. The said code of conduct for prevention of insider trading policy is also posted on the website of the Company, [www.onwardgroup.com](http://www.onwardgroup.com).

## Report on corporate governance for the year 2011-12 (Contd.)

### C. Directors' membership in board committees

None of the directors of the Company were members in more than 10 committees or acted as the chairperson of more than five committees across all companies in which they were directors. For the purpose of calculating the said limit chairmanship/membership has been considered only for audit committee and shareholders grievance committee.

### III Committees of board of directors

Your company has constituted five committees of board of directors. These are :

- A. Audit committee
- B. Remuneration committee
- C. Compensation committee
- D. Shareholders' / investors' grievance committee
- E. Banking committee

#### A. Audit committee:

##### 1. Brief description of terms of reference:

The audit committee was constituted in terms of Section 292A of the Companies Act, 1956 and the provisions of Clause 49 of the listing agreement entered into with the stock exchanges.

The primary objective of the audit committee is to monitor and provide effective supervision of the management's financial reporting process and to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting to the board of directors on the following terms of references:

- a) Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending to the board, the appointment, re-appointment and, if required, the replacement or removal of statutory auditor and the fixation of audit fee and also approval of payment for any other services rendered.
- c) Reviewing with the management the annual financial statements before submission to the board for approval, focusing primarily on:-
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgment by management.
  - Qualification in draft audit report.
  - Significant adjustments made in the financial statements arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with listing and legal requirements concerning financial statements.
  - Any related party transactions i.e., transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.
- d) Reviewing with the management the performance of statutory and internal auditors, and the adequacy of internal control systems.
- e) Reviewing with the management, the quarterly financial statements before submission to the board for approval.
- f) Discussion with internal auditors on any significant findings and follow up thereon.

**Report on corporate governance for the year 2011-12 (Contd.)**

- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- h) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern.
- i) Reviewing the Company's financial and risk management policies.
- j) To determine the reasons for any substantial defaults in payment to deposit holders, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

**2. Composition**

The audit committee comprises of three Non-Executive Directors with majority of them being Independent. The chairman of the committee is an Independent Director. During the year under review, four meetings of the committee were held on the following dates : 16<sup>th</sup> May, 2011, 15<sup>th</sup> July, 2011, 21<sup>st</sup> October, 2011 and 23<sup>rd</sup> January, 2012 respectively.

The directors who are part of the audit committee as on March 31, 2012 and the attendance of each of the members of the committee is given below:

Name of director	Designation	Category	No. of meetings attended
Mr. Pradip Dubhashi	Chairman	Independent member & Non-Executive	4
Mr. Arun Meghani	Member	Non Independent member and Non-Executive	3
Dr. Atul Wad	Member	Independent member & Non-Executive	Nil
Mr. Sudhir Karnik (Alternate director to Dr. Atul Wad)	Member	Independent member & Non-Executive	4

The statutory as well as internal auditors of the Company were also invited for the meetings. In absence of Company Secretary, the Compliance Officer assumes responsibilities of secretary of audit committee.

**B. Remuneration committee:**

- i The board of directors have constituted a remuneration committee of directors on 19<sup>th</sup> October, 2005.
- ii The broad terms of reference of the remuneration committee are as under:
  - a) To approve the remuneration and commission / incentive remuneration payable to the managing director for each financial year.
  - b) Such other matters as the board may from time to time request the remuneration committee to examine and recommend / approve.

**(1) Composition**

The remuneration committee consists of the following board of directors :

- (i) Mr. Pradip Dubhashi, Independent / Non-Executive Director
- (ii) Mr. Arun Meghani, Non Independent Director / Non-Executive Director
- (iii) Dr. Atul Wad, Independent / Non-Executive Director
- (iv) Mr. Sudhir Karnik (Alternate Director to Dr. Atul Wad), Independent / Non-Executive Director

Mr. Pradip Dubhashi is the chairman of the remuneration committee.

During the year under review, one remuneration committee meeting was held on 16<sup>th</sup> May, 2011.

## Report on corporate governance for the year 2011-12 (Contd.)

### (2) Non executive directors' remuneration details for the financial year ended March 31, 2012:

Name of the director	Sitting fees (₹)	Total (₹)
Mrs. Shaila Mehta	100,000	100,000
Mr. Pradip Dubhashi	170,000	170,000
Mr. Arun Meghani	100,000	100,000
Mr. Samir Desai	Nil	Nil
Dr. Atul Wad	Nil	Nil
Mr. Sudhir Karnik (Alternate director to Dr. Atul Wad)	155,000	155,000

The Company pays sitting fees of ₹ 20,000 per board meeting to Non-Executive Directors attending board meeting. The Company pays ₹ 15,000 as sitting fees to the members of audit committee. Since the payment of sitting fees is within the limit, approval from shareholders is not required.

### C. Compensation committee:

#### 1. Brief description of terms of reference

The compensation committee approves, allocates and administers the existing employee stock option plans (ESOP), 2009, reviews performance appraisal criteria and set norms for ESOP allocation.

#### 2. Composition

The compensation committee comprises of the following directors on the board of the Company:

- (i) Mr. Harish Mehta, Chairman & Managing Director
- (ii) Mr. Pradip Dubhashi, Independent Director
- (iii) Mr. Samir Desai, Independent Director

Mr. Harish Mehta chaired the meetings.

During the year, the committee had three meetings, which were held on 29<sup>th</sup> June, 2011, 21<sup>st</sup> October, 2011 and 9<sup>th</sup> March, 2012. Mr. Harish Mehta and Mr. Pradip Dubhashi attended all the meetings and Mr. Samir Desai was granted leave of absence.

### D. Shareholders' / investors' grievance committee:

#### 1. Brief description of terms of reference

The scope of shareholders' / investors' grievance committee is to review and address the grievances of the shareholders in respect of share transfers, transmission, issuance of duplicate share certificates, dematerialization and rematerialization of shares and other shares related activities from time to time.

#### 2. Composition

The composition of the shareholders' / investors' grievances committee is as under:

- (i) Mrs. Shaila Mehta – Non Independent / Non-Executive Director
- (ii) Mr. Pradip Dubhashi – Independent / Non-Executive Director
- (iii) Dr. Atul Wad – Independent / Non-Executive Director
- (iv) Mr. Sudhir Karnik (Alternate director to Dr. Atul Wad), Independent / Non-Executive Director

Mrs. Shaila Mehta chaired the meetings.

During the year, four meetings were held on 16<sup>th</sup> May, 2011, 15<sup>th</sup> July, 2011, 21<sup>st</sup> October, 2011 and 23<sup>rd</sup> January, 2012 respectively. Mrs. Shaila Mehta, Mr. Pradip Dubhashi and Mr. Sudhir Karnik attended all the meetings.

**Report on corporate governance for the year 2011-12 (Contd.)**

Status of complaints received during the accounting year ended March 31, 2012:

Nature of complaints	Received	Resolved	Pending
Relating to transfer, transmission, etc.	Nil	Nil	Nil
Other / miscellaneous	1	1	Nil
Total	1	1	Nil

There were no pending complaints as well as share transfer proposal as on March 31, 2012.

To facilitate the shareholders an email id - grd@onwardgroup.com has been activated for any investor grievances.

Name and designation of the Compliance Officer: Mr. Yogesh Desai, DGM – Accounts & Finance.

**E) Banking committee:****1. Brief description of terms of reference**

The scope of banking committee is to discuss the matter relating to banking transaction, i.e. opening of account, change in signatories, obtaining financial assistance from the banks, etc.

**2. Composition**

The composition of the banking committee is as under:

- (i) Mr. Harish Mehta – Non Independent / Executive Director
- (ii) Mrs. Shaila Mehta – Non Independent / Non-Executive Director
- (iii) Mr. Arun Meghani – Non Independent / Non-Executive Director

Mr. Harish Mehta chaired the meetings.

During the year, nine meetings were held on 14<sup>th</sup> April, 2011, 27<sup>th</sup> April, 2011, 10<sup>th</sup> June, 2011, 29<sup>th</sup> June, 2011, 25<sup>th</sup> July, 2011, 6<sup>th</sup> September, 2011, 19<sup>th</sup> September, 2011, 2<sup>nd</sup> January, 2012 and 15<sup>th</sup> February, 2012 respectively. Mr. Harish Mehta and Mrs. Shaila Mehta attended all the meetings.

**F) General body meetings:**

Details of the last three annual general meetings are as under:

Financial year	Venue	Date	Time	Special resolution passed, if any
2008 - 09	The Victoria Memorial School for the Blind Opp. Tardeo A/C Market 73, Tardeo Road Mumbai - 400 034	31.8.2009	10.00 a.m.	Yes (9 Nos)
2009 - 10	The Victoria Memorial School for the Blind Opp. Tardeo A/C Market 73, Tardeo Road Mumbai - 400 034	16.7.2010	3.30 p.m.	Yes (1 No)
2010 - 11	The Victoria Memorial School for the Blind Opp. Tardeo A/C Market 73, Tardeo Road Mumbai - 400 034	15.7.2011	3.30 p.m.	Yes (1 No)

## Report on corporate governance for the year 2011-12 (Contd.)

There was no resolution passed by the shareholders through postal ballot at the last annual general meeting. There is no proposal to pass any special resolution by way of conducting postal ballot.

There was no extra ordinary general meeting held during the last three financial years.

### IV Disclosures:

- There were no transactions of material significant nature between the Company and its directors or promoters or the management, or their relatives etc. save and except transactions entered in the register of contracts, and the said transactions are not having potential conflict with the interests of the Company.
- The Company has complied with statutory compliances and no penalty or stricture is imposed on the Company by the Stock Exchanges or Securities & Exchange Board of India (SEBI), any other statutory authority on any matter related to the capital markets during the last three years.
- While preparing the financial statements of the Company for the year ended March 31, 2012, the management has ensured that all Accounting Standards have been properly followed and there has been no deviation from this practice.
- The management has evolved a risk assessment and minimization procedure code which is reviewed quarterly.
- Directors' remuneration details for the financial year ended March 31, 2012 to executive director:

Name of the director	Salary and allowances (₹)	Incentive (₹)	Sitting fees (₹)	Total (₹)
Mr. Harish Mehta, Chairman & Managing Director	8,112,500*	–	–	8,112,500

\* Salary and allowances include rent free accommodation.

### V Means of communication:

The board of directors of the Company approves and takes on record the quarterly, half yearly and annual financial results in the proforma prescribed under the listing agreement entered into with the stock exchanges where the shares of the Company are listed. These results are promptly submitted to the stock exchanges and the same are published in english and marathi newspapers within 48 hours of such adoption by the Company. These results and the code of conduct for corporate governance are also posted on the Company's website [www.onwardgroup.com](http://www.onwardgroup.com)

The Company issues news releases on significant corporate decisions/activities and posts them on its website.

The Company's website [www.onwardgroup.com](http://www.onwardgroup.com) provides a separate section for investors where relevant shareholders information is available. The annual reports of the Company are available on the website in a user friendly and downloadable form.

Annual report is circulated to members. The management discussion and analysis report and corporate governance report are part of the annual report.

The Company has appointed Link Intime India Pvt. Ltd. as registrar and transfer agent who are also authorized to take care of investors' complaints. The secretarial department also assists in resolving various investor complaints. The Company has created a separate e-mail id [grd@onwardgroup.com](mailto:grd@onwardgroup.com) exclusively for resolving investors' grievances.

**Report on corporate governance for the year 2011-12 (Contd.)****VI general shareholders information:**

Annual general meeting	
Date	: 27th July, 2012
Time	: 3.30 p.m.
Venue	: Victoria Memorial School for the Blind Opp. Tardeo A/C Market 73, Tardeo Road Mumbai - 400 034
Financial year	: April 1 to March 31
First quarter results	: 3rd week of July, 2012
Second quarter results	: 3rd week of October 2012
Third quarter results	: 3rd week of January 2013
Results for the year ending March 2013	: 4th week of May 2013
Book closure dates	: 25th July, 2012 to 27th July, 2012 (both days inclusive)
Dividend payment date	: —
Registered office	: Sterling Centre, 2 <sup>nd</sup> Floor Dr. A. B. Road, Worli Mumbai - 400 018
Stock exchange where equity shares listed	: BSE Limited
Stock code	: 517536
Group	: B1 National Stock Exchange of India Ltd. ONWARDTEC The Stock Exchange, Ahmedabad (Applied for delisting)
Demat ISIN no. for CDSL and NSDL	: INE 229 A 01017

**Market price data:** High/low during each month in the financial year 2011 – 12 :

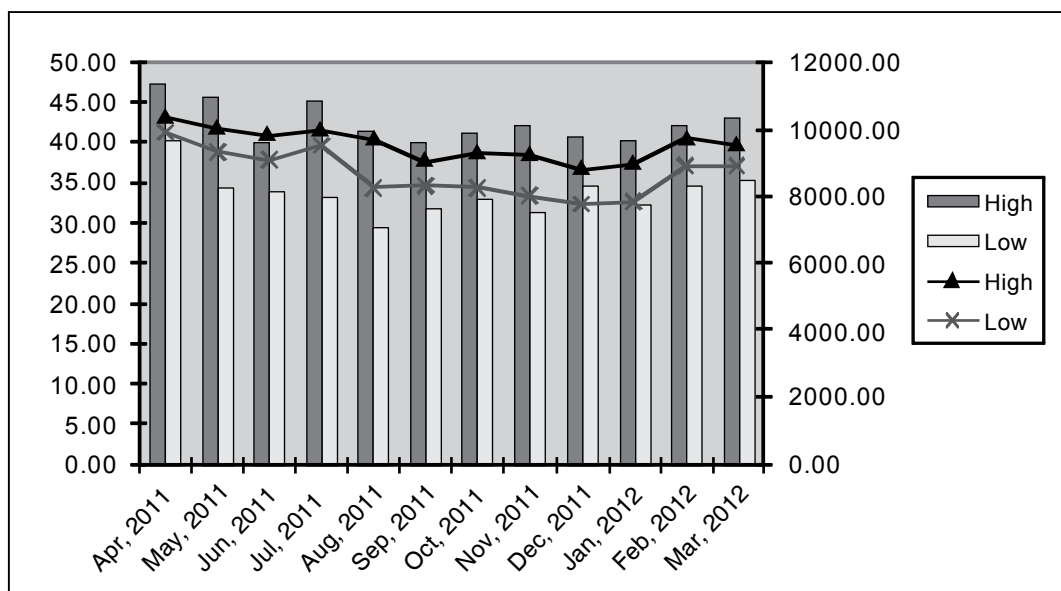
(₹)

Month	BSE		NSE	
	High	Low	High	Low
April, 2011	46.95	40.20	47.00	40.70
May, 2011	45.50	34.20	45.00	32.70
June, 2011	39.95	33.55	39.90	33.00
July, 2011	45.00	33.15	43.40	33.65
August, 2011	41.45	29.20	39.85	30.00
September, 2011	39.95	31.55	39.00	31.60
October, 2011	41.00	33.00	43.00	33.00
November, 2011	42.00	31.10	41.35	32.30
December, 2011	40.50	34.40	40.00	34.25
January, 2012	40.20	32.25	42.40	34.20
February, 2012	42.20	34.50	44.00	33.40
March, 2012	42.85	35.20	39.15	33.90

- Source : Website of BSE Ltd. and The National Stock Exchange of India Ltd.

## Report on corporate governance for the year 2011-12 (Contd.)

### Stock price performance in comparison to the BSE Sensex in the financial year 2011-12



#### Registrar and share transfer agents

Link Intime India Pvt. Ltd.  
 C-13 Pannalal Silk Mills Compound,  
 L.B.S. Marg,  
 Bhandup (West),  
 Mumbai - 400 078  
 Tel: +91 22 25963838  
 Fax: +91 22 25962691  
 E-mail: isrl@linkintime.com

#### Share transfer system

The share transfer committee meets at regular intervals to process all shares received for transfer and the same are returned within 21 days from the date of lodgment if documents are complete in all respects.

#### Distribution of shareholding as on 31st March, 2012:

Shareholding of nominal value (₹)	No. of share holders	% of share holders	Amount (₹)	% of shareholding
1 to 5,000	6,598	85.18	11,921,090	8.82
5,001 to 10,000	595	7.68	4,887,990	3.62
10,001 to 20,000	280	3.61	4,129,160	3.05
20,001 to 30,000	96	1.24	2,454,110	1.81
30,001 to 40,000	40	0.52	1,454,110	1.08
40,001 to 50,000	28	0.36	1,335,730	0.99
50,001 to 100,000	53	0.69	3,986,060	2.95
100,001 to 9,999,999,999	56	0.72	10,498,890	77.68
<b>Total</b>	<b>7,746</b>	<b>100.00</b>	<b>135,155,200</b>	<b>100.00</b>

**Report on corporate governance for the year 2011-12 (Contd.)****Shareholding pattern as on 31st March, 2012:**

<b>Categories</b>	<b>No. of shares held</b>	<b>Percentage of shareholding</b>
Promoter corporate bodies	7,350,164	54.38
Directors and relatives	270,241	2.00
Corporate bodies	1,626,140	12.03
Mutual fund	3,750	0.03
Banks	350	0.00
Foreign institutional investor	550,000	4.07
Non resident indians	32,290	0.24
Public	3,640,715	26.94
Clearing members	41,870	0.31
<b>Total</b>	<b>13,515,520</b>	<b>100.00</b>

De-materialisation of shares and liquidity	As on March 31, 2012, 13,286,141 shares representing 98.30% of the paid-up share capital of the Company were in de-materialised form
Outstanding GDR/ADR/Warrants or any convertible instruments, conversion dates and likely impact on equity	Since, the Company has not issued any GDR / ADR / Warrants or any convertible instruments, this clause is not applicable
Plant location	The Company does not have any manufacturing plant
Address for correspondence	Link Intime India Pvt. Ltd. has been entrusted and appointed as registrars & share transfer agents of the Company. All queries pertaining to transfer, transmission, de-materialisation and change of address be directed to them at their following address : Link Intime India Pvt. Ltd. C-13 Pannalal Silk Mills Compound L.B.S. Marg, Bhandup (West) Mumbai - 400 078 Tel: +91 22 25963838 Fax: +91 22 25962691 Email: <a href="mailto:isr@linkintime.com">isr@linkintime.com</a> Contact person: Mr. Tushar Ghodke

**For and on behalf of the Board of Directors**

Place : Mumbai  
Date : May 25, 2012

**Harish Mehta**  
*Chairman & Managing Director*

## Chief Executive Officer (CEO) Certification

I, Harish Mehta, Chairman and Managing Director of Onward Technologies Limited, to the best of my knowledge and belief, certify that:

1. We have reviewed the financial statements and the cash flow statement for the year 2011–12 and that to the best of our knowledge and belief;
  - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) These statements 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 violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the audit committee:
  - (i) Significant changes in internal control over financial reporting during the year;
  - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) There are no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Mumbai  
Date: May 25, 2012

**Harish Mehta**  
*Chairman & Managing Director*

## Auditors' Certificate

To

**The Members**

**Onward Technologies Limited.**

We have examined the compliance of conditions of corporate governance by Onward Technologies Limited, for the year ended on March 31, 2012, as stipulated in Clause 49 of the listing agreement of the said Company with 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 the 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 generally complied with the conditions of corporate governance as stipulated in the above-mentioned listing agreement *except compliance under clause 47 regarding appointment of Whole Time Company Secretary.*

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 Kirtane & Pandit**

*Chartered Accountants*

*(Firm Registration Number: 105215W)*

**Parag P. Pansare**

*Partner*

*Membership No.: 117309*

Mumbai, May 25, 2012

## Auditors' Report on Employees' Stock Option Schemes

We have examined the books of account and other relevant records of ONWARD TECHNOLOGIES LIMITED and based on the information and explanation given to us, certify that in our opinion, the Company has implemented the Employees Stock Option Schemes in accordance with SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the resolutions of the Company in the Annual General Meeting held on August 31, 2009.

**For Kirtane & Pandit**

*Chartered Accountants*

*(Firm Registration Number: 105215W)*

**Parag P. Pansare**

*Partner*

*Membership No.: 117309*

Mumbai, May 25, 2012

## Auditors' Report

To,  
**The Members,**  
**Onward Technologies Limited**

We have audited the attached Balance Sheet of ONWARD TECHNOLOGIES LIMITED ("the Company") as at March 31, 2012, the Statement of Profit and Loss for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. 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 standards on auditing issued by the Institute of Chartered Accountants of 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 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that:
  - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
  - c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) so far as appears from our scrutiny of books of account and other records, we are of the opinion that the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) on the basis of the written representations received from the directors as on March 31, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - f) Without qualifying our opinion, we draw attention to Note 39 to the financial statements regarding the non-appointment of the full time Company Secretary;
  - g) in our opinion and to the best of our information and according to the explanations given to us the said accounts read together with the notes thereon subject to Note No. 26 and 39 of Notes to Financial Statements, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2012;
    - ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
    - i) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Kirtane & Pandit**  
*Chartered Accountants*  
(Firm Registration Number: 105215W)

**Parag P. Pansare**  
*Partner*  
Membership No.: 117309

Mumbai, May 25, 2012

**Auditors' Report** *(Contd.)*

**Annexure referred to in paragraph 1 of our report of even date addressed to the Members of ONWARD TECHNOLOGIES LIMITED, on the financial statements for the year ended March 31, 2012.**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) As explained to us, physical verification of major fixed assets has been conducted by the management. Further, in view of the above, the discrepancies, if any, between the book records and the physical verification have not been ascertained.
- (c) During the year, the Company has disposed some of its fixed assets. In our opinion and according to the information and explanations given to us, fixed assets disposed off were not substantial and therefore has not affected the going concern assumption.
- (ii) (a) The Company is a service company, primarily engaged in Mechanical Engineering designing and Information Technology services and consultancy, further in respect of trading activities of the Company, the products viz. Software are purchase only if counter orders are received from the customer, thus it does not carries any physical inventories as on balance sheet date. Thus, paragraph 4(ii) (a) and (b) of the Order (as amended) is not applicable.
- (b) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of movement of inventories.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any unsecured loans to parties which are covered under the register maintained under Section 301 of the Companies Act, 1956.
- (b) The Company has taken loan from two companies whose names are listed in the register maintained under Section 301 of the Companies Act, 1956. The total amount involved was ₹ 40,200,000.
- (c) The rate of interest and other terms and conditions of unsecured loans taken by the Company, are prima facie not prejudicial to the interest of the Company.
- (d) The terms of arrangement do not stipulate any repayment schedule for principle and interest thereon, however Onward Technologies Limited has unconditional right to defer the principal and interest amount as agreed by both parties. Accordingly, paragraph 4 (iii)(g) of the Order is not applicable to the Company in respect of repayment of the principal and interest amount.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and service. We have neither come across nor have been informed of any major weaknesses in the internal control system in the aforesaid areas.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that are required to be entered in the register in pursuance of Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lacs with any parties during the year have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public. Accordingly, paragraph 4(vi) of the Order (as amended) is not applicable.
- (vii) On the basis of internal audit report broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business.

## Auditors' Report (Contd.)

- (viii) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for any of the products and services rendered of the Company. Accordingly, paragraph 4(viii) of the Order (as amended) is not applicable.
- (ix) (a) In our opinion, the Company is not regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and any other material statutory dues, as may be applicable, with the appropriate authorities as observed by us during the course of our examination of the books of account carried out in accordance with generally accepted auditing practices in India. There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.
- (b) In our opinion and according to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and any other material statutory dues, as may be applicable, were in arrears, as at March 31, 2012 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, as at the end of the year, there are no dues on account of sales tax, income tax, customs duty, wealth tax, service tax, excise duty, cess and any other statutory dues as may be applicable, that have not been deposited on account of any dispute except as follows:-

Sr. No.	Name of Statute	Nature of Dues	Year	Amount involved (₹)	Amount paid under protest (₹)	Forum where dispute is pending.
1.	Income Tax Act, 1961	Transfer pricing adjustment and Disallowance u/s 36(10(va))	A.Y. 2006-07	38,394,111	–	CIT(Appeal), Mumbai
2.	Income Tax Act, 1961	Transfer pricing adjustment	A.Y. 2007-08	26,076,636	–	CIT(Appeal), Mumbai
3.	Central Sale Tax	Non submission of Form C	F.Y. 2002-03	698,463	–	JT.Comm of Sale Tax, Mumbai
4.	Central Sale Tax	Interest	F.Y. 2003-04	608,811	–	JT.Comm of Sale Tax, Mumbai
5.	Maharashtra State Tax on Professions, Trade, Callings and Employments Act, 1975	Assessment Dues	F.Y. 2007-08	579,128	150,000	Dt. Comm of Sales Tax (Appelas)
6.	Income Tax Act, 1961	Transfer Pricing adjustments & disallowance u/s 43 (B)	A.Y. 2008-09	48,482,500	–	CIT(Appeal), Mumbai

- (x) The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in current financial year as well as 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 any financial institution or bank.

**Auditors' Report** *(Contd.)*

- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provision of clause 4(xii) of the Order (as amended) is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Order (as amended) are not applicable.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order (as amended) is not applicable.
- (xv) In our opinion and according to the information and explanations given to us, the Company has given guarantees for loans taken by its wholly owned subsidiaries from banks or financial institutions.
- (xvi) In our opinion, prima facie the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that prima facie no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraph 4 (xviii) of the Order (as amended) is not applicable.
- (xix) According to the information and explanations given to us, during the year, the Company has not issued debentures. Accordingly, paragraph 4 (xix) of the Order (as amended) is not applicable.
- (xx) As the Company has not raised any money by way of public issue, disclosure requirement of the end use of money raised by public issue does not apply to the Company.
- (xxi) During the course of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across any instant of fraud on or by the Company, noticed or reported during the course of our audit, nor have we been informed of such case by the management.

**For Kirtane & Pandit***Chartered Accountants**(Firm Registration Number: 105215W)***Parag P. Pansare***Partner**Membership No.: 117309*

Mumbai, May 25, 2012

## Balance sheet as at 31st March, 2012

Figures in ₹

Particulars	Notes	2012	2011
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
(a) Share capital	2	135,155,200	133,200,700
(b) Reserves and surplus	3	144,368,574	60,340,176
		<u>279,523,774</u>	<u>193,540,876</u>
<b>Non-current liabilities</b>			
(a) Long-term borrowings	4	112,115,815	95,404,494
(b) Deferred tax liabilities (net)	5	—	—
(c) Other long-term liabilities	6	926,460	1,974,663
		<u>113,042,275</u>	<u>97,379,157</u>
<b>Current liabilities</b>			
(a) Short-term borrowings	7	66,768,976	53,271,826
(b) Trade payables	8	21,630,703	17,457,218
(c) Other current liabilities	9	144,441,012	110,444,965
(d) Short-term provisions	10	30,535,079	18,832,338
		<u>263,375,770</u>	<u>200,006,347</u>
<b>Total</b>		<u>655,941,819</u>	<u>490,926,380</u>
<b>Assets</b>			
<b>Non-current assets</b>			
(a) Fixed assets	11		
(i) Tangible assets		62,579,561	68,386,566
(ii) Intangible assets		49,311,278	49,871,085
(b) Non-current investments	12	246,210,595	198,155,222
(c) Deferred tax assets (net)	5	19,107,688	—
(d) Long-term loans and advances	13	9,018,221	9,013,305
(e) Other non-current assets	14	55,356,832	30,408,400
		<u>441,584,175</u>	<u>355,834,578</u>
<b>Current assets</b>			
(a) Trade receivables	15	148,469,511	85,409,849
(b) Cash and bank balances	16	6,186,029	8,494,255
(c) Short-term loans and advances	17	9,856,918	13,500,067
(d) Other current assets	18	49,845,186	27,687,631
		<u>214,357,644</u>	<u>135,091,802</u>
<b>Total</b>		<u>655,941,819</u>	<u>490,926,380</u>
<b>Summary of significant accounting policies</b>	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For Kirtane & Pandit**

Chartered Accountants

(Firm Registration Number: 105215W)

**For and on behalf of the Board of Directors**
**Parag P. Pansare**

Partner

Membership No.: 117309

**Harish Mehta**

Chairman &amp; Managing Director

**Shaila Mehta**

Director

Place : Mumbai

Date : May 25, 2012

**Arun Meghani**

Director

**Pradip Dubhashi**

Director

## Statement of profit and loss for the year ended 31st March, 2012

Figures in ₹

Particulars	Notes	2012	2011
I. Revenue from operations	19	615,948,338	462,526,547
II. Other income	20	11,306,502	8,672,648
III. Total revenue (I + II)		<u>627,254,840</u>	<u>471,199,195</u>
IV. Expenses:			
Cost of software products	21	19,959,277	18,916,711
Employee benefits expenses	22	351,762,757	259,596,603
Finance costs	23	23,257,939	19,607,744
Depreciation and amortization expense	11	30,005,084	29,771,552
Other expenses	24	135,135,353	106,127,252
Total expenses		<u>560,120,410</u>	<u>434,019,862</u>
V. Profit before exceptional and extraordinary items and tax (III - IV)		67,134,430	37,179,333
VI. Exceptional items		—	—
VII. Profit before extraordinary items and tax (V - VI)		67,134,430	37,179,333
VIII. Extraordinary items		—	—
IX. Profit before tax (VII - VIII)		67,134,430	37,179,333
X. Tax expense:			
(1) Current tax		—	—
(2) MAT		11,499,400	7,478,500
(3) MAT credit entitlement		(11,499,400)	(7,478,500)
(4) Deferred tax		(19,107,688)	—
XI. Profit for the period from continuing operations (IX - X)		<u>86,242,118</u>	<u>37,179,333</u>
XII. Earnings per equity share:			
(1) Basic		6.42	2.80
(2) Diluted		5.95	2.66

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For Kirtane & Pandit**

Chartered Accountants

(Firm Registration Number: 105215W)

**For and on behalf of the Board of Directors**

**Parag P. Pansare**

Partner

Membership No.: 117309

**Harish Mehta**

Chairman & Managing Director

**Shaila Mehta**

Director

Place : Mumbai

Date : May 25, 2012

**Arun Meghani**

Director

**Pradip Dubhashi**

Director

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

Figures in ₹

		2012	2011
<b>(A)</b>	<b>Cash Flows from operating activities</b>		
	<b>Profit before extra ordinary item and tax</b>	<b>67,134,430</b>	<b>37,179,334</b>
	<b>Adjustments for:</b>		
	Depreciation	30,005,084	29,771,552
	Deferred employees compensation expenses	(4,028,850)	3,230,546
	Interest income	(83,746)	(382,145)
	Dividend received	(11,600)	(23,579)
	Net loss on sale of fixed assets	762,148	357,352
	Interest expenses	22,272,974	18,331,500
	<b>Operating profit before working capital changes</b>	<b>116,050,440</b>	<b>88,464,560</b>
	<b>Adjustments for:</b>		
	Decrease/(increase) in trade receivables	(69,197,027)	31,396,475
	Decrease/(increase) in other current assets	886,851	1,633,164
	Decrease/(increase) in loans and advances	(35,696,173)	(36,079,494)
	(Decrease)/increase in current liabilities	33,427,729	22,396,212
	(Decrease)/increase in provisions	11,702,741	7,151,312
	Cash generated from operations	57,174,561	114,962,229
	Income tax provided	—	—
	<b>Cash flow before extraordinary item</b>	<b>57,174,561</b>	<b>114,962,229</b>
	<b>Net cash from operating activities (A)</b>	<b>57,174,561</b>	<b>114,962,229</b>
<b>(B)</b>	<b>Cash flow from investing activities</b>		
	Purchase of fixed assets and investments	(72,907,566)	(49,347,324)
	Proceeds from sale of fixed assets	451,771	16,896
	Interest received	83,746	382,145
	Dividend received	11,600	23,579
	<b>Net cash used in investing activities (B)</b>	<b>(72,360,449)</b>	<b>(48,924,704)</b>
<b>(C)</b>	<b>Cash flow from financing activities</b>		
	Proceeds from issue of share capital	1,954,500	472,000
	Share premium account	1,815,130	904,220
	Proceeds from sale of investments	—	—
	Proceeds from long-term borrowings	35,369,598	6,000,000
	Repayment of long-term borrowings	(3,988,592)	(49,416,520)
	Dividend and dividend tax paid	—	—
	Increase in non-current assets	—	—
	Interest paid	(22,272,974)	(18,331,500)
	<b>Net cash (used)/generated in financing activities (C)</b>	<b>12,877,662</b>	<b>(60,371,800)</b>
	<b>Net increase/(decrease) in cash and cash equivalents (A + B + C)</b>	<b>(2,308,226)</b>	<b>5,665,725</b>
	Cash and cash equivalents opening balance	8,494,255	2,828,530
	<b>Cash and cash equivalents closing balance</b>	<b>6,186,029</b>	<b>8,494,255</b>

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For Kirtane & Pandit**

Chartered Accountants

(Firm Registration Number: 105215W)

**For and on behalf of the Board of Directors**
**Parag P. Pansare**

Partner

Membership No.: 117309

**Harish Mehta**

Chairman &amp; Managing Director

**Shaila Mehta**

Director

Place : Mumbai

Date : May 25, 2012

**Arun Meghani**

Director

**Pradip Dubhashi**

Director

## Notes to financial statements

### Note 1 - Significant accounting policies:

#### A. Accounting assumptions

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). These accounts have been prepared on the assumption that the Company is a going concern and have been consistently applied by the Company; and the accounting policies not referred to otherwise, are in conformity with Indian GAAP.

#### B. Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosure of an item or information in the financial statements has been made relying on these estimates. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimated. Any revision to accounting estimates is recognised prospectively in the current and future periods.

#### C. Revenue recognition

Revenue comprises sale of user licence of software, professional services and consultancy, training, interest and dividend. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue is disclosed exclusive of sales tax, service tax, VAT or other taxes, as applicable.

##### Sales

- i) Services rendered through transfer via tele-communication network are recognised on receiving confirmation of receipt from customer.
- ii) In respect of income received from contracts dependent on time and material basis are recognised when related service are performed.
- iii) Revenue through training, annual maintenance contracts and fixed price maintenance contracts are recognized proportionately over the period in which services are rendered / training is provided.
- iv) Revenue from the sale of user licences for software applications is recognised on transfer of the title in the user licence.
- v) Revenue from sale to overseas subsidiary companies are recognized in accordance with transfer pricing agreement entered with the subsidiary companies.

##### Income from operating lease

Minimum lease payments as per contracts are recognised as revenue on a straight-line basis over the lease term.

##### Income from investment

- i) Dividend income is recognized when the Company's right to receive dividend is established.
- ii) Interest is recognised on time proportionate basis taking into account the amount outstanding and the rate applicable.

#### D. Fixed assets, depreciation and impairment

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

## Notes to financial statements (Contd.)

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

Depreciation on fixed assets is computed on the straight-line method over their useful lives at rates prescribed under Schedule XIV of the Companies Act, 1956. In respect of intangible assets such as software, depreciation is provided over its license period ranging from two-six years. Individual assets acquired after financial year 2004-2005 valuing for less than ₹ 5,000 are entirely depreciated in the year of acquisition.

Lease hold improvements are depreciated over the period of contract of lease including lease period which can be further extendable at discretions of the lessee.

The management periodically assesses fixed assets, using external and internal sources whether there is an indication that an asset may be impaired. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit.

Impairment loss recognised for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

### E. Foreign currency transactions

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing on the date on which transaction occurred.

Outstanding balances of foreign currency monetary items are reported using the period end rates.

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

Exchange differences arising as a result of the above are recognised as income or expense in the profit and loss account except the following.

In pursuance to notification no G.S.R 225 (E) 31.03.2009 issued by the Ministry of Corporate Affairs for amending Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates", the Company has opted the option of capitalising foreign exchange gain/loss on long term foreign currency monetary assets.

### Foreign branches

Foreign currency transactions entered into by branches, which are integral foreign operations, are translated in the same manner as foreign currency transactions described above. Monetary assets and liabilities are translated at rates prevailing on the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Depreciation on fixed assets is recognised as per the Company's policy. Net gain/loss on foreign currency translation is recognised in the statement of profit and loss.

### Derivative

The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts for trading or speculation purposes.

**Notes to financial statements (Contd.)****F. Investments**

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as current/short term or long term based on the management's intention at the time of purchase. Long term investments are carried at cost less any permanent diminution in value (if any), determined separately for each individual investment. Current/short term investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment. Cost for overseas investments comprises the Indian rupee value of the consideration paid for the investment.

**G. Cash flow statement**

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

**H. Payments and benefits to employees****(a) Short term employee benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, and short term compensated absences etc. and the expected cost of bonus, ex-gratia except for variable pay which is accounted on cash basis due to unavailability of estimation are recognized in the period in which the employee renders the related service.

**(b) Post employment benefits**

(i) Defined contribution plans: The Company's superannuation scheme, state governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognized during the period in which the employee renders the related service,

(ii) Defined benefit plans: The employees' gratuity fund schemes managed by trust are the Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on government securities as at the balance sheet date having maturity periods approximating to the terms of related obligations.

Actuarial gain and losses are recognized immediately in the statement of profit and loss.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis.

**(c) Long term employee benefits**

The obligation for long term employee benefits such as long term compensated absences is recognized in the same manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

**I. Operating lease**

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged off to the statement of profit and loss as incurred. Initial direct costs in respect of assets given on operating lease are expensed off in the year in which such costs are incurred.

## Notes to financial statements (Contd.)

### J. Earning per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the board of directors.

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

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

### K. Tax expense

Tax expense for the year comprises of current tax and deferred tax.

Current tax is measured after taking into consideration, the deductions and exemptions admissible under the provisions of the Income Tax Act, 1961.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after such tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted at the balance sheet date.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Income Tax Act, 1961 (specified period). In the year, in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India (ICAI), the said asset is created by way of a credit to the statement of profit and loss and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay income tax higher than MAT during the specified period.

### L. Employee stock option scheme

In accordance with SEBI (ESOP & ESPS) Guidelines, 1999, the excess of the market price of shares, at the date of grant of options under the employee stock option schemes, over the exercise price, is treated as employee compensation expenses and amortised on a systematic basis over the vesting period of the options.

In the case of graded vesting, the vesting period is determined separately for each portion of the option. The unamortised portion of the cost is shown under "Deferred employee compensation expenses."

### M. Provisions and contingent liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.

**Notes to financial statements (Contd.)****Note 2 - Share capital**

Value in ₹

Particulars	Par value per share	2011		Issued/(reductions) during the year		2012	
		No of shares	Value	No of shares	Value	No of shares	Value
<b>Equity share capital</b>							
<b>Authorised:</b>							
18,000,000 equity shares of ₹ 10 each	10	18,000,000	180,000,000	—	—	18,000,000	180,000,000
1,000,000 preference shares of ₹ 10 each	10	1,000,000	10,000,000	—	—	1,000,000	10,000,000
1,000,000 unclassified shares of ₹ 10 each	10	1,000,000	10,000,000	—	—	1,000,000	10,000,000
<b>Total authorised capital</b>		20,000,000	200,000,000	—	—	20,000,000	200,000,000
<b>Issued, subscribed and paid-up:</b>							
13,515,520 (13,320,070) equity shares of ₹ 10 each	10	13,320,070	133,200,700	195,450	1,954,500	13,515,520	135,155,200

**Terms/rights attached to equity shares**

Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

**1,434,950** (960,200) equity shares are outstanding under ESOP 2009 scheme as at balance sheet date; each share being fully paid equity share of ₹ 10 each.

**Details of share holdings**

Particulars	2011			2012		
	No of shares	Value	Holding (%)	No of shares	Value	Holding (%)
<b>Share held by holding Company:</b>						
Onward Network Technologies Private Limited	6,739,679	67,396,790	50.60	6,933,311	69,333,110	51.30
<b>Holding more than 5%:</b>						
Onward Network Technologies Private Limited	6,739,679	67,396,790	50.60	6,933,311	69,333,110	51.30

## Notes to financial statements (Contd.)

### Note 3 - Reserve and surplus

Figure in ₹

Particulars	2012	2011
<b>Securities premium account:</b>		
Balance as per last financial statements	74,893,553	73,989,333
Add: additions on employee stock option plan outstanding	1,815,130	904,220
<b>Closing balance</b>	<b>76,708,683</b>	<b>74,893,553</b>
<b>Employee stock option plan outstanding (Refer Note - 38):</b>		
Balance as per last financial statements	4,028,850	3,563,720
Add: gross compensation for options granted during the year	18,885,419	6,262,880
Less: deferred employee stock compensation	(21,099,139)	(4,893,530)
Less: transferred to securities premium on exercise of stock options	(1,815,130)	(904,220)
<b>Closing balance</b>	<b>—</b>	<b>4,028,850</b>
<b>Surplus/(deficit) at the beginning of the year:</b>	<b>(18,582,227)</b>	<b>(55,761,561)</b>
Add: profit after tax for the year	86,242,118	37,179,334
Less: appropriations	—	—
Transfer to general reserve	—	—
<b>Surplus at the end of the year</b>	<b>67,659,891</b>	<b>(18,582,227)</b>
<b>Total</b>	<b>144,368,574</b>	<b>60,340,176</b>

### Note 4 - Long-term borrowings

Particulars	2012			2011		
	Secured	Unsecured	Total	Secured	Unsecured	Total
<b>Term loans:</b>						
Term loans from banks	18,385,811	—	18,385,811	3,211,131	—	3,211,131
<b>Loans and advances from related parties:</b>						
Desai Finwealth Investment & Securities Private Limited	—	1,902,759	1,902,759	—	4,400,000	4,400,000
Onward Network Technologies Private Limited	—	74,677,523	74,677,523	—	69,372,395	69,372,395
Shantmurli Holdings Private Limited	—	10,195,123	10,195,123	—	10,194,823	10,194,823
<b>Other loans and advances:</b>						
<b>Interest payable to:</b>						
Desai Finwealth Investment & Securities Private Limited	—	—	—	—	49,539	49,539
Onward Network Technologies Private Limited	—	6,954,599	6,954,599	—	8,176,606	8,176,606
<b>Total</b>	<b>18,385,811</b>	<b>93,730,004</b>	<b>112,115,815</b>	<b>3,211,131</b>	<b>92,193,363</b>	<b>95,404,494</b>

**Notes to financial statements (Contd.)**

- A) Term loans including working capital term loans sanctioned by Kotak Mahindra Bank Limited are secured by exclusive charge on all existing and future current assets and movable fixed assets of the Company and personal guarantee of Mr. Harish Mehta & Mr. Jigar Mehta. Further secured by extension of equitable mortgage over the properties situated at Sterling Centre, Worli, Mumbai and E-Space, Nagar Road, Pune (both the properties are owned by Onward Network Technologies Private Limited). Term loans taken during the financial year 2010-11 & 2011-12 carries floating interest rate of 12% to 14.50% p.a.

**Maturity profile of term loans from banks:**

Particulars	1-2 years	2-3 years	3-4 years	More than 4 years
Term loans from bank (principal amounts repayable)	₹ 11,088,249	₹ 6,408,978	₹ 888,584	₹ Nil

- B) Term loans obtained from ICICI Bank & Kotak Mahindra Prime Limited for purchase of vehicles are secured by hypothecation of vehicles and repayable in equal monthly installments.
- C) Loans from Desai Finwealth Investment & Securities Private Limited and Onward Network Technologies Private Limited for which the Company has unconditional right to defer the repayment along with interest @ 1% & 12.25% p.a. respectively.
- D) Loan from Shantmurli Holdings Private Limited is interest free and the Company has unconditional right to defer the repayment along with interest.

**Note 5 - Deferred tax assets/liabilities (net)**

Particulars	Figures in ₹	
	2012	2011
<b>Deferred tax liability (Refer Note - 36):</b>		
Fixed assets: impact of difference between WDV as per financial reporting and as per income tax reporting	(14,870,983)	—
<b>Deferred tax assets (Refer Note - 36):</b>		
Impact of expenditure disallowed as per financial statement but allowed for tax purposes on payment basis	3,890,859	—
Impact of carried forward losses	30,087,812	—
<b>Total</b>	<b>19,107,688</b>	<b>—</b>

**Note 6 - Other long-term liabilities**

Particulars	2012	2011
<b>Trade payables</b>	<b>360,810</b>	495,987
<b>Others:</b>		
Deposit	142,500	142,500
Other payables	423,150	1,336,176
<b>Total</b>	<b>926,460</b>	1,974,663

**Notes to financial statements (Contd.)**
**Note 7 - Short-term borrowings**

Figures in ₹

Particulars	2012			2011		
	Secured	Unsecured	Total	Secured	Unsecured	Total
<b>Loans repayable:</b>						
Cash credit from banks	47,827,504	–	47,827,504	35,284,504	–	35,284,504
Term loans from banks (Refer Note - 30)	18,941,472	–	18,941,472	17,741,159	–	17,741,159
<b>Loans and advances from related parties:</b>						
Onward Network Technologies Private Limited	–	–	–	–	246,163	246,163
<b>Total</b>	<b>66,768,976</b>	<b>–</b>	<b>66,768,976</b>	<b>53,025,663</b>	<b>246,163</b>	<b>53,271,826</b>

- A) Cash credits and term loans including working capital term loans sanctioned by Kotak Mahindra Bank Limited are secured by exclusive charge on all existing and future current assets and movable fixed assets of the Company and personal guarantee of Mr. Harish Mehta & Mr. Jigar Mehta. Further secured by extension of equitable mortgage over the properties situated at Sterling Centre, Worli, Mumbai and E-Space, Nagar Road, Pune (both the properties are owned by Onward Network Technologies Private Limited). Term loans taken during the financial year 2010-11 & 2011-12 carries floating interest rate of 12% to 14.50% p.a.
- B) Term loans obtained from ICICI Bank & Kotak Mahindra Prime Limited for purchase of vehicles are secured by hypothecation of vehicles and repayable in equal monthly installments.

**Note 8 - Trade payables**

Particulars	2012	2011
<b>Trade payable for services and software:</b>		
Due to micro, small and medium enterprises	115,989	126,809
Others	21,514,714	17,330,409
<b>Total</b>	<b>21,630,703</b>	<b>17,457,218</b>

**Note 9 - Other current liabilities**

Particulars	2012	2011
<b>Advance from customers:</b>		
From related parties (Refer Note - 34 (c))	67,996,917	47,077,901
Others	3,508,375	274,537
<b>Other liabilities:</b>		
Payables to ex-employees	27,021,054	22,388,197
Statutory liabilities	30,382,134	26,452,489
Provision for expenses	4,124,872	2,046,667
Remuneration to director (Refer Note - 34 (b))	2,358,092	148,400
Other payables	9,049,568	12,056,774
<b>Total</b>	<b>144,441,012</b>	<b>110,444,965</b>

**Notes to financial statements (Contd.)****Note 10 - Short-term provisions**

Figures in ₹

Particulars	2011	Additions	Payment/ utilisations	Reversals/ adjustment	2012
<b>Provision for employee benefits (Refer Note - 32):</b>					
Gratuity	6,280,619	<b>2,138,433</b>	—	—	<b>8,419,052</b>
Leave encashment	1,929,589	<b>1,186,538</b>	—	—	<b>3,116,127</b>
<b>Others:</b>					
Fringe benefit tax	3,118,530	—	—	<b>3,118,530</b>	—
Minimum alternate tax	7,478,500	<b>11,499,400</b>	—	—	<b>18,977,900</b>
Wealth tax	25,100	<b>22,000</b>	<b>25,100</b>	—	<b>22,000</b>
<b>Total</b>	<b>18,832,338</b>	<b>14,846,371</b>	<b>25,100</b>	<b>3,118,530</b>	<b>30,535,079</b>

**Note 11 - Fixed assets:**

Particulars	Gross block (at cost)				Depreciation					Net block
	As at 1.4.2011	Additions during the year	Deletions during the year	Total as at 31.3.2012	Provided up to 31.3.2011	Depreciation for the year	Depreciation on deductions	Total up to 31.3.2012	Impairment losses/ reversals	As at 31.3.2012
<b>Tangible assets (owned):</b>										
Buildings/premises	1,706,250	—	—	<b>1,706,250</b>	437,031	27,812	—	<b>464,843</b>	—	<b>1,241,407</b>
Furniture and fixtures	50,633,828	674,785	1,411,046	<b>49,897,567</b>	35,229,063	3,492,958	1,411,046	<b>37,310,975</b>	—	<b>12,586,592</b>
Vehicles	17,104,747	1,674,528	1,561,590	<b>17,217,685</b>	4,846,746	1,648,859	374,115	<b>6,121,490</b>	—	<b>11,096,195</b>
Office equipment	17,482,649	137,544	309,785	<b>17,310,408</b>	8,933,649	798,270	291,179	<b>9,440,740</b>	—	<b>7,869,668</b>
Electrical fittings	7,688,034	155,870	204,350	<b>7,639,554</b>	5,031,880	408,985	204,350	<b>5,236,515</b>	—	<b>2,403,039</b>
Instruments and accessories	1,117,957	—	231,523	<b>886,434</b>	1,092,493	4,850	231,523	<b>865,820</b>	—	<b>20,614</b>
Computers	189,912,470	10,502,191	15,691,115	<b>184,723,546</b>	170,491,853	10,304,505	15,683,276	<b>165,113,082</b>	—	<b>19,610,464</b>
<b>Total</b>	<b>285,645,935</b>	<b>13,144,918</b>	<b>19,409,409</b>	<b>279,381,444</b>	<b>226,062,715</b>	<b>16,686,239</b>	<b>18,195,489</b>	<b>224,553,465</b>	—	<b>54,827,979</b>
<b>Assets under lease:</b>										
Leasehold improvements	11,385,136	—	—	<b>11,385,136</b>	2,581,790	1,051,764	—	<b>3,633,554</b>	—	<b>7,751,582</b>
<b>Total tangible assets</b>	<b>297,031,071</b>	<b>13,144,918</b>	<b>19,409,409</b>	<b>290,766,580</b>	<b>228,644,505</b>	<b>17,738,003</b>	<b>18,195,489</b>	<b>228,187,019</b>	—	<b>62,579,561</b>
<b>Intangible assets:</b>										
Computer software	92,584,759	11,707,274	364,765	<b>103,927,268</b>	42,713,674	12,267,081	364,765	<b>54,615,990</b>	—	<b>49,311,278</b>
<b>Total intangible assets</b>	<b>92,584,759</b>	<b>11,707,274</b>	<b>364,765</b>	<b>103,927,268</b>	<b>42,713,674</b>	<b>12,267,081</b>	<b>364,765</b>	<b>54,615,990</b>	—	<b>49,311,278</b>
<b>Grand total</b>	<b>389,615,830</b>	<b>24,852,192</b>	<b>19,774,174</b>	<b>394,693,848</b>	<b>271,358,179</b>	<b>30,005,084</b>	<b>18,560,254</b>	<b>282,803,009</b>	—	<b>111,890,839</b>

**Notes to financial statements (Contd.)**
**Note 12 - Non-current investments**

Figures in ₹

Particulars	2012	2011
<b>Investments in equity instruments (quoted )</b>		
Dena Bank Limited	—	90,000
Nil (3,000) fully paid equity shares		
<b>Investments in equity instruments (unquoted &amp; non-trade)</b>		
<b>In subsidiaries:</b>		
<b>Onward eServices Limited</b>		
12,990,000 (7,290,000) equity shares of ₹ 10 per share fully paid	129,900,000	72,900,000
Share application money	—	15,000,000
<b>Onward Technologies GmbH</b>	10,448,268	4,171,035
<b>Onward Technologies, Inc.</b>	95,169,663	95,169,663
114,000 (114,000) fully paid equity shares of US\$ 20 each		
<b>Shantmurli Holdings Private Limited</b>	10,692,664	10,692,664
5,000 (5,000) fully paid equity shares of ₹ 100 each		
<b>Others:</b>		
<b>The North Kanara GSB Co-op. Bank Limited</b>	—	83,860
Nil (8,386) fully paid shares of ₹ 10 each		
<b>The Saraswat Co-op. Bank Limited</b>	—	25,000
Nil (2,500) fully paid shares of ₹ 10 each		
<b>Investments in government or trust securities</b>		
6 years national saving certificates (pledged with sales tax department)	—	23,000
<b>Total</b>	<b>246,210,595</b>	<b>198,155,222</b>
Aggregate cost of quoted investments	—	90,000
Aggregate cost of unquoted investments	246,210,595	198,065,222
Aggregate market value of quoted investments	—	312,750
<b>Total</b>	<b>246,210,595</b>	<b>198,155,222</b>

**Notes to financial statements (Contd.)****Note 13 - Long-term loans and advances**

Figures in ₹

Particulars	2012	2011
	Unsecured, considered good	Unsecured, considered good
<b>Loans and advances to related parties:</b>		
Advance towards equity to Onward Technologies GmbH (Refer Note - 34 (b))	2,729,425	2,729,425
<b>Security deposits</b>	6,288,796	6,283,880
Less: provision for bad & doubtful debts	—	—
<b>Total</b>	<b>9,018,221</b>	<b>9,013,305</b>

Deposits include earnest money deposits, rent deposits and deposits with various authorities.

**Note 14 - Other non-current assets**

Particulars	2012			2011		
	Unsecured, considered good	Doubtful	Total	Unsecured, considered good	Doubtful	Total
<b>Long-term trade receivables:</b>	6,721,173	770,841	7,492,014	583,809	318,318	902,127
Less: provision for bad & doubtful debts	—	(770,841)	(770,841)	—	(318,318)	(318,318)
	<u>6,721,173</u>	<u>—</u>	<u>6,721,173</u>	<u>583,809</u>	<u>—</u>	<u>583,809</u>
<b>Others:</b>						
Tax deducted at source (TDS)	48,485,659	—	48,485,659	29,824,591	—	29,824,591
Professional tax paid under protest	150,000	—	150,000	—	—	—
	<u>48,635,659</u>	<u>—</u>	<u>48,635,659</u>	<u>29,824,591</u>	<u>—</u>	<u>29,824,591</u>
<b>Total</b>	<b>55,356,832</b>	<b>—</b>	<b>55,356,832</b>	<b>30,408,400</b>	<b>—</b>	<b>30,408,400</b>

Amount of ₹ 150,000 paid to department of sales tax (professional tax) for the financial year 2007-08 as part payment against appeal filed.

**Note 15 - Trade receivables**

Particulars	2012	2011
<b>Unsecured:</b>		
<b>Debts outstanding for a period exceeding six months:</b>		
Considered good	5,852,223	1,842,619
<b>Other debts:</b>		
Considered good	142,617,288	83,567,230
<b>Total</b>	<b>148,469,511</b>	<b>85,409,849</b>

**Notes to financial statements (Contd.)**
**Note 16 - Cash and bank balances**

Figures in ₹

Particulars	2012	2011
<b>A) Cash and cash equivalents:</b>		
Balance with banks	4,008,823	5,550,420
Cheques, drafts on hand	726,118	–
Cash on hand	239,087	13,864
	<u>4,974,028</u>	<u>5,564,284</u>
<b>B) Others:</b>		
Margin money deposits for bank guarantees	<u>1,212,001</u>	<u>2,929,971</u>
<b>Total</b>	<b>6,186,029</b>	<b>8,494,255</b>

**Note 17 - Short-term loans and advances**

Particulars	2012	2011
	Unsecured, considered good	Unsecured, considered good
<b>Loans and advances to related parties:</b>		
Advance to Onward eServices Limited	–	3,528,874
	–	3,528,874
<b>Other loans and advances:</b>		
Prepaid expenses	6,640,256	5,107,780
Advance paid to employees	2,203,533	1,070,262
Receivables from ex-employees	–	1,418,890
Advance paid to suppliers	1,013,129	1,606,494
Others	–	767,767
	<u>9,856,918</u>	<u>9,971,193</u>
<b>Total</b>	<b>9,856,918</b>	<b>13,500,067</b>

**Note 18 - Other current assets**

Particulars	2012	2011
	Unsecured, considered good	Unsecured, considered good
Interest accrued on bank guarantee margins	6,722	125,806
Tax deducted at source (TDS)	49,838,464	27,561,825
<b>Total</b>	<b>49,845,186</b>	<b>27,687,631</b>

**Notes to financial statements (Contd.)****Note 19 - Revenue from operations**

Figures in ₹

Particulars	2012	2011
<b>Income from software services &amp; products:</b>		
Offshore services	421,858,000	404,758,275
Onsite services	162,245,233	25,458,709
Software products	31,845,105	32,309,563
<b>Total</b>	<b>615,948,338</b>	<b>462,526,547</b>

**Note 20 - Other income**

Particulars	2012	2011
Interest income	83,746	411,643
Dividend income	11,600	23,579
Net gain on sale of investments	52,972	–
Sundry provision and credit balance written back	1,321,391	1,004,380
Other non-operating income including foreign exchange gain (net of expenses directly attributable to such income)	9,836,793	7,233,046
<b>Total</b>	<b>11,306,502</b>	<b>8,672,648</b>

**Note 21 - Cost of software package and others**

Particulars	2012		2011	
	Value	%	Value	%
<b>Software products and others:</b>				
Imported	15,848,037	79	9,630,042	51
Indigenous	4,111,240	21	9,286,669	49
<b>Total</b>	<b>19,959,277</b>	<b>100</b>	<b>18,916,711</b>	<b>100</b>

**Note 22 - Employee benefits expenses**

Particulars	2012	2011
Salaries and wages including overseas employees	327,094,703	239,309,225
Contribution to provident and other funds	20,949,631	14,413,681
Staff welfare	1,864,065	1,738,931
Expense on employee stock option scheme (ESOP) (Refer Note - 38 (b))	1,854,358	4,134,766
<b>Total</b>	<b>351,762,757</b>	<b>259,596,603</b>

**Notes to financial statements (Contd.)**

Figures in ₹

**Note 23 - Finance costs**

Particulars	2012	2011
Interest expense	22,272,974	18,331,500
Other finance costs	984,965	1,276,244
<b>Total</b>	<b>23,257,939</b>	<b>19,607,744</b>

**Note 24 - Other expenses**

Particulars	2012	2011
Power and fuel	8,809,324	10,078,097
Rent	21,405,230	18,399,716
Repairs to premises	3,186,070	2,358,181
Repairs to others	4,280,575	2,767,070
Insurance	2,933,578	2,641,156
Travelling and conveyance	27,824,814	20,887,639
Communication cost	5,795,010	6,502,448
Bad debts	17,127	989,048
Provision for bad and doubtful debts	479,871	318,318
Rates and taxes, excluding taxes on income	1,951,383	1,072,921
Advertisement and sales promotion	2,278,980	4,079,552
Legal, professional and technical services	12,624,560	11,214,539
Director sitting fees	527,000	428,000
Net loss on foreign currency transaction and translation	9,019,972	—
Payments to the auditor:		
(a) as auditors	515,000	440,000
(b) for other services	167,235	129,850
(c) for reimbursement of expenses	8,589	6,297
Office expenses	4,046,322	2,749,309
Loss on sale of fixed assets (net)	762,148	357,352
Leasing and hiring charges	21,258,353	17,693,231
Prior period items	325,773	321,027
Miscellaneous expenses	6,918,439	2,693,501
<b>Total</b>	<b>135,135,353</b>	<b>106,127,252</b>

**Notes to financial statements (Contd.)**

25. In the opinion of the board and to the best of their knowledge, the current assets, loans and advances, shown in the balance sheet have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated therein.

26. Trade receivables and trade payables are subject to confirmation and reconciliation.

27. Other commitments:

Liabilities on account of forward contracts entered during the year and are outstanding as at March 31, 2012 against forecasted transactions amounting to ₹ 162,208,250 (\$ 325,000).

28. **Contingent liabilities not provided for:**

Particular	Year ended March 31 (₹)	
	2012	2011
Counter guarantees given by the Company against the bank guarantees issued by Company's bankers	719,500	3,474,500
Fixed deposits shown under the head cash and bank balances include deposits pledged with the banks as margins to secure letters of credit and guarantees issued by banks	719,500	2,921,500
Net amount	—	553,000
Corporate guarantees given by the Company for the loans taken by subsidiaries	52,660,050	48,832,878
Disputed income tax demand	112,953,247	64,470,747
Disputed sales tax demand	1,307,274	1,307,274
Disputed profession tax demand	579,128*	579,128
<b>Total</b>	<b>167,499,699</b>	<b>66,910,149</b>

\* Out of ₹ 579,128, ₹ 150, 000 were paid under protest.

29. (A) **Earnings in foreign currency:**

Particular	Year ended March 31 (₹)	
	2012	2011
Product sale	3,153,455	50,568
Software exports including consulting services & commissions	262,293,701	228,418,555
<b>Total</b>	<b>265,447,156</b>	<b>228,469,123</b>

(B) **Expenditure in foreign currency:**

Particular	Year ended March 31 (₹)	
	2012	2011
Travelling	7,838,566	9,137,560
Professional fees	198,355	1,283,128
Communication	66,509	108,195
Salaries and bonus	22,658,915	17,375,700
Miscellaneous expenditure	270,961	357,367
Compensation premises	754,073	1,270,828
Marketing fees and technical support	235,354	17,007
Conveyance	1,330,401	1,204,520
Finance costs	168,783	115,359
<b>Total</b>	<b>33,521,917</b>	<b>30,869,664</b>

(C) **Value of import basis:**

Particular	Year ended March 31 (₹)	
	2012	2011
Software	15,848,037	9,630,042

## Notes to financial statements (Contd.)

30. a) The principal amount of working capital term loan repayable within a year is ₹ 10,704,157 (₹ 8,671,432).  
 b) The principal amount of term loan repayable within a year is ₹ 8,237,315 (₹ Nil).

### 31. Derivative instruments and un-hedged foreign currency:

Derivatives instrument	Amount outstanding as on March 31		Purpose
	2012	2011	
Forward contract	\$3,225,000	\$1,600,000	Hedging against USD receivable

Particular of un-hedged foreign currency exposure as on balance sheet date:

Year	Foreign currency receivable				
	USD	GBP	EURO	DIRHAM	BRL
2011	3,500	90,000	133,000	33,000	90,000
2012	163,031	119,584	252,622	–	–

Particular of un-hedged foreign currency exposure as on balance sheet date:

Year	Foreign currency payable			
	USD	GBP	EURO	DIRHAM
2011	168,000	1,000	2,000	2,000
2012	157,530	1,609	12,087	–

### 32. Disclosure in pursuance of Accounting Standard – 15 (revised 2005) on “Employee Benefits”

#### a) Defined contribution plans

The Company has recognized following amounts in the statement of profit and loss for the year:

Particular	Year ended March 31 (₹)	
	2012	2011
Contribution to employees provident fund	18,368,250	13,516,019
Contribution to superannuation fund	–	–
Contribution to labour welfare fund	42,948	31,056
<b>Total</b>	<b>18,411,198</b>	<b>13,547,075</b>

#### b) Defined benefit plans / compensated absences – as per actuarial valuation on March 31, 2012.

- i. Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):

Sr. #	Particulars	Gratuity (₹)	
		2012	2011
1	Obligations at period beginning	7,073,556	6,370,950
2	Current service cost	2,736,460	2,645,156
3	Interest cost	542,918	509,676
4	Actuarial (gain) / losses	(696,875)	(2,288,933)
5	Benefits paid	(985,474)	(227,983)
6	Past service cost (vested benefit)	–	64,960
7	DBO at period closing	8,670,585	7,073,556

**Notes to financial statements (Contd.)**

- ii. A reconciliation of the opening and closing balances of the fair value of plan assets:

Sr. #	Particulars	Gratuity (₹)	
		2012	2011
1	Opening fair value of plan asset at period beginning	792,937	937,398
2	Expected returns on plan assets	40,452	74,992
3	Actuarial gain / (losses)	(7,273)	8,530
4	Contribution by the employer	410,891	–
5	Benefits paid	(985,474)	(227,983)
6	Fair value of plan assets at period closing	251,533	792,937

- iii. Net assets / (liabilities) recognized in the balance sheet as on March 31, 2012:

Sr. #	Particulars	Gratuity (₹)	
		2012	2011
1	Present value of funded obligations	8,670,585	7,073,556
2	Fair value of plan assets	(251,533)	(792,937)
3	Present value of unfunded obligations	–	–
4	Net assets / (liabilities) recognized in the balance sheet	(8,419,052)	(6,280,619)

- iv. Total expenses recognized in the statement of profit and loss:

Sr. #	Particulars	Gratuity (₹)	
		2012	2011
1	Current service cost	2,736,460	2,645,156
2	Interest on defined benefit obligation	542,918	509,676
3	Expected returns on plan assets	(40,452)	(74,992)
4	Actuarial (gains) / losses	(689,602)	(2,297,463)
5	Past service cost (vested benefit)	–	64,960
	<b>Total</b>	<b>2,549,324</b>	<b>847,067</b>

All the above have been included under the line item remuneration and benefits to employees in Note–22 of the Notes to Financial Statements.

- v. Major categories of plan assets as a percentage of total plan assets:

Sr. #	Particulars	Plan asset – %	Plan asset (₹)	
			2012	2011
1	Other / insurer managed funds	100	(251,533)	(792,937)

- vi. Compensated leave:

Para 132 of Accounting Standard 15 (revised 2005) does not require any specific disclosures except where expense resulting from compensated absence is of such size, nature or incidence that its disclosure is relevant under Accounting Standard # 5 or Accounting Standard # 18. In the opinion of the management the expense resulting from compensated absence is not significant and hence no disclosures are prepared under various paragraphs of Accounting Standard 15 (revised 2005).

- vii. Experience adjustments:

Particulars	Year ended March 31 (₹)		
	2012	2011	2010
Defined benefit obligation	8,670,585	7,073,556	6,370,950
Plan assets	251,533	792,937	937,398
Surplus / (deficit)	(8,419,052)	(6,280,619)	(5,433,552)
Exp. adj. on plan liabilities (loss)/gain	(754,805)	(2,956,831)	(1,049,289)
Exp. adj. on plan assets (loss)/gain	(7,273)	8,530	3,202

## Notes to financial statements (Contd.)

### viii. Actuarial assumptions:

Sr. #	Particulars	Year ended March 31	
		2012	2011
1	Discount rate	8.50%	8.25%
2	Expected return on plan asset	8.00%	8.00%
3	Retirement age	58 years	58 years
4	Salary escalation rate	4.00%	5.00%
5	Attrition rate	2.00%	2.00%

ix. Gratuity is administered through group gratuity scheme with Life Insurance Corporation of India.

x. Salary escalation rate:

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

xi. Expected rate of return on plan assets:

This is based on actuaries' expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

xii. Discount rate:

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

## 33. Information about business segments

As permitted by paragraph 4 of Accounting Standard-17 (AS - 17), 'Segment Reporting', if a single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements. Thus, disclosures required by AS - 17 are given in consolidated financial statements.

## 34. Related party disclosures

### (a) List of related parties and relationships:

	Relation	Parties
A.	Holding Company	Onward Network Technologies Private Limited
B.	Subsidiary Companies	Onward Technologies GmbH, Germany Shantmurli Holdings Private Limited Onward Technologies, Inc., USA Onward eServices Limited
C.	Enterprise over which key management personnel exercise significant influence	Desai Finwealth Investments & Securities Private Limited Onward Software Technologies Private Limited
D.	Key management personnel and relatives Chairman & Managing Director Director Related to Directors Related to Directors	Harish Mehta Shaila Mehta Jigar Mehta Arun Meghani

**Notes to financial statements (Contd.)****(b) Related party transactions:**

Figures in ₹

Aggregate of transactions	Holding Company	Total
	Onward Network Technologies Private Limited	
Unsecured loans	38,712,469 (45,178,385)	38,712,469 (45,178,385)
Repayment of unsecured loans	33,515,910 (38,670,160)	33,515,910 (38,670,160)
Interest paid during the year	7,854,748 (7,944,504)	7,854,748 (7,944,504)
Rent	9,000,000 (9,000,000)	9,000,000 (9,000,000)

Aggregate of transactions	Subsidiary Companies				Total
	Onward Technologies, Inc., USA	Onward Technologies GmbH, Germany	Onward eServices Limited	Shantamurli Holdings Private Limited	
Sales	147,439,843 (139,748,000)	– (–)	– (–)	– (–)	147,439,843 (139,748,000)
Reimbursement of expenses	2,323,829 (–)	– (–)	– (–)	3,000 (–)	2,327,829 (16,440,000)
Investment	– (–)	6,277,233 (4,171,035)	57,000,000 (10,000,000)	– (–)	63,277,233 (14,171,035)
Share application money	– (–)	– (–)	– (15,000,000)	– (–)	– (15,000,000)

Aggregate of transactions	Key management personnel		Relatives of key management personnel	Total
	Harish Mehta	Shaila Mehta	Jigar Mehta	
Directors sitting charges	– (–)	100,000 (100,000)	– (–)	100,000 (100,000)
Salary and allowance	8,112,500* (2,561,761)	– (–)	4,364,907 (2,507,400)	9,060,459 (5,069,161)
Loans and advance	– (–)	– (–)	1,073,562 (988,421)	1,073,562 (988,421)

\* During the financial year 2011-12, Company has received Central Government's approval for ₹ 8,400,000 per annum towards remuneration payable to Mr. Harish Mehta for the period of 3 years effective from April 1, 2011 to March 31, 2014. Salary and allowances amounting to ₹ 8,112,500 include rent free accommodation.

**Notes to financial statements (Contd.)**

Figures in ₹

Aggregate of transactions	Enterprise over which key management personnel exercise significant influence		Total
	Desai Finwealth Investments & Securities Private Limited	Onward Software Technologies Private Limited	
Unsecured loans	2,000,000 (4,400,000)	– (–)	2,000,000 (4,400,000)
Repayment of unsecured loans	4,497,241 (–)	– (–)	4,497,241 (–)
Interest paid during the year	35,927 (32,927)	– (–)	35,927 (32,927)

**(c) Balance outstanding at end of financial year:**

Aggregate of transactions	Holding Company	Total
	Onward Network Technologies Private Limited	
Debit balances outstanding		
Loans and advances	– ( – )	– ( – )
Credit balances outstanding		
Unsecured loan	74,677,523 (69,372,395)	74,677,523 (69,372,395)

Aggregate of transactions	Subsidiary Companies				Total
	Onward Technologies, Inc., USA	Onward Technologies GmbH, Germany	Onward eServices Limited	Shantamurli Holdings Private Limited	
Debit balances outstanding					
Loans and advances	– ( – )	– ( – )	– ( – )	– ( – )	– ( – )
Trade receivables	– ( – )	4,895,715 (5,022,881)	– ( – )	– ( – )	4,895,715 (5,022,881)
Advance towards expenses	– (345,000)	– ( – )	– ( – )	– ( – )	– (345,000)
Investments	95,169,663 (95,169,663)	10,448,268 (4,171,035)	129,900,000 (72,900,000)	10,692,664 (10,692,664)	246,210,594 (182,933,362)
Share application money	– ( – )	– ( – )	– (15,000,000)	– ( – )	– (15,000,000)

**Notes to financial statements (Contd.)**

Figures in ₹

Aggregate of transactions	Subsidiary Companies				Total
	Onward Technologies, Inc., USA	Onward Technologies GmbH, Germany	Onward eServices Limited	Shantamurli Holdings Private Limited	
Credit balances outstanding					
Unsecured loan	– ( – )	– ( – )	– ( – )	10,195,123 (10,540,000)	10, 195,123 (10,540,000)
Credit balance in trade receivables	67,996,917 (47,077,901)	– ( – )	– ( – )	– ( – )	67,996,917 (47,077,901)
Trade payables	2,323,829 ( – )	– ( – )	– ( – )	– ( – )	2,323,829 ( – )

Aggregate of transactions	Key management personnel		Relatives of key management personnel	Total
	Harish Mehta	Shaila Mehta	Jigar Mehta	
Debit balances outstanding				
Loans and advance	– ( – )	– ( – )	333,869 (497,675)	333,869 (497,675)
Credit balances outstanding				
Salary and allowances	2,358,092 (148,400)	– ( – )	294,334 (263,740)	2,652,426 (412,140)

Aggregate of transactions	Enterprise over which key management personnel exercise significant influence		Total
	Desai Finwealth Investments & Securities Private Limited	Onward Software Technologies Private Limited	
Debit balances outstanding			
Loans and advances	– ( – )	– (55,000)	– (55,000)
Credit balances outstanding			
Unsecured loan	1,902,759 (4,400,000)	– ( – )	1,902,759 (4,400,000)

**Notes to financial statements (Contd.)**
**35. a) Disclosure for income from operating lease:**

The Company has leased office premise under operating lease. The lease charges to be received in future are as follows:

Particular	Year ended March 31 (₹)	
	2012	2011
Lease payment credited to statement of profit and loss	650,550	598,500

Minimum lease payment	Year ended March 31 (₹)	
	2012	2011
Up to 1 year	706,952	178,723

**b) Disclosure for operating leases:**

The Company has leased certain flats / office premises under operating leases. The lease payments to be made in respect of the leases in future are as follows:

Particular	Year ended March 31 (₹)	
	2012	2011
Lease payment debited to statement of profit and loss	23,635,156	18,399,716
<b>Lease obligation</b>		
Up to 1 year	23,635,156	5,858,240
Greater than 1 year but less than 5 years	1,575,000	—

**36. Statement of computation of deferred tax liabilities/assets (net)**

Particulars	Year ended March 31 (₹)	
	2012	2011
A) Deferred tax assets		
a) Carried forward of unabsorbed deprecation and loss	30,087,814	15,876,226
b) Provision disallowed under Sec. 43B, Sec. 40(a)(1) and Sec. 40A(7)	3,890,858	2,536,954
Total (A)	33,978,672	18,413,180
B) Deferred tax liability		
Difference in net block as per books of account and as per Income Tax Act, 1956	14,870,984	18,413,180
Total (B)	14,870,984	18,413,180
Net deferred tax assets / (liability) (A-B) as on end of reporting period	19,107,688	—
Net deferred tax assets / (liability) as on the beginning of reporting period	—	—
Deferred tax expense / (benefit) recognised in statement of profit and loss	19,107,688	—

**Notes to financial statements (Contd.)****37. Earnings per share**

The earnings per share have been computed in accordance with the "Accounting Standard 20 - Earnings per Share".

Particular	Year ended March 31	
	2012	2011
Profit / (loss) after tax	₹ 86,242,118	₹ 37,179,333
Profit / (loss) attributable to equity shareholders	₹ 86,242,118	₹ 37,179,333
Adjusted number of ordinary shares (Nos.), (face value ₹ 10)	13,433,497	13,281,089
Basic earning per share	₹ 6.42	₹ 2.80
Weighted average number of shares under options (Nos.)	1,434,950	960,200
Diluted earning per share	₹ 5.95	₹ 2.66

Particular	Year ended March 31	
	2012	2011
Weighted average number of shares under options (Nos.)	1,434,950	960,200
Fair value of shares during the year	₹ 39.65	₹ 33.95
Exercise price for share under option	₹ 10	₹ 10
Number of shares that would have been issued at fair value (Nos.)	361,904	282,828

**38. a) Onward Technologies employee stock option plan 2009**

The Company instituted the 2009 plan for all eligible employees in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on August 31, 2009. Scheme covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to scheme, the Company has granted options each to eligible employees at an exercise price of ₹ 10 per equity share of ₹ 10 each.

Under the term of scheme, the vesting period shall commence on the expiry of one year from the date of grant of the options to the employees and it will be spread equally over 4 years. And 25% of the options will vest in the employees at the end of first year, 25% at the end of second year, 25% at the end of third year and balance 25% at the end of fourth year from the grant date.

The employee stock options granted shall be capable of being exercised within a period of one year from the date of vesting the options, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled. The movement in the stock options during the year was as per the table given below:

Particular	Year ended March 31	
	2012	2011
Options outstanding at the beginning of the year	240,050	77,000
Options granted during the year	244,950	201,500
Options forfeited / cancelled during the year	64,400	28,950
Options lapsed during the year	3,500	—
Options exercised during the year	48,862	9,500
Options outstanding at the end of the year	358,737	240,050
Shares exercisable at the end of the year	1,434,950	960,200

**Notes to financial statements (Contd.)**

- b) Stock options issued during the year have been accounted as per the accounting guidelines issued by SEBI in the year 1999. Accordingly, an amount of ₹ **1,854,358** (₹ 4,134,766) representing the current year charge has been debited to statement of profit and loss during the year under both plan.
- 39.** The Company has not yet appointed a full time Company Secretary; however, all compliances are done by an independent Company Secretary firm.
- 40.** The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. All assets and liabilities have been classified as current or non-current as per the operating cycle criteria set out in the Revised Schedule VI. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.
- 41.** Figures are rounded off to the nearest rupee.
- 42.** Figures in bracket pertain to the previous year.

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For Kirtane & Pandit**

*Chartered Accountants*

*(Firm Registration Number: 105215W)*

**Parag P. Pansare**

*Partner*

*Membership No.: 117309*

Place : Mumbai

Date : May 25, 2012

**For and on behalf of the Board of Directors**

**Harish Mehta**

*Chairman & Managing Director*

**Arun Meghani**

*Director*

**Shaila Mehta**

*Director*

**Pradip Dubhashi**

*Director*

## Auditors' report on consolidated financial statements

To,  
**The Board of Directors**  
**Onward Technologies Limited**

We have audited the attached Consolidated Balance Sheet of ONWARD TECHNOLOGIES LIMITED ("the Company") and its subsidiaries (together referred to as 'the group', as described in the schedule as at March 31, 2012 the Consolidated Statement of Profit and Loss for the year ended annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date. These Consolidated financial statements are the responsibility of the Company's management and have been prepared by management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, whose financial statements reflect total assets of ₹ 101,097,443 (net) as at March 31, 2012 and total revenues of ₹ 522,176,905 for the year then ended. In case of German subsidiary viz. Onward Technologies GmbH, the financial statements as certified by director of that subsidiary have been considered for the purpose of consolidation and the financial statements of United States of America subsidiary viz. Onward Technologies, Inc. have been audited by other independent auditors whose reports have been furnished to us, and our opinion is based solely on the report of such other auditors.

Without qualifying our opinion, we draw attention to Note 39 to the financial statements regarding the non-appointment of the full time Company Secretary;

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and Notified by the Companies (Accounting Standards) Rules, 2006.

Based on our audit and on consideration of the report of other auditor 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 subject to read together with the Significant Accounting Policies and other Notes to Financial Statements subject to Note 25 and 39, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at March 31, 2012;
- (b) in the case of Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) In the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**For Kirtane & Pandit**  
*Chartered Accountants*  
 (Firm Registration Number: 105215W)

**Parag P. Pansare**  
*Partner*  
 Membership No.: 117309  
 Mumbai, May 25, 2012

## Consolidated balance sheet as at 31st March, 2012

Figures in ₹

Particulars	Notes	2012	2011
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
(a) Share capital	2	135,155,200	133,200,700
(b) Reserves and surplus	3	44,910,139	(30,746,275)
		<u>180,065,339</u>	<u>102,454,425</u>
<b>Non-current liabilities</b>			
(a) Long-term borrowings	4	169,370,349	175,941,207
(b) Deferred tax liabilities (net)	5	—	—
(c) Other long-term liabilities	6	1,117,535	1,974,849
		<u>170,487,884</u>	<u>177,916,056</u>
<b>Current liabilities</b>			
(a) Short-term borrowings	7	147,570,728	111,257,384
(b) Trade payables	8	40,835,725	38,148,209
(c) Other current liabilities	9	132,140,972	128,090,414
(d) Short-term provisions	10	33,692,308	23,390,754
		<u>354,239,733</u>	<u>300,886,761</u>
<b>Total</b>		<u>704,792,956</u>	<u>581,257,242</u>
<b>Assets</b>			
<b>Non-current assets</b>			
(a) Fixed assets	11		
(i) Tangible assets		69,728,035	75,753,928
(ii) Intangible assets		61,902,933	74,194,249
(b) Non-current investments	12	—	221,860
(c) Deferred tax assets (net)	5	21,982,520	7,641,957
(d) Long-term loans and advances	13	12,836,924	12,702,184
(e) Other non-current assets	14	75,300,391	55,896,511
		<u>241,750,803</u>	<u>226,410,689</u>
<b>Current assets</b>			
(a) Trade receivables	15	330,419,004	254,950,752
(b) Cash and bank balances	16	17,089,898	11,786,177
(c) Short-term loans and advances	17	21,200,750	23,258,582
(d) Other current assets	18	94,332,501	64,851,042
		<u>463,042,153</u>	<u>354,846,553</u>
<b>Total</b>		<u>704,792,956</u>	<u>581,257,242</u>
<b>Summary of significant accounting policies</b>	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For Kirtane & Pandit**
*Chartered Accountants*
*Firm Registration Number: 105215W*
**For and on behalf of the Board of Directors**
**Parag P. Pansare**
*Partner*
*Membership No.: 117309*
**Harish Mehta**
*Chairman & Managing Director*
**Shaila Mehta**
*Director*

Place : Mumbai

Date : May 25, 2012

**Arun Meghani**
*Director*
**Pradip Dubhashi**
*Director*

## Consolidated statement of profit and loss for the year ended 31st March, 2012

Figures in ₹

Particulars	Notes	2012	2011
I. Revenue from operations	19	1,305,367,482	1,031,922,002
II. Other income	20	14,329,962	11,419,580
III. Total revenue (I + II)		<u>1,319,697,444</u>	<u>1,043,341,582</u>
IV. Expenses:			
Cost of software products	21	20,173,952	19,596,357
Employee benefits expenses	22	905,163,376	634,991,129
Finance costs	23	41,019,102	24,316,652
Depreciation and amortization expense	11	45,326,570	46,100,422
Other expenses	24	255,251,203	274,111,355
Total expenses		<u>1,266,934,203</u>	<u>999,115,915</u>
V. Profit before exceptional and extraordinary items and tax (III - IV)		52,763,241	44,225,667
VI. Exceptional items		—	—
VII. Profit before extraordinary items and tax (V - VI)		52,763,241	44,225,667
VIII. Extraordinary items		—	—
IX. Profit before tax (VII - VIII)		52,763,241	44,225,667
X. Tax expense:			
(1) Current tax		1,249,196	1,904,523
(2) Current tax (MAT)		11,499,400	7,478,500
(3) MAT credit entitlement		(11,499,400)	(7,478,500)
(4) Deferred tax		(13,580,056)	(7,641,051)
XI. Profit for the period from continuing operations (IX - X)		<u>65,094,101</u>	<u>49,962,195</u>
XII. Earnings per equity share:			
(1) Basic		4.85	2.80
(2) Diluted		4.49	2.66

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For Kirtane & Pandit**

Chartered Accountants

Firm Registration Number: 105215W

**For and on behalf of the Board of Directors**

**Parag P. Pansare**

Partner

Membership No.: 117309

**Harish Mehta**

Chairman & Managing Director

**Shaila Mehta**

Director

Place : Mumbai

Date : May 25, 2012

**Arun Meghani**

Director

**Pradip Dubhashi**

Director

## Consolidated cash flow statement of Onward Technologies Limited and its subsidiaries for the year ended 31st March, 2012

		Figures in ₹	
		2012	2011
<b>(A) Cash flows from operating activities</b>			
<b>Profit before extra ordinary item and tax</b>		<b>52,763,241</b>	<b>44,225,671</b>
<b>Adjustments for:</b>			
Depreciation		45,326,570	46,100,422
Deferred employees compensation expenses		(4,028,850)	4,134,766
Preliminary expenses		115,961	115,969
Interest income		(315,348)	(478,878)
Dividend received		(11,600)	(23,579)
Net loss on sale of fixed assets		1,097,741	373,395
Interest expenses		39,598,935	24,316,652
<b>Operating profit before working capital changes</b>		<b>134,546,650</b>	<b>118,764,418</b>
<b>Adjustments for:</b>			
Decrease/(increase) in trade receivables		(68,798,550)	(85,314,903)
Decrease/(increase) in other current assets		87,068	167,026
Decrease/(increase) in loans and advances		(47,858,188)	(47,588,461)
(Decrease)/increase in current liabilities		(874,899)	55,928,183
(Decrease)/increase in provisions		10,301,554	7,710,697
Cash generated from operations		27,403,635	49,666,960
Income tax provided		(1,249,196)	(1,904,523)
<b>Cash flow before extraordinary item</b>		<b>26,154,439</b>	<b>47,762,437</b>
<b>Net cash from operating activities (A)</b>		<b>26,154,439</b>	<b>47,762,437</b>
<b>(B) Cash flow from investing activities</b>			
Purchase of fixed assets and investments		(29,039,343)	(25,985,345)
Proceeds from sale of fixed assets		932,241	38,673
Interest received		315,348	478,878
Dividend received		11,600	23,579
<b>Net cash used in investing activities (B)</b>		<b>(27,780,154)</b>	<b>(25,444,215)</b>
<b>(C) Cash flow from financing activities</b>			
Proceeds from issue of share capital		1,954,500	472,000
Share premium account		1,815,130	-
Proceeds from sale of investments		221,860	-
Proceeds from long-term borrowings		52,807,574	55,480,795
Repayment of long-term borrowings		(22,286,222)	(65,728,563)
Dividend and dividend tax paid		-	-
Increase in non-current assets		-	-
Interest paid		(39,598,935)	(24,316,652)
<b>Net cash (used)/generated in financing activities (C)</b>		<b>(5,086,093)</b>	<b>(34,092,420)</b>
<b>Net increase/(decrease) in cash and cash equivalents (A + B + C)</b>		<b>(6,711,808)</b>	<b>(11,774,198)</b>
Cash and cash equivalents opening balance		11,786,177	23,178,698
Change in foreign currency translation adjustment		12,015,529	381,677
<b>Cash and cash equivalents closing balance</b>		<b>17,089,898</b>	<b>11,786,177</b>

As per our report of even date

**For Kirtane & Pandit**  
 Chartered Accountants  
 (Firm Registration Number: 105215W)

**Parag P. Pansare**  
 Partner  
 Membership No.: 117309

Place : Mumbai  
 Date : May 25, 2012

**For and on behalf of the Board of Directors**

**Harish Mehta**  
 Chairman & Managing Director

**Arun Meghani**  
 Director

**Shaila Mehta**  
 Director

**Pradip Dubhashi**  
 Director

## Notes to consolidated financial statements

### Note 1 - Significant accounting policies

#### A. Accounting assumptions

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). These accounts have been prepared on the assumption that the Company is a going concern and have been consistently applied by the Company; and the accounting policies not referred to otherwise, are in conformity with Indian GAAP.

#### B. Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosure of an item or information in the financial statements has been made relying on these estimates. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimated. Any revision to accounting estimates is recognised prospectively in the current and future periods.

#### C. Fixed assets, depreciation and impairment

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

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

Depreciation on fixed assets is computed on the straight-line method over their useful lives at rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired after financial year 2004-2005 valuing for less than ₹ 5,000 are entirely depreciated in the year of acquisition.

Depreciation on fixed asset in respect of US subsidiary is provided on straight-line basis over the useful life as under:

Asset	Useful life
Office equipment	5 years
Furniture and fixtures	7 years
Computer hardware	5 years
Computer software	3 years

Lease hold improvements are depreciated over the period of contract of lease including lease period which can be further extendable at discretions of the lessee.

The costs of intangible assets are amortized over a period of 6 years, which is considered to be the useful life of this software.

## Notes to consolidated financial statements (Contd.)

The management periodically assesses fixed assets, using external and internal sources whether there is an indication that an asset may be impaired. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit.

Impairment loss recognised for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

### D. Foreign currency transactions

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing on the date on which transaction occurred.

Outstanding balances of foreign currency monetary items are reported using the period end rates.

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

Exchange differences arising as a result of the above are recognised as income or expense in the statement of profit and loss.

In pursuance to notification no G.S.R 225 (E) 31.03.2009 issued by the Ministry of Corporate Affairs for amending Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates", the Company has opted the option of capitalising foreign exchange gain/loss on long term foreign currency monetary assets.

### Foreign branches

Foreign currency transactions entered into by branches, which are integral foreign operations, are translated in the same manner as foreign currency transactions described above. Monetary assets and liabilities are translated at rates prevailing on the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Depreciation on fixed assets is recognised as per the Company's policy. Net gain/loss on foreign currency translation is recognised in the statement of profit and loss.

### Derivative

The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts or options for trading or speculation purposes.

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognized as income or expense over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

**Notes to consolidated financial statements (Contd.)****E. Investments**

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as current/short term or long term based on the management's intention at the time of purchase. Long term investments are carried at cost less any permanent diminution in value (if any), determined separately for each individual investment. Current/short term investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment. Cost for overseas investments comprises the Indian rupee value of the consideration paid for the investment.

**F. Payments and benefits to employees****(a) Short term employee benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, and short term compensated absences etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

**(b) Post employment benefits**

(i) Defined contribution plans: The Company's superannuation scheme, state governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognized during the period in which the employee renders the related service,

(ii) Defined benefit plans: The employees' gratuity fund schemes managed by trust are the Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date having maturity periods approximating to the terms of related obligations.

Actuarial gain and losses are recognized immediately in the statement of profit and loss.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis.

**(c) Long term employee benefits**

The obligation for long term employee benefits such as long term compensated absences is recognized in the same manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

**G. Revenue recognition**

Revenue comprises sale of user licence of software, professional services and consultancy, training, interest and dividend. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue is disclosed exclusive of sales tax, service tax, VAT or other taxes, as applicable.

**Sales**

- i) Services rendered through transfer via tele-communication network are recognised on receiving confirmation of receipt from customer.
- ii) In respect of income received from contracts dependent on time and material basis are recognised when related service are performed.

## Notes to consolidated financial statements (Contd.)

- iii) Revenue through training, annual maintenance contracts and fixed price maintenance contracts are recognized proportionately over the period in which services are rendered/training are provided.
- iv) Revenue from the sale of user licences for software applications is recognised on transfer of the title in the user licence.
- v) Revenues from fixed price engagements are recognized using the percentage of completion method of accounting after receiving confirmation from client.

### Income from operating lease

Minimum lease payments as per contracts are recognised as revenue on a straight-line basis over the lease term.

### Income from investment

- i) Dividend income is recognized when the Company's right to receive dividend is established.
- ii) Interest is recognised on time proportionate basis taking into account the amount outstanding and the rate applicable.

## H. Principles of consolidation

The consolidated financial statements of the group are prepared in accordance with Accounting Standard 21 - 'Consolidated Financial Statements' as notified in Companies (Accounting Standard) Rules 2006.

The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances and intra group transactions. The unrealized profits or losses resulting from the intra group transactions and intra group balances have been eliminated.

The excess of the cost to the Company of its investment in the subsidiaries over the Company's portion of equity on the acquisition date is recognized in the financial statements as goodwill and is tested for impairment annually. The excess of Company's portion of equity of the subsidiary over the cost of investment therein is treated as capital reserve.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and in case of subsidiary companies incorporated outside India which does not maintain books of account under Indian GAAP has not been adjusted for deviations from accounting policy followed by holding Company and subsidiary Company while preparing consolidated financial statement as same are not material and does not affect consolidated financial statements.

## I. Cash flow statement

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

## J. Tax expense

Tax expense for a year comprises of current tax and deferred tax.

Current tax is measured after taking into consideration, the deductions and exemptions admissible under the provisions of the Income Tax Act, 1961.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**Notes to consolidated financial statements (Contd.)**

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after such tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted at the balance sheet date.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Income Tax Act, 1961 (specified period). In the year, in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India (ICAI), the said asset is created by way of a credit to the statement of profit and loss and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay income tax higher than MAT during the specified period.

**K. Earning per share**

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the board of directors.

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

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

**L. Employee stock option scheme**

In accordance with SEBI guidelines, the excess of the market price of shares, at the date of grant of options under the employee stock option schemes, over the exercise price, is treated as employee compensation expenses and amortised on a straight line basis over the vesting period of the options. In the case of graded vesting, the vesting period is determined separately for each portion of the option. The unamortised portion of the cost is shown under "Reserves and surplus".

**M. Operating lease**

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged off to the statement of profit and loss as incurred. Initial direct costs in respect of assets given on operating lease are expensed off in the year in which such costs are incurred.

**N. Provisions and contingent liabilities**

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.

**Notes to consolidated financial statements (Contd.)**

Value in ₹

**Note 2 - Share capital**

Particulars	Par value per share	2011		Issued/(reductions) during the year		2012	
		No of shares	Value	No of shares	Value	No of shares	Value
<b>Equity share capital</b>							
<b>Authorised:</b>							
18,000,000 equity shares of ₹ 10 each	10	18,000,000	180,000,000	—	—	18,000,000	180,000,000
1,000,000 preference shares of ₹ 10 each	10	1,000,000	10,000,000	—	—	1,000,000	10,000,000
1,000,000 unclassified shares of ₹ 10 each	10	1,000,000	10,000,000	—	—	1,000,000	10,000,000
<b>Total authorised capital</b>		20,000,000	200,000,000	—	—	20,000,000	200,000,000
<b>Issued, subscribed and paid-up:</b>							
13,515,520 (13,320,070) equity shares of ₹ 10 each	10	13,320,070	133,200,700	195,450	1,954,500	13,515,520	135,155,200

**Terms/rights attached to equity shares**

Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

1,434,950 (960,200) equity shares are outstanding under ESOP 2009 scheme as at balance sheet date; each share being fully paid equity share of ₹ 10 each.

**Details of share holdings**

Particulars	2011			2012		
	No of shares	Value	Holding (%)	No of shares	Value	Holding (%)
<b>Share held by holding Company:</b>						
Onward Network Technologies Private Limited	6,739,679	67,396,790	50.60	6,933,311	69,333,110	51.30
<b>Holding more than 5%:</b>						
Onward Network Technologies Private Limited	6,739,679	67,396,790	50.60	6,933,311	69,333,110	51.30

**Notes to consolidated financial statements (Contd.)**

Figures in ₹

**Note 3 - Reserve and surplus**

Particulars	2012	2011
<b>Securities premium account:</b>		
Balance as per last financial statements	74,893,553	73,989,333
Add: premium on issue of equity shares	—	—
Add: additions on employee stock option plan outstanding	1,815,130	904,220
<b>Closing balance</b>	<b>76,708,683</b>	<b>74,893,553</b>
<b>Employee stock option plan outstanding (Refer Note - 37):</b>		
Balance as per last financial statements	4,028,850	3,563,720
Add: gross compensation for options granted during the year	18,885,419	6,262,880
Less: deferred employee stock compensation	(21,099,139)	(4,893,530)
Less: transferred to securities premium on exercise of stock options	(1,815,130)	(904,220)
<b>Closing balance</b>	<b>—</b>	<b>4,028,850</b>
<b>Surplus/(deficit) at the beginning of the year:</b>	<b>(114,793,443)</b>	<b>(164,755,628)</b>
Add: profit after tax for the year	65,094,101	49,962,199
Less: appropriations	—	—
Add: foreign currency translation reserve	17,900,798	5,124,751
<b>Surplus at the end of the year</b>	<b>(31,798,544)</b>	<b>(109,668,678)</b>
<b>Total</b>	<b>44,910,139</b>	<b>(30,746,275)</b>

**Note 4 - Long-term borrowings**

Particulars	2012		2011	
	Secured	Unsecured	Secured	Unsecured
<b>Term loans:</b>				
Term loans from banks	20,162,346	—	3,211,131	—
<b>Loans and advances from related parties (Refer Note - 34):</b>				
Desai Finwealth Investment & Securities Private Limited	—	1,902,759	—	7,250,000
Onward Network Technologies Private Limited	—	138,692,133	—	156,387,005
Shantmurli Holdings Private Limited	—	—	—	—
<b>Other loans and advances:</b>				
<b>Interest payable to:</b>				
Desai Finwealth Investment & Securities Private Limited	—	—	—	890,745
Onward Network Technologies Private Limited	—	8,613,111	—	8,202,326
<b>Total</b>	<b>20,162,346</b>	<b>149,208,003</b>	<b>3,211,131</b>	<b>172,730,076</b>

## Notes to consolidated financial statements (Contd.)

- A) Term loans including working capital term loans sanctioned by Kotak Mahindra Bank Limited are secured by exclusive charge on all existing and future current assets and movable fixed assets of the Company and personal guarantee of Mr. Harish Mehta & Mr. Jigar Mehta. Further secured by extension of equitable mortgage over the properties situated at Sterling Centre, Worli, Mumbai and E-Space, Nagar Road, Pune (both the properties are owned by Onward Network Technologies Private Limited). Term loans taken during the financial year 2010-11 & 2011-12 carries floating interest rate of 12% to 14.50% p.a.

### Maturity profile of term loans from banks:

Particulars	1-2 years	2-3 years	3-4 years	More than 4 years
Term loans from bank (principal amounts repayable)	₹ 12,864,784	₹ 6,408,978	₹ 888,584	₹ Nil

- B) Term loans obtained from ICICI Bank & Kotak Mahindra Prime Limited for purchase of vehicles are secured by hypothecation of vehicles and repayable in equal monthly installments.
- C) Loans from Desai Finwealth Investment & Securities Private Limited and Onward Network Technologies Private Limited for which the Company has unconditional right to defer the repayment along with interest @ 1% & 12.25 % p.a. respectively.
- D) Loan from Shantmurli Holdings Private Limited is interest free and the Company has unconditional right to defer the repayment along with Interest.

Figures in ₹

### Note 5 - Deferred tax assets/liabilities (net)

Particulars	2012	2011
<b>Deferred tax liability (Refer Note - 38):</b>		
Fixed assets: impact of difference between WDV as per financial reporting and as per income tax reporting	(14,870,983)	—
<b>Deferred tax assets (Refer Note - 38):</b>		
Impact of expenditure disallowed as per financial statement but allowed for tax purposes on payment basis	3,890,859	—
Impact of carried forward losses	32,962,644	7,641,957
<b>Total</b>	<b>21,982,520</b>	<b>7,641,957</b>

### Note 6 - Other long-term liabilities

Particulars	2012	2011
<b>Trade payables</b>	<b>551,885</b>	<b>1,832,349</b>
<b>Others:</b>		
Deposit	142,500	142,500
Other payables	423,150	—
<b>Total</b>	<b>1,117,535</b>	<b>1,974,849</b>

**Notes to consolidated financial statements (Contd.)**

Figures in ₹

**Note 7 - Short-term borrowings**

Particulars	2012		2011	
	Secured	Unsecured	Secured	Unsecured
<b>Loans repayable:</b>				
Cash credit from banks	122,013,741	–	73,917,979	–
Term loans from banks (Refer Note - 40)	25,556,987	–	37,093,242	–
<b>Loans and advances from related parties:</b>				
Onward Network Technologies Private Limited	–	–	–	246,163
<b>Total</b>	<b>147,570,728</b>	<b>–</b>	<b>111,011,221</b>	<b>246,163</b>

- A) Cash credits and term loans including working capital term loans sanctioned by Kotak Mahindra Bank Limited are secured by exclusive charge on all existing and future current assets and movable fixed assets of the Company and personal guarantee of Mr. Harish Mehta & Mr. Jigar Mehta. Further secured by extension of equitable mortgage over the properties situated at Sterling Centre, Worli, Mumbai and E-Space, Nagar Road, Pune (Both the properties are owned by Onward Network Technologies Private Limited). Term loans taken during the financial year 2010-11 & 2011-12 carries floating interest rate of 12% to 14.50% p.a.
- B) Term loans obtained from ICICI Bank & Kotak Mahindra Prime Limited for purchase of vehicles are secured by hypothecation of vehicles and repayable in equal monthly installments.
- C) The Onward Technologies, Inc. obtained a \$ 1,500,000 secured revolving credit facility from Bank of America to meet its working capital requirements out of which an additional credit facility of \$ 500,000 renewed during the year. The duration of this facility is one year from June 2011. The credit facility bears the average interest rate of 4.25% as at March 31, 2012. The outstanding amount of this facility aggregated to \$ 850,000 equivalent to ₹ 44,268,255 as at March 31, 2012. The credit facility is secured by first charge on the tangible and intangible assets of the Onward Technologies, Inc. and the corporate guarantee of Onward Technologies Limited.

**Note 8 - Trade payables**

Particulars	2012	2011
<b>Trade payable for services and software:</b>		
Due to micro, small and medium enterprises	257,221	234,207
Others	40,578,504	37,914,002
<b>Total</b>	<b>40,835,725</b>	<b>38,148,209</b>

**Note 9 - Other current liabilities**

Particulars	2012	2011
<b>Advance from customers:</b>		
From related parties	–	–
Others	4,281,673	274,537
<b>Other liabilities:</b>		
Payables to ex-employees	42,019,908	45,615,126
Statutory liabilities	57,275,829	51,526,993
Provision for expenses	8,609,204	6,951,109
Remuneration to director (Refer Note - 34)	2,358,092	148,400
Other payables	17,596,266	23,574,249
<b>Total</b>	<b>132,140,972</b>	<b>128,090,414</b>

**Notes to consolidated financial statements (Contd.)**

Figures in ₹

**Note 10 - Short-term provisions**

Particulars	2011	Additions	Payment/ Utilisations	Reversals/ Adjustment	2012
<b>Provision for employee benefits (Refer Note - 32):</b>					
Gratuity	8,218,057	<b>2,783,137</b>	—	—	<b>11,001,194</b>
Leave encashment	2,736,163	<b>1,186,538</b>	—	<b>231,487</b>	<b>3,691,214</b>
<b>Others:</b>					
Fringe benefit tax	4,932,934	—	—	<b>3,118,530</b>	<b>1,814,404</b>
Minimum alternate tax	7,478,500	<b>11,499,400</b>	—	<b>1,814,404</b>	<b>17,163,496</b>
Wealth tax	25,100	<b>22,000</b>	<b>25,100</b>	—	<b>22,000</b>
<b>Total</b>	<b>23,390,754</b>	<b>15,491,075</b>	<b>25,100</b>	<b>5,164,421</b>	<b>33,692,308</b>

**Note 11 - Fixed assets:**

Particulars	Gross block (at cost)				Depreciation				Net block	
	As at 1.4.2011	Additions during the year	Deletions during the year	Total as at 31.3.2012	Provided up to 31.3.2011	Depreciation for the year	Depreciation on deductions	Total up to 31.3.2012	Impairment losses/reversals	As at 31.3.2012
<b>Tangible assets (owned):</b>										
Buildings/premises	1,706,250	—	—	<b>1,706,250</b>	437,031	27,812	—	<b>464,843</b>	—	<b>1,241,407</b>
Furniture and fixtures	57,192,375	1,130,907	2,154,906	<b>56,168,376</b>	39,805,147	4,044,916	1,411,046	<b>42,439,017</b>	—	<b>13,729,359</b>
Vehicles	18,686,538	1,674,528	2,187,179	<b>18,173,887</b>	5,184,013	1,787,925	651,599	<b>6,320,339</b>	—	<b>11,853,548</b>
Office equipment	12,026,138	171,199	202,770	<b>11,994,567</b>	5,830,690	558,788	202,770	<b>6,186,708</b>	—	<b>5,807,859</b>
Other equipment	8,908,536	225,734	107,015	<b>9,027,255</b>	5,224,076	573,238	88,409	<b>5,708,905</b>	—	<b>3,318,350</b>
Electrical fittings	8,136,252	155,870	204,350	<b>8,087,772</b>	5,414,282	431,914	204,350	<b>5,641,846</b>	—	<b>2,445,926</b>
Instruments and accessories	1,256,039	—	231,523	<b>1,024,516</b>	1,204,368	14,091	231,523	<b>986,936</b>	—	<b>37,580</b>
Computers	401,643,097	12,792,546	15,691,115	<b>398,744,528</b>	380,115,174	11,308,339	15,959,181	<b>375,464,332</b>	—	<b>23,280,196</b>
<b>Total</b>	<b>509,555,225</b>	<b>16,150,784</b>	<b>20,778,858</b>	<b>504,927,151</b>	<b>443,214,781</b>	<b>18,747,023</b>	<b>18,748,878</b>	<b>443,212,926</b>	—	<b>61,714,225</b>
<b>Assets under lease:</b>										
Leasehold improvements	12,428,966	—	—	<b>12,428,966</b>	3,015,484	1,399,672	—	<b>4,415,156</b>	—	<b>8,013,810</b>
<b>Total tangible assets</b>	<b>521,984,191</b>	<b>16,150,784</b>	<b>20,778,858</b>	<b>517,356,117</b>	<b>446,230,265</b>	<b>20,146,695</b>	<b>18,748,878</b>	<b>447,628,082</b>	—	<b>69,728,035</b>
<b>Intangible assets:</b>										
Computer software	142,898,334	12,888,559	364,765	<b>155,422,128</b>	92,903,496	12,408,440	364,765	<b>104,947,171</b>	—	<b>50,474,957</b>
Computer software on lease	104,966,334	—	—	<b>104,966,334</b>	80,766,923	12,771,435	—	<b>93,538,358</b>	—	<b>11,427,976</b>
Goodwill	2,733,645	—	—	<b>2,733,645</b>	2,733,645	—	—	<b>2,733,645</b>	—	—
<b>Total intangible assets</b>	<b>250,598,313</b>	<b>12,888,559</b>	<b>364,765</b>	<b>263,122,107</b>	<b>176,404,064</b>	<b>25,179,875</b>	<b>364,765</b>	<b>201,219,174</b>	—	<b>61,902,933</b>
<b>Grand total</b>	<b>772,582,504</b>	<b>29,039,343</b>	<b>21,143,623</b>	<b>780,478,224</b>	<b>622,634,329</b>	<b>45,326,570</b>	<b>19,113,643</b>	<b>648,847,256</b>	—	<b>131,630,968</b>

**Notes to consolidated financial statements (Contd.)**

Figures in ₹

**Note 12 - Non-current investments**

Particulars	2012	2011
<b>Investments in equity instruments (quoted)</b>		
Dena Bank Limited	—	90,000
Nil (3,000) fully paid equity shares		
<b>Others</b>		
<b>The North Kanara GSB Co-op. Bank Limited</b>	—	83,860
Nil (8,386) fully paid shares of ₹ 10 each		
<b>The Saraswat Co-op. Bank Limited</b>	—	25,000
Nil (2,500) fully paid shares of ₹ 10 each		
<b>Investments in government or trust securities</b>		
6 years national saving certificates (pledged with sales tax department)	—	23,000
<b>Total</b>	—	221,860
Aggregate cost of quoted investments	—	90,000
Aggregate cost of unquoted investments	—	131,860
Aggregate market value of quoted investments	—	312,750
<b>Total</b>	—	221,860

**Note 13 - Long-term loans and advances**

Particulars	2012	2011
	Unsecured, considered good	Unsecured, considered good
<b>Security deposits</b>	<b>12,836,924</b>	12,702,184
Less: provision for bad & doubtful debts	—	—
<b>Total</b>	<b>12,836,924</b>	12,702,184

Deposits includes earnest money deposits, rent deposits and deposits with various authorities.

**Notes to consolidated financial statements (Contd.)**

Figures in ₹

**Note 14 - Other non-current assets**

Particulars	2012			2011		
	Unsecured, considered good	Doubtful	Total	Unsecured, considered good	Doubtful	Total
<b>Long-term trade receivables:</b>	<b>10,976,796</b>	<b>770,841</b>	<b>11,747,637</b>	17,652,427	318,318	17,970,745
Less: provision for bad & doubtful debts	–	(770,841)	(770,841)	–	(318,318)	(318,318)
	<u>10,976,796</u>	<u>–</u>	<u>10,976,796</u>	<u>17,652,427</u>	<u>–</u>	<u>17,652,427</u>
<b>Others:</b>			–			
Tax deducted at source (TDS)	64,173,595	–	64,173,595	38,244,084	–	38,244,084
Professional tax paid under protest	150,000	–	150,000	–	–	–
	<u>64,323,595</u>	<u>–</u>	<u>64,323,595</u>	<u>38,244,084</u>	<u>–</u>	<u>38,244,084</u>
<b>Total</b>	<b>75,300,391</b>	<b>–</b>	<b>75,300,391</b>	55,896,511	–	55,896,511

Amount of ₹ 150,000 paid to department of sales tax (professional tax) for the financial year 2007-08 as part payment against appeal filed.

**Note 15 - Trade receivables**

Particulars	2012	2011
<b>Unsecured:</b>		
<b>Debts outstanding for a period exceeding six months:</b>		
Considered good	14,377,731	3,262,354
<b>Other debts:</b>		
Considered good	316,041,273	251,688,398
<b>Total</b>	<b>330,419,004</b>	254,950,752

**Note 16 - Cash and bank balances**

Particulars	2012	2011
<b>A) Cash and cash equivalents:</b>		
Balance with banks	13,816,141	7,866,755
Cheques, drafts on hand	726,118	–
Cash on hand	270,377	153,755
	<u>14,812,636</u>	<u>8,020,510</u>
<b>B) Others:</b>		
Margin money deposits for bank guarantees	2,277,262	3,765,667
<b>Total</b>	<b>17,089,898</b>	11,786,177

**Notes to consolidated financial statements (Contd.)**

Figures in ₹

**Note 17 - Short-term loans and advances**

Particulars	2012	2011
	Unsecured, considered good	Unsecured, considered good
<b>Other loans and advances:</b>		
Prepaid expenses	7,982,629	7,405,697
Advance paid to employees	2,204,964	2,738,960
Receivables from ex-employees	—	1,418,890
Advance paid to suppliers	2,366,389	2,288,048
Others	8,646,768	9,406,987
<b>Total</b>	<b>21,200,750</b>	<b>23,258,582</b>

**Note 18 - Other current assets**

Particulars	2012	2011
	Unsecured, considered good	Unsecured, considered good
Interest accrued on bank guarantee margins	184,546	271,612
Tax deducted at source (TDS)	94,002,987	64,318,491
Preliminary expenses	144,968	260,939
<b>Total</b>	<b>94,332,501</b>	<b>64,851,042</b>

**Note 19 - Revenue from operations**

Particulars	2012	2011
<b>Income from software services &amp; products:</b>		
Offshore services	421,858,000	404,758,275
Onsite services	851,317,367	590,865,650
Software products	32,192,115	36,298,077
<b>Total</b>	<b>1,305,367,482</b>	<b>1,031,922,002</b>

**Notes to consolidated financial statements (Contd.)**

Figures in ₹

**Note 20 - Other income**

Particulars	2012	2011
Interest income	315,348	478,878
Dividend income	11,600	23,579
Net gain on sale of investments	52,972	—
Sundry provision and credit balance written back	4,036,860	1,852,711
Other non-operating income including foreign exchange gain (net of expenses directly attributable to such income)	9,913,182	9,064,412
<b>Total</b>	<b>14,329,962</b>	<b>11,419,580</b>

**Note 21 - Cost of software package and others**

Particulars	2012		2011	
	Value	%	Value	%
<b>Software products and others:</b>				
Imported	15,848,037	79	9,630,042	49
Indigenous	4,325,915	21	9,966,315	51
<b>Total</b>	<b>20,173,952</b>	<b>100</b>	<b>19,596,357</b>	<b>100</b>

**Note 22 - Employee benefits expenses**

Particulars	2012	2011
Salaries and wages including overseas employees	840,406,159	605,680,628
Contribution to provident and other funds	59,519,335	22,851,000
Staff welfare	3,383,524	2,324,735
Expense on employee stock option scheme (ESOP) (Refer Note - 37 (b))	1,854,358	4,134,766
<b>Total</b>	<b>905,163,376</b>	<b>634,991,129</b>

**Notes to consolidated financial statements (Contd.)**

Figures in ₹

**Note 23 - Finance costs**

<b>Particulars</b>	<b>2012</b>	<b>2011</b>
Interest expense	<b>39,598,935</b>	22,838,832
Other finance costs	<b>1,420,167</b>	1,477,820
<b>Total</b>	<b>41,019,102</b>	24,316,652

**Note 24 - Other expenses**

<b>Particulars</b>	<b>2012</b>	<b>2011</b>
Power and fuel	<b>9,652,175</b>	10,856,829
Rent	<b>31,019,900</b>	27,961,555
Repairs to premises	<b>3,230,644</b>	2,358,181
Repairs to others	<b>5,375,403</b>	3,182,154
Insurance	<b>6,710,668</b>	5,113,111
Travelling and conveyance	<b>69,605,608</b>	46,595,575
Communication cost	<b>10,534,745</b>	10,314,944
Bad debts	<b>8,011,000</b>	3,150,069
Provision for bad and doubtful debts	<b>479,870</b>	318,318
Rates and taxes, excluding taxes on income	<b>4,407,242</b>	1,651,256
Advertisement and sales promotion	<b>5,193,642</b>	12,536,111
Legal, professional and technical services	<b>49,600,870</b>	116,516,132
Director sitting fees	<b>527,000</b>	428,000
Net loss on foreign currency transaction and translation	<b>9,019,972</b>	17,107
Payments to the auditor:		
(a) as auditors	<b>1,293,737</b>	1,067,854
(b) for other services	<b>2,392,738</b>	1,138,629
(c) for reimbursement of expenses	<b>8,839</b>	35,727
Office expenses	<b>5,450,996</b>	3,689,368
Loss on sale of fixed assets (net)	<b>1,097,741</b>	373,395
Leasing and hiring charges	<b>21,354,155</b>	17,751,661
Preliminary expenses	<b>115,969</b>	115,969
Prior period items	<b>363,654</b>	2,315,074
Miscellaneous expenses	<b>9,804,635</b>	6,624,336
<b>Total</b>	<b>255,251,203</b>	274,111,355

## Notes to consolidated financial statements (Contd.)

25. In the opinion of the board and to the best of their knowledge, the current assets, loans and advances, shown in the balance sheet have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated therein.
26. Trade receivables and trade payables are subject to confirmation and reconciliation.
27. Other commitments:  
 Liabilities on account of forward contracts entered during the year and are outstanding as at March 31, 2012 against forecasted transactions amounting to ₹ 162,208,250 (\$ 325,000).

### 28. Contingent liabilities not provided for:

Particular	Year ended March 31 (₹)	
	2012	2011
Counter guarantees given by the Company against the bank guarantees issued by Company's bankers	6,107,184	6,750,906
Fixed deposits shown under the head cash and bank balances include deposits pledged with the banks as margins to secure letters of credit and guarantees issued by banks	1,625,628	3,757,196
Net amount	4,481,556	2,993,710
Disputed income tax demand	112,953,247	81,337,934
Disputed sales tax demand	1,307,274	4,367,274
Disputed profession tax demand	579,128*	579,128
<b>Total</b>	<b>119,321,205</b>	<b>89,278,046</b>

\* Out of ₹ 579,128, ₹ 150,000 were paid under protest.

### 29. The break-up of trade receivables is as follows:

Particular	Year ended March 31 (₹)	
	2012	2011
<b>Debts due for more than 6 months</b>		
- Considered good	10,976,796	25,615,276
- Considered doubtful	770,841	318,318
<b>Sub-total</b>	<b>11,747,637</b>	<b>25,933,594</b>
<b>Debts due for less than 6 months</b>		
- Considered good	330,419,006	238,776,674
- Considered doubtful	—	—
<b>Sub-total</b>	<b>330,419,006</b>	<b>238,776,674</b>
Less: Provision for doubtful debts	770,841	318,318
<b>Balance</b>	<b>341,395,802</b>	<b>264,391,950</b>

### 30. Holding of Onward Technologies in its Subsidiaries:

Name of the Subsidiaries	Country of incorporation	Holding as on March 31	
		2012	2011
Onward eServices Limited	India	100%	100%
Onward Technologies, Inc.	USA	100%	100%
Onward Technologies GmbH	Germany	100%	100%
Shantmurli Holdings Private Limited	India	100%	100%

**Notes to consolidated financial statements (Contd.)****31. Auditors' remuneration:**

Particular	Year ended March 31 (₹)	
	2012	2011
Audit fees	1,293,737	1,067,854
Other services	2,392,738	1,138,629
Reimbursement of out of pocket expenses	8,839	35,727
<b>Total</b>	<b>3,695,314</b>	<b>2,242,210</b>

**32. Disclosure in pursuance of Accounting Standard – 15 (revised 2005) on “Employee Benefits”****1. Defined contribution plans:**

The Company has recognized following amounts in the statement of profit and loss for the year:

Sr. #	Particulars	Year ended March 31 (₹)	
		2012	2011
1	Contribution to employees provident fund	22,745,681	16,665,113
2	Contribution to superannuation fund	–	–
3	Contribution to labour welfare fund	46,440	33,936
4	Contribution to ESIC	551,165	514,598
	<b>Total</b>	<b>23,343,286</b>	<b>17,213,647</b>

**2. Defined benefit plans/compensated absences – as per actuarial valuation on March 31, 2012:****a) Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):**

Sr. #	Particulars	Gratuity (₹)	
		2012	2011
1	Obligations at period beginning	9,206,928	8,473,524
2	Current service cost	3,509,492	4,172,826
3	Interest cost	707,643	677,882
4	Actuarial (gain) / losses	(831,778)	(3,262,339)
5	Benefits paid	(1,258,884)	(919,655)
6	Past service cost (vested benefit)	–	64,690
7	DBO at period closing	11,333,401	9,206,928

**b) A reconciliation of the opening and closing balances of the fair value of plan assets:**

Sr. #	Particulars	Gratuity (₹)	
		2012	2011
1	Opening fair value of plan asset at period beginning	988,871	1,603,101
2	Expected returns on plan assets	51,190	128,248
3	Actuarial gain / (losses)	(9,861)	(22,823)
4	Contribution by the employer	560,891	200,000
5	Benefits paid	(1,258,884)	(919,655)
6	Fair value of plan assets at period closing	332,207	988,871

**Notes to consolidated financial statements (Contd.)**

- c) Net assets / (liabilities) recognized in the balance sheet as on March 31, 2012:

Sr. #	Particulars	Gratuity (₹)	
		2012	2011
1	Present value of funded obligations	11,333,401	9,206,928
2	Fair value of plan assets	332,207	988,871
3	Present value of unfunded obligations	–	–
4	Net assets / (liabilities) recognized in the balance sheet	(11,001,194)	(8,218,057)

- d) Total expenses recognized in the statement of profit and loss:

Sr. #	Particulars	Gratuity (₹)	
		2012	2011
1	Current service cost	3,509,492	4,172,826
2	Interest on defined benefit obligation	707,643	677,882
3	Expected returns on plan assets	(51,190)	(128,248)
4	Actuarial (gains) / losses	(821,917)	(3,239,516)
5	Past service cost (vested benefit)	–	64,690
	<b>Total</b>	<b>3,344,028</b>	<b>1,547,634</b>

All the above have been included under the line item remuneration and benefits to employees in Note-22 of the Notes to Financial Statements.

- e) Major categories of plan assets as a percentage of total plan assets:

Sr. #	Particulars	Plan asset - %	Plan asset (₹)
1	Other / insurer managed funds	100	(170,858)

- f) Compensated leave:

Para 132 of AS15 (revised 2005) does not require any specific disclosures except where expense resulting from compensated absence is of such size, nature or incidence that its disclosure is relevant under Accounting Standard # 5 or Accounting Standard # 18. In the opinion of the management the expense resulting from compensated absence is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (revised 2005).

- g) Actuarial assumptions:

Sr. #	Particulars	Year ended March 31	
		2012	2011
1	Discount rate	8.50%	8.25%
2	Expected return on plan asset	8.00%	8.00%
3	Retirement age	58 years	58 years
4	Salary escalation rate	4.00%	4.50%

- h) Gratuity is administered through group gratuity scheme with Life Insurance Corporation of India.

- i) Salary escalation rate:

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

**Notes to consolidated financial statements (Contd.)**

## j) Expected rate of return on plan assets:

This is based on actuaries' expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

## k) Discount rate:

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

**33. Managerial remuneration**

Particular	Year ended March 31 (₹)	
	2012	2011
Salary and allowances	8,112,500*	2,561,761
<b>Total</b>	<b>8,112,500</b>	<b>2,561,761</b>

\* During the financial year 2011-12, Company has received Central Government's approval for ₹ 8,400,000 per annum towards remuneration payable to Mr. Harish Mehta for the period of 3 years effective from April 1, 2011 to March 31, 2014. Salary and allowances amounting to ₹ 8,112,500 include rent free accommodation.

**34. Related party disclosures:**

## (a) List of related parties and relationships:

	Relation	Parties
A.	Holding Company	Onward Network Technologies Private Limited
B.	Enterprise over which key management personnel exercise significant influence	Desai Finwealth Investments & Securities Private Limited Onward Software Technologies Private Limited
C.	Key management personnel and relatives Chairman & Managing Director Director Related to Directors Related to Director	Harish Mehta Shaila Mehta Jigar Mehta Arun Meghani

## (b) Related party transactions:

(Figures in ₹)

Aggregate of transactions	Key management personnel	Relative of key management personnel	Associate Companies & promoter Companies	Total
ICDs received (net) (including loans and advances)	– (–)	1,379,539 (–)	44,212,469 (50,381,000)	45,592,008 (50,381,000)
ICDs repaid (net)	– (–)	– (–)	67,363,151 (45,748,000)	67,363,151 (45,748,000)
Directors sitting charges	100,000 (100,000)	– (–)	– (–)	100,000 (100,000)
Interest paid during the year on ICDs	– (–)	– (–)	8,767,667 (9,779,000)	8,767,667 (9,779,000)
Expenses reimbursement	– (–)	– (–)	– (364,000)	– (364,000)
Rent	– (–)	– (–)	9,000,000 (9,000,000)	9,000,000 (9,000,000)
Salary and allowances	8,112,500 (2,561,761)	4,364,907 (2,475,000)	– (–)	9,060,459 (5,037,000)

**Notes to consolidated financial statements (Contd.)**

(Figures in ₹)

Aggregate of transactions	Key management personnel	Relative of key management personnel	Associate Companies & promoter Companies	Total
<b>Debit balances outstanding</b>				
Advance towards expenses	– (–)	333,869 (–)	– (–)	333,869 (–)
<b>Credit balances outstanding</b>				
Loans and advances	– (–)	– (–)	140,594,892 (172,521,000)	140,594,892 (172,521,000)
Salary and allowances	2,358,092 (148,400)	294,334 (263,740)	– (–)	2,652,426 (412,140)

**35. I) Disclosure for income from operating lease:**

The Company has leased office premise under operating lease. The lease charges to be received in future are as follows:

Particular	Year ended March 31 (₹)	
	2012	2011
Lease payment credited to statement of profit and loss	650,550	598,500

Minimum lease payment	Year ended March 31 (₹)	
	2012	2011
Up to 1 year	706,952	178,723

**II) Disclosure for operating leases:**

The Company has leased certain flats / office premises under operating leases. The lease payments to be made in respect of the leases in future are as follows:

Particular	Year ended March 31 (₹)	
	2012	2011
Lease payment debited to statement of profit and loss	32,112,771	29,566,564

Lease obligation	Year ended March 31 (₹)	
	2012	2011
Up to 1 year	30,300,088	11,590,505
Greater than 1 year but less than 5 years	24,770,177	5,732,265

**Notes to consolidated financial statements (Contd.)****36. Earnings per share:**

The earnings per share have been computed in accordance with the "Accounting Standard 20 - Earnings per Share".

Particular	Year ended March 31	
	2012	2011
Profit / (loss) after Tax	₹ 65,094,101	₹ 49,962,199
Profit / (loss) attributable to equity shareholders	₹ 65,094,101	₹ 49,962,199
Adjusted number of ordinary shares, (face value ₹ 10)	13,433,497	13,281,089
Basic earning per share	₹ 4.85	₹ 2.80
Weighted average no. of shares under options	1,434,950	960,200
Diluted earning per share	₹ 4.49	₹ 2.66

Particular	Year ended March 31	
	2012	2011
Weighted average no. of shares under options	1,434,950	960,200
Fair value of shares during the year	₹ 39.65	₹ 33.95
Face value of shares	₹ 10	₹ 10
Number of shares that would have been issued at fair value	361,904	282,828

**37. a) Onward Technologies employee stock option plan 2009**

The Company instituted the 2009 plan for all eligible employees in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on August 31, 2009. Scheme covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to scheme, the Company has granted options each to eligible employees at an exercise price of ₹ 10 per equity share of ₹ 10 each.

Under the term of scheme, the vesting period shall commence on the expiry of one year from the date of grant of the options to the employees and it will be spread equally over 4 years. And 25% of the options will vest in the employees at the end of first year, 25% at the end of second year, 25% at the end of third year and balance 25% at the end of fourth year from the grant date.

The employee stock options granted shall be capable of being exercised within a period of one year from the date of vesting the options, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled. The movement in the stock options during the year was as per the table given below:

Particular	Year ended March 31	
	2012	2011
Options outstanding at the beginning of the year	240,050	77,000
Options granted during the year	244,950	201,500
Options forfeited / cancelled during the year	64,400	28,950
Options lapsed during the year	3,500	—
Options exercised during the year	48,862	9,500
Options outstanding at the end of the year	358,737	240,050
Shares exercisable at the end of the year	1,434,950	960,200

## Notes to consolidated financial statements (Contd.)

- b) Stock options issued during the year have been accounted as per the accounting guidelines issued by SEBI in the year 1999. Accordingly, an amount of ₹ 1,854,358 (₹ 4,134,766) representing the current year charge has been debited to statement of profit and loss during the year under both plan.

### 38. Statement of computation of deferred tax liabilities/assets (net)

Particulars	Year ended March 31 ( ₹ )	
	2012	2011
A) Deferred tax assets		
a) Carried forward of unabsorbed deprecation and loss	121,636,752	21,778,656
b) Provision disallowed under Sec. 43B, Sec. 40(a)(1) and Sec. 40A(7)	7,048,087	3,390,215
Total (A)	128,684,839	25,168,871
B) Deferred tax liability		
Difference in net block as per books of account and as per Income Tax Act, 1956	109,577,151	25,168,871
Total (B)	109,577,151	25,168,871
Net deferred tax assets / (liability) (A-B) as on end of reporting period	19,107,688	–
Net deferred tax assets / (liability) of Onward Technologies, Inc.	2,874,832	7,641,051
Net deferred tax assets / (liability) as on the beginning of reporting period	7,641,051	–

39. The Company has not yet appointed a full time Company Secretary; however all compliances are done by an independent Company Secretary firm.
40. a. The principal amount of working capital term loan repayable within a year is ₹ 17,109,590 (₹ 14,631,465).  
 b. The principal amount of term loan repayable within a year is ₹ 8,447,397 (₹ Nil).  
 c. The principal amount of WCDL repayable within a year is ₹ Nil (₹ 5,000,000).

### 41. Information about business segments

In accordance with the requirement of Accounting Standard 17 (AS 17) 'Segment Reporting' issued by the Institute of Chartered Accountants of India, disclosed business segment as the primary segment. Segments have been identified taking into account the nature of the products and service and different risks and returns as under:

- a) Professional Services & Consultancy (including exports)  
 b) Software Products – resale

These segments have been identified because management perceives that these businesses are subject to different risks and returns.

'Software Products - resale' segment concentrated around the Company's products and other agency related products.

**Notes to consolidated financial statements (Contd.)**

The primary segment disclosures with respect to business segments are as under:

(₹ in Lac)

Particulars	Business segment		Un-allocable	Total
	Professional services & consultancy (including exports)	Software products – resale		
Segment revenue	12,735 (9,956)	319 (363)		13,054 (10,319)
Segment results	1,196 (859)	52 (174)		1,248 (1,033)
Other un-allocable expenditure, depreciation adjusted with other incomes			310 (347)	310 (347)
Segment result before interest and tax				938 (686)
Less: Interest				410 (243)
Extra ordinary profit				– (–)
Profit before tax				528 (443)
Income tax expense / (income)				–123 (–57)
Total profit after tax				651 (500)

Secondary segment disclosures on the basis of geographical segments:

(₹ in Lac)

Geographical segments	Year ended March 31	
	2012	2011
India	5,170	3,675
Europe	917	544
U.S.A.	6,818	5,737
Other overseas market	149	363
<b>Total</b>	<b>13,054</b>	<b>10,319</b>

The fixed assets used in the Company's business or liabilities contracted have not been identified to any of the reportable segments as the fixed assets and services are used interchangeably between segments and as such it is not practicable to allocate fixed assets to segments and to provide segment disclosures in relation to total assets and liabilities.

**42. Disclosure pursuant to the general circular # 2 dated February 8, 2011:**

(Figures in ₹)

Particulars	OTI	OTG	OeSL	SHPL
Capital	95,169,663	13,177,693	129,900,000	500,000
Reserves	13,924,443	–	–	9,667,539
Total assets	188,663,638	9,517,455	174,808,505	10,203,144
Debit balance in P&L A/C	–	10,351,204	102,506,549	–
Total liabilities	79,569,532	6,690,966	147,415,054	35,605
Investments	–	–	–	–
Turnover	538,399,701	7,614,786	169,182,434	–
Profit / (loss) before tax	21,547,591	(3,947,612)	(31,942,528)	(28,644)
Provision for tax	6,776,827	–	–	–
Profit / (loss) after tax	14,770,764	(3,947,612)	(31,942,528)	(28,644)
Proposed dividend	–	–	–	–

Full names of subsidiaries are as under:

OTI – Onward Technologies, Inc., USA – amount in rupees converted at the rate of ₹ 52.08 per USD

OTG - Onward Technologies GmbH, Germany - amount in rupees converted at the rate of ₹ 69.47 per EUR

OeSL – Onward eServices Limited, India – Indian Company, so no conversion required

SHPL – Shantmurli Holdings Private Limited, India – Indian Company, so no conversion required

43. The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. All assets and liabilities have been classified as current or non-current as per the operating cycle criteria set out in the Revised Schedule VI. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

44. Figures are rounded off to the nearest rupee.

45. Figures in bracket pertain to the previous year.

**For Kirtane & Pandit**
*Chartered Accountants*
*Firm Registration Number:105215W*
**Parag P. Pansare**
*Partner*
*Membership No.:117309*

Place: Mumbai

Date: May 25, 2012

**For and on behalf of the Board of Directors**
**Harish Mehta**
*Chairman & Managing Director*
**Pradip Dubhashi**
*Director*
**Shaila Mehta**
*Director*
**Arun Meghani**
*Director*



Regd. Office: Sterling Centre, 2nd Floor, Dr. A. B. Road, Worli, Mumbai - 400 018.

## ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

I hereby record my presence at the twenty-first Annual General Meeting of the Company on Friday, July 27, 2012 at 3.30 p.m. at Victoria Memorial School for the Blind, Opp. Tardeo A/C Market, 73, Tardeo Road, Mumbai - 400 034.

Name of the member/proxy (IN BLOCK LETTERS) \_\_\_\_\_

Registered Folio No.:

DP ID \*:

No. of Shares:

Client ID \*:

\*Applicable for investors holding shares in electronic form

Note : Please fill up this attendance slip and hand it over at the entrance of the meeting hall.

Members/proxies are requested to bring their copies of the Annual Report to the meeting.

.....  
Signature of Member/Proxy



Regd. Office: Sterling Centre, 2nd Floor, Dr. A. B. Road, Worli, Mumbai - 400 018.

## PROXY FORM

I/We \_\_\_\_\_ of \_\_\_\_\_ being member/members of Onward Technologies Limited hereby appoint \_\_\_\_\_ of \_\_\_\_\_ failing him/her \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to attend and vote for me/us and on my/our behalf at the **21<sup>st</sup> ANNUAL GENERAL MEETING** of the Company to be held on Friday, July 27, 2012 at 3.30 p.m. Victoria Memorial School for the Blind, Opp. Tardeo A/C Market, 73, Tardeo Road, Mumbai - 400 034 and at any adjournments thereof.

Registered Folio No.:

DP ID \*:

No. of Shares:

Client ID \*:

\*Applicable for investors holding shares in electronic form

Affix  
Revenue  
Stamp of  
₹ 1

Signature of member \_\_\_\_\_

Note : This form, in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the Company.





## INDIA

### Mumbai:

**Onward Technologies Limited**

2nd floor, Sterling Centre, Dr A.B. Road,  
Worli, Mumbai - 400018

[www.onwardgroup.com](http://www.onwardgroup.com)

**Onward Technologies Limited**

Unit No. 152, SDF V, 1st Floor  
Seepz, Andheri (East)  
Mumbai - 400096

[www.onwardgroup.com](http://www.onwardgroup.com)

### Pune:

**Onward Technologies Limited**

1-A/1, Krishna Kewal Commercial Complex,  
Krishna Kewal Nagar,  
Kondhwa, Pune - 411048

[www.onwardgroup.com](http://www.onwardgroup.com)

**Onward Technologies Limited**

E-Space, Building No. A3,  
Office No. 103-C/D/E, 3rd Floor,  
Vadgaon Sheri, Nagar Road, Pune - 411014

[www.onwardgroup.com](http://www.onwardgroup.com)

### Chennai:

**Onward Technologies Limited**

Onward House, 5B, Lakshmi Colony  
Off GN Chetty Road,  
T Nagar, Chennai - 600017

[www.onwardgroup.com](http://www.onwardgroup.com)



## NORTH AMERICA

**Onward Technologies Inc.**

Columbia Center III, 9525 W. Bryn Mawr Avenue,  
Rosemont, Chicago, IL - 60018

[www.onwardgroup.com/americas](http://www.onwardgroup.com/americas)

**Onward Technologies Inc.**

70 Fargo Street,  
Suite 910,  
Boston, MA - 02210

[www.onwardgroup.com/americas](http://www.onwardgroup.com/americas)



## EUROPE

### UK

**Onward Technologies Limited**

Berkshire House, 252-256 Kings Road,  
Reading, RG1 4HP, Berkshire, UK

[www.onwardgroup.com](http://www.onwardgroup.com)

### GERMANY

**Onward Technologies GmbH**

6th floor, 62 Bettina Strasse,  
60325 Frankfurt am Main,  
Frankfurt, Germany

[www.onwardgroup.de](http://www.onwardgroup.de)



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