

**TANLA**

# ANNUAL REPORT & ACCOUNTS

For the year ended 31 March 2012

STRATEGY

TARGET

ACQUIRE

RETAIN

**ST****R**

## Highlights

- Growth of 135% in domestic revenue over the previous year
- Redefined the product mix and departed from legacy business
- Developed a new framework "STAR" in line with the strategic objectives of the customers
- International deployments and massive campaigns for handset manufacturers
- Developed social gaming platform
- Debt free company since inception

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# Chairman's Message

Dear Shareholders,

I am delighted to inform you that our company has made steady progress during the year, with persistent execution of our strategy of developing innovative products and solutions and focusing on niche areas within our industry that are poised for high growth.

Our move towards investing in core product development using the latest developments in mobile technologies has resulted in an innovative new product portfolio. Our efforts to re-define our position in the domestic market have borne fruit resulting in a growth of 135% in domestic revenue over the previous year.



During the year we took the decision to reduce our focus on our legacy businesses of Telco products and Mobile Payments aggregation. The decision was taken after a thorough analysis of return on investment and growth prospects. The challenges including regulatory changes that impede the growth of this business are also a key decision factor for reduced focus on these verticals.

With the ever increasing penetration of smart phones, the needs of the new age smart phone user have changed. Mobile Apps and games are increasingly becoming an integral part of the marketing campaigns of hand set manufacturers (OEM) and Telcos for customer acquisition and retention. We have developed an innovative new frame work named STAR

(Strategic and Targeted campaigns for Acquisition & Retention). This framework

is developed with the approach that is in line with the strategic objectives of our customers. STAR brings an umbrella of solutions to support OEMs, Telco's and enterprises in achieving customer acquisition, retention by offering services that bring greater convenience and timely delivery of relevant promotions.

Below are some examples of our deployments of the STAR solution portfolio:

**Gift4U for RIM:** Gift4U is a marketing campaign for acquiring new customers; the campaign was launched across 5 countries in the Middle East to promote new handsets. With every new handset, AED 200 worth of mobile apps and games are provided for user to consume. The campaign has resulted in a 30% increase in sales for the targeted handsets.

**Ramadan campaign for RIM:** This is a campaign directed towards retention and was launched in the holy month of Ramadan offering high end apps and games for consumers to download and enjoy during the Ramadan season. Launched across 10 countries across Middle East & APAC, the campaign saw tremendous traction within days of launch, thus enhancing customer experience on Black Berry devices.

**Games Club:** This is a socially connected gaming service that offers users high quality games with flexible licensing and affordable subscription options. Games Club is now live across several mobile operators including Aircel, Vodafone, Smart, Three, Etisalat and several others as well as OEM's like RIM and others. Across these deployments Games Club now has over 1 million active users generating over 2 million game plays per day.

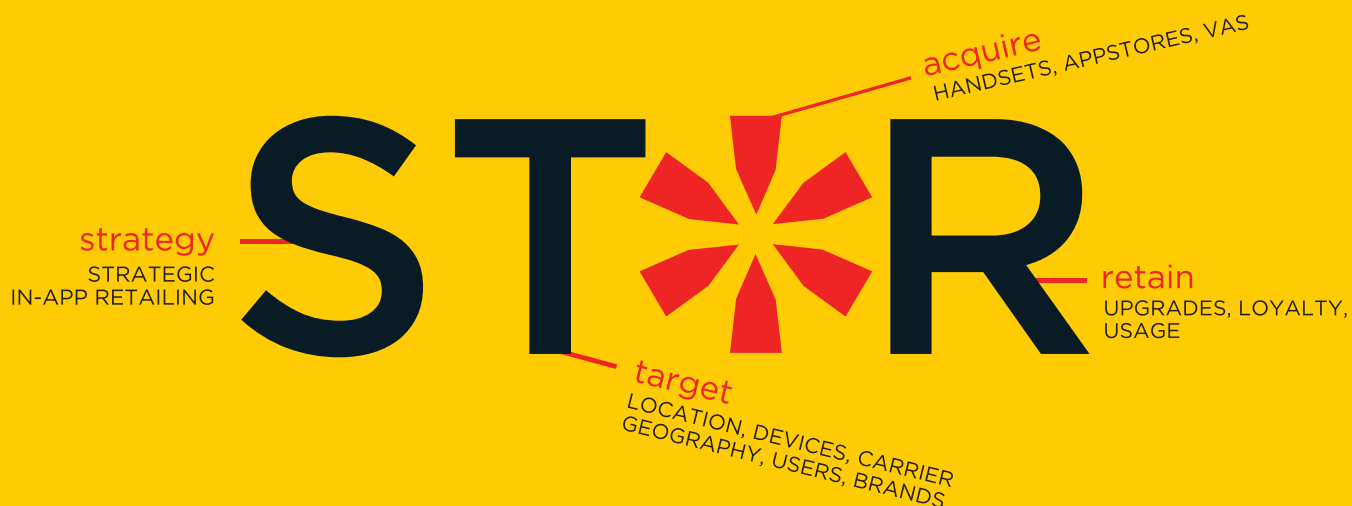
Social networking is the overwhelming trend of the times we live in. We have already built several social features into our platform like integration with Facebook and Twitter but are now set to release a truly social gaming platform with unique features like P2P gaming, leaderboards and tournament play.

In an environment filled with constant technological advances it is important for an organization to re-invent and re-focus itself in order to stay competitive. I believe we have now positioned ourselves for success in the years to come and I would like to thank all stakeholders for their continuous support.

Warm Regards,

Uday Kumar Reddy Dasari,  
Chairman & Managing Director.

# 400 MILLION HANDSETS AND GROWING



TRANSFORMING THE WAY  
BUSINESS THINKS TECHNOLOGY

More on [www.tanla.com/star](http://www.tanla.com/star)

## Transforming the way business thinks technology by providing customer acquisition and retention solutions for OEMs and Carriers

For all the businesses, primary means of growth involves acquisition of new customers and retention of existing clients. In this era of competition where customer acquisition is a challenging task, involving high cost of marketing and efforts of resources, every organization aims to widen their customer count and to minimize their customer acquisition cost and lead time. STAR, Tanla's new age solution is a innovative format with traditional approach to transform the way business thinks and uses technology to acquire, reward and retain customers.

With a foot print in more than 400Mn handsets and moving upward, STAR incorporates the new In-App technology to help OEMs and Carriers build pin point highly personalized promotional campaigns that strategically target, acquire and retain customers.

STAR brings an umbrella of solutions to support OEMs in achieving customer acquisition, retention and improved customer service goals, extending customers' life on the device by offering services that bring greater convenience and deliver timely and relevant promotions.

## CLUB

Games are the most downloaded apps from app stores worldwide that doesn't always result in revenues for the value chain. Smart phone user's ability to take informed decision enables him to have rich gaming experience at reasonable costs that fit in their budget. Club star is a proven model for marketing games which enables Carriers, OEMs and Developers the power of in-app retailing to change content consumption patterns and build effective retention and loyalty programs.

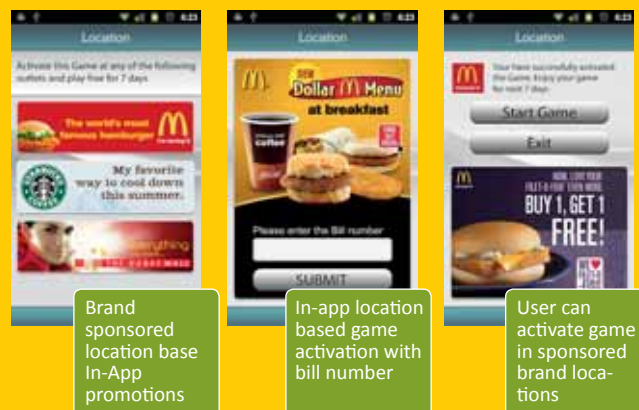
Club Star enables user participation in a timed promotion to access and play unlimited games, on-device recommendation and retailing.



## LOC

Locstar is poised to blend location, coupons with in-app real estate of games and apps to deliver connected promotions that bring carriers, OEMs, brands and users together. This provides the user with an immersive experience while allowing the ecosystem to fulfill their campaign goals.

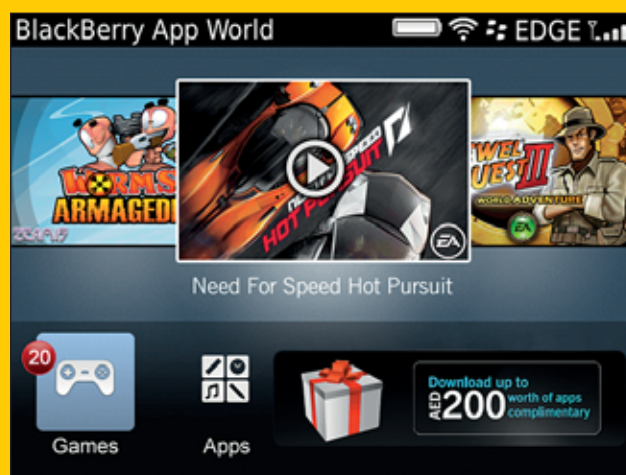
In summary LOC enables building of campaigns on any combination of Brand/ carrier / OEM/ Location/ Content/ User/ Offer, In-App display that brings the user directly to the offer, In-App monetization brings the convenience of redemption from within the game, dynamic location based in-app licensing helps build innovative promotions like visit to play, visit once-play many or multi visit-multi play, qualitative user location based analytics drives effective service planning.



## PIN

The popularity of prepaid cards, Top-ups, Gift cards and Stored Value cards has extended significantly to every shopping and payment channel. Prepaid card programs provide opportunities for businesses to acquire a new customer base, promote brand recall, and lead users to experience new service offerings.

Pinstar seamlessly complements the potential of prepaid card programs to help Carriers/OEMs to build highly targeted campaigns that ensure that the right content is being delivered to the right user at the right time and place.







## Gift4U

### The Brief

Acquire new customers for BlackBerry Touch devices and build deeper customer engagements using innovative targeted promotional campaigns in the Middle East region.

### The Solution

20 apps and games from leading publishers are bundled with handsets to add value and differentiate the handset. All content is wrapped using Tanla's proprietary License Manager to enable

targeting of the campaign by handset, geography, pin and carrier as well as to prevent unauthorized usage. Customers can access the Gift Card by scanning a QR code or download it through RIM's application store, App World.

### The Results

Since launch, Gift4U campaign has been successful by registering a 30% increase in customer acquisition and significant increase in Appworld usage and content consumption in the region.

## BlackBerry Touch campaign

Numerous customer studies have concluded that availability of content is one of the key drivers for purchase of smart phones to increase engagement and reduce churn. Tanla adopts this growing demand for content and thus enables targeted campaigns coupled with secure flexible licensing of content to attract and acquire new user segments.



## Ramadan Campaign

### The Brief

To reward Blackberry users during the Ramadan season demonstrating cultural awareness in order to build loyalty to the brand.

### The Solution

Tanla designed an app that would be available to Blackberry users for free during the Ramadan season. The app allows users to discover and download over 70 games and applications for free as well as provides topical content like Ramadan greetings, Iftar times, photo sharing over BBM, Facebook and email,

Users can access the App by scanning a QR code or through RIM's application store, App World.

This exclusive campaign provides Blackberry users the unique opportunity to enjoy content from leading global publishers worth AED 200 for each user. The Ramadan app is available for Blackberry users with OS 5 and above handsets across Asia Pacific, Middle East and Africa with a rich user interface offered in English, Arabic, Urdu and Hindi.

### The Results

Over 500,000 app downloads in just 3 weeks of launch and have received great reviews on Appworld – *"All people in the Arab world gotta have this. Works PERFECT!!!"* on my Bold 9780.

The campaign helped RIM to achieve all marketing and business objectives, showing its understanding of regional culture and its commitment to the local community through the launch of this campaign.





## Games Club

## Launched across Asia-Pacific region

### The Challenge

Carriers, Handset Manufacturers and Game publishers have not been able to cash in on the tremendous potential of mobile gaming due to the fact that consumers are budget conscious and their consumption habits do not match the way games are licensed. Consumers do not always want to pay the full price to purchase a game that they might only want to play for a few hours.

### The Solution

Tanla's solution to the Carriers and Handset Manufacturers was a plug and

play Games Club solution which allows easy management of content with the ability to provide try & buy as well as several flexible licensing models like pay per play, day, week or month over existing games with a unique ability to control usage and pricing in real-time from the backend platform.

To enhance the user experience, the solution also recommends new games within the game providing a new channel for game discovery and download and expanding additional streams for revenue generation within the game.

### The Results

The results achieved were phenomenal for the carriers and OEMs increasing their gaming ARPU to \$1.1 resulting in 66% increase; averaging 30-50% increase in gaming users.

Tanla's games club solution demonstrated how license wrapper technology can multiply mobile content revenues and profitability through the launch of games club solution for carriers like Airtel, Vodafone, Aircel, Docomo, Smart, Etisalat, Grameenphone and Handset manufacturers like Blackberry and Nokia.





## Unlimited Gaming

### Overview

The extensive and ever-increasing penetration of mobile phones in developing and emerging markets presents a significant opportunity for mobile gaming. Mobile gaming contributes to 8% of overall VAS revenues.

India VAS industry is expected to be INR 33,280 Cr by 2013; currently India has an approx. 200 million Mobile data users

in 600 MN mobile subscribers and is expected to increase to 500 MN data users.

### Games Club

Tanla's Games Club solution powered by Tanla Wrapper is enabled by using data recharge (top-up) cards. The solution enables unlimited gaming bundled with data plans of Telco. User can recharge the data plan and enjoy unlimited gam-

## Data Recharge Cards

ing from the portal.

Games Club enables (a) in game subscriber engagement (Active & Inactive) to ensure stickiness, purchase that creates a new payment/ top-up channel for recharge and recommendations to drive downloads, (b) Social integration through sharing scores, challenging friends from within the game.



## Mobile Social Gaming

Social gaming is already popular on the internet as has been proven by games like Farmville and others that have used Facebook to socially enable their games on the internet. As the mobile phone is becoming the primary device for social networking the need for a truly mobile social gaming platform has arisen that can not only socially enable new games but can also work with back catalogues of existing games.

### **Tanla's Mobile Social Gaming platform**

Tanla's mobile social gaming platform helps users socialize while playing games and engage users in multiple areas. With minimal or zero effort from game developers, Tanla's platform will be able to fetch real time scores from the game and publish on to their social network. Along with the standard features of Chat, Blogs with friends, users can participate in global gaming tournaments organized

inside the platform with exciting gratification to participants. Virtual goods are the small ticket items purchased inside the game that enhances the gaming experience of the user.

Tanla proposes to partner with leading publishers of Mobile gaming to make their games social for an enhanced user experience. The solution is planned for early next quarter launch.



# Board of Directors



**Mr. D. Uday Kumar Reddy**  
**Chairman & Managing Director**

Mr. D. Uday Kumar Reddy, founder of Tanla Solutions Ltd. has been serving as the Chairman & Managing Director since 1999. Mr. Reddy has been the principal architect of Tanla's leadership, growth and strategy and is responsible for Corporate Vision, M&A and Strategic Investments



**Mr. Gautam Sabharwal**  
**Director – Global Business Development**

Mr. Gautam Sabharwal leads Tanla's business development and global strategic alliances and partnerships. Mr. Sabharwal joined Tanla from Techserv which became a subsidiary of Tanla Solutions Ltd; his past experience also includes several years of managing successful businesses in the emerging telecom services markets of Europe.



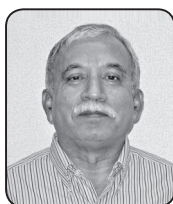
**Mr. Satish Kathirisetti,**  
**Chief Technology Officer**

Mr. Satish Kathirisetti leads the Applications & Innovations Group, and is responsible for technology guidance and architectural design of all products and services of Tanla. Mr. Kathirisetti joined Tanla in 2001 from Serendip Technologies as Chief Technologist with remarkable contribution in the areas of telecom voice solutions and unified messaging.



**Padma Bhushan Ram Narain Agarwal**  
**Independent Director**

Padma Bhushan Ram Narain Agarwal, a scientist of great renown and recipient of several awards such as including Padma Sri (1990), Padma Bhushan (2000), Dr. Biren Roy Space Science Award (1990), DRDO Technology Leadership Award (1998), Chandrasekhara Saraswati National Eminence Award for Science (2000) and the DRDO Lifetime Achievement Award (2004) was the Project Director of Agni Missile Program and hails from Rajasthan. Mr. Agarwal post graduated in Aeronautical Engineering from Madras Institute of Technology and did his Masters in Engineering in Aerospace Engineering from the Indian Institute of Science, Bangalore.



**Dr. Sudhanshu Sekhar Jamuar**  
**Independent Director**

Dr. Sudhanshu Sekhar Jamuar, is an engineering graduate from Bihar Institute of Technology & M.Tech, Ph.D from Indian Institute of Technology, Kharagpur. Dr. Jamuar was a recipient of Meghnad Saha Memorial Award from IETE and a senior member of IEEE and Fellow member of IETE(India). Currently Dr. Jamuar is a Professor in University of Malaya, Malaysia.



**Mr. Abhishek Khaitan**  
**Independent Director**

Mr. Abhishek Khaitan, LLB (Hons) is practicing as Solicitor in England and Wales. Mr. Khaitan is a partner in M/s Bower Cotton Khaitan, Solicitors, a law firm based in London; he specializes in immigration and litigation issues among other areas such as tax planning and financial advice.



## Directors' Report

Dear Members,

Our Directors have pleasure in presenting the 16th Directors' Report on the business and operations of our Company for the financial year ended on March 31, 2012.

### 1. Results of Operations

in Rs.

Financial performance of the Company (Standalone):		
Particulars	Results	Results
	March 31, 2012	March 31, 2011
Income from operations	36 83 28 675	28 70 50 801
Operating Profit (EBIDTA)	(65 72 494)	5 45 47 723
Less: Depreciation & amortisation	13 93 47 846	31 21 72 843
Operating Profit before Tax	(14 59 20 339)	(25 76 25 120)
Add: Other Income	49 18 636	53 40 458
Profit Before Tax	(14 10 01 703)	(25 22 84 661)
Less: Provision for Tax	(3 51 27 709)	(7 37 93 030)
Profit after Tax	(10 58 73 994)	(17 84 91 631)
Dividend (incl. dividend tax)	-	1 18 33 408
Transfer to General Reserve	-	-
Net Profit Transferred to Reserves	(10 58 73 994)	(19 03 25 039)
Earnings per share: Basic / Diluted (Rs.1 each)	(1.04)	(1.76)
Dividend Rate	Nil	10%
Share Capital	10 14 79 593	10 14 79 593
Reserves & Surplus	616 42 24 834	627 00 98 828
<b>Total shareholders funds</b>	<b>626 57 04 427</b>	<b>637 15 78 421</b>
<b>Book value per share (Rs.1 each)</b>	<b>61.74</b>	<b>62.79</b>

### 2. Further Issue Of Equity Shares On Preferential Basis

The company has not issued Equity Shares on Preferential basis during the financial year 2011-12.

### 3. Public Deposits

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under during the financial year under review.

### 4. Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, three Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. A brief resume of the Directors seeking re-appointment is annexed to the Notice. Details of Directors who resigned after the previous AGM till the date of this Report:

1. Mr. Surjeet Kumar Palhan, Independent Director resigned from the Board on September 30, 2011 after serving the Board since July 18, 2007.
2. Mr. Amit Gupta, Director Finance, resigned from the Board on November 01, 2011 after serving the Board since November 11, 2005.
3. Mr. Anoop Roy Kundal, Director – Operations, resigned from the Board on December 30, 2011 after serving the Board since October 27, 2004.
4. Mr. Navnit Chachan, Director & Chief Operating Officer, resigned from the Board on June 30, 2012 after serving the Board since November 11, 2005.
5. Mr. Shrikanth Madan Chitnis, Independent Director resigned from the Board on August 14, 2012 after serving the Board since December 28, 2005.

The Board placed on record appreciation for the services rendered by the Directors during their tenure on the Board.



## 5. Management Discussion and Analysis

A separate Management Discussion and Analysis Report is also attached and forms part of this report.

## 6. Subsidiaries

The subsidiaries of the Company are:

1. Mufithumb Entertainment Private Limited
2. Tanla Mobile Private Limited
3. Tanla Mobile Asia Pacific Pte Ltd., Singapore
4. Tanla Solutions (UK) Limited, U.K.

The step down subsidiaries of the Company are:

1. Tanla Mobile Ltd., UK a subsidiary of Tanla Solutions (UK) Ltd., UK.
2. Tanla Mobile Spain SL, Spain a subsidiary of Tanla Mobile Ltd., UK.
3. Tanla Mobile Middle East FZ LLC, Dubai
4. Tanla Mobile Inc., USA
5. Tanla Mobile South Africa Proprietary Ltd., South Africa
6. Tanla Mobile South Asia Pvt Ltd., Sri Lanka and
7. Tanla Mobile Ireland Pvt Ltd., Ireland are subsidiaries of Tanla Mobile Asia Pacific Pte Ltd., Singapore
8. Tanla Mobile Finland Oy, a subsidiary of Tanla Mobile Middle East FZ LLC, Dubai
9. Tanla Oy, Finland, is a subsidiary of Tanla Mobile Finland Oy

TZ Mobile Private Limited, incorporated in July 2009 under the provisions of the Companies Act, 1956 is a Joint Venture between Tanla Solutions Ltd and Zed Worldwide Holdings SL, Spain each holding 50% of shareholding.

## 7. Consolidated Financial Statements

Pursuant to the exemption granted vide General Circular No. 2/2011 dated February 08, 2011, by the Ministry of Corporate Affairs, Government of India, a gist of the financial performance of the subsidiary companies is contained in the Annual Report. The Annual Accounts of the subsidiary companies are open for inspection by any member/investor and the Company will make available these documents/details upon request by any member of the company to any investor of its subsidiary companies who may be interested in obtaining the same.

In terms of Clause 32 of the Listing Agreement with the Stock Exchanges and as prescribed by Accounting Standard 21 notified by the Government of India under Section 211(3C) of the Companies Act, 1956, the Audited Consolidated Financial Statements duly signed by the Statutory Auditors are annexed elsewhere in this Annual Report.

## 8. Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirm that:

- (i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) Appropriate accounting policies have been applied consistently, judgements and estimates which are reasonable and prudent have been made 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 loss of the company for that period;
- (iii) Proper and sufficient care has been taken 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) The annual accounts have been prepared on a going concern basis.

## 9. Corporate Governance

Pursuant to the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance together with a certificate from M/s Ravi & Subramanyam, Practicing Company Secretaries, Hyderabad, features as part of the Annual Report. The company will continue to implement and adhere in letter and spirit to the policies of good corporate governance.

## 10. Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, no employee /whole-time Director has been paid a remuneration equal to or exceeding the remuneration prescribed under the above amended rules.

## 11. Conservation Of Energy, Research And Development, Technology Absorption, Foreign Exchange Earnings And Outgo

### Conservation of Energy

The operations of the Company are not energy intensive. However, adequate measures have been taken to conserve and reduce the energy consumption by using energy efficient hardware, usage of natural light and other equipment. Air Conditioners are used only when required and air-conditioned areas have been treated with heat resistant material. We continue to evaluate new technologies and invest to conserve and reduce energy consumption. We believe energy saved is energy produced.

### Research & Development, Technology Absorption

The company has rendered certain cost effective products and solutions to its clients as a result of its constant endeavour to research and develop new products, processes and methodologies for improving the productivity and quality of its products and services.

### Foreign Exchange earnings and outgo

The particulars regarding foreign exchange earnings and expenditure are annexed hereto and forms part of this report.

## 12. Employee Stock Option

Options were granted to employees in October 2009, but no options were vested with the employees pursuant to the grant.

Disclosures in compliance with Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999) as amended, are as under:

Nature of Disclosure	Particulars
Options granted	41,75,000 options were granted on October 16, 2009, each option gives the grantee a right to subscribe to equity share of face value of Re.1/- each.
The pricing formula	At a discount of 20% on the latest available closing market price prior to the date of grant of options of the company on the exchange having the highest trading volume.
Options Vested	No Options were vested during the year
Options Exercised	No Options were exercised during the year
Total number of shares arising as a result of exercise of option	No Options were exercised during the year
Options lapsed	No Options were vested during the year
Variation of terms of Options	No variation has been done
Money realized by exercise of Options	As no Options were exercised during the year, no money was realized.
Total number of options in force Details of Options granted to senior managerial personnel	41,75,000
Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during the year	No Options were granted during the year 2011-12
Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital(excluding outstanding warrants and conversions) of the company at the time of grant	No Options were granted during the year 2011-12
Diluted Earnings per share(EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard(AS) 20 – Earnings Per Share	No shares were issued as no options were exercised.
(i) Method of calculation of employee compensation cost. (ii) Difference between the compensation cost using the intrinsic value of the stock options(which is the method of accounting used by the company) and the Compensation cost that would have been recognized in the accounts if the fair value of options had been used as method of Accounting. (iii) Impact of difference mentioned above in (i) above on the profits of the company. (iv) Impact of the difference mentioned in (i) above on the EPS of the company	As no shares were allotted during the year 2011-12, this section is in-applicable
(i) Weighted Average exercise price of options (ii) Weighted Average fair value of options	As no shares were allotted during the year 2011-12, this section is in-applicable
(i) Method used to estimate the fair value of options (ii) Significant assumptions used (Weighted Average information relating to all grants):- (a) Risk free interest rate (b) Expected life of options (c) Expected volatility (d) Expected dividend yields (e) Price of the underlying share in market at the time/of option granted	As no shares were allotted during the year 2011-12, this section is in-applicable



### 13. Transfer of Unclaimed Shares to Suspense Account

870 Equity Shares held by 15 shareholders, in the “Tanla Solutions Limited – Demat Suspense Account” in Axis Bank Ltd., Jubilee Hills Branch, Hyderabad, as on March 31, 2012 in accordance with the provisions of Clause 5A of the Listing Agreement. The voting rights on these shares shall remain frozen till the rightful owner of these shares claims the shares.

### 14. Transfer of Unpaid/Unclaimed Dividend to the Investor Education and Protection Fund

Pursuant to Section 205A(5) of the Companies Act, 1956, and other applicable guidelines, Rs. 1,28,579.00 (Rupees One lakh twenty eight thousand five hundred and seventy nine only) representing the “Un-paid and Un-Claimed dividend for the year 2004-05” has been transferred to the Investor Education and Protection Fund.

### 15. Industrial Relations

The company enjoyed cordial relations with the employees during the year under review and the Management appreciates the employees of all cadres for their dedicated services to the company, and expects continued support, higher level of productivity for achieving the targets set for the future.

### 16. Auditors and Auditor’s Report

M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Hyderabad, the Statutory Auditors, retire at the ensuing annual general meeting and are eligible for re-appointment. The company received confirmation that their appointment, if made, would be within the prescribed limits under the provisions of Section 224(1B) of the Companies Act, 1956.

The Auditors Report to the shareholders for the year ended March 31, 2012 does not contain any qualification and therefore does not call for any explanations/comments.

### 17. Group

List of Promoters including the Promoter Group of the company comprising “Group” as defined under the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969) pursuant to Regulation 3(1)(e)(i) of the SEBI(Substantial Acquisition of Shares & Takeovers) Regulations, 1997 are:

1. Mr. D. Uday Kumar Reddy
2. Mrs. D. Tanuja Reddy
3. Mr. Satish Kathiriseti
4. Mr. Gautam Sabharwal

### 18. Acknowledgements

The Directors wish to express their appreciation of the support and co-operation of the Central and the State Governments, bankers, business partners, employees, associates and expects the same in future as well for sustaining the growth rates achieved in the past.

On behalf of Board of Directors

Sd/-

D. Uday Kumar Reddy  
Chairman & Managing Director

Date: 14 August, 2012  
Place : Hyderabad

### Foreign Exchange earnings & outgo:

#### a. Imports (valued on the cost, insurance and freight basis)

In Rs.

Particulars	For the Year 2011-2012	For the Year 2010-2011
Import of capital goods	17 25 335	6 38 78 362

#### b. Activity in foreign currency

In Rs.

Particulars	For the Year 2011-2012	For the Year 2010-2011
<b>Earnings in foreign exchange (on accrual basis)</b>		
Income from software products and offshore development services	14 15 01 021	19 07 09 339
<b>Less: Expenditure in foreign exchange (on accrual basis)</b>		
Cost of services	11 83 02 811	2 25 03 713
Foreign Travel Expenses	22 33 634	15 58 238
Professional Charges	3 20 202	14 93 105
<b>Net earnings in foreign exchange</b>	<b>1 89 19 039</b>	<b>10 12 75 921</b>

## Report on Corporate Governance

### 1. Company's Philosophy

The Company aims at achieving transparency, accountability and equity in all facets of its operations and in all interactions with stakeholders including shareholders, employees, clients, etc., and is committed to achieve good standards of Corporate Governance. The Company believes that these practices will result in sustainable growth of the Company.

### 2. Board Of Directors as on March 31, 2012

The Board of the Company consisted of Eight Directors. The composition of the Board as on March 31, 2012, consisted of 4 Executive Non-Independent Directors & 4 Non-Executive Independent Directors. The Chairman & Managing Director of the Company manages the day-to-day affairs of the Company. The Board has an optimum combination of Executive & Non-Executive Directors as per clause 49 of the Listing Agreement.

### 3. Number of Board Meetings held During the Financial Year 2011-12

Six meetings of the Board of Directors were held during the financial year 2011-12 on:

11th May, 2011; 10th August, 2011; 5th September, 2011; 30th September, 2011; 14th November, 2011 and 14th February, 2012.

#### Details of Attendance of Directors at the Board Meetings and last AGM

Name of the Director	Number of Board Meetings Attended	Attendance at last Annual General Meeting	Directorship in other Public Companies	No. of Committees in othe Public Limited Companies	
				Chairman	Member
<b>Executive Directors</b>					
Mr.D.Uday Kumar Reddy	6	Yes	Nil	Nil	Nil
Mr.Navnit Chachan	5	Yes	Nil	Nil	Nil
Mr.Gautam Sabharwal	Nil	No	Nil	Nil	Nil
Mr.Satish Kathirisetti	6	Yes	Nil	Nil	Nil
Mr. Amit Gupta*	4	Yes	Nil	Nil	Nil
Mr.Anoop Roy Kundal**	Nil	No	Nil	Nil	Nil
<b>Non-Executive Independent Directors</b>					
Mr.Ram Narain Agarwal	6	Yes	Nil	Nil	Nil
Mr.Sudhanshu Sekhar Jamuar ***	4	No	Nil	Nil	Nil
Mr.Shrikanth Madan Chitnis	Nil	No	Nil	Nil	Nil
Mr.Abhishek Khaitan	Nil	No	Nil	Nil	Nil
Mr. Surjeet Kumar Palhan****	3	No	Nil	Nil	Nil

\* Mr Amit Gupta resigned on November 01, 2011.

\*\* Mr Anoop Roy Kundal resigned on December 30, 2011.

\*\*\* Mr Sudhanshu Shekar Jamuar participated in the Board Meeting on September 30, 2011 through telephone.

\*\*\*\*Mr Surjeet Kumar Palhan resigned on September 30, 2011.



#### 4. Committees of the Board

The Board comprised of the following Committees as on March 31 2012:

##### Audit Committee:

The Company constituted a Qualified Independent Audit Committee in accordance with the provisions of Clause 49 of the Listing Agreement with Stock Exchanges and Section 292A of the Companies Act, 1956. The Committee is empowered with the powers as prescribed under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The Committee also acts in terms of reference and directions of the Board from time to time.

The Audit Committee met five times during the year on 11th May, 2011, 10th August, 2011; 5th September, 2011; 14th November, 2011 and 14th February, 2012.

The Composition of the Audit Committee and details of member's attendance in the Committee Meeting held during the year is as follows:

S.No.	Name of Director	Designation	Category	No. of Meetings Attended
1	Mr. Ram Narain Agarwal	Chairman	Independent Non-Executive	5
2	Mr. Surjit Kumar Palhan**	Member	Independent Non-Executive	3
3	Mr. Shrikanth Madan Chitnis	Member	Independent Non-Executive	Nil
4	Mr. Sudhanshu Shekar Jamuar***	Member	Independent Non-Executive	1
5	Mr. Satish Kathiriseti*	Member	Executive Non-Independent	3

\*\*\* Mr. Sudhanshu Shekar Jamuar was appointed as a member of the Audit Committee, pursuant to resignation of

\*\* Mr. Surjit Kumar Palhan from the Board on September 30, 2011.

\* Mr. Satish Kathiriseti, Chief Technology Officer was appointed as a member on September 05, 2011.

Seshanuradha Chava, the Company Secretary was the Secretary of the Committee.

The Chairman of the Audit Committee was present at the previous Annual General Meeting. The Statutory Auditors, Internal Auditors and Chief Financial Officer of the Company were invited to attend the Audit Committee Meetings for discussions on various issues.

The Audit Committee has the following powers and performs all duties as specified under the Listing Agreement:

1. To investigate into any matter in relation to the items, specified in Section 292A of the Companies Act, 1956 or any matter referred to it by the Board and shall have full access to information contained in the records, if necessary.
2. To investigate any activity within its terms of reference.
3. To seek information from any employee.
4. To obtain outside legal or other professional advice.
5. To secure attendance of outsiders with relevant experience.

##### Remuneration Committee

The Remuneration Committee makes recommendation to the Board of Directors regarding remuneration payable to Executive Directors and Senior Management of the company.

##### Remuneration Policy:

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) to its Chairman & Managing Director and other Executive Directors as decided by the Remuneration Committee and approved by the members from time to time. Sitting fee of Rs.10,000/- per meeting is paid to a Non-Executive Director for attending a Board Meeting, as per the Articles of Association.

Remuneration of employees consists of base remuneration, perquisites, allowances and incentives. The components of the total remuneration are governed by the industry pattern, qualification, experience, performance, responsibilities handled by the employee. The objective of the remuneration policy is to motivate employees to excel in their performance, recognize their contribution and retain talent in the organization.

The Remuneration Committee met once during the year on December 28, 2011. The Composition of the Remuneration Committee and details of attendance of the members at the Committee meeting held during the year is as follows:

S.No.	Name of Director	Status	Nature of Directorship	No. of Meetings Attended
1	Mr.Sudhanshu Shekhar Jamuar	Chairman	Independent Non-Executive	1
2	Mr.Ram Narain Agarwal	Member	Independent Non-Executive	1
3	Mr.Shrikanth Madan Chitnis	Member	Independent Non-Executive	Nil

Seshanuradha Chava, the Company Secretary was the Secretary of the Committee.

Particulars of remuneration and other benefits paid to Executive Directors during for the year ended March 31, 2012:

in Rs.

S. No.	Name	Salary and allowances	Contributions to Provident & other funds	Perquisites & incentives	Total remuneration
1	Mr. D. Uday Kumar Reddy	45 63 253	2 30 080	14 400	48 07 733
2	Mr. K. Satish	40 56 975	2 04 553	14 400	42 75 928
3	Mr. Anoop Roy Kundal	21 42 000	1 08 000	14 400	22 64 400
4	Mr. Amit Gupta	11 04 320	85 680	14 400	12 04 400
5	Mr. Navnit Chachan	6 00 000	28 800	14 400	6 43 200
	<b>Total</b>	<b>1 24 66 548</b>	<b>6 57 113</b>	<b>72 000</b>	<b>1 31 95 661</b>

Particulars of sitting fees paid to Executive Directors during the year ended March 31, 2012:

in Rs.

Name	Sitting Fees	Reimbursement of Expenses	Total
Mr.Ram Narain Agarwal	50 000	-	50 000
Mr.Shrikanth Madan Chitnis	Nil	-	Nil
Mr.Surjeet Kumar Palhan	10 000	-	10 000
Mr.Abhishek Khaitan	Nil	-	Nil
Mr.Sudhanshu Sekhar Jamuar	30 000	-	30 000
<b>Total</b>	<b>90 000</b>	<b>-</b>	<b>90 000</b>

## Shareholders/Investors Grievance Committee

The Committee is empowered to redress the complaints of shareholders pertaining to share transfers, issue of duplicate share certificates, rematerialisation of shares, non-receipt of annual reports, dividends, etc.,

### The Composition of the Shareholders/Investors Grievance Committee is as follows:

S.No.	Name of Director	Status	Nature of Directorship
1	Mr.Ram Narain Agarwal	Chairman	Independent & Non-Executive
2	Mr.D.Uday Kumar Reddy	Member	Non-Independent & Executive
3	Mr.Abhishek Khaitan	Member	Independent & Non-Executive

Seshanuradha Chava, Company Secretary, has been designated as Compliance Officer of the Company in compliance with the Listing Agreement with the Stock Exchanges.

### The status of investor complaints received during the year is as follows:

S.NO	Subject	Received	Resolved	Pending
1	Non Receipt of Annual Reports	9	9	0
2	Non Receipt of Refund Order	1	1	0
3	Non Receipt of Dividend Warrants	24	24	0
4	Non Receipt of Shares	2	2	0
	TOTAL	36	36	0

### Investment Committee:

The Board constituted an Investment Committee with the following powers:

- To decide based on the necessity to open and operate bank account
- To invest/renew and withdraw fixed deposits and other instruments in high quality interest bearing liquid instruments
- To invest surplus funds of the company in secured instruments like government securities, fixed/term deposits with banks, etc.,
- Execute bank guarantees, obtain letter of credit and perform all such activities required/stipulated by banks and financial institutions.

### The Composition of the Investment Committee is as follows:

S.No.	Name of Director	Designation	Nature of Directorship
1	Mr. Uday Kumar Reddy	Chairman	Non-Independent & Executive
2	Mr. Satish Kathirisetti	Member	Non-Independent & Executive
3	Mr.Anoop Roy Kundal*	Member	Non-Independent & Executive
4	Mr.Amit Gupta**	Member	Non-Independent & Executive

\* Mr. Anoop Roy Kundal, Director - Operations has resigned from the Board on December 30, 2011.

\*\*Mr Amit Gupta, Director - Finance has resigned from the Board on November 01, 2011.

### 5. Code of Conduct:

The Board of Directors has laid down a "Code of Conduct" for all the Board Members and the senior management of the Company and this code is posted on the website of the Company :[www.tanla.com](http://www.tanla.com). A declaration to this effect, duly signed by the Managing Director is annexed hereto and forms part of this Report.

## 6. Initiatives on prevention of insider trading practices:

In compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2011, the company framed comprehensive set of regulations termed as “ Code of Conduct for Prevention of Insider Trading Regulations” for its Directors and designated employees. The Code lays down guidelines, which advises the Directors and the designated employees on the procedures to be followed and disclosures to be made, while dealing with shares of the company.

## Subsidiary Companies:

Information pertaining to Subsidiary Companies is mentioned in point no. 6 of Directors’ Report.

## 7. General Body Meetings:

Details of location and time of holding of last three AGMs.

Year	Location	Date & Time
13th AGM – 2009	Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad-500081.	September 29, 2009 10.30 A.M.
14th AGM – 2010	Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad-500081.	September 30th, 2010 10.30 A.M.
15th AGM – 2011	Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad-500081.	September 30th, 2011 10.30 A.M.

**The following Special Resolutions were passed at the 15th Annual General Meeting of the Members of the Company held on September 30, 2011:**

- To fix the remuneration payable to Mr. D. Uday Kumar Reddy, Chairman & Managing Director as approved by the Remuneration Committee.
- To fix the remuneration payable to Mr. Amit Gupta, Director - Finance as approved by the Remuneration Committee.
- To fix the remuneration payable to Mr. Satish Kathirisetti, Chief Technical Officer as approved by the Remuneration Committee.
- To fix the remuneration payable to Mr. Anoop Roy Kundal, Whole-time Director as approved by the Remuneration Committee.

## Postal Ballot:

During the year 2011-12, no postal ballot was conducted.

## 8. Disclosures

### CMD & CFO Certification

The CMD & CFO have certified to the Board in accordance with Clause 49(V) of the Listing Agreement pertaining to annual certification for the financial year ended March 31,2012.

### Related Party Transactions:

There has been no materially significant related party transaction with the Company Promoters, Directors, the Management, the Subsidiaries or relatives of Directors which may have potential conflict with the interests of the Company at large.

A summary of materially significant related party transactions is given in Note No.26B in the Notes to the Accounts appearing in this Report.

Transactions made in pursuance of contracts or arrangements entered with related parties and exceeding the value of Rupees Five Lakhs in respect of each party during the financial year have been made at prices which are reasonable with regard to the prevailing market prices at the relevant time. All transactions mentioned herein have been conducted at arm’s length.





### **Compliance Certificate**

M/s Ravi and Subramanyam, Company Secretaries, Hyderabad, a firm of practicing Company Secretaries carried out the Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) and the total issued and listed capital. The Secretarial Audit report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

### **Strictures/Penalty:**

There have been no major instances of non-compliance by the Company on any matters related to the Capital markets, nor have any penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on such matters.

### **Whistle Blower policy:**

The Company has adopted a Whistle Blower Policy wherein a proper mechanism is established in line with Clause 49 of the Listing Agreement to report concerns about unethical behavior and violation of Code of Conduct of the Company. No person has been denied access to the Audit Committee in this regard.

### **Preparation of financial statements:**

The Company's financial statements are prepared as per Accounting Standards and the accounting principles generally accepted in India.

### **Relationship inter-se among the Directors:**

There is no pecuniary relationship among the Directors inter-se and the Company has not entered into any transaction with the Non-Executive Directors.

### **Risk Management:**

The Board regularly discussed the significant business risks identified by the management and the mitigation process being taken up. A detailed note on the risk management is annexed to the Management Analysis & Discussion.

### **Subsidiaries:**

We have 13 subsidiary companies. None of them is a material non-listed Indian subsidiary as per Clause 49 of the Listing Agreement.

### **Proceeds from Public Issue, Preferential Issue, Rights Issue, etc.,**

There was no Public Issue, Preferential Issue, Rights Issue during the year 2011-12.

### **Compliance with Mandatory Requirements:**

The Company has complied with the mandatory requirements of Clause 49 and adopted certain non-mandatory requirements.

### **Non-Mandatory Requirement**

#### **Remuneration Committee:**

The Board has constituted a Remuneration Committee consisting of three Non-Executive Directors as members. It reviews and recommends to the Board on appointment/re-appointment and remuneration including perquisites, commission on profits to Executive Directors.

### **Whistle Blower Policy:**

The Company has established a Whistle Blower Policy to provide a mechanism for employees to raise concerns, grievances, unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics. This Policy also provides for adequate safeguard against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases.

## **Additional shareholders information:**

### **Means of Communication:**

- The quarterly financial results are being published in English Newspapers like Mint(All Editions) having all India circulation and Eenadu, Andhra Jyothi & Andhra Prabha in Telugu being the vernacular language where the registered office is situated.
- The quarterly financial results are also displayed on company's website [www.tanla.com](http://www.tanla.com) and also of Stock Exchanges [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com)
- Annual Report also forms part of communication which includes inter-alia the Director's Report, Report on Corporate Governance and Annual Audited Financial Results.

## **General Shareholder's Information**

### **16<sup>th</sup> Annual General Meeting**

Date	:	28 <sup>th</sup> September, 2012
Day	:	Friday
Time	:	10:30 AM
Venue	:	Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad - 500081.

## **Financial Calendar**

For Quarter ending on June 30 <sup>th</sup> , 2012	:	Before August 14 <sup>th</sup> , 2012
For Quarter ending on Sept 30 <sup>th</sup> , 2012	:	Before November 14 <sup>th</sup> , 2012
For Quarter ending on Dec 31 <sup>st</sup> , 2012	:	Before February 14 <sup>th</sup> , 2013
For Quarter ending on March 31 <sup>st</sup> , 2013	:	Before May 14 <sup>th</sup> , 2013
Financial Year	:	April 1 <sup>st</sup> to March 31 <sup>st</sup>
Date of Book Closure	:	September 24 <sup>th</sup> , 2012-September 28 <sup>th</sup> , 2012 (both days Inclusive)

## **The Equity Shares of the Company are listed on the following Stock Exchanges:**

The Bombay Stock Exchange Limited(BSE) and National Stock Exchange of India Limited(NSE)

### **Stock Code:**

i)	Trading Symbol at	:	Bombay Stock Exchange Scrip Code: 532790
			National Stock Exchange TANLA
ii)	Demat ISIN Numbers in NSDL & CDSL	:	INE483C01032

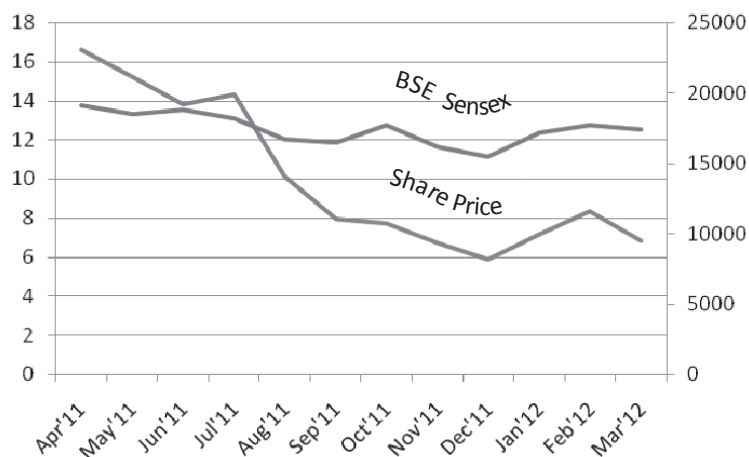
## **Listing and Custodial fee:**

Listing fee as prescribed has been paid fully to all Stock Exchanges where shares of the company are listed. The company has paid custodial fee for the year 2011-12 to the National Securities Depository Limited and Central Depository Services (India) Limited.

## Stock Market Data from April 2011 to March 2012

Month	Bombay Stock Exchange Limited			National Stock Exchange of India Limited		
	High (Rs.)	Low (Rs.)	No.of Shares Traded	High(Rs.)	Low (Rs.)	No.of Shares Traded
April 2011	19.75	16.30	12 23 835	19.30	16.35	16 08 305
May 2011	16.95	14.75	9 75 484	17.00	14.15	16 47 456
June 2011	15.70	13.00	7 89 824	15.45	12.95	14 82 854
July 2011	17.45	13.60	18 57 955	17.45	13.50	43 11 411
August 2011	14.95	9.25	18 98 774	14.70	9.20	42 76 762
September 2011	10.50	7.93	12 67 827	10.55	7.90	29 26 126
October 2011	8.10	6.60	13 77 207	8.00	6.60	35 31 269
November 2011	10.26	6.55	24 62 538	10.30	6.55	43 10 008
December 2011	7.50	5.41	9 18 759	7.55	5.45	19 94 187
January 2012	7.65	5.62	15 64 679	7.65	5.80	34 07 367
February 2012	10.52	6.97	33 72 809	10.50	6.70	68 32 897
March 2012	8.33	6.40	11 25 143	8.50	6.50	20 05 871

## Chart Presenting The Share Price Movement of Tanla Solutions Limited Vs Sensex



## Address for correspondence with the Registrar and Transfer Agents:

M/s Karvy Computershare Private Limited  
 (Unit: Tanla Solutions Limited)  
 Plot No.17-24, Vittal Rao Nagar, Madhapur,  
 Hyderabad – 500081.  
 Ph: 040-23420815-28  
 Fax: 040-23420814

## Dematerialization of Shares and Liquidity:

Over 99.13% of the outstanding shares were dematerialized as on March 31, 2012. Trading in equity shares of the company is permitted only in dematerialized form as per the provisions of the Securities and Exchange Board of India (SEBI). The Company's shares are liquid and actively traded. The monthly volume of the Company's shares traded on the Stock Exchanges is a part of this report.

## Outstanding GDRs/ADRs/Warrants or any Convertible Instruments:

As on March 31, 2012, the Company does not have any outstanding GDRs/ADRs/Warrants on any convertible instruments.

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

No. of Shares held	Shareholders		Share(s) of Re.1 (Par Value)	
	Number	%	Number	%
Upto 5000	85 509	98.45%	3 24 68 636	31.99%
5001-10000	753	0.87%	55 20 924	5.44%
10001-20000	325	0.37%	46 77 544	4.61%
20001-30000	95	0.11%	23 07 072	2.27%
30001-40000	42	0.05%	14 37 130	1.42%
40001-50000	18	0.02%	8 47 577	0.84%
50001-100000	57	0.07%	40 93 102	4.03%
100001 & Above	52	0.06%	5 01 27 608	49.40%
<b>Total</b>	<b>86 851</b>	<b>100.00%</b>	<b>10 14 79 593</b>	<b>100.00%</b>

## Shareholding pattern as on March 31st 2012:

S. No.	Category	No. of Shares of Re.1/- each	Percentage
1	Promoters	3 47 13 044	34.21
2	Foreign Institutional Investors	10 06 360	0.99
3	Bodies Corporate	1 60 38 586	15.80
4	Indian Public	4 66 95 522	46.02
5	NRI	13 14 292	1.30
6	Trusts	11 788	0.01
7	Clearing Members	63 078	0.06
8	Foreign Nationals	16 35 423	1.61
9	Overseas Corporate Bodies	1 500	0.00
	<b>Total</b>	<b>10 14 79 593</b>	<b>100.00</b>

## Company's Registered Address & Address for Shareholder's General Correspondence:

The Company Secretary,  
Tanla Solutions Limited,  
Tanla Technology Centre,  
Hi-tech City Road, Madhapur,  
Hyderabad – 500 081.  
Ph.No.040- 4009 9999  
Fax No.040 – 2312 2999  
Email: investorhelp@tanla.com



### **Declaration of Compliance with the Code of Conduct**

This is to confirm that the Board has laid down a code of conduct for all Board members and senior management personnel of the company who have affirmed compliance with the Code of Conduct of the Company for the financial year ended on March 31, 2012, as envisaged in clause 49 of the listing agreement with stock exchanges.

The Code of Conduct has also been posted on the website of the company [www.tanla.com](http://www.tanla.com).

Place: Hyderabad  
Date: August 14 , 2012

Sd/-  
D. Uday Kumar Reddy  
Chairman & Managing Director

### **Certificate from a Company Secretary in Whole-time Practice on compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement with Stock Exchanges**

To,  
The Members  
M/s. Tanla Solutions Limited  
Hyderabad

We have examined the compliance of conditions of Corporate Governance by Tanla Solutions Limited for the year ended on March 31, 2012, for which we have obtained relevant information and explanations which to the best of our knowledge and belief were necessary for the purpose of certification, as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance of the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by the Directors and the management, we certify that the Company has complied with the conditions of the 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 of the efficiency or effectiveness, with which the management has conducted the affairs of the Company.

Place: Hyderabad  
Date: August 14 , 2012

For BS & Co, Company Secretaries  
Sd/-  
Nithya Kalyani  
Associate Partner  
C.P. No. 10712

## **CMD & CFO certification under Clause 49 of the Listing Agreement with the Stock Exchanges**

In relation to the Audited Financial Accounts of the Company as at March 31, 2012, we hereby certify that:

- a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

- b) There are to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal and violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated it to the Auditors and the Audit Committee, significant changes, if any; internal control over financial reporting during the year in accounting policies during the year and that the same have been disclosed in the notes to the financial statements and instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Hyderabad  
Date : August 14, 2012

Sd/-  
D. Uday Kumar Reddy  
Chairman & Managing Director

Sd/-  
Srinivas Kamoji Gunupudi  
Chief Financial Officer

**AUDITORS' REPORT**  
**To the Members of**  
**TANLA SOLUTIONS LIMITED,**

1. We have audited the attached Balance Sheet of TANLA SOLUTIONS LIMITED, as at March 31, 2012, and also the related Profit and Loss account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended ('the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:
  - (i) 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;
  - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
  - (v) On the basis of written representations received from the directors, as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon 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, 2012;
    - (b) In the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
    - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **RAMASAMY KOTESWARA RAO & CO.,**  
Chartered Accountants  
Firm Regn No: 0103965

Sd/-  
**(C.V KOTESWARA RAO)**  
Partner  
Membership No.28353

Place : Hyderabad  
Date : August 14, 2012

**Annexure to the Auditors' Report (referred to in paragraph 3 of our Report of even date to the Members of Tanla Solutions Limited for the year ended March 31, 2012)**

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
  
(b) Fixed Assets were physically verified by the management during the year by the management in accordance with a regular programme of verification which, in our opinion, the verification is reasonable having regard to the size of the company and the nature of its assets. No discrepancies were noticed on such verification.  
  
c) No substantial part of fixed assets has been disposed off during the year.
2. In our opinion and according to the information and explanations given to us, the Company not having any inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable to the Company.
3. a) The Company has taken Un-secured loan amount of Rs.7.43 Crores from its subsidiary company Tanla Mobile Private Limited, the company covered in the register maintained under Section 301 of the Companies Act, 1956, the total amount of loan has been repaid during the year.  
  
b) According to information and explanations obtained from the company, In our opinion, the repayment schedule and terms & conditions are not pre judicial to the interest of the company.
4. On the basis of checks carried out during the course of audit and as per explanations given to us, we are of the opinion that there are adequate internal control procedures commensurate with the size of the company and the nature of its business; for the purchases of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
5. a) In our opinion and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.  
  
b) In our opinion and according to the information and explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of each party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits within the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under Section 209 (i) (d) of the Companies Act, 1956 in respect of the Company's nature of business.
9. (a) According to the records of the company, the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, Income Tax, Wealth Tax, Customs Duty, Excise duty, cess and other material statutory dues applicable at the end of the year for a period of more than six months from the date they became payable.  
  
(b) According to the information and explanations given to us, there are no income tax, wealth tax, sales tax, customs duty and excise duty, which have not been deposited on account of any dispute, except in case of Service Tax Liability for the period 01.06.2007 to 31.10.2009 of Rs.6,85,81,618 (out of this Rs.1,93,68,932/- paid) pending before the CESTAT. There were no dues on account of cess under 441A of the Companies Act 1956, since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.
10. The company does not have the accumulated losses as at the end of the financial year and it has incurred cash losses during the current financial year covered by our audit and the company has not incurred cash losses immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company did not have any outstanding dues to financial Institutions, Banks or Debenture holders.



12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. The company is not in the business of dealing or trading in shares, securities, debenture and other instruments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. The company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The company has not availed any term loans from the banks. Hence disclosure under this clause is not required
17. Based on our examination of the balance sheet of the company as at 31.03.2012, since there are no loans availed by the company, the utilization of funds does not arise.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. During the year covered by our audit report, the Company does not have any outstanding debentures during the year.
20. During the year the company has not raised any money through public issue.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

Place : Hyderabad  
Date : August 14, 2012

For **RAMASAMY KOTESWARA RAO & CO.,**  
Chartered Accountants  
Firm Regn No: 010396S

Sd/-  
**(C.V KOTESWARA RAO)**  
Partner  
Membership No.28353

**TANLA SOLUTIONS LIMITED, HYDERABAD.****Balance Sheet as at****In Rs.**

	Particulars	Note	March 31, 2012	March 31, 2011
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' Funds</b>			
	(a) Share Capital	3	10 14 79 593	10 14 79 593
	(b) Reserves and Surplus	4	616 42 24 834	627 00 98 828
			626 57 04 427	637 15 78 421
<b>2</b>	<b>Non-current liabilities</b>			
	Other long-term liabilities		2 00 66 614	-
<b>3</b>	<b>Current liabilities</b>			
	(a) Trade payables	5	5 28 10 212	10 12 12 084
	(b) Other current liabilities	6	11 17 12 928	1 17 60 662
	(c) Short-term provisions	7	-	1 18 33 409
	<b>TOTAL</b>		<b>645 02 94 181</b>	<b>649 63 84 576</b>
<b>B</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-Current Assets</b>			
	(a) Fixed Assets			
	(i) Tangible Assets	8	53 80 28 633	64 94 86 378
	(ii) Capital Work-in-progress		10 90 47 949	35 94 08 550
	(iii) Intangible assets under development		6 33 60 631	9 51 06 303
			71 04 37 213	110 40 01 231
	(b) Non-current investments	9	465 88 20 591	450 39 49 985
	(c) Deferred tax assets (net)	25	5 94 36 060	2 43 08 351
	(d) Other non-current assets	10	1 93 68 932	1 93 68 932
			544 80 62 796	565 16 28 499
<b>2</b>	<b>Current Assets</b>			
	(a) Trade receivables	11	46 93 28 367	27 44 27 296
	(b) Cash and cash equivalents	12	41 44 96 786	21 38 07 024
	(c) Short-term Loans and advances	13	11 84 06 233	35 65 21 757
			100 22 31 386	84 47 56 077
	<b>TOTAL</b>		<b>645 02 94 181</b>	<b>649 63 84 576</b>
	See accompanying notes forming part of the financial statements			

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,  
Chartered Accountants  
Firm Regn. No.010396S

For and on behalf of the Board of Directors

Sd/-  
C.V. Koteswara Rao  
Partner  
Membership No.28353

Sd/-  
Uday Kumar Reddy Dasari  
Chairman & Managing Director

Sd/-  
Satish Kathiriseti  
Chief Technical Officer

Place: Hyderabad.  
Date : August 14, 2012

Sd/-  
Srinivas Kamoji Gunupudi  
Chief Financial Officer

Sd/-  
Seshanuradha Chava  
AGM – Legal & Secretarial

**TANLA SOLUTIONS LIMITED, HYDERABAD.****Profit & Loss account for the year ended****In Rs.**

	Particulars	Note	March 31, 2012	March 31, 2011
<b>A</b>	<b>CONTINUING OPERATIONS</b>			
1	Revenue from operations	14	36 83 28 675	28 70 50 801
2	Other income	15	49 18 636	53 40 458
<b>3</b>	<b>Total Revenue (1 + 2)</b>		<b>37 32 47 311</b>	<b>29 23 91 259</b>
<b>4</b>	<b>EXPENDITURE</b>			
	(a) Cost of services	16	24 52 56 023	8 22 16 256
	(b) Employee Benefits expense	17	6 89 20 023	2 34 45 055
	(c) Depreciation and Amortisation expense	8	13 93 47 846	31 21 72 843
	(d) Advertisement expense	18	13 02 937	13 69 724
	(e) Other Expenses	19	5 94 22 186	12 54 72 044
	<b>Total Expenses</b>		<b>51 42 49 015</b>	<b>54 46 75 921</b>
<b>5</b>	<b>Profit / (Loss) before exceptional and extraordinary items and tax (3 - 4)</b>		<b>(14 10 01 704)</b>	<b>(25 22 84 662)</b>
6	Exceptional items		-	-
<b>7</b>	<b>Profit / (Loss) before extraordinary items and tax (5 ± 6)</b>		<b>(14 10 01 704)</b>	<b>(25 22 84 662)</b>
8	Extraordinary items		-	-
<b>9</b>	<b>Profit / (Loss) before Tax (7 ± 8)</b>		<b>(14 10 01 704)</b>	<b>(25 22 84 662)</b>
<b>10</b>	<b>Tax expense :</b>			
	(a) Current Tax		-	-
	(b) Deferred Tax		(3 51 27 709)	(7 37 93 030)
<b>11</b>	<b>Profit / (Loss) from continuing operations (9 ± 10)</b>		<b>(10 58 73 995)</b>	<b>(17 84 91 632)</b>
<b>B</b>	<b>DISCONTINUING OPERATIONS</b>			
12	Profit / (Loss) from discontinuing operations(before tax)		-	-
<b>13</b>	<b>Profit / (Loss) from discontinuing operations</b>		-	-
<b>C</b>	<b>TOTAL OPERATIONS</b>			
<b>14</b>	<b>Profit / (Loss) for the year (11 ± 13)</b>		<b>(10 58 73 995)</b>	<b>(17 84 91 632)</b>
<b>15.i</b>	<b>Earnings per share (of Re.1/- each):</b>			
	(a) Basic			
	(i) Continuing operations		<b>(1.04)</b>	<b>(1.76)</b>
	(ii) Total operations		<b>(1.04)</b>	<b>(1.76)</b>
	(b) Diluted			
	(i) Continuing operations		<b>(1.04)</b>	<b>(1.76)</b>
	(ii) Total operations		<b>(1.04)</b>	<b>(1.76)</b>
<b>15.ii</b>	<b>Earnings per share (excluding extraordinary items) (of Re.1/- each):</b>			
	(a) Basic			
	(i) Continuing operations		<b>(1.04)</b>	<b>(1.76)</b>
	(ii) Total operations		<b>(1.04)</b>	<b>(1.76)</b>
	(b) Diluted			
	(i) Continuing operations		<b>(1.04)</b>	<b>(1.76)</b>
	(ii) Total operations		<b>(1.04)</b>	<b>(1.76)</b>
	See accompanying notes forming part of the financial statements			

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,  
Chartered Accountants  
Firm Regn. No.010396S

Sd/-  
C.V. Koteswara Rao  
Partner  
Membership No.28353

Place: Hyderabad.  
Date : August 14, 2012

For and on behalf of the Board of Directors

Sd/-  
Uday Kumar Reddy Dasari  
Chairman & Managing Director

Sd/-  
Srinivas Kamoji Gunupudi  
Chief Financial Officer

Sd/-  
Satish Kathiriseti  
Chief Technical Officer

Sd/-  
Seshanuradha Chava  
AGM – Legal & Secretarial

**TANLA SOLUTIONS LIMITED, HYDERABAD**  
**Cash Flow Statement for the year ended**

In Rs.

	Particulars	March 31, 2012	March 31, 2011
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
	Net profit before taxation and extraordinary items	(14 10 01 703)	(25 22 84 661)
	Adjusted for :		
	Depreciation	13 93 47 846	26 41 51 439
	Interest & other income received	(49 18 636)	(53 40 458)
	Public issue expenses & goodwill w/o	-	4 80 21 403
	Operating profits before working capital changes	(65 72 494)	5 45 47 723
	<b>Changes in current assets and liabilities</b>		
	Products under development	3 17 45 672	(6 33 60 633)
	Sundry debtors	(19 49 01 070)	14 77 96 447
	Loans and advances	23 81 15 524	19 37 29 118
	Current liabilities and provisions	7 16 17 008	8 86 73 402
	Cash generated from operations	14 00 04 640	42 13 86 057
	Income taxes paid	-	23 45 84 410
	Net cash generated from operating activities	14 00 04 640	18 68 01 647
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
	Purchase of fixed assets and change in capital work-in-progress	22 24 70 501	27 34 86 221
	Purchase of investments	(15 48 70 606)	(62 21 94 536)
	Interest & Other income received	49 18 636	53 40 458
	Net cash used in investing activities	7 25 18 531	(34 33 67 857)
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
	Dividends and dividend tax paid during the year	(1 18 33 408)	(1 18 72 605)
	<b>Net Cash generated from financing activities</b>	(1 18 33 408)	(1 18 72 605)
<b>D</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	20 06 89 762	(16 84 38 815)
<b>E</b>	<b>Cash and cash equivalents at the beginning of the year</b>	21 38 07 024	38 22 45 839
<b>F</b>	<b>Cash and cash equivalents at the end of the year</b>	41 44 96 787	21 38 07 024
	See accompanying notes forming part of the financial statements		

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,  
Chartered Accountants  
Firm Regn. No.0103965

Sd/-  
C.V. Koteswara Rao  
Partner  
Membership No.28353

Place: Hyderabad.  
Date : August 14, 2012

For and on behalf of the Board of Directors

Sd/-  
Uday Kumar Reddy Dasari  
Chairman & Managing Director

Sd/-  
Srinivas Kamoji Gunupudi  
Chief Financial Officer

Sd/-  
Satish Kathirisetti  
Chief Technical Officer

Sd/-  
Seshanuradha Chava  
AGM – Legal & Secretarial



## TANLA SOLUTIONS LIMITED, HYDERABAD

### Notes forming part of the financial statements

#### Note

#### 1 Corporate information

Tanla Solutions Limited (hereinafter referred to as “Tanla”) was incorporated on July 28th, 1995 in Hyderabad, Andhra Pradesh. Tanla has its headquarters and development facilities in Hyderabad, India, and serves a global customer base through its subsidiaries. Tanla’s range of services include product development and implementation in wireless telephony industry, aggregator services and offshore development services.

#### 2 Significant Accounting Policies

##### 2.1 Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on a going concern basis, while revenue, expenses, assets and liabilities are accounted/recognized on accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies are consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Management evaluates all recently issued or revised accounting standards on an on going basis.

##### 2.2 Use of Accounting Estimates

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Contingencies are recorded when it is probable that a liability will be incurred and the amount can be reasonably estimated. Actual results could differ from those estimates.

##### 2.3 Revenue recognition

Revenue from software development on fixed-price, fixed-time frame contracts where there is no uncertainty as to measurement or collectability has been recognized. On time-and-material contracts, revenue is recognized as the related services are rendered. Provision for estimated losses, if any on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of products for software applications is recognized on transfer of the products to the users.

##### 2.4 Fixed assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation. All direct costs are capitalized until fixed assets are ready for use including taxes, duties, freight and other incidental expenses relating to acquisition and installation. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Intangible assets are recorded at the consideration paid for acquisition.

##### 2.5 Depreciation and Amortization

Depreciation on fixed assets is applied on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956.

##### 2.6 Employee Benefits

###### Defined Contribution Plans

###### a. Gratuity

In accordance with the Payment of Gratuity Act, 1972, Tanla provides for gratuity, a defined retirement plan (the “Gratuity Plan”) covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employees salary and the tenure of employment.

Liability with regard to the Gratuity Plan is determined by actuarial valuation as of the balance sheet date, based upon which, the company contributes the ascertained liabilities to the Tanla Solutions Limited Employees Gratuity Scheme Trust (the “Trust”) managed by the Life Insurance Corporation of India.

###### b. Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the company make monthly contributions to the Regional Provident Fund Commissioner equal to a specified percentage of the covered employee’s salary.

###### c. Employee State Insurance Fund:

Eligible employees (whose gross salary is less than Rs.15 000 per month) are entitled to receive benefits under employee state insurance fund scheme. The employer makes contribution to the scheme at a predetermined rate (presently 4.75%) of employee’s gross salary. Tanla has no further obligations under the plan beyond its monthly contributions. These contributions are made to the fund administered and managed by the Government of India. Tanla’s monthly contributions are charged to income in the year it is incurred.

##### 2.7 Research and Development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956.

##### 2.8 Foreign Currency Transactions

The company translates all foreign currency transactions at Exchange Rates prevailing on the date of transactions. Exchange rate differences resulting from foreign exchange transactions settled during the year are recognized as income or expense in the period in which they arise. Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

**2.9 Taxes on Income**

Income taxes are computed using the tax effect accounting method, in accordance with the Accounting Standard (AS 22) "Accounting for Taxes on Income" which includes current taxes and deferred taxes. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and the relevant timing difference of earlier years. Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset / liability is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred Tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**2.10 Earning Per Share (EPS)**

In determining earnings per share, the company considers the net profit after tax expense. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

**2.11 Investments**

Long term trade investments are stated at cost & all other investments are carried at lower of cost or fair value.

**2.12 Cash flow statement**

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

In Rs.

Note	Particulars	As at March 31, 2012		As at March 31, 2011	
		Number of shares	Amount	Number of shares	Amount
<b>3</b>	<b>SHARE CAPITAL</b>				
	(a) Authorised				
	Equity shares of Re. 1 each	12 00 00 000	12 00 00 000	12 00 00 000	12 00 00 000
	(b) Issued Subscribed and fully paid up:				
	Equity Shares of Re.1 each fully paid-up	10 14 79 593	10 14 79 593	101,479,593	10 14 79 593

In Rs.

Note	Particulars	As at March 31, 2012	As at March 31, 2011
<b>4</b>	<b>RESERVES AND SURPLUS</b>		
	Share Premium	428 55 01 775	428 55 01 775
	Investment subsidy	4 00 000	4 00 000
	General reserve	24 98 04 978	24 98 04 978
	Surplus / (Deficit) in Statement of Profit and Loss		
	Opening balance	173 43 92 074	192 47 17 114
	Add: Profit / (Loss) for the year	(10 58 73 994)	(17 84 91 631)
		162 85 18 080	174 62 25 483
	Less: Proposed dividend for the year	-	1 01 47 959
	Less: Tax on dividend	-	16 85 449
	Closing balance	1 62 85 18 080	173 43 92 074
	Closing Balance	<b>616 42 24 834</b>	<b>627 00 98 828</b>
<b>5</b>	<b>TRADE PAYABLES</b>		
	Other than acceptances	5 28 10 212	10 12 12 084
		<b>5 28 10 212</b>	<b>10 12 12 084</b>
<b>6</b>	<b>OTHER CURRENT LIABILITIES</b>		
	Other Liabilities	11 17 12 928	1 17 60 662
		<b>11 17 12 928</b>	<b>1 17 60 662</b>
<b>7</b>	<b>SHORT-TERM PROVISIONS</b>		
	Proposed dividend	-	1 01 47 959
	Provision for dividend tax	-	16 85 449
		-	<b>1 18 33 408</b>



**TANLA SOLUTIONS LIMITED**  
**Notes forming part of the financial statements**

In Rs.

Note	Particulars	As at March 31, 2012	As at March 31, 2011
<b>9</b>	<b>NON CURRENT INVESTMENTS</b>		
	In Equity/Preference Shares (Un-quoted at cost)		
	Mufithumb Entertainment Pvt.Ltd., India (2,50,000 equity shares of Rs.10 each, fully paid-up)	71 74 000	71 74 000
	Tanla Solutions (UK) Ltd., UK (1000 equity shares of GBP 1 each, fully paid-up)	2 52 00 000	2 52 00 000
	Tanla Mobile Asia Pacific Pte Ltd., Singapore (750,001 equity shares of SGD 1 each, fully paid-up)	3 09 28 916	3 09 28 916
	(146,846,107 Preference shares of SGD 1 each, fully paid-up)	457 51 68 675	442 02 98 069
	TZ Mobile Pvt Ltd, India (1,03,490 equity shares of Rs.10 each, fully paid-up)	1 03 49 000	1 03 49 000
	Tanla Mobile Pvt Ltd, India (10,00,000 equity shares of Rs.10 each, fully paid-up)	1 00 00 000	1 00 00 000
	<b>Total</b>	<b>465 88 20 591</b>	<b>450 39 49 985</b>
<b>10</b>	<b>OTHER NON CURRENT ASSETS</b>		
	Balances with government authorities Unsecured, considered good		
	Service tax input credit	1 93 68 932	1 93 68 932
	<b>Total</b>	<b>1 93 68 932</b>	<b>1 93 68 932</b>
<b>11</b>	<b>TRADE RECEIVABLES</b>		
	(Unsecured and considered good)		
	Trade receivables outstanding for a period exceeding six months	33 09 80 074	17 43 78 138
	Other Trade receivables	13 83 48 292	10 00 49 158
	<b>Total</b>	<b>46 93 28 367</b>	<b>27 44 27 296</b>
<b>12</b>	<b>CASH AND BANK BALANCES</b>		
	Cash on hand	32 727	19 836
	Balances with banks:		
	(i) in current accounts**	16 75 00 116	21 14 41 652
	(ii) in EEFC accounts	13 56 52 600	3 56 911
	(iii) in deposit accounts	11 13 11 343	19 88 625
	** includes balances in Unclaimed Dividend accounts Rs. 12 57 039 (2010-11 Rs. 10 16 646)		
	<b>Total</b>	<b>41 44 96 786</b>	<b>21 38 07 024</b>
<b>13</b>	<b>SHORTTERM LOANS &amp; ADVANCES</b>		
	Advances recoverable in cash or kind or for value to be received	5 83 68 551	31 98 82 580
	Deposits with others	1 34 15 953	1 38 62 237
	Advance income tax & TDS	4 66 21 729	2 27 76 940
	<b>Total</b>	<b>11 84 06 233</b>	<b>35 65 21 757</b>

**TANLA SOLUTIONS LIMITED****Notes forming part of the financial statements**

In Rs.

Note	Particulars	For the year ended March 31, 2012	For the period ended March 31, 2011	
14	<b>REVENUE FROM OPERATIONS</b>			
	Overseas	14 15 01 021	19 07 09 339	
	Domestic : India	22 68 27 654	9 63 41 462	
	<b>Total</b>	<b>36 83 28 675</b>	<b>28 70 50 801</b>	
15	<b>OTHER INCOME</b>			
	Interest on Deposits with Banks (Gross) (Tax deducted at source of Rs. 374,466 (31.03.2011: Rs. 408,954)	37 44 644	12 73 351	
	Interest received from others	-	31 54 174	
	Misc Income	11 73 992	9 12 934	
	<b>Total</b>	<b>49 18 636</b>	<b>53 40 458</b>	
16	<b>COST OF SERVICES</b>			
	Cost of Services	24 52 56 023	8 22 16 256	
	<b>Total</b>	<b>24 52 56 023</b>	<b>8 22 16 256</b>	
17	<b>EMPLOYEE BENEFITS EXPENSE</b>			
	Salaries & Wages	6 89 20 023	2 34 45 055	
	<b>Total</b>	<b>6 89 20 023</b>	<b>2 34 45 055</b>	
18	<b>ADVERTISEMENT EXPENSES</b>			
	Advertisement Expenses	13 02 937	13 69 724	
	<b>Total</b>	<b>13 02 937</b>	<b>13 69 724</b>	
19	<b>OTHER EXPENSES</b>			
	Travelling expenses	1 37 62 785	72 39 784	
	Communicaiton expenses	39 29 961	35 37 253	
	Repairs & maintenance expenses	45 26 088	50 30 889	
	Rent, rates & taxes	1 55 00 447	31 45 040	
	Printing & stationery	10 36 019	12 85 370	
	Office maintennce expenses	9 70 070	6 31 709	
	Power & fuel	30 02 578	30 32 279	
	General expenses	15 97 137	2 85 54 605	
	Professional charges	53 58 209	91 02 746	
	R&D Expenses	41 43 789	52 39 840	
	Auditors remuneration	10 00 000	10 00 000	
	Finance & bank charges	3 43 176	6 64 476	
	Loss on sale of vehicles / discarded assets	-	3 51 08 974	
	Exchange fluctuation	42 51 927	2 18 99 079	
	<b>Total</b>	<b>5 94 22 186</b>	<b>12 54 72 044</b>	
20	<b>CONTINGENT LIABILITIES</b>			
	<b>S.No.</b>	<b>Particulars</b>	<b>For the Year 2011-2012</b>	<b>For the Year 2010-2011</b>
	1	Outstanding guarantees given by the company	Nil	16 50 000
	2	Claims against company, not acknowledged as debts**	8 28 22 050	8 97 95 222
	3	Claims made by company, not acknowledged as debts	Nil	Nil
	4	Corporate Guarantee given to subsidiary companies	Nil	Nil

\*\* Represents Service Tax

21 **Segment Reporting**  
**i) Business Segment:**

The Company is engaged in telecom infrastructure and related value added services business and its operations constitute a single segment in the context of Accounting Standard (AS17) "Segment Reporting"



**TANLA SOLUTIONS LIMITED****Notes forming part of the financial statements****22 Related Party Disclosures:**

<b>A) List of Related Parties:</b>		
<b>Name of the Related Party</b>	<b>Country</b>	<b>Relationship with the Entity</b>
Tanla Solutions (UK) Limited	UK	Wholly-owned subsidiary
Tanla Mobile South Africa Pty Limited	South Africa	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
Tanla Mobile Asia Pacific Pte Limited	Singapore	Wholly-owned subsidiary
Tanla Mobile Ireland Private Limited	Ireland	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
Tanla Mobile Middle East FZ LLC	UAE	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
Tanla Oy	Finland	Wholly-owned subsidiary of Tanla Mobile Finland Oy
Tanla Mobile Private Limited	India	Wholly-owned subsidiary
TZ Mobile Private Limited	India	Joint Venture with ZED Worldwide Holdings S.L. Spain
<b>B) List of Transactions with Related Parties:</b>		
<i>Refer note 26B of notes to Consolidated Financial Statements</i>		

**23 List of Transactions with Key Management Personnel**

In Rs.

<b>Name</b>	<b>Salary and allowances</b>	<b>Contributions to provident and other funds</b>	<b>Perquisites and incentives</b>	<b>Total remuneration</b>
Mr.D. Uday Kumar Reddy - Chairman & Managing Director	45 63 253	2 30 080	14 400	48 07 733
Mr.K. Satish, Chief Technical Officer	40 56 975	2 04 553	14 400	42 75 928
Mr.Anoop Roy Kundal, Director – Operations	21 42 000	1 08 000	14 400	22 64 400
Mr.Amit Gupta, Director – Finance	11 04 320	85 680	14 400	12 04 400
Mr.Navnit Chachan, Chief Operating Officer	6 00 000	28 800	14 400	6 43 200
<b>Total</b>	<b>1 24 66 548</b>	<b>6 57 113</b>	<b>72 000</b>	<b>1 31 95 661</b>

**Remuneration to non-executive directors**

In Rs.

<b>Name</b>	<b>Sitting Fees</b>	<b>Reimbursement of Expenses</b>	<b>Total</b>
Mr.Abhishek Khaitan - Director	-	-	-
Dr. Sudhanshu Shekhar Jamuar - Director	30 000	-	30 000
Padmabhushan Ram Narain Agarwal - Director	50 000	-	50 000
Mr. Surjeet Kumar Palhan - Director	10 000	-	10 000
<b>Total</b>	<b>90 000</b>	<b>-</b>	<b>90 000</b>

**Consolidated Remuneration**

In Rs.

<b>Particulars</b>	<b>Year ended March 31, 2012</b>	<b>Year ended March 31, 2011</b>
<b>Whole-time directors</b>		
Salary	1 24 66 548	97 36 898
Contributions to provident and other funds	6 57 113	5 46 650
Perquisites and incentives	72 000	72 000
<b>Total</b>	<b>1 31 95 661</b>	<b>1 03 55 548</b>
<b>Non-whole-time directors</b>		
Sitting fees	90 000	1 10 000
Reimbursement of expenses	-	-
<b>Total</b>	<b>90 000</b>	<b>1 10 000</b>
<b>Grand Total</b>	<b>1 32 85 661</b>	<b>1 04 65 548</b>

**TANLA SOLUTIONS LIMITED****Notes forming part of the financial statements****24 Foreign Exchange earned and outgo****In Rs.**

<b>a. Imports (valued on cost, insurance and freight basis)</b>		
<b>Particulars</b>	<b>For the Year 2011-2012</b>	<b>For the Year 2010-2011</b>
<b>Import of capital goods</b>	17 25 335	6 38 78 362
<b>b. Activity in foreign currency</b>		
<b>Particulars</b>	<b>For the Year 2011-2012</b>	<b>For the Year 2010-2011</b>
<b>Earnings in foreign exchange (on accrual basis)</b>		
Income from software products and offshore development services	<b>14 15 01 021</b>	<b>19 07 09 339</b>
Dividends received	-	-
Interest received	-	-
<b>Expenditure in foreign exchange (on accrual basis)</b>		
Cost of services	11 83 02 811	2 25 03 713
Foreign Travel Expenses	22 33 634	15 58 238
Professional Charges	3 20 202	14 93 105
<b>Net earnings in foreign exchange</b>	<b>1 89 19 039</b>	<b>10 12 75 921</b>

**25 Deferred Tax Liability / (Asset)****In Rs.**

<b>Particulars</b>		<b>31-Mar-12</b>	<b>31-Mar-11</b>
<b>i.</b>	<b>Deferred tax liability</b>		
	On account of depreciation	85 00 025	3 92 41 687
<b>ii.</b>	<b>Deferred tax asset</b>		
	On account of misc. expenses w/o	-	1 63 22 475
	<b>On un-absorbed losses</b>	<b>6 79 36 085</b>	<b>4 72 27 563</b>
		<b>6 79 36 085</b>	<b>6 35 50 037</b>
	<b>Net deferred tax liability / (Asset)</b>	<b>(5 94 36 060)</b>	<b>(2 43 08 351)</b>

**26 Earnings Per Share****In Rs.**

<b>Particulars</b>	<b>For the Year 2011-2012</b>	<b>For the Year 2010-2011</b>
Net profit after tax	(10 58 73 994)	(17 84 91 631)
Weighted average number of equity shares of Re.1 each	10 14 79 593	10 14 79 593
Nominal value of shares	Re.1	Re.1
Earnings per share (basic/diluted) Rs.	(1.04)	(1.76)

**27 Quantitative details**

The Company is engaged in the business of development & maintenance of Computer Software, offshore development and other related services. The production and sale of such software services cannot be expressed in any generic unit and hence it is not possible to give such quantitative details of sales and certain information as required under paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956. The details of Conservation of Energy, Technology absorption are given in Directors Report. R&D expenditure is not separately accounted for.

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,  
Chartered Accountants  
Firm Regn. No.010396S

Sd/-  
C.V. Koteswara Rao  
Partner  
Membership No.28353

Place: Hyderabad.  
Date : August 14, 2012

For and on behalf of the Board of Directors

Sd/-  
Uday Kumar Reddy Dasari  
Chairman & Managing Director

Sd/-  
Srinivas Kamoji Gunupudi  
Chief Financial Officer

Sd/-  
Satish Kathiriseti  
Chief Technical Officer

Sd/-  
Seshanuradha Chava  
AGM – Legal & Secretarial

## **Auditors' Report to the Board of Directors of Tanla Solutions Limited on the Consolidated Financial Statements of Tanla Solutions Limited and its Subsidiaries.**

To

The Board of Directors of Tanla Solutions Limited

1. We have audited the attached Consolidated Balance Sheet of Tanla Solutions Limited and its subsidiaries (collectively 'the Group'), as at March 31, 2012, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on the date annexed thereto, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of Group's management and has been prepared by the management on the basis of separate financial statements and financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the Consolidated Financial Statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard (AS 21) "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.
4. On the basis of the information and explanations given to us and on consideration of the separate reports on individual audited financial statements of Tanla Solutions Limited and its consolidated entities, in our opinion, the 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 Consolidated state of affairs of the Group as at March 31, 2012;
  - (b) In the case of the Consolidated Profit and Loss Account, of the Consolidated Loss of Group for the year ended on that date; and
  - (c) In the case of the Consolidated Cash Flow Statements, of the Consolidated Cash Flows of Group for the year ended on that date.

For RAMASAMY KOTESWARA RAO & CO.,  
Chartered Accountants  
Firm Regn. No.010396S

(C.V KOTESWARA RAO)  
Partner  
Membership No.28353

Place : Hyderabad  
Date : August 14, 2012

## TANLA SOLUTIONS LIMITED, HYDERABAD.

## Consolidated Balance Sheet as at

In Rs.

	Particulars	Note	March 31, 2012	March 31, 2011
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' Funds</b>			
	(a) Share Capital	3	10 14 79 593	10 14 79 593
	(b) Reserves and Surplus	4	681 14 78 764	780 54 26 102
			691 29 58 357	790 69 05 695
<b>2</b>	<b>Non-current liabilities</b>			
	(a) Deferred tax liabilities (net)	5	-	3 09 66 448
	(b) Other long-term liabilities	6	200 66 614	-
	(c) Long-term provisions	7	31 76 031	24 00 54 543
<b>3</b>	<b>Current liabilities</b>			
	(a) Trade payables	8	2 64 15 168	22 03 96 399
	(b) Other current liabilities	9	6 82 47 716	20 57 54 322
	(c) Short term provisions	10	-	1 18 33 409
	<b>TOTAL</b>		<b>703 08 63 886</b>	<b>861 59 10 816</b>
<b>B</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-Current Assets</b>			
	(a) Fixed Assets			
	(i) Tangible Assets	11	363 02 01 158	260 52 49 319
	(ii) Intangible Assets	12	35 29 41 187	62 49 71 262
	(iii) Capital Work-in-progress		37 58 99 146	35 94 08 550
	(iv) Intangible assets under development		17 43 07 194	66 67 64 961
			453 33 48 686	425 63 94 092
	(b) Deferred tax assets (net)	5	18 10 226	-
	(c) Other non-current assets	13	1 93 68 932	1 93 68 932
			455 45 27 844	427 57 63 024
<b>2</b>	<b>Current Assets</b>			
	(a) Trade receivables	14	148 16 64 705	164 73 73 126
	(b) Cash and cash equivalents	15	71 35 91 861	88 16 67 961
	(c) Short-term Loans and advances	16	28 10 79 477	181 11 06 704
			2 47 63 36 043	434 01 47 791
	<b>TOTAL</b>		<b>703 08 63 886</b>	<b>861 59 10 816</b>
	See accompanying notes forming part of the financial statements			

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,  
Chartered Accountants  
Firm Regn. No.010396S

Sd/-  
C.V. Koteswara Rao  
Partner  
Membership No.28353

Place: Hyderabad.  
Date : August 14, 2012

For and on behalf of the Board of Directors

Sd/-  
Uday Kumar Reddy Dasari  
Chairman & Managing Director

Sd/-  
Srinivas Kamoji Gunupudi  
Chief Financial Officer

Sd/-  
Satish Kathirisetti  
Chief Technical Officer

Sd/-  
Seshanuradha Chava  
AGM – Legal & Secretarial

**TANLA SOLUTIONS LIMITED, HYDERABAD.****Consolidated Profit & Loss account for the year ended****In Rs.**

	Particulars	Note	March 31, 2012	March 31, 2011
<b>A</b>	<b>CONTINUING OPERATIONS</b>			
1	Revenue from operations	17	178 11 14 747	296 52 27 025
2	Other income	18	1 62 96 825	1 04 48 290
<b>3</b>	<b>Total Revenue (1 + 2)</b>		<b>179 74 11 572</b>	<b>297 56 75 315</b>
<b>4</b>	<b>EXPENDITURE</b>			
	(a) Cost of services	19	122 02 35 745	128 24 78 398
	(b) Employee Benefits expense	20	14 91 75 064	12 19 97 178
	(c) Depreciation and Amortisation expense	11	1 39 43 60 016	1 65 53 28 288
	(d) Advertisement expense	21	8 19 86 579	58 66 16 784
	(e) Bad Debts provision	22	39 77 54 123	17 77 04 857
	(f) Other Expenses	23	16 35 07 592	36 82 68 112
	<b>Total Expenses</b>		<b>34 070 19 118</b>	<b>4 19 23 93 616</b>
<b>5</b>	<b>Profit / (Loss) before exceptional and extraordinary items and tax (3 - 4)</b>		<b>(160 96 07 546)</b>	<b>(121 67 18 301)</b>
6	Exceptional items		-	-
<b>7</b>	<b>Profit / (Loss) before extraordinary items and tax (5 ± 6)</b>		<b>(160 96 07 546)</b>	<b>(121 67 18 301)</b>
8	Extraordinary items		-	-
<b>9</b>	<b>Profit / (Loss) Before Tax (7 ± 8)</b>		<b>(160 96 07 546)</b>	<b>(121 67 18 301)</b>
<b>10</b>	<b>Tax expense :</b>			
	(a) Current Tax		2 56 925	14 58 372
	(b) Deferred Tax		(3 55 79 220)	(7 33 37 691)
<b>11</b>	<b>Profit / (Loss) from continuing operations (9 ± 10)</b>		<b>(157 42 85 251)</b>	<b>(114 48 38 982)</b>
<b>B</b>	<b>DISCONTINUING OPERATIONS</b>			
<b>12</b>	<b>Profit / (Loss) from discontinuing operations (before tax)</b>		-	-
<b>13</b>	<b>Profit / (Loss) from discontinuing operations</b>		-	-
<b>C</b>	<b>TOTAL OPERATIONS</b>			
<b>14</b>	<b>Profit / (Loss) for the year (11 ± 13)</b>		<b>(157 42 85 251)</b>	<b>(114 48 38 982)</b>
<b>15.i</b>	<b>Earnings per share (of Re.1/- each):</b>			
	(a) Basic			
	(i) Continuing operations		<b>(15.51)</b>	<b>(11.28)</b>
	(ii) Total operations		<b>(15.51)</b>	<b>(11.28)</b>
	(b) Diluted			
	(i) Continuing operations		<b>(15.51)</b>	<b>(11.28)</b>
	(ii) Total operations		<b>(15.51)</b>	<b>(11.28)</b>
<b>15.ii</b>	<b>Earnings per share (excluding extraordinary items) (of Re.1/- each):</b>			
	(a) Basic			
	(i) Continuing operations		<b>(15.51)</b>	<b>(11.28)</b>
	(ii) Total operations		<b>(15.51)</b>	<b>(11.28)</b>
	(b) Diluted			
	(i) Continuing operations		<b>(15.51)</b>	<b>(11.28)</b>
	(ii) Total operations		<b>(15.51)</b>	<b>(11.28)</b>
	See accompanying notes forming part of the financial statements			

In terms of our report attached

For and on behalf of the Board of Directors

For RAMASAMY KOTESWARA RAO & CO.,  
Chartered Accountants  
Firm Regn. No.010396S

Sd/-

C.V. Koteswara Rao  
Partner  
Membership No.28353

Sd/-

Uday Kumar Reddy Dasari  
Chairman & Managing Director

Sd/-

Satish Kathirisetti  
Chief Technical Officer

Sd/-

Srinivas Kamoji Gunupudi  
Chief Financial Officer

Sd/-

Seshanuradha Chava  
AGM – Legal & Secretarial

Place: Hyderabad.  
Date : August 14, 2012



**TANLA SOLUTIONS LIMITED, HYDERABAD**  
**Consolidated Cash Flow Statement for the year ended**

In Rs.

	Particulars	March 31, 2012	March 31, 2011
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
	Net profit before taxation, and extraordinary items	(160 96 07 546)	(121 67 18 301)
	Adjusted for :		
	Depreciation	106 31 62 323	143 21 47 075
	Interest & other income received	(1 62 96 825)	(1 04 48 289)
	Foreign Currency Fluctuation	-	14 14 50 237
	Provision for Gratuity	-	13 55 659
	Loss on sale of / discarded assets (net)	-	3 51 08 974
	Public issue expenses & goodwill w/o	33 11 97 693	22 31 81 212
	Operating profits before working capital charges	(23 15 44 355)	60 60 76 567
	<b>Changes in current assets and liabilities</b>		
	Products under development	49 24 57 767	(30 55 88 801)
	Sundry debtors	16 57 08 422	7 30 72 976
	Loans and advances	153 00 27 228	1 66 83 018
	Current liabilities and provisions	(56 01 33 144)	17 10 90 601
	Cash generated from operations	139 65 15 917	56 13 34 361
	Income taxes paid	-	2 89 29 282
	Net cash generated from operating activities	139 65 15 917	53 24 05 079
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
	Purchase of fixed assets and change in capital work-in-progress	(216 59 21 141)	(42 81 48 325)
	Proceeds on sale of fixed assets	97 25 000	2 43 000
	Purchase of investments	-	(25 13 67 911)
	Interest received	1 62 96 825	1 04 48 289
	Net cash used in investing activities	(213 98 99 316)	(66 88 24 947)
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
	Dividends and dividend tax paid during the year	(1 18 33 409)	(1 18 72 605)
	Unrealised exchange gain/(loss) on conversion	58 71 40 708	(45 21 65 423)
	<b>Net Cash generated from financing activities</b>	57 53 07 299	(46 40 38 028)
<b>D</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	(16 80 76 100)	(60 04 57 895)
<b>E</b>	<b>Cash and cash equivalents at the beginning of the year</b>	88 16 67 961	148 21 25 857
<b>F</b>	<b>Cash and cash equivalents at the end of the year</b>	71 35 91 861	88 16 67 961
	See accompanying notes forming part of the financial statements		

In terms of our report attached

For and on behalf of the Board of Directors

For RAMASAMY KOTESWARA RAO & CO.,  
Chartered Accountants  
Firm Regn. No.010396S

Sd/-  
C.V. Koteswara Rao  
Partner  
Membership No.28353

Place: Hyderabad.  
Date : August 14, 2012

Sd/-  
Uday Kumar Reddy Dasari  
Chairman & Managing Director

Sd/-  
Srinivas Kamoji Gunupudi  
Chief Financial Officer

Sd/-  
Satish Kathiriseti  
Chief Technical Officer

Sd/-  
Seshanuradha Chava  
AGM – Legal & Secretarial

## TANLA SOLUTIONS LIMITED, HYDERABAD

### Notes forming part of the financial statements

#### 1 Corporate information

Tanla Solutions Limited (hereinafter referred to as “Tanla”) was incorporated on July 28th, 1995 in Hyderabad, Andhra Pradesh. Tanla has its headquarters and development facilities in India and serves a global customer base through its subsidiaries. Tanla’s range of services include product development and implementation in wireless telephony industry, aggregator services and offshore development services.

Tanla Solutions (UK) Limited, formerly Techserv Teleservices (UK) Limited, UK (hereinafter referred to as “Tanla UK”), a wholly owned subsidiary of Tanla based at London, UK, provides aggregator and offshore development services to clients in telecommunications and offshore service sectors.

Mufi Thumb Entertainment Private Limited, India (hereinafter referred to as “Mufi Thumb”), a wholly owned subsidiary of Tanla based at Hyderabad, India, is engaged in development of products and services.

Tanla Mobile Limited, formerly Mobizar Limited, UK (hereinafter referred to as “Tanla Mobile”), a wholly owned subsidiary of Tanla UK based at London, UK, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Asia Pacific Pte Limited, Singapore (hereinafter referred to as “Tanla Singapore”), a wholly owned subsidiary of Tanla based at Singapore, provides aggregator and offshore development services to clients in telecommunications and offshore services sector.

Tanla Mobile Ireland Pvt Limited, Ireland (hereinafter referred to as “Tanla Ireland”), a wholly owned subsidiary of Tanla Singapore based at Ireland, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Middle East FZ LLC, Dubai (hereinafter referred to as “Tanla Dubai”), a wholly owned subsidiary of Tanla Singapore based at Dubai, UAE, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Inc, USA (hereinafter referred to as “Tanla Inc”), a wholly owned subsidiary of Tanla Singapore based at USA, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile South Africa Proprietary Ltd, South Africa (hereinafter referred to as “Tanla South Africa”), a wholly owned subsidiary of Tanla Singapore based at South Africa, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile South Asia Pvt Ltd, Srilanka (hereinafter referred to as “Tanla Srilanka”), a wholly owned subsidiary of Tanla Singapore based at Srilanka, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Spain SL, Spain (hereinafter referred to as “Tanla Spain”), a wholly owned subsidiary of Tanla Mobile based at Spain, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Finland Oy, Finland (hereinafter referred to as “Tanla Finland”), is a wholly owned subsidiary of Tanla Dubai based at Finland.

Tanla Oy, Finland (hereinafter referred to as “Tanla Oy”), a wholly owned subsidiary of Tanla Finland, provides mobile payment solutions to clients in telecommunications and allied areas.

Tanla Mobile Private Limited, India (hereinafter referred to as “TMPL”), a wholly owned subsidiary of Tanla, is involved in development of products and services for clients in the telecommunications sector.

#### 2 Significant Accounting Policies

##### 2.1 Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on a going concern basis, while revenue, expenses, assets and liabilities are accounted/recognized on accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies are consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Management evaluates all recently issued or revised accounting standards on an ongoing basis.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the financial statements of Tanla Solutions Limited and its subsidiaries. All material inter-Company balances and transactions are eliminated on consolidation. Assets and liabilities of subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as at the Balance Sheet date. Revenues and Expenses are translated into Indian Rupees at average of the opening and closing rates.

##### 2.2 Use of Accounting Estimates

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets. Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

### 2.3 Revenue recognition

Revenue from software development on fixed-price, fixed-time frame contracts where there is no uncertainty as to measurement or collectability has been recognized. On time-and-material contracts, revenue is recognized as the related services are rendered. Provision for estimated losses, if any on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of products for software applications is recognized on transfer of the products to the users.

### 2.4 Fixed Assets, intangible assets and capital work-in-progress

Fixed Assets are stated at cost, less accumulated depreciation. All direct costs are capitalized until fixed assets are ready for use including taxes, duties, freight and other incidental expenses relating to acquisition and installation. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Intangible assets are recorded at the consideration paid for acquisition.

### 2.5 Depreciation, Amortization and Goodwill write off

- a) Depreciation on fixed assets is applied on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956, except on fixed assets of Tanla UK, Tanla Singapore and their subsidiaries.
- b) On the fixed assets of Tanla UK, Tanla Singapore and their subsidiaries, depreciation is provided on Straight Line Method. The applicable rates are based on the local laws and practices of the respective countries.
- c) Goodwill has been recognized on consolidation of investment in Tanla Oy with the parent company and the same is to be written off over a period of 4 years.

### 2.6 Employee Benefits

Defined Contribution Plans

- a) Gratuity:  
In accordance with the Payment of Gratuity Act, 1972, Tanla provides for gratuity, a defined retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee salary and the tenure of employment. Liability with regard to the Gratuity Plan is determined by actuarial valuation as of the balance sheet date, based upon which, the company contributes the ascertained liabilities to the Tanla Solutions Limited Employees Gratuity Scheme Trust (the "Trust") managed by the Life Insurance Corporation of India.
- b) Provident Fund:  
Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the company make monthly contributions to the Regional Provident Fund Commissioner equal to a specified percentage of the covered employee's salary.
- c) Employee State Insurance Fund:  
Eligible employees (whose gross salary is less than Rs.15,000 per month) are entitled to receive benefit under employee state insurance fund scheme. The employer makes contribution to the scheme at a predetermined rate (presently 4.75%) of employee's gross salary. Tanla has no further obligations under the plan beyond its monthly contributions. These contributions are made to the fund administered and managed by the Government of India. Tanla's monthly contributions are charged to income in the year it is incurred.

### 2.7 Research and development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

### 2.8 Foreign Currency Transactions

The company translates all foreign currency transactions at Exchange Rates prevailing on the date of transactions. Exchange rate differences resulting from foreign exchange transactions settled during the year are recognized as income or expenses in the period in which they arise. Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

### 2.9 Taxes on Income

Income taxes are computed using the tax effect accounting method, in accordance with the Accounting Standard (AS 22) "Accounting for Taxes on Income" which includes current taxes and deferred taxes. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and the relevant timing difference of earlier years. Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset / liability is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred Tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### 2.10 Earning Per Share (EPS)

In determining earnings per share, the company considers the net profit after tax expense. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

### 2.11 Investments

Long term quoted investments are stated at cost & all other investments are carried at lower of cost or fair value.

### 2.12 Cash flow statement

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

## TANLA SOLUTIONS LIMITED, HYDERABAD

## Notes forming part of the financial statements

In Rs.

Note	Particulars	As at March 31, 2012		As at March 31, 2011	
		Number of shares	Rupees	Number of shares	Rupees
<b>3</b>	<b>SHARE CAPITAL</b>				
	(a) Authorised				
	Equity shares of Re. 1 each	12 00 00 000	<b>12 00 00 000</b>	12 00 00 000	<b>12 00 00 000</b>
	(b) Issued Subscribed and fully paid up:				
	Equity Shares of Re.1 each fully paid-up	10 14 79 593	10 14 79 593	10 14 79 593	10 14 79 593

In Rs.

Note	Particulars	As at March 31, 2012	As at March 31, 2011
<b>4</b>	<b>RESERVES AND SURPLUS</b>		
	Share Premium	429 58 89 975	429 58 89 975
	Investment subsidy	4 00 000	4 00 000
	General reserve	24 98 04 978	24 98 04 978
	Surplus / (Deficit) in Statement of Profit and Loss		
	Opening balance	346 34 69 688	462 01 42 078
	Add: Profit / (Loss) for the year	(157 42 85 251)	(114 48 38 982)
		188 91 84 437	347 53 03 097
	Less: Proposed dividend for the year	-	1 01 47 959
	Less: Tax on dividend	-	16 85 449
	Closing balance	188 91 84 437	346 34 69 688
	Net reserves & surplus from joint ventures	(77 92 730)	(81 92 730)
	Currency translation reserve	38 39 92 102	(19 59 45 811)
	Closing Balance of Reserves & Surplus	<b>681 14 78 764</b>	<b>780 54 26 100</b>
<b>5</b>	<b>DEFERRED TAX LIABILITY / (ASSET)</b>		
	Deferred tax liability		
	On account of depreciation	6 61 25 859	9 45 16 485
	Deferred tax asset		
	On account of misc. expenses w/o	-	1 63 22 475
	On un-absorbed losses	6 79 36 085	4 72 27 563
		6 79 36 085	6 35 50 037
	Net deferred tax liability / (asset)	<b>(18 10 226)</b>	<b>3 09 66 448</b>
<b>6</b>	<b>OTHER LONG TERM LIABILITIES</b>		
	Dues to Asset Supplier	2 00 66 614	-
		<b>2 00 66 614</b>	-
<b>7</b>	<b>LONG-TERM PROVISIONS</b>		
	Taxation	31 76 031	24 00 54 543
		<b>31 76 031</b>	<b>24 00 54 543</b>
<b>8</b>	<b>TRADE PAYABLES</b>		
	Other than acceptances	2 64 15 168	22 03 96 399
		<b>2 64 15 168</b>	<b>22 03 96 399</b>
<b>9</b>	<b>OTHER CURRENT LIABILITIES</b>		
	Other Liabilities	6 82 47 716	20 57 54 322
		<b>6 82 47 716</b>	<b>20 57 54 322</b>
<b>10</b>	<b>SHORT-TERM PROVISIONS</b>		
	Proposed dividend	-	1 01 47 959
	Provision for dividend tax	-	16 85 449
		-	<b>1 18 33 408</b>

**TANLA SOLUTIONS LIMITED, HYDERABAD**  
Notes forming part of the financial statements

In Rs.

11	FIXED ASSETS									
	Description	Gross Block			Up to April 1, 2011	Depreciation/Amortisation			Net Block	
		As at April 1, 2011	Additions	Deletions		As at March 31, 2012	For the year	Up to March 31, 2012	As at March 31, 2012	As at March 31, 2011
							Additions	Deletions		
	<b>Tangible Assets</b>									
	Land & site development	4 61 71 392	-	-	-	4 61 71 392	-	-	4 61 71 392	4 61 71 392
	Building & Interiors - Owned	15 24 39 106	31 45 689	-	1 99 87 257	15 55 84 795	47 81 898	-	13 08 15 640	13 24 51 849
	Building interiors & fixtures - Leasehold	26 84 00 641	3 73 250	26 83 79 442	23 34 92 753	3 94 449	3 70 16 402	27 02 17 127	1 02 421	3 49 07 888
	Furniture	8 39 77 217	4 43 908	158 33 019	2 73 97 187	6 85 88 106	53 32 085	25 69 942	3 84 28 777	5 65 80 030
	Computers	401 78 94 351	213 10 68 014	101 17 02 017	222 48 69 219	513 72 60 348	100 26 72 024	97 19 40 018	288 16 59 123	179 30 25 132
	Office equipment	80 88 19 464	31 76 593	-	32 58 94 567	81 19 96 057	73 50 012	2 01 694	47 89 53 171	48 29 24 897
	Vehicles	1 74 40 870	-	11 16 063	56 56 989	1 63 24 807	16 56 883	5 10 377	95 21 312	1 17 83 881
	Air conditioning	6 15 02 074	14 98 091	-	1 40 97 824	6 30 00 165	43 53 020	-	4 45 49 322	4 74 04 250
	Library books	40 136	-	-	40 136	40 136	-	-	-	-
	<b>Total</b>	545 66 85 251	213 97 05 545	129 70 30 541	285 14 35 932	629 93 60 255	106 31 62 323	124 54 39 158	363 02 01 158	260 52 49 319
	<i>Previous Year</i>	441 05 55 344	108 79 09 555	4 17 79 647	147 37 37 933	545 66 85 251	138 41 25 672	64 27 673	260 52 49 319	293 68 17 411



**TANLA SOLUTIONS LIMITED, HYDERABAD**

Notes forming part of the financial statements

In Rs.

Note	Particulars	As at March 31, 2012	As at March 31, 2011
12	<b>INTANGIBLE ASSETS</b>		
	<b>Goodwill</b>		
	On acquisition of Mufi Thumb Entertainment Pvt Ltd	46 74 000	46 74 000
	On acquisition of Tanla Solutions (UK) Ltd.	2 51 17 920	2 51 17 920
	On acquisition of Tanla Mobile Asia Pacific Pte Ltd	65 43 46 960	81 83 60 554
		68 41 38 880	84 81 52 474
	Less: Goodwill written off on Tanla Oy acquisition	33 11 97 693	22 31 81 212
		<b>35 29 41 187</b>	<b>62 49 71 262</b>
13	<b>OTHER NON CURRENT ASSETS</b>		
	Balances with government authorities unsecured, considered good		
	Service tax input credit	1 93 68 932	1 93 68 932
		<b>1 93 68 932</b>	<b>1 93 68 932</b>
14	<b>TRADE RECEIVABLES</b>		
	(Unsecured and considered good)		
	Trade receivables outstanding for a period exceeding six months	53 09 80 074	32 86 51 889
	Other Trade receivables	95 06 84 631	131 87 21 237
		<b>148 16 64 705</b>	<b>164 73 73 126</b>
15	<b>CASH AND BANK BALANCES</b>		
	Cash on hand	42 178	29 874
	Balances with banks:		
	(i) in current accounts **	45 56 53 175	79 48 43 829
	(ii) in EEFC accounts	13 56 52 600	3 56 911
	(iii) in deposit accounts	12 22 43 908	8 64 37 347
	** includes balances in un-claimed dividend accounts Rs.12,57,039.00 (2010-11 - Rs.10,16,646)	<b>71 35 91 861</b>	<b>88 16 67 961</b>
16	<b>SHORT TERM LOANS AND ADVANCES</b>		
	Advances recoverable in cash or kind or for value to be received	22 05 88 332	153 66 54 597
	Deposits with others	1 34 72 588	1 70 90 758
	Advance income tax & TDS	4 70 18 556	25 73 61 350
		<b>28 10 79 477</b>	<b>181 11 06 705</b>
17	<b>REVENUE FROM OPERATIONS</b>		
	Overseas	155 42 87 092	286 88 85 563
	Domestic : India	22 68 27 654	9 63 41 462
		<b>178 11 14 746</b>	<b>296 52 27 025</b>
18	<b>OTHER INCOME</b>		
	Interest on Deposits with Banks (Gross) (Tax deducted at source of Rs.374,466 (31.03.2011 - Rs.408,954)	1 51 22 833	63 81 182
	Interest received from others	-	31 54 174
	Misc Income	11 73 992	9 12 934
		<b>1 62 96 825</b>	<b>1 04 48 290</b>
19	<b>COST OF SERVICES</b>		
	Cost of Services	122 02 35 745	128 24 78 398
		<b>122 02 35 745</b>	<b>128 24 78 398</b>
20	<b>EMPLOYEE BENEFITS EXPENSE</b>		
	Salaries & Wages	14 91 75 064	12 19 97 178
		<b>14 91 75 064</b>	<b>12 19 97 178</b>

**TANLA SOLUTIONS LIMITED, HYDERABAD**

Notes forming part of the financial statements

In Rs.

Note	Particulars	As at March 31, 2012	As at March 31, 2011
21	<b>ADVERTISEMENT EXPENSES</b>		
	Advertisement expenses	8 19 86 579	58 66 16 784
		<b>8 19 86 579</b>	<b>58 66 16 784</b>
22	<b>PROVISION FOR BAD DEBTS</b>		
	Provision for Bad debts	39 77 54 123	17 77 04 857
		<b>39 77 54 123</b>	<b>17 77 04 857</b>
23	<b>OTHER EXPENSES</b>		
	Travelling expenses	1 97 56 870	1 69 44 954
	Communication expenses	62 93 818	55 29 138
	Repairs & maintenance expenses	46 74 747	58 41 434
	Rent, rates & taxes	3 23 39 477	2 38 24 227
	Printing & stationery	11 45 753	14 17 969
	Office maintenance expenses	27 04 949	6 97 63 511
	Power & fuel	35 65 713	38 58 346
	General expenses	3 27 97 163	2 92 52 774
	Professional charges	1 76 72 205	2 53 12 635
	R&D Expenses	41 43 789	52 39 840
	Auditors remuneration	15 73 466	20 63 166
	Finance & bank charges	1 22 13 492	26 60 907
	Loss on sale of vehicles / discarded assets	27 27 583	3 51 08 974
	Exchange fluctuation	2 18 98 567	14 14 50 237
		<b>16 35 07 592</b>	<b>36 82 68 112</b>

24	<b>Contingent Liabilities</b>			
	<b>S.No.</b>	<b>Particulars</b>	<b>For the Year 2011-2012</b>	<b>For the Year 2010-2011</b>
	1	Outstanding guarantees given by the company	Nil	16 50 000
	2	Claims against company, not acknowledged as debts	8 28 22 050	8 97 95 222
	3	Claims made by company, not acknowledged as debts	Nil	Nil
	4	Corporate Guarantee given to subsidiary companies	Nil	Nil

**25 Segment Reporting****i) Business Segment:**

The Company is engaged in telecom infrastructure and related value added services business and its operations constitute a single segment in the context of Accounting Standard (AS17) "Segment Reporting"

**26 Related Party Disclosures:****A) List of Related Parties:**

Name of the Related Party	Country	Relationship with the Entity
Tanla Solutions (UK) Limited	UK	Wholly-owned subsidiary
Tanla Mobile South Africa Pty Limited	South Africa	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
Tanla Mobile Asia Pacific Pte Limited	Singapore	Wholly-owned subsidiary
Tanla Mobile Ireland Private Limited	Ireland	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
Tanla Mobile Middle East FZ LLC	UAE	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
Tanla Oy	Finland	Wholly-owned subsidiary of Tanla Mobile Finland Oy
Tanla Mobile Private Limited	India	Wholly-owned subsidiary
TZ Mobile Private Limited	India	Joint Venture with ZED Worldwide Holdings S.L. Spain

**TANLA SOLUTIONS LIMITED**  
**Notes forming part of the financial statements**

B) List of Transactions with Related Parties:

In Rs.

	Particulars	Tanla Solutions (UK) Limited - UK	Tanla Mobile South Africa Pty Limited - South Africa	Tanla Mobile Asia Pacific Pte Ltd - Singapore	Tanla Mobile Ireland Private Ltd - Ireland	Tanla Mobile Middle East FZ LLC - Dubai	Tanla Oy Finland	Tanla Mobile Private Limited	TZ Mobile Pvt Ltd
a	Relationship between the parties	Wholly-owned subsidiary	Wholly-owned subsidiary of Tanla Solutions (UK) Ltd	Wholly-owned subsidiary	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte. Ltd	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte. Ltd	Wholly-owned subsidiary of Tanla Mobile Finland Oy	Wholly-owned subsidiary	Joint Venture with ZED WORLDWIDE HOLDINGS, S.L., Spain
b	Nature of transactions	Sale of Services	Advance for sales	Reimbursement of expenses	Advance for sales	Sales of Services & Reimbursement of expenses	Sales of Products, Services	Reimbursement of expenses	Sales of Products, Services & Reimbursement of expenses
c	Value of transactions	8 58 66 902	19 77 972	1 58 980	-	-	57 81 244	(2 97 78 507)	(6 94 543)
d	Amount of outstanding	6 55 13 810	21 49 453	8 88 501	(29 55 140)	72 85 379	6 94 29 469	2 87 68 038	13 26 058
e	Provision for doubtful debts	-	-	-	-	-	-	-	-
f	Amount written off	-	-	-	-	-	-	-	-

**TANLA SOLUTIONS LIMITED, HYDERABAD****Notes forming part of the financial statements****27 List of Transactions with Key Management Personnel****In Rs.**

Name	Salary and allowances	Contributions to provident and other funds	Perquisites and incentives	Total remuneration
Mr.D. Uday Kumar Reddy - Chairman & Managing Director	45 63 253	2 30 080	14 400	48 07 733
Mr.K. Satish, Chief Technical Officer	40 56 975	2 04 553	14 400	42 75 928
Mr.Anoop Roy Kundal, Director – Operations	21 42 000	1 08 000	14 400	22 64 400
Mr.Amit Gupta, Director – Finance	11 04 320	85 680	14 400	12 04 400
Mr.Navnit Chachan, Chief Operating Officer	6 00 000	28 800	14 400	6 43 200
<b>Total</b>	<b>1 24 66 548</b>	<b>6 57 113</b>	<b>72 000</b>	<b>1 31 95 661</b>

**Remuneration to non-executive directors****In Rs.**

Name	Sitting Fees	Reimbursement of Expenses	Total
Mr.Abhishek Khaitan - Director	-	-	-
Dr. Sudhanshu Shekhar Jamuar - Director	30 000	-	30 000
Padmabhushan Ram Narain Agarwal - Director	50 000	-	50 000
Mr. Surjeet Kumar Palhan - Director	10 000	-	10 000
<b>Total</b>	<b>90 000</b>	<b>-</b>	<b>90 000</b>

**Consolidated remuneration****In Rs.**

Name	Year ended March 31, 2012	Year ended March 31, 2011
<b>Whole-time directors</b>		
Salary	1 24 66 548	97 36 898
Contributions to provident and other funds	6 57 113	5 46 650
Perquisites and incentives	72 000	72 000
<b>Total</b>	<b>1 31 95 661</b>	<b>1 03 55 548</b>
<b>Non-whole-time directors</b>		
Sitting fees	90 000	1 10 000
Reimbursement of expenses	-	-
<b>Total</b>	<b>90 000</b>	<b>1 10 000</b>
<b>Grand Total</b>	<b>1 32 85 661</b>	<b>1 04 65 548</b>

**TANLA SOLUTIONS LIMITED****Notes forming part of the financial statements****28 Foreign Exchange earned and outgo****In Rs.****a. Imports (valued on the cost, insurance and freight basis)**

Particulars	For the Year 2011-2012	For the Year 2010-2011
Import of capital goods	17 25 335	6 38 78 362

**b. Activity in foreign currency**

Particulars	For the Year 2011-2012	For the Year 2010-2011
<b>Earnings in foreign exchange (on accrual basis)</b>		
Income from software products and offshore development services	<b>14 15 01 021</b>	<b>19 07 09 339</b>
Dividends received	-	-
Interest received	-	-
<b>Expenditure in foreign exchange (on accrual basis)</b>		
Cost of services	11 83 02 811	2 25 03 713
Foreign Travel Expenses	22 33 634	15 58 238
Professional Charges	3 20 202	14 93 105
<b>Net earnings in foreign exchange</b>	<b>1 89 19 039</b>	<b>10 12 75 921</b>

**29 Earnings Per Share****In Rs.**

Particulars	For the Year 2011-2012	For the Year 2010-2011
Net profit after tax	(157 42 85 251)	(114 48 38 982)
Weighted average number of equity shares of Re.1 each	10 14 79 593	10 14 79 593
Nominal value of shares	Re.1	Re.1
Earnings per share (basic/diluted) Rs.	(15.51)	(11.28)

**30 Quantitative details**

The Company is engaged in the business of development & maintenance of Computer Software, offshore development and other related services. The production and sale of such software services cannot be expressed in any generic unit and hence it is not possible to give such quantitative details of sales and certain information as required under paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956. The details of Conservation of Energy, Technology absorption are given in Directors Report. R&D expenditure is not separately accounted for.

In terms of our report attached

For and on behalf of the Board of Directors

For RAMASAMY KOTESWARA RAO & CO.,  
Chartered Accountants  
Firm Regn. No.010396S

Sd/-  
C.V. Koteswara Rao  
Partner  
Membership No.28353

Place: Hyderabad.  
Date : August 14, 2012

Sd/-  
Uday Kumar Reddy Dasari  
Chairman & Managing Director

Sd/-  
Srinivas Kamoji Gunupudi  
Chief Financial Officer

Sd/-  
Satish Kathirisetti  
Chief Technical Officer

Sd/-  
Seshanuradha Chava  
AGM – Legal & Secretarial





## MANAGEMENT DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS:

Readers of this annual report are hereby cautioned that the statements in this Management Discussion and Analysis might be forward-looking in nature hence the investors are requested to exercise their own judgment in assessing the associated risks.

### RESULT OF OPERATIONS

In Rs.

Particulars	March 2012	% of Total Revenue	March 2011	% of Total Revenue	% Change
Revenues	179 74 11 572		297 56 75 314		(39.60%)
Cost of Sales	125 52 54 985	69.8%	130 98 81 631	44.0%	(4.17%)
Gross Margin %	30.16%		55.98%		
Selling & Marketing Expenses	10 93 33 792	6.1%	28 76 62 399	9.7%	(61.99%)
General Administration Expenses	64 80 70 325	36.1%	93 95 21 297	31.6%	(31.02%)
Operating Profit (EBITDA)	(21 52 47 530)	(12.0%)	43 86 09 987	14.7%	(149.07%)
EBITDA (%)	(11.98%)		14.74%		(181.25%)
Depreciation & Amortization	139 43 60 016	77.6%	165 53 28 288	55.6%	(15.77%)
Earnings before Tax	(160 96 07 546)	(89.6%)	(121 67 18 301)	(40.9%)	(32.29%)
Provision for Tax	(3 53 22 295)	(2.0%)	(7 18 79 319)	(2.4%)	(50.86%)
Earnings after Tax	(157 42 85 251)	(87.6%)	(114 48 38 982)	(38.5%)	(37.51%)
EPS (Rs.)	(15.51)		(11.28)		(37.51%)

#### Revenue

Tanla derives its domestic revenue from providing value added services to telecom operators, handset manufacturers, mobile payments and managed services to media customers. During the year company revenues from mobile payments and managed services increased substantially due to robust platform and innovative product offerings to clients. Overseas revenue comprises of revenue from mobile payments services provided to enterprises and content providers using various platforms.

During the year we have expanded our global client base by partnering with some of the leading handset manufacturers, in addition to continuing with the existing partnerships.

#### The segmentation of revenue by geography:

In Rs.

Particulars	March 2012	% of Revenue	March 2011	% of Revenue	% Change
India	22 68 27 654	12.74%	9 63 41 462	3.25%	135.44%
Outside India	155 42 87 092	87.26%	286 88 85 563	96.75%	(45.82%)
<b>Total Revenue</b>	<b>178 11 14 747</b>		<b>296 52 27 025</b>		<b>(39.93%)</b>

The revenue for the FY 2011-12 was INR 17811.15 Lakhs as against INR 29652.27 Lakhs for FY 2010-11, recording a drop of 39.93%. Revenue from domestic sales for the year FY 2011-12 was INR 2268.27 Lakhs as against INR 963.41 Lakhs for FY 2010-11 registering a growth of 135.44%. Revenue from overseas sales for the year FY 2011-12 was INR 15542.87 Lakhs as against INR 28688.86 Lakhs for FY 2010-11 registering a drop of 45.82%.

Increase in revenue in India is attributed to:

- Increase in user base for product offerings and launch of new products in Telco vertical
- Increase in billing to enterprise and managed services customers as a result of increased usage and pricing

Decrease in overseas revenue is attributed to:

- A selective shift from legacy business due to changes in regulatory framework
- Continued impact of drop in revenue from key customer Nokia

#### Cost of Sales

In Rs.

Particulars	March 2012	% of Revenue	March 2011	% of Revenue	% Change
Cost of services	122 02 35 745	68.51%	128 24 78 398	43.25%	25.26%
Direct manpower costs	2 51 55 808	1.41%	1 38 27 745	0.47%	0.95%
Direct administrative costs	98 63 432	0.55%	1 35 75 489	0.46%	0.10%
<b>Total Cost of Sales</b>	<b>125 52 54 985</b>	<b>70.48%</b>	<b>130 98 81 631</b>	<b>44.17%</b>	<b>26.30%</b>

Increase in business development expenses and revenue share payouts to developers as a result of change in product-mix and increase in direct manpower costs in terms of salaries and incentives paid to developer teams across all geographies has resulted in increase in expenditure towards cost of sales.

## Selling & Marketing Expenses

In Rs.

Particulars	March 2012	% of Revenue	March 2011	% of Revenue	% Change
Sales team salaries & benefits	1 67 95 810	0.94%	2 89 12 208	0.98%	(0.03%)
Business promotion and marketing	8 19 86 579	4.60%	20 36 77 005	6.87%	(2.27%)
Other selling & marketing expenses	1 05 51 403	0.59%	5 50 73 186	1.86%	(1.26%)
<b>Total selling &amp; marketing expenses</b>	<b>10 93 33 792</b>	<b>6.14%</b>	<b>28 76 62 399</b>	<b>9.70%</b>	<b>(3.56%)</b>

Decrease in business promotion and marketing expense is on account of change in clientele-mix as the promotion expenditure is taken up by new clients and downsizing of sales teams in various geographies.

## General & administrative expenses

In Rs.

Particulars	March 2012	% of Revenue	March 2011	% of Revenue	% Change
Staff salaries & benefits	10 72 23 446	6.02%	7 92 57 226	2.67%	3.35%
Provision for Bad debts	39 77 54 123	22.33%	17 77 04 857	5.99%	16.34%
Exchange fluctuation	2 18 98 567	1.23%	14 14 50 237	4.77%	(3.54%)
Advertisement & Marketing Expenses	80 88 625	0.45%	38 29 39 779	12.91%	(12.46%)
Other administrative expenses	11 31 05 564	6.35%	15 81 69 199	5.33%	1.02%
<b>Total General &amp; administrative expenses</b>	<b>64 80 70 325</b>	<b>36.39%</b>	<b>93 95 21 297</b>	<b>31.68%</b>	<b>4.70%</b>

### Staff Salaries & Benefits

Annual increments and staff benefit expenses have resulted in an increase in administrative staff salaries.

### Provision for bad debts

Pursuant to the executive management decision to reassess the realisability of overdue receivables, an amount of INR 3977.54 lakhs has been provided towards bad and doubtful debts in various geographies on account of reconciliation issues and probability of non-realisation from telcos / aggregators / other clients. Management focuses on following-up with non-moving debtors to enable realization of dues to the maximum extent possible

### Exchange fluctuations

Foreign exchange loss of INR 219.99 lakhs is on account of invoice realization and restatement of debtors.

### Earnings before other income, depreciation & amortization and taxes (EBITDA)

EBITDA for FY 2011-12 stood at (INR 2152.48) lakhs as compared to INR 4386.10 lakhs in FY 2010-11 primarily on account of provision for doubtful debts of INR 3977.54 lakhs and decline in overseas business operations.

### Depreciation & amortization

Summary of depreciation & amortization is as follows:

In Rs.

Particulars	31-Mar-12	31-Mar-11
Depreciation	106 31 62 323	143 21 47 075
Amortization of goodwill	33 11 97 693	22 31 81 212
<b>TOTAL</b>	<b>139 43 60 016</b>	<b>165 53 28 288</b>

The decrease in Depreciation in FY 2011-12 as compared to FY 2010-11 of INR 3689.85 lakhs is a result of write-off of fully depreciated fixed assets on the basis of useful life of the assets in various geographies. Management has decided to amortise 50% of balance of goodwill as on 31st March 2011 pertaining to acquisition of Tanla Oy, as compared to 25% during FY 2010-11.

### Provision for taxation

Deferred Tax for FY 2011-12 is INR (355.79) Lakhs as against INR (733.58) lakhs in FY 2010-11 on account of timing difference on depreciation.



## FINACIAL CONDITION

### Share capital

The authorized share capital of Tanla is Rs 12 00 00 000, comprising of 12 00 00 000 equity shares of Re. 1/-each. As at March 31, 2012, the issued and paid up share capital of Tanla is Rs. 10 17 49 593 comprising of 10 17 49 593 equity shares of Re.1/- each. The company has not issued any shares during FY 2011-12.

### Reserves & Surplus

A Summary of Reserves & Surplus is given below

In Rs.

Particulars	31-Mar-12	31-Mar-11
Share Premium	429 58 89 975	429 58 89 975
Investment subsidy	4 00 000	4 00 000
General reserve	24 98 04 978	24 98 04 978
Balance in profit and loss account	188 91 84 437	346 34 69 688
Currency translation reserve & surplus from joint ventures	37 61 99 373	(20 41 38 540)
<b>TOTAL</b>	<b>681 14 78 764</b>	<b>780 54 26 102</b>

Currency translation reserve has increased on account of favourable foreign exchange fluctuations on assets in various geographies. Currency fluctuation on account of revenue items is included under exchange fluctuation and charged to profit and loss account.

The balance retained in profit & loss account as of 31<sup>st</sup> March'2012 is INR 18 891.84 Lakhs post tax.

The total net worth of the company as on 31<sup>st</sup> March'2012 is INR 65 600.17 Lakhs with the book value of each share being INR 64.64 as against the corresponding numbers for FY 2010-11 of INR 72 819.34 Lakhs and INR 71.76 respectively. The difference in net worth is on account of loss in FY 2011-12.

### Goodwill on consolidation

Goodwill on acquisition of Tanla Oy is written off @ 50% of the balance as on 31<sup>st</sup> March 2011 as against 25% written off during FY 2010-11. The goodwill as on 31<sup>st</sup> March 2012 is INR 3529.41 Lakhs.

### Sundry debtors

The sundry debtors (net of provision for doubtful debts) amount to INR 14 816.65 Lakhs as on 31<sup>st</sup> March 2012 as compared to INR 16473.73 Lakhs as on 31<sup>st</sup> March 2011. Realisation of debtors has slowed down primarily in the legacy business due to general economic conditions. Management is however monitoring the debtors closely for speeding up the realization process.

Summary of debtors is given below:

In Rs.

Particulars	31-Mar-12	31-Mar-11
More than 6 months	53 09 80 074	32 86 51 889
Less than 6 months	95 06 84 631	131 87 21 237

### Cash & Bank balances

The cash and bank balance as on 31<sup>st</sup> March 2012 was INR 7 135.92 lakhs as against a balance of INR 8 816.67 lakhs as on 31<sup>st</sup> March 2011.

The decrease of bank balance is on account of payments for asset acquisition and payment to creditors and taxation payments.

### Short Term Loans and Advances

The loans and advances outstanding as on 31<sup>st</sup> March 2012 is INR 3 004.48 lakhs as compared to INR 18 304.76 Lakhs as on 31<sup>st</sup> March 2011.

The loans and advances include advances paid to content providers, aggregator clients, rent deposits for premises. It also includes direct and indirect taxes such as TDS, advance income tax, VAT, sales tax and service tax.

### Non-Current and Current Liabilities and Provisions

Non-Current and Current Liabilities and Provisions outstanding as on 31<sup>st</sup> March 2012 is INR 1 179.06 Lakhs as compared to INR 6 780.39 lakhs as on 31<sup>st</sup> March 2011. Decrease of INR 5 601.33 Lakhs is primarily on account of set-off of tax provisions against advance tax and payment of trade payables.

## Report on Risk Management

The global economy has seen unprecedented changes in the last decade. While there have been uncertainties in global economy including United States and Europe during the latter part of the past decade, the emerging economies have shown resilience in retaining moderate to high growth levels. The Indian economy continues to show reasonably good overall growth despite the challenges faced.

The mobile VAS segment of the telecom industry in various geographies is governed by stringent and dynamic regulatory procedures in addition to delayed payment realizations from the telecom operators. To overcome the impact of these factors on the company's business, the company has strategically shifted its focus from its traditional business to rendering products and solutions for handset manufacturers with global presence.

The company continues to place emphasis on developing and providing cost-effective products and solutions for global handset manufacturers ahead of the curve.

The company operates in 4 major business verticals namely:-  
Products, Aggregator, Mobile Consultancy and Mobile Payments

Management assesses the risks involved in each project, which is identified by the respective Project Managers at review meetings held periodically. The Board of Directors is provided an analysis of new projects and the attendant risks at periodic meetings. The Board is responsible for addressing the risk levels of projects and provides guidance on the risk management policies to be followed. All projects are continuously monitored to enable mitigation of inherent risks to the extent possible.

The company operates in mobile value-added services sector of the telecom industry, which is a highly dynamic environment with rapid changes in technology and customer-preferences. While management spares no effort in trying to mitigate risk to the maximum extent possible, the environment involves risks which are beyond its control. Some of the risks which are relevant to the company and its operations are explained below.

### Financial Risks

**Liquidity risk and foreign exchange fluctuation risks are the major financial risks faced by the Company.**

#### Liquidity

Current assets comprise of Cash and Cash equivalents, Trade receivables, Loans and advances given.

Current assets are those that are available to meet immediate business needs and can be realized within the working capital cycle. Sufficient liquid assets are held to meet the working capital needs of company and also to address new business opportunities. While Cash and Cash equivalents are readily available for business needs, trade receivables are realised based on the credit period extended to clients. Delays in recovery of trade receivables have an impact on the liquidity of the Company and so these receivables need to be monitored closely for realisation.

The following is the position of liquid assets of the Company:

Ratio	2012	2011
Cash and cash equivalents as % of assets	10.15%	10.23%
Cash and cash equivalents as % of revenue	39.70%	29.63%

The Company settles dues in respect of trade and other payables within stipulated time frames. The company maintains adequate cash balances to meet working capital requirements; excess cash is converted into interest bearing term deposits with Banks that provide a good rate of interest. The Company is presently realizing a decent periodical interest reported under head "Other Income" in the relevant section.

#### Foreign currency fluctuations

The company by virtue of its global presence is exposed to significant currency fluctuations and unexpected changes in the regulatory framework in multiple geographies.

The Company derives a significant portion of its revenues in Foreign Currencies. In India, the Company retains foreign currency in EEFC accounts with the Bank to the extent permissible under FEMA Regulations to negate the impact of unfavorable exchange fluctuation on overseas payments. The principal foreign currencies dealt with by the Company include Great Britain Pound, US Dollar and Euro.

#### Business Portfolio Risks

A business is subject to the risks involved with respect to the services offered by it, the geographies in which it operates and clients on which it is highly dependent.

Mobile VAS and telecom infrastructure services, the business segment in which the company operates, is subject to the effect of a number of factors, including subscriber preferences in various geographies, regulatory framework changes by telecom authorities in various geographies, new products/services/applications launched by the company or its competitors, pricing dynamics of competitors, ability of the company to capture market share, ability of the company to acquire and retain talent to meet the demands of business and general economic conditions.

## 2.1 Business vertical diversification

Business verticals are the services offered to clients across the industry. The Company operates in four major business verticals as defined above.

While traditional business has comprised primarily of Aggregator business, the company has strategically diversified into products and mobile payments verticals to ensure a robust product mix.

During the previous year, the Company's revenues were derived from products, aggregator and mobile payments verticals. Company has endeavored to mitigate its risks by expanding its presence in business verticals different from its legacy business targeting handset manufacturers.

During the year, the Company had its revenues distributed in the ratio of 54:31:15 among the aggregator, products and mobile payments verticals respectively.

## 2.2 Client portfolio

A diverse client portfolio reduces the dependence on a few large clients and thus reduces the risk due to lower business from them on account of cyclical changes in business. To mitigate the risk of business concentration, the company is focusing on partnering with leading handset manufacturers. While the company is already tied up with Nokia for license manager product, it has been successful in closing a deal with RIM for its Games Club solution apart from managing other services and is likely to finalize deals with two global handset manufacturers.

## 2.3 Geographical distribution

Distribution of revenues over diverse geographies reduces the risk on account of unfavorable economic conditions, trade policies and political situation in certain geographies.

The company's successful traction in the domestic Indian market since the previous year continues to be encouraging which has led to a reduction in the company's erstwhile Europe-centric business operations. Partnering with RIM (BlackBerry), has given the Company a much-needed entry into the developing Latin American and North America markets.

## Technological obsolescence

The company being in a technology-intensive business, it is imperative for the company to keep itself upgraded with the latest technology solutions. Technologies adopted by handset manufacturers differ thereby warranting the company to adopt the technology offered by the handset manufacturer it partners with. The success of the company's products and solutions hinges on the success of the technology adopted by its client.

Earlier technologies become redundant and hence result in write off of certain assets. The following table gives depreciation expense as a proportion of revenues for the last two years.

Ratio	FY 2012	FY2011
Depreciation/Average Gross Block	18.09%	28.05%

## Legal and Statutory Risks

Contractual Liabilities

Statutory Compliance

### 4.1 Contractual liabilities

Partnering with global handset manufacturers entails long-drawn timelines for closure of commercial terms and legal agreements thereby delaying product deployment and revenue realization. The management has clearly charted out a review and documentation process for contracts. This process focuses on evaluating the legal risks involved in a contract, on ascertaining the legal responsibilities of the Company under the applicable law of the contract, on restricting its liabilities under the contract and covering risks. The management reviews this on a continuous basis and takes corrective action, as appropriate. As a matter of policy the company does not enter into contracts, which have open-ended legal obligations. To date, the company has no material litigation in relation to contractual obligations pending against it in any court in India or abroad.

### 4.2 Statutory compliance

Due to its global presence, the company is subject to various tax and compliance regulations. The Company has a reliable internal control system that ensures and monitors compliance with regional regulations in all jurisdictions where the Company operates. Legal compliance issues are an important factor in assessing all new business proposals.

## Competition Risks

The Company is in existence for 13 years now and has always strived to think ahead of its competitors and has succeeded in launching new products and solutions for its clients ahead of the curve and thus given the competitors a run for their share in the VAS market. Competition and Technology risks are determined by the success of the technology adopted by the Company's client and the success of the Client's product. New competitors may enter the markets the Company operates in or current competitors could decide to focus more on these markets, and thereby intensify the highly competitive conditions that already exist. Such developments would enable these new and existing competitors to offer similar services at reduced prices. This could harm the Company's business and results of operations. The management keeps track of the market movements and acts accordingly to mitigate this risk. The services market is highly competitive and our competitors may have advantages that may allow them to compete more effectively than we do to secure client contracts and attract skilled telecom professionals.

**Macro Economic Risks:**

Changes in the global economic environment are bound to have an impact on the progress of every company's growth. The Company has successfully managed its business despite global economic slowdown and stringent regulatory environment by re-defining its focus to cost effective telecom products and solutions from its legacy business.

**Internal Control Systems:**

The Company believes in a strong internal control framework for effective statutory compliance and safeguard assets of the Company. The Company has adequate internal control systems in place commensurate with its nature of operations which provide reliable financial and operational information complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorizations and ensuring compliance of corporate policies.

The internal auditor conducts a periodic audit on the statutory compliances and other factors impacting the business of the Company and presents an exhaustive report to the Audit Committee for its review. The internal audit report describes non-compliance and other important issues having a bearing on the operations of the Company and suggests corrective action to ensure non-recurrence of the issues identified.

**Human Resources Development and industrial Relations:**

The Company has believed in identifying and encouraging the right talent required for the niche mobile based software development. The Human Resources Department conducts consultation, dialogue, deliberations, negotiations with employees to ensure employee job satisfaction, as the Company believes in retaining talent. Employees are adequately awarded for their performance and loyalty. Employees who are capable of multi tasking and express a desire to expand their horizon of deliverables are provided with required on job training pursuant to which they are provided with ample opportunity to deliver.

The Company has been maintaining cordial relations with all its employees since inception. The Company strives to provide congenial atmosphere to the employees and sets high standards of efficiency and performance.



# Financial Information of Subsidiary Companies u/s 212

In Rs.

S.No.	Name of the Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country
1	Tanla Mobile Asia Pacific Pte Ltd., INR Lakhs Exchange rate as on 31.03.2012	SGD	14 75 96 108 60 866.42 41.24	(2 45 37 445) (10 118.87) 41.24	12 37 08 925 51 015.71 41.24	12 37 08 925 51 015.71 41.24	1 51 37 037 6 242.29 41.24	11 79 501 452.32 38.35	(11 26 825) (432.12) 38.35	-	(11 26 825) (432.12) 38.35	-	Singapore
2	Tanla Mobile Inc, USA INR Lakhs Exchange rate as on 31.03.2012	USD	14 11 014 731.64 51.85	(14 04 037) (728.02) 51.85	6 977 3.62 51.85	6 977 3.62 51.85	-	-	(553) (0.27) 48.13	-	(553) (0.27) 48.13	-	USA
3	Tanla Mobile Ireland Pvt Ltd., INR Lakhs Exchange rate as on 31.03.2012	EURO	60 02 625 4 151.37 69.16	(6 66 901) (461.22) 69.16	53 35 724 3 690.15 69.16	53 35 724 3 690.15 69.16	-	1 05 051 69.53 66.18	(15 20 824) (1 006.55) 66.18	-	(15 20 824) (1 006.55) 66.18	-	Ireland
4	Tanla Mobile South Africa Pty Ltd., INR Lakhs Exchange rate as on 31.03.2012	ZAR	2 50 100 16.86 6.74	9 40 716 63.41 6.74	31 82 409 214.50 6.74	31 82 409 214.50 6.74	-	1 33 77 045 864.02 6.46	(3 14 183) (20.29) 6.46	69 704 4.50 6.46	(2 44 479) (15.79) 6.46	-	South Africa
5	Tanla Mobile South Asia Pvt Ltd., INR Lakhs Exchange rate as on 31.03.2012	SLR	57 21 414 23.15 0.40	(48 84 244) (19.76) 0.40	8 57 170 3.47 0.40	8 57 170 3.47 0.40	-	7 28 000 3.11 0.43	(1 16 829) (0.50) 0.43	-	(1 16 829) (0.50) 0.43	-	Sri Lanka
6	Tanla Mobile Middle East FZ LLC INR Lakhs Exchange rate as on 31.03.2012	USD	13 605 7.05 51.85	2 35 61 592 12 217.18 51.85	7 88 68 803 40 895.13 51.85	7 88 68 803 40 895.13 51.85	1 60 07 701 8 300.33 51.85	65 31 000 3 143.60 48.13	(1 55 15 526) (7 468.17) 48.13	-	(1 55 15 526) (7 468.17) 48.13	-	UAE
7	Tanla Mobile Finland Oy INR Lakhs Exchange rate as on 31.03.2012	Euro	2 500 1.73 69.16	97 18 655 6 721.35 69.16	1 73 47 836 11 997.64 69.16	1 73 47 836 11 997.64 69.16	1 73 45 348 11 995.92 69.16	-	(2 79 535) (185.01) 66.18	(6.00) (0.00) 66.18	(2 79 541) (185.01) 66.18	-	Finland
8	Tanla Oy INR Lakhs Exchange rate as on 31.03.2012	Euro	2 61 013 180.51 69.16	23 76 187 1 643.35 69.16	78 82 660 5 451.59 69.16	78 82 660 5 451.59 69.16	-	19 34 056 1 280.05 66.18	(43 487) (28.78) 66.18	-	(43 487) (28.78) 66.18	-	Finland
9	Tanla Solutions UK Ltd INR Lakhs Exchange rate as on 31.03.2012	GBP	1 000 0.83 82.90	(80 74 078) (6 693.21) 82.90	(80 73 078) (6 692.38) 82.90	(80 73 078) (6 692.38) 82.90	103 0.09 82.90	1 24 28 275 9 538.45 76.75	(26 12 737) (2 005.22) 76.75	-	(26 12 737) (2 005.22) 76.75	-	UK
10	Tanla Mobile Ltd., INR Lakhs Exchange rate as on 31.03.2012	GBP	103 0.09 82.90	1 02 20 901 8 472.87 82.90	1 02 21 004 8 472.96 82.90	1 02 21 004 8 472.96 82.90	3 006 2.49 82.90	-	-	-	-	-	UK
11	Tanla Mobile Spain, Sociedad Limitada INR Lakhs Exchange rate as on 31.03.2012	Euro	3 006 2.08 69.16	(54 736) (37.86) 69.16	5 402 3.74 69.16	5 402 3.74 69.16	-	-	-	-	-	-	Spain
12	Mufi Thumb Pvt Ltd INR Lakhs	INR	25 00 000 25.00	9 64 565 9.65	34 64 565 34.65	34 64 565 34.65	-	-	(7 500) (0.08)	-	(7 500) (0.08)	-	India
13	Tanla Mobile Private Limited INR Lakhs	INR	10 00 000 10.00	9 55 85 817 955.86	11 01 02 090 1 101.02	11 01 02 089 1 101.02	-	78 06 026 78.06	(3 78 90 166) (378.90)	2 56 925 2.57	(3 81 47 091) (381.47)	-	India

Information Pursuant to the Provisions of Part IV of Schedule VI to the Companies Act, 1956  
Statement on Balance Sheet Abstract and General Business Profile of the Company:

**Registration Details**

- |                      |   |                       |
|----------------------|---|-----------------------|
| • Registration No.   | : | L72200AP1995PLC021262 |
| • State Code         | : | 01                    |
| • Balance Sheet Date | : | 31.03.2012            |

**Capital Raised during the year**

- |                   |   |     |
|-------------------|---|-----|
| • Public Issue    | : | Nil |
| • Rights Issue    | : | Nil |
| • Bonus Issue     | : | Nil |
| Private Placement | : | Nil |

**Position of Mobilization and Deployment of Funds**

- |                     |   |                  |
|---------------------|---|------------------|
| • Total Liabilities | : | Rs.645 02 94 181 |
| • Total Assets      | : | Rs.645 02 94 181 |

**SOURCES OF FUNDS:**

- |                          |   |                  |
|--------------------------|---|------------------|
| • Paid-up Capital        | : | Rs.10 14 79 593  |
| • Reserves & Surplus     | : | Rs.616 42 24 834 |
| • Deferred Tax Liability | : | Nil              |

**Application Of Funds:**

- |                      |   |                  |
|----------------------|---|------------------|
| • Net Fixed Assets   | : | Rs.71 04 37 213  |
| • Investments        | : | Rs.465 88 20 591 |
| • Net Current Assets | : | Rs.81 76 41 632  |
| • Misc.Expenditure   | : | Nil              |

**Performance of Company**

- |   |   |                   |
|---|---|-------------------|
| • Turnover/Income                                 | : | Rs.37 32 47 311   |
| • Total Expenditure                               | : | Rs.51 42 49 015   |
| • Profit Before Tax                               | : | Rs.(14 10 01 704) |
| • Profit After Tax                                | : | Rs.(10 58 73 995) |
| • Earning per Share (face value Re.1 each) in Rs. | : | (1.04)            |
| • Dividend Rate %                                 | : | Nil               |

**Generic Names of three principal products/services of Company**

- |                            |   |   |
|----------------------------|---|---|
| • (As per monetary terms)  |   |   |
| • Item Code No. (IIC Code) | : | 85249009.10                               |
| • Product Description      | : | Software Development and related services |

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,  
Chartered Accountants  
Firm Regn. No.010396S

For and on behalf of the Board of Directors

C.V. Koteswara Rao  
Partner  
Membership No.28353

Uday Kumar Reddy Dasari  
Chairman & Managing Director

Satish Kathirisetti  
Chief Technical Officer

Place: Hyderabad.  
Date : August 14, 2012

Srinivas Kamoji Gunupudi  
Chief Financial Officer

Seshanuradha Chava  
AGM – Legal & Secretarial

## NOTICE OF 16TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixteenth Annual General Meeting of the members of Tanla Solutions Limited will be held on Friday, 28 September, 2012 at 10.30 am at the Registered Office of the Company situated at Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad – 500 081, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and Profit & Loss Account for the year ended March 31, 2012 together with the Report of Auditors' and Directors' thereon.
2. To appoint a Director in place of Mr. Abhishek Khaitan, Director, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Sudhanshu Sekhar Jamuar, Director, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Padma Bhushan Ram Narain Agarwal, Director, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re- appoint M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Hyderabad, as the Statutory Auditors of the Company.

“RESOLVED THAT M/s Ramasamy Koteswara Rao & Co., (Firm Regd. No: 010396S) Chartered Accountants, Hyderabad, be and are hereby re-appointed as Statutory Auditors to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at such remuneration as may be determined by the Board of Directors of the Company.”

By the order of the Board of Directors  
For Tanla Solutions Limited

Sd/-  
Seshanuradha Chava  
AGM – Legal & Secretarial

Place: Hyderabad  
Date: August 14, 2012

Registered Office:  
Tanla Technology Centre,  
Hi-tech City Road,  
Madhapur, Hyderabad – 500 081.

## NOTES:

- 1.A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote thereat instead of himself/herself and such proxy need not be a member of the company.
- 2.The instrument appointing proxy in order to be effective must be deposited at the registered of the company not less than 48 hours before the commencement of the meeting.
- 3.Corporate members intending to send or nominate their authorized representatives to attend and vote at the meeting are requested to send a certified copy of the Board resolution authorizing their representatives to attend and vote on their behalf at the meeting.
- 4.The register of members and share transfer books shall remain closed from 24th September, 2012 to 28th September, 2012 (both days inclusive) for the purpose of Annual General Meeting.
- 5.Members desirous of asking any questions at the Annual General Meeting are requested to send their questions so as to reach the registered office at least 7 days before the meeting so that the same can be suitably replied to.
- 6.All documents referred to in the Notice and annexure thereto along with other mandatory registers / documents are open for inspection at the Registered Office of the Company on all working days ( except Saturdays and Sundays ) between 11.00 am to 1.00 pm prior to the date of Annual General Meeting.
- 7.The Ministry of Corporate Affairs has taken a corporate “Green initiative in the corporate governance” by allowing paperless compliance by companies. As per the MCA Circular, Service of documents through electronic mode i.e., e-mail by the company will be a valid compliance of Section 53 of the Companies Act, 1956. A recent amendment to the Listing Agreement with the Stock Exchange permits companies to send soft copies of the Annual Report to all those shareholders who have registered their e-mail id’s for the said purpose. As such the members who have not yet registered their e-mail id’s are requested to furnish/register their e-mail id’s at [einward.ris@karvy.com](mailto:einward.ris@karvy.com) to enable the Company to send all notices, periodical statements etc., of the company through electronic mode.

By the order of the Board of Directors  
For Tanla Solutions Limited

Sd/-  
Seshanuradha Chava  
AGM – Legal & Secretarial

Place: Hyderabad  
Date: August 14, 2012

Registered Office:  
Tanla Technology Centre,  
Hi-tech City Road,  
Madhapur, Hyderabad – 500 081.

### **Additional Information on Directors recommended for re-appointment:**

#### **Mr. Abhishek Khaitan**

Mr. Abhishek Khaitan, LLB (Hons) is practicing as Solicitor in England and Wales. Currently he is a partner in M/s Bower Cotton Khaitan, Solicitors, a law firm based in London. He specializes in Commercial Law, Company Law, litigation matters, etc.,

Before joining on the Board of Tanla Solutions Limited, he was a Director of Techserv Ltd , which is now a subsidiary of Tanla Solutions UK Ltd, a Wholly owned subsidiary of Tanla Solutions Limited.

None of the Directors other than Mr. Abhishek Khaitan is interested in this resolution.

None of the Directors are related inter-se.

#### **Dr. Sudhanshu Sekhar Jamuar**

Dr. Sudhanshu Sekhar Jamuar, an engineering graduate from Bihar Institute of Technology followed by M.Tech and Ph.D from Indian Institute of Technology, Kharagpur. He acquired DIM and MBA from the Faculty of Management Studies, Delhi University and is trained in Industrial Management in Netherlands. He is recipient of Meghnad Saha Memorial Award from IETE and a senior member of IEEE and Fellow member of IETE(India).

Currently Dr. Sudhanshu Sekhar Jamuar is a Professor in University of Malaya, Malaysia.

None of the Directors other than Dr. Sudhanshu Sekhar Jamuar is interested in this resolution.

None of the Directors are related inter-se.

#### **Padma Bhushan Ram Narain Agarwal**

Padma Bhushan Ram Narain Agarwal, a scientist of great renown is from Rajasthan. After graduating, he post graduated in Aeronautical Engineering from Madras Institute of Technology and Masters in Engineering in Aerospace Engineering from the Indian Institute of Science, Bangalore.

He has several awards to his credit, including Padma Sri (1990), Padma Bhushan (2000), Dr. Biren Roy Space Science Award (1990), DRDO Technology Leadership Award (1998), Chandrasekhara Saraswati National Eminence Award for Science (2000) and the DRDO Lifetime Achievement Award (2004). He was the Project Director of Agni Missile Program.

None of the Directors other than Padma Bhushan Ram Narain Agarwal is interested in this resolution.

None of the Directors are related inter-se.





**TANLA SOLUTIONS LIMITED**

Registered Office: Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad – 500 081

Regd. Folio / Client ID

No. of Shares

**Attendance Form**

**16th ANNUAL GENERAL MEETING**

I certify that I am Member / Proxy for the Member of the Company.

I hereby accord my presence at the 16th Annual General Meeting of the Company held on Friday, September 28th, 2012, at 10:30 am at the Registered Office of the Company situated at Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad – 500 081

-----  
Signature of the Member/Proxy

**Note:**

1. Please sign this attendance slip and hand it over at the Attendance Verification Counter at the Entrance of the Meeting Hall.
  2. This Attendance is valid only in case shares are held on the date of the Meeting.
- 

**TANLA SOLUTIONS LIMITED**

Registered Office: Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad – 500 081

Regd. Folio / Client ID

No. of Shares

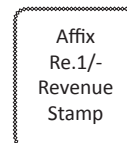
**Proxy form**

**16th ANNUAL GENERAL MEETING**

I/We ..... of ..... being Member(s) of M/s. TANLA SOLUTIONS LIMITED hereby appoint Mr./ Mrs. .... of ..... or failing which Mr./ Mrs. .... of ..... as my/our proxy to attend and vote for me/us on my/our behalf at the 16th Annual General Meeting of the Company to be held on Friday, September 28, 2012, at 10:30 am at the Registered Office of the Company situated at Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad – 500 081 and any adjournment thereof.

Signed this ..... day of September, 2012

-----  
Signature of the Member



**Note:**

(a) The Proxy Form signed across revenue stamp must be deposited at Registered Office of the Company at Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad – 500 081 not less than 48 hours before the meeting.





