

**A  
Global Engineering  
& IT Solutions  
Company**



**Industrial  
Equipment  
& Heavy  
Engineering**



**Automotive**



**Off-Highway**



**Consumer  
& Healthcare**

## Core Values



**Trust**



**Integrity**



**Accountability**



**Confidentiality**



Your trusted  
**Engineering Partner**

**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 (up to 16.1.2013)
Dr. Atul Wad	Director (up to 16.1.2013)
Mr. Sudhir Karnik	Alternate Director to Dr. Atul Wad (up to 17.11.2012)
Mr. Pranay Vakil	Director (w.e.f. 16.1.2013)
Mr. Nandu Pradhan	Director (w.e.f. 16.1.2013)

**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)

# Contents

Notice	3	
Director's Report	7	
Management Discussion and Analysis	16	
Report on Corporate Governance	19	
Auditor's Report	32	
Balance Sheet	36	
Statement of Profit and Loss	37	
Cash Flow Statement	38	
Notes to Accounts	39	
Consolidated Financial Statements	61	

**NOTICE** is hereby given that the Twenty Second Annual General Meeting of Onward Technologies Limited will be held on Monday, 22<sup>nd</sup> July, 2013 at Victoria Memorial School for the Blind, 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 Account for the year ended 31<sup>st</sup> March, 2013, 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. Pradip Dubhashi**, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of **Mrs. Shaila Mehta**, who retires by rotation and being eligible, offers herself 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 authorised to fix their remuneration.”

#### **SPECIAL BUSINESS**

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

**“RESOLVED THAT**, subject to approval of the Members and in accordance with the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Pranay Vakil, who was appointed as an Additional Director on 16<sup>th</sup> January, 2013 holds the office up to the forthcoming Annual General Meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

6. To consider and if deemed fit, to pass with or without modification(s), the following Resolution as an ordinary resolution:

**“RESOLVED THAT**, subject to approval of the Members and in accordance with the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Nandu Pradhan, who was appointed as an Additional Director on 16<sup>th</sup> January, 2013 holds the office up to the forthcoming Annual General Meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

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

Place: Mumbai  
Date: May 17, 2013

**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 18th July, 2013 to 22nd July, 2013 (both days inclusive).
5. Members are requested to address all correspondence pertaining to their securities mentioning either the Folio Number / 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, Mumbai-400078

6. Members / Proxies attending the Meeting are requested to bring their copies of Annual Report together with attendance slip at the meeting.
7. 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.
8. The Ministry of Corporate Affairs, has come out with a circular dated 29th April 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. 5**

Mr. Pranay Vakil was appointed as an Additional Director on 16<sup>th</sup> January, 2013 and holds the position upto the forthcoming Annual General Meeting. The Company has received a notice from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Pranay Vakil for the office of Director.

Mr. Pranay Vakil is involved in property business for over 25 years with basic education and training in Accountancy (CA) and Law (LLB). Presently, he is the Founder Chairman of Praron Consultancy (India) Pvt. Ltd., a consulting organization, involved in Real Estate.

He was the founder Chairman of Knight Frank in India, having set up the joint venture in 1995 with Knight Frank UK, a leading international property consulting firm, and retired on September 30, 2012.

Earlier he worked as Executive Director of Raychem in India (California based Fortune 500 company) and with various TATA Group companies including Tata Textiles, TCS and Tata Sons, for over 15 years. Also a short stint as Managing Director of GESCO Corporation Ltd., a company formed on demerger of The Great Eastern Shipping Co. Ltd.

**Notice (Contd.)**

He is a Director of one of the largest listed companies engaged in property development, Godrej, a company engaged in fertilizers and chemicals, Deepak Fertilizers, and associated with four Real Estate Funds.

Presently he is the Chairman of Housing & Real Estate Committee for 2012-13 with Indian Merchants Chamber (IMC). Jury member for industry awards and on advisory panels connected with industry awards, rating and media. He is amongst the first few in India to be honored with Fellowship of Royal Institute of Chartered Surveyors (RICS), the highest professional Real Estate Body. Also on RICS Advisory Board in India and on the World Governing Council of RICS.

He is a visiting faculty/speaker at seminars, schools/universities, both within and outside of India.

He is associated as a Trustee with organizations connected with setting up of old age homes (Dignity), a school for integrated education (Rites) and medical dispensaries (Prakash Charities).

He holds directorship in the following companies:

Godrej Properties Ltd.

Deepak Fertilisers and Petrochemicals Corp. Ltd.

Onward Technologies Ltd.

Usha Breco Ltd.

Praron Consultancy (India) Private Limited

Rutley Real Estate Investment Management ( India) Private Limited

Eden Design & Development Ltd, London

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

**Item No. 6**

Mr. Nandu Pradhan was appointed as an Additional Director on 16<sup>th</sup> January, 2013 and holds the position upto the forthcoming Annual General Meeting. The Company has received a notice from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Nandu Pradhan for the office of Director.

Mr. Pradhan has 34 yrs of industry experience of which 27 years has been in the Indian IT Industry, holding leadership position in leading global companies like Onward Novell, Patni Computers, Microsoft and Red Hat Inc. He has worked in Crompton Greaves and Tata Exports before joining the IT industry.

Mr. Nandu Pradhan is the founder of Onama offering business consultancy and mentoring to start ups and early stage companies. He is also the co-founder of Pocketside LLC USA developing software products for the mobility industry.

He is an Electrical Engineer from COEP, Pune University and MBA from JBIMS, Bombay University. He has also completed Advance Leadership program from Babsons School of executive education USA.

Mr. Nandu Pradhan was the former President and Managing Director of Red Hat India Ltd (Global leader in Open Source) since 2006 to Jan 2011. He was responsible for the business in the Indian Subcontinent and managing the Global Development and Services Center in India. He restructured and grew the India development center, which is one of the four global centers of Red Hat, making major contribution to the Linux operating system.

Mr. Pradhan was instrumental in starting open source business units in leading Global SI's like TCS, Wipro, IBM and HP. He has worked very closely with the Open source developer community making India a leading global contributor to the Linux Operating system.

As the Vice President APAC at Patni from Feb 2004 to Oct 2005 he managed the IT services and outsourced product development (OPD) business in Australia, Korea and ASEAN.

Prior to Patni he was one of the key members involved in the formation of the Onward Group and the Onward Novell India the joint venture between Novell Inc USA and Onward Technologies. Mr. Nandu Pradhan was the Executive Director for Onward Novell India for 12 years from 1991 to 2003. He has successfully managed the business in India making India one of the fastest growing regions for Novell Inc. He was also instrumental in setting up the India development center for Novell Inc.

As General Manager of Hinditron Computers (Rated amongst the Top 5 IT companies by Dataquest) from 1985 to 1991, Mr. Pradhan led the company's hardware and software business in India.

## Notice (Contd.)

He has closely worked with the Indian Govt. and Industry associations like NASSCOM, CII on various policy issues.

He is Charter member of TiE.

He holds directorship in the following company:

Onward eServices Ltd.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

**As required under Clause 49 VI of the Listing Agreement given below are the details of the director proposed for re-appointment of Mr. Pradip Dubhashi and Mrs. Shaila Mehta.**

**Mr. Pradip Dubhashi** has expertise in management consultancy and finance related fields. Mr. Dubhashi holds a BE in Electrical Engineering and a post graduation in Management from XLRI, Jamshedpur. He was holding senior executive positions in SICOM, Mahindra Group and Venky Group. He is having in depth knowledge of various industries such as, Engineering, Cement, Chemicals and Specialities, Software and Biotechnology businesses. He has consulted for both Indian as well as foreign companies. He also nominated on the Boards of Directors of various companies including as a nominee Director of financial institutions. He has attended several courses conducted by IIMA, IEEE, NCST, ASCI and others in advanced topics in finance, management and technology areas.

He holds directorship in the following companies:

### Directorships in other Companies

Onward eServices Ltd.

Prime Securities Ltd

Microline India Pvt. Ltd.

Krishidhan Seeds Ltd.

Divgi Metalwares Pvt. Ltd.

### Member of Audit Committee

Prime Securities Ltd.

Krishidhan Seeds Ltd.

Onward eServices Ltd.

**Mrs. Shaila H. Mehta** holds a Master in Science (Statistics) Degree from the University of Mumbai and a Diploma in Systems Design & Analysis from Connecticut, USA. Mrs. Mehta is also a Director in Onward eServices Limited, a Company engaged in providing solution to Banking & Financial Institutions.

She holds directorship in the following companies:

Onward eServices Ltd.

Onward Technologies GmbH, Germany

Onward Properties Pvt. Ltd. (erstwhile Shantimurti Holdings Pvt. Ltd.)

Onward Technologies, Inc., USA

Onward Network Technologies Pvt. Ltd.

Desai Finwealth Investments & Securities Pvt. Ltd.

Onward Software Technologies Pvt. Ltd.

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

Place: Mumbai

Date: May 17, 2013

**Harish Mehta**

*Chairman & Managing Director*

### Registered Office:

Sterling Centre, 2nd 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 SECOND ANNUAL REPORT together with Audited Annual Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2013.

### Financial Performance

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

During the year your Company showed all around growth and the investments made over the last two years in North America and Germany have started showing positive traction & revenues from Overseas markets has started growing faster than the domestic market. There has been combination of volume growth and value addition. Total Revenue grew 12% from ₹ 132.00 Crs to ₹ 147.50 Crs. Earnings Before Interest, Tax and Depreciation charge (EBITDA) jumped 16% from ₹ 12.95 Crs to ₹ 15.00 Crs. Correspondingly the profit before tax increased from ₹ 5.30 Crs to ₹ 7.80 Crs.

The summarized consolidated results of the Company are as under:

	For the year ended 31.3.2013	For the year ended 31.3.2012
		(₹ in Lac)
Sales and other income (Net)	14,754.58	13,196.97
Profit before finance cost and depreciation	1,499.80	1,295.41
Finance costs	338.53	313.35
Depreciation	405.60	453.27
Operating profit/(loss) before prior period expenses	755.67	528.79
Prior period expenses	1.45	1.16
Exceptional items	26.36	–
Profit/(loss) before tax	780.58	527.63
Provision for taxation		
- Current tax	61.14	12.49
- Current tax (Mat)	97.65	114.99
- Mat credit	(65.66)	(114.99)
- Deferred tax expenses/(benefits)	154.21	(135.80)
Profit/(loss) after tax	533.24	650.94

### Transfer to reserves

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

### Dividend

The overall performance of your 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

Your Company has two major lines of focussed areas:

- 1) Engineering Design Services (EDS)
- 2) IT Consulting Services (ITS) (Refer note on the subsidiaries, Onward Technologies, Inc. and Onward eServices Ltd. for operational details).



## Director's report (Contd.)

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

Your Company's engineering operations can be broadly divided under two groups:

- Product Engineering Group (PEG)
- Manufacturing Engineering Group (MEG)

PEG – Product Engineering Group operates in the area of Product Design & development and Product sustenance using a proven Design process and state of the art Design tools and Verification tools. These activities are performed by a pool of highly experienced professionals with support from team of Engineers mainly in the area of Automotive, Off Road equipment and Industrial Equipment. A team of Experts certified by SAVE (Society of Value Engineers) carries out the Product Sustenance Engineering work which involves Value Engineering and continuous Improvement.

MEG – Manufacturing Engineering Group supports customers in bringing the designed product into reality. The Group provides the cost effective engineering solution to the complexities of manufacturing. Highly experienced team has delivered several solutions to the Robotic welding, Manual welding, Machining, Assembly and Inspection needs of the Automotive, Off Road and Industrial products. A team of experts in Process planning, Should costing and Alternate sourcing act as consultants to the product Development.

**Customer First:** Onward's **Customer First** philosophy has continued to help your Company sign major contracts with Original Equipment Manufacturers (OEM), their Captives and Tier-I suppliers. Customers have applauded deliveries which were highly complex in nature, further establishing your Company as a Global Leader in Mechanical Engineering Services and Solutions. 4 of top 10 revenue contributing clients are Fortune 500 companies. 7 of Onward's top 10 customers are billion dollar organizations with global operations. For 8 of the top 10 revenue contributing clients, your Company is providing multiple level of deliveries with both onsite and offshore & across multiple engineering service lines. By providing first time right delivery, we are able to further increase our share of the customer's engineering budget.

**COE – Centers of Excellence:** Your Company has established COE's to improve the knowledge of the organization with which there is a continuous improvement and value in the service to the customer. This investment helps acquiring, imparting and implementing the knowhow of new materials, new technologies and new processes across the organization. COEs will bring competitive strength to face any challenges. Your Company has 6 Center's of Excellence dedicated to different product lines.

**Quality Processes & Customer Data Security:** Engineering is a highly IPR driven business. With the high level of engineering services provided by your Company, customer data security and secure exchange of information is of paramount importance. Rigorous trainings on the importance of data security have been conducted for the staff. With confidential data being received from diverse customers in Company's state-of-art servers, it is incumbent upon the Company to secure the same. Your Company has had another incident free year because of the steps taken to secure the customer data.

As an organizational directive we formed a "Complaint Committee" to address grievances and ensure compliances. Successful **TUV recertification** for ISO9001:2008 QMS and ISO 27001:2005 ISMS was accomplished giving us continued privilege of confirming to Quality Standards ensuring Customer Satisfaction.

**Project Management** - The Project Management Office (PMO) initiative is an important part of a projects based business. This office provides support to the Projects function. PMO evaluates the enquiries from sales, assess the resource needs and allots projects to right resources in the initial stage. In the following stage PMO continuously monitors the performance of the project team and takes course corrective action whenever needed. In the finishing stage PMO ensures the process of project closure, documentation of lessons learnt and achievements from the project in the organizational knowledge base. All of the above initiatives are linked together internally to ensure that the net result is a **First Time Right** Delivery to the customer.

## Director's report (Contd.)

**Facility Upgradation :** The year of FY 2012-13 saw efforts towards facility up gradation at our offices across the globe. A new customer centric delivery center was opened in Bangalore, India and a new marketing office was opened in Troy, Michigan – The global automotive hub of the world. We also expanded & moved into a new state of the art office in Boston, USA. All offices were designed in purview of Onward SHINE and our Core Offerings in the areas of Automotive, Off-highway, Aerospace, Locomotives, Lab Equipment, Industrial equipment, etc.

### Human Resource Initiatives

Your Company has strategically partnered with every professional, leveraging human capital to support its business model successfully. With primary focus on the need to get the right people into the right jobs, HR's role evolved to that of a true partner in the business. The importance of encouraging behaviors that drive our organizational goals forward comes to the fore when considering innovation and quality, core values that are fundamental to our Company's current and future success. Innovative ways instituted to ensure we are the very best employer we can be.

Major progress in the skills required by HR professionals' team and Employee Relationship Executives for highly advanced strategic, financial, analytical, and technical skills were developed to support organizational growth. Apart from the traditional issues such as employee relations, payroll and benefits, the focus on organizational development, skill set development, employee well being, corporate social responsibility, job rotation and succession plan was integrated effectively to support business continuity. HR's function was well played to ensure that we have an open, free, and empowered culture and that we recruit, retain and nurture talent within the Organization. Your Company's index has up - scaled as Employer of choice during the year based on the world class opportunities, international careers, clientele engagements, work-life balance initiatives, best practices that attract, optimize, and hold top talent and being in the growth trajectory towards achieving corporate objectives.

With an objective of connecting with employees, we have put a culture in place that is based on a participatory environment by organizing many events during the year, bringing in healthy participation from employees. An overwhelming response was received from employees during our Traditional Annual Day Function, creating an atmosphere of esprit de corps among them.

Internal Centre of Excellence (COE) driven best innovation ideas with employee involvement have been great mesmerizers during the year. Initiatives such as "HR Workshops", for onsite employees at client location and the overall performance periodical review process have been appreciated by clients as well as employees.

Centre of Excellence (COE) and the training team conducted several Internal and External Training programs aimed at knowledge enhancement, technology awareness, design development, communication and behavioral skills. Onward thrives to rightly discern and develop Leaders making them passionate, accountable, collaborative and enterprising bringing forth business values and creating the conditions for team players to succeed. Certification programs on "Six Sigma" and "Project Management" were initiated towards strengthening Leadership Skills

Achievement of Teams seeking the goal 'First Time Right and "Every Time Right quality" were appreciated based on project delivery targets and performance by rewards in form of certificates "Pat On Back", increment, incentive etc. were extended escalating motivation among employees.

Unique feature of offering ESOPs has allowed our employees to be proactive in perpetuating the business and appraising an employee ownership culture. We now have almost 20% of active employees who are offered ESOP's. This has increased the level of commitment and sense of ownership amongst these employees. This brings along with itself an higher level of commitment and sense of ownership for quality & delivery in our highly technical services field.

### Subsidiaries

The subsidiaries of your Company are as follows:

#### Onward Technologies, Inc.

The Company's focus on growing its North American business continues with the strengthening and expansion of its US operations through investment in new larger offices and expansion of its US team both in the Northeast and the Midwest.

## Director's report (Contd.)

This was achieved with the moving of its Boston office to a larger state of the art office space in Boston's fast growing Seaport business district and opening of an Engineering sales office in Troy MI which is the Automotive hub of the world. Both these offices are fully functional and have started contributing towards the growing revenue run rate of the Company's business in the current year.

The North American operations have been growing at a steady pace in the last 3 years. The Company's revenues for the financial year ended 31st March 2013 were at \$ 11.05 Mn. 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 company is providing services to clients in the Education vertical, Retail, Banking & Finance, Automotive & Aerospace, Waste Water Treatment industry. This includes two Multibillion dollar global Corporations and a few midsized Companies.

Onward Technologies Inc is the marketing arm of the Onward India's services and solutions business. They employ a sales and marketing team which analyses the needs of the potential customers. Marketing is done through a variety of channels including attendance at trade fairs, and following leads generated by the marketing team. The management team of OTL is responsible for developing the overall business development and marketing plan.

In the current year, the Company would continue with its expansion plans by investing in the current business operations to help propel the next round of growth in the coming years.

### Onward eServices Ltd. (OeSL)

OeSL during the FY 2012-13, has seen all-round growth and has consolidated the strategic alliances with large SIs (System Integrators).

#### 1. Financial Highlights:

- Overall revenues have grown by 18% over previous year and are at ₹ 20.08 Crs
- EBITDA is at ₹ 198.41 Lac as against ₹ (63.43) Lac previous year
- Profit before tax is at ₹ 22.26 Lac as against ₹ (319.43) Lac previous year

#### 2. Business Highlights:

Some of the large projects executed by OeSL during the year are:

- a. Enterprise application to various departments including Civil Supplies, Energy Development, Employment & Training, tracking the distribution under various welfare schemes sponsored by Govt. of Tamil Nadu.
- b. End to End implementation of Core Banking Application in 36 State & District Central Cooperative Banks spread over six States i.e. Bihar, Uttaranchal, Andaman & Nicobar, Himachal Pradesh, Jammu & Kashmir and Sikkim.
- c. Provided gamut of services for the Crime Records Project in the states of Tamil Nadu, Jharkhand and West Bengal and UIDAI project in Jharkhand through System Integrators.
- d. Various turnkey Projects including overseas onsite projects in USA, UK, Indonesia & Kenya which will be one of the key focus areas in the years ahead.

#### 3. Quality Initiatives:

- a. OeSL has embarked on various Quality related initiatives, during the year 2012-13. OeSL was certified for ISO 9001:2008 during May 2012.
- b. OeSL Chennai Development Center achieved the coveted quality assurance and appraised for CMMI Level 3 during December 2012.

#### 4. Other Initiatives:

- a. OeSL recruited and retained quality Human resources in Technical, Sales and Delivery functions, who will be the strength for the growth envisaged.
- b. Also need - based investments have been made in Infrastructure - both in hardware and software to ensure smooth functioning of operations and delivery both Chennai & Mumbai.
- c. Dynamic MIS, Project costing and regular budgetary reviews with variance analysis are in place.

## Director's report (Contd.)

### Onward Technologies GmbH

Onward Technologies GmbH has added number of customers in their portfolio in the FY 12-13. In this year, Onward has delivered several projects to various German customers, meeting their quality and delivery expectation. Onward has to continue the trend of Quality and Delivery to achieve the necessary growth in the German market. Its also a marketing arm of OTL.

Onward have continued investments in sales team and Engineers. This investment helped to kick start various engagements and Engineers have started working at customer locations.

We are expecting good additions to our customer base in the current financial year. We will continue investments in Engineers and visits of subject matter experts and SMT members to give further boost to the Growth cycle.

### Onward Properties Pvt. Ltd. (erstwhile Shantmurli Holdings Pvt. Ltd.)

The main objective of the Company is Investments in shares and property markets. 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 Profit & Loss Account 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 2012 – 2013 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.

### Future Prospects

Indian Engineering R&D services industry is growing substantially in line with the IT & BPO industry. Your Company with more than 7mn hours of experience & demonstrated track record has a massive opportunity and the ability to support each of its clients in its Product Development/Process Innovations. This will ensure in a sustained & recurring business model and ample opportunities to scale up the business with existing customers. Today, your Company works with some of the leading manufacturing companies in the world solving their complex engineering problems. We continue to receive excellent feedback on both quality & delivery capabilities. Our commitment to all our customer is to proactively invest in training, capabilities enhancement & CAPEX based on the complex requirements of their end customers. Over the next few quarters, the Company has plans to further invest & expand in both North America & Europe which are the primary markets of the Company.

In India, IT and ITeS sectors lead the economic growth in terms of employment, export promotion, revenue generation and standards of living. As per NASSCOM estimates, IT/ITeS sector (excluding hardware) revenues are estimated at USD 87.6 billion in FY 2011-12; and the industry's estimated growth was around 19 per cent during FY 2012-13.

The market size of the industry in India is expected to rise to USD 225 billion by 2020 from the current around USD 100 billion, considering India's competitive position, growing demand for exports, Government policy support, and increasing global footprint.

With rich experience in execution of several large eGovernance, BFSI projects, OeSL is poised for higher growth trajectory and also take its footprints into other verticals viz. Manufacturing, Healthcare, Telecom, etc. besides continuing its strong presence in BFSI & Govt. verticals.

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

Onward's IT services business has continued to invest further in all the 3 growth segments of Application Maintenance Services (AMS), Infrastructure Management Services (IMS) and Product Development & Implementation Services (PDIS). We expect to see continued growth in each of the areas in both the Indian & North American market.

### **Share Capital**

During the year the Share Capital of the Company was increased from ₹ 135,155,200 to ₹ 138,358,700 by allotment of 320,350 new shares issued under ESOP Scheme. At present the paid-up capital is ₹ 138,358,700 divided into 13,835,870 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 31st August, 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 Organisation 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 whose employees were issued these warrants include Onward eServices Ltd., 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.

### **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 31st March 2013, 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 31st March 2013 and of the profit or loss of the Company for the year ended 31st March 2013;
- (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 31st March 2013 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 received approval for voluntary delisting of its equity shares from Ahmedabad Stock Exchange w.e.f. 31<sup>st</sup> July, 2012.

## Director's report (Contd.)

### 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.

During the year your Company has strengthened its board by appointing two additional directors, **Mr. Pranay Vakil** and **Mr. Nandu Pradhan** to its Board.

**Mr. Pranay Vakil**, former Chairman and founder of Knight Frank India (JV of Knight Frank, UK, a leading international property consulting firm) has over 25 years' experience in real estate business. He is a Chartered Accountant and a Lawyer by qualification. He actively works with industry associations like FICCI, IMC and CII and is on the boards of Indian multinationals. **Mr. Nandu Pradhan**, former Managing Director of Red Hat India (Red Hat, USA is global leader in Open source) has over 27 years' experience in the Indian IT industry. Mr. Pradhan was one of the key persons in the formation of Onward group and was the Executive Director of Onward-Novell India from 1992 to 2003. He was instrumental in setting up the global development centre for Novell and managed the global development and services centre for Red Hat in India. He actively worked with industry associations such as Nasscom, CII on policy issues. He is the charter member of TiE. He has done his engineering from College of Engineering, Pune and MBA from Jamnalal Bajaj, Mumbai.

### 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.

#### (ii) Technology Absorption:

##### Research and Development

The IT and ITES Industry are subject to high rate of technological obsolescence. 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.

##### c) 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)

	2012 - 13	2011 - 12
Foreign Exchange earnings	₹ 2,141.09 Lac	₹ 2,622.94 Lac
Foreign Exchange outgo	₹ 434.35 Lac	₹ 335.22 Lac



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

### **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 address.

### **Directors**

Mr. Pradip Dubhashi and Mrs. Shaila Mehta shall retire by rotation and being eligible offer themselves for re-appointment.

Mr. Pranay Vakil and Mr. Nandu Pradhan were appointed as Additional Directors on 16<sup>th</sup> January, 2013 and hold the position upto the forthcoming Annual General Meeting. The Company has received a notice from members under Section 257 of the Companies Act, 1956 signifying their intention to propose Mr. Pranay Vakil and Mr. Nandu Pradhan, respectively, for the office of Director.

### **Audit Committee**

The present Audit Committee of the Board comprises of Mr. Pradip Dubhashi, Mr. Arun Meghani, Mr. Pranay Vakil and Mr. Nandu Pradhan. 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 17, 2013

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



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

### Annexure “A”

Sr.No.	Description	ESOP 2009	
		2012 - 13	2011 - 12
1	Total number of options under the Plan	875,000	875,000
2	Options granted during the year	178,250	206,500
3	Pricing formula (₹)	10	10
4	Options vested (as of March 31)	121,263	69,625
5	Options exercised during the year	80,088	48,863
6	Total number of shares arising as a result of exercise of option (as of March 31)	320,350	195,450
7	Options lapsed	90,025	38,950
8	Variation of terms of options	Nil	Nil
9	Money realized by exercise of options during the year (₹)	3,203,500	1,954,500
10	Total number of options in force at the end of the year	365,300	358,738
11	Employee wise details of options granted to:		
	a) Senior management during the year	Nil	Nil
	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. (₹)	2.51	5.95

## Management discussion and analysis

### Overview:

The fiscal year 2012 started with caution and as time progressed the markets are starting to show optimism for the future. Growth projections are muted for the developed economies compared to the emerging economies.

With the total engineering market spending to touch \$ 1 trillion by 2020, the potential for growth, innovation & services is huge. Engineering customers R & D dollars are now being spent on innovating new products, making current products more efficient due to government, competition and end consumer demand and opening interfaces for the products to communicate & integration with everything mobile.

Your Company is building up capacity, engineering capability & local presence in proximity to customers to become a preferred partner to providing these complex high value services. Engineering outsourcing to India which initially began as a cost optimization for Automotive, Aerospace, Utilities & General industrial engineering companies is now becoming more & more of a strategic investment. With availability of high skilled engineering talent in these low cost countries, they also bring with them the necessary mindset to innovate and new ways to make their current products cheaper with better materials and processes. This helps the Company find levers to leverage productivity & quality and also ways to enter new local markets.

IT and ITeS sectors lead the economic growth in terms of employment, export promotion, revenue generation and standards of living. As per NASSCOM estimates, IT/ITeS sector (excluding hardware) revenues are estimated at USD 87.6 billion in FY 2011-12; and the industry's estimated growth was around 19 per cent during FY 2012-13.

The market size of the industry is expected to rise to USD 225 billion by 2020 from the current size of around USD 100 billion, considering India's competitive position, growing demand for exports, Government policy support, and increasing global footprint.

With rich experience in execution of several large eGovernance, BFSI projects, OeSL is poised for higher growth trajectory and also take its footprints into other verticals viz. Manufacturing, Healthcare, Telecom, etc. besides continuing its strong presence in BFSI & Govt. verticals.

All our recent investments are geared towards ensuring your Company is keeping up with the changes in the macro economic scenario and also long term growth oriented. Your Company is extensively focused on building strong client relations, strong domain capabilities, and a business model that is current with the times and agile enough to respond to the ever changing economic scenarios.

### Performance snapshot

Your Company registered a double digit growth for both the top line and bottom line. The total revenues were ₹ 147 Cr. at year end and EBITDA stood at ₹ 15 Cr.

Today your Company has 1600+ employees spread over 3 continents providing customers with a wide range of engineering & IT Solutions. Your Company has added customer to the portfolio from various geographies. Your Company's value proposition and offerings are attracting the global players to seek services. Continuous focus on the operational excellence is resulting into repeat orders and move up in the services value chain.

Engineering being a highly skilled domain, the recruitment and training & development team of your Company has good alignment with the domain and technology needs of the customers and market.

IT services subsidiary recruited and retained quality Human resources in Technical, Sales and Delivery functions, who will be the strength for the growth envisaged.

Engineering spend is to drive the efficiency, product localization, product innovations, to meet the nextGen requirements of mobility, digitization and sustenance. There has been significant recognition during the year on Company's service mix in favor of high value-added work. This was consistent with the Company's objective of being known as solution provider. Your Company has plans of continuously to invest and strengthen Key domain manpower, subject matter experts in order to offer a high degree of design content to its major customers. This is an era of capacity offering transforming to capability/solution based offerings. This new thrust from Company will result into exclusive design services agreements, leveraging the expansion of sales team and investments in the US and Germany, which would help the Company to improve its revenue and get better margins.

## Management discussion and analysis (Contd.)

Processes are in place for continuous strengthening of culture of First Time Right Quality, Every Time Right Quality, Institutional Design Review Board, Programs for nurturing talent, adaptive, flexible and agile in meeting changing customer demands.

Through Onward's gated project execution process, we verify readiness to proceed at key project milestones and we know how to manage all aspects of even the most complex project, from art-part-SOP (build-print). Our people are one of the key reasons we lead our industry, and they come together project after project in dynamic teams whenever they are needed.

Engineering domain cross fertilization, synergies with engineering disciplines (manufacturing, electrical, robotics, IT, etc.) for backward and forward integration in the overall total solution offering. Continuous efforts towards Strengthening Knowledge Management, enhancing chosen Center of Excellences (COE's) in Technology, Processes, Application Domain and Program Management are in place. Incremental investments in enhancing our engineering capabilities via external technology collaborations for R&D and Proto Development activities.

The current market size of engineering is a fraction of the eventual scaling that will happen in a decade's time. One of the key aspects to a successful scaling and retaining that position will be management of high skilled talent and continuous emphasis on development of new skills and refining existing ones. New technologies, processes & techniques will hit the market every few years which every service provider would need to be at forefront of for adoption. Your Company has mandated training days for all its employees every quarter and has started cross training across domains, tools and technologies. Customers are now able to see the same team contribute to their different products but retaining the core knowledge of their business, manufacturing processes and know-how. This is helping build customer's confidence levels.

### Compliance/IS security/certifications.

Onward Engineering was successfully audited on grounds of ISO 9001:2008 and ISMS 27001.

OeSL (IT Services) has embarked on various Quality related initiatives, during the year 2012-13. OeSL was certified for ISO 9001:2008 during May 2012. OeSL Chennai Development Center achieved the coveted quality assurance and appraised for CMMI Level 3 during December 2012.

### Opportunities and threats

Global companies are now looking at low cost countries more and more as hot bed of innovation, lever to improve quality and productivity and a marketing strategy to enter the emerging economies. Having local presence not only provides a strategic thrust forward but also gives them local marketing access to needs of the market to which they can fine tune their products. Emerging economies being the new growth markets a lot of multinationals are now seeing outsourcing destinations in different light than cost arbitrage. This bodes very well for India and its engineering service providers to capture this market and cater to this growing niche space and demand.

The engineering outsourcing market to India could potentially touch as high as \$ 35 billion by 2020. With the highest speaking young working English language ready work force, higher engineering talent than any other Country, experience of setting up scaled up IT / BPO services and an ingrained understanding of delivering high quality solutions, India can be counted as well poised to capture the outsourcing engineering market.

To really make good on the above opportunities, the regulatory framework will need to be extremely proactive in supporting of such high skilled engineering services. The government will also need to work with other countries to give free access to labor movement. Immigration policies of some of the biggest markets are being consistently being made more cumbersome and difficult to process. To mitigate such risks, your Company has introduced a mantra to Go Global, Act Local. Your Company is now hiring locals in the geographies present abroad to mitigate any such potential immigration related challenges. This has along with it bought a new level of networks which is helping the Company to further expand its presence in those regions.

## **Management discussion and analysis (Contd.)**

Availability of quality infrastructure in cities where new units can be setup will be a key cornerstone around which this growth can be supported. Currency fluctuations, local IT laws, protecting IP for clients amongst other things will also determine the rate and pace of growth of the industry. Rising cost pressure, inflation, higher wages will also allow other low cost countries to position itself as a competition down the line for the Indian engineering outsourcing market. Though there are very few countries that can have the scale that India has with its engineering & English speaking talent pool, there may be pockets of competition globally.

### **Risks and concerns**

The global economy is showing signs of being on recovery path. Developed markets are showing slightly more appetite but there exists a slight overtone of caution which is guiding all business expansion and consumption decisions.

Both Engineering and IT spaces are highly talent and skill driven industries. Availability of talent, compensation pressures and controlling operational overheads will be another significant factor to scale.

Your Company is continuously monitoring all the potential risks areas and developing strategies proactively to mitigate them.

### **Internal control adequacy**

Your Company, through regular and security audits, ensures suitable delivery, quality and security control in its work-environment. It safeguards all its assets and protects from unauthorized users. 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, IT Solutions & IT Consulting) geographical spread and manpower skill-set and deployment categories, the Company has managed to off-set potential and identified risks.

### **Cautionary statement**

Statements 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 17, 2013

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

## Report on corporate governance for the year 2012-13

### 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, 2013:

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 S. Mehta	Chairman & Managing Director/ Promoter Director	2	Nil	5	Yes
Mrs. Shaila Mehta	Non Independent/ Non-Executive	1	Nil	4	Yes
Mr. Arun Meghani	Non Independent/ Non-Executive	1	1	3	Yes
Mr. Samir Desai *	Independent / Non-Executive	Nil	Nil	1	No
Mr. Pradip Dubhashi	Independent / Non-Executive	2	2	5	Yes
Dr. Atul Wad *	Independent / Non-Executive	Nil	Nil	Nil	No
Mr. Sudhir Karnik ** (Alternate director to Dr. Atul Wad)	Independent / Non-Executive	1	1	4	Yes
Mr. Pranay Vakil ***	Independent / Non-Executive	3	Nil	1	No
Mr. Nandu Pradhan ***	Independent / Non-Executive	1	1	1	No

\* Mr. Samir Desai and Dr. Atul Wad resigned as Directors on January 16, 2013

\*\* Mr. Sudhir Karnik expired in November, 2012

\*\*\* Mr. Pranay Vakil and Mr. Nandu Pradhan were appointed as Directors on January 16, 2013

## Report on corporate governance for the year 2012-13 (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

Five board meetings were held during the year ended 31<sup>st</sup> March, 2013 and the gap between two meetings did not exceed four months. The board meetings were held on: 20<sup>th</sup> April, 2012, 25<sup>th</sup> May, 2012, 27<sup>th</sup> July, 2012, 23<sup>rd</sup> October, 2012 and 22<sup>nd</sup> January, 2013 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 has 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 2012-13 (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 six committees of board of directors. These are:

- A. Audit committee
- B. Remuneration committee
- C. Compensation committee
- D. Shareholders' / investors' grievance committee
- E. Banking committee
- F. Selection 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 2012-13 (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, five meetings of the committee were held on the following dates : 20<sup>th</sup> April, 2012, 25<sup>th</sup> May, 2012, 27<sup>th</sup> July, 2012, 23<sup>rd</sup> October, 2012 and 22<sup>nd</sup> January, 2013 respectively.

The directors who are part of the audit committee as on March 31, 2013 and the attendance of each of the members of the committee are given below:

Name of director	Designation	Category	No. of meetings attended
Mr. Pradip Dubhashi	Chairman	Independent member and Non-Executive	5
Mr. Arun Meghani	Member	Non Independent member and Non-Executive	3
Dr. Atul Wad (resigned on 16.1.2013)	Member	Independent member and Non-Executive	Nil
Mr. Sudhir Karnik (Alternate Director to Dr. Atul Wad)(was director for part of the year)	Member	Independent member and Non-Executive	4
Mr. Pranay Vakil (Appointed on 16.1.2013)	Member	Independent member and Non-Executive	1
Mr. Nandu Pradhan (Appointed on 16.1.2013)	Member	Independent member and Non-Executive	1

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.

**Report on corporate governance for the year 2012-13 (Contd.)****(1) Composition**

During the year under review, one remuneration committee meeting was held on 25<sup>th</sup> May, 2012. The remuneration committee consists of the following board of directors:

Name of director	Designation	Category	No. of meetings attended
Mr. Pradip Dubhashi	Chairman	Independent member and Non-Executive	1
Mr. Arun Meghani	Member	Non Independent member and Non-Executive	1
Dr. Atul Wad (Resigned on 16.1.2013)	Member	Independent member and Non-Executive	Nil
Mr. Sudhir Karnik (Alternate Director to Dr. Atul Wad)(was director for part of the year)	Member	Independent member and Non-Executive	1
Mr. Pranay Vakil (Appointed on 16.1.2013)	Member	Independent member and Non-Executive	Nil

**(2) Non executive directors' remuneration details for the financial year ended March 31, 2013:**

Name of the director	Sitting fees (₹)	Total (₹)
Mrs. Shaila Mehta	100,000	100,000
Mr. Pradip Dubhashi	230,000	230,000
Mr. Arun Meghani	110,000	110,000
Mr. Samir Desai (Resigned on 16.1.13)	25,000	25,000
Dr. Atul Wad (Resigned on 16.1.13)	Nil	Nil
Mr. Sudhir Karnik (Alternate Director to Dr. Atul Wad) (was director for part of the year)	160,000	160,000
Mr. Pranay Vakil (Appointed on 16.1.13)	35,000	35,000
Mr. Nandu Pradhan (Appointed on 16.1.13)	40,000	40,000

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 and ₹5,000 as sitting fees to the members of shareholders' / investors' grievance, compensation and remuneration committees. Since the payment of sitting fees is within the limit, approval from shareholders is not required.

During the year, Mr. Pradip Dubhashi, independent director had been allotted 2,500 shares under the ESOP scheme 2009. The perquisite to be charged on the shares allotted to him under the ESOP scheme is ₹ 84,000.

**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 consists of three members. During the year, the committee had six meetings, which were held on 25<sup>th</sup> May, 2012, 15<sup>th</sup> June, 2012, 27<sup>th</sup> July, 2012, 23<sup>rd</sup> October, 2012, 23<sup>rd</sup> November, 2012 and 19<sup>th</sup> March, 2013.

## Report on corporate governance for the year 2012-13 (Contd.)

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

Name of director	Designation	Category	No. of meetings attended
Mr. Harish Mehta	Chairman	Non Independent member and Executive	6
Mr. Pradip Dubhashi	Member	Independent member and Non-Executive	6
Mr. Samir Desai (Resigned on 16.1.13)	Member	Independent member and Non-Executive	1
Mr. Pranay Vakil (Appointed on 16.1.2013)	Member	Independent member and Non-Executive	Nil

### 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 shareholders' / investors' grievance committee comprises of three members. During the year, four meetings were held on 25<sup>th</sup> May, 2012, 27<sup>th</sup> July, 2012, 23<sup>rd</sup> October, 2012 and 22<sup>nd</sup> January, 2013 respectively.

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

Name of director	Designation	Category	No. of meetings attended
Mrs. Shaila Mehta	Chairman	Non Independent member and Non-Executive	4
Mr. Pradip Dubhashi	Member	Independent member and Non-Executive	4
Dr. Atul Wad (Resigned on 16.1.2013)	Member	Independent member and Non-Executive	Nil
Mr. Sudhir Karnik (Alternate Director to Dr. Atul Wad)(was director for part of the year)	Member	Independent member and Non-Executive	3
Mr. Nandu Pradhan (Appointed on 16.1.2013)	Member	Independent member and Non-Executive	1

Status of complaints received during the accounting year ended 31st March, 2013:

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

There were no pending complaints as well as share transfer proposal as on March 31, 2013.

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

**Report on corporate governance for the year 2012-13 (Contd.)****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 banking committee comprises of three members. During the year, twelve meetings were held on 20<sup>th</sup> April, 2012, 4<sup>th</sup> June, 2012, 5<sup>th</sup> July, 2012, 20<sup>th</sup> July, 2012, 31<sup>st</sup> July, 2012, 10<sup>th</sup> August, 2012, 10<sup>th</sup> September, 2012, 17<sup>th</sup> October, 2012, 22<sup>nd</sup> November, 2012, 3<sup>rd</sup> January, 2013, 7<sup>th</sup> January, 2013 and 21<sup>st</sup> March, 2013 respectively.

The composition of the banking committee is as under:

Name of director	Designation	Category	No. of meetings attended
Mr. Harish Mehta	Chairman	Non Independent member and Executive	12
Mrs. Shaila Mehta	Member	Non Independent member and Non-Executive	12
Mr. Arun Meghani	Member	Non Independent member and Non-Executive	Nil

**F) Selection committee****1. Brief description of terms of reference**

The scope of selection committee is to select the appropriate candidate for the vacancies at the higher level management of the Company.

**2. Composition**

The selection committee comprises of three members. During the year one meeting of the committee has been held on 25<sup>th</sup> May, 2012.

The composition of the selection committee is as under:

Name of director	Designation	Category	No. of meetings attended
Mr. Pradip Dubhashi	Chairman	Independent member and Non-Executive	1
Dr. Atul Wad (Resigned on 16.1.2013)	Member	Independent member and Non-Executive	Nil
Mr. Samir Desai (Resigned on 16.1.13)	Member	Independent member and Non-Executive	Nil
Mr. Sudhir Karnik (Alternate Director to Dr. Atul Wad)(was director for part of the year)	Member	Independent member and Non-Executive	1

## Report on corporate governance for the year 2012-13 (Contd.)

### G) General body meetings:

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

Financial year	Venue	Date	Time	Special resolution passed, If any
2009 - 10	The Victoria Memorial School for the Blind 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 73, Tardeo Road Mumbai - 400 034	15.7.2011	3.30 p.m.	Yes (1 No)
2011 - 12	The Victoria Memorial School for the Blind 73, Tardeo Road Mumbai - 400 034	27.7.2012	3.30 p.m.	Yes (1 No)

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, 2013, 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, 2013 to executive director:

Name of the director	Salary & perquisites (₹)	Incentive (₹)	Sitting fees (₹)	Total (₹)
Mr. Harish Mehta, Chairman & Managing Director	8,094,980	Nil	Nil	8,094,980

Note: Includes payment towards rent free accommodation.

**Report on corporate governance for the year 2012-13 (Contd.)****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.

**VI General shareholders information:**

Annual general meeting

Date	:	22 <sup>nd</sup> July, 2013
Time	:	3.30 p.m.
Venue	:	Victoria Memorial School for the Blind 73, Tardeo Road Mumbai - 400 034
Financial year	:	April 1 to March 31
First quarter results	:	3 <sup>rd</sup> week of July, 2013
Second quarter results	:	3 <sup>rd</sup> week of October 2013
Third quarter results	:	3 <sup>rd</sup> week of January 2014
Results for the year ending March 2014	:	4 <sup>th</sup> week of May 2014
Book closure dates	:	18 <sup>th</sup> July, 2013 to 22 <sup>nd</sup> July, 2013 (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 (Delisted w.e.f. 31 <sup>st</sup> July, 2012)
Demat ISIN no. for CDSL and NSDL	:	INE 229 A 01017

## Report on corporate governance for the year 2012-13 (Contd.)

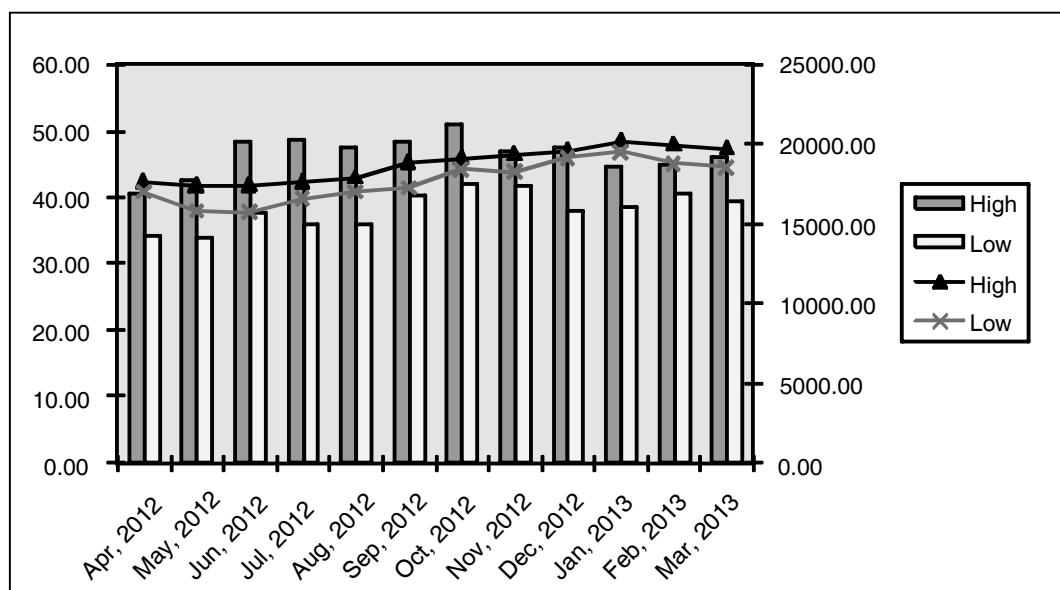
**Market price data:** High/low during each month in the financial year 2012-13 :

(₹)

Month	BSE		NSE	
	High	Low	High	Low
April, 2012	40.70	34.15	40.40	34.00
May, 2012	42.50	34.05	41.80	35.15
June, 2012	48.40	37.55	44.85	37.55
July, 2012	46.70	36.00	42.95	36.30
August, 2012	47.45	36.00	48.00	36.50
September, 2012	48.50	40.15	48.00	41.70
October, 2012	51.00	42.00	51.00	41.60
November, 2012	47.00	41.60	46.20	41.55
December, 2012	47.40	38.05	47.45	38.60
January, 2013	44.50	38.55	43.90	40.00
February, 2013	45.00	40.60	44.90	40.00
March, 2013	46.00	39.50	46.00	38.00

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

### Stock price performance in comparison to the BSE Sensex in the financial year 2012-13



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.



**Report on corporate governance for the year 2012-13 (Contd.)**

Distribution of shareholding as on 31st March, 2013:

Shareholding of nominal value (₹)	No. of share holders	% of share holders	Amount (₹)	% of shareholding
1 to 5,000	6,064	85.31	10,890,820	7.87
5,001 to 10,000	527	7.42	4,326,760	3.13
10,001 to 20,000	271	3.81	4,004,010	2.89
20,001 to 30,000	89	1.25	2,251,350	1.63
30,001 to 40,000	30	0.42	1,092,840	0.79
40,001 to 50,000	27	0.38	1,291,510	0.93
50,001 to 100,000	46	0.65	3,442,870	2.49
100,001 to 9,999,999,999	54	0.76	111,058,540	80.27
<b>Total</b>	<b>7,108</b>	<b>100.00</b>	<b>138,358,700</b>	<b>100.00</b>

Shareholding pattern as on 31st March 2013:

Categories	No. of shares held	Percentage of shareholding
Promoter corporate bodies	7,888,345	57.01
Directors and relatives	379,475	2.74
Corporate bodies	1,455,470	10.52
Mutual fund	3,750	0.03
Banks	350	0.00
Foreign institutional investor	550,000	3.98
Non resident Indians	31,226	0.23
Public	3,504,382	25.33
Clearing members	22,872	0.16
<b>Total</b>	<b>13,835,870</b>	<b>100.00</b>

De-materialisation of shares and liquidity	As on March 31, 2013, 13,536,941 shares representing 97.84% 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: isrl@linkintime.com Contact person: Mr. Tushar Ghodke

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

Place: Mumbai  
Date: May 17, 2013

**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 2012–13 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 17, 2013

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

## Auditors' Certificate

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

We have examined the compliance of conditions of corporate governance by Onward Technologies Limited, for the year ended on March 31, 2013, 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 17, 2013

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## Auditors' Report on Employees' Stock Option Schemes

We have examined the books of account for the financial year 2012-13 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 (as updated up to 3<sup>rd</sup> September 2009) and the resolutions of the Company in the Annual General Meeting held on 31<sup>st</sup> August, 2009.

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

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

Mumbai, May 17, 2013

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## Auditors' Report

To,  
The Members,  
Onward Technologies Limited  
Report on the Financial Statements

We have audited the attached Financial Statements of ONWARD TECHNOLOGIES LIMITED ("the Company") which comprise the Balance Sheet as at March 31, 2013, 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 and the summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

### Management's Responsibility for the Financial Statements

The management is responsible for the preparation of Financial Statements that give a true and fair view of the financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

### Opinion

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 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, 2013;
- ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note No. 40 to the financial statements regarding non appointment of full time Company Secretary.

### Report on other Legal and Regulatory Requirements

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.

**Auditors' Report** (Contd.)

2. Further to our comments in the Annexure referred to in paragraph (1) above, as required by section 227 (3) of the Act, 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, 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

Mumbai, May 17, 2013

**Annexure referred to in our report of even date addressed to the Members of ONWARD TECHNOLOGIES LIMITED, on the financial statements for the year ended March 31, 2013. We report that:**

- (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 and discarded 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 Software products.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4 (iii) (a) to (d) of the Order are not applicable.

**Auditors' Report** (Contd.)

- (e) According to the information and explanations given to us, the Company has taken unsecured loan from its Holding Company which is covered under the register maintained under Section 301 of the Companies Act, 1956. The total maximum principal outstanding during the year amounts to ₹ 75,177,523/- and the closing balance was ₹ 15,827,500/-
- (f) The rate of interest and other terms of unsecured loans taken by the Company are not prima facie prejudicial to the interest of the Company.
- (g) The terms of arrangement do not stipulate any repayment schedule for principle. Accordingly, paragraph 4 (iii)(g) of the Order is not applicable to the Company in respect of repayment of the principal amount. However the Company is regular in repayment of interest.
- (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 respect of transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lakhs entered into during the financial year, have been made at prices which are reasonable having regard to the prevailing market prices based on the Transfer Pricing study carried out by the Company under Income Tax Act.
- (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 Independent Auditors' reports broadly reviewed by us, we are of the opinion that, even though the Company has an adequate internal audit system commensurate with the size and nature of its business however the frequency needs to be increased.
- (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 employees' state insurance, income tax, wealth tax, service tax and sales tax however the Company is generally regular in depositing provident fund, investor education and protection fund, 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.
- (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, 2013 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:-

**Auditors' Report** (Contd.)

Sr. No.	Name of Statute	Nature of Dues	Year	Amount Demanded (₹)	Forum where dispute is pending
1.	Central Sales Tax	Non submission of Form C	FY 2002-03	698,463	Jt Commissioner of Sales Tax, Mumbai
2.	Income tax Act, 1961	Transfer Pricing Adjustments & disallowance u/s 43 (B)	FY 2007-08	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.
- (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) is 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) According to the information and explanations given to us, the Company has given guarantees for loans taken by its wholly owned foreign 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 17, 2013



## Balance sheet as at 31st March, 2013

Figures in ₹

Particulars	Notes	2013	2012
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
(a) Share capital	2	138,358,700	135,155,200
(b) Reserves and surplus	3	188,602,686	144,368,574
		<u>326,961,386</u>	<u>279,523,774</u>
<b>Non-current liabilities</b>			
(a) Long-term borrowings	4	85,180,325	112,115,815
(b) Deferred tax liabilities (net)	5	—	—
(c) Other long-term liabilities	6	—	142,500
		<u>85,180,325</u>	<u>112,258,315</u>
<b>Current liabilities</b>			
(a) Short-term borrowings	7	65,987,329	66,768,976
(b) Trade payables	8	3,759,327	22,414,663
(c) Other current liabilities	9	162,836,655	144,441,012
(d) Short-term provisions	10	45,149,703	30,535,079
		<u>277,733,014</u>	<u>264,159,730</u>
<b>Total</b>		<u>689,874,725</u>	<u>655,941,819</u>
<b>Assets</b>			
<b>Non-current assets</b>			
(a) Fixed assets	11		
(i) Tangible assets		56,970,570	62,579,561
(ii) Intangible assets		43,596,549	49,311,281
(b) Non-current investments	12	265,344,090	246,210,595
(c) Deferred tax assets (net)	5	8,219,737	19,107,688
(d) Long-term loans and advances	13	10,068,289	9,018,221
(e) Other non-current assets	14	100,347,880	48,635,659
		<u>484,547,115</u>	<u>434,863,005</u>
<b>Current assets</b>			
(a) Trade receivables	15	132,787,199	155,190,684
(b) Cash and bank balances	16	4,929,667	6,186,029
(c) Short-term loans and advances	17	17,769,659	9,856,915
(d) Other current assets	18	49,841,085	49,845,186
		<u>205,327,610</u>	<u>221,078,814</u>
<b>Total</b>		<u>689,874,725</u>	<u>655,941,819</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

**Arun Meghani**

Director

**Pradip Dubhashi**

Director

Place : Mumbai

Date : May 17, 2013

## Statement of profit and loss for the year ended 31st March, 2013

Figures in ₹

Particulars	Notes	2013	2012
I. Revenue from operations	19	671,692,540	615,948,338
II. Other income	20	13,572,977	11,306,502
III. Total revenue (I + II)		685,265,517	627,254,840
IV. Expenses:			
Cost of software products	21	25,447,944	19,959,277
Employee benefits expenses	22	405,228,907	351,762,757
Finance costs	23	23,398,526	18,006,880
Depreciation and amortization expense	11	29,602,525	30,005,084
Other expenses	24	151,461,288	140,386,412
Total expenses		635,139,190	560,120,410
V. Profit before exceptional and extraordinary items and tax (III - IV)		50,126,327	67,134,430
VI. Exceptional items		2,635,961	—
VII. Profit before extraordinary items and tax (V - VI)		52,762,288	67,134,430
VIII. Extraordinary items		—	—
IX. Profit before tax (VII - VIII)		52,762,288	67,134,430
X. Tax expense:			
(1) Current tax		1,159,050	—
(2) MAT		9,765,700	11,499,400
(3) MAT credit entitlement		(6,566,454)	(11,499,400)
(4) Deferred tax		10,887,951	(19,107,688)
XI. Profit for the period from continuing operations (IX - X)		37,516,041	86,242,118
XII. Earnings per equity share:			
(1) Basic		2.75	6.42
(2) Diluted		2.51	5.95

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

**Arun Meghani**

Director

**Pradip Dubhashi**

Director

Place : Mumbai

Date : May 17, 2013

## Cash flow statement for the year ended 31st March, 2013

		Figures in ₹	
		2013	2012
<b>(A) Cash flows from operating activities</b>			
Profit before extra ordinary item and tax		52,762,288	67,134,430
Adjustments for:			
Depreciation		29,602,525	30,005,084
Deferred employees compensation expenses		6,718,071	(2,213,720)
Deferred tax expenses		10,887,951	(19,107,688)
Interest income		(134,554)	(83,746)
Dividend received		—	(11,600)
Profit on sale of investment property		(2,635,961)	—
Net loss on sale of fixed assets		418,377	762,148
Finance costs		22,426,195	22,272,974
<b>Operating profit before working capital changes</b>		<b>120,044,892</b>	<b>98,757,882</b>
Adjustments for:			
Decrease/(increase) in trade receivables		22,403,485	(69,197,027)
Decrease/(increase) in other current assets		(51,708,120)	886,851
Decrease/(increase) in loans and advances		(8,962,812)	(35,696,173)
(Decrease)/increase in current liabilities		(402,193)	33,427,729
(Decrease)/increase in provisions		14,614,624	11,702,741
Cash generated from operations		95,989,876	39,882,003
Income tax provided		(15,246,247)	19,107,688
<b>Cash flow before extraordinary item</b>		<b>80,743,629</b>	<b>58,989,691</b>
<b>Net cash from operating activities (A)</b>		<b>80,743,629</b>	<b>58,989,691</b>
<b>(B) Cash flow from investing activities</b>			
Purchase of fixed assets and investments		(40,101,784)	(72,907,566)
Proceeds from sale of fixed assets		1,043,571	451,771
Interest received		134,554	83,746
Dividend received		—	11,600
<b>Net cash used in investing activities (B)</b>		<b>(38,923,659)</b>	<b>(72,360,449)</b>
<b>(C) Cash flow from financing activities</b>			
Proceeds from issue of share capital		3,203,500	1,954,500
Proceeds from sale of investment property		3,863,500	—
Proceeds from long-term borrowings		56,109,892	35,369,598
Repayment of long-term borrowings		(83,827,029)	(3,988,592)
Finance costs		(22,426,195)	(22,272,974)
<b>Net cash (used)/generated in financing activities (C)</b>		<b>(43,076,332)</b>	<b>11,062,532</b>
<b>Net increase/(decrease) in cash and cash equivalents (A + B + C)</b>		<b>(1,256,362)</b>	<b>(2,308,226)</b>
Cash and cash equivalents opening balance		6,186,029	8,494,255
<b>Cash and cash equivalents closing balance</b>		<b>4,929,667</b>	<b>6,186,029</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 & Managing Director

**Shaila Mehta**

Director

**Arun Meghani**

Director

**Pradip Dubhashi**

Director

Place : Mumbai

Date : May 17, 2013

## 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.

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.

## Notes to financial statements (Contd.)

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 instruments and hedge accounting:

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain forecasted transactions. Effective April 1st 2012 the Company designates some of these as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments: Recognition and Measurements"(AS 30).

The use of foreign currency forward contracts is governed by the Company's policies provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy.

The counter party to the Company's foreign currency forward contracts is generally a bank.

The Company does not use derivative financial instruments for speculative purposes.

Foreign currency forward contract derivative instruments are initially measured at fair value and are re-measured at subsequent reporting dates.

## Notes to financial statements (Contd.)

Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognized directly in Hedging Reserve and the ineffective portion is recognized immediately in Profit and Loss Account. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the Profit and Loss Account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

When hedge accounting is discontinued for a cash flow hedge, the net gain or loss will remain in reserves and be reclassified to Profit and Loss Account in the same period or periods during which the formerly hedged transaction is reported in Profit and Loss Account.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in reserves is transferred to Profit and Loss Account.

### 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.



## Notes to financial statements (Contd.)

### 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.

### 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**

Values in ₹

Particulars	2012		Issued/(reductions) during the year		2013	
	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	18,000,000	180,000,000	—	—	18,000,000	180,000,000
1,000,000 preference shares of ₹ 10 each	1,000,000	10,000,000	—	—	1,000,000	10,000,000
1,000,000 unclassified shares of ₹ 10 each	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>						
13,835,870 (13,515,520 ) equity shares of ₹ 10 each	13,515,520	135,155,200	320,350	3,203,500	13,835,870	138,358,700

**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.

**1,708,650** (1,434,950) 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	2012			2013		
	No of shares	Value	Holding (%)	No of shares	Value	Holding (%)
<b>Share held by holding Company:</b>						
Onward Network Technologies Private Limited	6,933,311	69,333,110	51.30	7,420,792	74,207,920	53.63
<b>Holding more than 5%:</b>						
Onward Network Technologies Private Limited	6,933,311	69,333,110	51.30	7,420,792	74,207,920	53.63

## Notes to financial statements (Contd.)

### Note 3 - Reserve and surplus

Figures in ₹

Particulars	2013	2012
<b>Securities premium account:</b>		
Balance as per last financial statements	76,708,683	74,893,553
Add: premium on issue of equity shares	—	—
Add: additions on employee stock option plan outstanding	5,060,810	1,815,130
<b>Closing balance</b>	<b>81,769,493</b>	<b>76,708,683</b>
<b>Employee stock option plan outstanding (Refer Note - 37):</b>		
Balance as per last financial statements	—	4,028,850
Add: gross compensation for options granted during the year	37,514,995	18,885,419
Less: deferred employee stock compensation	(30,796,924)	(21,099,139)
Less: transferred to securities premium on exercise of stock options	(5,060,810)	(1,815,130)
<b>Closing balance</b>	<b>1,657,261</b>	<b>—</b>
<b>Surplus/(deficit) at the beginning of the year:</b>	<b>67,659,891</b>	<b>(18,582,227)</b>
Add: profit after tax for the year	37,516,041	86,242,118
Less: appropriations	—	—
Transfer to general reserve	—	—
<b>Surplus at the end of the year</b>	<b>105,175,932</b>	<b>67,659,891</b>
<b>Total</b>	<b>188,602,686</b>	<b>144,368,574</b>

### Note 4 - Long-term borrowings (Refer Note - 38)

Particulars	2013			2012		
	Secured	Unsecured	Total	Secured	Unsecured	Total
<b>Term loans:</b>						
Term loans from banks	33,693,984	—	33,693,984	37,327,283	—	37,327,283
Less: Current maturities of long-term borrowings	18,685,358	—	18,685,358	18,941,472	—	18,941,472
<b>Total long-term borrowings</b>	<b>15,008,626</b>	<b>—</b>	<b>15,008,626</b>	<b>18,385,811</b>	<b>—</b>	<b>18,385,811</b>
<b>Loans and advances from related parties:</b>						
Desai Finwealth Investment & Securities Private Limited	—	—	—	—	1,902,759	1,902,759
Onward Network Technologies Private Limited	—	15,827,500	15,827,500	—	74,677,523	74,677,523
Onward Properties Private Limited (erstwhile Shantmurli Holdings Private Limited)	—	10,194,123	10,194,123	—	10,195,123	10,195,123
Inter corporate deposits - others	—	30,000,000	30,000,000	—	—	—
<b>Other loans and advances:</b>						
<b>Interest payable to:</b>						
Onward Network Technologies Private Limited	—	13,643,651	13,643,651	—	6,954,599	6,954,599
Interest on inter corporate deposits - others	—	506,425	506,425	—	—	—
<b>Total</b>	<b>15,008,626</b>	<b>70,171,699</b>	<b>85,180,325</b>	<b>18,385,811</b>	<b>93,730,004</b>	<b>112,115,815</b>

**Notes to financial statements (Contd.)****Maturity profile of term loans from banks:**

Particulars	1-2 years	2-3 years	3-4 years
Term loans from bank (principal amounts repayable)	₹ 12,866,794	₹ 2,141,832	₹ Nil

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

Particulars	Figures in ₹	
	2013	2012
<b>Deferred tax liability:</b>		
Fixed assets: impact of difference between WDV as per financial reporting and as per income tax reporting	(13,047,036)	(14,870,983)
<b>Deferred tax assets:</b>		
Impact of expenditure disallowed as per financial statement but allowed for tax purposes on payment basis	4,938,666	3,890,859
Impact of carried forward losses	16,328,107	30,087,812
<b>Total</b>	<b>8,219,737</b>	<b>19,107,688</b>

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

Particulars	2013	2012
Deposits	—	142,500
<b>Total</b>	<b>—</b>	<b>142,500</b>

**Note 7 - Short-term borrowings (Secured) (Refer Note - 38)**

Particulars	2013	2012
Cash credit from banks	47,301,971	47,827,504
Current maturities of term loans from banks (Refer Note - 30)	18,685,358	18,941,472
<b>Total</b>	<b>65,987,329</b>	<b>66,768,976</b>

## Notes to financial statements (Contd.)

### Note 8 - Trade payables

Figures in ₹

Particulars	2013	2012
<b>Trade payable for services and software:</b>		
Due to micro, small and medium enterprises	36,844	115,989
Others	3,722,483	22,298,674
<b>Total</b>	<b>3,759,327</b>	<b>22,414,663</b>

### Note 9 - Other current liabilities

Particulars	2013	2012
<b>Advance from customers:</b>		
From related parties (Refer Note - 34 (c))	91,824,368	67,996,917
Others	2,849,724	3,508,375
<b>Other liabilities:</b>		
Dues towards employees & ex-employees	29,852,106	27,021,054
Statutory liabilities	22,795,347	30,382,134
Provision for expenses	2,498,357	4,124,872
Remuneration to director (Refer Note - 34 (c))	625,349	2,358,092
Other payables	12,391,404	9,049,568
<b>Total</b>	<b>162,836,655</b>	<b>144,441,012</b>

### Note 10 - Short-term provisions

Particulars	2012	Additions	Payment/ utilisations	Reversals/ adjustment	2013
<b>Provision for employee benefits (Refer Note - 32):</b>					
Gratuity	8,419,052	5,116,681	1,250,000	–	12,285,733
Leave encashment	3,116,127	–	–	180,207	2,935,920
<b>Others:</b>					
Provision for Tax (Minimum alternate tax)	18,977,900	10,924,750	–	–	29,902,650
Wealth tax	22,000	25,400	22,000	–	25,400
<b>Total</b>	<b>30,535,079</b>	<b>16,066,831</b>	<b>1,272,000</b>	<b>180,207</b>	<b>45,149,703</b>

**Notes to financial statements (Contd.)****Note 11 - Fixed assets:**

Figures in ₹

Particulars	Gross block (at cost)				Depreciation				Net block	
	As at 1.4.2012	Additions during the year	Deletions/ Adj. during the year	Total as at 31.3.2013	Provided up to 31.3.2012	Depreciation for the year	Depreciation on deductions	Total up to 31.3.2013	As at 31.3.2013	As at 31.3.2012
<b>Tangible assets (owned):</b>										
Buildings/premises	1,706,250	–	1,706,250	–	464,843	13,868	478,711	–	–	1,241,407
Furniture and fixtures	49,897,567	558,923	4,129,660	<b>46,326,830</b>	37,310,975	2,854,555	3,853,623	<b>36,311,907</b>	<b>10,014,923</b>	12,586,592
Vehicles	17,217,685	1,340,065	429,823	<b>18,127,927</b>	6,121,490	1,688,952	213,450	<b>7,596,992</b>	<b>10,530,935</b>	11,096,195
Office equipment	17,310,408	281,384	2,315,835	<b>15,275,957</b>	9,440,740	816,204	1,803,669	<b>8,453,275</b>	<b>6,822,682</b>	7,869,668
Electrical fittings	7,639,554	654,222	885,799	<b>7,407,977</b>	5,236,515	658,961	525,405	<b>5,370,071</b>	<b>2,037,906</b>	2,403,039
Instruments and accessories	886,434	–	26,739	<b>859,695</b>	865,820	4,850	26,739	<b>843,931</b>	<b>15,764</b>	20,614
Computers	198,992,367	9,909,878	4,243,513	<b>204,658,732</b>	179,381,903	8,574,822	4,146,535	<b>183,810,190</b>	<b>20,848,542</b>	19,610,464
<b>Total</b>	<b>293,650,265</b>	<b>12,744,472</b>	<b>13,737,619</b>	<b>292,657,118</b>	<b>238,822,286</b>	<b>14,612,212</b>	<b>11,048,132</b>	<b>242,386,366</b>	<b>50,270,752</b>	<b>54,827,979</b>
<b>Assets under lease:</b>										
Leasehold improvements	11,385,136	–	–	<b>11,385,136</b>	3,633,554	1,051,764	–	<b>4,685,318</b>	<b>6,699,818</b>	7,751,582
<b>Total tangible assets</b>	<b>305,035,401</b>	<b>12,744,472</b>	<b>13,737,619</b>	<b>304,042,254</b>	<b>242,455,840</b>	<b>15,663,976</b>	<b>11,048,132</b>	<b>247,071,684</b>	<b>56,970,570</b>	<b>62,579,561</b>
<b>Intangible assets:</b>										
Computer software	89,658,450	8,223,817	22,995	<b>97,859,272</b>	40,347,169	13,938,549	22,995	<b>54,262,723</b>	<b>43,596,549</b>	49,311,281
<b>Total intangible assets</b>	<b>89,658,450</b>	<b>8,223,817</b>	<b>22,995</b>	<b>97,859,272</b>	<b>40,347,169</b>	<b>13,938,549</b>	<b>22,995</b>	<b>54,262,723</b>	<b>43,596,549</b>	<b>49,311,281</b>
<b>Grand total</b>	<b>394,693,851</b>	<b>20,968,289</b>	<b>13,760,614</b>	<b>401,901,526</b>	<b>282,803,009</b>	<b>29,602,525</b>	<b>11,071,127</b>	<b>301,334,407</b>	<b>100,567,119</b>	<b>111,890,842</b>

**Note 12 - Non-current investments**

Particulars	2013	2012
<b>Investments in equity instruments (unquoted &amp; non-trade)</b>		
<b>In subsidiaries:</b>		
<b>Onward eServices Limited</b>		
<b>14,000,000</b> (12,990,000) equity shares of ₹ 10 per share fully paid	<b>140,000,000</b>	129,900,000
Share application money	–	–
<b>Onward Technologies GmbH</b>	<b>19,481,763</b>	10,448,268
<b>Onward Technologies, Inc.</b>	<b>95,169,663</b>	95,169,663
<b>114,000</b> (114,000) fully paid equity shares of US\$ 20 each		
<b>Onward Properties Private Limited</b> <b>(erstwhile Shantmurli Holdings Private Limited)</b>	<b>10,692,664</b>	10,692,664
<b>5,000</b> (5,000) fully paid equity shares of ₹ 100 each		
<b>Total</b>	<b>265,344,090</b>	246,210,595
 Aggregate cost of unquoted investments	 <b>265,344,090</b>	 246,210,595
<b>Total</b>	<b>265,344,090</b>	246,210,595

## Notes to financial statements (Contd.)

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

Figures in ₹

Particulars	2013	2012
	Unsecured, considered good	Unsecured, considered good
<b>Capital advance</b>	<b>85,075</b>	–
<b>Loans and advances to related parties:</b>		
Advance towards equity to Onward Technologies GmbH (Refer Note - 34 (c))	<b>2,729,425</b>	2,729,425
<b>Security deposits</b>	<b>7,253,789</b>	6,288,796
Less: provision for bad & doubtful debts	–	–
<b>Total</b>	<b>10,068,289</b>	9,018,221

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

### Note 14 - Other non-current assets

Particulars	2013	2012
	Unsecured, considered good	Unsecured, considered good
Advance income tax *	<b>100,347,880</b>	48,485,659
Professional tax paid under protest	–	150,000
<b>Total</b>	<b>100,347,880</b>	48,635,659

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

\* Includes MAT credit entitlement

### Note 15 - Trade receivables

Particulars	2013	2012
<b>Unsecured:</b>		
<b>Debts outstanding for a period exceeding six months:</b>		
Considered good	<b>12,558,346</b>	12,573,396
<b>Other debts:</b>		
Considered good	<b>120,228,853</b>	142,617,288
<b>Total</b>	<b>132,787,199</b>	155,190,684

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

Figures in ₹

Particulars	2013	2012
<b>A) Cash and cash equivalents:</b>		
Balance with banks	3,998,974	4,008,823
Cheques, drafts on hand	9,671	726,118
Cash on hand	22,645	239,087
	<u>4,031,290</u>	<u>4,974,028</u>
<b>B) Others:</b>		
Margin money deposits for bank guarantees	898,377	1,212,001
<b>Total</b>	<b>4,929,667</b>	<b>6,186,029</b>

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

Particulars	2013	2012
	Unsecured, considered good	Unsecured, considered good
Prepaid expenses	5,068,984	6,640,256
Advance paid to employees	1,007,321	2,203,533
Resigned employees receivables	9,364,513	—
Advance paid to supplier	272,591	1,013,126
Forward contract (Refer Note 1- E & 27)	2,056,250	—
<b>Total</b>	<b>17,769,659</b>	<b>9,856,915</b>

**Note 18 - Other current assets**

Particulars	2013	2012
	Unsecured, considered good	Unsecured, considered good
Interest accrued on bank guarantee margins	2,621	6,722
Advance income tax	49,838,464	49,838,464
<b>Total</b>	<b>49,841,085</b>	<b>49,845,186</b>



## Notes to financial statements (Contd.)

### Note 19 - Revenue from operations

Figures in ₹

Particulars	2013	2012
<b>Income from software services &amp; products:</b>		
Offshore/offsite services	442,488,559	421,858,000
Onsite services	184,402,959	162,245,233
Software products	44,801,022	31,845,105
<b>Total</b>	<b>671,692,540</b>	<b>615,948,338</b>

### Note 20 - Other income

Particulars	2013	2012
Interest income	134,554	83,746
Dividend income	—	11,600
Profit on sale of fixed assets	66,338	—
Net gain on sale of investments	—	52,972
Sundry provision and credit balance written back	945,876	1,321,391
Other non-operating income including foreign exchange gain (net of expenses directly attributable to such income)	12,426,209	9,836,793
<b>Total</b>	<b>13,572,977</b>	<b>11,306,502</b>

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

Values in ₹

Particulars	2013		2012	
	Value	%	Value	%
<b>Software products and others:</b>				
Imported	22,359,157	88	15,848,037	79
Indigenous	3,088,787	12	4,111,240	21
<b>Total</b>	<b>25,447,944</b>	<b>100</b>	<b>19,959,277</b>	<b>100</b>

### Note 22 - Employee benefits expenses

Particulars	2013	2012
Salaries and wages including overseas employees	371,418,661	327,094,703
Contribution to provident and other funds	25,319,428	20,949,631
Staff welfare	1,772,747	1,864,065
Expense on employee stock option scheme (ESOP) (Refer Note - 37 (b))	6,718,071	1,854,358
<b>Total</b>	<b>405,228,907</b>	<b>351,762,757</b>

### Note 23 - Finance costs

Particulars	2013	2012
Interest expense	22,426,195	17,021,915
Other finance costs	972,331	984,965
<b>Total</b>	<b>23,398,526</b>	<b>18,006,880</b>

**Notes to financial statements** (Contd.)**Note 24 - Other expenses**

Figures in ₹

<b>Particulars</b>	<b>2013</b>	<b>2012</b>
Power and fuel	9,872,092	8,809,324
Rent	25,063,050	21,405,230
Repairs to premises	3,024,433	3,186,070
Repairs to others	4,286,352	4,280,575
Insurance	2,933,078	2,933,578
Travelling and conveyance	27,732,770	27,824,814
Communication cost	5,175,358	5,795,010
Bad debts	1,113,067	17,127
Provision for bad and doubtful debts	—	479,871
Rates and taxes, excluding taxes on income	1,983,338	1,951,383
Advertisement and sales promotion	12,436,657	2,278,980
Legal, professional and technical services	15,156,181	12,624,560
Director sitting fees	700,000	527,000
Net loss on foreign currency transaction and translation	5,293,970	9,019,972
Payments to the auditor:		
(a) as auditors	447,500	447,500
(b) for other services	113,300	234,735
(c) for reimbursement of expenses	18,481	8,589
Office expenses	3,837,504	4,046,322
Loss on sale of fixed assets (net)	484,715	762,148
Fixed assets - discarded	790,161	—
Leasing and hiring charges	17,803,685	21,258,353
Prior period items	230,961	325,773
Miscellaneous expenses	12,964,635	12,169,498
<b>Total</b>	<b>151,461,288</b>	<b>140,386,412</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:

Derivatives instrument	Amount outstanding as on March 31		Purpose
	2013	2012	
Forward contract	<b>\$2,325,000</b>	\$3,225,000	Hedging against USD receivable

### 28. Contingent liabilities not provided for:

Particular	Year ended March 31 (₹)	
	2013	2012
Counter guarantees given by the Company against the bank guarantees issued by Company's bankers	<b>725,525</b>	719,500
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	<b>612,124</b>	719,500
Net amount	<b>113,401</b>	–
Corporate guarantees given by the Company for the loans taken by subsidiaries	<b>111,105,272</b>	52,660,050
Disputed income tax demand	<b>48,482,500</b>	112,953,247
Disputed sales tax demand	<b>6,98,463</b>	1,307,274
Disputed profession tax demand	–	579,128*
Capital commitments (net of advance)	<b>864,934</b>	–
<b>Total</b>	<b>161,264,570</b>	167,499,699

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

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

Particular	Year ended March 31 (₹)	
	2013	2012
Product sale	<b>8,441,557</b>	3,153,455
Software exports including consulting services & commissions	<b>214,108,600</b>	262,293,701
<b>Total</b>	<b>222,550,157</b>	265,447,156

### (B) Expenditure in foreign currency:

Particular	Year ended March 31 (₹)	
	2013	2012
Travelling	<b>8,544,644</b>	7,838,566
Professional fees	<b>354,701</b>	198,355
Communication	<b>45,450</b>	66,509
Salaries and bonus	<b>21,026,228</b>	22,658,915
Miscellaneous expenditure	<b>872,024</b>	270,961
Compensation premises	<b>543,507</b>	754,073
Marketing fees and technical support	<b>10,620,952</b>	235,354
Conveyance	<b>1,320,449</b>	1,330,401
Finance costs	<b>1,07,839</b>	168,783
<b>Total</b>	<b>43,435,794</b>	33,521,917

### (C) Value of import basis:

Particular	Year ended March 31 (₹)	
	2013	2012
Software	<b>22,359,157</b>	15,848,037

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

30. a) The principal amount of working capital term loan repayable within a year is ₹ 1,858,397 (₹ 10,704,157).  
 b) The principal amount of term loan repayable within a year is ₹ 16,826,961 (₹ 8,237,315).

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

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

As on 31 <sup>st</sup> March	Foreign currency receivable		
	USD	GBP	EURO
2012	163,031	119,584	252,622
2013	–	63,445	344,970

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

As on 31 <sup>st</sup> March	Foreign currency payable		
	USD	GBP	EURO
2012	157,530	1,609	12,087
2013	126,499	134	–

**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 ( ₹ )	
	2013	2012
Contribution to employees provident fund	20,065,955	18,368,250
Contribution to E.S.I.C.	91,396	–
Contribution to labour welfare fund	45,396	42,948
<b>Total</b>	<b>20,202,747</b>	<b>18,411,198</b>

**b) Defined benefit plans / compensated absences – as per actuarial valuation on March 31, 2013.**

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

Sr. #	Particulars	Gratuity ( ₹ )	
		2013	2012
1	Obligations at period beginning	8,670,585	7,073,556
2	Current service cost	3,617,073	2,736,460
3	Interest cost	678,114	542,918
4	Actuarial (gain) / losses	843,423	(696,875)
5	Benefits paid	(1,385,548)	(985,474)
6	Past service cost (vested benefit)	–	–
7	DBO at period closing	12,423,647	8,670,585

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

Sr. #	Particulars	Gratuity ( ₹ )	
		2013	2012
1	Opening fair value of plan asset at period beginning	251,533	792,937
2	Expected returns on plan assets	14,701	40,452
3	Actuarial gain / (losses)	7,228	(7,273)
4	Contribution by the employer	1,250,000	410,891
5	Benefits paid	(1,385,548)	(985,474)
6	Fair value of plan assets at period closing	137,914	251,533

## Notes to financial statements (Contd.)

- iii. Net assets / (liabilities) recognized in the balance sheet as on March 31, 2013:

Sr. #	Particulars	Gratuity ( ₹ )	
		2013	2012
1	Present value of funded obligations	12,423,647	8,670,585
2	Fair value of plan assets	(137,914)	(251,533)
3	Present value of unfunded obligations	(12,285,733)	(8,419,052)
4	Net assets / (liabilities) recognized in the balance sheet	(12,285,733)	(8,419,052)

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

Sr. #	Particulars	Gratuity ( ₹ )	
		2013	2012
1	Current service cost	3,617,073	2,736,460
2	Interest on defined benefit obligation	678,114	542,918
3	Expected returns on plan assets	(14,701)	(40,452)
4	Actuarial (gains) / losses	836,195	(689,602)
5	Past service cost (vested benefit)	—	—
	<b>Total</b>	<b>5,116,681</b>	<b>2,549,324</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 ( ₹ )	
			2013	2012
1	Other / insurer managed funds	100	(137,914)	(251,533)

- 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 ( ₹ )		
	2013	2012	2011
Defined benefit obligation	12,423,647	8,670,585	7,073,556
Plan assets	137,914	251,533	792,937
Surplus / (deficit)	(12,285,733)	(8,419,052)	(6,280,619)
Exp. adj. on plan liabilities (loss)/gain	742,152	(754,805)	(2,956,831)
Exp. adj. on plan assets (loss)/gain	7,228	(7,273)	8,530

- viii. Actuarial assumptions:

Sr. #	Particulars	Year ended March 31	
		2013	2012
1	Discount rate	8.30%	8.50%
2	Expected return on plan asset	8.00%	8.00%
3	Retirement age	58 years	58 years
4	Salary escalation rate	5.00%	4.00%
5	Attrition rate	2.00%	2.00%

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

- 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, Inc., USA Onward Technologies GmbH, Germany Onward eServices Limited Onward Properties Private Limited (erstwhile Shantmurli Holdings Private 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

**(b) Related party transactions:**

Figures in ₹

Aggregate of transactions	Holding Company	Total
	Onward Network Technologies Private Limited	
Unsecured loans	8,950,000 (38,712,469)	8,950,000 (38,712,469)
Repayment of unsecured loans	67,800,023 (33,515,910)	67,800,023 (33,515,910)
Interest paid during the year	7,079,702 (7,854,748)	7,079,702 (7,854,748)
Reimbursement of expenses	456,652 ( - )	456,652 ( - )
Rent	9,000,000 (9,000,000)	9,000,000 (9,000,000)

## Notes to financial statements (Contd.)

Figures in ₹

Aggregate of transactions	Subsidiary companies				Total
	Onward Technologies, Inc., USA	Onward Technologies GmbH, Germany	Onward eServices Limited	Onward Properties Private Limited **	
Sales	119,972,055 (147,439,843)	15,932,517 (-)	- (-)	- (-)	135,904,572 (147,439,843)
Reimbursement of expenses on behalf of	1,276,891 (2,323,829)	995,214 (-)	- (-)	3,500 (3,000)	2,275,605 (2,326,829)
Reimbursement of expenses	1,863,478 (4,372,782)	- (-)	- (-)	- (-)	1,863,478 (4,372,782)
Marketing fees	10,620,952 (-)	- (-)	- (-)	- (-)	10,620,952 (-)
Investment	- (-)	9,033,495 (6,277,233)	10,100,000 (57,000,000)	- (-)	19,133,495 (63,277,233)

Aggregate of transactions	Key management personnel		Relatives of key management personnel		Total
	Harish Mehta	Shaila Mehta	Jigar Mehta	Arun Meghani	
Directors sitting charges	- (-)	100,000 (100,000)	- (-)	110,000 (100,000)	210,000 (200,000)
Salary and allowance	8,094,980* (8,112,500)*	- (-)	4,341,636# (4,364,907)	- (-)	12,436,616 (12,477,407)

\*\* Erstwhile Shantmurli Holdings Private Limited

\* 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 ₹ 8,094,980 (₹ 8,112,500) include rent free accommodation.

# Remuneration paid for the period April 1, 2012 to March 31, 2013 was approved by the shareholders in the Annual General Meeting held on July 27, 2012. Consequently Company had applied to the Central Government for approval, which is pending as on date.

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	- (20,00,000)	- (-)	- (20,00,000)
Repayment of unsecured loans	1,902,759 (4,497,241)	- (-)	1,902,759 (4,497,241)
Interest paid during the year	- (35,927)	- (-)	- (35,927)



**Notes to financial statements** (Contd.)**(c) Balance outstanding at end of financial year:**

Figures in ₹

Aggregate of transactions	Holding Company	Total
	Onward Network Technologies Private Limited	
Debit balances outstanding		
Loans and advances	— ( — )	— ( — )
Credit balances outstanding		
Payable towards reimbursement of expenses	209,175 ( — )	209,175 ( — )
Unsecured loan	15,827,500 (74,677,523)	15,827,500 (74,677,523)

Aggregate of transactions	Subsidiary Companies				Total
	Onward Technologies, Inc., USA	Onward Technologies GmbH, Germany	Onward eServices Limited	Onward Properties Private Limited**	
Debit balances outstanding					
Trade receivables	– ( – )	16,883,397 (4,895,715)	– ( – )	– ( – )	16,883,397 (4,895,715)
Investments	95,169,663 (95,169,663)	19,481,763 (10,448,268)	140,000,000 (129,900,000)	10,692,664 (10,692,664)	265,344,089 (246,210,594)
Share application money	– ( – )	2,729,425 ( 2,729,425 )	– ( – )	– ( – )	2,729,425 ( 2,729,425 )

<b>Credit balances outstanding</b>					
Unsecured loan	– (–)	– (–)	– (–)	10,194,123 (10,195,123)	10,194,123 (10,195,123)
Credit balance in trade receivables	91,824,368 (67,996,917)	– (–)	– (–)	– (–)	91,824,368 (67,996,917)
Trade payables	– (2,313,829)	– (–)	– (–)	– (–)	– (2,313,829)

\*\* Erstwhile Shantmurli Holdings Private Limited

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)	– (333,869)
Credit balances outstanding				
Salary and allowances	625,349 (2,358,092)	– ( – )	183,766 (294,334)	809,115 (2,652,426)

## 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	
Debit balances outstanding			
Loans and advances	– ( – )	– ( – )	– ( – )
Credit balances outstanding			
Unsecured loan	– (1,902,759)	– ( – )	– (1,902,759)

### 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 ( ₹ )	
	2013	2012
Lease payment credited to statement of profit and loss	467,608	650,550
<b>Minimum lease payment</b>		
	2013	2012
Up to 1 year	–	706,952

### 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 ( ₹ )	
	2013	2012
Lease payment debited to statement of profit and loss	25,063,050	23,635,156
<b>Lease obligation</b>		
Up to 1 year	16,730,344	23,635,156
Greater than 1 year but less than 5 years	3,320,250	1,575,000

### 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	
	2013	2012
Profit / (loss) after tax	₹ 37,516,041	₹ 86,242,118
Profit / (loss) attributable to equity shareholders	₹ 37,516,041	₹ 86,242,118
Adjusted number of ordinary shares (Nos.), (face value ₹ 10)	13,629,214	13,433,497
Basic earning per share	₹ 2.75	₹ 6.42
Weighted average number of shares in calculating diluted EPS	14,920,101	14,506,543
Diluted earning per share	₹ 2.51	₹ 5.95

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

Particular	Year ended March 31	
	2013	2012
Shares outstanding under Employee Stock Option Plan	<b>17,08,650</b>	1,434,950
Fair value of shares during the year	<b>₹ 40.90</b>	₹ 39.65
Exercise price for share under option	<b>₹ 10</b>	₹ 10
Number of shares that would have been issued at fair value (Nos.)	<b>417,763</b>	361,904
Weighted Average no of share under Employee Stock Option Plan	<b>1,290,887</b>	1,073,046

**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. 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	
	2013	2012
Options outstanding at the beginning of the year	<b>358,737</b>	240,050
Options granted during the year	<b>178,250</b>	244,950
Options forfeited / cancelled during the year	<b>335,500</b>	64,400
Options lapsed during the year	<b>34,900</b>	3,500
Options exercised during the year	<b>18,225</b>	48,862
Options outstanding at the end of the year	<b>427,162</b>	358,737
Shares exercisable at the end of the year	<b>1,708,650</b>	1,434,950

- 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 **₹ 6,718,071** (₹ 1,854,358) representing the current year charge has been debited to statement of profit and loss during the year under both plan.

- 38. 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 2011-12 & 2012-13 carries floating interest rate of 12% to 14.50% p.a.

## Notes to financial statements (Contd.)

- b. Term loans obtained from Kotak Mahindra Prime Limited for purchase of vehicles are secured by hypothecation of vehicles and repayable in equal monthly instalments.
  - c. Loans from Onward Network Technologies Private Limited for which the Company has unconditional right to defer the repayment along with interest carry interest rate of 12.25% p.a. respectively.
  - d. Loan from Onward Properties Private Limited (erstwhile Shantmurli Holdings Private Limited) is interest free and the Company has unconditional right to defer the repayment along with interest.
39. 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.
40. The Company has not yet appointed a full time Company Secretary; however, all compliances are done by an independent Company Secretary firm.
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*

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

**Parag P. Pansare**

*Partner*

*Membership No.: 117309*

**Harish Mehta**

*Chairman & Managing Director*

**Shaila Mehta**

*Director*

**Arun Meghani**

*Director*

**Pradip Dubhashi**

*Director*

Place : Mumbai

Date : May 17, 2013

## 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, 2013 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, and summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 involves performing procedures to obtain evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

We did not audit the financial statements of Onward Technologies Inc, USA and Onward technologies GmbH, Germany, whose financial statements reflect total assets of ₹110,672,627 (net) as at March 31, 2013 and total revenues of ₹ 589,277,234 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 auditor whose report have been furnished to us, and our opinion is based solely on the report of such independent auditor.

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 and read together with the Significant Accounting Policies and other Notes to Financial Statements we are of the opinion that subject to Note 26 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, 2013;
- (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 No. 105215W)*

**Parag P. Pansare**

*Partner*

*Membership No.: 117309*

Mumbai, May 17, 2013

## Consolidated balance sheet as at 31st March, 2013

Figures in ₹

Particulars	Notes	2013	2012
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
(a) Share capital	2	138,358,700	135,155,200
(b) Reserves and surplus	3	94,670,637	44,910,139
		<u>233,029,337</u>	<u>180,065,339</u>
<b>Non-current liabilities</b>			
(a) Long-term borrowings	4	177,152,975	169,370,349
(b) Deferred tax liabilities (net)	5	—	—
(c) Other long-term liabilities	6	1,155,479	142,500
		<u>178,308,454</u>	<u>169,512,849</u>
<b>Current liabilities</b>			
(a) Short-term borrowings	7	176,820,964	147,570,728
(b) Trade payables	8	43,921,998	41,810,760
(c) Other current liabilities	9	115,255,798	132,140,972
(d) Short-term provisions	10	48,832,951	33,692,308
		<u>384,831,711</u>	<u>355,214,768</u>
<b>Total</b>		<u>796,169,502</u>	<u>704,792,956</u>
<b>Assets</b>			
<b>Non-current assets</b>			
(a) Fixed assets	11		
(i) Tangible assets		67,445,352	69,728,037
(ii) Intangible assets		48,295,561	61,902,931
(b) Deferred tax assets (net)	5	6,694,916	21,982,520
(c) Long-term loans and advances	12	12,431,495	12,836,924
(d) Other non-current assets	13	126,913,503	64,323,595
		<u>261,780,827</u>	<u>230,774,007</u>
<b>Current assets</b>			
(a) Trade receivables	14	381,487,893	341,395,800
(b) Cash and bank balances	15	24,624,828	17,089,898
(c) Short-term loans and advances	16	33,847,955	21,200,750
(d) Other current assets	17	94,427,999	94,332,501
		<u>534,388,675</u>	<u>474,018,949</u>
<b>Total</b>		<u>796,169,502</u>	<u>704,792,956</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*
**Arun Meghani**
*Director*
**Pradip Dubhashi**
*Director*

Place : Mumbai

Date : May 17, 2013

## Consolidated statement of profit and loss for the year ended 31st March, 2013

Figures in ₹			
Particulars	Notes	2013	2012
I. Revenue from operations	18	1,460,371,709	1,305,367,482
II. Other income	19	15,086,619	14,329,962
III. Total revenue (I + II)		<u>1,475,458,328</u>	<u>1,319,697,444</u>
IV. Expenses:			
Cost of software products	20	26,531,194	20,173,952
Employee benefits expenses	21	1,060,701,457	905,163,376
Finance costs	22	33,852,996	31,335,335
Depreciation and amortization expense	11	40,559,842	45,326,570
Other expenses	23	238,390,686	264,934,970
Total expenses		<u>1,400,036,175</u>	<u>1,266,934,203</u>
V. Profit before exceptional and extraordinary items and tax (III - IV)		75,422,153	52,763,241
VI. Exceptional items		2,635,961	—
VII. Profit before extraordinary items and tax (V - VI)		78,058,114	52,763,241
VIII. Extraordinary items		—	—
IX. Profit before tax (VII - VIII)		78,058,114	52,763,241
X. Tax expense:			
(1) Current tax		6,114,416	1,249,196
(2) Current tax (MAT)		9,765,700	11,499,400
(3) MAT credit entitlement		(6,566,454)	(11,499,400)
(4) Deferred tax		15,420,561	(13,580,056)
XI. Profit for the period from continuing operations (IX - X)		<u>53,323,891</u>	<u>65,094,101</u>
XII. Earnings per equity share:			
(1) Basic		3.91	4.85
(2) Diluted		3.57	4.49

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

**Arun Meghani**

Director

**Pradip Dubhashi**

Director

Place : Mumbai

Date : May 17, 2013



## Consolidated cash flow statement of Onward Technologies Limited and its subsidiaries for the year ended 31st March, 2013

		Figures in ₹	
		2013	2012
<b>(A) Cash flows from operating activities</b>			
Profit before extra ordinary item and tax		75,422,153	52,763,241
Adjustments for:			
Depreciation		40,559,842	45,326,570
Deferred employees compensation expenses		6,718,071	(2,213,720)
Deferred tax expenses		15,420,561	(13,580,056)
Preliminary expenses		—	115,961
Interest income		(368,534)	(315,348)
Dividend received		—	(11,600)
Profit on sale of investment property		(2,635,961)	—
Net loss on sale of fixed assets		484,715	1,097,741
Finance costs		33,852,996	39,598,935
<b>Operating profit before working capital changes</b>		<b>169,453,843</b>	<b>122,781,724</b>
Adjustments for:			
Decrease/(increase) in trade receivables		(40,092,093)	(68,798,550)
Decrease/(increase) in other current assets		(62,685,406)	87,068
Decrease/(increase) in loans and advances		(12,241,776)	(47,858,188)
(Decrease)/increase in current liabilities		(13,760,957)	(874,899)
(Decrease)/increase in provisions		15,140,643	10,301,554
Cash generated from operations		55,814,254	15,638,709
Income tax provided		(24,734,223)	12,330,860
<b>Cash flow before extraordinary item</b>		<b>31,080,031</b>	<b>27,969,569</b>
<b>Net cash from operating activities (A)</b>		<b>31,080,031</b>	<b>27,969,569</b>
<b>(B) Cash flow from investing activities</b>			
Purchase of fixed assets and investments		(24,856,271)	(29,039,343)
Proceeds from sale of fixed assets		977,233	932,241
Interest received		368,534	315,348
Dividend received		—	11,600
<b>Net cash used in investing activities (B)</b>		<b>(23,510,504)</b>	<b>(27,780,154)</b>
<b>(C) Cash flow from financing activities</b>			
Proceeds from issue of share capital		3,203,500	1,954,500
Proceeds from sale of investment property		3,863,500	221,860
Proceeds from long-term borrowings		66,744,124	52,807,574
Repayment of long-term borrowings		(29,711,262)	(22,286,222)
Finance costs		(33,852,996)	(39,598,935)
<b>Net cash (used)/generated in financing activities (C)</b>		<b>10,246,866</b>	<b>(6,901,223)</b>
<b>Net increase/(decrease) in cash and cash equivalents (A + B + C)</b>		<b>17,816,393</b>	<b>(6,711,808)</b>
Cash and cash equivalents opening balance		17,089,898	11,786,177
Changes in foreign currency translation adjustment		(10,281,463)	12,015,529
<b>Cash and cash equivalents closing balance</b>		<b>24,624,828</b>	<b>17,089,898</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 & Managing Director

**Shaila Mehta**

Director

**Arun Meghani**

Director

**Pradip Dubhashi**

Director

Place : Mumbai

Date : May 17, 2013

## 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.

### 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.

## Notes to consolidated financial statements (Contd.)

### 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.
- 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.

## Notes to consolidated financial statements (Contd.)

### 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. Miscellaneous expenditure

Miscellaneous expenditure represents expenditure on private placement of shares. The expenditure on private placement of shares is being written off over a period of ten years.

### I. 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.

### J. 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.

### K. 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. 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.

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

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. 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.

**M. 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".

**N. 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.

**O. 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.)

### Note 2 - Share capital

Values in ₹

Particulars	Par value per share	2012		Issued/(reductions) during the year		2013	
		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>							
13,835,870 (13,515,520) equity shares of ₹ 10 each	10	13,515,520	135,155,200	320,350	3,203,500	13,835,870	138,358,700

### 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.

1,708,650 (1,434,950) 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	2013			2012		
	No of shares	Value	Holding (%)	No of shares	Value	Holding (%)
<b>Share held by holding Company:</b>						
Onward Network Technologies Private Limited	7,420,792	74,207,920	53.63	6,933,311	69,333,110	51.30
<b>Holding more than 5%:</b>						
Onward Network Technologies Private Limited	7,420,792	74,207,920	53.63	6,933,311	69,333,110	51.30



**Notes to consolidated financial statements (Contd.)****Note 3 - Reserve and surplus**

Figures in ₹

Particulars	2013	2012
<b>Securities premium account:</b>		
Balance as per last financial statements	76,708,683	74,893,553
Add: premium on issue of equity shares	—	—
Add: additions on employee stock option plan outstanding	5,060,810	1,815,130
<b>Closing balance</b>	<b>81,769,493</b>	<b>76,708,683</b>
<b>Employee stock option plan outstanding (Refer Note - 34):</b>		
Balance as per last financial statements	—	4,028,850
Add: gross compensation for options granted during the year	37,514,995	18,885,419
Less: deferred employee stock compensation	(30,796,924)	(21,099,139)
Less: transferred to securities premium on exercise of stock options	(5,060,810)	(1,815,130)
<b>Closing balance</b>	<b>1,657,261</b>	<b>—</b>
<b>Surplus/(deficit) at the beginning of the year:</b>	<b>(49,699,343)</b>	<b>(114,793,443)</b>
Add: profit after tax for the year	53,323,891	65,094,101
Less: appropriations	—	—
Add: foreign currency translation reserve	7,619,335	17,900,798
<b>Surplus at the end of the year</b>	<b>11,243,883</b>	<b>(31,798,544)</b>
<b>Total</b>	<b>94,670,637</b>	<b>44,910,139</b>

**Note 4 - Long-term borrowings (Refer Note - 37)**

Particulars	2013		2012	
	Secured	Unsecured	Secured	Unsecured
<b>Term loans:</b>				
Term loans from banks	15,852,107	—	20,162,346	—
<b>Loans and advances from related parties (Refer Note - 31 (c)):</b>				
Desai Finwealth Investment & Securities Private Limited	—	—	—	1,902,759
Onward Network Technologies Private Limited	—	114,842,110	—	138,692,133
<b>Inter Corporate Deposits</b>	—	30,000,000	—	—
<b>Interest payable to:</b>				
Onward Network Technologies Private Limited	—	16,458,758	—	8,613,111
<b>Total</b>	<b>15,852,107</b>	<b>161,300,868</b>	<b>20,162,346</b>	<b>149,208,003</b>

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

Particulars	1-2 years	2-3 years	3-4 years
Term loans from bank (principal amounts repayable)	₹ 12,866,794	₹ 2,141,832	₹ Nil



## Notes to consolidated financial statements (Contd.)

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

Figures in ₹

Particulars	2013	2012
<b>Deferred tax liability:</b>		
Fixed assets: impact of difference between WDV as per financial reporting and as per income tax reporting	(14,734,215)	(14,870,983)
<b>Deferred tax assets:</b>		
Impact of expenditure disallowed as per financial statement but allowed for tax purposes on payment basis	4,938,666	3,890,859
Impact of carried forward losses	16,490,465	32,962,644
<b>Total</b>	<b>6,694,916</b>	<b>21,982,520</b>

### Note 6 - Other long-term liabilities

Particulars	2013	2012
Deposit	–	142,500
Other payables	1,155,479	–
<b>Total</b>	<b>1,155,479</b>	<b>142,500</b>

### Note 7 - Short-term borrowings (Secured) (Refer Note - 37)

Particulars	2013	2012
Cash credit from banks	156,380,571	122,013,741
Current maturities of term loans from banks (Refer Note - 35)	20,440,393	25,556,987
<b>Total</b>	<b>176,820,964</b>	<b>147,570,728</b>

### Note 8 - Trade payables

Particulars	2013	2012
<b>Trade payable for services and software:</b>		
Due to micro, small and medium enterprises	41,576	257,221
Others	43,880,422	41,553,539
<b>Total</b>	<b>43,921,998</b>	<b>41,810,760</b>

### Note 9 - Other current liabilities

Particulars	2013	2012
<b>Advance from customers:</b>		
Others	2,921,771	4,281,673
<b>Other liabilities:</b>		
EMD received	79,800	–
Dues towards employees	52,468,591	42,019,908
Statutory liabilities	29,817,243	57,275,829
Provision for expenses	11,657,131	8,609,204
Remuneration to director (Refer Note - 31 (c))	625,349	2,358,092
Other payables	17,685,913	17,596,266
<b>Total</b>	<b>115,255,798</b>	<b>132,140,972</b>

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

Figures in ₹

Particulars	2012	Additions	Payment/ utilisations	Reversals/ adjustment	2013
<b>Provision for employee benefits (Refer Note - 29):</b>					
Gratuity	11,001,194	5,688,189	1,250,000	–	15,439,383
Leave encashment	3,691,214	–	–	225,696	3,465,518
<b>Others:</b>					
Provision for tax (Minimum alternate tax)	18,977,900	10,924,750	–	–	29,902,650
Wealth tax	22,000	25,400	22,000	–	25,400
<b>Total</b>	<b>33,692,308</b>	<b>16,638,339</b>	<b>1,272,000</b>	<b>225,696</b>	<b>48,832,951</b>

**Note 11 - Fixed assets:**

Particulars	Gross block (at cost)				Depreciation				Net block	
	As at 1.4.2012	Additions during the year	Deletions/ Adj. during the year	Total as at 31.3.2013	Provided up to 31.3.2012	Depreciation for the year	Depreciation on deductions	Total up to 31.3.2013	As at 31.3.2013	As at 31.3.2012
<b>Tangible assets (owned):</b>										
Buildings/premises	1,706,250	–	1,706,250	–	464,842	13,868	478,710	–	–	1,241,408
Furniture and fixtures	56,168,374	4,702,813	4,129,660	56,741,527	42,439,014	3,715,036	3,853,623	42,300,426	14,441,100	13,729,360
Vehicles	18,173,887	1,340,065	429,823	19,084,129	6,320,339	1,779,791	213,450	7,886,680	11,197,449	11,853,548
Office equipment	11,994,567	117,140	1,536,868	10,574,839	6,186,709	551,892	1,214,048	5,524,553	5,050,286	5,807,858
Other equipment	9,027,255	297,472	1,028,432	8,296,295	5,708,905	471,698	792,042	5,388,561	2,907,734	3,318,350
Electrical fittings	8,087,772	686,162	885,799	7,888,135	5,641,846	698,636	525,405	5,815,077	2,073,058	2,445,926
Instruments and accessories	1,024,516	–	26,739	997,777	986,935	9,818	26,739	970,014	27,763	37,581
Computers	413,013,349	11,516,818	4,294,679	420,235,488	389,733,153	9,679,267	4,192,871	395,219,550	25,015,939	23,280,196
<b>Total</b>	<b>519,195,970</b>	<b>18,660,470</b>	<b>14,038,250</b>	<b>523,818,190</b>	<b>457,481,743</b>	<b>16,920,006</b>	<b>11,296,888</b>	<b>463,104,861</b>	<b>60,713,329</b>	<b>61,714,227</b>
<b>Assets under lease:</b>										
Leasehold improvements	12,428,966	45,500	–	12,474,466	4,415,156	1,327,287	–	5,742,443	6,732,023	8,013,810
<b>Total tangible assets</b>	<b>531,624,936</b>	<b>18,705,970</b>	<b>14,038,250</b>	<b>536,292,656</b>	<b>461,896,899</b>	<b>18,247,293</b>	<b>11,296,888</b>	<b>468,847,304</b>	<b>67,445,352</b>	<b>69,728,037</b>
<b>Intangible assets:</b>										
Computer software	160,969,266	8,705,179	22,995	169,651,450	110,494,309	14,488,032	22,995	124,959,346	44,692,104	50,474,957
Computer software on lease	85,150,372	–	–	85,150,372	73,722,398	7,824,517	–	81,546,915	3,603,457	11,427,974
Goodwill	2,733,645	–	–	2,733,645	2,733,645	–	–	2,733,645	–	–
<b>Total intangible assets</b>	<b>248,853,283</b>	<b>8,705,179</b>	<b>22,995</b>	<b>257,535,467</b>	<b>186,950,352</b>	<b>22,312,549</b>	<b>22,995</b>	<b>209,239,906</b>	<b>48,295,561</b>	<b>61,902,931</b>
<b>Grand total</b>	<b>780,478,219</b>	<b>27,411,149</b>	<b>14,061,245</b>	<b>793,828,123</b>	<b>648,847,251</b>	<b>40,559,842</b>	<b>11,319,883</b>	<b>678,087,210</b>	<b>115,740,913</b>	<b>131,630,968</b>

**Note 12 - Long-term loans and advances**

Particulars	2013	2012
	Unsecured, considered good	Unsecured, considered good
Security deposits	12,346,420	12,836,924
Capital advances	85,075	–
<b>Total</b>	<b>12,431,495</b>	<b>12,836,924</b>

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

**Notes to consolidated financial statements (Contd.)**
**Note 13 - Other non-current assets**

Figures in ₹

Particulars	2013	2012
	Unsecured, considered good	Unsecured, considered good
<b>Others:</b>		
Advance income tax	126,913,503	64,173,595
Professional tax paid under protest	–	150,000
<b>Total</b>	<b>126,913,503</b>	<b>64,323,595</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 14 - Trade receivables**

Particulars	2013	2012
<b>Unsecured:</b>		
<b>Debts outstanding for a period exceeding six months:</b>		
Considered good	51,338,835	25,354,527
<b>Other debts:</b>		
Considered good	330,149,058	316,041,273
<b>Total</b>	<b>381,487,893</b>	<b>341,395,800</b>

**Note 15 - Cash and bank balances**

Particulars	2013	2012
<b>A) Cash and cash equivalents:</b>		
Balance with banks	21,011,329	13,816,141
Cheques, drafts on hand	9,671	726,118
Cash on hand	107,120	270,377
	<b>21,128,120</b>	<b>14,812,636</b>
<b>B) Others:</b>		
Margin money deposits for bank guarantees	3,496,708	2,277,262
<b>Total</b>	<b>24,624,828</b>	<b>17,089,898</b>

**Note 16 - Short-term loans and advances**

Particulars	2013	2012
	Unsecured, considered good	Unsecured, considered good
<b>Other loans and advances:</b>		
Prepaid expenses	12,021,782	7,982,629
Advance paid to employees	4,609,338	2,204,964
Loans paid to employees	1,362	–
Resigned employees receivables	9,364,513	–
Advance paid to supplier	1,722,721	2,366,389
Others	6,128,239	8,646,768
<b>Total</b>	<b>33,847,955</b>	<b>21,200,750</b>

**Notes to consolidated financial statements (Contd.)****Note 17 - Other current assets**

Figures in ₹

Particulars	2013	2012
	Unsecured, considered good	Unsecured, considered good
Interest accrued on bank guarantee margins	233,328	184,546
Advance income tax	94,194,671	94,002,987
Preliminary expenses	–	144,968
<b>Total</b>	<b>94,427,999</b>	<b>94,332,501</b>

**Note 18 - Revenue from operations**

Particulars	2013	2012
<b>Income from software services and products:</b>		
Offshore/offsite services	442,488,559	421,858,000
Onsite services	971,392,546	851,317,367
Software products	46,490,604	32,192,115
<b>Total</b>	<b>1,460,371,709</b>	<b>1,305,367,482</b>

**Note 19 - Other income**

Particulars	2013	2012
Interest income	368,534	315,348
Dividend income	–	11,600
Profit on sale of fixed assets	66,338	–
Net gain on sale of investments	–	52,972
Sundry provision and credit balance written back	1,876,478	4,036,860
Other non-operating income including foreign exchange gain (net of expenses directly attributable to such income)	12,775,269	9,913,182
<b>Total</b>	<b>15,086,619</b>	<b>14,329,962</b>

**Note 20 - Cost of software package and others**

Particulars	2013		2012	
	Value	%	Value	%
<b>Software products and others:</b>				
Imported	22,359,157	84	15,848,037	79
Indigenous	4,172,037	16	4,325,915	21
<b>Total</b>	<b>26,531,194</b>	<b>100</b>	<b>20,173,952</b>	<b>100</b>

**Note 21 - Employee benefits expenses**

Particulars	2013	2012
Salaries and wages including overseas employees	1,006,543,074	840,406,159
Contribution to provident and other funds	44,040,349	59,519,335
Staff welfare	3,399,963	3,383,524
Expense on employee stock option scheme (ESOP) (Refer Note - 34 (b))	6,718,071	1,854,358
<b>Total</b>	<b>1,060,701,457</b>	<b>905,163,376</b>

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

<b>Note 22 - Finance costs</b>		Figures in ₹
<b>Particulars</b>	<b>2013</b>	<b>2012</b>
Interest expense	<b>31,826,405</b>	29,915,168
Other finance costs	<b>2,026,591</b>	1,420,167
<b>Total</b>	<b>33,852,996</b>	31,335,335

**Note 23 - Other expenses**

<b>Particulars</b>	<b>2013</b>	<b>2012</b>
Power and fuel	<b>11,174,688</b>	9,652,175
Rent	<b>36,660,756</b>	31,019,900
Repairs to premises	<b>3,114,211</b>	3,230,644
Repairs to others	<b>5,411,624</b>	5,375,403
Insurance	<b>7,464,796</b>	6,710,668
Travelling and conveyance	<b>51,630,013</b>	69,605,608
Communication cost	<b>9,901,171</b>	10,534,745
Bad debts	<b>1,896,421</b>	8,011,000
Provision for bad and doubtful debts	<b>—</b>	479,870
Rates and taxes, excluding taxes on income	<b>2,585,972</b>	4,407,242
Advertisement and sales promotion	<b>5,481,148</b>	5,193,642
Legal, professional and technical services	<b>49,401,806</b>	49,600,870
Director sitting fees	<b>700,000</b>	527,000
Net loss on foreign currency transaction and translation	<b>5,332,850</b>	9,019,972
Payments to the auditor:		
(a) as auditors	<b>2,608,026</b>	2,254,406
(b) for other services	<b>900,241</b>	1,432,069
(c) for reimbursement of expenses	<b>18,981</b>	8,839
Office expenses	<b>5,013,802</b>	5,450,996
Loss on sale of fixed assets (net)	<b>484,715</b>	1,097,741
Fixed assets discarded	<b>842,035</b>	—
Leasing and hiring charges	<b>18,492,370</b>	21,354,155
Sundry debit balance written off	<b>1,201,061</b>	—
Prior period items	<b>666,171</b>	363,654
Preliminary expenses	<b>144,968</b>	115,969
Miscellaneous expenses	<b>17,262,860</b>	19,488,402
<b>Total</b>	<b>238,390,686</b>	264,934,970

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

24. 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.

25. Other commitments:

Derivatives instrument	Amount outstanding as on March 31		Purpose
	2013	2012	
Forward contract	\$2,325,000	\$3,225,000	Hedging against USD receivable

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

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

Particular	Year ended March 31 ( ₹ )	
	2013	2012
Counter guarantees given by the Company against the bank guarantees issued by Company's bankers	10,738,881	6,107,184
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	2,225,647	1,625,628
Net amount	8,513,234	4,481,556
Corporate guarantees given by the company for the loans taken by subsidiaries	111,105,272	112,953,247
Disputed income tax demand	48,488,030	112,953,247
Disputed sales tax demand	698,463	1,307,274
Capital commitments (net advance)	864,934	—
Disputed profession tax demand	—	579,128*
<b>Total</b>	<b>169,669,933</b>	<b>119,321,205</b>

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

28. **Holding of Onward Technologies in its subsidiaries:**

Name of the subsidiaries	Country of incorporation	Holding as on March 31	
		2013	2012
Onward Technologies, Inc.	USA	100%	100%
Onward Technologies GmbH	Germany	100%	100%
Onward eServices Limited	India	100%	100%
Onward Properties Private Limited (erstwhile Shantmurli Holdings Private Limited)	India	100%	100%

29. **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 ( ₹ )	
		2013	2012
1	Contribution to employees provident fund	25,714,263	22,745,681
2	Contribution to labour welfare fund	54,288	46,440
3	Contribution to ESIC	1,266,607	551,165
	<b>Total</b>	<b>27,035,158</b>	<b>23,343,286</b>

## Notes to consolidated financial statements (Contd.)

### 2. Defined benefit plans/compensated absences – as per actuarial valuation on March 31, 2013:

#### a) Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):

Sr. #	Particulars	Gratuity ( ₹ )	
		2013	2012
1	Obligations at period beginning	11,333,401	9,206,928
2	Current service cost	4,775,942	3,509,492
3	Interest cost	869,034	707,643
4	Actuarial (gain) / losses	817,874	(831,778)
5	Benefits paid	(2,218,954)	(1,258,884)
6	Past service cost (vested benefit)	–	–
7	DBO at period closing	15,577,297	11,333,401

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

Sr. #	Particulars	Gratuity ( ₹ )	
		2013	2012
1	Opening fair value of plan asset at period beginning	332,207	988,871
2	Expected returns on plan assets	23,019	51,190
3	Actuarial gain / (losses)	17,084	(9,861)
4	Contribution by the employer	2,130,000	560,891
5	Benefits paid	(2,218,954)	(1,258,884)
6	Fair value of plan assets at period closing	283,356	332,207

#### c) Net assets / (liabilities) recognized in the balance sheet as on March 31, 2013:

Sr. #	Particulars	Gratuity ( ₹ )	
		2013	2012
1	Present value of funded obligations	15,577,297	11,333,401
2	Fair value of plan assets	(283,356)	332,207
3	Present value of unfunded obligations	(15,293, 941)	(11,001,194)
4	Net assets / (liabilities) recognized in the balance sheet	(15,293, 941)	(11,001,194)

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

Sr. #	Particulars	Gratuity ( ₹ )	
		2013	2012
1	Current service cost	4,775,942	3,509,492
2	Interest on defined benefit obligation	869,034	707,643
3	Expected returns on plan assets	(23,019)	(51,190)
4	Actuarial (gains) / losses	800,790	(821,917)
5	Past service cost (vested benefit)	–	–
	<b>Total</b>	<b>6,422,747</b>	<b>3,344,028</b>

All the above have been included under the line item remuneration and benefits to employees in Note - 21 of the Notes to Consolidated Financial Statements.

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

Sr. #	Particulars	Plan asset - %	Plan asset ( ₹ )	
			2013	2012
1	Other / insurer managed funds	100	7,528	(170,858)

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

## f) Compensated leave:

Para 132 of AS 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 AS 15 (revised 2005).

## g) Actuarial assumptions:

Sr. #	Particulars	Year ended March 31	
		2013	2012
1	Discount rate	8.30%	8.50%
2	Expected return on plan asset	8.00%	8.00%
3	Retirement age	58 years	58 years
4	Salary escalation rate	4.50%	4.00%

## 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.

## 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.

**30. Managerial remuneration**

Particular	Year ended March 31 ( ₹ )	
	2013	2012
Salary and allowances	8,094,980*	8,112,500*

\* 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 ₹ 8,094,980 (₹ 8,112,500) include rent free accommodation.

**31. 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 Related to Directors	Harish Mehta Shaila Mehta Jigar Mehta Arun Meghani Heral Mehta



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

(Figures in ₹)

Aggregate of transactions	Key management personnel	Relative of key management personnel	Associate Companies & promoter Companies	Total
Unsecured loans	– (–)	– (1,679,539)	43,950,000 (44,212,469)	43,950,000 (45,592,008)
Repayment of unsecured loans	– (–)	– (300,000)	69,702,782 (67,363,151)	69,702,782 (67,363,151)
Directors sitting charges	100,000 (100,000)	110,000 (100,000)	– (–)	210,000 (200,000)
Interest paid during the year	– (–)	– (–)	7,764,095 (8,767,667)	7,764,095 (8,767,667)
Reimbursement of expenses	– (–)	– (–)	456,652 (–)	456,652 (–)
Rent	– (–)	– (–)	9,000,000 (9,000,000)	9,000,000 (9,000,000)
Salary and allowances	8,094,980 (8,112,500)	4,341,636 (4,364,907)	– (–)	12,436,616 (12,477,407)

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

Debit balances outstanding				
Advance towards expenses	– (–)	– (333,869)	– (–)	– (333,869)
Credit balances outstanding				
Loans and advances	– (–)	– (–)	114,842,110 (140,594,892)	114,842,110 (140,594,892)
Reimbursement of expenses	– (–)	– (–)	209,175 (–)	209,175 (–)
Salary and allowances	625,349 (2,358,092)	183,766 (294,334)	– (–)	809,115 (2,652,426)

**32. 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 (₹)	
	2013	2012
Lease payment credited to statement of profit and loss	467,608	650,550
Minimum lease payment	Year ended March 31 (₹)	
	2013	2012
Up to 1 year	–	706,952

**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 (₹)	
	2013	2012
Lease payment debited to statement of profit and loss	36,658,755	32,112,771

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

Lease obligation	Year ended March 31 ( ₹ )	
	2013	2012
Up to 1 year	26,079,299	30,300,088
Greater than 1 year but less than 5 years	3,650,250	24,770,177

**33. 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	
	2013	2012
Profit / (loss) after Tax	₹ 53,323,891	₹ 65,094,101
Profit / (loss) attributable to equity shareholders	₹ 53,323,891	₹ 65,094,101
Adjusted number of ordinary shares, (face value ₹ 10)	13,629,214	13,433,497
Basic earning per share	₹ 3.91	₹ 4.85
Weighted average no. of shares in calculating diluted EPS	14,920,101	1,434,950
Diluted earning per share	₹ 3.57	₹ 4.49

Particular	Year ended March 31	
	2013	2012
Shares outstanding under Employee Stock Option Plan	1,708,650	1,434,950
Fair value of shares during the year	₹ 40.90	₹ 39.65
Face value of shares	₹ 10	₹ 10
Number of shares that would have been issued at fair value	417,763	361,904
Weighted average no of shares under Employee Stock Option Plan	1,290,887	1,073,046

**34. 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. 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	
	2013	2012
Options outstanding at the beginning of the year	358,737	240,050
Options granted during the year	178,250	244,950
Options forfeited / cancelled during the year	335,500	64,400
Options lapsed during the year	34,900	3,500
Options exercised during the year	18,255	48,862
Options outstanding at the end of the year	427,162	358,737
Shares exercisable at the end of the year	1,708,650	1,434,950

## 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 ₹ 6,718,071 (₹ 1,854,358) representing the current year charge has been debited to statement of profit and loss during the year under both plan.
35. a. The principal amount of working capital term loan repayable within a year is ₹ 3,613,432 (₹ 17,109,590).  
 b. The principal amount of term loan repayable within a year is ₹ 16,826,961 (₹ 8,447,397).

### 36. 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.

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	14,139 (12,735)	465 (319)		14,604 (13,054)
Segment results	1,224 (1,196)	124 (52)		1,348 (1,248)
Other un-allocable expenditure, depreciation adjusted with other incomes			255 (310)	255 (310)
Segment result before interest and tax				1,093 (938)
Less: Finance costs				339 (410)
Profit before tax				754 (528)
Income tax expense / (income)				247 (-123)
Add: Exceptional items				26 ( - )
Total profit after tax				533 (651)

Secondary segment disclosures on the basis of geographical segments:

(₹ in Lac)

Geographical segments	Year ended March 31	
	2013	2012
India	6,493	5,170
Europe	1,115	917
U.S.A.	6,827	6,818
Other Overseas market	169	149
<b>Total</b>	<b>14,604</b>	<b>13,054</b>

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

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.

37. 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 2011-12 & 2012-13 carries floating interest rate of 12% to 14.50% p.a.
- b. Term loans obtained from Kotak Mahindra Prime Limited for purchase of vehicles are secured by hypothecation of vehicles and repayable in equal monthly instalments.
- c. Loans from Onward Network Technologies Private Limited for which the Company has unconditional right to defer the repayment along with interest carry interest rate of 12.25% p.a. respectively.
- d. Loan from Onward Properties Private Limited (erstwhile Shantmurli Holdings Private Limited) is interest free and the Company has unconditional right to defer the repayment along with interest.
- e. The Onward Technologies, Inc. (OTI) obtained a \$ 1,000,000 secured revolving credit facility from Bank of America to meet its working capital requirements in June 2010 which was subsequently increased to \$ 1,500,000 in June 2011. OTI renewed the credit facility during the year. The duration of this facility is one year from July 2012. The credit facility bears interest at the rate of Prime plus 1%. The average interest rate on the credit facility during the year ended March 31, 2013 was 4.25% and the interest rate as at March 31, 2013 was 4.25%. As of March 31, 2013 the outstanding amount of this facility aggregated to \$ 1,200,000. OTI has agreed to a covenant with Bank of America whereby OTI will not make any loans, advances or other extensions of credit to an individual or entity, except for any loan, advance and/or other credit to the parent Company for an aggregate amount not to exceed \$ 500,000. The credit facility is secured by a first charge on the tangible and intangible assets of OTI and the corporate guarantee of Onward Technologies Limited.

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

Figures in ₹

Particulars	OTI	OTG	OeSL	OPPL*
Capital	95,169,663	19,481,763	140,000,000	500,000
Reserves	18,979,390	–	–	9,692,351
Total assets	236,709,632	27,522,778	217,623,947	10,209,205
Debit balance in P&L A/C	–	12,130,465	100,280,659	–
Total liabilities	122,560,579	20,171,480	177,904,606	16,854
Investments	–	–	–	–
Turnover	560,544,763	28,732,472	199,401,935	–
Profit / (loss) before tax	24,864,866	(1,819,741)	2,225,891	24,812
Provision for tax	9,487,975	–	–	–
Profit / (loss) after tax	15,376,891	(1,819,741)	2,225,891	24,812
Proposed dividend	–	–	–	–

## Notes to consolidated financial statements (Contd.)

Full names of subsidiaries are as under:

OTI – Onward Technologies, Inc., USA – amount in rupees converted at the rate of ₹ 54.355 per USD.

OTG - Onward Technologies GmbH, Germany - amount in rupees converted at the rate of ₹ 69.663 per EUR.

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

\* OPPL – Onward Properties Private Limited, India (erstwhile Shantmurli Holdings Private Limited) – Indian Company, so no conversion required.

39. 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.
40. The Company has not yet appointed a full time Company Secretary; however all compliances are done by an independent Company Secretary firm.
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 17, 2013

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

**Harish Mehta**

*Chairman & Managing Director*

**Arun Meghani**

*Director*

**Shaila Mehta**

*Director*

**Pradip Dubhashi**

*Director*

## Notes

[illegible]





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-second Annual General Meeting of the Company on Monday, July 22, 2013 at 3.30 p.m. at Victoria Memorial School for the Blind, 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 **22<sup>nd</sup> Annual General Meeting** of the Company to be held on Monday, July 22, 2013 at 3.30 p.m. at Victoria Memorial School for the Blind, 73, Tardeo Road, Mumbai - 400 034 and at any adjournment(s) thereof.

Registered Folio No.:

DP ID \*:

No. of Shares:

Client ID \*:

\*Applicable for investors holding shares in electronic form

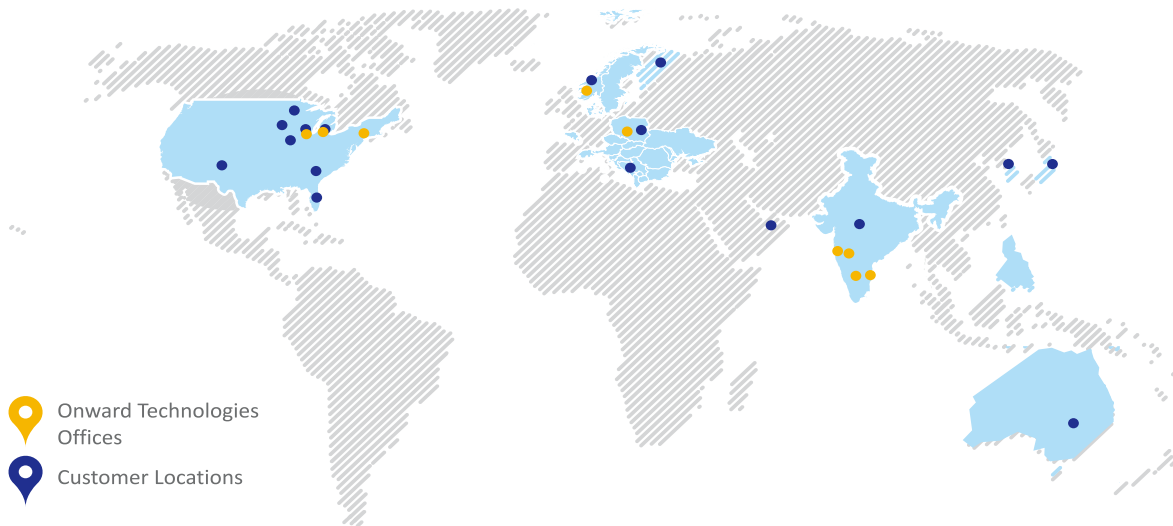
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Revenue  
Stamp of  
₹ 1

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

#### Registered Office

Onward Technologies Ltd.  
2nd floor, Sterling Center,  
Dr A.B. Road, Worli,  
Mumbai – 400018

### Pune

#### Global Delivery Center

Onward House,  
1-A/1, Krishna Kewal Comm. Complex,  
Kondhwa, Pune – 411048

### Bangalore

#### Global Delivery Center

#504, Ground floor, 6th Cross,  
6th Block, Koramangla,  
Bangalore – 560095

#### Global Delivery Center

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

#### Global Delivery Center

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

### Chennai

#### Global Delivery Center

Onward House,  
5B, Lakshmi Colony,  
Off G. N. Chetty Road,  
T. Nagar, Chennai – 600017

## America

### Chicago, IL

Onward Technologies Inc.  
Columbia Center III,  
9525 W. Bryn Mawr Ave Suite #755,  
Rosemont,  
IL – 60018

### Detroit, MI

Onward Technologies Inc.  
Columbia Center 101,  
West Big Beaver Road,  
Unit 1415,  
Troy, MI – 48084

### Boston, MA

Onward Technologies Inc.  
70 Fargo Street, Suite #910,  
Boston, MA – 02210

## Europe

### Germany

Onward Technologies GmbH  
Kirchnerstrasse 4,  
60311, Frankfurt am Main,  
Germany

### United Kingdom

Onward Technologies Ltd.  
Berkshire House,  
252-256 Kings Road,  
Reading, RG1 4HP, Berkshire,  
United Kingdom

## Follow Us

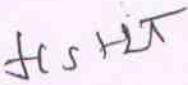
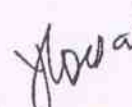

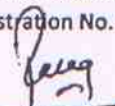


## Contact Us

[info@onwardgroup.com](mailto:info@onwardgroup.com)

Form A

Format of Covering letter of the Annual Audit Report to be filed with the Stock Exchanges

1.	Name of the Company	Onward Technologies Limited	
2.	Annual Financial statements for the year ended	31 <sup>st</sup> March, 2013	
3.	Type of Audit observation	Matter of emphasis	
4.	Frequency of observation	Repetitive – since 2009-10	
5.	To be signed by	 Harish Mehta Managing Director	 Yogesh Desai DGM – Finance & Accounts
		 Pradip Dubhashi Chairman of the Audit Committee	For Kirtane & Pandit Chartered Accountants Firm Registration No. 105215W  Parag Pansare Partner Membership No. 117309

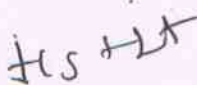
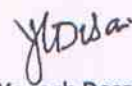
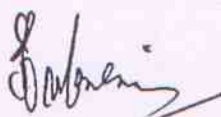
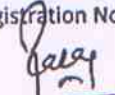


*Certified true copy*  
For ONWARD TECHNOLOGIES LTD

  
AUTHORISED SIGNATORY

Form B

Format of Covering letter of the Annual Audit Report to be filed with the Stock Exchanges

1.	Name of the Company	Onward Technologies Limited	
2.	Annual Financial statements for the year ended	31 <sup>st</sup> March, 2013	
3.	Type of Audit qualification	Subject to Note No. 26 of Notes to Financial Statements	
4.	Frequency of qualification	Repetitive – since 2009-10	
	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report :	Trade receivables and trade payables are subject to confirmation and reconciliation. (Refer Pg no. 52 in the Annual report) The management clarifies that in spite of sending confirmation letters to customers and vendors, except a few, most of the parties have not responded to our confirmation letters. However, the Company has initiated a procedure to get maximum confirmation in future.	
	Additional comments from the board/audit committee chair	--	
5.	To be signed by.	 Harish Mehta Managing Director	 Yogesh Desai DGM – Finance & Accounts
		 Pradip Dubhashi Chairman of the Audit Committee	For Kirtane & Pandit Chartered Accountants Firm Registration No. 105215W  Parag Pansare Partner Membership No. 117309



*Certified true copy*  
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FOR ONWARD TECHNOLOGIES LTD  
  
AUTHORISED SIGNATORY