

Industries **Addressed**



Aerospace



Consumer
Electronics



Networking and
Telecom



Automotive



Defence and Public
Safety



Retail and Consumer
Goods



Broadcast



Healthcare



Semiconductor



Media and
Entertainment

engineering creativity...
in every aspect

Message from the Chairman



Dear Shareholder,

Your Company has reported a total income of Rs. 626.5 crores, an increase of 15.4% as compared to FY 11-12. In particular, the software and services segment reported a total income of Rs. 552.9 crores, and an increase of 22% over the previous year.

Considering the overall uncertainty and volatility in both the domestic and global business environment during the year, your Company has performed well in growing its international business and its share of revenues from the software and services segment.

The company has renewed its thrust in the Software and Services business segment for Embedded Product Design and Industrial Design. These services are geared to deliver growth in-line with industry trends.

The integrated technology and design capabilities of your Company were best exemplified by a prestigious project for a leading international Automotive OEM. This project for embedded product design of a next-generation in-vehicle infotainment platform included software and system design and multiple technologies such as multimedia, graphics, and connectivity. It also included the design of a User Interface for the system, enabling a distraction-free and easy-to-use interface for the driver.

The Industrial Design division delivered significant user experience design projects for leading global brands across Automotive, Consumer Electronics and Telecom products. In the consumer electronics and appliances area, it worked on new product design projects from globally renowned Japanese and Chinese consumer products manufacturers and also provided research and consulting services to help them strategize product portfolios for emerging markets.

Visual Computing Labs (VCL) delivered major projects for Animation and Visual effects for feature

films this year, including its second animated full-length feature film for Disney Pictures and UTV. It also worked on prestigious episodic television serials for the international market and won multiple awards for its work across feature films and TV commercials.

Your Company had undertaken a set of strategic growth initiatives for VCL. These were based on the recommendations of an international consulting firm and meant to accelerate the non-linear growth. The initiatives did not deliver as per expectations and negatively impacted the bottom-line of the overall company. After due consideration, these initiatives have been curtailed to ensure that the negative impacts does not continue further.

The external environment continues to be volatile, even as we move into FY 13-14. However, your company looks forward to profitable growth, leveraging its focus on select industry segments, key customers and geographies, while controlling costs of operations towards improved margins.

As a technology-led design company, we continue to invest in acquiring and retaining talent, as well as continuous skill development, to help absorb the rapid changes in technologies and deliver greater value to our customers.

We are continuing investments in R&D and technology development, as well as the exploration of new and adjacent markets. These will provide the foundation for future business and help de-risk any downturns in specific industries and markets.

Your Company's Board of Directors has recommended a final dividend of Rs. 5 per share, maximizing the returns to our shareholders from the company's profits.

S Ramadorai

Financial **Highlights**

Total income

₹ 626.51 Crores

Profit After Tax

₹ 21.31 Crores

Earnings per share

₹ 6.84

Book value per share

₹ 62.67

Dividend per share

₹ 5.00

04

Business Divisions

08

Board of Directors/ Statutory
Committees

09

Notice of AGM

12

Directors' Report

17

Affirmation regarding
Compliance with the Code
of Conduct

18

Compliance Report on
Corporate Governance

25

Auditors' Certificate on
Compliance of Conditions of
Corporate Governance

26

Management Discussion
and Analysis

30

Independent Auditors'
Report

34

Balance Sheet

35

Statement of Profit and Loss

36

Cash Flow Statement

37

Notes forming part of the
Financial Statements

61

Independent Auditors'
Report on the Consolidated
Financial Statements

62

Consolidated Balance Sheet

63

Consolidated Statement of
Profit and Loss

64

Consolidated Cash Flow
Statement

65

Notes forming part of the
Consolidated Financial
Statements

86

Statement pursuant to Sec
212/ Significant Three Year
Highlights



EMBEDDED PRODUCT DESIGN

Tata Elxsi provides technology consulting, new product development, system integration, and testing services for leading product companies, service providers and aspiring start-ups. This is backed by an in-depth understanding of technology, a large multi-disciplinary product development team, and mature processes and systems.

We also create and license Intellectual Property and software components, helping customers create product differentiation and reduce development costs and time-to-market.

We address product engineering for Broadcast, Consumer products, Transportation, Energy, Medical Electronics, and Telecom.



Tata Elxsi helps customers develop successful brands and products by using design as a strategic tool for business success. We cater to a broad spectrum of industries like Automotive, Communications, Consumer products, Healthcare, and Retail. Our services range from research & strategy, branding & graphic design, product design, packaging design, UI design, retail design & signage, transportation design, design engineering and manufacturing support.

We have supported the launch of multiple brands and products across the world. We have won several international awards and patents for our designs and innovations.



INDUSTRIAL DESIGN

AWARDS

Bru Exotica – India Star Award for packaging design

Ocean Herbal – World Star Award for packaging design

Navratna Cool Talc – World Star Award for packaging design

Mahindra Construction Equipment e-TALK – CII Design Excellence Award for Interaction Design



Tata Elxsi provides Animation, Visual Effects (VFX) and 3D Stereoscopic content for feature films, episodic television and advertising. We also offer custom content development for visualization and product marketing, and are a leading developer of mobile, online and console games.

We have developed two full length movies, namely "Roadside Romeo", a joint venture between India's largest production house Yash Raj Films and the leader's in animation worldwide Walt Disney, and "Arjun -The Warrior Prince" presented by Walt Disney Pictures and UTV Motion Pictures.

A winner of several awards at national and international levels, we have also been nominated by the Hollywood-based Visual Effects Society (VES) for delivering outstanding animation in "Roadside Romeo", India's pioneering CGI animated, theatrical, contemporary entertainment movie.

AWARDS

"Best VFX Shot of the year" and
"Best Animated Feature Film
(Theatrical)" Awards at FICCI Frames
BAF Awards 2013

"Best Special Effects" Award for 'Ek Tha
Tiger' at the Star Guild Awards 2013

"Best Animated Feature Film
(Theatrical)" Award for 'Arjun - The
Warrior Prince' at Infocom-Assocham
EME Awards 2013

FICCI Frames Best Animated Frames
Awards 2012 for Samsung Wave II
Game TVC in the "Best Animated Ad
Film" category

Special Jury Award in VFX in a
"Commercial" category for Panasonic
'EcoNavi' air-conditioner TVC



SYSTEMS INTEGRATION

Tata Elxsi implements and integrates complete systems and solutions for High-Performance Computing, CAD/CAM/CAE/ PLM, Broadcast, Virtual Reality, Storage, and Disaster Recovery.

We address the Broadcast, Manufacturing, Government, Defence and Education sectors with an expert team of integration specialists and support engineers located across a wide network of offices. This is backed by strategic partnerships with best-in-class software and technology providers.

The Professional Services Group extends maintenance and support services for data mining, facilities management, network management, and storage consultancy and management in India and overseas.

Board of **Directors**

as on 19th April, 2013

Mr. S Ramadorai
Chairman

Mr. P McGoldrick

Mr. P G Mankad

Dr. R Natarajan

Mrs. S Gopinath

Mr. Madhukar Dev
Managing Director

Statutory **Committees**

(Pursuant to the Listing Agreement with the Stock Exchanges)

Audit Committee

Mrs. S Gopinath
Chairperson

Mr. S Ramadorai

Dr. R Natarajan

Investor Grievance Committee

Mr. P G Mankad
Chairman

Dr. R Natarajan

Mr. G Vaidyanathan
Company Secretary

Registrars & Share Transfer Agents

TSR Darashaw Limited
6-10, Haji Moosa Patrawala Ind. Estate
20, Dr. E. Moses Road, Mahalaxmi
Mumbai - 400 011

Auditors

Deloitte Haskins & Sells
Chartered Accountants

Registered & Corporate Office

ITPB Road Whitefield
Bangalore 560 048 India

NOTICE

Notice is hereby given that the **TWENTY FOURTH ANNUAL GENERAL MEETING of TATA ELXSI LIMITED** will be held at Devraj Urs Bhavan, (behind Dr. Ambedkar Bhavan), 16 D, Millers Tank Bed Area, Vasanthanagar, Bangalore 560052 on Tuesday 23rd July 2013 at 12.30 p.m. to transact the following business:

1. To receive and adopt the Audited Profit and Loss Account for the year ended March 31, 2013 and the Balance Sheet as at that date together with the Cash Flow Statement and the reports of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March 2013.
3. To appoint a Director in place of Mr. P.G. Mankad who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. P. McGoldrick who retires by rotation and is eligible for reappointment.
5. To appoint auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board
For **Tata Elxsi Limited**

G Vaidyanathan
Company Secretary

Bangalore, April 19, 2013

Registered Office:
ITPB Road, Whitefield,
Bangalore 560 048.

NOTES:

- a) The relevant details of the persons seeking re-appointment as Director under Item Nos. 3 and 4 of the notice, pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- c) Members desirous of getting any information in respect of Accounts of the Company are requested to send their queries in writing to the Company at the Registered Office, so as to reach at least 7 days before the date of the Meeting, so that the required information can be made available at the Meeting.
- d) Members / Proxies attending the Meeting are requested to bring their copy of the Annual Report for reference at the Meeting as also the Attendance Slip duly filled in for attending the Meeting.
- e) Register of Members and Transfer Books of the Company will be closed from 16th July, 2013 to 23rd July, 2013 (both dates inclusive) for the purpose of determining the shareholders entitled to the payment of Dividend declared at the Annual General Meeting on 23rd July, 2013 for the year ended March 31, 2013.

Dividend on shares, when declared, will be paid only to those members whose names are registered as such in the Register of Members of the Company, after giving effect to valid share transfers in physical form lodged with the Company, on or before 15th July, 2013 and to the Beneficial Holders as per the Beneficiary List as on 15th July, 2013 provided by the NSDL and CDSL.

- f) Members holding shares in electronic form may please note that as per the regulations of National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd. (CDSL), the Company is obliged to print the bank details on the dividend warrants as furnished by these Depositories to the Company and the Company cannot entertain any request for deletion / change of bank details already printed on dividend warrants as per information received from the concerned Depositories. In this regard, Members should contact their Depository Participant (DP) and furnish particulars of any changes desired by them.
- g) **Members who have not received their dividend paid by the Company in respect of earlier years, are requested to check with the Company's Registrars & Transfer Agents i.e. M/s. TSR Darashaw Ltd., 6-10 Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011. Members are requested to note that in terms of Section 205C of the Companies Act, 1956 any dividend unpaid / unclaimed for a period of 7 years from the date these first became due for payment, is to be transferred to the Central Government to the credit of the Investor Education & Protection Fund. Thereafter, no claim shall be entertained by the company in respect of the dividend transferred to the Fund.**

Members who have not yet encashed their dividends for the financial year ended 31st March 2006 onwards are being individually intimated and are requested to make their claims to the Company's Registrars & Transfer Agents accordingly, without delay. It may be noted that the unclaimed dividend for the financial years ended 31st March 2006 and 31st March 2007 are due for transfer to the Investors Education & Protection Fund on 2nd September, 2013 and 1st September, 2014 respectively.

- h) In support of the "Green Initiative", Members are requested to register their email address with the Company for receipt of Notices, Annual Report etc., electronically. The email may be sent to investors-update@tataelxsi.com quoting their Folio No./DP, or Client ID, as the case may be.

ANNEXURE

Information pursuant to Clause 49 of the Listing Agreement regarding appointment of a new Director or reappointment of a Director

Name of the Director	Mr. P.G.Mankad	Mr. P. McGoldrick
Date of Birth	18th November, 1944	8th September, 1949
Date of appointment	2nd September, 2004	12th January, 1993
Specialised Expertise	General Management	Computer Science
Qualifications	M.A. (History), IAS	Master Degree in Computer Science from Stanford University, USA. Advanced Management Program 109 from Harvard Business School.
Directorships of other Companies* as at 31st March 2013	Tata International Limited DSP – Merrill Lynch Fund Managers Ltd. Mahindra & Mahindra Financial Services Ltd. Hindustan Media Ventures Ltd. ICRA Limited Noida Toll Bridge Company Limited Heidelberg Cements India Ltd. Tata Power Company Ltd.	Tata Technologies Limited
Chairmanship/Membership of other Committees** as at 31st March 2013	Member – Audit Committee Heidelberg Cements India Ltd. Tata International Limited Mahindra & Mahindra Financial Services Ltd. Noida Toll Bridge Company Limited Tata Power Company Ltd. DSP – Merrill Lynch Fund Managers Ltd. Member - Shareholders/Investors Grievance Committee Heidelberg Cements India Ltd. Noida Toll Bridge Company Limited	None
No. of shares held in the Company as on 31st March 2013	NIL	NIL

* Excludes private/foreign/non-profit companies

** Only Audit and Shareholders/Investors Grievance Committee considered

DIRECTORS REPORT TO THE MEMBERS

1. Your Directors present the Twenty-Fourth Annual Report, along with the Audited Statements of Accounts of your Company, for the year ended March 31, 2013.

2. **Financial Highlights:**

During the financial year 2012-13, the operations of your Company resulted in the following:

(Rs. Crores)

	Unconsolidated		Consolidated	
	2012-13	2011-12	2012-13	2011-12
Sales and Service	604.69	514.46	621.67	538.71
Other income	6.23	6.12	4.84	4.20
Total Income	610.92	520.58	626.51	542.91
Profit before financial expenses, depreciation and exceptional items	75.30	73.20	76.91	78.21
Less : Financial expenses	3.91	2.33	3.91	2.33
Depreciation	23.73	20.52	23.73	20.52
Exceptional Items	15.90	-	15.90	-
Profit for the year	31.76	50.35	33.37	55.36
Less : Provision for Income tax	10.77	16.40	10.99	16.65
Share of loss from associate Company	-	-	1.07	4.12
Profit after tax	20.99	33.95	21.31	34.59
Add: Profit brought forward	111.08	107.47	113.65	109.40
Balance available for appropriation which has been appropriated as under:	132.07	141.42	134.96	143.99
Proposed dividend.	15.57	21.80	15.57	21.80
Dividend tax thereon net of reversal thereof.	2.65	3.54	2.65	3.54
Transfer to General Reserve	2.50	5.00	2.50	5.00
Balance of profit carried to Balance Sheet	111.35	111.08	114.24	113.65
Total appropriations	132.07	141.42	134.96	143.99

3. **Dividend:**

Your Directors recommend for your approval, a dividend of 50% (Rs. 5.00 per share) [previous year 70% (Rs.7.00 per share)] for the year ended 31st March 2013, involving an outgo of Rs. 15.57 crores compared to Rs. 21.80 crores in the previous year. Additionally, the dividend distribution tax will involve an outlay of Rs. 2.65 crores compared to Rs. 3.54 crores in the previous year,. The total payout ratio is 87% for this year as compared to 75% in the previous year.

4. **Review of Operations:**

The total consolidated income during the year under review was Rs. 626.51 crores as against Rs. 542.91 crores in the previous year, registering an overall increase of 15.4%.

The Profit after Tax (PAT) was Rs. 21.31 crores, as against Rs. 34.59 crores in the previous year. The decrease in profit is mainly due to retiring of the corporate guarantee given to bank for securing the loan for its JV entity, A2E2 and share of loss in the said JV entity.

During the previous years, VCL undertook two significant initiatives to help scale its business. It expanded its studio in Los Angeles in anticipation of a large volume of work from Hollywood and entered into a Joint Venture to develop and produce its own IP. While both initiatives showed initial promise, the outcomes were not up to expectations and impacted the bottom-line of the company significantly. The normalised PBT before the impact of these two is higher in FY13 than in FY12. Your company has taken suitable actions after due consideration on both initiatives to ensure the bottom line is not further impacted.

More details are set out in the attached Management Discussion and Analysis Statement.

A business-wise analysis of your Company's two main segments viz. Software Development & Services, and Systems Integration & Support follows hereunder:

Software Development & Services:

The businesses constituting this segment are Embedded Product Design, Industrial Design, and Visual Computing Labs. This segment reported a revenue of Rs. 552.95 crores in FY13, registering an increase of 21.7% over the previous year. The segment's profit was Rs. 62.39 crores.

Embedded Product Design:

The Embedded Product Design division provides technology consulting, new product design and development, and testing services for the broadcast consumer electronics, healthcare, telecom, and transportation industries. It also creates and licenses intellectual property and software components, helping customers create product differentiation, and reduce development costs and time-to-market.

Industrial Design:

The Industrial Design division helps customers develop winning brands and products by using design as a strategic tool for business success. It provides an end-to-end design and innovation service for new products from consumer research and ideation, to interaction design, prototyping, and manufacturing support. It addresses the FMCG, Automotive, Healthcare, Consumer Electronics, and Retail sectors.

It has designed award-winning packaging in the food, beverage, personal, and home care segments, for leading brands in India and overseas.

It also executed several projects for interior and exterior styling of vehicles and the design of cutting-edge products for consumer electronics and healthcare.

In the interaction design area, its design for an interactive e-sales book for Mahindra and Mahindra won the award for the best User Interface Design at the CII Design Excellence Awards 2012.

In the FMCG packaging area, its packaging design for Ocean Herbal, a new Ayurvedic personal care brand, was conferred with the India Design Mark (I Mark). The 'I Mark' is a prestigious design standard given by the Indian Design Council.

This division has been successfully certified for ISO 13485:2003, a management systems standard relating to the design and development of medical devices.

Visual Computing Labs:

Visual Computing Labs (VCL) offers Animation, Visual Effects (VFX) and 3D stereoscopic content for feature films, episodic television and advertising. It also offers custom content development for visualization and product marketing.

This year VCL won several national and international awards including the "Best VFX Shot of the year" and "Best Animated Feature Film (Theatrical)" awards at the prestigious FICCI Frames BAF Awards 2013.

It won the "Best Special Effects" award for 'Ek Tha Tiger' at the Star Guild Awards 2013 (also known as Apsara Awards). It also won the "Best Animated Feature Film (Theatrical)" award for 'Arjun - The Warrior Prince' at the Infocom-Assocham EME Awards 2013.

Systems Integration & Support:

During the year under review, the segment turnover and profit were Rs. 68.72 crores and Rs. 1.70 crores respectively.

This business segment integrates, installs and commissions complete systems and solutions for areas such as Computer Aided Design, Analysis and Manufacturing, Virtual Reality, High Performance Computing and Storage for enterprise customers. It provides best-of-breed solutions through partnerships and distribution agreements with leading international software and hardware vendors. It also provides infrastructure management, support and

maintenance services.

This business will continue to focus on a solutions-centric approach that drives higher composition of software and services in the business mix to improve margins.

5. Finance:

Interest cost for FY13 was Rs. 3.91 crores, as against Rs. 2.33 crores in the previous year. Borrowings as at the end of FY13 was Rs. 58.51 crores, compared to Rs. 34.16 crores in the previous year.

6. Directors:

Mr. P.G. Mankad and Mr. P. McGoldrick retire by rotation and being eligible, offer themselves for re-appointment.

7. Directors Responsibility Statement:

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management, confirm that -

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and have 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 at the end of the financial year and of the profit of the Company for that year;
- (iii) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.

8. Personnel:

Your Company recognizes the critical importance of its human capital. Capacity addition through the induction of fresh engineers and lateral hires are driven by the annual business planning exercise. Capacity addition is continuously monitored and changed, depending on the business demand. Your Company takes significant initiatives to increase efficiency through training, leadership development, and other measures.

9. Disclosure of Particulars:

Information required under Section 217(2A) of the Companies Act, 1956 and the Rules made there under, is provided in Annexure-B forming part of the Report. In terms of Section 219(1) (b) (iv) of the Act, the Report and Accounts are being sent to the Shareholders, excluding the aforesaid Annexure. Any Shareholders interested in obtaining a copy of the same may write to the Company Secretary.

10. Subsidiary Company, Statement under Section 212 of the Companies Act, 1956 and Consolidated Financial Statements:

The Company's wholly owned subsidiary, Tata Elxsi (Singapore) Pte. Ltd. recorded a turnover of Rs.17.21 crores and Profits before Tax of Rs. 1.93 crores during the year 2012-13, as against the previous year's turnover of Rs. 26.54 crores and Profit before Tax of Rs. 2.82 crores. The Board of Directors of your Company has given their consent for not attaching to its Balance Sheet, the documents relating to its subsidiary specified in Section 212 (1) of the Companies Act, 1956 in terms of the General Circular no. 2/2011 of the MCA.

In terms of the said circular, a statement in one page containing specified financial details of the subsidiary company is to be included in the consolidated annual financial statements of the parent Company. The annual accounts of the subsidiary and the related detailed information will be made available to the holding and subsidiary companies investors seeking such information at any point of time. The annual accounts of the subsidiary will also be kept available for inspection by any investor at the head office of the parent and subsidiary Company respectively.

As required pursuant to the Accounting Standards of the Institute of Chartered Accountants of India (ICAI) and the Listing Agreement with the Stock Exchanges, the stand-alone annual accounts of your Company, along with the consolidated financial statements of your Company and the subsidiary Company made up to 31st March 2013, are also presented.

11. Corporate Governance:

Pursuant to Clause 49 of the Listing Agreement, the Corporate Governance Report, the Management Discussion & Analysis Statement, and the Auditors' Certificate regarding Compliance of Conditions of Corporate Governance are part of this Annual Report.

12. Acknowledgements:

The Directors wish to thank the Company's employees, customers, partners, suppliers, and above all, its shareholders and investors for their continued support and co-operation.

On behalf of the Board of Directors

S. RAMADORAI
Chairman

Bangalore, April 19, 2013

ANNEXURE "A" TO DIRECTOR'S REPORT

Particulars pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

1. Conservation of Energy

Your Company is in a knowledge intensive industry, and does not operate industrial machinery, production facilities, or other such energy intensive operations. However, as a responsible corporate citizen, it continues to pursue and adopt appropriate energy conservation measures.

Energy conservation programs adopted by your Company are:

- (i) Continuous education and awareness programs among all employees on energy conservation measures that can be adopted at individual levels, to help conserve power and energy.
- (ii) Continuous monitoring of energy consumption. This covers optimization of space utilization, using technology to monitor and control power consumption of air conditioning and other related equipment, use of energy efficient light bulbs, using technology for switching off computer monitors, motion sensors for lighting controls, etc.
- (iii) Initiatives such as provision of Company mass transport and car pooling for employees commuting to work.
- (iv) Rain-water harvesting and using recycled water for gardening.
- (v) Regular reviews of energy requirements and consumption patterns, with action plans on effective utilization of power, during peak and non-peak seasons, including purchase/use of energy saving devices based on techno-commercial evaluation.

Your Company will continue to monitor and control overall energy expenses, in relation to the growth in the scale of operations.

2. Technology Absorption**a. Research & Development**

Your Company's key services are directed towards software and electronic system development for industries such as wireless, multimedia, automotive, networking, consumer electronics and broadcast. Your Company devotes a certain portion of its human capital in developing expertise in emerging technologies and standards, through technology partnerships, subscription and active participation in standards and technology forums, trade shows, training and in-house R&D projects. These help in enabling new technology familiarity for the engineering teams, as part of the continuous training and human resource development.

b. Benefits derived out of the above R&D

Internal IP programs facilitate your Company in training and preparing its design and engineering teams for upcoming projects in terms of delivery capability and capacity. Outcomes from these programs also help showcase technology and development capability to potential customers without violating confidentiality of work being executed for existing customers in the same area.

Further, certain programs are focused on creating Intellectual Property (IP), which have the potential to generate revenue streams through commercialization and licensing.

Your Company undertook R&D and IP development in next-generation broadband wireless technologies and high-definition video. It has also developed a reference design for a Hybrid Set-Top Box which is capable of playing linear TV and internet content, and is based on the Android operating system. Some of the resultant software and IP has been successfully licensed to customers, enabling new revenue streams from licensing fees and customisation services.

Future plan of action

During the year, your Company invested 2.86 % of revenue in developing Intellectual Properties, through in-house R&D projects. Your Company intends to continue investment in technology IP development, especially those related to wireless and multimedia. It aims to grow revenues through IP licensing and related services to licensees for adaption and integration of the licensed technology to suit their specifications.

Expenditure on R & D during the year

- | | |
|--|--------------------|
| i. Capital | : Rs. 3.70 Crores |
| ii. Recurring | : Rs. 13.75 Crores |
| iii. Total | : Rs. 17.45 Crores |
| iv. Total R & D expenditure as a percentage total turnover | : 2.86% |

3. Technology absorption, adaptation and innovation

Your Company continues to track trends and latest developments in various technology areas, including those related to wireless, multimedia, and networking, and semiconductor, aerospace, and automotive related technologies. It also actively participates in relevant standards bodies and forums. This helps increase the knowledge base within the Company, and enhances the ability of the Company to undertake larger and more complex projects which are of higher value.

Your Company also undertakes continuous quality improvement programs, training programs, deployment and use of tools and technologies for monitoring projects, etc., to help increase efficiencies and productivity.

4. Foreign Exchange earnings and outgo

Your Company's services segment and also the agency business with overseas principals in the Systems Integration segment ensure a continued export thrust. The particulars of foreign exchange expenditure and earnings are given in Item Nos. 23.6 and 23.7 of notes forming part of the financial statements (Page no. 52).

Affirmation regarding Compliance with the Code of Conduct

The Company has adopted a Code of Conduct for all its employees, including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors. Both these Codes are available on the Company's Website (www.tataelxsi.com).

I hereby confirm that all Board members and Senior Management personnel have affirmed compliance with the Code of Conduct applicable to them in respect of the year ended 31st March, 2013.

Bangalore, April 19, 2013

Madhukar Dev
Managing Director

COMPLIANCE REPORT ON CORPORATE GOVERNANCE

Mandatory Requirements:

1. **A brief statement on the Company's philosophy on code of governance.** Your Company believes in conducting its affairs with the highest levels of integrity, with proper authorisations, accountability and transparency. The business operations of your Company are conducted not to benefit any particular interest group but for the benefit of all stakeholders.
2. **Board of Directors**

The Board comprises with members having varied skills, experience and knowledge. The maximum number of members the Board can have, in terms of the Articles of Association of the Company is 12. The Board has a mix of both Independent and Non-independent directors where Independent directors constitute more than half the strength of the Board. The Chairman of the Company is Non-Executive and not independent. None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement with Stock Exchanges), across all the companies in which they are Directors. Necessary disclosures regarding Committee positions have been made by the Directors.

Six Board Meetings were held during the year 2012-13 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings held were 6th April 2012, 7th May 2012, 24th July 2012, 18th October 2012, 21st January 2013 and 26th March 2013.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and, at the last Annual General Meeting, as also the number of Directorships held by them in other companies are given below:

Name	Category	No. of Board Meetings attended during 2012-13	Whether attended AGM held on 24th July 2012	No. of Chairmanships/Directorships in other Boards/ Committees* of Companies**			
				Chairman / Chairperson of the Board	Chairman / Chairperson of the Committee	Member of the Board	Member of the Committee
Mr. S. Ramadorai	Not Independent / Non-executive	6	Yes	6	1	7	6
Mr. P.G. Mankad	Independent / Non-executive	5	No	1	-	7	8
Mr. P. McGoldrick	Independent / Non-executive	6	Yes	-	-	1	-
Dr. R. Natarajan	Independent / Non-executive	5	Yes	-	-	1	-
Mrs. Shyamala Gopinath	Independent / Non-executive	5	Yes	2	1	3	3
Mr. Madhukar Dev	Not Independent / Managing Director	6	Yes	-	-	-	-

* Only Audit and Shareholders / Investors Grievance Committees considered

** Excludes private / foreign / non-profit companies

The information as required under Annexure I to Clause 49 is being made available to the Board.

3. **Audit Committee**

The terms of reference of the Audit Committee mandated by the statutory and regulatory requirements, which are also in line with the mandate given by the Board of Directors, are:

- a. Oversight 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 the statutory auditor and the fixation of audit fees;

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)

- c. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- d. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956;
 - ii. Changes, if any, in accounting policies and practices and reasons for the same;
 - iii. Major accounting entries involving estimates based on the exercise of judgment by management;
 - iv. Significant adjustments made in the financial statements arising out of audit findings;
 - v. Compliance with listing and other legal requirements relating to financial statements;
 - vi. Disclosure of any related party transactions; and
 - vii. Qualifications in the draft audit report;
- e. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- f. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- g. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage, and frequency of internal audit;
- h. Discussion with internal auditors, any significant findings and follow up there on;
- i. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity, or a failure of internal control systems of a material nature and reporting the matter to the Board;
- j. Discussion with statutory auditors before the audit commences, about the nature and scope of audit, as well as post-audit discussion to ascertain any area of concern;
- k. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends), and creditors;
- l. To review the functioning of the Whistle Blower mechanism;
- m. Carrying out any other function, as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee reviewed the reports of the internal auditors, the reports of the statutory auditors arising out of the quarterly, half-yearly, and annual audit of the accounts; considered significant financial issues affecting the Company and held discussions with the internal and statutory auditors and the Company Management during the year.

Four Audit Committee Meetings were held during the year 2012-13. The dates on which the Audit Committee Meetings were held were 7th May 2012, 24th July 2012, 18th October 2012 and 21st January 2013. Due to pre-commitment, Dr. Natarajan did not attend the meeting held on 18th October, 2012. The Board co-opted Mr. P. McGoldrick to attend the 18th October, 2012 meeting, in order to have requisite quorum in terms of the listing agreement.

The composition, names of the members, chairperson and attendance of the members during the year are as follows:

Sl.No.	Names of Members	Category	No. of Meetings attended during the year 2012-13
1	Mrs. Shyamala Gopinath Chairperson	Independent/Non-executive	4
2	Mr. S Ramadorai	Not Independent / Non-executive	4
3	Dr. R. Natarajan	Independent / Non-executive	3
4	Mr. P. McGoldrick *	Independent / Non-executive	1

Mrs. S. Gopinath, Chairperson of the Audit Committee was present at the 23rd Annual General Meeting held on 24th July, 2012.

* Co-opted as a member of the Audit Committee meeting held on 18th October, 2012.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)**4. Remuneration Committee**

The terms of reference mandated by the Board are:

- To decide the policy on specific remuneration packages for Managing / Executive Directors, including pension rights and any compensation payments;
- To approve the terms of any Employee Stock Option Scheme or Plan, as may be issued from time to time by the Company;

All Non-Executive Directors of the Company receive sitting fees for each meeting of the Board or Committee thereof attended by them. The net profits of the Company, not exceeding 1%, are distributable, as commission, amongst the Non-Executive Directors considering the special services and efforts rendered.

Other than sitting fees and commission on the net profits of the Company, no other remuneration is paid / payable to the Non-Executive Directors for the year 2012-13.

One Remuneration Committee Meeting was held on 7th May 2012 during the year 2012-13.

The composition, names of the members, chairperson and attendance of the members during the year are as follows:

Sl.No	Names of Members	Category	No. of Meetings attended during the year 2012-13
1	Dr. R. Natarajan, Chairman	Independent / Non-executive	1
2	Mr. S. Ramadorai	Not Independent / Non-executive	1
3	Mrs. Shyamala Gopinath	Independent / Non-executive	1

Details of Remuneration paid / payable to the Directors for the year ended 31st March, 2013.

Non-executive Directors (NEDs):

Sl.No	Name of the Non-executive Director	Sitting Fees Rs.	Commission* Rs.
1	Mr. S Ramadorai	1,95,000	7,20,000
2	Mr. P.G. Mankad	1,35,000	4,10,000
3	Mr. P McGoldrick	1,05,000	3,60,000
4	Dr. R. Natarajan	1,95,000	4,80,000
5	Mrs. Shyamala Gopinath	1,50,000	5,30,000

Managing Director (MD) :

Name	Basic Salary Rs.	Commission* Rs.	Contribution to Provident & other Funds Rs.	Other Allowances & Perquisites Rs.	Total Rs.
Mr. Madhukar Dev	36,30,000	40,00,000	10,70,850	50,82,000	137,82,850

* Subject to approval of the annual accounts at the forthcoming Annual General Meeting.

The service of Managing Director may be terminated by either party giving other party six month's notice or the Company paying six months salary in lieu thereof.

5. Shareholders / Investors Grievances Committee

The terms of reference mandated by the Board, which is also in line with the statutory and regulatory requirements, are:

- Redressing of Shareholders and Investors complaints;
- To ensure expeditious share transfers;
- To review status of legal cases involving the investors where the Company has been made a party.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)

Two Investor Grievance Committee Meetings were held during the year 2012-13. The dates on which the Investor Grievance Committee Meetings held were 7th May 2012 and 21st January 2013.

The composition, names of the members, chairperson and attendance of the members during the year are as follows:

Sl.No.	Names of Members	Category	No. of Meetings attended during the year 2012-13
1	Mr. P.G. Mankad, Chairman	Independent / Non-executive	2
2	Dr. R. Natarajan	Independent / Non-executive	2

Name, designation & address of the Compliance Officer:

Mr. G. Vaidyanathan

Company Secretary

Tata Elxsi Ltd.,

ITPB Road, Whitefield

Bangalore – 560 048.

Phone : +91-80-22979316

Fax : +91-80-28411474

E-mail : gvnathan@tataelxsi.co.in

Details of complaints received and redressed during 2012-13 :

Opening Balance	Received during the year	Resolved during the year	Closing Balance
3	13	16	-

Complaints/correspondence are usually dealt with within 10 days of receipt and are completely resolved, except in cases where litigation is involved.

Share transfer lodgements are processed within 20 days and returned, except in cases where litigation is involved.

The following persons can also be contacted in case of investor grievances:

- Ms. Mary Alles (email:mary@tataelxsi.co.in);
Phone: +91-080-22979789; Fax: +91-080-22979770
- TSR Darashaw Ltd. (email: csg-unit@tsrdarashaw.com);
Phone: +91-022-66568484; Fax: +91-022-66568494

6. General Body Meetings

Particulars about the last three Annual General Meetings (AGM's) of the Company are:

Sl.No	AGM Particulars	Date	Venue	Time
1	23rd AGM in respect of the year 2011-12	24th July, 2012	Devraj Urs Bhavan, (behind Dr. Ambedkar Bhavan), 16 D, Millers Tank Bed Area, Vasanthanagar, Bangalore 560052	12.30 p.m.
2	22nd AGM in respect of the year 2010-11	22nd July, 2011	Good Shepherd Auditorium 25, Museum Road, opp. St. Joseph P.U College Bangalore	12.00 p.m.
3	21st AGM in respect of the year 2009-10	26th July, 2010	Dr. B.R Ambedkar Bhavan, Millers Road, Vasanth Nagar, Bangalore	11.30 a.m.

No item of business, which required the members' approval through postal ballot, was transacted during 2012-13.

As required under clause 49(G) (i) of the listing agreement, particulars of the Directors seeking appointment/ reappointment are given in the Annexure to the Notice.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)**7. Disclosures**

- There are no materially significant related party transactions during the year that have potential conflict with the interests of the Company at large;
- There has been no non-compliance or penalties, or strictures imposed on your Company by any of the Stock Exchanges or SEBI, or any statutory authority on any matter related to capital markets during the last three years;
- The Company has adopted a Whistle Blower Policy which is permanently posted on the Company's intranet. All issues raised under the Whistle Blower Policy are directly reported to the Chairperson of the Company's Audit Committee and no personnel have been denied access to the Audit Committee.
- The Company has complied with all the mandatory requirements and most of the non-mandatory requirements specified in the revised Clause 49 of the Listing Agreement.

8. Means of Communication

- The Company uses several modes for communicating with its external stakeholders, such as announcements and press releases in newspapers, circular letters and other reports to the members, posting information on its Website (www.tataelxsi.com), intimation to the Stock Exchanges, responding to analyst's queries etc.
- The Company's quarterly results are disseminated through all the modes mentioned above. Financial Express (English daily) and Sanjevani (vernacular daily) are usually the papers in which the quarterly results are published.
- The Company's Management Discussion & Analysis of the Business for the year ended 31st March, 2013 forms a part of this Annual Report and is given under the Section so captioned.

9. General Shareholders Information

Sl.No	Salient Items of Interest	Particulars
i.	AGM Date, Time, and Venue	Tuesday, 23rd July, 2013 at Devraj Urs Bhavan, (behind Dr. Ambedkar Bhavan), 16 D, Millers Tank Bed Area, Vasanthanagar, Bangalore 560052 at 12:30 p.m.
ii.	Financial Calendar	19th April, 2013 – Q4 & FY13 Results 23rd July, 2013 – Q1 Results & AGM Oct, 2013 – Q2 Results Jan, 2014 – Q3 Results
iii.	Date of Book Closure	16th July, 2013 to 23rd July, 2013 (both days inclusive)
iv.	Dividend Payment Date	On and after 23rd July, 2013
v.	Listing on Stock Exchanges	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001, India Tel. : +91-22-22721234 Fax : +91-22-22722041 The National Stock Exchange of India Limited Exchange Plaza Plot No.C/1, G Block Bandra-Kurla Complex Bandra (East) Mumbai-400 051, India Tel. : +91-22-26598100 Fax : +91-22-26598237 The Delhi Stock Exchange Association Limited (Delisting application is pending with DSE) DSE House, 3/1 ASAF Ali Road, New Delhi-110 002, India Tel. : +91-11-46470000 Fax: +91-11-46470053
vi.	Stock Code	Bombay Stock Exchange Ltd.: 500408 National Stock Exchange Ltd.: TATAELXSI

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)

vii.	Registrar & Share Transfer Agents	TSR Darashaw Limited, 6-10, Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011
viii.	Share Transfer System	Shares lodged in physical form with the Company / its Registrars & Share Transfer Agents are processed and returned, duly transferred within 20 days normally, except in cases where litigation is involved. In respect of shares held in dematerialized mode, the transfer takes place instantaneously between the transferor, transferee, and the Depository Participant through electronic debit/credit of the accounts involved.
ix.	Dematerialisation of shares and liquidity	2,94,48,733 shares were held in dematerialized mode, as at March 31, 2013. The Company's equity shares are actively traded on BSE and NSE.
x.	Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity	There are no outstanding instruments and hence there will be no dilution of the equity.
xi.	Plant Locations	Your Company's software development centers are located at the following addresses: a. ITPB Road, Whitefield, Bangalore – 560 048; b. Brigade Tech Park, Block-B 134/1, 134/2, Pattandur Agrahara Village, Whitefield Road, K.R. Puram, Bangalore – 560 066; c. Neyyar, Plot No. 23-28, Technopark Campus, Kariyavattom, Trivandrum – 695 581; d. "Gayatri" Technopark, 1st floor, Kariyavattom, Trivandrum – 695 581; e. "Leela Infopark" 5th Floor, Plot No.2, Technopark Campus, Trivandrum – 695 581; f. Alpha – 1&2 Building, GIGA Space, IT Park, 198/1B, Viman Nagar, Pune - 411 014; g. SEZ Tower IX, A Wing, Level 2, Magarpatta City, Hadapsar, Pune - 411013; h. Boston House, Suren Road, Andheri(East), Mumbai – 400 093; i. 4th Floor, IITM Research Park, Kanagam Road, Taramani, Chennai – 600 113
xii.	Address for correspondence	ITPB Road, Whitefield, Bangalore – 560 048

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd.)

Market Price Data: High/Low during each month of 2012-13 on the following exchanges:

Month	BSE			NSE		
	High Rs.	Low Rs.	Vol (No. of shares)	High Rs.	Low Rs.	Vol (No. of shares)
April 2012	211.00	197.05	294928	210.75	196.50	812183
May 2012	216.90	196.15	506838	217.25	191.25	1027781
June 2012	223.30	203.05	219229	224.40	204.05	545599
July 2012	254.10	205.15	691920	253.70	205.05	1462932
August 2012	231.00	211.30	215894	231.50	211.60	807582
September 2012	243.90	209.75	301104	243.80	209.50	1044739
October 2012	238.45	215.10	306511	238.00	216.10	730264
November 2012	252.00	210.00	357347	253.00	211.10	1065226
December 2012	244.95	225.05	356425	244.70	221.10	1055769
January 2013	247.00	213.00	350523	247.00	215.60	1074805
February 2013	228.00	192.60	207018	224.00	192.10	495312
March 2013	227.30	182.90	426712	227.90	180.00	1108850

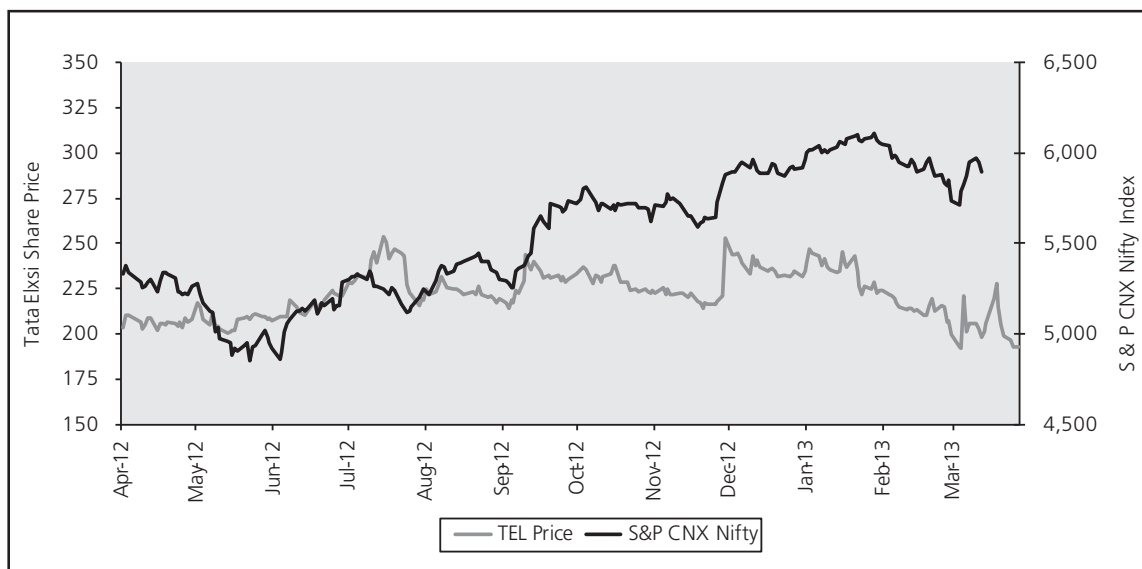
Distribution of Shareholding as on March 31, 2013

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1 - 500	51809	94.93	6879288	22.09
501 – 1000	1634	2.99	1299573	4.17
1001- 2000	605	1.11	909181	2.92
2001 – 3000	190	0.35	485336	1.56
3001 – 4000	80	0.15	291200	0.94
4001 – 5000	64	0.12	301770	0.97
5001 – 10000	104	0.19	756190	2.43
Over 10,000	90	0.16	20215682	64.92
Total	54576	100.00	31138220	100.00

Categories of Shareholding as on March 31, 2013

Category	No. of Shareholders	No. of Shares held	% of Shareholding
Individuals	53082	10968121	35.22
NRI's	550	253695	0.82
Companies	692	2176789	6.99
Tata Group	4	14047632	45.11
Mutual Funds, FI's, FII's	25	3499138	11.24
Clearing Member/Clearing House	223	192845	0.62
Total	54576	31138220	100.00

Tata Elxsi Share Price Vs. S&P CNX Nifty Index



Auditors' Certificate on Compliance of Conditions of Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchanges

To the Members of TATA ELXSI LIMITED

We have examined the compliance of conditions of Corporate Governance by **TATA ELXSI LIMITED** (the Company), for the year ended on March 31, 2013, as stipulated in clause 49 of the Listing Agreement of the said Company with the said stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the company.

In our opinion and to the best of our information, and according to the explanations given to us, and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement.

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

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

V. Balaji
Partner
(Membership No.203685)

Place: Bangalore
Date: April 19, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Analysis

Your Company's operations are classified into two business segments i.e. Software Development & Services and Systems Integration & Support.

Software Development and Services

This business segment reported revenues of Rs. 552.95 crores in FY13 as against Rs. 454.25 crores during FY12, registering an increase of 21.7%. The profit of this segment was 62.39 crores during FY13 as against Rs. 59.81 crores in FY12.

This business segment consists of three distinct business divisions:

Embedded Product Design

The Embedded Product Design division provides technology consulting, new product design, development, and testing services for the broadcast, consumer electronics, healthcare, telecom and transportation industries.

This is backed by an in-depth understanding of technology, a large multi-disciplinary product development team, and mature processes and systems.

It also creates and licenses Intellectual Property and software components, helping customers which include leading product companies, service providers, and aspiring start ups, create product differentiation and reduce development costs and time-to-market.

To take advantage of the emerging embedded systems engineering market opportunity, your Company is focusing on building domain centric capabilities and integrated offerings in industry verticals with a high growth potential. This focus is expected to help drive greater market share and share of wallet from key customers in these segments.

A brief overview of the key industry segments addressed is detailed below:

Broadcast and Consumer Electronics

Tata Elxsi addresses the complete product development lifecycle from R&D and new product development to maintenance engineering for Broadcast equipment and Consumer Electronics products.

Your Company also engages with broadcast service providers across the world for the development of value-added applications that enhance the consumer experience of their services, and helps them reduce development and testing costs associated with service deployment.

Two significant trends are emerging especially in developed markets, relating to multi-screen and Over-The-Top (OTT) content. Consumers now want access to TV content not only on their TVs, but also on other screens such as tablets and smartphones. Consumers are also consuming Internet content, driving the development of connected or smart TV. These technologies require R&D and engineering and your company is positioned well to capitalize on the emerging services opportunities from operators, software vendors and equipment makers.

Communications

Your company works with wire line & wireless communications product companies for product engineering and design.

Increasing data consumption both on fixed and wireless networks is driving new technologies and product development. Your company is working with leading Network Equipment Manufacturers for software and system development, including 4G (fourth generation) technologies for high-speed broadband wireless.

Both the enterprise and service provider markets are experiencing increased adoption of IP (Internet Protocol) based voice and video communications as well as cloud-based applications that can be enabled on any connected device.

Your Company is working with leading product companies for voice and video communications, and is supporting the migration of such applications and services to the cloud.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Transportation

Your Company offers electronics, software development and full system design services for the automotive and aerospace industry.

Leading automotive manufacturers and Tier 1 suppliers have collaborated on an initiative called Automotive Open System Architecture (AUTOSAR) to better manage the increasing complexity of automotive electronics and heightened passenger and legal requirements. The AUTOSAR standard defines an open architecture and basic software functionality of automotive control units (ECU). Tata Elxsi has been associated with the AUTOSAR consortium from its early stages and is helping the automotive ecosystem adopt and implement AUTOSAR compliant systems in next-generation vehicles.

Due to the regulatory pressure for stringent emission and safer transport from various governments across the world, the demand for intelligent electronics is expected to increase substantially. Your Company is engaging with leading OEMs and systems suppliers in the development of next-generation hybrid engine technologies, active and passive safety systems in the vehicle.

In-vehicle Infotainment (IVI) is rapidly extending to multiple applications such as music, news and multimedia, navigation and location services, telephony and internet services. This demands multi-technology convergence and significant software development, along with enhanced user interfaces to allow drivers to use these features easily and without distraction. Your company is well poised to take advantage of this addressable market. It is also a member of the GENIVI Alliance, which aims to provide a standardised and open source development platform for IVI.

Your company is also engaging with leading aerospace OEMs and suppliers for avionics and electronics design.

Industrial Design

The Industrial Design division helps customers develop winning brands and products by using design as a strategic tool for business success. Its expertise extends across consumer research and insights, new product ideation, concept design, design engineering and branding.

An in-depth understanding of consumers and rapidly changing market dynamics, backed by a multi-disciplinary design team, enables it to service a broad spectrum of industries. This includes automotive, communications, consumer products, healthcare, and retail.

Companies are increasingly focussing on delivering consumer delight through enhanced user experience and not just more features and technology, Tata Elxsi's user experience team is working with companies across industry segments such as automotive, consumer electronics, and retail, to help improve user interfaces and overall consumer experience through design.

Visual Computing Labs

Visual Computing Labs is an award-winning digital production studio providing Animation, Visual Effects (VFX) and 3D stereoscopic content for feature films, episodic television commercials / custom content. It has a world-class studio in India and a creative team that includes national and international award winning professionals.

While the overall animation industry in India has been projected to grow at a CAGR of 16% up to 2016 as per the CII 2012 India Entertainment and Media Outlook report, it indicates lack of demand in the domestic market and the difficulty in addressing overseas opportunities due to the reluctance in outsourcing high value work and increasing trend for co-production which involves risk sharing for projects.

The demand for stereoscopic 3D (S3D) services has also been muted due to lesser number of feature films and content being targeted for this format.

VCL is focusing on specific service areas and markets aligned with industry trends and market demand, and implementing rationalisation of its manpower in line with business projections, which is expected to reduce the overall costs of operations and improve profitability.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Systems Integration and Support

This business segment registered sales of Rs. 68.72 crores during FY13 and profit of this segment was Rs. 1.70 crores.

This segment comprises of the Systems Integration and Professional Services businesses.

The Systems Integration division implements and integrates complete systems and solutions for High-Performance Computing, CAD/CAM/CAE/PLM, Broadcast, Virtual Reality, Storage, and Disaster Recovery. This is backed by a team of experts and support engineers across India.

The Professional Services group offers storage, network, and infrastructure management services for the Indian and overseas markets.

This business segment will continue to focus on a solutions-centric approach that drives higher Rs. composition of software and services in the business mix to improve margins.

2. Internal Controls systems and their adequacy:

Your Company has put in place adequate internal control systems, commensurate to the size and scale of its operations. The Company has ensured a two-level Audit System with in-house Internal Auditors conducting regular and periodic audits of specific processes and controls, and a quarterly audit of internal controls in different areas of operation by an external firm, Ernst & Young. Significant observations made by the in-house and external internal auditors are presented to the Audit Committee for their recommendations. The status of the implementation of the observation and recommendations are also presented to the Audit Committee periodically.

3. Financial Analysis:

The following are relevant financial performance details, on consolidated basis, with respect to the operational performance of the Company:

Salient Consolidated Financial Data Expenditure Analysis Relating to Profit & Loss Account				Percentage to Income	
	2012-13	2011-12	Change over previous year	2012-13	2011-12
	Rs. crores	Rs. crores	%	%	%
Sales and services	621.67	538.71	15.40	99.23	99.23
Other income	4.84	4.20	15.24	0.77	0.77
Total Revenues	626.51	542.91	15.40	100.00	100.00
Cost of sales	59.44	71.49	-16.86	9.49	13.17
Personnel expenses	351.49	278.07	26.40	56.10	51.22
Financial expenses	3.91	2.33	67.81	0.62	0.43
Depreciation/ Amortization	23.73	20.52	15.64	3.79	3.78
Other expenses	138.67	115.14	20.44	22.13	21.21
Total Expenditure	577.24	487.55	18.40	92.13	89.81
Profit before tax and exceptional item	49.27	55.36	-11.00	7.87	10.19
Exceptional items	15.90	-	-	2.54	-
Profit before tax	33.37	55.36	-39.72	5.33	10.19
Tax	10.99	16.65	-33.99	-1.75	-3.07
Profit after tax for the year	22.38	38.71	-42.19	3.58	7.12
Share of loss from associated Company	1.07	4.12	-74.03	0.17	0.76
Net profit for the year	21.31	34.59	-38.39	3.41	6.36

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Analysis

a. Overheads

Items	2012-13 Rs. crores	2011-12 Rs. crores	Variance	Remarks
Communication expenses	7.71	6.59	1.12	Additional Link lines for new projects
Inland travel and conveyance	10.29	7.20	3.09	Increase in business travels
Overseas travel	23.37	18.90	4.47	Increase in business travels
Consultant fees for software development	45.57	26.17	19.40	Hiring new consultants for new projects
Provision for doubtful debts/ advances	1.28	4.86	-3.58	Better monitoring of debtors collection

b. Significant Ratio Analysis

Sl. No.	Particulars	Unit	31.03.13	31.03.12
1	Earnings before interest, depreciation and tax/Sales	%	12.37	14.52
2	Profit before taxes/Sales	%	5.37	10.28
3	Profit after taxes/Sales	%	3.43	6.42
4	Current Ratio	No. of times	1.18	1.32
5	Debt Equity Ratio	Ratio	0.30:1	0.18:1
6	Earnings per share	Rs.	6.84	11.11

4. Human Resources:

Your Company recognizes the critical importance of its human capital and has multiple initiatives to contain attrition through effective employee engagement. Your Company will continue these measures to increase retention. Your Company also plans to increase manpower through fresh and lateral hires, as required to enable the targeted revenue growth.

5. Quality Initiatives:

Your Company has instituted very strong quality processes in the execution of its software projects. Your Company's EPD division is certified for ISO 9001:2008. Your Company has sound information security management processes. Your Company's development centres in Bangalore, Trivandrum, Mumbai, Pune, and Chennai have been certified for ISO 27001. Your Company has implemented several practices in line with the Tata Business Excellence Model (TBEM). During the year, Your Company participated in the TBEM assessment and has been assessed at a higher score band as compared to the previous year, indicating improved performance and processes.

The Industrial Design division has successfully been certified for ISO 13485:2003. This Standard specifically covers the design and manufacture of Medical Devices, and will enable your company to better address the healthcare and medical devices segment.

Independent Auditors' Report

TO THE MEMBERS OF TATA ELXSI LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of TATA ELXSI LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. 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 purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those 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) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
 - (e) On the basis of the written representations received from the directors as on March 31, 2013 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 Section 274(1)(g) of the Act.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm Registration No. 0080725)

Place : Bangalore
Date : April 19, 2013

V. Balaji
Partner
(Membership No. 203685)

Annexure to the Independent Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/results during the year, clauses iii (b) to (d), (f) & (g), v, vi, viii, x, xii, xiii, xiv, xvi, xix and xx of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In our opinion, the internal audit functions carried out during the year by an external agency appointed by the Management and by the Company personnel have been commensurate with the size of the Company and the nature of its business.
- (vii) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed Employees' State Insurance dues and has been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2013 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2013 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in lakhs)
Wealth Tax Act	Wealth Tax	Commissioner of Income Tax, Appeals	Financial Years 1993-94 to 1998-99	25.89
Income Tax Act	Income Tax	Commissioner of Income Tax, Appeals	Financial year 2004-05	87.68
Income Tax Act	Income Tax	Honourable Supreme Court of India	Financial Years 2000-2001, 2001-2002 and 2002-2003	98.10
Finance Act	Service Tax	Customs Excise Service Tax Appellate Tribunal	Financial Years 2006-07 , 2007-08 and 2008-09	582.58

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions. The Company has not issued any debentures.
- (ix) According to the information and explanations given to us in respect of guarantee given by the Company for loans taken by others from banks and financial institutions:
- (a) We draw attention to note 24.4.c to the financial statements regarding a guarantee issued by the Company in the previous year for loans taken by a party from a Bank which devolved on the Company during the year and the Company settling its obligations under the guarantee.
- (b) In our opinion and according to the information and explanations given to us, the terms and conditions of the other guarantees given by the Company for loans taken by others from banks and financial institutions are not prima facie prejudicial to the interests of the Company.
- (x) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- (xi) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- (xii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm Registration No. 008072S)

V. Balaji
Partner
(Membership No. 203685)

Place : Bangalore
Date : April 19, 2013

Balance Sheet as at 31 March, 2013

		Rs. lakhs	
	Note	As at 31 March, 2013	As at 31 March, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	3,113.82	3,113.82
Reserves and surplus	4	16,070.91	15,793.48
		<u>19,184.73</u>	<u>18,907.30</u>
Non-current liabilities			
Long-term provisions	5	484.72	688.74
Deferred tax liabilities (Net)	24.7	447.00	372.00
		<u>931.72</u>	<u>1,060.74</u>
Current liabilities			
Short-term borrowings	6	5,850.65	3,415.60
Trade payables	7	4,710.98	4,466.80
Other current liabilities	8	2,868.31	2,534.52
Short-term provisions	9	1,901.29	2,601.27
		<u>15,331.23</u>	<u>13,018.19</u>
Total		<u><u>35,447.68</u></u>	<u><u>32,986.23</u></u>
ASSETS			
Non-current assets			
Fixed assets	10		
Tangible fixed assets		7,249.21	7,672.32
Intangible assets		2,664.79	2,315.12
Capital work-in progress		447.07	105.97
Intangible assets under development		1,679.25	940.15
		<u>12,040.32</u>	<u>11,033.56</u>
Non-current Investments	11	28.67	28.67
Long-term loans and advances	12	5,443.96	5,054.43
		<u>17,512.95</u>	<u>16,116.66</u>
Current assets			
Inventories	13	31.22	2.13
Trade receivables	14	13,471.75	12,354.11
Cash and bank balances	15	2,048.92	2,355.09
Short-term loans and advances	16	808.74	703.90
Other current assets	17	1,574.10	1,454.34
		<u>17,934.73</u>	<u>16,869.57</u>
Total		<u><u>35,447.68</u></u>	<u><u>32,986.23</u></u>

Corporate information and significant accounting policies 1 & 2

See the accompanying notes forming part of the financial statements

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**
Chartered Accountants

V. Balaji
Partner

S. Ramadorai
R. Natarajan
Madhukar Dev
Sudha Madhavan
G. Vaidyanathan
Chairman
Director
Managing Director
Chief Financial Officer
Company Secretary

Bangalore, April 19, 2013

Bangalore, April 19, 2013

Statement of Profit and Loss for the year ended 31 March, 2013

		Rs. lakhs	
		Year ended	Year ended
	Note	31 March, 2013	31 March, 2012
REVENUE			
Revenue from operations	18	60,468.64	51,445.84
Other income	19	622.59	612.46
Total		61,091.23	52,058.30
EXPENSES			
Purchases	20	4,493.81	4,989.39
Changes in inventories - (Increase) / Decrease	20A	(29.09)	54.98
Employee benefits expense	21	35,149.27	27,807.29
Finance costs - Interest Expense on Borrowings		390.76	232.63
Depreciation/ amortisation expense	10	2,372.53	2,051.92
Other expenses	22	13,948.19	11,887.53
Total		56,325.47	47,023.74
Profit before exceptional items and tax		4,765.76	5,034.56
Exceptional items (Refer Note 24.4c)		1,589.57	-
Profit before tax		3,176.19	5,034.56
Tax expense			
i) Current Tax		(1,089.25)	(1,290.62)
ii) (Short) / Excess provision for tax / overseas tax relating to prior years		87.00	(127.38)
iii) Net current tax expense		(1,002.25)	(1,418.00)
iv) Deferred tax		(75.00)	(222.00)
Total		(1,077.25)	(1,640.00)
Net Profit for the year		2,098.94	3,394.56
Earnings per equity share of Rs.10/- each			
Basic and Diluted (Refer Note 24.6) Rs.		6.74	10.90

Corporate information and significant accounting policies 1 & 2

See the accompanying notes forming part of the financial statements

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**
Chartered Accountants

V. Balaji
Partner

S. Ramadorai
R. Natarajan
Madhukar Dev
Sudha Madhavan
G. Vaidyanathan

Chairman
Director
Managing Director
Chief Financial Officer
Company Secretary

Bangalore, April 19, 2013

Bangalore, April 19, 2013

Cash Flow Statement for the year ended 31 March, 2013

	Rs. lakhs	
	For the Year ended 31 March, 2013	For the Year ended 31 March, 2012
A. Cash flows from operating activities		
Net Profit before tax	3,176.19	5,034.56
Adjustment for:		
Depreciation and amortisation	2,372.53	2,051.92
Interest income	(158.79)	(3.25)
Dividend received from subsidiary	(138.63)	(191.96)
Finance costs	390.76	232.63
Provision for diminution in the value of investment	106.55	411.75
Liabilities / Provision no longer required, written back	(173.66)	(25.44)
Bad debts written off	108.38	-
Provision for doubtful debts/advances	128.39	486.25
Loss/(Profit) on sale of assets	4.47	33.14
Unrealised exchange loss/(gains)	444.52	162.71
Operating profit before working capital changes	6,260.71	8,192.31
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets:		
Deposits as Margin Money or Security against commitments	7.20	(7.20)
Inventories	(29.09)	54.98
Trade receivables	(1,350.96)	(2,223.49)
Short-term loans and advances	(71.92)	146.68
Long-term loans and advances	23.28	1.74
Other current assets	(119.76)	(203.46)
Adjustments for increase / (decrease) in operating liabilities:		
Trade payables	215.01	667.48
Other current liabilities	396.52	308.88
Short-term provisions	11.73	49.44
Long-term provisions	83.69	2.39
Cash generated from operations	5,426.41	6,989.75
Net Income tax paid	(1,740.97)	(1,373.66)
Net cash flow from / (used in) operating activities	3,685.44	5,616.09
B. Cash flows from investing activities		
Capital Expenditure on fixed assets/ capital advances	(3,384.03)	(2,873.06)
Proceeds from sale of fixed assets	27.43	54.85
Dividend received from subsidiary	138.63	191.96
Share application money in A Squared Elxsi Entertainment LLC, USA	-	(518.30)
Interest received	158.79	3.25
Net cash flow from / (used in) investing activities	(3,059.18)	(3,141.30)
C. Cash flows from financing activities		
Short term borrowings availed/ (re-paid) (net)	1,831.87	443.46
Interest paid	(390.76)	(232.63)
Dividend paid	(2,179.68)	(2,179.68)
Tax on dividend paid	(353.54)	(353.60)
Net cash flow from / (used in) financing activities	(1,092.11)	(2,322.45)
Net increase/(decrease) in cash and cash equivalents	(465.85)	152.34
Cash and cash equivalents as at beginning of the year	2,108.98	1,786.43
Exchange gain/(loss) on restatement of foreign currency cash and cash equivalents	151.43	170.21
Cash and cash equivalents as at end of the year	1,794.56	2,108.98
Reconciliation of cash and cash equivalents with the Balance Sheet:		
Cash and bank balances as per Balance Sheet (Refer Note 15)	2,048.92	2,355.09
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements:		
(i) In earmarked accounts (Refer Note (i) below)		
-Unpaid dividends accounts	254.36	238.91
-Balances held as margin money or security against commitments	-	7.20
Cash and cash equivalents at the end of the year*	1,794.56	2,108.98
*comprises:		
(a) Cash on hand	0.80	1.05
(b) Funds-in-transit	323.17	1,013.89
(c) Cheques on hand	176.21	89.45
(d) Balances with banks		
i) in current accounts	790.92	792.93
ii) in EEFC accounts	503.46	211.66
	1,794.56	2,108.98

(i) These earmarked account balances with banks can be utilised only for the specific identified purposes.

Corporate information and significant accounting policies
See the accompanying notes forming part of the financial statements

1 & 2

In terms of our report attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

V. Balaji
Partner

S. Ramadorai
R. Natarajan
Madhukar Dev
Sudha Madhavan
G. Vaidyanathan

Chairman
Director
Managing Director
Chief Financial Officer
Company Secretary

Bangalore, April 19, 2013

Bangalore, April 19, 2013

Notes forming part of the financial statements

1 Corporate information

Tata Elxsi Limited was incorporated in 1989. The Company provides product design and engineering services to the consumer electronics, communications & transportation industries and systems integration and support services for enterprise customers. It also provides digital content creation for media and entertainment industry.

The company is headquartered in Bangalore, and operates through delivery centers in Bangalore, Chennai, Pune, Mumbai and Thiruvananthapuram.

Its sales operations are located in multiple cities in India, and in multiple international locations including Dubai, France, Germany, Japan, UK and USA.

2 Significant Accounting Policies

2.1 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.3 Inventories

Components and spares are valued at lower of cost and net realizable value. Cost is determined on the basis of specific identification method.

Computer systems and software, components and spares intended for customer support are written off over the effective life of the systems maintained, as estimated by the management.

2.4 Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.5 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.6 Depreciation and amortisation

Depreciation has been provided on the straight-line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under:

Leasehold land is amortised over the duration of the lease

Assets costing less than Rs. 5,000 each are fully depreciated in the year of capitalisation

Notes forming part of the financial statements

Intangible assets are amortised over their estimated useful life as follows:

In-house Technical Know-How – 3 years.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

2.7 Revenue recognition

Sale of goods

Income from sales of goods is recognised upon passage of risks and rewards of ownership to the goods, which generally coincide with the despatch. Sales exclude taxes and levies.

Income from services

- a) Income from services is recognized upon rendering of the services. Income from maintenance contracts relating to the year is recognized when the contracts are entered into on a time proportionate basis. The income excludes taxes and levies.
- b) Revenue from software development on fixed price, fixed time frame contracts is recognised as per the proportionate completion method. On time and materials contracts, revenue is recognised as the related services are rendered.
- c) In respect of orders procured, for which sales are effected directly to the customers by the vendors, the Company accounts only for the commission, installation and other charges to which it is entitled.

2.8 Other income

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

2.9 Fixed Assets (Tangible / Intangible)

Fixed assets, are carried at cost less accumulated depreciation / amortisation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use. Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Capital work-in-progress:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

Intangible assets under development:

Expenditure on Research and development (Refer Note 2.17) eligible for capitalisation are carried as Intangible assets under development where such assets are not yet ready for their intended use.

2.10 Foreign currency transactions and translations

Initial recognition

- (i) Company: Transactions in foreign currencies entered into by the Company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.
- (ii) Integral foreign operations: Transactions in foreign currencies entered into by the Company's integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Notes forming part of the financial statements

- (iii) Non-integral foreign operations: Transactions of non-integral foreign operations are translated at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement of foreign currency monetary items at the Balance Sheet date

- (i) Company: Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.
- (ii) Integral foreign operations: Foreign currency monetary items (other than derivative contracts) of the Company's integral foreign operations outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company's integral foreign operations are carried at historical cost.
- (iii) Non-integral foreign operations: All assets and liabilities of non-integral foreign operations are translated at the year-end rates.

Treatment of exchange differences

- (i) Company: Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.
- (ii) Integral foreign operations: Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company's integral foreign operations are recognised as income or expense in the Statement of Profit and Loss.
- (iii) Non-integral foreign operations: The exchange differences on translation of balances relating to non-integral foreign operations are accumulated in a "Foreign currency translation reserve" until disposal of the operation, in which case the accumulated balance in "Foreign currency translation reserve" is recognised as income / expense in the same period in which the gain or loss on disposal is recognised.

Accounting of forward contracts

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date. Refer Note 2.21 for accounting for forward exchange contracts relating to firm commitments and highly probable forecast transactions.

2.11 Investments

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

2.12 Employee benefits

Employee benefits include contribution to provident fund, superannuation fund, gratuity fund, compensated absences and employee state insurance scheme.

Defined contribution plans

The Company's contribution to provident fund, superannuation fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.

Defined benefit plans

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they

Notes forming part of the financial statements

occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled

2.13 Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment. Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors. Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

2.14 Leases

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

2.15 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered

Notes forming part of the financial statements

for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

2.16 Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961 and applicable Foreign tax laws. Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

Current and deferred tax relating to items directly recognised in equity are recognised in equity and not in the Statement of Profit and Loss.

2.17 Research and development expenses

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technological feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises 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. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Tangible Fixed Assets and Intangible Assets.

2.18 Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

Notes forming part of the financial statements

2.19 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

2.20 Provision for warranty

As per the terms of the contracts, the Company provides post-contract services / warranty support to some of its customers. The Company accounts for the post-contract support / provision for warranty on the basis of the information available with the Management duly taking into account the current and past technical estimates.

2.21 Derivative contracts

The Company enters into derivative contracts in the nature of foreign currency options, forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Foreign Currency Transactions and Translations.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

2.22 Insurance claims / Claims with ECGC

Insurance claims and claims with ECGC are accounted for on the basis of claims admitted / expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

2.23 Service tax input credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

2.24 Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

Notes forming part of the financial statements

	Rs. lakhs	
	As at	As at
	31 March, 2013	31 March, 2012
3 SHARE CAPITAL		
Authorised :		
35,000,000 equity shares of Rs. 10/- each with voting rights	<u>3,500.00</u>	<u>3,500.00</u>
Issued :		
31,165,620 equity shares of Rs. 10/- each with voting rights	<u>3,116.56</u>	<u>3,116.56</u>
Subscribed and fully paid up :		
31,138,220 equity shares of Rs.10/-each, with voting rights	<u>3,113.82</u>	<u>3,113.82</u>
Total	<u>3,113.82</u>	<u>3,113.82</u>

Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Equity shares with voting rights	Opening Balance	Closing Balance
Year ended 31 March, 2013		
- Number of shares	31,138,220	31,138,220
- Amount in Rs. lakhs	<u>3,113.82</u>	<u>3,113.82</u>
Year ended 31 March, 2012		
- Number of shares	31,138,220	31,138,220
- Amount in Rs. lakhs	<u>3,113.82</u>	<u>3,113.82</u>

Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of share holder	As at 31 March, 2013		As at 31 March, 2012	
	Number of shares held	% of holding in that class of shares	Number of shares held	% of holding in that class of shares
Equity shares with voting rights				
Tata Sons Limited	13,147,632	42.22%	13,147,632	42.22%
Life Insurance Corporation of India	2,248,990	7.22%	2,023,599	6.50%

The Company has only one class of Equity Share, having a par value of Rs.10/-. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amount. However, as on date no such preferential amounts exist. The distribution will be in proportion to number of equity shares held by the shareholders.

	As at	As at
	31 March, 2013	31 March, 2012
4 RESERVES AND SURPLUS		
Capital reserve:		
Subsidy received from Kerala State Government	25.00	25.00
General reserve:		
Opening balance	4,659.82	4,159.82
Add: Transferred from surplus in Statement of Profit and Loss	<u>250.00</u>	<u>500.00</u>
	<u>4,909.82</u>	<u>4,659.82</u>
Surplus in Statement of Profit and Loss		
Opening balance	11,108.66	10,747.32
Add: Net Profit for the year	<u>2,098.94</u>	<u>3,394.56</u>
Balance available for appropriation	<u>13,207.60</u>	<u>14,141.88</u>
Less:		
- Dividend Proposed to be distributed to Equity Shareholders at Rs.5/- per share (previous year Rs.7/- per share)	1,556.91	2,179.68
- Dividend tax net of reversal thereof	264.60	353.54
- Transfer to general reserve	<u>250.00</u>	<u>500.00</u>
Closing balance	<u>11,136.09</u>	<u>11,108.66</u>
Total	<u>16,070.91</u>	<u>15,793.48</u>

Notes forming part of the financial statements

	Rs. lakhs	
	As at 31 March, 2013	As at 31 March, 2012
5 LONG-TERM PROVISIONS		
Provision for compensated absences	402.07	318.38
Provision for taxation (Net of advance tax)	82.65	370.36
Total	484.72	688.74
6 SHORT-TERM BORROWINGS		
Working capital loans from banks - Secured, payable on demand Secured by hypothecation of stocks of raw materials, finished goods, consumable stores, book debts etc.; pari passu charge on immovable property at Karnataka and other movable properties	4,189.90	2,765.60
Loan from banks (unsecured)	1,660.75	650.00
Total	5,850.65	3,415.60
7 TRADE PAYABLES		
Trade payables		
-Acceptances	-	75.73
-Other than acceptances	4,710.98	4,391.07
Total	4,710.98	4,466.80
8 OTHER CURRENT LIABILITIES		
Advance from customers	72.23	278.21
Unpaid dividend (Will be transferred to Investor Education and Protection Fund when due)	254.36	238.91
Unearned revenue	767.63	724.90
Other Payables	34.04	46.58
Statutory Remittances (Contributions to PF and ESIC, Withholding Taxes, VAT, Service Tax, etc.)	1,337.43	962.51
Payables on purchase of fixed assets	159.49	64.01
Gratuity (Refer Note 24.1.b)	243.13	219.40
Total	2,868.31	2,534.52
9 SHORT-TERM PROVISIONS		
a) Provision for employee benefits		
Provision for compensated absences	63.74	51.53
b) Provision others:		
Provision for warranty (Refer Note 24.9)	16.04	16.52
Provision for proposed equity dividend	1,556.91	2,179.68
Provision for tax on proposed equity dividend	264.60	353.54
Total	1,901.29	2,601.27

Notes forming part of the financial statements

10 FIXED ASSETS

Rs. lakhs

DESCRIPTION	GROSS BLOCK			ACCUMULATED DEPRECIATION				NET BLOCK		
a.Tangible Fixed Assets	As at April 1, 2012	Additions	Sale / Adjustment	As at March 31, 2013	As at April 1, 2012	Depreciation / Amortisation expense for the year	Eliminated on disposal of assets	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Land - Freehold	49.06	-	-	49.06	-	-	-	-	49.06	49.06
(Previous year)	(49.06)	(-)	(-)	(49.06)	(-)	(-)	(-)	(-)	(49.06)	
Land - Leasehold	85.01	-	-	85.01	19.46	5.38	-	24.84	60.17	65.55
(Previous year)	(85.01)	(-)	(-)	(85.01)	(17.19)	(2.27)	(-)	(19.46)	(65.55)	
Buildings	2,159.36	-	-	2,159.36	446.58	72.14	-	518.72	1,640.64	1,712.78
(Previous year)	(2,151.60)	(7.76)	(-)	(2,159.36)	(374.61)	(71.97)	(-)	(446.58)	(1,712.78)	
Improvements to leasehold premises	595.89	27.43	-	623.32	418.36	120.88	-	539.24	84.08	177.53
(Previous year)	(383.29)	(226.54)	(13.94)	(595.89)	(337.98)	(93.70)	(13.32)	(418.36)	(177.53)	
Plant and machinery	13.20	-	-	13.20	7.05	0.71	-	7.76	5.44	6.15
(Previous year)	(13.20)	(-)	(-)	(13.20)	(6.34)	(0.71)	(-)	(7.05)	(6.15)	
Computer equipment	7,500.92	885.81	20.94	8,365.79	4,665.38	943.25	9.53	5,599.10	2,766.69	2,835.54
(Previous year)	(6,154.79)	(1,347.44)	(1.31)	(7,500.92)	(3,808.46)	(857.69)	(0.77)	(4,665.38)	(2,835.54)	
Furniture and fixtures	1,413.90	5.52	2.84	1,416.58	644.85	84.88	1.35	728.38	688.20	769.05
(Previous year)	(1,442.21)	(82.84)	(111.15)	(1,413.90)	(614.81)	(93.02)	(62.98)	(644.85)	(769.05)	
Office equipment	726.47	47.40	2.79	771.08	232.57	37.08	0.77	268.88	502.20	493.90
(Previous year)	(699.01)	(41.50)	(14.04)	(726.47)	(200.23)	(35.40)	(3.06)	(232.57)	(493.90)	
Electrical installations	1,402.47	2.34	14.91	1,389.90	457.09	66.08	4.41	518.76	871.14	945.38
(Previous year)	(1,419.43)	(11.99)	(28.95)	(1,402.47)	(397.08)	(67.57)	(7.56)	(457.09)	(945.38)	
Airconditioners	805.62	6.60	9.23	802.99	239.19	38.16	2.75	274.60	528.39	566.43
(Previous year)	(812.72)	(0.94)	(8.04)	(805.62)	(202.22)	(38.72)	(1.75)	(239.19)	(566.43)	
Vehicles	81.74	9.89	10.73	80.90	30.79	7.64	10.73	27.70	53.20	50.95
(Previous year)	(43.43)	(38.31)	(-)	(81.74)	(23.72)	(7.07)	(-)	(30.79)	(50.95)	
TOTAL	14,833.64	984.99	61.44	15,757.19	7,161.32	1,376.20	29.54	8,507.98	7,249.21	7,672.32
(Previous year)	(13,253.75)	(1,757.32)	(177.43)	(14,833.64)	(5,982.64)	(1,268.12)	(89.44)	(7,161.32)	(7,672.32)	(7,271.11)
b. Intangible Assets										
Intangibles - Software	4,030.67	1,059.03	-	5,089.70	2,224.83	656.27	-	2881.10	2,208.60	1,805.84
(Previous year)	(3,500.71)	(529.96)	(-)	(4,030.67)	(1,695.67)	(529.16)	(-)	(2,224.83)	(1,805.84)	
Technical Know-how	763.92	286.97	-	1,050.89	254.64	340.06	-	594.70	456.19	509.28
(Previous year)	-	(763.92)	(-)	(763.92)	-	(254.64)	(-)	(254.64)	(509.28)	
TOTAL	4,794.59	1,346.00	-	6,140.59	2,479.47	996.33	-	3,475.80	2,664.79	2,315.12
(Previous year)	(3,500.71)	(1,293.88)	-	(4,794.59)	(1,695.67)	(783.80)	-	(2,479.47)	(2,315.12)	(1,805.04)
GRND TOTAL	19,628.23	2,330.99	61.44	21,897.78	9,640.79	2,372.53	29.54	11,983.78	9,914.00	9,987.44
(Previous year)	(16,754.46)	(3,051.20)	(177.43)	(19,628.23)	(7,678.31)	(2,051.92)	(89.44)	(9,640.79)	(9,987.44)	(9,076.15)

Note: Unless otherwise stated, all fixed assets are owned by the Company. There are no fixed assets that have been given on lease by the Company.

11 NON-CURRENT INVESTMENTS

Long Term, Trade - Investment (at cost) in
100,000 Fully paid equity shares (Unquoted) of
Tata Elxsi (Singapore) Pte Ltd - a wholly owned
subsidiary

Total

**As at
31 March, 2013**

**As at
31 March, 2012**

28.67

28.67

28.67

28.67

Notes forming part of the financial statements

		As at 31 March, 2013	As at 31 March, 2012
Rs. lakhs			
12 LONG-TERM LOANS AND ADVANCES			
(Unsecured, considered good unless otherwise stated)			
Advance to A Squared Elxsi Entertainment LLC, USA (Considered doubtful) (Refer Note 24.4.c)	518.30		518.30
Less: Provision for doubtful advances	<u>518.30</u>	-	<u>411.75</u>
Capital Advances		72.78	106.55
Deposits		1,236.67	4.43
Tax deducted at source/Advance tax paid (Net of provision for tax)		2,337.06	1,268.65
Prepaid expenses		8.70	1,494.05
MAT credit entitlement			-
Opening balance	2,180.75		2,606.75
Avalied / (Utilized) during the year	<u>(392.00)</u>	<u>1,788.75</u>	<u>(426.00)</u>
Total		<u><u>5,443.96</u></u>	<u><u>5,054.43</u></u>
13 INVENTORIES			
(At lower of cost or net realisable value)			
Components and spares - for trading		31.22	2.13
Total		<u><u>31.22</u></u>	<u><u>2.13</u></u>
14 TRADE RECEIVABLES (UNSECURED)			
a) Trade receivables outstanding for a period exceeding six months from the date they were due for payment			
Considered good		719.89	308.35
Considered doubtful		1,916.32	1,787.93
		2,636.21	2,096.28
Less: Provision for doubtful trade receivables		<u>1,916.32</u>	<u>1,787.93</u>
		719.89	308.35
b) Other Trade Receivables (Considered good)		12,751.86	12,045.76
Total		<u><u>13,471.75</u></u>	<u><u>12,354.11</u></u>
15 CASH AND BANK BALANCES			
Cash on hand		0.80	1.05
Cheques on hand		176.21	89.45
Funds-in-transit		323.17	1,013.89
Balances with banks			
i) in current accounts		790.92	792.93
ii) in EEFC accounts		503.46	211.66
Total Cash and Cash Equivalents (A)		<u>1,794.56</u>	<u>2,108.98</u>
Other bank balances			
i) in earmarked accounts			
- Unpaid Dividends Account		254.36	238.91
- Balances held as margin money or security against commitments		-	7.20
Total - Other bank balances (B)		<u>254.36</u>	<u>246.11</u>
Total Cash and Bank Balances (A+B)		<u><u>2,048.92</u></u>	<u><u>2,355.09</u></u>

Notes forming part of the financial statements

	As at 31 March, 2013	Rs. lakhs As at 31 March, 2012
16 SHORT-TERM LOANS AND ADVANCES (Unsecured and considered good)		
a) Loans and advances to employees	187.65	142.95
b) Prepaid Expenses	404.16	255.72
c) Advance to suppliers / vendors	178.08	293.61
d) Deposits	38.85	11.62
Total	808.74	703.90
17 OTHER CURRENT ASSETS		
Unbilled revenue	1,574.10	1,125.22
Claims Receivable	-	329.12
Total	1,574.10	1,454.34
	For the year ended 31 March, 2013	For the year ended 31 March, 2012
18 REVENUE FROM OPERATIONS		
Sale of traded goods (Refer Note (i) below)	1,894.96	2,880.67
Rendering of services (Refer Note (ii) below)	58,573.68	48,565.17
Total	60,468.64	51,445.84
(i) Sale of traded goods include sales of computers, networking and storage systems.		
(ii) Rendering of services comprises:		
(a) Product Design	53,415.58	42,269.11
(b) Graphics Animation and Gaming	1,879.45	3,156.37
(c) System Integration and Support	3,278.65	3,139.69
Total	58,573.68	48,565.17
19 OTHER INCOME		
Interest from banks on deposits	3.71	3.25
Interest - Others	155.08	-
Dividend income from long term investment - Subsidiary	138.63	191.96
Net gain or (loss) on foreign currency transactions and translation	120.67	380.87
Other non-operating income:		
a) Hire charges	5.48	3.00
b) Liabilities/provision no longer required written back	173.66	27.77
c) Miscellaneous Income	25.36	5.61
Total	622.59	612.46

Notes forming part of the financial statements

		Rs. lakhs
	For the year ended 31 March, 2013	For the year ended 31 March, 2012
20 PURCHASES		
Purchase of traded goods - computers, networking and storage systems and components and parts	1,519.57	2,252.13
Spares, consumables and others	2,974.24	2,737.26
Total	<u><u>4,493.81</u></u>	<u><u>4,989.39</u></u>
20A CHANGES IN INVENTORIES		
Inventories at the end of the year:		
Stock-in-trade - Components and spares	31.22	2.13
Inventories at the beginning of the year:		
Stock-in-trade - Components and spares	2.13	57.11
Net (increase) / decrease	<u><u>(29.09)</u></u>	<u><u>54.98</u></u>
21 EMPLOYEE BENEFITS EXPENSE		
Salaries & wages	32,999.93	26,173.44
Contribution to provident and other funds	1,065.20	809.62
Staff welfare expenses	1,084.14	824.23
Total	<u><u>35,149.27</u></u>	<u><u>27,807.29</u></u>

Notes forming part of the financial statements

		Rs. lakhs
	For the year ended 31 March, 2013	For the year ended 31 March, 2012
22 OTHER EXPENSES		
Operating lease rentals (Refer Note 24.5)	1,316.69	1,399.87
Rates and taxes	144.89	100.77
Power and fuel	790.04	737.39
Repairs and maintenance : Building	200.36	167.05
: Plant and machinery	302.26	269.68
: Others	263.21	230.43
Communication expenses	770.98	659.13
Inland travel and conveyance	1,028.60	719.99
Overseas travel	2,336.83	1,890.04
Advertisement and sales promotion expenses	432.73	341.47
Commission on sales	114.38	73.38
Hire charges	81.79	65.28
Printing and stationery	58.03	86.04
Motor vehicle expenses	263.85	292.08
Recruitment	76.02	106.01
Training	58.79	161.22
Consultant fees for software development	4,557.26	2,616.69
Legal and professional charges	561.96	659.72
Secretarial charges	12.34	5.85
Insurance	77.72	100.56
Loss on sale of assets (net)	4.47	33.14
Bank and other charges	61.79	47.00
Commission to non-executive directors	25.00	50.00
Auditors' remuneration (Refer Note (i) below)	38.46	35.25
Bad debts/advances written off (net of credit balances)	108.38	1200.02
Less: Amount transferred from provision for doubtful debts	- 108.38	1200.02 -
Provision for doubtful debts/advances	128.39	486.25
Provision for doubtful advance	106.55	411.75
Provision/Reversal for warranty (net) (Refer Note 24.9)	(0.48)	1.76
General expenses	26.90	139.73
Total	13,948.19	11,887.53
Note (i): Payments to the auditors comprises:		
As auditors - statutory audit	29.25	29.25
Company law matters	0.75	0.75
Other Services	3.15	-
Reimbursement of expenses	1.08	1.40
Service Tax	4.23	3.85
Total	38.46	35.25

Notes forming part of the financial statements

	As at 31 March, 2013	Rs. lakhs As at 31 March, 2012
23.1 Contingent liabilities and commitments (to the extent not provided for)		
(i) Contingent liabilities		
a) Claims against the Company not acknowledged as debt		
1. Disputed demands for Income Tax aggregates .	502.40	1,038.12
2. Disputed demands for Wealth Tax aggregates.	25.89	25.89
3. Disputed amount of Sales Tax aggregates.	656.72	656.83
4. Service tax matters	842.26	842.26
5. Other claims not acknowledged as debts	484.85	292.44
(b) Guarantees- Guarantees given to a Housing Finance Company for housing loans availed by employees during their employment with the company	73.96	104.96
(c) Guarantee given to a bank for a loan to be secured by A squared Elxsi Entertainment LLC, USA "(A2E2)"	-	1,594.50
(d) Loan drawn by A2E2 and outstanding against the above guarantee	-	1,024.38
(ii) Capital Commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for		
Tangible fixed assets	465.29	198.30
Intangible assets	250.39	141.50
23.2 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006		
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	-	3.39
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	1.71
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	9.52	31.01
(iv) The amount of interest due and payable for the year	0.26	1.71
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	1.71
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-
Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.		

Notes forming part of the financial statements

23.3 Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges

Loans and advances in the nature of loans given to subsidiaries, associates and others and investment in shares of the Company by such parties:

Name of the party	Relationship	Amount outstanding as at 31 March, 2013	Rs. lakhs
			Maximum balance outstanding during the year
Tata Elxsi (Singapore)Pte Ltd Investments	Subsidiary	28.67 (28.67)	28.67 (28.67)
A Squared Elxsi Entertainment LLC, USA (Refer Note 24.4.c)	Proposed subsidiary	503.48 (1,024.38)	2,093.05 (1,024.38)

Note: Figures in bracket relate to the previous year.

23.4 Details on derivatives instruments and unhedged foreign currency exposures

- I. The following derivative positions are open as at 31 March, 2013. These transactions have been undertaken to act as economic hedges for the Company's exposures to various risks in foreign exchange markets and may / may not qualify or be designated as hedging instruments. The accounting for these transactions is stated in Notes 2.10 and 2.21
- (a) Forward exchange contracts and options (being derivative instruments), which are not intended for trading or speculative purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.
- (i) Outstanding forward exchange contracts entered into by the Company as on 31 March, 2013

Currency	Amount	Buy / Sell	Remarks
USD	Nil (16 lakhs)	Sell	Nil (Rs.826.08 lakhs)
GBP	Nil (5 lakhs)	Sell	Nil (Rs.394.95 lakhs)
JPY	Nil (200 lakhs)	Sell	Nil (Rs.134.90 lakhs)
EURO	Nil (1 lakh)	Sell	Nil (Rs.66.00 lakhs)

Note: Figures in brackets relate to the previous year

- (ii) Outstanding option contracts entered into by the Company as on 31 March, 2013

Currency	Amount	Buy / Sell	Remarks
JPY	Nil (1,200 lakhs)	Sell	Nil (Rs. 659.40 lakhs)
USD	10 lakhs (15 lakhs)	Sell	Rs.551.00 lakhs (Rs. 673.50 lakhs)
EURO	Nil (7.5 lakhs)	Sell	Nil (Rs. 469.13 lakhs)
GBP	5 lakhs (5 lakhs)	Sell	Rs. 440.25 lakhs (Rs. 384.40 lakhs)

Note: Figures in brackets relate to the previous year

Notes forming part of the financial statements

II. The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

As at 31 March, 2013			As at 31 March, 2012		
Receivable in foreign currency lakhs	Rs. lakhs		Receivable in foreign currency lakhs	Rs. lakhs	
Euro	33.25	2,312.66	Euro	15.68	1,072.10
GBP	43.26	3,563.09	GBP	34.56	2,826.96
USD	83.76	4,559.14	USD	63.77	3,266.16
JPY	1441.19	833.27	JPY	2,898.51	1,809.41
ZAR	34.86	206.16	ZAR	7.23	55.18
KRW	20.48	1.00	KRW	20.46	0.91
AED	0.50	7.40	AED	Nil	-

Amount payable in foreign currency on account of purchase of goods, services and borrowings

As at 31 March, 2013			As at 31 March, 2012		
Payable in foreign currency lakhs	Rs. lakhs		Payable in foreign currency lakhs	Rs. lakhs	
Euro	0.66	45.90	Euro	0.56	38.25
GBP	0.56	46.12	GBP	0.29	23.42
USD	63.41	3,451.41	USD	20.66	1,058.20
JPY	24.88	14.39	JPY	2.98	1.86
ZAR	Nil	Nil	ZAR	0.05	0.35
SGD	0.01	0.44	SGD	Nil	Nil

	Rs.lakhs	
23.5 Value of imports calculated on CIF basis :	For the year ended 31 March, 2013	For the year ended 31 March, 2012
Computer systems, peripherals, software etc.,	1,465.26	1,864.63
Capital goods	742.15	905.97
	<u>2,207.41</u>	<u>2,770.60</u>
23.6 Expenditure in foreign currency:		
Overseas Office expenses	12,631.56	8,561.48
Foreign Travel	1,575.16	1,269.77
Other expenditure	1,449.04	592.88
	<u>15,655.76</u>	<u>10,424.13</u>
23.7 Earnings in foreign currency:		
Service Income	48,742.15	40,414.17
Sales and Support	592.98	414.52
Dividend	138.63	191.96
	<u>49,473.76</u>	<u>41,020.65</u>

Notes forming part of the financial statements

24.1 Employee benefit plans

24.1.a Defined contribution plans

The Company makes Provident Fund and Superannuation Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised Rs.628.74 lakhs (Year ended 31 March, 2012 Rs. 471.93 lakhs) for Provident Fund contributions and Rs.232.69 lakhs (Year ended 31 March, 2012 Rs. 197.99 lakhs) for Superannuation Fund contributions, Employee state Insurance Scheme Rs. 3.57 lakhs (Year ended 31 March, 2012 Rs 5.41 lakhs) in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

24.1.b Defined benefit plans

The Company offers gratuity to its employees under defined benefit plans

The following table sets out the funded status of the defined benefit schemes and the amount recognised in the financial statements:

Particulars	Rs. lakhs	
	Year ended 31 March, 2013	Year ended 31 March, 2012
Components of employer expense		
Current service cost	102.11	118.06
Interest cost	56.52	44.21
Expected return on plan assets	(38.31)	(22.29)
Curtailement cost / (credit)	-	-
Settlement cost / (credit)	-	-
Past service cost	-	-
Actuarial losses/(gains)	83.41	(12.56)
Total expense recognised in the Statement of Profit and Loss	203.73	127.42
Actual contribution and benefit payments for year		
Actual benefit payments	83.32	70.00
Actual contributions	180.00	182.02
Net asset / (liability) recognised in the Balance Sheet		
Present value of defined benefit obligation	(827.18)	(664.89)
Fair value of plan assets	584.05	445.49
Funded status [Surplus / (Deficit)]	(243.13)	(219.40)
Unrecognised past service costs	-	-
Net asset / (liability) recognised in the Balance Sheet	(243.13)	(219.40)
Change in defined benefit obligations (DBO) during the year		
Present value of DBO at beginning of the year	664.89	552.64
Current service cost	102.11	118.06
Interest cost	56.52	44.21
Curtailement cost / (credit)	-	-
Settlement cost / (credit)	-	-
Plan amendments	-	-
Acquisitions	-	-

Notes forming part of the financial statements

Particulars	Rs. lakhs	
	Year ended 31 March, 2013	Year ended 31 March, 2012
Actuarial (gains) / losses	86.98	19.98
Past service cost	-	-
Benefits paid	(83.32)	(70.00)
Present value of DBO at the end of the year	827.18	664.89
Change in fair value of assets during the year		
Plan assets at beginning of the year	445.49	278.64
Acquisition adjustment	-	-
Expected return on plan assets	38.31	22.29
Actual company contributions	180.00	182.02
Actuarial gain / (loss)	3.57	32.54
Benefits paid	(83.32)	(70.00)
Plan assets at the end of the year	584.05	445.49
Actual return on plan assets	41.88	54.83

	Year ended 31 March, 2013	Year ended 31 March, 2012	
Composition of the plan assets is as follows:			LIC- Mortality (1994-96)Table
Government Bonds	42.07%	42.07%	21-30 years 10%
Debentures and Bonds	42.85%	42.85%	31-40 years 5%
Equity	5.22%	5.22%	41-50 years 3%
Others	9.86%	9.86%	51 & above 2%

Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012
Actuarial assumptions		
Discount rate	8.00%	8.50%
Expected return on plan assets	8.70%	8.60%
Salary escalation	5.00%	5.00%
Attrition : If past service <5 years	10.00%	10.00%
: If past service >5 years	8.00%	8.00%
Estimates of amount of contribution in the immediate next year	383.16	167.98

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

Notes forming part of the financial statements

24.2 Experience adjustments

	Rs. lakhs				
	2012-13	2011-12	2010-11	2009-10	2008-09
Gratuity	Rs.lakhs	Rs.lakhs	Rs.lakhs	Rs.lakhs	Rs.lakhs
Present value of DBO	(827.18)	(664.89)	(552.64)	(533.67)	(467.06)
Fair value of plan assets	584.05	445.49	278.64	204.68	179.86
Funded status [Surplus / (Deficit)]	(243.13)	(219.40)	(274.00)	(328.99)	(287.20)
Experience (gain) / loss	59.76	42.82	(57.07)	(5.23)	(53.12)
adjustments on plan liabilities					
Experience gain / (loss)	3.57	32.54	(25.73)	0.96	(2.20)
adjustments on plan assets					

Particulars	For the year ended 31 March, 2013	For the year ended 31 March, 2012
Actuarial assumptions for long-term compensated absences		
Discount rate	8.00%	8.50%
Expected return on plan assets	8.70%	8.60%
Salary escalation	5.00%	5.00%
Attrition : If past service <5 years	10.00%	10.00%
: If past service >5 years	8.00%	8.00%

24.3 Segment information

The Company has identified business segments as its primary segment and geographic segments as its secondary segment. Business segments are primarily System integration & support and Software Development & Services. Revenues and expenses directly attributable to segments are reported under each reportable segment. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Fixed assets that are used interchangeably amongst segments are not allocated to primary and secondary segments. Geographical revenues are allocated based on the location of the customer. Geographic segments of the Company are India, Europe, US, Japan and Others

	Rs. lakhs		
Particulars	For the year ended 31 March, 2013		
	Business segments		
	System Integration & Support	Software Development & Services	Total
Revenue	5,173.61	55,295.03	60,468.64
	(6,020.36)	(45,425.48)	(51,445.84)
Segment result	-22.88	6,239.00	6,216.12
	(558.15)	(5,569.28)	(6,127.43)
Unallocable expenses (net)			1,059.60
			(860.24)
Operating income			5,156.52
			(5,267.19)
Interest			390.76
			(232.63)

Notes forming part of the financial statements

Particulars	Rs. lakhs		
	For the year ended 31 March, 2013		
	Business segments		Total
	System Integration & Support	Software Development & Services	
Profit before taxes			4,765.76
			(5,034.56)
Exceptional items			1,589.57
			-
Tax expense			1,077.25
			(1,640.00)
Net profit for the year			2,098.94
			(3,394.56)

Segment assets include all assets relating to the segment and consist principally of Fixed assets, Receivables, Other current assets and non-current assets.

Segment liabilities include all liabilities relating to the segment and consist principally of Trade payables and other operating liabilities.

Particulars	Rs. lakhs		
	For the year ended 31 March, 2013		
	Business segments		Total
	System Integration & Support	Software Development & Services	
Segment assets	1,739.81	16,017.06	17,756.87
	(5,470.99)	(11,335.00)	(16,805.99)
Unallocable assets			13,565.02
			(12,730.84)
Total assets			31,321.89
			(29,536.83)
Segment liabilities	1,546.40	3,311.20	4,857.60
	(2,064.31)	(3,433.38)	(5,497.69)
Unallocable liabilities			5,025.06
			(4,423.29)
Total liabilities			9,882.66
			(9,920.98)
<u>Other information</u>			
Capital expenditure (unallocable)			2,330.99
			(3,051.20)
Depreciation and amortisation (unallocable)			2,372.53
			(2,051.92)
Provision for doubtful debts			128.39
			(486.25)
Bad debts written off			108.38
			(-)
Provision for doubtful advance			106.55
			(411.75)

Notes forming part of the financial statements

The geographic segments individually contributing 10 percent or more of the Company's revenues and segment assets are shown separately:

Geographic Segment	Rs. lakhs		
	Revenues for the year ended 31 March, 2013	Segment assets as at 31 March, 2013	Capital expenditure incurred during the year
India	11,428.31 (11,421.99)	14,074.05 (13,612.86)	2,271.90 (2,201.29)
US	18,530.90 (15,711.57)	4,515.99 (3,811.98)	17.12 (768.26)
Europe	23,790.93 (17,713.27)	5,923.71 (4,206.86)	40.71 (26.32)
Japan	5,055.93 (5,224.12)	625.59 (1,530.25)	1.26 (55.33)
Others	1,662.57 (1,374.89)	372.73 (225.73)	- -
Total	60,468.64 (51,445.84)	25,512.07 (23,387.68)	2,330.99 (3,051.20)

Note: Figures in bracket relates to the previous year

Segment revenue in India comprises revenue from System Integration and software development and services. Segment revenue outside India predominantly comprises revenue from software development and services. Segment assets include all assets relating to the segment and consist principally of Fixed assets, Receivables, Inventory, Other Current and Non-Current Assets. Assets located outside India primarily relate to Trade Receivables.

24.4 Related party transactions

24.4.a Details of related parties:

Description of relationship	Names of related parties
Company with Significant Influence	Tata Sons Ltd.
Subsidiary	Tata Elxsi (Singapore) Pte Ltd.
Entity on which the Company has significant influence	A Squared Elxsi Entertainment LLC, USA (up to June 22nd, 2012)
Key Management Personnel (KMP)	Mr. Madhukar Dev - Managing Director

Note: Related parties have been identified by the Management.

Notes forming part of the financial statements

24.4.b Details of related party transactions during the year ended 31 March, 2013 and balances outstanding as at 31 March, 2013:

					Rs. lakhs
Particulars	Company with Significant Influence	Subsidiaries	Entity on which the Company has significant influence	KMP	Total
Rendering of services		22.06 (229.00)	- (473.78)		22.06 (702.78)
Reimbursement of expenses		21.14 (27.46)			21.14 (27.46)
Dividend received		138.63 (191.96)			138.63 (191.96)
Receiving of services- Brand fee and other Services	185.46 (147.55)				185.46 (147.55)
Managerial remuneration and commission				131.00 (148.94)	131.00 (148.94)
Guarantees and collaterals			- (1,024.38)		- (1024.38)
Share application money			- (518.30)		- (518.30)
<u>Balances outstanding at the end of the year</u>					
Trade receivables		1.12 (27.46)	503.48 (503.48)		504.60 (530.94)
Trade payable	175.07 (129.58)			40.00 (60.00)	215.07 (189.58)

Note: Figures in bracket relates to the previous year

24.4.c Advance to A Squared Elxsi Entertainment LLC, USA

The Company had entered into an agreement with A Squared Entertainment LLC, USA ("A2") for carrying on business in the field of animated content development, development of related characters/intellectual property and licensing thereof to merchandising companies, pursuant to which A Squared Elxsi Entertainment LLC ("A2E2") was incorporated to carry on the activities stated in the agreement. In the previous year, the Company remitted USD 1,000,001 as Share Application Money to A2E2 against which shares were yet to be allotted. The Company had recognised Rs.411 lakhs (Approximately USD 7,95,000) in the previous year ended 31.03.2012 and Rs.107 lakhs (Approximately USD 2,05,000) during the current year as provision against such Share Application Money. On June 22nd 2012, the company had intimated A2E2 of it's decision not to further finance the operation of A2E2, pursuant to which the company ceased its association with A2 and A2E2. Subsequently the company received a demand from the Banker of A2E2 to whom the company had given a financial guarantee towards the outstanding dues of Rs. 1,589.57 lakhs (USD 30.19 lakhs) due by A2E2 to its banker. The Company has settled it's obligation towards the bank guarantee and accrued the said amount, which is included as exceptional item in the financials.

Notes forming part of the financial statements

		Rs. lakhs	
24.5	Particulars	For the year ended 31 March, 2013	For the year ended 31 March, 2012
	Details of leasing arrangements		
	The Company has entered into operating lease arrangements for certain facilities and office premises. Some of these leases are non cancellable and are for a period of one to three years and may be renewed based on mutual agreement of the parties. These lease agreements provide for an increase in the lease payments up to 15% as per lease agreements.		
	Future minimum lease payments		
	not later than one year	415.64	198.35
	later than one year and not later than five years	488.96	90.03
	later than five years	Nil	Nil
	Lease payments recognised in the Statement of Profit and Loss	1,316.69	1,399.87
24.6	Particulars		
	Earnings per share		
	Basic		
	Net profit / (loss) for the year attributable to the equity shareholders (Rs.lakhs)	2,098.94	3,394.56
	Weighted average number of equity shares	31,138,220	31,138,220
	Par value per share (Rs.)	10.00	10.00
	Earnings per share - Basic and diluted (Rs.)	6.74	10.90
24.7	Particulars		
	Tax effect of items constituting deferred tax liability		
	On difference between book balance and tax balance of fixed assets		
	Tax effect of items constituting deferred tax liability	(1,920.62)	(1,305.18)
	Tax effect of items constituting deferred tax assets	(1,920.62)	(1,305.18)
	Disallowances under Section 40(a)(i), 43B of the Income Tax Act, 1961, etc.	1,473.62	933.18
	Tax effect of items constituting deferred tax assets	1,473.62	933.18
	Net deferred tax (liability) / asset	(447.00)	(372.00)

Notes forming part of the financial statements

		Rs. lakhs	
24.8	Particulars	For the year ended 31 March, 2013	For the year ended 31 March, 2012
	Details of expenditure recognised as employee benefit expenses and other expenses in note 21 and 22 respectively are net of the following expenses that have been capitalised as part of intangible assets / intangible assets under development.		
	a) Employee benefit expenses	780.60	743.77
	b) Other expenses	260.20	165.15
		<u>1,040.80</u>	<u>908.92</u>

24.9 Details of provisions

The Company has made provision for various contractual obligations and disputed liabilities based on its assessment of the amount it estimates to incur to meet such obligations, details of which are given below:

Rs. lakhs					
Particulars	As at 31 March, 2012	Additions	Utilisation	Reversal (withdrawn as no longer required)	As at 31 March, 2013
Provision for warranty	16.52	63.60	-	64.08	16.04
	(14.76)	(12.54)	(-)	(10.78)	(16.52)

Note: - Figures in brackets relate to the previous year.

Of the above, the following amounts are expected to be incurred within a year:

Rs. lakhs		
Particulars	As at 31 March, 2013	As at 31 March, 2012
Provision for warranty	16.04	16.52

- 25 Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board of Directors

S. Ramadorai
R. Natarajan
Madhukar Dev
Sudha Madhavan
G. Vaidyanathan

Chairman
Director
Managing Director
Chief Financial Officer
Company Secretary

Bangalore, April 19, 2013

Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF TATA ELXSI LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **TATA ELXSI LIMITED** (the "Company") and its subsidiary (the Company and its subsidiary constitute "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's 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 the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 Company'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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the 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

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 Group as at March 31, 2013;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm Registration No. 0080725)

Place : Bangalore
Date : April 19, 2013

V. Balaji
Partner
(Membership No. 203685)

Consolidated Balance Sheet as at 31 March, 2013

		Rs. lakhs	
	Note	As at 31 March, 2013	As at 31 March, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	3,113.82	3,113.82
Reserves and surplus	4	16,403.50	16,084.14
		<u>19,517.32</u>	<u>19,197.96</u>
Non Current liabilities			
Long-term provisions	5	505.77	688.74
Deferred tax liabilities (Net)	24.7	447.00	372.00
		<u>952.77</u>	<u>1,060.74</u>
Current liabilities			
Short-term borrowings	6	5,850.65	3,415.60
Trade payables	7	5,246.34	4,658.15
Other current liabilities	8	2,871.31	2,528.07
Short-term provisions	9	1,901.29	2,601.27
		<u>15,869.59</u>	<u>13,203.09</u>
Total		<u>36,339.68</u>	<u>33,461.79</u>
ASSETS			
Non current assets			
Fixed assets	10		
Tangible fixed assets		7,249.21	7,672.32
Intangible assets		2,664.79	2,315.12
Capital work-in progress		447.07	105.97
Intangible assets under development		1,679.25	940.15
		<u>12,040.32</u>	<u>11,033.56</u>
Long-term loans and advances	11	5,443.96	5,043.71
		<u>17,484.28</u>	<u>16,077.27</u>
Current assets			
Inventories	12	31.22	2.13
Trade receivables	13	14,097.51	12,565.54
Cash and bank balances	14	2,329.93	2,671.74
Short-term loans and advances	15	822.64	690.77
Other current assets	16	1,574.10	1,454.34
		<u>18,855.40</u>	<u>17,384.52</u>
Total		<u>36,339.68</u>	<u>33,461.79</u>
Corporate information and significant accounting policies	1 & 2		
See the accompanying notes forming part of the consolidated financial statements			

In terms of our report attached

 For **Deloitte Haskins & Sells**
Chartered Accountants

V. Balaji
Partner

Bangalore, April 19, 2013

For and on behalf of the Board of Directors

S. Ramadorai
R. Natarajan
Madhukar Dev
Sudha Madhavan
G. Vaidyanathan
Chairman
Director
Managing Director
Chief Financial Officer
Company Secretary

Bangalore, April 19, 2013

Consolidated Statement of Profit and Loss for the year ended 31 March, 2013

Rs. lakhs

	Note	For the year ended 31 March, 2013	For the year ended 31 March, 2012
REVENUE			
Revenue from operations	17	62,167.12	53,870.74
Other income	18	483.96	420.50
Total		62,651.08	54,291.24
EXPENSES			
Purchases	19	5,974.45	7,093.92
Changes in inventories - (Increase) / Decrease	19A	(29.09)	54.98
Employee benefits expense	20	35,149.27	27,807.29
Finance costs - Interest Expense on Borrowings		390.76	232.63
Depreciation/ amortisation expense	10	2,372.53	2,051.92
Other expenses	21	13,866.81	11,514.42
Total		57,724.73	48,755.16
Profit before exceptional items and tax		4,926.35	5,536.08
Exceptional items (Refer Note 25)		1,589.57	-
Profit before tax		3,336.78	5,536.08
Tax expense			
i) Current Tax		(1,111.41)	(1,316.20)
ii) (Short) / Excess provision for tax / overseas tax relating to prior years		87.00	(127.38)
iii) Net current tax expense		(1,024.41)	(1,443.58)
iv) Deferred tax		(75.00)	(222.00)
Total		(1,099.41)	(1,665.58)
Profit after tax for the year		2,237.37	3,870.50
Share of loss from an Associate Company		106.55	411.75
Net Profit for the year		2,130.82	3,458.75
Earnings per equity share of Rs.10/- each			
Basic and diluted (Refer Note 24.6) (Rs.)		6.84	11.11

Corporate information and significant accounting policies
See the accompanying notes forming part of the consolidated financial statements

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**
Chartered Accountants

V. Balaji
Partner

S. Ramadorai
R. Natarajan
Madhukar Dev
Sudha Madhavan
G. Vaidyanathan

Chairman
Director
Managing Director
Chief Financial Officer
Company Secretary

Bangalore, April 19, 2013

Bangalore, April 19, 2013

Consolidated Cash Flow Statement for the year ended 31 March, 2013

	Rs. lakhs	
	For the year ended 31 March, 2013	For the year ended 31 March, 2012
A. Cash flows from operating activities		
Net Profit before tax	3,336.78	5,536.08
Adjustment for:		
Depreciation and amortisation	2,372.53	2,051.92
Interest income	(158.79)	(3.25)
Finance costs	390.76	232.63
Liabilities / Provision no longer required, written back	(173.66)	(25.44)
Bad debts written off	108.38	-
Provision for doubtful debts/advances	128.39	486.25
Loss/(Profit) on sale of assets	4.47	33.14
Unrealised exchange loss/(gains)	444.52	162.71
Operating profit before working capital changes	6,453.38	8,474.04
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets:		
Deposits as Margin Money or Security against commitments	7.20	(7.20)
Inventories	(29.09)	54.98
Trade receivables	(1,765.29)	(2,127.63)
Short-term loans and advances	(98.95)	141.20
Long-term loans and advances	41.82	0.74
Other current assets	(119.76)	(203.46)
Adjustments for increase / (decrease) in operating liabilities:		
Trade payables	569.07	788.82
Other current liabilities	405.97	272.48
Short-term provisions	11.73	49.44
Long-term provisions	83.69	2.39
Cash generated from operations	5,559.77	7,445.80
Net Income tax paid	(1,771.34)	(1,378.44)
Net cash flow from / (used in) operating activities	3,788.43	6,067.36
B. Cash flows from investing activities		
Capital Expenditure on fixed assets/ capital advances	(3,384.03)	(2,873.06)
Proceeds from sale of fixed assets	27.43	54.85
Share application money in A Squared Elxsi Entertainment LLC, USA	-	(518.30)
Interest received	158.79	3.25
Net cash flow from / (used in) investing activities	(3,197.81)	(3,333.26)
C. Cash flows from financing activities		
Short term borrowings availed/ (re-paid) (net)	1,831.87	443.46
Interest paid	(390.76)	(232.63)
Dividend paid	(2,179.68)	(2,179.68)
Tax on dividend paid	(353.54)	(353.60)
Net cash flow from / (used in) financing activities	(1,092.11)	(2,322.45)
Net increase/(decrease) in cash and cash equivalents	(501.49)	411.65
Cash and cash equivalents as at beginning of the year	2,425.63	1,843.77
Exchange gain/(loss) on restatement of foreign currency cash and cash equivalents	151.43	170.21
Cash and cash equivalents as at end of the year	2,075.57	2,425.63
Reconciliation of cash and cash equivalents with the Balance Sheet:		
Cash and cash equivalents as per Balance Sheet (Refer Note 14)	2,329.93	2,671.74
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements	-	-
In earmarked accounts (Refer Note (i) below)		
- Unpaid dividends accounts	254.36	238.91
- Balances held as margin money or security against commitments	-	7.20
Cash and cash equivalents at the end of the year*	2,075.57	2,425.63
* Comprises :		
(a) Cash on hand	0.80	1.05
(b) Funds-in-transit	323.17	1,013.89
(c) Cheques on hand	176.21	89.45
(d) Balances with banks		
i) in current accounts	1,071.93	1,109.58
ii) in EEFC accounts	503.46	211.66
	2,075.57	2,425.63

(i) These earmarked account balances with banks can be utilised only for the specific identified purposes.

Corporate information and significant accounting policies 1 & 2
See the accompanying notes forming part of the consolidated financial statements

In terms of our report attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

V. Balaji
Partner

S. Ramadorai
R. Natarajan
Madhukar Dev
Sudha Madhavan
G. Vaidyanathan

Chairman
Director
Managing Director
Chief Financial Officer
Company Secretary

Bangalore, April 19, 2013

Bangalore, April 19, 2013

Notes forming part of the consolidated financial statements

1 Corporate information

Tata Elxsi Limited was incorporated in 1989. The Company provides product design and engineering services to the consumer electronics, communications and transportation industries and systems integration and support services for enterprise customers. It also provides digital content creation for media and entertainment industry.

The company is headquartered in Bangalore, and operates through delivery centers in Bangalore, Chennai, Pune, Mumbai and Thiruvananthapuram.

Its sales operations are located in multiple cities in India, and in multiple international locations including Dubai, France, Germany, Japan, UK and USA.

2 Significant Accounting Policies

2.1 Basis of accounting and preparation of financial statements

The consolidated financial statements of the Company and its subsidiary (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The consolidated financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the previous year.

Principles of consolidation

The consolidated financial statements relate to TATA Elxsi Limited (the 'Company'), its subsidiary company and the Group's share of profit / loss in its associate. The consolidated financial statements have been prepared on the following basis:

- (i) The financial statements of the subsidiary company used in the consolidation are drawn up to the same reporting date as that of the Company i.e 31 March, 2013
- (ii) The financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated
- (iii) The consolidated financial statements include the share of profit / loss of the associate company which has been accounted for using equity method as per AS 23 Accounting for Investments in Associates in Consolidated Financial Statements. Accordingly, the share of profit/ loss of the associate company (the loss being restricted to the cost of investment) has been added to / deducted from the cost of investments.
- (iv) Minority interest is not computed as it is a wholly owned subsidiary
- (v) Following subsidiary company and associate have been considered in the preparation of the consolidated financial statements:

Name of the Entity	Relationship	Country of Incorporation	% of share holding
Tata Elxsi (Singapore) Pte Ltd	Subsidiary	Singapore	100%
A Squared Elxsi Entertainment LLC	Associate	United States of America	-

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

Notes forming part of the consolidated financial statements

2.3 Inventories

Components and spares are valued at lower of cost and net realizable value. Cost is determined on the basis of specific identification method.

Computer systems and software, components and spares intended for customer support are written off over the effective life of the systems maintained, as estimated by the management.

2.4 Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.5 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.6 Depreciation and amortisation

Depreciation has been provided on the straight-line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under:

Leasehold land is amortised over the duration of the lease

Assets costing less than Rs. 5,000 each are fully depreciated in the year of capitalisation

Intangible assets are amortised over their estimated useful life as follows:

In-house Technical Know-How – 3 years.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

2.7 Revenue recognition

Sale of goods

Income from sales of goods is recognised upon passage of risks and rewards of ownership to the goods, which generally coincide with the despatch. Sales exclude taxes and levies

Income from services

- a) Income from services is recognized upon rendering of the services. Income from maintenance contracts relating to the year is recognized when the contracts are entered into on a time proportionate basis.
- b) Revenue from software development on fixed price, fixed time frame contracts is recognised as per the proportionate completion method. On time and materials contracts, revenue is recognised as the related services are rendered.
- c) In respect of orders procured, for which sales are effected directly to the customers by the vendors, the Company accounts only for the commission, installation and other charges to which it is entitled.

2.8 Other income

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

2.9 Fixed Assets (Tangible / Intangible)

Fixed assets, are carried at cost less accumulated depreciation / amortisation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on

Notes forming part of the consolidated financial statements

making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use. Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Capital work-in-progress:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

Intangible assets under development:

Expenditure on Research and development (Refer Note 2.17) eligible for capitalisation are carried as Intangible assets under development where such assets are not yet ready for their intended use.

2.10 Foreign currency transactions and translations

Initial recognition

- (i) Company: Transactions in foreign currencies entered into by the Company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.
- (ii) Integral foreign operations: Transactions in foreign currencies entered into by the Company's integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.
- (iii) Non-integral foreign operations: Transactions of non-integral foreign operations are translated at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement of foreign currency monetary items at the Balance Sheet date

- (i) Company: Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.
- (ii) Integral foreign operations: Foreign currency monetary items (other than derivative contracts) of the Company's integral foreign operations outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company's integral foreign operations are carried at historical cost.
- (iii) Non-integral foreign operations: All assets and liabilities of non-integral foreign operations are translated at the year-end rates.

Treatment of exchange differences

- (i) Company: Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.
- (ii) Integral foreign operations: Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company's integral foreign operations are recognised as income or expense in the Statement of Profit and Loss.
- (iii) Non-integral foreign operations: The exchange differences on translation of balances relating to non-integral foreign operations are accumulated in a "Foreign currency translation reserve" until disposal of the operation, in which case the accumulated balance in "Foreign currency translation reserve" is recognised as income / expense in the same period in which the gain or loss on disposal is recognised.

Accounting of forward contracts

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date. Refer Note 2.21 for accounting for forward exchange contracts relating to firm commitments and highly probable forecast transactions.

Notes forming part of the consolidated financial statements

2.11 Investments

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

2.12 Employee benefits

Employee benefits include contribution to provident fund, superannuation fund, gratuity fund, compensated absences and employee state insurance scheme.

Defined contribution plans

The Company's contribution to provident fund and superannuation fund are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.

Defined benefit plans

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

2.13 Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities.

Notes forming part of the consolidated financial statements

2.14 Leases

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

2.15 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

2.16 Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961 and Foreign tax laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

Current and deferred tax relating to items directly recognised in equity are recognised in equity and not in the Statement of Profit and Loss.

Notes forming part of the consolidated financial statements

2.17 Research and development expenses

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technological feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises 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. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Tangible Fixed Assets and Intangible Assets.

2.18 Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

2.19 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

2.20 Provision for warranty

As per the terms of the contracts, the Company provides post-contract services / warranty support to some of its customers. The Company accounts for the post-contract support / provision for warranty on the basis of the information available with the Management duly taking into account the current and past technical estimates.

2.21 Derivative contracts

The Company enters into derivative contracts in the nature of foreign currency options, forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Foreign Currency Transactions and Translations.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

2.22 Insurance claims / Claims with ECGC

Insurance claims and claims with ECGC are accounted for on the basis of claims admitted / expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

2.23 Service tax input credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

2.24 Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

Notes forming part of the consolidated financial statements

	As at 31 March, 2013	Rs. lakhs As at 31 March, 2012
3 SHARE CAPITAL		
Authorised :		
35,000,000 equity shares of Rs. 10/- each with voting rights	<u>3,500.00</u>	<u>3,500.00</u>
Issued :		
31,165,620 equity shares of Rs. 10/- each with voting rights	<u>3,116.56</u>	<u>3,116.56</u>
Subscribed and fully paid up :		
31,138,220 equity shares of Rs.10/-each with voting rights	<u>3,113.82</u>	<u>3,113.82</u>
Total	<u>3,113.82</u>	<u>3,113.82</u>

Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Equity shares with voting rights	Opening Balance	Closing Balance
Year ended 31 March, 2013		
- Number of shares	31,138,220	31,138,220
- Amount in Rs. lakhs	<u>3,113.82</u>	<u>3,113.82</u>
Year ended 31 March, 2012		
- Number of shares	31,138,220	31,138,220
- Amount in Rs. lakhs	<u>3,113.82</u>	<u>3,113.82</u>

Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of share holder	As at 31 March, 2013		As at 31 March, 2012	
	Number of shares held	% of holding in that class of shares	Number of shares held	% of holding in that class of shares
Equity shares with voting rights				
Tata Sons Limited	13,147,632	42.22%	13,147,632	42.22%
Life Insurance Corporation of India	2,248,990	7.22%	2,023,599	6.50%

The Company has only one class of Equity Share, having a par value of Rs.10/-. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amount. However, as on date no such preferential amounts exist. The distribution will be in proportion to number of equity shares held by the shareholders.

Notes forming part of the consolidated financial statements

	As at 31 March, 2013	Rs. lakhs As at 31 March, 2012
4 RESERVES AND SURPLUS		
Capital reserve:		
Subsidy received from Kerala State Government	25.00	25.00
General reserve:		
Opening balance	4,659.82	4,159.82
Add: Transferred from surplus in Statement of Profit and Loss	250.00	500.00
	4,909.82	4,659.82
Foreign exchange translation reserve	44.51	34.46
Surplus in Statement of Profit and Loss		
Opening balance	11,364.86	10,939.33
Add: Net Profit for the year	2,130.82	3,458.75
Balance available for appropriation	13,495.68	14,398.08
Less:		
- Dividend Proposed to be distributed to Equity Shareholders at Rs. 5/- per share (previous year Rs. 7/- per share)	1,556.91	2,179.68
- Dividend tax net of reversal thereof	264.60	353.54
- Transfer to general reserve	250.00	500.00
Closing balance	11,424.17	11,364.86
Total	16,403.50	16,084.14
5 LONG-TERM PROVISIONS		
Provision for compensated absences	402.07	318.38
Provision for taxation (Net of advance tax)	103.70	370.36
Total	505.77	688.74
6 SHORT-TERM BORROWINGS		
Working capital loans from banks - Secured, payable on demand	4,189.90	2,765.60
Loan from banks (unsecured)	1,660.75	650.00
Total	5,850.65	3,415.60
7 TRADE PAYABLES		
Trade payables		
-Acceptances	-	75.53
-Other than acceptances	5,246.34	4,582.62
Total	5,246.34	4,658.15

Notes forming part of the consolidated financial statements

	As at 31 March, 2013	Rs. lakhs As at 31 March, 2012
8 OTHER CURRENT LIABILITIES		
Advance from customers	76.04	278.21
Unpaid dividend (Will be transferred to Investor Education and Protection Fund when due)	254.36	238.91
Unearned revenue	767.63	724.90
Other Payables	34.04	46.58
Statutory Remittances (Contributions to PF and ESIC, Withholding Taxes, VAT, Service Tax, etc.)	1,336.62	956.06
Payables on purchase of fixed assets	159.49	64.01
Gratuity (Refer Note 24.1b)	243.13	219.40
Total	2,871.31	2,528.07
9 SHORT-TERM PROVISIONS		
a) Provision for employee benefits		
Provision for compensated absences	63.74	51.53
b) Provision others		
Provision for warranty (Refer Note 24.9)	16.04	16.52
Provision for proposed equity dividend	1,556.91	2,179.68
Provision for tax on proposed equity dividend	264.60	353.54
Total	1,901.29	2,601.27

	Rs. lakhs									
10 FIXED ASSETS										
DESCRIPTION	GROSS BLOCK			ACCUMULATED DEPRECIATION				NET BLOCK		
	As at April 1, 2012	Additions	Sale / Adjust- ment	As at March 31, 2013	As at April 1, 2012	Depreciation / Amortisation expense for the year	Eliminated on disposal of assets	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
a. Tangible fixed Assets										
Land - Freehold	49.06	-	-	49.06	-	-	-	-	49.06	49.06
(Previous year)	(49.06)	(-)	(-)	(49.06)	(-)	(-)	(-)	(-)	(49.06)	
Land - Leasehold	85.01	-	-	85.01	19.46	5.38	-	24.84	60.17	65.55
(Previous year)	(85.01)	(-)	(-)	(85.01)	(17.19)	(2.27)	(-)	(19.46)	(65.55)	
Buildings	2,159.36	-	-	2,159.36	446.58	72.14	-	518.72	1,640.64	1,712.78
(Previous year)	(2,151.60)	(7.76)	(-)	(2,159.36)	(374.61)	(71.97)	(-)	(446.58)	(1,712.78)	
Improvements to leasehold premises	595.89	27.43	-	623.32	418.36	120.88	-	539.24	84.08	177.53
(Previous year)	(383.29)	(226.54)	(13.94)	(595.89)	(337.98)	(93.70)	(13.32)	(418.36)	(177.53)	
Plant and machinery	13.20	-	-	13.20	7.05	0.71	-	7.76	5.44	6.15
(Previous year)	(13.20)	(-)	(-)	(13.20)	(6.34)	(0.71)	(-)	(7.05)	(6.15)	
Computer equipment	7,500.92	885.81	20.94	8,365.79	4,665.38	943.25	9.53	5,599.10	2,766.69	2,835.54
(Previous year)	(6,154.79)	(1,347.44)	(1.31)	(7,500.92)	(3,808.46)	(857.69)	(0.77)	(4,665.38)	(2,835.54)	
Furniture and fixtures	1,413.90	5.52	2.84	1,416.58	644.85	84.88	1.35	728.38	688.20	769.05
(Previous year)	(1,442.21)	(82.84)	(111.15)	(1,413.90)	(614.81)	(93.02)	(62.98)	(644.85)	(769.05)	
Office equipment	726.47	47.40	2.79	771.08	232.57	37.08	0.77	268.88	502.20	493.90
(Previous year)	(699.01)	(41.50)	(14.04)	(726.47)	(200.23)	(35.40)	(3.06)	(232.57)	(493.90)	
Electrical installations	1,402.47	2.34	14.91	1,389.90	457.09	66.08	4.41	518.76	871.14	945.38
(Previous year)	(1,419.43)	(11.99)	(28.95)	(1,402.47)	(397.08)	(67.57)	(7.56)	(457.09)	(945.38)	
Airconditioners	805.62	6.60	9.23	802.99	239.19	38.16	2.75	274.60	528.39	566.43
(Previous year)	(812.72)	(0.94)	(8.04)	(805.62)	(202.22)	(38.72)	(1.75)	(239.19)	(566.43)	
Vehicles	81.74	9.89	10.73	80.90	30.79	7.64	10.73	27.70	53.20	50.95
(Previous year)	(43.43)	(38.31)	(-)	(81.74)	(23.72)	(7.07)	(-)	(30.79)	(50.95)	
TOTAL	14,833.64	984.99	61.44	15,757.19	7,161.32	1,376.20	29.54	8,507.98	7,249.21	7,672.32
(Previous year)	(13,253.75)	(1,757.32)	(177.43)	(14,833.64)	(5,982.64)	(1,268.12)	(89.44)	(7,161.32)	(7,672.32)	(7,271.11)
b. Intangible Assets										
Intangibles - Software	4,030.67	1,059.03	-	5,089.70	2,224.83	656.27	-	2,881.10	2,208.60	1,805.84
(Previous year)	(3,500.71)	(529.96)	(-)	(4,030.67)	(1,695.67)	(529.16)	(-)	(2,224.83)	(1,805.84)	
Technical Know-how	763.92	286.97	-	1,050.89	254.64	340.06	-	594.70	456.19	509.28
(Previous year)	-	(763.92)	(-)	(763.92)	-	(254.64)	(-)	(594.70)	(456.19)	
TOTAL	4,794.59	1,346.00	-	6,140.59	2,479.47	996.33	-	3,475.80	2,664.79	2,315.12
(Previous year)	(3,500.71)	(1,293.88)	-	(4,794.59)	(1,695.67)	(783.80)	-	(2,479.47)	(2,315.12)	(1,805.04)
GRAND TOTAL	19,628.23	2,330.99	61.44	21,897.78	9,640.79	2,372.53	29.54	11,983.78	9,914.00	9,987.44
(Previous year)	(16,754.46)	(3,051.20)	(177.43)	(19,628.23)	(7,678.31)	(2,051.92)	(89.44)	(9,640.79)	(9,987.44)	(9,076.15)

Note: Unless otherwise stated, all fixed assets are owned by the Company. There are no fixed assets that have been given on lease by the Company.

Notes forming part of the consolidated financial statements

		As at 31 March, 2013	Rs. lakhs As at 31 March, 2012
11 LONG-TERM LOANS AND ADVANCES			
Advance to A Squared Elxsi Entertainment LLC, USA (Refer Note 25)	518.30	518.30	
Less: Provision for doubtful advances (Unsecured, considered good)	518.30	-	411.75
Capital Advances		72.78	4.43
Deposits		1,236.67	1,268.65
Tax deducted at source/Advance tax paid (Net of provision for tax)		2,337.06	1,464.79
Prepaid expenses		8.70	18.54
MAT credit entitlement			
Opening balance	2,180.75	2,606.75	
Avalied / (Utilized) during the year	(392.00)	1,788.75	(426.00)
Total		5,443.96	5,043.71
12 INVENTORIES			
(At lower of cost or net realisable value)			
Components and spares - for trading		31.22	2.13
Total		31.22	2.13
13 TRADE RECEIVABLES (Unsecured)			
a) Trade receivables outstanding for a period exceeding six months from the date they were due for payment			
Considered good		870.82	439.98
Considered doubtful		1,916.32	1,787.93
		2,787.14	2,227.91
Less: Provision for doubtful trade receivables		1,916.32	1,787.93
		870.82	439.98
b) Other Trade Receivables (Considered good)		13,226.69	12,125.56
Total		14,097.51	12,565.54
14 CASH AND BANK BALANCES			
Cash on hand		0.80	1.05
Cheques on hand		176.21	89.45
Funds-in-transit		323.17	1,013.89
Balances with banks			
i) in current accounts		1,071.93	1,109.58
ii) in EEFC accounts		503.46	211.66
Total Cash and Cash Equivalents (A)		2,075.57	2,425.63
Other bank balances			
i) in earmarked accounts			
- Unpaid Dividends Account		254.36	238.91
- Balances held as margin money or security against commitments		-	7.20
		254.36	246.11
Total		2,329.93	2,671.74

Notes forming part of the consolidated financial statements

	As at 31 March, 2013	Rs. lakhs As at 31 March, 2012
15 SHORT-TERM LOANS AND ADVANCES (Unsecured and considered good)		
a) Loans and advances to employees	187.65	142.95
b) Prepaid Expenses	404.16	237.90
c) Advance to suppliers / vendors	191.98	298.30
d) Deposits	38.85	11.62
Total	822.64	690.77
16 OTHER CURRENT ASSETS		
Unbilled revenue	1,574.10	1,125.22
Claims Receivable	-	329.12
Total	1,574.10	1,454.34
17 REVENUE FROM OPERATIONS		
	For the year ended 31 March 2013	For the year ended 31 March 2012
Sale of traded goods (Refer note (i) below)	3,593.44	5,305.57
Rendering of services (Refer note (ii) below)	58,573.68	48,565.17
Total	62,167.12	53,870.74
(i) Sale of traded goods include sales of computers, networking and storage systems.		
(ii) Rendering of services comprises:		
(a) Product Design	53,415.57	42,269.11
(b) Graphics Animation and Gaming	1,879.45	3,156.37
(c) System Integration and Support	3,278.66	3,139.69
	58,573.68	48,565.17
18 OTHER INCOME		
Interest from banks on deposits	3.71	3.25
Interest - Others	155.08	-
Net gain or (loss) on foreign currency transactions and translation	120.67	380.87
Other non-operating income:		
a) Hire charges	5.48	3.00
b) Liabilities/provision no longer required written back	173.66	27.77
c) Miscellaneous Income	25.36	5.61
Total	204.50	36.38
	483.96	420.50
19 PURCHASES		
Purchase of traded goods - computers, networking and storage systems and components and parts	3,000.22	4,358.89
Spares, consumables and others	2,974.23	2,735.03
Total	5,974.45	7,093.92
19A ADD/(LESS): (INCREASE) / DECREASE IN INVENTORIES		
Inventories at the end of the year:		
Stock-in-trade	31.22	2.13
Inventories at the beginning of the year:		
Stock-in-trade	2.13	57.11
Net (increase) / decrease	(29.09)	54.98

		Rs. lakhs
	For the year ended 31 March 2013	For the year ended 31 March 2012
20 EMPLOYEE BENEFITS EXPENSES		
Salaries & wages	32,999.93	26,173.44
Contribution to provident and other funds	1,065.20	809.62
Staff welfare expenses	1,084.14	824.23
Total	35,149.27	27,807.29
21 OTHER EXPENSES		
Operating lease rentals (Refer Note 24.5)	1,316.69	1,399.87
Rates and taxes	144.89	100.77
Power and fuel	790.04	737.39
Repairs and maintenance : Building	200.36	167.05
: Plant and machinery	302.26	269.68
: Others	263.21	230.43
Communication expenses	770.98	659.24
Inland travel and conveyance	1,028.60	719.99
Overseas travel	2,336.83	1,890.04
Advertisement and sales promotion expenses	432.73	341.47
Commission on sales	114.38	73.38
Hire charges	81.79	65.28
Printing and stationery	58.03	86.04
Motor vehicle expenses	263.85	292.08
Recruitment	76.02	106.01
Training	58.79	161.22
Consultant fees for software development	4,557.26	2,616.69
Legal and professional charges	572.52	671.57
Secretarial charges	12.34	5.85
Insurance	79.64	103.45
Loss on sale of assets (net)	4.47	33.14
Bank and other charges	74.50	70.75
Commission to non-executive directors	25.00	50.00
Auditors' remuneration (Refer Note (i) below)	38.46	35.25
Bad debts/advances written off (net of credit balances)	108.38	1200.02
Less: Amount transferred from provision for doubtful debts	-	1200.02
Provision for doubtful debts/ advances	128.39	486.25
Provision / Reversal for warranty (net) (Refer Note 24.9)	(0.48)	1.76
General expenses	26.88	139.77
Total	13,866.81	11,514.42
Note (i): Payments to the auditors comprises:		
As auditors - statutory audit	29.25	29.25
Company law matters	0.75	0.75
Other Services	3.15	-
Reimbursement of expenses	1.08	1.40
Service Tax	4.23	3.85
Total	38.46	35.25

Notes forming part of the consolidated financial statements

	As at 31 March, 2013	Rs. lakhs As at 31 March, 2012
22.1 Contingent liabilities and commitments (to the extent not provided for)		
(i) Contingent liabilities		
(a) Claims against the Company not acknowledged as debt		
1. Disputed demands for Income Tax aggregates .	502.40	1,038.12
2. Disputed demands for Wealth Tax aggregates.	25.89	25.89
3. Disputed amount of Sales Tax aggregates.	656.72	656.83
4. Service tax matters	842.26	842.26
5. Other claims not acknowledged as debts	484.85	292.44
(b) Guarantees- Guarantees given to a Housing Finance Company for housing loans availed by employees during their employment with the company	73.96	104.96
(c) Guarantee given to a bank for a loan to be secured by A squared Elxsi Entertainment LLC, USA (A2E2)	-	1,594.50
(d) Loan drawn by A2E2 and outstanding against the above guarantee	-	1,024.38
(ii) Capital Commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for		
Tangible fixed assets	465.29	198.30
Intangible assets	250.39	141.50

23.1 Details on derivatives instruments and unhedged foreign currency exposures

I. The following derivative positions are open as at 31 March, 2013. These transactions have been undertaken to act as economic hedges for the Company's exposures to various risks in foreign exchange markets and may / may not qualify or be designated as hedging instruments. The accounting for these transactions is stated in Notes 2.10 and 2.21

(a) Forward exchange contracts and options [being derivative instruments], which are not intended for trading or speculative purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

(i) Outstanding forward exchange contracts entered into by the Company as on 31 March, 2013

Currency	Amount	Buy / Sell	Remarks
USD	Nil (16 lakhs)	Sell	Nil (Rs.826.08 lakhs)
GBP	Nil (5 lakhs)	Sell	Nil (Rs.394.95 lakhs)
JPY	Nil (200 lakhs)	Sell	Nil (Rs.134.90 lakhs)
EURO	Nil (1 lakh)	Sell	Nil (Rs.66.00 lakhs)

Note: Figures in brackets relate to the previous year

(ii) Outstanding option contracts entered into by the Company as on 31 March, 2013

Currency	Amount	Buy / Sell	Remarks
JPY	Nil (1,200 lakhs)	Sell	Nil (Rs. 659.40 lakhs)
USD	10 lakhs (15 lakhs)	Sell	Rs.551.00 lakhs (Rs. 673.50 lakhs)
EURO	Nil (7.5 lakhs)	Sell	Nil (Rs. 469.13 lakhs)
GBP	5 lakhs (5 lakhs)	Sell	Rs. 440.25 lakhs (Rs. 384.40 lakhs)

Note: Figures in brackets relate to the previous year

Notes forming part of the consolidated financial statements

(iii) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

As at 31 March, 2013		As at 31 March, 2012	
Receivable in Foreign currency lakhs	Rs.lakhs	Receivable in Foreign currency lakhs	Rs.lakhs
Euro	33.25	Euro	15.68
GBP	43.26	GBP	34.56
USD	100.37	USD	68.43
JPY	1441.19	JPY	2,898.51
ZAR	34.86	ZAR	7.23
KRW	20.48	KRW	20.46
AED	0.50	AED	Nil
	7.40		Nil

(iv) Amount payable in foreign currency on account of purchase of goods, services and borrowings

As at 31 March, 2013		As at 31 March, 2012	
Payable in Foreign currency lakhs	Rs. lakhs	Payable in Foreign currency lakhs	Rs. lakhs
Euro	1.10	Euro	0.56
GBP	1.53	GBP	0.29
USD	71.16	USD	25.36
JPY	24.88	JPY	2.98
ZAR	Nil	ZAR	0.05
SGD	0.01	SGD	Nil
	0.32		Nil

24.1 Employee benefit plans

24.1.a Defined contribution plans

The Company makes Provident Fund and Superannuation Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised Rs.628.74 lakhs (Year ended 31 March, 2012 Rs. 471.93 lakhs) for Provident Fund contributions and Rs.232.69 lakhs (Year ended 31 March, 2012 Rs. 197.99 lakhs) for Superannuation Fund contributions, Employee State Insurance Scheme Rs. 3.57 lakhs (Year ended 31 March, 2012 Rs. 5.41 lakhs) in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

24.1.b Defined benefit plans

The Company offers gratuity to its employees under defined benefit plans

The following table sets out the funded status of the defined benefit schemes and the amount recognised in the financial statements:

Particulars	Rs. lakhs	
	Year ended 31 March, 2013	Year ended 31 March, 2012
Components of employer expense		
Current service cost	102.11	118.06
Interest cost	56.52	44.21
Expected return on plan assets	(38.31)	(22.29)
Curtailement cost / (credit)	-	-
Settlement cost / (credit)	-	-

Notes forming part of the consolidated financial statements

Particulars	Rs. lakhs	
	Year ended 31 March, 2013	Year ended 31 March, 2012
Past service cost	-	-
Actuarial losses/(gains)	83.41	(12.56)
Total expense recognised in the Statement of Profit and Loss	203.73	127.42
Actual contribution and benefit payments for year		
Actual benefit payments	83.32	70.00
Actual contributions	180.00	182.02
Net asset / (liability) recognised in the Balance Sheet		
Present value of defined benefit obligation	(827.18)	(664.89)
Fair value of plan assets	584.05	445.49
Funded status [Surplus / (Deficit)]	(243.13)	(219.40)
Unrecognised past service costs	-	-
Net asset / (liability) recognised in the Balance Sheet	(243.13)	(219.40)
Change in defined benefit obligations (DBO) during the year		
Present value of DBO at beginning of the year	664.89	552.64
Current service cost	102.11	118.06
Interest cost	56.52	44.21
Curtailment cost / (credit)	-	-
Settlement cost / (credit)	-	-
Plan amendments	-	-
Acquisitions	-	-
Actuarial (gains) / losses	86.98	19.98
Past service cost	-	-
Benefits paid	(83.32)	(70.00)
Present value of DBO at the end of the year	827.18	664.89
Change in fair value of assets during the year		
Plan assets at beginning of the year	445.49	278.64
Acquisition adjustment	-	-
Expected return on plan assets	38.31	22.29
Actual company contributions	180.00	182.02
Actuarial gain / (loss)	3.57	32.54
Benefits paid	(83.32)	(70.00)
Plan assets at the end of the year	584.05	445.49
Actual return on plan assets	41.88	54.83

Composition of the plan assets is as follows:	Year ended		LIC- Mortality (1994-96)Table
	31 March, 2013	31 March, 2012	
Government bonds	42.07%	42.07%	21-30 years 10%
Debentures and Bonds	42.85%	42.85%	31-40 years 5%
Equity	5.22%	5.22%	41-50 years 3%
Others	9.86%	9.86%	51 & above 2%

Notes forming part of the consolidated financial statements

Particulars	Rs.lakhs	
	Year ended 31 March, 2013	Year ended 31 March, 2012
Actuarial assumptions		
Discount rate	8.00%	8.50%
Expected return on plan assets	8.70%	8.60%
Salary escalation	5.00%	5.00%
Attrition : If past service <5 years	10.00%	10.00%
: If past service >5 years	8.00%	8.00%
Estimates of amount of contribution in the immediate next year	383.16	167.98

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

24.2 Experience adjustments

Particulars	Rs. lakhs				
	2012-13	2011-12	2010-11	2009-10	2008-09
Gratuity					
Present value of DBO	(827.18)	(664.89)	(552.64)	(533.67)	(467.06)
Fair value of plan assets	584.05	445.49	278.64	204.68	179.86
Funded status [Surplus / (Deficit)]	(243.13)	(219.40)	(274.00)	(328.99)	(287.20)
Experience (gain) / loss adjustments on plan liabilities	59.76	42.82	(57.07)	(5.23)	(53.12)
Experience gain / (loss) adjustments on plan assets	3.57	32.54	(25.73)	0.96	(2.20)
Particulars	For the year ended 31 March, 2013		For the year ended 31 March, 2012		
Actuarial assumptions for long-term compensated absences					
Discount rate	8.00%		8.50%		
Expected return on plan assets	8.70%		8.60%		
Salary escalation	5.00%		5.00%		
Attrition : If past service <5 years	10.00%		10.00%		
: If past service >5 years	8.00%		8.00%		

24.3 Segment information

The Company has identified business segments as its primary segment and geographic segments as its secondary segment. Business segments are primarily System integration & support and Software Development & Services. Revenues and expenses directly attributable to segments are reported under each reportable segment. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Fixed assets that are used interchangeably amongst segments are not allocated to primary and secondary segments. Geographical revenues are allocated based on the location of the customer. Geographic segments of the Company are India, Europe, US, Japan and Others.

Notes forming part of the consolidated financial statements

Particulars	For the year ended 31 March, 2013			Rs. lakhs
	Business segments		Total	
	System	Software		
	Integration & Support	Development & Services		
Revenue	6,872.10	55,295.02	62,167.12	
	(8,445.25)	(45,425.49)	(53,870.74)	
Segment result	169.77	6,238.99	6,408.76	
	(839.88)	(5,981.03)	(6,820.91)	
Unallocable expenses (net)			1,091.65	
			(1,052.20)	
Operating income			5,317.11	
			(5,768.71)	
Interest			390.76	
			(232.63)	
Profit before taxes			4,926.35	
			(5,536.08)	
Exceptional items			1,589.57	
			(-)	
Tax expense			1,099.41	
			(1,665.58)	
Profit after taxes			2,237.37	
			(3,870.50)	
Share of loss from an Associate Company			106.55	
			(411.75)	
Net profit for the year			2,130.82	
			(3,458.75)	

Segment assets include all assets relating to the segment and consists principally of Fixed assets, Receivables, Other current assets and non-current assets.

Segment liabilities include all liabilities relating to the segment and consist principally of Trade payables and other operating liabilities.

Particulars	For the year ended 31 March, 2013			Rs. lakhs
	Business segments		Total	
	System	Software		
	Integration & Support	Development & Services		
Segment assets	2,662.23	16,017.06	18,679.29	
	(5,975.21)	(11,335.00)	(17,310.21)	
Unallocable assets			13,536.35	
			(14,657.53)	
Total assets			32,215.64	
			(31,967.74)	

Notes forming part of the consolidated financial statements

Particulars	Rs. lakhs		
	For the year ended 31 March, 2013		Total
	Business segments		
	System Integration & Support	Software Development & Services	
Segment liabilities	2,085.85	3,311.20	5,397.05
	(2,249.22)	(3,433.38)	(5,682.60)
Unallocable liabilities			5,025.06
			(4,423.27)
Total liabilities			10,422.11
			(10,105.87)
<u>Other information</u>			
Capital expenditure (unallocable)			2,330.99
			(3,051.20)
Depreciation and amortisation (unallocable)			2,372.53
			(2,051.92)
Provision for doubtful debts			128.39
			(486.25)
Bad debts written off			108.38
			(-)
Share of loss from an Associate Company			106.55
			(411.75)

The geographic segments individually contributing 10 percent or more of the Company's revenues and segment assets are shown separately:

Geographic Segment	Rs. lakhs		
	Revenues	Segment assets	Capital
	For the year ended 31 March, 2013	as at 31 March, 2013	expenditure incurred during the year
India	13,126.79	14,699.81	2,271.90
	(13,846.89)	(12,577.05)	(2,201.29)
US	18,530.90	4,515.99	17.12
	(15,711.57)	(3,798.48)	(768.26)
Europe	23,790.93	5,923.71	40.71
	(17,713.27)	(4,193.46)	(26.32)
Japan	5,055.93	625.59	1.26
	(5,224.11)	(1,499.86)	(55.33)
Others	1,662.57	372.73	-
	(1,374.88)	(1,530.25)	-
Total	62,167.12	26,137.83	2,330.99
	(53,870.72)	(23,599.10)	(3,051.20)

Note: Figures in bracket relates to the previous year

Segment revenue in India comprises revenue from System Integration and software development & services. Segment revenue outside India predominantly comprises revenue from software development & services. Segment assets include all assets relating to the segment and consist principally of Fixed assets, Receivables, Inventory, Other Current

Notes forming part of the consolidated financial statements

and Non-Current Assets. Assets located outside India primarily relate to Trade Receivables.

24.4 Related party transactions

24.4. a Details of related parties:

Description of relationship	Names of related parties
Company with Significant Influence	Tata Sons Ltd
Key Management Personnel (KMP)	Mr. Madhukar Dev- Managing Director

Note: Related parties have been identified by the Management.

24.4. b Details of related party transactions during the year ended 31 March, 2013 and balances outstanding as at 31 March, 2013:

Particulars	Company with Significant Influence	KMP	Rs.lakhs
			Total
Receiving of services- Brand fee and other Services	185.46 (147.55)		185.46 (147.55)
Managerial remuneration and commission		131.00 (148.94)	131.00 (148.94)
Balances outstanding at the end of the year			
Trade payable	175.07 (129.58)	40.00 (60.00)	215.07 (189.58)

Note: Figures in bracket relates to the previous year

24.5 Details of leasing arrangements

Particulars	Rs.lakhs	
	For the year ended 31 March, 2013	For the year ended 31 March, 2012
The Company has entered into operating lease arrangements for certain facilities and office premises. Some of these leases are non-cancellable and are for a period of one to three years and may be renewed based on mutual agreement of the parties. These lease agreements provide for an increase in the lease payments upto 15 % as per lease agreements.		
Future minimum lease payments		
not later than one year	415.64	198.35
later than one year and not later than five years	488.96	90.03
later than five years	Nil	Nil
Lease payments recognised in the Statement of Profit and Loss	1,316.69	1,399.87

Notes forming part of the consolidated financial statements

24.6 Earnings per share

Particulars	For the year ended 31 March, 2013	Rs.lakhs For the year ended 31 March, 2012
Basic		
Net profit / (loss) for the year attributable to the equity shareholders (Rs.lakhs)	2,130.82	3,458.75
Weighted average number of equity shares	31,138,220	31,138,220
Par value per share (Rs.)	10.00	10.00
Earnings per share - Basic and diluted (Rs.)	6.84	11.11

24.7 Deferred tax (liability) / asset

Particulars	As at 31 March, 2013	As at 31 March, 2012
Tax effect of items constituting deferred tax liability		
On difference between book balance and tax balance of fixed assets	(1,920.62)	(1,305.18)
Tax effect of items constituting deferred tax liability	(1,920.62)	(1,305.18)
Tax effect of items constituting deferred tax assets		
Disallowances under Section 40(a)(i), 43B of the Income Tax Act, 1961, etc.	1,473.62	933.18
Tax effect of items constituting deferred tax assets	1,473.62	933.18
Net deferred tax (liability) / asset	(447.00)	(372.00)

24.8 Details of research and development expenditure recognised as employee benefit expenses and other expenses in note 20 and 21 respectively are net of the following expenses that have been capitalised as part of intangible assets/intangible assets under development.

Particulars	For the year ended 31 March, 2013	Rs.lakhs For the year ended 31 March, 2012
a) Employee benefit expenses	780.60	743.77
b) Other expenses	260.20	165.15
Total	1,040.80	908.92

24.9 Details of provisions

The Company has made provision for various contractual obligations and disputed liabilities based on its assessment of the amount it estimates to incur to meet such obligations, details of which are given below:

Particulars	As at 1 April, 2012	Additions	Utilisation	Reversal (withdrawn as no longer required)	Rs.lakhs As at 31 March, 2013
Provision for warranty	16.52 (14.76)	63.60 (12.54)	- (-)	64.08 (10.78)	16.04 (16.52)

Note: Figures in brackets relate to the previous year.

Of the above, the following amounts are expected to be incurred within a year:

Particulars	As at 31 March, 2013	Rs.lakhs As at 31 March, 2012
Provision for warranty	16.04	16.52

Notes forming part of the consolidated financial statements

25 Advance to A Squared Elxsi Entertainment LLC, USA

The Company had entered into an agreement with A Squared Entertainment LLC, USA ("A2") for carrying on business in the field of animated content and development, pursuant to which A Squared Elxsi Entertainment LLC ("A2E2") was incorporated to carry on the activities stated in the agreement. In the previous year, the Company remitted USD 1,000,001 as Share Application Money to A2E2 against which shares were yet to be allotted. On 22 June, 2012, the Company intimated A2E2 about its decision not to further finance the operations of A2E2. A2E2 has been considered as an associate until June 23, 2012 and the company's share of losses in A2E2, to the extent of its contribution as Share Application Money, was included in the consolidated financial statements for the quarter ended June 30, 2012. The Company had recognised Rs. 411 lakhs (Approximately USD 7,95,000) as its share of losses in the previous year and has recognised Rs.107 lakhs (Approximately USD 2,05,001) as its share of losses during the quarter ended June 30, 2012.

During the current year, the Company received a demand from the Bankers of A2E2 to whom the Company had given a financial guarantee, towards the outstanding dues of Rs.1,589.57 lakhs (USD 30.19 lakhs) due by A2E2 to its Bankers. The Company has shown the amount paid towards the guarantee as an exceptional item in the consolidated statement of profit and loss.

26 Summary of Information relating to subsidiary for the year ended 31 March, 2013, is as follows

Subsidiary		Tata Elxsi (Singapore) Pte Ltd	
		2012-13	2011-12
Exchange rate as at March 31, 2013		54.43	51.22
		Rs. Lakhs	Rs. Lakhs
Issued and Subscribed share capital		28.67	28.67
Reserves		332.60	290.66
Loans		-	-
Total assets		921.77	533.49
Total liabilities		921.77	533.49
Investments	Long-term	-	-
	Current	-	-
	Total	-	-
Turnover		1,720.54	2,653.98
Profit/(Loss) before taxation		192.66	281.76
Provision for taxation		22.15	25.58
Profit/(Loss) after taxation		170.50	256.18
Dividend paid		138.63	191.96

27 Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board of Directors

S. Ramadorai
R. Natarajan
Madhukar Dev
Sudha Madhavan
G. Vaidyanathan

Chairman
Director
Managing Director
Chief Financial Officer
Company Secretary

Bangalore, April 19, 2013

Statement pursuant to Section 212 of the Companies Act, 1956

Rs. lakhs

Subsidiary/ Country	Year	Exchange rate as at March 31 Rs./USD	Issued and Subscribed share capital	Reserves	Loans	Total assets	Total liabilities	Investments			Turnover	Profit/(Loss) before taxation	Provision for taxation	Profit/(Loss) after taxation	Dividend
								Long- term	Current	Total					
Tata Elxsi (Singapore) Pte. Ltd., Singapore	2012-13	54.43	28.67	332.60	-	921.77	921.77	-	-	-	1,720.54	192.66	22.15	170.50	138.63
	2011-12	51.22	28.67	290.66	-	475.56	475.56	-	-	-	2653.98	281.76	25.58	256.18	191.96

Significant 3 year highlights (Consolidated)
3 Years Profit and Loss Account

Rs. lakhs

	31.03.2013	31.03.2012	31.03.2011
INCOME			
Sales and services	62,167.12	53,870.74	41,591.12
Other Income	483.96	420.50	386.34
Total	62,651.08	54,291.24	41,977.46
EXPENDITURE			
Cost of sales	5,945.36	7,172.32	5,381.03
Personnel expenses	35,149.27	27,807.29	21,670.28
Administrative and selling expenses	13,866.81	11,491.00	9,834.96
Financial expenses	390.76	232.63	188.26
Depreciation	2,372.53	2,051.92	1,720.47
Total	57,724.73	48,755.16	38,780.24
Profit before Tax for the year	4,926.35	5,536.08	3,197.22
Exceptional items	1,589.57	-	-
Provision for Tax	1,099.41	(1,665.58)	54.45
Profit after Tax	2,237.37	3,870.50	3,251.67
Share of loss from an Associate Company	106.55	411.75	-
Net Profit for the year	2,130.82	3,458.75	3,251.67

Significant Ratio Analysis

S. No.	Particulars	Unit	31.03.2013	31.03.2012	31.03.2011
1	Earnings before interest, depreciation and tax/Sales	%	12.27	14.40	12.16
2	Profit before taxes/Sales	%	5.33	10.20	7.62
3	Profit after taxes/Sales	%	3.57	7.13	7.75
4	Current Ratio	No. of Times	1.18	1.32	1.34
5	Debt Equity Ratio	%	29.98	17.79	13.95
6	Earnings per share	Rs.	6.84	11.11	10.44
7	Dividend per share	Rs.	5.00	7.00	7.00
8	Book Value share	Rs.	62.67	61.65	58.57
9	Return on Net Worth	%	10.92	18.02	17.83
10	Return on Capital Employed	%	8.40	15.30	15.65



Regd. Office : ITPB Road, Whitefield, Bangalore 560 048

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP IN ALL RESPECTS AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Regd. Folio No. /Client ID No.
DP ID No.
Name
Address

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

I hereby record my presence at the Twenty Fourth Annual General Meeting of the Company.

Venue : Devraj Urs Bhavan, (behind Dr. Ambedkar Bhavan), 16 D, Millers Tank Bed Area, Vasanthanagar, Bangalore 560 052.

Date : Tuesday 23rd July, 2013 at 12.30 p.m.

NAME OF THE SHAREHOLDER/PROXY (IN BLOCK LETTERS)

Signature of the Shareholder or Proxy



Regd. Office : ITPB Road, Whitefield, Bangalore 560 048

PROXY

I/We
of in the district of being a Member/Members of
TATA ELXSI LIMITED, hereby appoint of
in the district of or failing him/her of.....
in the district of as my/our proxy to attend and vote for me/
us and on my/our behalf at the Twenty Fourth Annual General Meeting of the Company to be held on Tuesday, 23rd July,
2013 at 12.30 p.m. at Devraj Urs Bhavan, (behind Dr. Ambedkar Bhavan), 16 D, Millers Tank Bed Area, Vasanthanagar,
Bangalore 560 052.

Signed this day of 2013

Regd. Folio/Client No.

DP ID No. :

No. of Shares :

* Strike out whichever is not desired.

Note : The Proxy must be returned so as to reach the Registered Office of the Company, not less than FORTY EIGHT HOURS before the time of holding the Meeting.

Signature

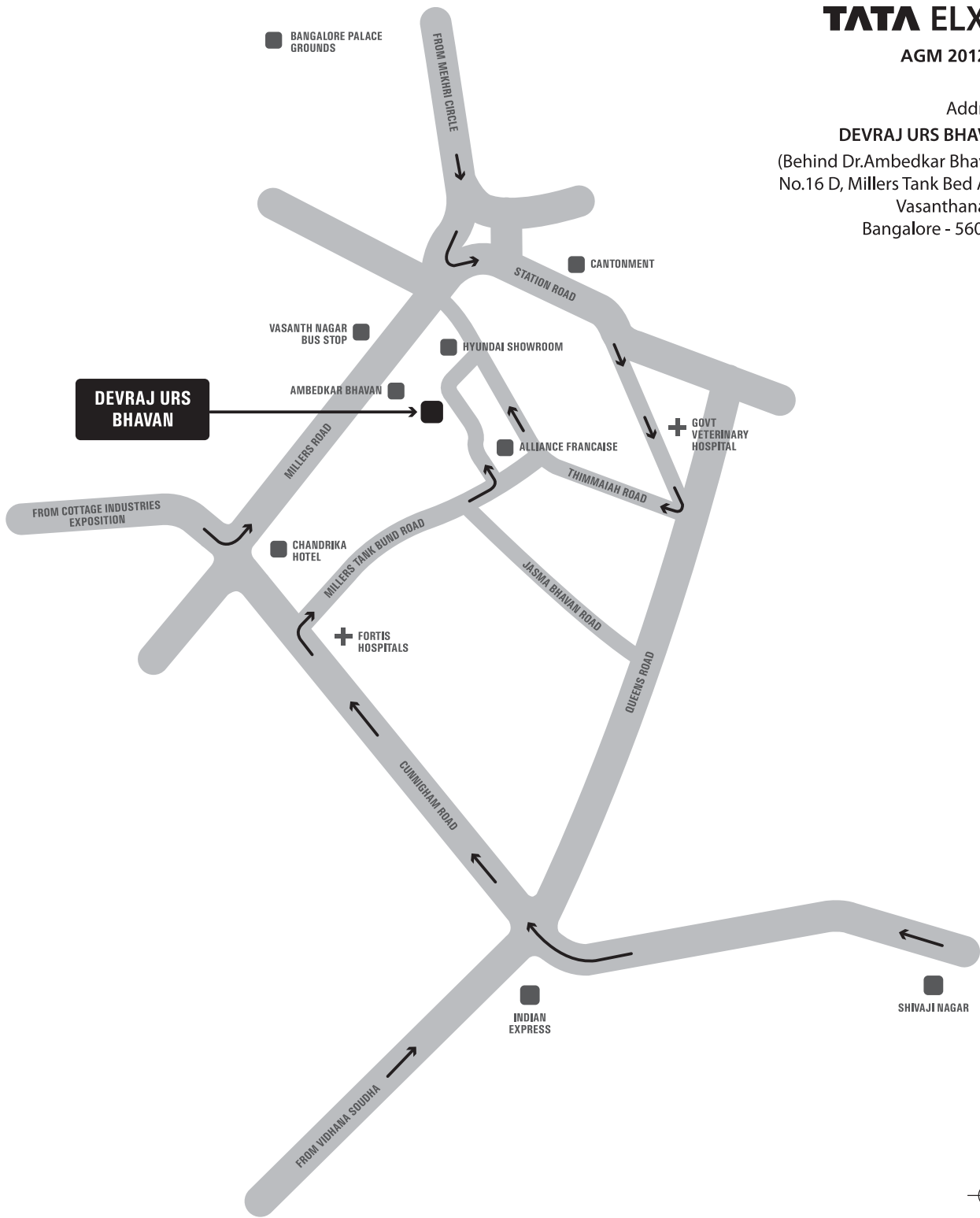
Affix
Revenue
Stamp
of Re. 1.00

TATA ELXSI

AGM 2012-13

Address:

DEVRAJ URS BHAVAN
(Behind Dr.Ambedkar Bhavan)
No.16 D, Millers Tank Bed Area
Vasanthanagar
Bangalore - 560052



Industries **Addressed**



Aerospace



Consumer
Electronics



Networking and
Telecom



Automotive



Defence and Public
Safety



Retail and Consumer
Goods



Broadcast



Healthcare



Semiconductor



Media and
Entertainment

engineering creativity...
in every aspect



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www.tataelxsi.com

FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

1	Name of the Company	TATA Elxsi Limited
2	Annual standalone financial statements for the year ended	March 31, 2013
3	Type of Audit observation	Un-qualified / Matters of Emphasis
4	Frequency of observation	Not Applicable
5	To be signed by : CEO / Managing Director and CEO	
	Audit Committee Chairman	
	CFO	
	Auditor of the Company	Refer to our Audit Report dated April 19, 2013 on the standalone financial statements of the Company For Deloitte Haskins & Sells Chartered Accountants (Reg. No. 008072S)  V. Balaji, Partner (M. No. : 203685)