


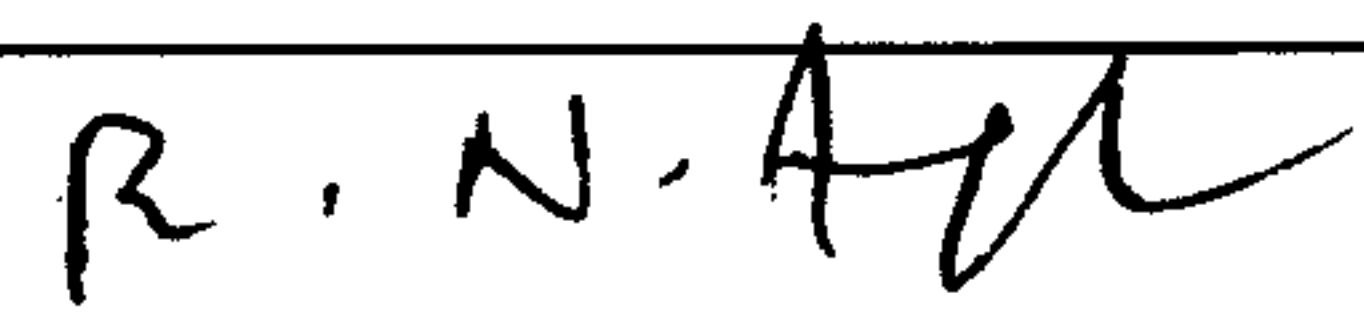


## FORM A

(Pursuant to Clause 31(a) of the Listing Agreement)

1	Name of the Company:	TANLA SOLUTIONS LIMITED
2	Annual financial statements for the year ended	31st March 2014
3	Type of Audit qualification	Un-qualified
4	Frequency of qualification	Not Applicable
	<b>To be signed by-</b>	
	D. Uday Kumar Reddy Chairman & Managing Director	
	G. K. Srinivas - Chief Financial Officer	
	C.V.Koteswara Rao - Statutory Auditor	
	R N Agarwal, Chairman - Audit Committee	

14

# 2013 - 14

18<sup>th</sup> Annual Report



**tanla**

13

tanla  
18<sup>th</sup> Annual Report  
2013 - 14



investor update

Register with [investorhelp@tanla.com](mailto:investorhelp@tanla.com) to receive  
Investor Update.

# CONTENTS

## CHAIRMAN'S LETTER

It's been a transformational year .....04  
in a sense of moving away from  
a high capex and long gestation  
businesses to a more B2C  
transactional one.

## DIRECTORS' REPORT

For the financial year ended March .....07  
31, 2014, the Company has  
recorded operating revenue of  
₹. 2,570.33 Lakhs as against  
₹. 2,721.87 Lakhs in FY ended  
March 31, 2013

## GOVERNANCE

Timely and accurate disclosure of ..... 12  
information regarding the financial  
situation, performance, ownership  
and governance of the company is  
an important part of your  
company's corporate governance.

Committees of the Board ..... 13

Additional Shareholders' ..... 16  
Information

## FINANCE

Independent Auditor's Report ..... 23

Standalone Financials ..... 28

Independent Auditor's Report on ..... 42  
Consolidated Accounts

Consolidated Financials ..... 44

Management Discussion ..... 61  
& Analysis

Risk Management ..... 66

Statement pursuant to ..... 69  
Sec. 212 of Companies Act,1956

## AGM

Notice for 18th AGM ..... 70

Procedure and instructions ..... 73  
for e - Voting

Attendance slip ..... 83

Proxy Form ..... 85



“Arise! Awake! and stop not until the goal is reached.”

**Swami Vivekananda**

### **Dear Shareholders,**

The past financial year has been one of introspection and a conscious move on our part to go “back to basics”. It’s been a transformational year in a sense of moving away from a high capex and long gestation businesses to a more B2C transactional one. Tanla has also decided to derisk from lumpy concentrated revenue sources to a more diversified and margin enhancing clientele.

I am pleased to announce that this renewed focus has begun to pay off. Tanla has during FY 2014, partnered with a leading telecom provider for provision of messaging services; this platform is presently under deployment stage and is likely to improve revenues from next quarter. Tanla targets to reach 75% of the market size from the existing 45% of the 5000 crore messages per year in India. Our milestone product launch “Fastrack”, which is a niche solution for A2P messaging caters to the enterprises need for increase in delivery capabilities, margins and mobile users’ expectation to receive fast SMS notifications and alerts.

Fastrack additionally offers a robust platform along with several enriched services like intelligent routing, MPLS connectivity, geo redundancy, anti-spam, and number portability detection that enable enterprises and telcos to take advantage of a wide range of market opportunities.

Another exciting and burgeoning sector is M-Commerce. Increasingly people are buying goods and services using their mobile devices. Mobile commerce services are reported mostly from the fields of content, entertainment, travel, banking and marketing and this necessitates partnering with various billing partners with wide connectivity to enable payments. I am happy to announce that Tanla has tied up with a payment gateway in the US and is expected to generate revenues in the coming quarters. Every time you use your smart phone, you become part of Tanla's fast growing list of mobile applications that are either embedded in the handset or available in the app store.

Despite market gyrations and through all the highs and lows Tanla has always endeavoured to communicate extensively with our shareholders. Our shareholder family strength is approximately 72000, we share our quarterly financials and investor update with all shareholders who have registered their email ids with us apart from updating our website and submitting to the Stock Exchanges. We will continue to strive to maintain high standards of transparency and would encourage you to register with **investorhelp@tanla.com** for receiving periodic Investor Updates. Our human capital has always been a motivational factor for us. I would like to record my appreciation to all the employees who have been unwavering in their commitment to Tanla particularly in the recent tumultuous past. As a gesture of our gratitude, I am pleased to inform you that the ESOP's plan announced earlier would be revived soon.

As always I would like to record my appreciation to all the Board members for their unflinching support and wise counsel.

I look forward to meeting many of you at the forth coming Annual General Meeting in September to discuss our achievements and share further updates.

D . Uday Kumar Reddy

**Chairman & Managing Director**

## Corporate Information

---

### Board of Directors:

D. Uday Kumar Reddy	: Chairman & Managing Director
Gautam Sabharwal	: Director – Global Business Development
Satish Kathiriseti	: Director – Chief Technology Officer
Padmabhushan Ram Narain Agarwal	: Director – Independent & Non-Executive
Dr. A.G.Ravindranath Reddy	: Additional Director - Independent & Non-Executive (w.e.f. 29.01.2014)
Srinivas Kamoji Gunupudi	: Chief Financial Officer
Seshanuradha Chava	: AVP – Legal & Company Secretary

---

### Committees of the Board:

#### Audit Committee

Padmabhushan Ram Narain Agarwal	: Chairman
Satish Kathiriseti	: Member
Dr. A.G.Ravindranath Reddy	: Member

---

#### Stakeholders Relationship Committee:

Padmabhushan Ram Narain Agarwal	: Chairman
D. Uday Kumar Reddy	: Member
Dr. A.G.Ravindranath Reddy	: Member

---

#### Nomination and Remuneration Committee:

Dr. A.G.Ravindranath Reddy	: Chairman
Padmabhushan Ram Narain Agarwal	: Member
Gautam Sabharwal	: Member

---

### Statutory Auditors:

M/s Ramasamy Koteswara Rao & Co.,  
Chartered Accountants  
Plot No.238/A, 1st Floor, M.L.A.Colony,  
Road No.12, Banjara Hills, Hyderabad - 500034.

---

### Internal Auditors:

M/s M M Reddy & Co.,  
Chartered Accountants,  
G-8, Amrutha Ville,  
Opp:Yashodha Hospital, Rajbhavan Road,  
Somajiguda, Hyderabad - 500 082

---

### Stock Exchanges where Company's securities are listed:

Bombay Stock Exchange Limited  
The National Stock Exchange of India Limited

---

## Directors' Report

To the Members,

The Directors submit the 18th Annual Report of Tanla Solutions Limited along with the audited financial statements for the financial year ended March 31, 2014.

### 1. Results of Operations:

#### Financial Performance of the Company (Standalone):

Particulars	Results	
	March 31, 2014	March 31, 2013
Income from operations	257,032,965	272,186,941
Operating Profit (EBIDTA)	55,863,987	9,946,777
Less: Depreciation & amortization	107,090,414	105,732,038
Operating Profit before Tax	(51,226,428)	(95,785,261)
Add: Other Income	54,760,885	79,524,107
Profit for the year before Exceptional Items & Tax	3,534,457	(16,261,154)
Less: Exceptional Items	96,809,938	9,859,244
Profit before Tax	(93,275,481)	(26,120,398)
Less: Provision for Tax	3,326,009	(8,353,170)
Profit after Tax	(96,601,490)	(17,767,228)
Dividend (incl. dividend tax)	-	-
Transfer to General Reserve	-	-
Net Profit Transferred to Reserves	(96,601,490)	(17,767,228)
Earnings per share : Basic / Diluted (₹ 1 each)	(0.95)	(0.18)
Dividend Rate	-	-
Share Capital	101,479,593	101,479,593
Reserves & Surplus	6,049,856,116	6,146,457,605
Total Shareholders' Funds	<b>6,151,335,709</b>	<b>6,247,937,198</b>
Book value per share (₹ 1 each)	<b>60.62</b>	<b>61.57</b>

### 1. Operational Performance :

#### Standalone

For the financial year ended March 31, 2014, the Company has recorded operating revenues of ₹ 2,570.33 Lakhs as against ₹ 2,721.87 Lakhs for FY ended March 31, 2013 and other income of ₹ 547.61 Lakhs for the current year as against ₹ 795.24 Lakhs in the previous year. Total sales decreased by 6% over the previous financial year.

#### Profits

For the financial year ended March 31, 2014, Profit Before Tax (PBT) stood at ₹ (932.75) Lakhs as against ₹ (261.20) Lakhs in the previous financial year. Profit After Tax (PAT) stood at ₹ (966.01) as against ₹ (177.67) Lakhs in the previous financial year.

#### Liquidity

As on March 31, 2014, Cash and Cash Equivalents stood at ₹ 1,790.12 Lakhs as against ₹ 1,847.48 Lakhs during the previous financial year.



## **2.Further Issue of Equity Shares on Preferential Basis**

The Company has not issued Equity Shares on Preferential Basis during the financial year 2013-14.

## **3.Fixed Deposits**

The Company has not accepted any public deposits during the financial year under review and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.

## **4. Directors**

During the year under review, Dr. A.G.Ravindranath Reddy was appointed as Additional Director (Independent Director) on January 29, 2014 and a notice has been received from a shareholder proposing his appointment as a Director of the Company. The details of Directors seeking appointment or re-appointment as required by Clause 49 of the Listing Agreement are provided in the Notes to the Notice convening the ensuing Annual General Meeting of the Company.

During the year under review, Dr. Sudhanshu Shekar Jamuar, Independent Director, resigned from the Board on January 01, 2014.

## **5. Corporate Governance Report, Management Discussion & Analysis Report**

As per Clause 49 of the Listing Agreements entered into with the Stock Exchanges, Corporate Governance Report with Certificate from Practicing Company Secretary thereon and Management Discussion and Analysis are attached and form part of this report.

## **6. Subsidiaries**

- (a) As on the date of this report, the Company has the following subsidiaries:
  - (i) Mufithumb Corporation Private Limited
  - (ii) Tanla Mobile Private Limited
  - (iii) Tanla Mobile Asia Pacific Pte. Ltd., Singapore
  - (iv) Tanla Solutions (UK) Limited , U.K.
- (b) Below mentioned are the subsidiaries of Tanla Mobile Asia Pacific Pte. Ltd., Singapore:
  - (i) Tanla Mobile Middle East FZ LLC, Dubai
  - (ii) Tanla Mobile Ireland Pvt Ltd., Ireland
- (c) Tanla Oy, Finland is a subsidiary of Tanla Mobile Finland Oy, which is a subsidiary of Tanla Mobile Middle East FZ LLC, Dubai.
- (d) TZ Mobile Private Limited, incorporated in 2009 under the provisions of the Companies Act, 1956, is a joint venture between Tanla Solutions Limited and Zed Worldwide Holdings SL, Spain, each holding 50% of shareholding.
- (e) In 2013, an application was submitted for winding up Tanla Mobile South Asia Pvt Ltd., and Tanla Mobile South Africa Proprietary Ltd., South Africa, subsidiaries of Tanla Mobile Asia Pacific Pte. Ltd., Singapore. Tanla Mobile Inc., has been liquidated during the financial year 2013-14.

## **7. Subsidiary companies and consolidated financial statements**

The Company had 4 subsidiaries and 4 step down subsidiary companies as on March 31, 2014. There has been no material change in the nature of the business of the subsidiaries.

As required under the Listing Agreement entered into with the Stock Exchanges, consolidated financial statements of the Company is attached. The consolidated financial statements have been prepared in accordance with the relevant accounting standards as prescribed under section 211(3C) of the Companies Act, 1956. The consolidated financial statements disclose the assets, liabilities, income, expenses and other details of the Company and its subsidiaries.

Pursuant to the provision of section 212(8) of the Companies Act, 1956, the Ministry of Corporate Affairs vide its circular dated February 8, 2011 has granted general exemption from attaching the balance sheet, statement of profit and loss and other documents of the subsidiary companies with the balance sheet of the Company.

A statement containing brief financial details of the Company's subsidiaries for the financial year ended March 31, 2014 is included in the annual report. The annual accounts of these subsidiaries and the related information will be made available to any member of the Company/its subsidiaries seeking such information and are available for inspection by any member of the Company/its subsidiaries at the registered office of the Company.

## **8. Directors' responsibility statement**

Pursuant to the requirement of section 217(2AA) of the Companies Act, 1956, and based on the representations received from the operating management, the directors hereby confirm that:

- (i) in the preparation of the annual accounts for the financial year 2013-14, the applicable accounting standards have been followed and there are no material departures;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial year;
- (iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.

## **9. 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 has been paid remuneration equal to or exceeding the remuneration prescribed under the above mentioned rules.

## **10. Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo**

### **(i) Conservation of Energy**

While continuing to believe in philosophy of Energy saved is Energy produced, adequate measures commensurate with the business operations have been taken to reduce and conserve the energy consumption by utilising energy efficient equipment wherever required.

## **(ii)Research & Development, Technology Absorption**

We continue to focus and invest in Research & Development of New Products and methodologies for enhancing the quality of products and services

## **(iii)Foreign Exchange earnings & outgo**

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

## **11. Employee Stock Option**

The Employee Stock Options granted in October 2009 pursuant to SEBI (Employees Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999 shall be revived during the financial year 2014-15.

## **12. Transfer of Unclaimed Shares to Suspense Account**

In accordance with Clause 5A of the Listing Agreement entered into with the Stock Exchanges, 870 Equity Shares held by 15 shareholders, were held in the "Tanla Solutions Limited-Demat Suspense Account" vide DPID\CLID:IN300484 13842503 in Axis Bank Ltd., Jubilee Hills Branch, Hyderabad as on March 31, 2014. The voting rights on these shares shall remain frozen till the rightful owner claims the same.

## **13. Transfer of Unpaid/Unclaimed Dividend to the "Investor Education and Protection Fund"**

According to the provisions of Section 205A (5) of the Companies Act, 1956, unpaid and unclaimed dividend in the dividend account of the company has to be transferred to the "Investor Education and Protection Fund" after seven years of declaration. Shareholders are requested to ensure that they claim the dividend(s) from the Company before transfer to the Investor Education and Protection Fund. The seven year period of "Un-paid and Un-Claimed dividend for the year 2006-07" which amounts to ₹ 2,31,820 /- (Rupees Two lakhs thirty one thousand eight hundred and twenty only) expires on October 04, 2014 and the same will be transferred to the "Investor Education and Protection Fund".

Financial year	Type of Dividend	Date of Declaration	Amount of unclaimed dividend outstanding as on 31.03.2014	Last date for claiming Unpaid dividend by Investors	Due date for transfer to IEPF
2006-07	Dividend of Equity Shares	29.08.2007	231,820	04.10.2014	03.11.2014
2007-08	Dividend of Equity Shares	29.09.2008	201,613	03.11.2015	02.12.2015
2008-09	Dividend of Equity Shares	30.09.2009	340,958	04.11.2016	03.12.2016
2009-10	Dividend of Equity Shares	30.09.2010	198,515	04.11.2017	03.12.2017
2010-11	Dividend of Equity Shares	30.09.2011	236,360	04.11.2018	03.12.2018

## **14. Industrial Relations**

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

## 15. Auditors

M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Hyderabad, who are the Statutory Auditors of the Company, hold office till the conclusion of the forthcoming AGM and are eligible for re-appointment. Pursuant to the provisions of section 139 of the Companies Act, 2013 and the Rules framed there under, it is proposed to appoint M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, as statutory auditors of the Company from the conclusion of the forthcoming AGM till the conclusion of the twenty-first AGM to be held in the year 2017, subject to the ratification of their appointment at every AGM.

The Independent Auditors' Report to the Members of the Company on the Financial Statements for the Financial Year ended March 31, 2014 does not contain any qualification(s) or adverse observations.

## 16. Acknowledgement

The directors thank the Company's employees, customers, vendors, investors and academic institutions for their support.

The directors also thank the government of various countries, Government of India, State Governments in India and concerned government departments/agencies for their co-operation.

The directors appreciate and value the contributions made by every member of the Tanla family globally.

On behalf of the Board of Directors,  
**Sd/-**

D. Uday Kumar Reddy  
Chairman & Managing Director  
DIN : 00003382

Place : Hyderabad  
Date : July 08, 2014

### Foreign Exchange earned and outgo:

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

Particulars	For the Year 2013-2014	For the Year 2012-2013
Import of capital goods	7,935,979	-

#### b. Activity in foreign currency

##### Earnings in foreign exchange (on accrual basis)

Income from software products and offshore development services	3,178,097	27,003,051
Interest received	-	10,674,125

##### Expenditure in foreign exchange (on accrual basis)

Cost of services	33,897,126	7,204,236
Foreign Travel Expenses	818,825	433,182
Professional Charges	481,659	-

<b>Net earnings in foreign exchange</b>	<b>(39,955,492)</b>	<b>30,039,759</b>
---	---------------------	-------------------

## CORPORATE GOVERNANCE

### Company's philosophy on code of corporate governance

Your Company believes that Corporate Governance is a set of guidelines to help fulfil its responsibilities to all its stakeholders.

Key elements of corporate governance are transparency, disclosure, supervision and internal controls, risk management, internal and external communications and high standards of safety, health environment, accounting fidelity and product and service quality. Timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the company is an important part of your company's corporate governance.

### Board of Directors:

The Board of Directors' primary function is policy direction and strategizing apart from setting Corporate goals and monitoring Company performance on a ongoing basis. The total strength of the Board of Directors is five, consisting of 2 Independent Non-Executive Directors and 3 Executive Directors as on March 31, 2014. The Chairman of the Board is Executive Director who is also the Managing Director.

During the year 2013-14, five meetings of the Board of Directors were held on April 10, 2013; May 29, 2013; August 08, 2013; October 31, 2013 and January 29, 2014. None of the Directors on the Board is a member in more than 10 committees or acts as a Chairman of more than 5 committees across all companies in which he is a director. The directors of the company are not related inter se.

**The composition of the Board, details of other directorships, committee positions as on March 31, 2014 and attendance of Directors at the Board meetings and at the Annual General Meeting held during the year under review are given in the table below:**

Name of the Director	No.of Board Meetings attended	Attendance at last AGM	Directorship in other Public Companies	No.of Committees held in other Public Limited Companies	
				Chairman	Member
Non-Independent and Executive Directors					
Mr. D.Uday Kumar Reddy	5	Yes	-	-	-
Mr. Gautham Sabharwal	2	No	-	-	-
Mr. Satish Kathirisetti	5	Yes	-	-	-
Independent and Non-Executive Directors					
Mr. R.N.Agarwal	5	Yes	-	-	-
Prof. Sudhanshu Jamuar	-	No	-	-	-
Dr. A.G.Ravindranath Reddy	1	N.A.	2	-	3

#### Notes:

1. None of the Directors of the Company were members in more than 10 committees nor acted as Chairperson of more than five (5) committees across all Public Limited Companies in which they were Directors;
2. None of the Directors held directorship in more than 15 Public Limited Companies;
3. None of the Director is related to any Director or is a member of an extended family;
4. None of the employees of the Company are related to any of the Directors;
5. None of the Director has any business relationship with the Company;
6. None of the Director has received any loans and advances from the Company during the year;

\* Mr. Sudhanshu Shekar Jamuar resigned from the office of Director on January 29, 2014.

\*Dr. A.G.Ravindranath Reddy was appointed as Additional Independent Director on January 29, 2014.

The Board has complete access to all information with the Company and all the information is regularly provided to the Board as a part of the agenda papers well in advance of the Board meetings or is tabled in the course of the Board meeting. The Board periodically reviews compliance reports of all laws applicable to the Company as well as steps taken by the Company to rectify instances of non-compliances, if any.

### Committees of the Board:

In compliance with the Listing Agreement, the Board has constituted a set of committees (both mandatory and non-mandatory) with specific terms of reference and scope. The details of the committees constituted by the Board are given below:

### Audit Committee:

The Audit Committee of the Board of Directors has been constituted in line with the provisions of Section 292A of the Companies Act, 1956, read with Clause 49 of the Listing Agreement. The Committee meets atleast four times a year and maximum gap between two meetings is not more than four months.

The composition of the Audit Committee and particulars of meetings attended by the members are given below:

Four meetings of the Audit Committee were held during the Financial Year 2013-14. The meetings were held on May 29, 2013; August 08, 2013; October 31, 2013 and January 29, 2014.

Smt. Seshanuradha Chava, AVP – Legal & Secretarial(Company Secretary) is the Secretary to the Committee.

The details of the number of Audit Committee meetings attended by its members are given below:

Name of the Director	Designation	Nature of Directorship	No.of Meetings Attended
Mr. R.N.Agarwal	Chairman	Independent & Non-Executive	4
Mr. Satish Kathirisetti	Member	Executive & Non-Independent	4
**Dr. A.G.Ravindranath Reddy	Member	Independent & Non-Executive	1
*Prof. S.S.Jamuar	Member	Independent & Non-Executive	3 @

\* Prof. Sudhanshu Shekhar Jamuar, Independent Director resigned from the Board on January 01, 2014.

\*\* Dr. A.G.Ravindranath Reddy, Independent Director was appointed as member on January 29, 2014.

@ Prof. Sudhanshu Shekhar Jamuar Participated in the meeting through tele-conference.

### Brief terms of reference:

The terms of reference of this Committee are very wide. Besides having access to all the required information within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and the Internal Auditors and the Board of Directors of the Company. It is authorized to select accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to review the remuneration payable to the Statutory

Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of unlisted subsidiary companies, Management Discussion & Analysis and material individual transactions with related parties. All items listed in Clause 49 II (D) of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II (C).

The Meetings of the Audit Committee are attended by the Chairman & Managing Director, Chief Financial Officer (CFO), the Statutory Auditors and the Internal Auditors.

Mr. R.N.Agarwal, Chairman of the Audit Committee, was present at the Annual General Meeting of the Company held on 20th September, 2013.

#### **Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee(earlier known as Remuneration Committee) recommends to the Board the compensation terms of Executive Directors and the senior management. During the year 2013-14, the Committee met on August 08, 2013 and approved the remuneration payable to Mr. D. Uday Kumar Reddy, Chariman & Managing Director and Mr. Satish Katirisetti, Director & Chief Technical Officer.

#### **Remuneration Policy:**

The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation programme, the Company endeavours to attract, retain, develop and motivate a high performance workforce. The Company follows a compensation mix of fixed pay, benefits and performance based variable pay. Individual performance pay is determined by business performance and the performance of the individuals measured through the annual appraisal process.

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) to its Managing Director and the Executive Directors.

During the year 2013-14, the Company paid sitting fees of ₹ 10,000 /- per meeting to its Non-Executive Directors for attending meetings of the Board and meetings of committees of the Board.

#### **The Composition of the Remuneration and Nomination Committee ('RNC') is as follows:**

Name of the Director	Designation	Nature of Directorship
Dr. A.G.Ravindranath Reddy	Chairman	Independent and Non-Executive
Mr R.N. Agarwal	Member	Non-Independent and Executive
Mr. Gautam Sabharwal	Member	Non-Independent and Executive

#### **Details of Remuneration paid to Executive Directors for the year ended March 31, 2014: ₹**

Name of the Director	Salary	Perquisites and Allowances	Contribution to Provident Fund	Total
Mr. D. Uday Kumar Reddy	4,569,600	14,400	230,400	4,814,400
Mr. Satish Kathirisetti	3,062,400	14,400	237,600	3,314,400

#### **The Independent Directors were paid sitting fees for attending the Board Meetings during the year:**

Name of the Director	Sitting fee	Reimbursement of Expenses	Total
Mr R.N. Agarwal	50,000	Nil	50,000
Dr. A.G.Ravindranath Reddy	10,000	Nil	10,000

**Stake Holders Relationship Committee:  
(earlier known as ‘Shareholders/Investors’ Grievances Committee’)**

The Company has a Stakeholders Relationship Committee(SRC) of Directors to look into the Redressal of complaints of investors such as transfer or credit of shares, non-receipt of dividend/notices/annual reports, etc.

**The Composition of the Stakeholders Relationship Committee(SRC) is as follows:**

Name of the Director	Designation	Nature of Directorship
Mr R.N. Agarwal	Chairman	Independent Non-Executive
Mr. D. Uday Kumar Reddy	Member	Non-Independent and Executive
Mr. Satish Kathirisetti**	Member	Non-Independent and Executive

Smt Seshanuradha Chava, AVP – Legal & Secretarial 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:**

Description	Received	Resolved	Pending
Non receipt of Annual Reports	1	1	-
Non receipt of Refund Order	-	-	-
Non receipt of Dividend Warrants	4	4	-
Non receipt of Shares Certificates	-	-	-
<b>TOTAL</b>	5	5	-

**Details of shares or convertible instruments of the Company held by the non-executive Directors as on March 31, 2014 are given below:**

Name of the Director	No. of stock options	No. of Equity Shares
Mr R.N. Agarwal	-	2698
Dr. A.G.Ravindranath Reddy	-	-

**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:**

Name of the Director	Designation	Nature of Directorship
Mr. D. Uday Kumar Reddy	Chairman	Non-Independent and Executive
Mr. Satish Kathiriseti	Member	Non-Independent and Executive
Mr. Gautam Sabharwal	Member	Non-Independent and Executive

**Code of Conduct:**

The Board of Directors of the company laid a Code of Conduct for Directors and Senior Management personnel. All Directors and designated personnel in the Senior Management affirmed compliance with the Code for the financial year 2013-14. The Code of Conduct is posted on the Company's website [www.tanla.com](http://www.tanla.com).

**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 a comprehensive Code of Conduct 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:**

All subsidiaries of the Company are board managed with their Board having the rights and obligations to manage such companies in the best interest of their stakeholders. The Board monitors the performance of its subsidiaries by periodically reviewing the financial statements and particulars of investments made by subsidiaries. There are no material non-listed Indian subsidiary companies under the company to nominate its Directors on such subsidiaries.

**ADDITIONAL SHARE HOLDER'S INFORMATION:****General Body Meetings**

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

Year	Location	Date & Time
15TH AGM - 2011	Tanla Technology Centre, Hi-tech City Road, Madhapur, Hyderabad - 500081.	September 30, 2011, 10:30 A.M.
16TH AGM - 2012	Tanla Technology Centre, Hi-tech City Road, Madhapur, Hyderabad - 500081.	September 28, 2012, 10:30 A.M.
17TH AGM - 2013	Tanla Technology Centre, Hi-tech City Road, Madhapur, Hyderabad - 500081.	September 20, 2013, 10:30 A.M.

Two Special Resolutions were passed at the 17th Annual General Meeting of the Members of the Company held on September 20, 2013.

**Postal Ballot:**

No postal ballot was conducted during the year 2013-14.

**Disclosures:**

- There has been no materially significant related party transaction of the Company which have potential conflict with the interests of the Company at large.
- A Statement of Compliance with all Laws and Regulations as certified by the Internal Auditor is placed at periodic intervals for review by the Board. The Board reviews the compliance of all the applicable Laws and gives appropriate directions wherever necessary.
- A summary of materially significant related party transactions is given in point - "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.
- 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.
- The Company's financial statements are prepared as per Accounting Standards and the accounting principles generally accepted in India.
- There is no pecuniary relationship or transaction with the Non-Executive Directors.
- **Reconciliation of Share Capital Audit:**  
M/s Ravi and Subramanyam, Company Secretaries, 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 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.
- **Risk Management:**  
The Separate Report on Risk Management forms part of the Annual Report.
- **Management Discussion and Analysis:**  
Annual Report has a detailed chapter on Management Discussion and Analysis.
- **Subsidiaries:**  
We have 8 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 2013-14.

The company has complied with all the mandatory and non-mandatory requirements of Clause 49 of the Listing Agreement except Clause 49 (I)(A)(ii) and 49 (C)(iv)

#### **Means of Communication:**

- Quarterly financial results are published in leading newspapers in India which include The Financial Express, Business Standard, having all India Circulation and Andhra Jyothi & Andhra Prabha in Telugu being the vernacular language where the registered office is situated.
- Quarterly financial results are also displayed on company's website **www.tanla.com** and also of Stock Exchanges **www.bseindia.com** and **www.nseindia.com**
- Quarterly financials and Investor update have been emailed to shareholders who have registered their email IDs with the company/RTA.
- 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:**

---

18<sup>th</sup> Annual General Meeting

Date	:	September 30, 2014
Day	:	Tuesday
Time	:	11.30 A.M.
Venue	:	Hotel Novotel, HICC Complex, Madhapur, Hyderabad - 500081.

---

**Financial Calender**

---

Un-Audited financial results for the quarter ending June 30, 2014	:	Before August 14, 2014(was declared on July 8th, 2014)
Un-Audited financial results for the quarter ending Sept 30, 2014	:	Before November 14, 2014
Un-Audited financial results for the quarter ending Dec 31, 2014	:	Before February 14, 2015
Audited financial results for the year and quarter ending March 31, 2015	:	Before May 30, 2015
Financial year	:	April 01, 2014 to March 31, 2015
Date of Book Closure	:	September 26, 2014 to September 30, 2014 (both days inclusive)

---

**The Equity shares of the company are listed on :**

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

---

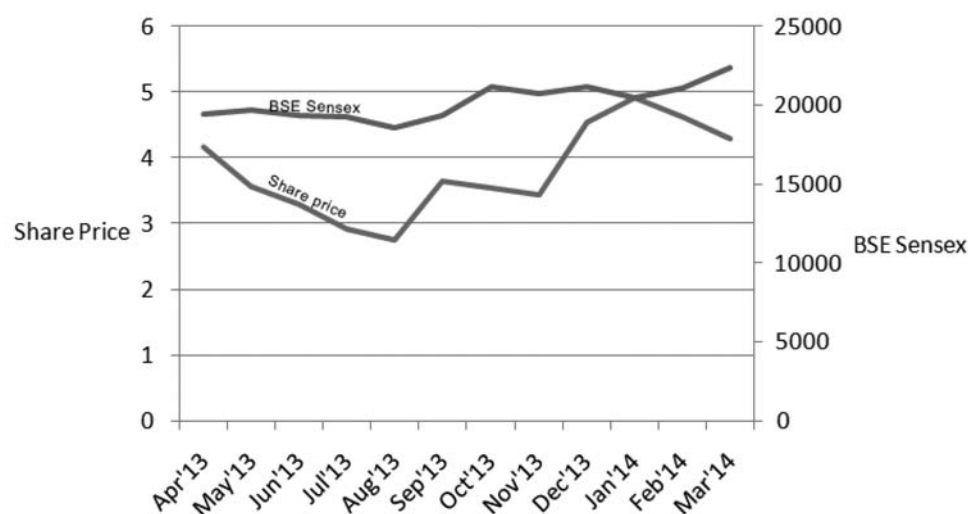
**Listing and Custodial fee:**

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 2013-14 to the National Securities Depository Limited and Central Depository Services (India) Limited

**Stock Market Data from April 2013 to March 2014:**

Month	Bombay Stock Exchange Limited			National Stock Exchange of India Limited		
	High(₹)	Low(₹)	No.of Shares Traded	High(₹)	Low(₹)	No.of Shares Traded
April'13	5.84	3.15	1,248,448	5.15	3	2,028,495
May'13	4.34	3.55	472,483	4.35	3.45	765,522
June'13	3.82	3.2	370,129	3.8	3.15	730,387
July'13	3.64	2.8	328,445	3.6	2.8	821,313
August'13	3.25	2.42	309,210	3.2	2.4	854,943
Sept'13	4.38	2.66	1,337,415	4.2	2.6	1,959,771
Oct'13	3.88	3.12	667,553	3.85	3.2	803,706
Nov'13	3.76	3.3	391,912	3.8	3.3	747,990
Dec'13	4.55	3.45	1,364,550	4.45	3.4	919,753
Jan'14	6.42	4.31	2,783,101	6.35	4.35	2,786,933
Feb'14	5.01	3.7	516,596	5.05	3.7	646,194
Mar'14	5.65	3.9	1,384,208	5.5	3.85	1,590,220

**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, 2014. 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 on any convertible instruments, conversion date and likely impact on equity:**

As on March 31, 2014, the Company does not have any outstanding GDRs/ADRs/Warrants on any convertible instruments.

**Distribution Schedule – Consolidated as on March 31, 2014:**

Category	Number of Shareholders		Details of Shareholding	
	Number	Percentage	Number	Percentage
1-5000	74,280	97.91	29,833,823	29.40
5001-10000	871	1.15	6,361,316	6.27
10001-20000	379	0.50	5,475,999	5.40
20001-30000	132	0.17	3,217,973	3.17
30001-40000	44	0.06	1,505,401	1.48
40001-50000	28	0.04	1,260,713	1.24
50001-100000	69	0.09	4,651,347	4.58
100001 & above	59	0.08	49,173,021	48.46
<b>Total</b>	<b>75,862</b>	<b>100.00</b>	<b>101,479,593</b>	<b>100.00</b>

**Shareholding pattern as on March 31, 2014:**

Category	No.of Shares of Re.1/- each	Percentage
Promoters	33,882,633	33.39
FII's	621,023	0.61
BCs	10,674,631	10.52
Indian Public	53,658,997	52.87
NRIs	1,681,155	1.66
Trusts	10,960	0.01
Clearing Members	126,887	0.13
Foreign Nationals	821,807	0.81
OCBs	1,500	0.00
<b>Total</b>	<b>101,479,593</b>	<b>100.00</b>

**Company's Registered Office & Address for Shareholder's Correspondence:**

The Company Secretary,  
Tanla Solutions Limited,  
Tanla Technology Centre,  
Hi-tech City Road,  
Madhapur, Hyderabad – 500081.  
Phone No: +91-40-40099999  
Fax No: +91-40-23129999  
Email : [investorhelp@tanla.com](mailto:investorhelp@tanla.com)

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

I hereby confirm that the Company has laid down a Code of Conduct for all members of the Board and Senior Managerial Personnel. It is further confirmed that all Directors and Senior Managerial Personnel have affirmed the compliance with the Code of Conduct for the financial year ended March 31, 2014 as mentioned in Clause 49 of the Listing Agreement with the Stock Exchanges.

The Code of Conduct has also been posted on the website of the company **www.tanla.com**.

Place: Hyderabad  
Date : July 08, 2014

For Tanla Solutions Limited  
Sd/-  
D. Uday Kumar Reddy  
Chairman & Managing Director  
DIN:00003382

**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 of  
Tanla Solutions Limited.

We have examined all the relevant records of Tanla Solutions Limited (the Company) for the purpose of certifying the compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreements with BSE Limited (Formerly Bombay Stock Exchange Limited) and National Stock Exchange of India Limited for the financial year ended March 31, 2014 (i.e. from April 1, 2013 to March 31, 2014). We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of certification.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance except the following as stipulated in CLAUSE 49 of the above-mentioned listing agreement.

**NON-COMPLIANCE OF CLAUSE 49 (I) (A) (ii) WHICH STATES AS UNDER:**

“Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case; he is an executive director, atleast half of the Board should comprise of independent directors.”

The Chairman of the Board is an executive director, but the Board comprises of three executive directors and two independent directors, does not complying with the provision of having fifty percent of independent directors on the Board.

**NON-COMPLIANCE OF CLAUSE 49 (I) (C) (iv) WHICH STATES AS UNDER:**

“An independent director who resigns or is removed from the Board of the Company shall be replaced by a new independent director within a period of not more than 180 days from the date of such resignation or removal, as the case may be.”

An independent director has resigned on May 2013, from the Board. However, no independent director has been appointed in his place within the time limit of 180 days, does not complying with the above mentioned provision.

This Certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

For BS & Co., Company Secretaries  
Sd/-

CS Nithyakalyani  
Associated Partner  
CP No.10712

Place: Hyderabad  
Date : July 08, 2014

**Chairman & Managing Director and Chief Financial Officer 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, 2014, we hereby certify that:

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.

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.

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.

We have indicated to the auditors and the Audit Committee:

Significant changes in internal control over financial reporting during the year.

Significant changes 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.

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

Place: Hyderabad.  
Date: July 08, 2014

Sd/-  
Srinivas Gunupudi Kamoji  
Chief Financial Officer

## INDEPENDENT AUDITOR'S REPORT

To the Members,  
**Tanla Solutions Limited**  
Hyderabad

### Report on the Financial Statements

We have audited the accompanying financial statements of **Tanla Solutions Limited** ("the Company"), which comprises the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

### Management Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") which shall continue to apply in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 15, 2013 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### Opinion

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

- (a) In the case of Balance Sheet, of the state affairs of the Company as at March 31, 2014;
- (b) In the case of the Statement of Profit and Loss, 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.



## Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by 'the companies (Auditor's Report amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as "Order") , and on the basis of checks of the books and records of the company as we considered appropriate and according to information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order
2. As required by section 227(3) of the Act, we report that:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting standards referred to in sub-section (3c) of section 211 of the Companies Act, 1956, which shall continue to apply in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 15, 2013 issued by the Ministry of Corporate Affairs.
  - e. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Place: Hyderabad  
Date: May 30, 2014

**For Ramasamy Koteswara Rao & Co.,**  
Chartered Accountants  
Firm Regn No: 010396S

Sd/  
**(C V Koteswara Rao)**  
Partner  
Membership No. 028353

**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, 2014)**

- (i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies have been noticed on such verification. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the company and nature of its assets.
- (c) Fixed Assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) The Company is operating in service Industry; accordingly it does not hold any physical inventories. Thus, paragraph 4 (ii) of the order is not applicable.
- (iii) (a) According to the information and explanations given to us, the company has granted loans (inter corporate deposit) to a subsidiary company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 229,000,000/- and the yearend balance of such loan amounted to ₹ 229, 000,000/-.
- (b) In our opinion, the rate of interest and other terms and conditions on which the loans had been granted to the bodies corporate listed in the register maintained under Section 301 of the Act were not, prima facie, prejudicial to the interest of the Company.
- (c) In the case of the loans granted to the bodies corporate listed in the register maintained under section 301 of the Act, the borrowers have been regular in the payment of the interest as stipulated.
- (d) In our opinion, there are no overdue amounts of more than rupees one lakh in respect of the loan granted to a body corporate listed in the register maintained under section 301 of the Act.
- (e) The company has taken unsecured loan from its subsidiary company Tanla Mobile Private Limited, the company covered under the register maintained under section 301 of the Companies Act, 1956. The year-end balance of such loan is ₹ 23, 928,610/-.
- (f) The rate of interest and other terms and conditions of such loans taken are, in our opinion, prima facie not prejudicial to the interests of the Company.
- (g) The principal amount is not due for repayment and the Company has been regular in payment of interest.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, with regard to purchase of fixed assets and sale of services. The activity of the company does not involve purchase of inventory and the sale of goods. During the course of audit, no major weaknesses in the internal controls are noticed.

- (v)
- (a) According to the information and explanations given to us, we are of the opinion that the company has entered all the transactions required to be entered in the register maintained under section 301 of the Companies Act, 1956.
  - (b) According to the information and explanations given to us, transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the explanations given to us, the company has not accepted any deposits within the meaning of Sections 58A and 58AA of the Companies Act and Companies (Acceptance of Deposits) Rules, 1975.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under section 209(1)(d) of the Act for any of the services rendered by the company.
- (ix)
- (a) According to the records of the company, the company is regular in depositing undisputed statutory dues including income-tax, sales-tax, customs-duty, excise-duty, cess and other statutory dues with the appropriate authorities.
  - (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 ₹ 68,581,618 (out of this ₹ 19,368,932/- 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 not filed by the Central Government.
- (x) The company does not have accumulated losses as at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) According to the records of the company and as per the explanations given to us the company, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders during the year.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund or nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the said Order are not applicable to the company.
- (xiv) According to the information given to us, the company is not dealing in or trading in shares, securities, debentures and other instruments, accordingly the provisions of clause 4 (xiv) of the order is not applicable.
- (xv) According to the information and explanations given to us, the company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us, the Company has not borrowed any term loans and accordingly the provisions of clause 4 (xiv) of the order is not applicable.

- (xvii) The Company has not raised any funds on short-term basis. Accordingly, the provisions of clause 4(xvii) of the Order are not applicable to the Company
- (xvii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable to the Company
- (xix) The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of clause 4(xix) of the Order are not applicable to the Company.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

Place: Hyderabad  
Date: May 30, 2014

**For Ramasamy Koteswara Rao & Co.,**  
Chartered Accountants  
Firm Regn No: 010396S

Sd/  
**(C V Koteswara Rao)**  
Partner  
Membership No. 028353

**Tanla Solutions Limited, Hyderabad****Balance sheet as at**

₹

Particulars	Note	March 31, 2014	March 31, 2013
<b>A EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
(a) Share capital	2	101,479,593	101,479,593
(b) Reserves and surplus	3	6,049,856,116	6,146,457,605
		6,151,335,709	6,247,937,198
<b>2 Non-current liabilities</b>			
(a) Long-term borrowings	4	1,851,104	-
(b) Other long-term liabilities	5	11,199,292	-
		13,050,396	
<b>3 Current liabilities</b>			
(a) Trade payables	6	53,026,226	67,336,990
(b) Other current liabilities	7	28,915,576	172,261,801
(c) Short-term provisions	8	408,348	-
		82,350,150	239,598,791
<b>TOTAL</b>		<b>6,246,736,256</b>	<b>6,487,535,990</b>
<b>B ASSETS</b>			
<b>1 Non-Current Assets</b>			
(a) Fixed Assets			
(i) Tangible assets	9	347,856,388	456,191,149
(ii) Capital work-in-progress		55,287,816	111,547,949
(iii) Intangible assets under development		-	67,360,631
		403,144,204	635,099,729
(b) Non-current investments	10	4,748,371,990	4,747,294,716
(c) Deferred tax assets (net)		64,513,220	67,789,229
(d) Other non-current assets	11	97,686,527	118,579,463
		4,910,571,737	4,933,663,408
<b>2 Current Assets</b>			
(a) Current investments	12	52,967,017	276,827,082
(b) Trade receivables	13	414,923,323	408,954,409
(c) Cash and cash equivalents	14	179,011,737	184,748,120
(d) Short-term loans and advances	15	232,103,714	48,243,243
(e) Other current assets	16	54,014,522	-
		933,020,314	918,772,854
<b>TOTAL</b>		<b>6,246,736,256</b>	<b>6,487,535,990</b>
See accompanying notes forming part of the financial statements	1 to 30		

As per our report of even date attached

**For Ramasamy Koteswara Rao & Co.,**

Chartered Accountants

Firm Regn. No.010396S

Sd/-

**C V Koteswara Rao**

Partner

Membership No.028353

Place: Hyderabad.

Date : May 30, 2014

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

Sd/-

**D. Uday Kumar Reddy**

Chairman &amp; Managing Director

DIN 00003382

Sd/-

**Srinivas Kamoji Gunupudi**

Chief Financial Officer

Sd/-

**Satish Kathirisetti**

Director &amp; Chief Technical Officer

DIN 00004069

Sd/-

**Seshanuradha Chava**

AVP – Legal &amp; Secretarial

## Tanla Solutions Limited, Hyderabad

## Statement of Profit and Loss for the year ended

₹

Particulars	Note	March 31, 2014	March 31, 2013
<b>1</b> Revenue from operations (net of taxes)	17	257,032,966	272,186,941
<b>2</b> Other income	18	54,760,885	79,524,107
<b>3 Total Revenue (1 + 2)</b>		<b>311,793,851</b>	<b>351,711,048</b>
<b>4 Expenses</b>			
(a) Cost of services	19	109,159,977	155,939,449
(b) Employee benefits expense	20	54,777,546	56,725,916
(c) Depreciation and amortisation expense	9	107,090,415	105,732,038
(d) Advertisement expense	21	1,867,248	2,657,811
(e) Other expenses	22	35,364,208	46,916,988
<b>Total Expenses</b>		<b>308,259,394</b>	<b>367,972,202</b>
<b>5 Profit / (Loss) before exceptional and extraordinary items and tax (3 - 4)</b>		<b>3,534,457</b>	<b>(16,261,154)</b>
<b>6</b> Exceptional items		96,809,938	9,859,244
<b>7 Profit / (Loss) before extraordinary items and tax (5 - 6)</b>		<b>(93,275,481)</b>	<b>(26,120,398)</b>
<b>8</b> Extraordinary items		-	-
<b>9 Profit / (Loss) before Tax (7 - 8)</b>		(93,275,481)	(26,120,398)
<b>10 Tax expense :</b>			
Current tax		408,348	-
MAT Credit entitlement		(358,348)	-
Deferred tax		3,276,009	(8,353,170)
<b>11 Profit / (Loss) for the year (9 - 10)</b>		<b>(96,601,490)</b>	<b>(17,767,228)</b>
<b>12 Earnings per share (of Re.1/- each):</b>			
(a) Basic		(0.95)	(0.18)
(b) Diluted		(0.95)	(0.18)

See accompanying notes forming part  
of the financial statements

1 to 30

As per our report of even date attached

For Ramasamy Koteswara Rao &amp; Co.,

Chartered Accountants

Firm Regn. No.010396S

Sd/-

**C V Koteswara Rao**

Partner

Membership No.028353

Place: Hyderabad.

Date : May 30, 2014

Sd/-

**D. Uday Kumar Reddy**

Chairman &amp; Managing Director

DIN 00003382

Sd/-

**Srinivas Kamoji Gunupudi**

Chief Financial Officer

Sd/-

**Satish Kathirisetti**

Director &amp; Chief Technical Officer

DIN 00004069

Sd/-

**Seshanuradha Chava**

AVP – Legal &amp; Secretarial

**Tanla Solutions Limited, Hyderabad**  
**Cash Flow Statement for the year ended**

₹

Particulars	March 31, 2014	March 31, 2013
<b>A CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit before taxation and extraordinary items	(93,275,481)	(26,120,398)
Adjusted for :		
Depreciation	107,090,415	105,732,038
Interest & other income received	(54,760,885)	(79,524,107)
Loss on sale of / discarded assets (net)	-	-
Public issue expenses & goodwill w/o	-	-
Operating profits before working capital charges	(40,945,951)	87,533
<b>Changes in current assets and liabilities</b>	-	-
Products under development	67,360,631	(4,000,000)
Sundry debtors	(5,968,915)	60,373,958
Loans and advances	(216,982,059)	(29,047,541)
Current liabilities and provisions	(144,606,592)	55,009,037
Cash generated from operations	(341,142,886)	82,422,988
Income taxes paid	(358,348)	-
<b>Net cash generated from operating activities</b>	<b>(340,784,538)</b>	<b>82,422,988</b>
<b>B CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets and change in capital work-in-progress	57,504,479	(26,394,554)
Purchase of investments	222,782,790	(365,301,207)
Interest & other income received	54,760,885	79,524,107
<b>Net cash used in investing activities</b>	<b>335,048,154</b>	<b>(312,171,654)</b>
<b>C CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends and dividend tax paid during the year	-	-
Net Cash generated from financing activities	-	-
<b>D Net increase / (decrease) in cash and cash equivalents</b>	<b>(5,736,384)</b>	<b>(229,748,666)</b>
<b>E Cash and cash equivalents at the beginning of the year</b>	<b>184,748,120</b>	<b>414,496,787</b>
<b>F Cash and cash equivalents at the end of the year</b>	<b>179,011,737</b>	<b>184,748,120</b>

As per our report of even date attached

**For Ramasamy Koteswara Rao & Co.,**

Chartered Accountants

Firm Regn. No.010396S

Sd/-

**C V Koteswara Rao**

Partner

Membership No.028353

Place: Hyderabad.

Date : May 30, 2014

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

Sd/-

**D. Uday Kumar Reddy**

Chairman &amp; Managing Director

DIN 00003382

Sd/-

**Srinivas Kamoji Gunupudi**

Chief Financial Officer

Sd/-

**Satish Kathirisetti**

Director &amp; Chief Technical Officer

DIN 00004069

Sd/-

**Seshanuradha Chava**

AVP – Legal &amp; Secretarial

**Notes forming part of the financial statements :****A. 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.

**Note - 1 Significant Accounting Policies****1.1 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 notified under section 211(3c) of the Companies Act, 1956 (which continues to be applicable in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 2013 of the Ministry of Corporate Affairs.)

All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the schedule VI to the Companies Act, 1956. Based on the nature of services and the time between the acquisition of assets, for processing and the realisation in cash and cash equivalents. The Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

**1.2 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 & 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.

**1.3 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 uncompleted 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.

**1.4 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.

**1.5 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.

**1.6 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 ₹ 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.

**1.7 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.

**1.8 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.

**1.9 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.

**1.10 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 shares outstanding during the period.

**1.11 Investments**

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

**1.12 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**

Note

2 Share Capital	As at March 31, 2014		As at March 31, 2013	
	No. of shares	₹	No. of shares	₹
<b>(a) Authorised</b>				
Equity shares of ₹ 1 each	120,000,000	120,000,000	120,000,000	120,000,000
<b>(b) Issued Subscribed and fully paid up:</b>				
Equity Shares of ₹ 1 each fully paid-up	101,479,593	101,479,593	101,479,593	101,479,593
	<b>101,479,593</b>	<b>101,479,593</b>	<b>101,479,593</b>	<b>101,479,593</b>

**i) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:**

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	₹	No. of Shares	₹
<b>Equity Shares:</b>				
Shares outstanding at the beginning of the year	101,479,593	101,479,593	101,479,593	101,479,593
Add: Issued and allotted during the year	-	-	-	-
Less: Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	<b>101,479,593</b>	<b>101,479,593</b>	<b>101,479,593</b>	<b>101,479,593</b>

**ii) Terms/Rights and restrictions attached to the equity shares:**

The Company has only one class of equity shares of face value of ₹ 1 /-. Each share holder is eligible for one vote per share held.

**iii) The details of shareholder holding more than 5% shares in the Company:**

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	%	No. of Shares	%
D Uday Kumar Reddy	14,496,493	14.29	14,496,493	14.29
D Tanuja Reddy	9,319,271	9.18	9,319,271	9.18
Gautam Sabharwal	7,361,600	7.25	7,361,600	7.25

**Tanla Solutions Limited Hyderabad**  
**Notes forming part of the financial statements**

₹

Note	As at March 31, 2014	As at March 31, 2013
<b>3 Reserves and Surplus</b>		
Share Premium	4,285,501,775	4,285,501,775
Investment subsidy	400,000	400,000
General reserve	249,804,979	249,804,979
<b>(A)</b>	<b>4,535,706,754</b>	<b>4,535,706,754</b>
Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	1,610,750,852	1,628,518,080
Add: Profit / (Loss) for the year	(96,601,490)	(17,767,229)
	1,514,149,361	1,610,750,852
Less: Proposed dividend for the year	-	-
Less: Tax on dividend	-	-
Closing balance	<b>(B)</b> 1,514,149,361	1,610,750,852
Closing Balance	<b>(A + B)</b> 6,049,856,116	<b>6,146,457,605</b>
<b>4 Long Term Borrowings</b>		
Vehicle Loan	1,851,104	-
	<b>1,851,104</b>	-
<b>5 Other Long Term Liabilities</b>		
Other Security Deposits and Advances	10,206,044	-
Unclaimed Dividend	993,248	-
	<b>11,199,292</b>	-
<b>6 Trade Payables</b>		
Trade payables to Small & Micro Enterprises	-	-
Trade payables to other than Small & Micro Enterprises	53,026,226	67,336,990
	<b>53,026,226</b>	<b>67,336,990</b>
<b>7 Other Current Liabilities</b>		
Other Liabilities	28,915,576	172,261,801
	<b>28,915,576</b>	<b>172,261,801</b>
<b>8 Short-Term Provisions</b>		
Provision for taxes	408,348	-
	<b>408,348</b>	-

**Tanla Solutions Limited Hyderabad**  
**Notes forming part of the financial statements**

Note 9: Statement of Fixed Assets		(Amount in ₹)								
		Gross Block		Depreciation/Amortisation				Net Block		
Description	As at April 1,2013	Additions	(Deletions)	As at March 31, 2014	Up to April 1,2013	For the year		Up to March 31, 2014	As at March 31, 2014	As at March 31, 2013
						Additions	Deletions			
Tangible Assets										
Land & site development	46,171,392	10,542,713	-	56,714,105	-	-	-	-	56,714,105	46,171,392
Building & Interiors - Owned	155,748,811	1,963,732	-	157,712,543	29,293,648	5,300,741	-	34,594,389	123,118,154	126,455,163
Building interiors & fixtures - Leasehold	1	-	1	-	-	-	-	-	-	1
Furniture	59,495,462	-	39,630,276	19,865,186	20,191,301	3,766,063	9,098,751	14,858,613	5,006,573	39,304,161
Computers	522,427,623	14,927,336	32,800,381	504,554,578	392,459,270	84,815,343	128,213,013	349,061,600	155,492,978	129,968,353
Office equipment	102,337,462	860,986	89,773,997	13,424,451	37,514,797	7,274,279	31,379,850	13,409,226	15,226	64,822,666
Vehicles	15,255,659	-	-	15,255,659	6,297,019	1,449,288	-	7,746,307	7,509,352	8,958,640
Air conditioning	63,432,831	-	60,185,935	3,246,896	22,922,058	4,484,701	24,159,863	3,246,896	-	40,510,773
Library books	40,136	-	40,136	-	40,136	-	40,136	-	-	-
Total	964,909,378	28,294,767	222,430,726	770,773,419	508,718,229	107,090,415	192,891,613	422,917,031	347,856,389	456,191,149
Previous Year	943,290,555	26,798,623	5,179,800	964,909,378	405,261,922	105,732,038	2,275,731	508,718,229	456,191,149	538,028,633

**Tanla Solutions Limited, Hyderabad**  
**Notes forming part of the financial statements**

Note	As at March 31, 2014	As at March 31, 2013
<b>10 Non Current Investments</b>		
<b>In Equity / Preference Shares (Un-quoted at cost)</b>		
Mufithumb Corporation Pvt Ltd, India (2,50,000 equity shares of ₹ 10 each, fully paid-up)	7,174,000	7,174,000
Tanla Solutions (UK) Ltd, UK (1,909,000 equity shares of GBP.1 each, fully paid-up)	206,467,116	113,674,125
Tanla Mobile Asia Pacific Pte Ltd, Singapore (750,001 Equity shares of SGD.1 each, fully paid-up)	30,928,916	30,928,916
(146,947,872 Preference shares of SGD.1 each, fully paid-up)	4,483,452,958	4,575,168,675
TZ Mobile Pvt Ltd, India (1,03,490 Equity shares of ₹ 10 each, fully paid-up)	10,349,000	10,349,000
Tanla Mobile Pvt Ltd, India (10,00,000 Equity shares of ₹ 10/- each, fully paid-up)	10,000,000	10,000,000
<b>Total</b>	<b>4,748,371,990</b>	<b>4,747,294,716</b>
<b>11 Other Non Current Assets</b>		
Balances with government authorities Unsecured, considered good		
Service tax deposit	19,368,932	19,368,932
Deposits with others	13,436,906	13,415,953
Other advances	3,950,942	-
Advance TDS & Service tax	60,929,747	85,794,578
<b>Total</b>	<b>97,686,527</b>	<b>118,579,463</b>
<b>12 Current Investments</b>		
ICICI Prudential Gilt Fund	-	219,774,116
Kotak Bond Fund	47,369,231	57,052,966
L & T Triple Ace Fund	5,597,787	-
<b>Total</b>	<b>52,967,017</b>	<b>276,827,082</b>
<b>13 Trade Receivables</b>		
(Unsecured and considered good)		
Trade receivables outstanding for a period exceeding six months	221,475,444	350,980,074
Other Trade receivables	193,447,880	57,974,334
<b>Total</b>	<b>414,923,323</b>	<b>408,954,409</b>
<b>14 Cash and Bank Balances</b>		
Cash on hand	503,625	810,181
Balances with banks:		
(i) in current accounts **	174,069,281	92,258,545
(ii) in EEFC accounts	-	911,780
(iii) in deposit accounts	4,438,831	90,767,614
(** includes balances in Unclaimed Dividend accounts ₹ 993,248 (2012-13) ₹ 1,102,218 )		
<b>Total</b>	<b>179,011,737</b>	<b>184,748,120</b>
<b>15 Short Term Loans and Advances</b>		
Advances recoverable in cash or kind or for value to be received	3,103,714	48,243,243
Loans to Subsidiaries	229,000,000	-
<b>Total</b>	<b>232,103,714</b>	<b>48,243,243</b>
<b>16 Other Current Assets</b>		
Interest accrued on loans given to Related Parties	23,964,821	-
Advance TDS & Service Tax	29,691,353	-
MAT Credit Entitlement	358,348	-
<b>Total</b>	<b>54,014,522</b>	-

**Tanla Solutions Limited, Hyderabad**  
**Notes forming part of the financial statements**

₹

Note	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>17 Revenue from Operations</b>		
Overseas	3,178,097	27,003,051
Domestic : India	253,854,869	245,183,890
	<b>257,032,966</b>	<b>272,186,941</b>
<b>18 Other Income</b>		
Interest on Deposits with Banks	1,233,817	15,405,567
Interest received from subsidiary companies & others	26,479,890	59,162,026
Exchange Fluctuation (Net)	13,700,829	-
Profit on Mutual Funds	11,802,586	-
Miscellaneous Income	1,543,763	4,956,514
	<b>54,760,885</b>	<b>79,524,107</b>
<b>19 Cost of Services</b>		
Cost of Services	109,159,977	155,939,449
	<b>109,159,977</b>	<b>155,939,449</b>
<b>20 Employee Benefits Expense</b>		
Salaries & Wages	54,777,546	56,725,916
	<b>54,777,546</b>	<b>56,725,916</b>
<b>21 Advertisement Expenses</b>		
Advertisement Expenses	1,867,248	2,657,811
	<b>1,867,248</b>	<b>2,657,811</b>
<b>22 Other Expenses</b>		
Travelling expenses	6,377,002	7,250,345
Communication expenses	3,220,769	3,668,332
Repairs & maintenance expenses	6,687,744	5,393,091
Rent, rates & taxes	4,873,773	19,514,716
Printing & stationery	758,453	946,610
Office maintenance expenses	1,803,397	1,337,349
Power & fuel	2,969,027	4,268,626
General expenses	2,032,583	2,134,302
Professional charges	3,165,911	5,608,966
R&D Expenses	1,245,399	2,506,289
Advances Written off	336,372	-
Auditors remuneration	1,000,000	1,000,000
Finance & bank charges	808,402	308,279
Provision for bad debts / written off	85,375	579,039
Loss on sale of vehicles / discarded assets	-	2,260,288
	<b>35,364,208</b>	<b>56,776,232</b>

**Tanla Solutions Limited, Hyderabad**  
**Notes forming part of the financial statements**

₹

Note	S. No.	Particulars	For the Year 2013-2014	For the Year 2012-2013
<b>23</b>		<b>Contingent Liabilities</b>		
	<b>1</b>	Outstanding guarantees given by the company	-	-
	<b>2</b>	Claims against company, not acknowledged as debts	164,622,062	82,822,050
	<b>3</b>	Claims made by company, not acknowledged as debts	-	-
	<b>4</b>	Corporate Guarantee given to subsidiary companies	-	-

**24 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"

**25 Related Party Disclosures**

A) List of Related Parties:

S. No	Name of the Related Party	Country	Relationship with the Entity
<b>1</b>	Tanla Solutions (UK) Limited	UK	Wholly-owned subsidiary
<b>2</b>	Tanla Mobile Asia Pacific Pte Limited	Singapore	Wholly-owned subsidiary
<b>3</b>	Tanla Mobile Ireland Private Limited	Ireland	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
<b>4</b>	Tanla Mobile Middle East FZ LLC	UAE	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
<b>5</b>	Tanla Oy	Finland	Wholly-owned subsidiary of Tanla Mobile Finland Oy
<b>6</b>	Tanla Mobile Private Limited	India	Wholly-owned subsidiary
<b>7</b>	Mufithumb Corportion Private Limited	India	Wholly-owned subsidiary
<b>8</b>	TZ Mobile Private Limited	India	Joint Venture with ZED Worldwide Holdings S.L. Spain

B) List of Transactions with Related Parties:

Refer note 25B of notes to Consolidated Financial Statements

**26 List of Transactions with key management personnel**

					₹
S. No	Name	Salary and allowances	Contributions to provident and other funds	Perquisites and incentives	Total remuneration
1	D. Uday Kumar Reddy Chairman & Managing Director	4,569,600	230,400	14,400	4,814,400
2	K. Satish - Director & CTO	3,062,400	237,600	14,400	3,314,400
<b>Total</b>		<b>7,632,000</b>	<b>468,000</b>	<b>28,800</b>	<b>8,128,800</b>

**Remuneration to Non-executive Directors**

S. No	Name	Sitting Fees	Reimbursement of Expenses	Total
1	Padmabhushan Ram Narain Agarwal - Director	50,000	-	50,000
2	Dr. A G Ravindranath Reddy - Director	10,000	-	10,000
<b>Total</b>		<b>60,000</b>	<b>-</b>	<b>60,000</b>

**Consolidated Remuneration**

S. No	Particulars	Year ended March 31, 2014	Year ended March 31, 2013
<b>Whole-time Directors</b>			
1	Salary	7,632,000	7,966,080
2	Contributions to provident and other funds	468,000	493,920
3	Perquisites and incentives	28,800	43,200
<b>Total</b>		<b>8,128,800</b>	<b>8,503,200</b>
<b>Non-whole-time Directors</b>			
4	Sitting fees	60,000	40,000
5	Reimbursement of expenses	-	-
<b>Total</b>		<b>60,000</b>	<b>40,000</b>
<b>Grand Total</b>		<b>8,188,800</b>	<b>8,543,200</b>



**27 Foreign Exchange earnings and outgo**

a. Imports (valued on the cost, insurance and freight basis)		₹
Particulars	For the Year 2013- 2014	For the Year 2012- 2013
Import of capital goods	7,935,979	-
b. Activity in foreign currency		
<b>Earnings in foreign exchange (on accrual basis)</b>		
Income from software products and offshore development services	3,178,097	27,003,051
Interest received	-	10,674,126
<b>Expenditure in foreign exchange (on accrual basis)</b>		
Cost of services	33,897,126	7,204,236
Foreign Travel Expenses	818,825	433,182
Professional Charges	481,659	-
<b>Net earnings in foreign exchange</b>	<b>(39,955,492)</b>	<b>30,039,759</b>

**28 Deferred Tax Liability / (Asset)**

Particulars	As at 31-Mar-2014	As at 31-Mar-2013
<b>i)Deferred tax liability / (Asset)</b>		
on account of depreciation	(19,650,222)	(1,612,410)
Less:		
<b>ii)Deferred tax asset</b>		
on un-absorbed losses	44,862,998	66,176,820
<b>Net deferred tax liability / (Asset)</b>	<b>(64,513,220)</b>	<b>(67,789,229)</b>

**29 Earnings Per Share**

Particulars	For the Year 2013- 2014	For the Year 2012- 2013
Net profit after tax	(96,601,490)	(17,767,229)
Weighted average number of equity shares of ₹ 1 /- each	101,479,593	101,479,593
Nominal value of share	₹ 1	₹ 1
Earnings per share (basic/diluted) (₹ )	-0.95	-0.18

**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.

---

As per our report of even date attached

**For Ramasamy Koteswara Rao & Co.,**

Chartered Accountants  
Firm Regn. No.010396S

Sd/-

**C V Koteswara Rao**

Partner  
Membership No.028353

Place: Hyderabad.  
Date : May 30, 2014

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

Sd/-

**D. Uday Kumar Reddy**

Chairman & Managing Director  
DIN 00003382

Sd/-

**Srinivas Kamoji Gunupudi**

Chief Financial Officer

Sd/-

**Satish Kathirisetti**

Director & Chief Technical Officer  
DIN 00004069

Sd/-

**Seshanuradha Chava**

AVP – Legal & Secretarial

**Independent Auditor's report on Consolidated Accounts of Tanla Solutions Limited, Hyderabad for the year ended 31st March, 2014.**

**To the Board of Directors  
Tanla Solutions Limited**

We have audited the accompanying consolidated financial statements of **Tanla Solutions Limited** ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for Consolidated Financial Statements**

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the Act) (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

## Opinion

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

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

(b) in the case of the consolidated Statement of Profit and Loss, of the **Loss** for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

## Other Matters

We did not audit the financial statements of 2 subsidiaries viz., i) Tanla Mobile Asia Pacific Pte Ltd., Singapore, ii) Tanla Solutions (UK) Limited, U.K. and 4 step down subsidiaries viz., iii) Tanla Mobile Middle East FZ LLC, Dubai, iv) Tanla Mobile Ireland Pvt Ltd., Ireland, v) Tanla Mobile Finland Oy, vi) Tanla Oy, Finland. We have audited two subsidiaries i) Mufithumb Entertainment Private Limited, and ii) Tanla Mobile Private Limited, whose financial statements for the year then ended as considered in the Consolidated financial statements.

The financial statements and other financial information of the above mentioned subsidiaries and step down subsidiaries have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and step down subsidiaries is based solely on the report of the other auditors.

Place: Hyderabad  
Date: May 30, 2014

**For Ramasamy Koteswara Rao & Co.,**  
Chartered Accountants  
Firm Regn No: 010396S

Sd/  
**(C V Koteswara Rao)**  
Partner  
Membership No. 028353

**Tanla Solutions Limited, Hyderabad**  
**Consolidated balance sheet as at**

₹

Particulars	Note	March 31, 2014	March 31, 2013
<b>A EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
(a) Share capital	2	101,479,593	101,479,593
(b) Reserves and surplus	3	5,915,263,066	6,050,309,816
		<u>6,016,742,659</u>	<u>6,151,789,409</u>
<b>2 Non-current liabilities</b>			
(a) Long-term provisions	4	1,357,598	1,362,831
<b>3 Current liabilities</b>			
(a) Trade payables	5	96,804,264	83,776,367
(b) Other current liabilities	6	108,934,644	28,169,247
		<u>205,738,908</u>	<u>111,945,614</u>
<b>TOTAL</b>		<b>6,223,839,165</b>	<b>6,265,097,854</b>
<b>B ASSETS</b>			
<b>1 Non-Current Assets</b>			
(a) Fixed assets			
(i) Tangible assets	7	1,537,931,062	2,345,868,245
(ii) Intangible assets	8	29,791,920	29,791,920
(iii) Capital work-in-progress		2,435,407,476	1,754,351,012
(iv) Intangible assets under development		1,176,700,234	354,483,738
		<u>5,179,830,692</u>	<u>4,484,494,915</u>
(b) Deferred tax assets (net)	9	58,349,588	4,111,985
(c) Other non-current assets	10	33,005,838	32,984,885
		<u>91,355,426</u>	<u>37,096,870</u>
<b>2 Current Assets</b>			
(a) Current investments in mutual funds	11	52,967,017	276,827,082
(b) Trade receivables	12	352,562,333	836,436,714
(c) Cash and cash equivalents	13	191,740,160	244,342,156
(d) Short-term loans and advances	14	117,919,742	385,900,118
(e) Other current assets	15	237,463,795	-
		<u>952,653,047</u>	<u>1,743,506,070</u>
<b>TOTAL</b>		<b>6,223,839,165</b>	<b>6,265,097,855</b>

**See accompanying notes forming part of the financial statements**

1 to 30

As per our report of even date attached

**For Ramasamy Koteswara Rao & Co.,**

Chartered Accountants

Firm Regn. No.010396S

Sd/-

**C V Koteswara Rao**

Partner

Membership No.028353

Place: Hyderabad.

Date : May 30, 2014

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

Sd/-

**D. Uday Kumar Reddy**

Chairman &amp; Managing Director

DIN 00003382

Sd/-

**Srinivas Kamoji Gunupudi**

Chief Financial Officer

Sd/-

**Satish Kathirisetti**

Director &amp; Chief Technical Officer

DIN 00004069

Sd/-

**Seshanuradha Chava**

AVP – Legal &amp; Secretarial

**Tanla Solutions Limited, Hyderabad**  
**Consolidated profit and loss account for the year ended**

₹

Particulars	Note	March 31, 2014	March 31, 2013
<b>A Continuing Operations</b>			
1 Revenue from operations (gross)	16	1,045,982,070	1,173,853,588
2 Other income	17	316,586,210	127,405,078
<b>3 Total Revenue (1 + 2)</b>		<b>1,362,568,280</b>	<b>1,301,258,666</b>
<b>4 Expenses</b>			
(a) Cost of services	18	498,045,779	776,687,302
(b) Employee benefits expense	19	95,300,473	97,913,184
(c) Depreciation and amortisation expense	7	840,454,020	1,688,640,483
(d) Advertisement expense	20	22,713,385	39,162,875
(e) Bad debts provision	21	11,219,628	76,992,217
(f) Other expenses	22	61,494,961	83,336,715
<b>Total expenses</b>		<b>1,529,228,246</b>	<b>2,762,732,776</b>
<b>5 Profit / (Loss) before exceptional and extraordinary items and tax (3 - 4)</b>		<b>(166,659,966)</b>	<b>(1,461,474,110)</b>
6 Exceptional items		96,809,938	9,859,244
<b>7 Profit / (Loss) before extraordinary items and tax (5 - 6)</b>		<b>(263,469,904)</b>	<b>(1,471,333,354)</b>
8 Extraordinary items		-	-
<b>9 Profit / (Loss) before tax (7 - 8)</b>		<b>(263,469,904)</b>	<b>(1,471,333,354)</b>
<b>10 Tax expense :</b>			
Current tax		-	-
Deferred tax		(65,208,404)	(2,301,759)
<b>11 Profit / (Loss) from continuing operations (9 - 10)</b>		<b>(198,261,500)</b>	<b>(1,469,031,594)</b>
<b>B Discontinuing Operations</b>			
12 Profit / (Loss) from discontinuing operations		-	(5,909,180)
<b>C Total Operations (A + B)</b>			
<b>13 Profit / (Loss) for the year (11 - 12)</b>		<b>(198,261,500)</b>	<b>(1,474,940,774)</b>
<b>14 Earnings per share (Of Re.1/- each):</b>			
(a) Basic			
(i) Continuing operations		(1.95)	(14.48)
(ii) Total operations		(1.95)	(14.48)
(b) Diluted			
(i) Continuing operations		(1.95)	(14.48)
(ii) Total operations		(1.95)	(14.48)

**See accompanying notes forming part of the financial statements**

1 to 30

As per our report of even date attached

**For Ramasamy Koteswara Rao & Co.,**

Chartered Accountants  
Firm Regn. No.010396S

Sd/-

**C V Koteswara Rao**

Partner  
Membership No.028353

Place: Hyderabad.

Date : May 30, 2014

Sd/-

**D. Uday Kumar Reddy**

Chairman & Managing Director  
DIN 00003382

Sd/-

**Srinivas Kamoji Gunupudi**

Chief Financial Officer

Sd/-

**Satish Kathirisetti**

Director & Chief Technical Officer  
DIN 00004069

Sd/-

**Seshanuradha Chava**

AVP – Legal & Secretarial

**Tanla Solutions Limited, Hyderabad**  
**Consolidated cash flow statement for the year ended**

₹

Particulars	March 31, 2014	March 31, 2013
<b>A CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit before taxation, and extraordinary items	(263,469,904)	(1,477,242,534)
Adjusted for :		
Depreciation	840,454,020	1,307,534,776
Interest & other income received	(316,586,210)	(127,405,078)
Foreign currency fluctuation	11,556,000	-
Diminution in the value of investments	96,809,938	-
Public issue expenses & goodwill w/o	-	381,105,707
Operating profit before working capital charges	368,763,844	83,992,871
<b>Changes in current assets and liabilities</b>		
Products under development	(822,216,496)	(180,176,543)
Sundry debtors	483,874,382	645,227,991
Loans and advances	263,695,731	(118,436,593)
Current liabilities and provisions	93,788,060	(4,597,083)
Cash generated from operations	387,905,520	426,010,642
Income taxes paid	-	-
Net cash generated from operating activities	387,905,520	426,010,642
<b>B CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets and change in capital work-in-progress	(743,112,413)	(1,405,250,488)
Purchase of inventories	(233,200,105)	-
Purchase of investments	-	(276,827,082)
Proceeds from sale of shares (Investments)	223,860,065	-
Interest received	316,586,210	127,405,078
Net cash used in investing activities	(435,866,243)	(1,554,672,492)
<b>C CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends and dividend tax paid during the year	-	-
Un-realised exchange gain / (loss) on conversion	(4,641,272)	659,412,147
Net Cash generated from financing activities	(4,641,272)	659,412,147
<b>D Net increase / (decrease) in cash and cash equivalents</b>	(52,601,995)	(469,249,704)
<b>E Cash and cash equivalents at the beginning of the year</b>	244,342,156	713,591,860
<b>F Cash and cash equivalents at the end of the year</b>	191,740,160	244,342,156

As per our report of even date attached

**For Ramasamy Koteswara Rao & Co.,**Chartered Accountants  
Firm Regn. No.010396S

Sd/-

**C V Koteswara Rao**Partner  
Membership No.028353

Place: Hyderabad.

Date : May 30, 2014

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

Sd/-

**D. Uday Kumar Reddy**Chairman & Managing Director  
DIN 00003382

Sd/-

**Srinivas Kamoji Gunupudi**

Chief Financial Officer

Sd/-

**Satish Kathirisetti**Director & Chief Technical Officer  
DIN 00004069

Sd/-

**Seshanuradha Chava**

AVP – Legal &amp; Secretarial

**Tanla Solutions Limited, Hyderabad**  
**Notes forming part of the financial statements**

**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.

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

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 service sectors.

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 Finland Oy, Finland (hereinafter referred to as “Tanla Finland”), 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 Oy, Finland provides 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.

**Note - 1 Significant Accounting Policies**

**1.1 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 notified under section 211(3c) of the Companies Act, 1956 (which continues to be applicable in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 2013 of the Ministry of Corporate Affairs.)

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the schedule VI to the Companies Act, 1956. Based on the nature of services and the time between the acquisition of assets, for processing and the realisation in cash and cash equivalents. The Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.



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.

## **1.2 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.

## **1.3 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 uncompleted 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.

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

Fixed Assets are stated at cost of acquisition 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.

## **1.5 Depreciation and Amortization**

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 Solutions (UK) Ltd., and Mufithumb Corporation Private Limited with the parent company.

## 1.6 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's 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 ₹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 charges to income in the year it is incurred.

## 1.7 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.

## 1.8 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.

## 1.9 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 of 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.

**1.10 Earnings 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 shares outstanding during the period.

**1.11 Investments**

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

**1.12 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**

**Note**

<b>2 Share Capital</b>	<b>As at March 31, 2014</b>		<b>As at March 31, 2013</b>	
	<b>No. of shares</b>	<b>₹</b>	<b>No. of shares</b>	<b>₹</b>
<b>(a) Authorised</b>				
Equity shares of ₹ 1 each	120,000,000	120,000,000	120,000,000	120,000,000
<b>(b) Issued Subscribed and fully paid up:</b>				
Equity Shares of ₹ 1 each fully paid-up	101,479,593	101,479,593	101,479,593	101,479,593
	<b>101,479,593</b>	<b>101,479,593</b>	<b>101,479,593</b>	<b>101,479,593</b>

**i) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:**

<b>Particulars</b>	<b>As at March 31, 2014</b>		<b>As at March 31, 2013</b>	
	<b>No. of shares</b>	<b>₹</b>	<b>No. of shares</b>	<b>₹</b>
<b>Equity Shares:</b>				
Shares outstanding at the beginning of the year	101,479,593	101,479,593	101,479,593	101,479,593
Add: Issued and allotted during the year	-	-	-	-
Less: Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	<b>101,479,593</b>	<b>101,479,593</b>	<b>101,479,593</b>	<b>101,479,593</b>

**ii) Terms/Rights and restrictions attached to the equity shares:**

The Company has only one class of equity shares of face value of ₹ 1 /-. Each share holder is eligible for one vote per share held.

**iii) The details of shareholder holding more than 5% shares in the Company:**

<b>Particulars</b>	<b>As at March 31, 2014</b>		<b>As at March 31, 2013</b>	
	<b>No. of Shares</b>	<b>%</b>	<b>No. of Shares</b>	<b>%</b>
D Uday Kumar Reddy	14,496,493	14.29	14,496,493	14.29
D Tanuja Reddy	9,319,271	9.18	9,319,271	9.18
Gautam Sabharwal	7,361,600	7.25	7,361,600	7.25

**Tanla Solutions Limited Hyderabad**  
**Notes forming part of the financial statements**

₹

Note	As at March 31, 2014	As at March 31, 2014
<b>3 Reserves and Surplus</b>		
Share Premium	4,295,889,975	4,295,889,975
Investment subsidy	400,000	400,000
General reserve	249,804,978	249,804,978
	<u>4,546,094,954</u>	<u>4,546,094,954</u>
Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	414,243,663	1,889,184,437
Add: Profit / (Loss) for the year	(198,261,500)	(1,474,940,775)
Closing balance	<u>215,982,163</u>	<u>414,243,663</u>
Net reserves & surplus from joint ventures	957,302	932,768
Currency translation reserve	1,152,228,648	1,089,038,432
<b>Total Reserves &amp; Surplus</b>	<b><u>5,915,263,066</u></b>	<b><u>6,050,309,816</u></b>
<b>4 Long-Term Provisions</b>		
Taxation	1,357,598	1,362,831
	<b><u>1,357,598</u></b>	<b><u>1,362,831</u></b>
<b>5 Trade Payables</b>		
Other than acceptances	96,804,264	83,776,367
	<b><u>96,804,264</u></b>	<b><u>83,776,367</u></b>
<b>6 Other Current Liabilities</b>		
Other Liabilities	108,934,644	28,169,247
	<b><u>108,934,644</u></b>	<b><u>28,169,247</u></b>

**Tanla Solutions Limited Hyderabad**  
**Notes forming part of the financial statements**

<b>Note 7 Statement of Fixed Assets</b>		<b>₹</b>									
<b>Description</b>	<b>Gross Block</b>		<b>Depreciation/Amortisation</b>				<b>Net Block</b>				
	<b>As at April 1,2013</b>	<b>As at April 1,2013 Additions (Deletions)</b>	<b>As at March 31, 2014</b>	<b>Up to April 1,2013</b>	<b>For the year Additions</b>	<b>Deletions</b>	<b>Up to March 31,2014</b>	<b>As at March 31, 2014</b>			
Tangible Assets											
Land & site development	46,171,392	10,542,713	-	-	-	-	-	56,714,105	46,171,392		
Building & Interiors - Owned	165,420,492	1,963,732	-	29,878,364	5,300,741	-	35,179,106	132,205,118	135,542,128		
Building interiors & fixtures- Leasehold	394,449	-	1	292,028	-	-	292,028	102,420	102,421		
Furniture	69,226,956	-	39,630,276	33,910,219	3,766,063	9,098,751	28,577,531	1,019,150	35,316,738		
Computers	2,325,289,626	36,698,113	32,800,381	718,194,793	817,700,737	128,213,013	1,407,682,516	921,504,842	1,607,094,834		
Office equipment	812,312,063	3,893,082	89,773,997	340,140,740	7,403,713	31,379,850	316,164,602	410,266,545	472,171,323		
Vehicles	15,255,659	-	-	6,297,019	1,449,288	-	7,746,307	7,509,352	8,958,640		
Air conditioning	63,432,831	8,958,308	60,185,935	22,922,060	4,833,479	24,159,863	3,595,676	8,609,528	40,510,771		
Library books	40,136	-	40,136	40,136	-	40,136	-	-	-		
<b>Total</b>	<b>3,497,543,605</b>	<b>62,055,948</b>	<b>222,430,726</b>	<b>1,151,675,358</b>	<b>840,454,020</b>	<b>192,891,613</b>	<b>1,799,237,765</b>	<b>1,537,931,062</b>	<b>2,345,868,245</b>		
Previous Year	6,299,360,255	26,798,623	2,828,615,273	3,497,543,605	1,307,534,776	2,825,018,514	1,151,675,358	2,345,868,246	3,630,201,158		

**Tanla Solutions Limited Hyderabad**  
**Notes forming part of the financial statements**

		₹	
Note		As at March 31, 2014	As at March 31, 2013
<b>8</b>	<b>Intangible Assets</b>		
	<b>Goodwill</b>		
	On acquisition of MufiThumb Corporation Pvt Ltd	4,674,000	4,674,000
	On acquisition of Tanla Solutions (UK) Ltd.	25,117,920	25,117,920
	On acquisition of Tanla Mobile Asia Pacific Pte Ltd	-	712,303,400
		29,791,920	742,095,320
	Less: Goodwill written off on Tanla Oy acquisition	-	712,303,400
		<b>29,791,920</b>	<b>29,791,920</b>
<b>9</b>	<b>Deferred Tax Liability / (Asset)</b>		
	Deferred tax liability		
	On account of depreciation	(13,486,590)	62,064,834
	Less: Deferred tax asset		
	On account of misc. expenses w/o	-	-
	On un-absorbed losses	44,862,998	66,176,820
	Net deferred tax liability / (asset)	<b>(58,349,588)</b>	<b>(4,111,985)</b>
<b>10</b>	<b>Other Non Current Assets</b>		
	Balances with government authorities Unsecured, considered good		
	Service tax input credit	19,368,932	19,368,932
	Deposits with others	13,636,906	13,615,953
		<b>33,005,838</b>	<b>32,984,885</b>
<b>11</b>	<b>Current Investments</b>		
	ICICI Prudential Gilt Fund	-	219,774,116
	Kotak Bond Fund	47,369,231	57,052,966
	L & T Triple Ace Fund	5,597,787	
		<b>52,967,017</b>	<b>276,827,082</b>
<b>12</b>	<b>Trade Receivables</b>		
	(Unsecured and considered good)		
	Debts outstanding for a period exceeding six months	185,300,992	606,404,384
	Other Debts	167,261,340	230,032,330
		<b>352,562,333</b>	<b>836,436,714</b>
<b>13</b>	<b>Cash and Bank Balances</b>		
	Cash on hand	593,478	810,534
	Balances with banks:		
	(i) in current accounts **	186,707,851	141,844,535
	(ii) in EEFC accounts	-	911,780
	(iii) in deposit accounts	4,438,831	100,775,307
	** includes balances in Unclaimed Dividend accounts ₹ 993,248 (2012-13 ₹ 1,102,218)	<b>191,740,160</b>	<b>244,342,156</b>
<b>14</b>	<b>Short Term Loans and Advances</b>		
	Advances recoverable in cash or kind or for value to be received	31,708,957	298,204,313
	Advance income tax & TDS	86,210,785	87,695,804
		<b>117,919,742</b>	<b>385,900,117</b>
<b>15</b>	<b>Other Current Assets</b>		
	Others	4,263,691	-
	Inventories	233,200,105	-
		<b>237,463,796</b>	<b>-</b>

**Tanla Solutions Limited Hyderabad**  
**Notes forming part of the financial statements**

₹

Note	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>16 Revenue from Operations</b>		
Overseas	787,305,385	928,669,698
Domestic : India	258,676,685	245,183,890
	<b>1,045,982,070</b>	<b>1,173,853,588</b>
<b>17 Other Income</b>		
Interest on deposits with banks (Gross)	1,326,297	16,352,298
(TDS of ₹ 16,403 (31.03.2013: ₹ 1,364,003))		
Profit on mutual funds	11,802,586	-
Exchange fluctuation gain	13,782,875	-
Interest received from others	2,515,069	59,162,026
Misc. income	287,159,383	51,890,754
	<b>316,586,210</b>	<b>127,405,078</b>
<b>18 Cost of Services</b>		
Cost of Services	498,045,779	776,687,302
	<b>498,045,779</b>	<b>776,687,302</b>
<b>19 Employee Benefits Expense</b>		
Salaries & Wages	95,300,473	97,913,184
	<b>95,300,473</b>	<b>97,913,184</b>
<b>20 Advertisement &amp; Marketing Expenses</b>		
Advertisement & Marketing expenses	22,713,385	39,162,875
	<b>22,713,385</b>	<b>39,162,875</b>
<b>21 Provision for Bad Debts</b>		
Provision for Bad debts	11,219,628	76,992,217
	<b>11,219,628</b>	<b>76,992,217</b>
<b>22 Operating and Administrative Expenses</b>		
Travelling expenses	8,376,405	8,746,067
Communication expenses	5,731,436	4,570,707
Repairs & maintenance expenses	6,733,292	5,763,119
Rent, rates & taxes	11,831,014	28,001,580
Printing & stationery	860,247	1,004,563
Office maintenance expenses	1,861,897	1,339,113
Power & fuel	3,197,027	4,268,626
General expenses	10,140,621	14,884,424
Professional charges	7,695,924	8,481,970
R&D expenses	1,245,399	2,506,289
Auditors remuneration	1,731,775	1,574,126
Finance & bank charges	2,089,926	10,693,819
Loss on sale of vehicles / discarded assets	-	2,519,339
Exchange fluctuation	-	4,751,396
	<b>61,494,961</b>	<b>99,105,139</b>



**Tanla Solutions Limited, Hyderabad**  
**Notes forming part of the financial statements**

**Note**

<b>23</b>	<b>Contingent Liabilities</b>		<b>₹</b>	
	S. No.	Particulars	For the Year 2013-2014	For the Year 2012-2013
	1	Outstanding guarantees given by the company	-	-
	2	Claims against company, not acknowledged as debts	164,622,062	82,822,050
	3	Claims made by company, not acknowledged as debts	-	-
	4	Corporate Guarantee given to subsidiary companies	-	-

**24 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"

**25 Related Party Disclosures:**

A) List of Related Parties:

S. No	Name of the Related Party	Country	Relationship with the Entity
1	Tanla Solutions (UK) Limited	UK	Wholly-owned subsidiary
2	Tanla Mobile Asia Pacific Pte Limited	Singapore	Wholly-owned subsidiary
3	Tanla Mobile Ireland Private Limited	Ireland	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
4	Tanla Mobile Middle East FZ LLC	UAE	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
5	Tanla Oy	Finland	Wholly-owned subsidiary of Tanla Mobile Finland Oy
6	Tanla Mobile Private Limited	India	Wholly-owned subsidiary
7	Mufithumb Corportion Private Limited	India	Wholly-owned subsidiary

## B) List of Transactions with Related Parties:

₹

Particulars	Tanla Solutions (UK)Limited - UK	Mufithumb Corporation Private Limited - India	Tanla Mobile Asia Pacific Pte Ltd -Singapore	Tanla Mobile Ireland Ltd - Ireland	Tanla Mobile Middle East FZ LLC - Dubai	Tanla Oy - Finland	Tanla Mobile Private Limited - India
<b>a)</b> Relationship between the parties	Wholly-owned subsidiary	Wholly-owned subsidiary	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
<b>b)</b> Nature of transactions	Sale of Services	Advance, Sale of assets & Reimbursement of Expenses	Reimbursement of expenses	Advance for sales	Sales of Services & Reimbursement of expenses	Sales of Products, Services	Reimbursement of expenses
<b>c)</b> Value of transactions	(71,190,482)	327,084,537	-	2,955,140	-	-	(686,702)
<b>d)</b> Amount of outstanding	25,290,383	324,088,260	888,501	-	7,285,379	20,282,287	(23,928,610)
<b>e)</b> Provision for doubtful debts	-	-	-	-	-	-	-
<b>f)</b> Amount written off	-	-	-	-	-	-	-

**26 List of Transactions with key management personnel**

₹

S. No	Name	Salary and allowances	Contributions to provident and other funds	Perquisites and incentives	Total remuneration
1	D. Uday Kumar Reddy Chairman & Managing Director	4,569,600	230,400	14,400	4,814,400
2	K. Satish - Director & CTO	3,062,400	237,600	14,400	3,314,400
<b>Total</b>		<b>7,632,000</b>	<b>468,000</b>	<b>28,800</b>	<b>8,128,800</b>

**Remuneration to non-executive directors**

S. No	Name	Sitting Fees	Reimbursement of Expenses	Total
1	Padmabhushan Ram Narain Agarwal - Director	50,000	-	50,000
2	Dr. A G Ravindranath Reddy - Director	10,000	-	10,000
<b>Total</b>		<b>60,000</b>	<b>-</b>	<b>60,000</b>

**Consolidated Remuneration**

S. No	Particulars	Year ended March 31, 2014	Year ended March 31, 2013
<b>Whole-time directors</b>			
1	Salary	7,632,000	7,966,080
2	Contributions to provident and other funds	468,000	493,920
3	Perquisites and incentives	28,800	43,200
<b>Total</b>		<b>8,128,800</b>	<b>8,503,200</b>
<b>Non-whole-time directors</b>			
4	Sitting fees	60,000	40,000
5	Reimbursement of expenses	-	-
<b>Total</b>		<b>60,000</b>	<b>40,000</b>
<b>Grand Total</b>		<b>8,188,800</b>	<b>8,543,200</b>

**27 Foreign Exchange earnings and outgo**

a. Imports (valued on the cost, insurance and freight basis)		₹
Particulars	For the Year 2013- 2014	For the Year 2012- 2013
Import of capital goods	7,935,979	-
b. Activity in foreign currency		
<b>Earnings in foreign exchange (on accrual basis)</b>		
Income from software products and offshore development services	3,178,097	27,003,051
Interest received	-	10,674,126
<b>Expenditure in foreign exchange (on accrual basis)</b>		
Cost of services	33,897,126	7,204,236
Foreign Travel Expenses	818,825	4,33,182
Professional Charges	481,659	-
<b>Net earnings in foreign exchange</b>	<b>(39,955,492)</b>	<b>30,039,759</b>

**28 Deferred Tax Liability /(Asset)**

Particulars	31-Mar-2014	31-Mar-2013
<b>Deferred tax liability/(Asset)</b>		
on account of depreciation	(13,486,590)	62,064,834
<b>Less: Deferred tax asset</b>		
on account of misc. expenses written off	-	-
on un-absorbed losses	44,862,998	66,176,820
<b>Net deferred tax liability/(Asset)</b>	<b>(58,349,588)</b>	<b>(4,111,985)</b>

**29 Earnings Per Share**

Particulars	For the Year 2013- 2014	For the Year 2012- 2013
Net profit after tax	(198,261,500)	(1,474,940,775)
Weighted average number of equity shares of ₹ 1/- each	101,479,593	101,479,593
Nominal value of shares	₹ 1	₹ 1
Earnings per share (basic/diluted) (₹)	-1.95	-14.53

### 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.

---

As per our report of even date attached

**For Ramasamy Koteswara Rao & Co.,**

Chartered Accountants  
Firm Regn. No.010396S

Sd/-

**C V Koteswara Rao**

Partner  
Membership No.028353

Place: Hyderabad.

Date : May 30, 2014

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

Sd/-

**D. Uday Kumar Reddy**

Chairman & Managing Director  
DIN 00003382

Sd/-

**Srinivas Kamoji Gunupudi**

Chief Financial Officer

Sd/-

**Satish Kathirisetti**

Director & Chief Technical Officer  
DIN 00004069

Sd/-

**Seshanuradha Chava**

AVP – Legal & Secretarial

**MANAGEMENT DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS:****Result of Operations**

₹

Particulars	Mar '14	% of Total Revenue	Mar '13	% of Total Revenue	% Change
Revenues	1,362,568,280		1,301,258,666		4.71%
Cost of Sales	531,386,803	39.0%	806,510,918	62.0%	-34.11%
Gross Margin %	61.00%		38.02%		
Selling & Marketing Expenses	42,082,521	3.1%	62,219,876	4.8%	-32.36%
General Administration Expenses	212,114,839	15.6%	221,129,923	17.0%	-4.08%
Operating Profit (EBITDA)	576,984,116	42.3%	211,397,949	16.2%	172.94%
EBITDA (%)	42.35%		16.25%		160.66%
Depreciation & Amortization	840,454,020	61.7%	1,688,640,483	129.8%	-50.23%
Earnings before Tax	-263,469,904	-19.3%	-1,477,242,534	-113.5%	-82.16%
Provision for Tax	-65,208,404	-4.8%	- 2,301,759	-0.2%	2732.98%
Earnings after Tax	-198,261,500	-14.6%	-1,474,940,775	-113.3%	86.56%
EPS (₹)	-1.95		-14.53		86.56%

**Revenue**

Mobile messaging and Mobile payments verticals have registered an uptrend during FY 2013-14 on the back of massive growth in the use of smartphones worldwide. Mobile commerce has also shown a positive trend and Tanla has during the year initiated plans to capitalize on its technological strengths. During the year 2013-14, Tanla's revenues increased by 4.71% YOY. This improvement in performance has been brought about by focusing on key accounts and realigning deliverables to clients, recovery of bad debts and on account of gains on forex conversion. The company has streamlined its exposure to clients based on their performance in terms of their contribution to the company's topline, margin and servicing of outstanding dues.

**The segmentation of revenue by geography:**

₹

Particulars	Mar '14	% of Revenue	Mar '13	% of Revenue	% Change
India	258,676,685	24.73%	245,183,890	20.89%	5.50%
Outside India	787,305,386	75.27%	928,669,698	79.11%	-15.22%
<b>Total Revenue</b>	<b>1,045,982,070</b>		<b>1,173,853,588</b>		<b>-10.89%</b>

In the overseas segment, the company has realigned its mobile services and mobile payments offerings to high margin verticals, enterprises and content providers, thus registering a drop in overseas revenues of 15.22% while gross margin registered growth. The domestic segment has registered a growth of 5.5% which is attributable to increased revenue realizations from messaging platforms in India.

**Cost of Sales**

₹

Particulars	31-Mar-14	% of Total Revenue	31-Mar-13	% of Total Revenue	% Change
Cost of services	498,045,779	47.62%	776,687,302	66.17%	-18.55%
Direct manpower costs	27,496,544	2.63%	20,704,959	1.76%	0.86%
Direct administrative costs	5,844,480	0.56%	9,118,657	0.78%	-0.22%
<b>Total Cost of Sales</b>	<b>531,386,803</b>	<b>50.80%</b>	<b>806,510,918</b>	<b>68.71%</b>	<b>-17.90%</b>

Savings in cost of sales is on account of focus on specialized high-margin products and services by maintaining a favorable product-mix and normalization of administrative costs by effectively curtailing wasteful expenditure.

**Selling & Marketing Expenses**

₹

Particulars	31-Mar-14	% of Total Revenue	31-Mar-13	% of Total Revenue	% Change
Sales salaries & benefits	13,349,288	1.28%	13,824,106	1.18%	0.10%
Business promotion and advertisement	22,713,385	2.17%	39,162,875	3.34%	-1.16%
Other selling & marketing expenses	6,019,848	0.58%	9,232,895	0.79%	-0.21%
<b>Total selling &amp; marketing expenses</b>	<b>42,082,521</b>	<b>4.02%</b>	<b>62,219,876</b>	<b>5.30%</b>	<b>-1.28%</b>

Selling and marketing expenses have decreased during 2013-14 as compared to 2012-13 by reallocating market spend, realigning quality resources without compromising on rewarding sales performance and implementing innovative cost-control measures.

**General & Administrative Expenses**

₹

Particulars	31-Mar-14	% of Total Revenue	31-Mar-13	% of Total Revenue	% Change
Staff salaries & benefits	54,454,641	5.21%	63,384,119	5.40%	-0.19%
Provision for Bad debts	11,219,628	1.07%	76,992,217	6.56%	-5.49%
Exchange fluctuation	-	-	4,751,396	0.40%	-0.40%
Other administrative expenses	49,630,633	4.74%	76,002,191	6.47%	-1.73%
<b>Total General &amp; Administrative Expenses</b>	<b>115,304,902</b>	<b>11.02%</b>	<b>221,129,923</b>	<b>18.84%</b>	<b>-7.81%</b>

**Staff Salaries & Benefits**

- Human resource deployment has been brought in line with business needs and teams have been pruned by reallocation of personnel in various geographies resulting in saving in salaries and benefits.

**Provision for bad debts**

- Management, in consultation with the business team, periodically assesses the recoverability of debts from clients and the probability of non-recovery. Provision is made for doubtful debts in the books of accounts, based on the outcome of these consultations. Even after provision is made, the commercial and business teams intensely follow up for realization of dues. The result of these exercises has been the drop in provision for bad debts to ₹ 112.20 lakhs in FY 2013-14 against of ₹ 769.92 lakhs in 2012-13. The business teams have recovered a sum of ₹ 1728.14 lakhs which was provided as bad debts during earlier years and this amount is included under Other Income.

**Earnings before, depreciation & amortization and taxes (EBITDA)**

- EBTDA for FY 2013-14 stood at ₹ 5769.84 lakhs as compared to ₹ 2113.98 lakhs in FY 2012-13 on account of increase in other income due to recovery of bad debts, gain due to foreign exchange fluctuation and realization of better margins on new product launches and favorable product-mix. Dividends have been realized on surplus cash that has been invested in debt mutual funds having moderate credit risk rating.

**Summary of depreciation & amortization as follows:**

		₹
Particulars	31-Mar-14	31-Mar-13
Depreciation	840,454,020	976,337,083
Amortization of goodwill	-	712,303,400
<b>TOTAL</b>	<b>840,454,020</b>	<b>1,688,640,483</b>

₹ 8,404.54 lakhs has been charged as depreciation for FY 2013-14 against deprecation of ₹ 9,763.37 lakhs for FY 2012-13.

During FY 2012-13, management had taken a decision to reduce the gross block and net block of fixed assets by net-off of cost and accumulated depreciation in respect of fully depreciated assets. In addition, the balance of goodwill on acquisition of Tanla Oy was amortised in full during FY 2012-13 in view of the steep drop in revenue from large client. Hence no amortization of goodwill is applicable for FY 2013-14. Fixed Assets in subsidiaries are carried in the currencies of the respective geographies and depreciation is also calculated accordingly. Due to the steep drop in the value of the ₹ against the major foreign currencies, depreciation converted into ₹ in the consolidated financials for FY 2013-14 is higher by nearly 20%.

**Provision for taxation**

Depreciation provided as per the Companies Act differs from the depreciation as allowed under the Income Tax Act due to the difference in rates applied under the respective laws. Such differences are termed as timing differences. To normalize the effect of these timing differences on the profit or loss after tax in the financials, companies are required to provide for the tax on the timing differences. This is referred to as deferred tax and is disclosed under the head Tax in the profit and loss account. Deferred Tax for FY 2013-14 is ₹ (652.08) lakhs as compared to ₹ (23.02) Lakhs in FY 2012-13 on account of timing difference on depreciation.

**FINACIAL CONDITION****Share capital**

The authorized share capital of Tanla is ₹ 1,200 lakhs, comprising of 120,000,000 equity shares of ₹ 1/- each. As at March 31, 2014, the issued and paid up share capital of Tanla is ₹ 101,749,593 comprising of 101,749,593 equity shares of ₹ 1/- each. The company has not issued any shares during FY 2013-14.



**Reserves & Surplus**

A Summary of Reserves & Surplus is given below:

Particulars	31-Mar-14	31-Mar-13
Share premium	4,295,889,975	4,295,889,975
Investment subsidy	400,000	400,000
General reserve	249,804,978	249,804,978
Balance in profit and loss account	215,982,163	414,243,663
Currency translation reserve & surplus from joint ventures	1,153,185,950	1,089,971,200
<b>TOTAL</b>	<b>5,915,263,066</b>	<b>6,050,309,816</b>

Currency translation reserve represents the gain on account of foreign exchange fluctuations on assets in various geographies. Currency gain on account of revenue items is included under other income and credited to profit and loss account. The balance retained in profit & loss account as of 31<sup>st</sup> March'2014 is ₹ 2,159.82 Lakhs post tax.

The total net worth of the company as on 31<sup>st</sup> March'2014 is ₹ 60,167.42 lakhs with the book value of each share being ₹ 59.29 as against the corresponding number for 31<sup>st</sup> March'2013 of ₹ 61,517.89 lakhs and ₹ 60.62 respectively. The difference in net worth is on account of loss in FY 2013-14. Tanla is a debt-free company since inception.

**Sundry debtors**

Summary of debtors is given below:

Particulars	31-Mar-14	31-Mar-13
Less than 6 months	185,300,992	606,404,384
More than 6 months	167,261,340	230,032,330

Sundry Debtors (net of provision for doubtful debts) amount to ₹ 3,525.62 lakhs as on 31<sup>st</sup> March 2014 as compared to ₹ 8,364.37 lakhs as on 31<sup>st</sup> March 2013. The strong recovery mechanism put in place by the Management for follow up has ensured the realization of erstwhile bad debts as also the recovery of current debtors evidenced by a substantial decrease in debtors aged less than 6 months. Debtors include unbilled transactions at the end of the year which are reconciled with the clients before raising the final invoice.

**Cash & Bank balances**

Table showing Cash & Bank balances, investments in mutual funds with details of returns realized:

Particulars	31-Mar-14	31-Mar-13
Cash on hand	593,478	810,534
With banks:		
in current accounts	186,707,851	142,756,315
in deposit accounts	4,438,831	100,775,307
<b>TOTAL</b>	<b>191,740,160</b>	<b>244,342,156</b>

**Investment in Short Term Mutual Funds**

Particulars	31-Mar-14	31-Mar-13
ICICI Prudential Gilt Fund	-	219,774,116
Kotak Bond Fund	47,369,231	57,052,966
L & T Triple Ace Fund	5,597,787	-
<b>TOTAL</b>	<b>52,967,017</b>	<b>276,827,082</b>

Cash and bank balances as on 31<sup>st</sup> March 2014 was ₹ 1,917.40 lakhs as against a balance of ₹ 2,443.42 lakhs as on 31<sup>st</sup> March 2013.

Surplus funds of ₹ 529.67 lakhs was invested in short term mutual funds namely Kotak Bond Scheme and L & T Bond Fund. These are investment grade financial products yielding good annual returns.

Pursuant to the Board's decision on April 10 2013, to unlock the value of its existing land holding, 100% subsidiary company Mufithumb Pvt Ltd was authorised to enter into an agreement with specialized partner for property development and the Company advanced loan to Mufithumb to acquire and develop the land.

The company maintains an excellent credit rating with its vendors/clients by clearing payments irrespective of realizations from debtors. Though this results in a reduced cash and bank balance at certain times, management ensures adequate liquidity to meet business needs.

<b>Short Term Loans and Advances &amp; Other Current Assets</b>		₹
Particulars	31-Mar-14	31-Mar-13
Advances to vendors of services	31,708,957	298,204,313
Advance income tax & TDS	86,210,785	87,695,804
Other Current Assets	237,463,796	-
<b>TOTAL</b>	<b>355,383,538</b>	<b>385,900,117</b>

Loans and advances include amounts paid to content providers, aggregator clients, rent deposits for premises, direct and indirect taxes such as TDS, advance income tax, VAT, sales tax and service tax. Management periodically reviews the status of these advances and as a result permission for lower rate of tax deduction is obtained from the tax department to ensure that surplus amounts are not locked up in idle assets.

The loans and advances outstanding as on 31<sup>st</sup> March 2014 is ₹ 1,179.20 lakhs as compared to ₹ 3,859.00 lakhs as on 31<sup>st</sup> March 2013. Other Current Assets include inventory of land ₹ 2,332.00 lakhs and other assets of ₹ 42.64 lakhs.

<b>Current Liabilities and Provisions</b>		₹
Particulars	31-Mar-14	31-Mar-13
Dues to vendors other than micro and small enterprises	94,953,160	83,776,367
Other liabilities	98,728,600	27,085,157
Vehicle Loans	1,851,104	-
Advances & Deposits	10,206,044	1,084,090
Provision for Income Tax	1,357,598	1,362,831
<b>TOTAL</b>	<b>207,096,506</b>	<b>113,308,454</b>

Current Liabilities and Provisions comprise of sundry creditors for services and other current liabilities comprising of outstanding expenses pending receipt of invoices from vendors and provision for income tax of earlier years pending assessment. The figure as on 31<sup>st</sup> March 2014 stood at ₹ 2070.96 lakhs as compared to ₹ 1,133.08 lakhs as on 31<sup>st</sup> March 2013. Increase of ₹ 937.88 lakhs is on account of current liabilities payable in the subsequent quarter.

### Capital work in progress

The Company periodically launches new products and verticals for the mobile telecom market. The development of these products and verticals involves huge investment in form of financial and human resources. The costs incurred for the development of on new products are disclosed in the balance sheet under the heads Intangible Assets under Development and Capital Work in Progress aggregating ₹ 36,121.07 lakhs as on March 31, 2014. These assets are capitalized on the launch of the respective products. As a policy, the Company constantly invests in technology intensive products and capitalizes the expenditure when the product is deployed. In line with the policy, the company is in an advanced stage of development/deployment of two products.

**Risk Management:**

Globally the telecom industry is in the midst of a transformational shift, driven by a huge surge in data traffic on telecom networks. The telecommunications industry continues to be impacted by economic factors, most notably, the weak global economy continuing through 2012 and 2013, along with the financial uncertainty in Europe. There are about 6.9 billion mobile connections globally, which are growing at an annual rate of 7.36%. The ARPU is stagnating to around \$24.6 while Minutes of Use (MoU) show an upward trend around 296 per connection. A growing number of telecommunications service users prefer to make their phone calls, download data, view entertainment, make purchases, transact and otherwise access the Internet via smartphones and tablets, not fixed telephones or PCs plugged into the wall. Ingenuity, innovation, cost control and a reasonable approach to spending and investment will help to move the industry ahead while it goes through these evolutionary changes. Hence for the future, Companies should develop innovative new value-added services that are accessible on mobile. Over 85% of new handsets are able to access the mobile Web. 2.1 billion mobile devices will have HTML5 browsers by 2016. 45 % of the world's population is now covered by a 3G mobile network. The base of global wireless subscribers has grown rapidly, as low-cost providers are making service prices low enough to be affordable for vast numbers of people in emerging nations.

Globally, 3G connections have approximately quadrupled since 2008 to a total of 1.7 billion. This growth is set to continue to 4.2 billion connections in 2017, representing a growth rate of 20% p.a. Data traffic powered by third-generation (3G) services grew at 146 per cent in India in 2013, higher than the global average, according to an MBit Index study by Nokia Siemens Networks (NSN).

Government regulations are evolving quickly, which will bring even bigger changes to business strategies. Overall, the telecommunications industry is in a state of continuous technological and economic flux driven by intense competition and new technologies. Globally and in particular in the emerging markets, Government's policy for telecom and growth witnessed in 3G market has paved opportunities for service providers in mobile VAS space, but the dynamic regulatory changes in matured as well as in emerging markets levy a huge penalty for non-adherence, this deters new entrants and increases the cost of operation for the already existing service providers.

The Company's revenue streams are divided as follows:

**m-messaging:** Company's legacy business, a platform for provision of aggregation services for transactional and promotional messages.

**m-payments:** The mobile payment solutions industry in India has seen significant growth in recent years. The market is poised for explosive growth in the future with Indian consumers' increased use of mobile phones and credit cards. As an increasing number of Indian consumers own smartphones, more payments and money transfers will be made via mobile. Mobile payment transactions in India increased from 94,000 in Sept 2012 to 701,000 in July 2013 (645.75%).

**m-commerce:** Growth of 3G services in India would result in enhanced user experience by the users of smart phones who form the customer base for m-commerce activities. For provision of m-commerce activities, the Company needs to obtain connectivity with secure payment gateways across the globe and has to also maintain a trained customer support team to handle customer complaints from various geographies, thereby resulting in increased cost of operation and sustainability.

**Keys risks faced by the Company during 2013-14:****1.Business Risks:**

**(a)Regulatory Risks:** The Company operates in a sector that is highly regulated in India and abroad. Introduction of stringent regulations, tied up with heavy penalties for non-adherence, hinder the launch of innovative ideas and platforms as Operators who have to front-end these ideas restrict themselves to play safe in the ever dynamic regulatory regime.

**(b)Operating Risks:** Preference of operators to restrict their exposure to new products and ensure adherence to the regulations results in increased revenue share payable to the operators on traditional products which in turn results in high cost of operation and reduced margins to the company.

To mitigate regulatory and operating risks Company closely monitors regulatory changes and pro-actively initiates action to ensure that all of its products are upto date on compliance. The double opt-in requirement introduced by the regulator for channelizing the mobile VAS services in India had a little impact on the Company as it had adopted a clean business strategy.

**(c)Business Model Redundancy Risk:** Fast changing technologies and introduction of new tools render the investments already made redundant thereby necessitating constant investment into technology and re-visiting the new models.

To mitigate operating and business model redundancy risk the Company has launched a robust messaging solution enriched with services like intelligent routing, anti-spam and number portability detection that enables enterprises and operators to take advantage of a wide range of market opportunities. This product has been indigenously developed to overcome the risk of technological obsolescence of the Company's traditional products which are now distributed through the new platform and comply with applicable regulatory norms.

**(d)Technology Risk:** The company's operations are dependent on the continuity and quality of its connectivity with telecommunications networks. As a service provider the Company relies 24x7 on telecom operator's networks and systems throughout the year to provide products and services. While planned shutdowns are managed by alternative routes, any major failure in the network, IT systems or a failure to maintain infrastructure to the required levels of resilience (and associated service level agreement) may result in the company's services being interrupted, resulting in damage to the company's reputation, a consequential customer and revenue loss and the risk of financial penalties.

**Mitigation:** Specific back-up and resilience requirements are built into the Operators networks at a cost to the Company, thereby resulting in a spike in the cost of maintenance of connectivity.

## 2.Financial Risks:

**(a)Currency fluctuation:** The company is exposed to significant currency fluctuations by virtue of its global presence. Since revenue realization and payments in subsidiary companies are derived and made in foreign currency, currency fluctuation risk is mitigated to a large extent. In addition the company maintains balances in EEFC accounts to the extent permissible to ensure timely clearance of dues payable in foreign currency by the Indian company.

**(b)Investment risk:** The Company has succeeded in obtaining a direct connectivity with major telecom service providers in the country, thereby providing a cost advantage to customers who partner with us for their bulk messaging requirements. Customers from the social media, Banking & Financial sectors, NIC etc., prefer service providers who have direct connectivity with telecom service providers due to the cost advantage.

**Risk:** Maintaining the connectivity with telecom service providers requires huge investments for providing geo-redundancy, meeting the SLAs prescribed, providing the required support etc, makes the connectivity capital intensive and hence requires constant investment. Telecom service providers usually work on revenue share arrangements with service providers, providing services at competitive price without compromising on the regulatory adherence renders this option risky as the low revenue share provided by the telecom service provider leaves a very low margin to operate upon.

**Mitigation:** In order to mitigate this risk, the Company has partnered with customers of repute who believe in providing services within legal ambit at a cost.

### **3.Human Resource:**

**(a)Non-availability of resources:** Acquiring and retaining human resources equipped with knowledge of latest technology and regulations are always a challenge for a Company that is technological driven. As operations of the Company are centralized, the teams have to be trained to handle customer complaints from various geographies. In order to mitigate this risk, the Company on a regular basis imparts training on required skills to make the employee force market ready for any opportunity.

### **Internal Control System:**

The Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorised use, executing transactions with proper authorisation and ensuring compliance of corporate policies. Processes for formulating and reviewing quarterly term business plans have been laid down. The internal auditor carries out a monthly audit in line with applicable regulations oriented towards the review of internal controls and risks in its operations such as accounting and finance, procurement, employee engagement, travel, insurance etc. The audit committee reviews audit reports submitted by the internal auditors. Suggestions for improvement are considered and the audit committee follows up on corrective action. The audit committee also meets the Company's statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems and keeps the board of directors informed of its major observations periodically.

### **Challenge & Road Ahead for telecom industry:**

The big challenge – which also presents a major growth opportunity for the sector – is that consumers are addicted to connectivity and speed. The ongoing expansion of the mobile ecosystem, coupled with demand for high-bandwidth applications and services such as video and gaming, is keeping pressure on the industry to increase the availability and quality of broadband connectivity. To propel the Indian economy forward, the government is using the telecom industry as an effective channel to reach and serve its citizens. The NTP-2012 has targeted 100 per cent tele-density and 600 million broadband connections by 2020. It has visualised doubling the current telecom capacity and increasing its reach to 95 per cent of India while providing broadband level of internet capability. DoT is promoting a vision of 'green telecom' by which it plans to convert 50 per cent of urban and 30 per cent of rural towers to renewable energy. By 2016, mobile data will represent 33% of the total telecom services market, up from 22% in 2012 due to total worldwide IT spending which is expected to reach \$3.7 trillion in 2013, a 4.2% increase from 2012. The global telecommunication services sector will continue to be the largest IT spending market in 2013. Goldman says that by 2018, we'll be seeing roughly as much mobile commerce (\$626 billion) as we saw in e-commerce last year. In the shorter term, we're talking a tripling from 2012 to 2014.

### **CAUTIONARY STATEMENT**

Certain statements made in the management discussion and analysis report relating to the Company's objectives, outlook, expectations, estimates and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations whether expressed or implied. Several factors could make significant difference to the Company's operations. These include climatic and economic conditions affecting demand and supply, government regulations and taxation, natural calamities over which the Company does not have any direct control. Details of FDI, status of telecom industry, numbers pertaining to growth in various m-vas sectors have been sourced from various websites.

# Financial Information of Subsidiary Companies u/s 212

S.No.	Name of the Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Total Investments	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Country
<b>1</b>	Tanla Mobile Asia Pacific Pte Ltd., INR Lakhs Exchange rate as on 31.03.2014	SGD	147,697,873	(22,479,931)	125,452,139	125,452,139	12,978,229	127,680	8,828,071	-	8,828,071	- Singapore
			70,082.64	(10,666.73)	59,527.04	59,527.04	6,158.17	61.11	4,225.11	-	4,225.11	-
			47.45	47.45	47.45	47.45	47.45	47.86	47.86	-	47.86	-
<b>2</b>	Tanla Mobile Ireland Pvt Ltd., INR Lakhs Exchange rate as on 31.03.2014	EURO	6,002,625	(3,009,370)	2,993,255	2,993,255	-	162,742	(4,376)	(78,687)	74,311	- Ireland
			4,932.96	(2,473.10)	2,459.86	2,459.86	-	131.56	(3.54)	(63.61)	60.07	-
			82.18	82.18	82.18	82.18	-	80.84	80.84	80.84	80.84	-
<b>3</b>	Tanla Mobile Middle East FZ LLC INR Lakhs Exchange rate as on 31.03.2014	USD	13,605	9,780,805	70,588,912	70,588,912	16,007,701	3,825,901	(2,852,414)	-	(2,852,414)	- UAE
			8.13	5,845.01	42,183.93	42,183.93	9,566.20	2,306.25	(1,719.44)	-	(1,719.44)	-
			59.76	59.76	59.76	59.76	59.76	60.28	60.28	-	60.28	-
<b>4</b>	Tanla Mobile Finland Oy INR Lakhs Exchange rate as on 31.03.2014	EURO	2,500	9,421,888	17,346,505	17,346,505	17,345,348	-	(9,327)	-	(9,327)	Finland
			2.05	7,742.91	14,255.36	14,255.36	14,254.41	-	(7.54)	-	(7.54)	-
			82.18	82.18	82.18	82.18	82.18	-	80.84	-	80.84	-
<b>5</b>	Tanla Oy INR Lakhs Exchange rate as on 31.03.2014	EURO	261,013	2,722,663	5,937,159	5,937,159	-	122,356	(107,433)	-	(107,433)	Finland
			214.50	2,237.48	4,879.16	4,879.16	-	98.91	(86.85)	-	(86.85)	-
			82.18	82.18	82.18	82.18	-	80.84	80.84	-	80.84	-
<b>6</b>	Tanla Solutions UK Ltd INR Lakhs Exchange rate as on 31.03.2014	GBP	1,909,000	(1,377,929)	531,071	531,071	-	5,601,750	(375,138)	-	(375,138)	- UK
			1,897.93	(1,369.94)	527.99	527.99	-	5,371.52	(359.72)	-	(359.72)	-
			99.42	99.42	99.42	99.42	-	95.89	95.89	-	95.89	-
<b>7</b>	Mufithumb Corporation Pvt Ltd INR Lakhs	INR	2,500,000	(28,242,385)	331,899,541	331,899,541	-	4,812,816	(25,260,245)	-	(29,199,340)	- India
			25.00	(282.42)	3,319.00	3,319.00	-	48.13	(252.60)	-	(291.99)	-
			1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-
<b>8</b>	Tanla Mobile Private Limited INR Lakhs	INR	10,000,000	70,797,775	85,546,004	85,546,004	37,987	(22,951,469)	-	(20,755,208)	-	- India
			100.00	707.98	855.46	855.46	-	0.38	(229.51)	-	(207.55)	-

## NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Eighteenth Annual General Meeting of the members of Tanla Solutions Limited will be held on Tuesday, September 30, 2014 at 11.30 am at Novotel Hyderabad Convention Centre, Novotel & HICC Complex, Near Hitech City, Madhapur, Hyderabad – 500081, to transact the following business:

### ORDINARY BUSINESS:

**1.** To receive, consider and adopt the Audited Statement of Profit and Loss for the financial year ended March 31, 2014 and the Balance Sheet as at that date together with the Reports of Directors and Auditors thereon.

**2.** To appoint a Director in place of Mr. Gautam Sabharwal, who retires by rotation and being eligible, offers himself for re-appointment.

**3.** Appointment of Auditors:

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

“RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and other applicable rules, if any, and as amended from time to time, M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Hyderabad, bearing Registration number 010396S with the Institute of Chartered Accountants of India, be and they are hereby reappointed as Statutory Auditors of the Company to hold the office from the conclusion of this Annual General Meeting (AGM) till the conclusion of twenty-first Annual General Meeting to be held in 2017 (subject to ratification of their appointment at every AGM), at such remuneration and out-of-pocket expenses as may be determined by the Board of Directors of the Company.”

### SPECIAL BUSINESS:

**4.** To consider and, if thought fit, to pass with or without modification, the following resolution as an Special Resolution:

“RESOLVED THAT, pursuant to Section 197 and other applicable provisions, if any, of the Companies Act, 2013 read with Part II of Schedule V of the Companies Act, 2013, Mr. D. Uday Kumar Reddy, Chairman & Managing Director, be and is hereby paid a remuneration of ₹ 120.00 lakhs per anum as approved by the Remuneration Committee in its meeting dated August 25, 2014 for a period of three years from the month of October 2014 excluding other benefits, allowances, perquisites.”

“RESOLVED FURTHER THAT, Mr. D. Uday Kumar Reddy, Chairman & Managing Director would be eligible for the following perks as approved by the Remuneration Committee in its meeting dated August 25, 2014, in addition to the above mentioned remuneration, as per Section 197 read with Part II of Schedule V and other applicable provisions, if any, of the Companies Act, 2013 or any Statutory modification(s) or re-enactment thereof:

- a. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules.
- b. Gratuity payable at a rate not exceeding half month's salary for each completed year of service.
- c. Encashment of leave as per the Company's rules at the end of tenure.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the payment of remuneration, the Company Secretary of the Company be and is hereby authorized on behalf of the company to do all such acts, deeds, things and matters as may be deemed expedient or desirable to give effect to the above said resolution.”

Your Directors recommend that the said resolution may be passed as a Special Resolution.



None of the Directors except Mr. D. Uday Kumar Reddy is interested or concerned in the said resolution.

Mr. D. Uday Kumar Reddy holds 1,44,96,493 equity shares constituting 14.29% of the paid up capital of the company.

**5.** To appoint a Director in place of Dr. A. G. Ravindranath Reddy (DIN: 01729114) who was appointed as an Additional Director under Article 115 of the Articles of Association of the Company and holds office upto the date of this Annual General Meeting in terms of Section 161 of the Companies Act 2013 and being eligible offers himself for re-appointment and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152, all other applicable provisions of the Companies Act 2013, and the rules framed there under read with Schedule V to the Companies Act 2013 and Listing Agreement, Dr. A. G. Ravindranath Reddy (DIN: 01729114), in respect of whom the Company received a notice in writing from a member signifying his intention to propose, be and is hereby appointed to the office of Director in the capacity of an Independent Director of the Company to hold office for a term of 1(one) year from the date of this Annual General Meeting, not liable to retire by rotation.”

**6.** To appoint Padmabhushan Ram Narain Agarwal (DIN: 00003498) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152, all other applicable provisions of the Companies Act 2013, and the rules framed there under read with Schedule V to the Companies Act 2013 and Listing Agreement, Padmabhushan Ram Narain Agarwal (DIN: 00003498), who was earlier appointed as a Director liable to retire by rotation and in respect of whom the Company received a notice in writing from a member signifying his intention to propose, be and is hereby appointed to the office of Director in the capacity of an Independent Director of the Company to hold office for a term of 5(five) years from the date of this Annual General Meeting, not liable to retire by rotation.”

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

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions, if any of the Companies Act, 2013, read with rules made thereunder consent of the members be and is hereby accorded for alteration of Articles of Association by replacing the existing Article 106 of the Articles of Association by new Article as provided below :

#### Article 106

The Chairman of the Board shall be elected by the Board of Directors from among their numbers. The Chairman shall, subject to the provisions of the Act, be paid such remuneration as the Board may from time to time determine. The Directors shall determine the period for which he is to hold office. If no such Chairman be elected or, if at any meeting the Chairman be not present within fifteen minutes of the appointed time for holding the same, the Director present shall choose one of their number to be a Chairman of such meeting. Any person appointed as the Managing Director or Chief Executive Officer of the Company can also be appointed as Chairman or Chairperson of the Company..

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

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions, if any of the Companies Act, 2013, read with rules made there under consent of the members be and is hereby accorded for alteration of Articles of Association by replacing the existing Article 119 of the Articles of Association by new Article as provided below :



Article 119

The Managing Director shall while he continues to hold that office be required to retire by rotation but shall not be required to hold any qualification shares. If he ceases to hold the office of Director, he shall ipso facto and immediately cease to be a Managing Director.

Place: Hyderabad  
Date: August 25, 2014

**Registered Office:**

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

By the order of the Board of Directors  
For Tanla Solutions Limited  
Sd/-

CS Seshanuradha Chava  
AVP – Legal & Secretarial

**NOTES:**

**a.** The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 26th day of September, 2014 to Tuesday, the 30th day of September, 2014 (both days inclusive) for the purpose of Annual General Meeting.

**b.** Explanatory Statement as required under Section 102(2) of the Companies Act, 2013, in respect of Special Business to be transacted at the Meeting is annexed hereto.

**c. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The instrument appointing the proxy must be deposited with the Company at its Registered Office not less than 48 hours before the commencement of the Meeting.

**d.** A person can act as a proxy on behalf of members upto and not exceeding fifty and holding in aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as a proxy and such person shall not act as a proxy for any other person or member.

**e.** Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the Meeting.

**f.** The Company's Registrar and Transfer Agents (RTA) for its share registry work (Physical and Electronic) are Karvy Computershare Private Limited.

**g.** Members can avail of the facility of nomination in respect of securities held by them in physical form pursuant to the provision of Section 72 of the Companies Act, 2013. Members desiring to avail of this facility may send their nomination in the prescribed form duly filled-in to RTA. Members holding shares in electronic mode may contact their respective Depository Participant (DP) for availing this facility.

**h.** Members are requested to:

- intimate to DP, changes, if any, in their registered address and/or changes in their bank account details, if the shares are held in dematerialized form.
- intimate to the Company's RTA, changes if any, in their registered address, in their bank account details, if the shares are held in physical form (share certificates).
- consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.

- Dematerialize their Physical Shares to Electronic Form (Demat) to eliminate all risks associated with Physical Shares. Our Registrar and Transfer Agents viz., Karvy Computershare Private Limited maybe contacted for assistance, if any, in this regard.

**i.** Members are requested to refer to the Corporate Governance Report for information in connection with the unpaid / unclaimed dividend liable to be transferred to Investor Education and Protection Fund (IEPF) administered by the Central Government.

**j.** A brief profile of Directors proposed to be appointed / re-appointed, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange(s) are provided in the Corporate Governance Report forming part of the Annual Report.

**k.** In order to save the natural resources Members are requested to register their e-mail address/addresses with the Depository Participants, if the shares are held in dematerialized form and with the Company's Registrar & Transfer Agent if the shares are held in physical form, in case you have not registered your email ids till now.

#### **I. Voting through electronic means:**

Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, and Clause 35 B of the Listing Agreement executed by the company with the BSE Limited and the National Stock Exchange of India Limited, the company is pleased to provide members the facility to exercise their right to vote at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services provided by Karvy Computershare Private Ltd (KCPL).

A member may exercise his votes at any General Meeting by electronic means and company may pass any resolution by electronic voting system in accordance with the Rule 20 of the Companies (Management and Administration) Rules, 2014.

#### **PROCEDURE AND INSTRUCTIONS FOR E-VOTING**

The procedure and instructions for e-voting are as follows:

- Open your web browser during the voting period and navigate to 'https://evoting.karvy.com'
- Enter the login credentials (i.e., user-id & password) mentioned on the Postal Ballot Form. Your folio/DP Client ID will be

Your User-ID.

User – ID	<b>For Members holding shares in Demat Form:-</b>
	a) For NSDL :- 8 Character DP ID followed by 8 Digits Client ID b) For CDSL :- 16 digits beneficiary ID c) For Members holding shares in Physical Form:- <ul style="list-style-type: none"> <li>• Event no. followed by Folio Number registered with the company</li> </ul>
Password	Your Unique password is printed on the Postal Ballot Form / via email forwarded through the electronic notice
Captcha	Enter the Verification code i.e., please enter the alphabets and numbers in the exact way as they are displayed for security reasons.

- iii) Please contact our toll free No. **1-800-34-54-001** for any further clarifications.
- iv) Members can cast their vote online from Thursday , September 25th , 2014@ 09:00 AM to Saturday, September 27th 2014@ 6.00 PM.
- v) After entering these details appropriately, click on “LOGIN”.
- vi) Members holding shares in Demat/Physical form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password can be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting through Karvy Computershare Private Limited e-Voting platform. System will prompt you to change your password and update any contact details like mobile #, email ID etc on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- vii) You need to login again with the new credentials.
- viii) On successful login, system will prompt to select the 'Event' i.e., ('Company Name').
- ix) If you are holding shares in Demat form and had logged on to “<https://evoting.karvy.com>” and casted your vote earlier for any company, then your exiting login id and password are to be used.
- x) On the voting page, you will see Resolution Description and against the same the option 'FOR/AGAINST/ABSTAIN' for voting. Enter the number of shares (which represents number of votes) under 'FOR/AGAINST/ABSTAIN' or alternatively you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR/AGAINST' taken together should not exceed your total shareholding. If the shareholder do not wants to cast, select 'ABSTAIN'
- xi) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed .If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- xii) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
- xiii) Corporate/Institutional Members (corporate /FIs/FILs/Trust/Mutual Funds/Banks, etc) are required to send scan (PDF format) of the relevant Board resolution to the Scrutinizer through e-mail to [kvs@rsfcs.com](mailto:kvs@rsfcs.com) with copy to [evoting@karvy.com](mailto:evoting@karvy.com). The file scanned image of the Board Resolution should be in the naming format “Corporate Name\_ Event no.....”
- xiv) The voting rights of the Members shall be in proportion to the paid-up value of their shares in the equity capital of the Company as on the cut-off date being Friday, August 22, 2014.
- xv) The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and will make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the meeting.

- xvi) The results on resolutions shall be declared at or after the Annual General Meeting of the Company and the results declared along with the Scrutinizer's Report(s) will be available on the website of the Company ([www.tanla.com](http://www.tanla.com)) and on Karvy's website (<https://evoting.karvy.com>) within two (2) days of passing of the resolutions and communication of the same to BSE and NSE.

The e-voting particulars are communicated in the "Polling Paper" dispatched along with this Annual Report.

During the e-voting period, members of the company holding shares either in physical form or dematerialized form, as on the cut off date i.e., August 22, 2014, (tentative date of dispatch) may cast their votes electronically.

The e-voting period commences at 9.00 am on Thursday 25th September, 2014 and ends at 6.00 pm on Saturday 27th September, 2014. The e-voting module shall be disabled by KCPL for voting thereafter.

Once the vote on a resolution is cast by a shareholder, the shareholder shall not be allowed to change it subsequently.

A copy of this notice has been placed on the website of the Company and the website of KCPL.

Mr. K.V.S. Subramanyam, Practicing Company Secretary (CP No. 4815) and Partner of M/s. Ravi & Subramanyam, Company Secretaries has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The Scrutinizer shall unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman on September 30, 2014.

The Results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.tanla.com](http://www.tanla.com) and on the website of KCPL within two (2) days of passing of the resolution at the AGM of the Company and communicated to the BSE Limited and National Stock Exchange of India Limited.

By the order of the Board of Directors  
For Tanla Solutions Limited  
Sd/-  
CS Seshanuradha Chava  
AVP – Legal & Secretarial

Place: Hyderabad  
Date: August 25, 2014

**Registered Office:**

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

**EXPLANATORY STATEMENT**  
**(Pursuant To Section 102 of The Companies Act, 2013)**

**Item No.4**

The members are being informed that Mr. D. Uday Kumar Reddy was appointed as Chairman & Managing Director of the Company for a period of 5 years with effect from May 15, 2010 at the Annual General Meeting of the Company held on September 30, 2010.

The Board of Directors of the Company considered the nature of services and on the recommendation and resolution passed by Nomination and Remuneration Committee at its meeting held on August 25, 2014 considered for revision in remuneration payable to Mr. D. Uday Kumar Reddy, Chairman & Managing Director from existing annual remuneration of ₹.48 Lakhs to ₹.120 Lakhs P.A. payable for a further period of three years (i.e., from October 01, 2014 to September 30, 2017).

**Statement as required under Part II of Section II of Schedule V to the Companies Act, 2013:**

1. General Information:			
(1) Nature of Industry:	The Company is telecom products & solutions providing company that specializes in pioneering communication roadmaps and integrating various systems of communication for mobile technology.		
(2) Date or expected date of commencement of commercial production	Certificate of commencement of business certificate was issued by ROC in July 1995		
(3) In case of new companies, expected date of commencement of activities	NA		
(4) Financial performance based on given indicators	Particulars	FY 2013-14	FY 2012-13
		(₹)	(₹)
	Paid up Capital	101,479,593	101,479,593
	Reserves & Surplus	6,049,856,116	6,146,457,605
	Income from operations	257,032,965	272,186,941
	EBIDTA	55,863,987	99,46,777
	Profit before Tax	-93,275,481	-26,120,398
	Profit after Tax	-96,601,490	-17,767,228
(5) Foreign investments, if any	Particulars	As on March 31 2014	As on March 31 2013
		(No. of shares)	(No. of shares)
	Foreign Institutional Investors	621,023	722,023
	Non Resident Indians	1,681,155	1,554,014
	Foreign Nationals	821,807	821,807

The explanatory statement may also be regarded as an abstract of Memorandum under Section 190 of the Companies Act, 2013 (corresponding Section 302 of the Companies Act, 1956) and disclosure under Clause 49 of the Listing Agreement.

Pursuant to Section 297 of the Companies Act, 1956 read with Schedule V to the Companies Act, 2013, approval of members is required by way of Special Resolution for payment of aforesaid remuneration to Mr. D. Uday Kumar Reddy, Chairman & Managing Director of the Company.

Your Directors recommend that the said resolution for your approval.

Save and except Mr. Mr. D. Uday Kumar Reddy and Mrs D. Tanuja Reddy, being his relative none of the Directors/Key Managerial Personnel of the Company/their relatives are, in any way concerned or interested, financially or otherwise, in the above resolution set out in the Notice except to the extent of their shareholding.

### **Information about the appointee:**

#### **(1) Background details**

Mr .D .Uday Kumar Reddy holds an MBA from University of Manchester, UK and is the founder promoter of Tanla Solutions Limited. He is the chief architect of the company, besides being responsible for its meteoric rise from a mere products-based solution provider to one of the largest publicly traded Mobile VAS software company, specializing in wireless data services for mobile messaging and billing.

#### **(2) Past remuneration**

The shareholders in the 17th AGM approved an annual remuneration of ₹48.00 Lakhs for a period of 3 years from October 2013.

#### **(3) Job Profile and his suitability**

Uday's keen business acumen and a sharp focus on innovation combined with an urge to set new milestones in business and technology have been the key drivers of the company's success. An active member in the M&A community, he has been leading discussions across the globe regarding potential alliances and M&A opportunities. It is little wonder that within a decade of its inception, he has led Tanla to dizzying heights as one of the most successful young IT companies in India with a global presence.

#### **(4) Remuneration Proposed**

The Nomination and Remuneration Committee in its meeting held on August 25, 2014 proposed an Annual Remuneration of ₹ 120.00 lakhs for a period of 3 years from October 2014 subject to the approval of members by passing Special Resolution in the ensuing 18th Annual General Meeting.

#### **(5) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person**

The indicative salary range for this role, based on the study conducted by the Company is ₹ 150.00 Lakhs to ₹ 450.00 Lakhs which includes annual cash and bonus, as applicable. Considering the current financial position of the Company, the Board has deemed it fit to approve a annual remuneration of ₹ 120.00 Lakhs, excluding perquisites mentioned in Schedule V of the Companies Act 2013.

#### **(6) Pecuniary relationship**

There is no pecuniary relationship either directly or indirectly with the company, or relationship with the managerial personnel except with Mrs. D. Tanuja Reddy, the co-promoter of Tanla Solutions Limited. In addition Mr. D. Uday Kumar Reddy holds 144,96,493 equity shares constituting 14.29% of the paid up capital of the Company. Mrs. D. Tanuja Reddy holds 9,319,271 equity shares constituting 9.18% of the paid up capital of the Company.

### **Other information**

#### **(1) Reasons for loss or inadequate profits**

The domestic revenue in India has increased from ₹ 2,451.83 Lakhs to ₹ 2,538.55 Lakhs registering an increase of 3.5%, while the total revenues have decreased from ₹ 2,721.86 Lakhs to ₹ 2,570.32 Lakhs on account of decrease in overseas revenue. The Company has reduced its exposure in the overseas market on account of continuing impact of stringent regulations in overseas market as evidenced by decreased overseas revenue from ₹ 270.03 Lakhs to ₹ 31.78 Lakhs. The increase in domestic market is on account of consolidating the Company's position with launch of new verticals and products.

## AGM Notice

For the year ended on March 31, 2014, the Company reported loss of ₹ 9,66.01 Lakhs the total remuneration payable to all the Managerial personnel cannot exceed ₹ 60.00 Lakhs per annum as per Part II of Schedule V of the Companies Act, 2013, this limit can be doubled if the shareholders' pass a special resolution in the ensuing Annual General Meeting. Nomination and Remuneration Committee has been authorized to review and fix monthly salary and also to determine performance linked incentives including commission, either on quarterly, half yearly or yearly basis, considering the maximum remuneration payable under Section 197 read with Schedule V of Companies Act, 2013. The Nomination and Remuneration Committee thus met on August 25, 2014 and passed a resolution approving the proposed salary payable.

### **(2) Steps taken or proposed to be taken for improvement**

In messaging services the Company has launched a new solution for A2P messaging which is slated to increase the market share going forward. The Company has partnered with leading telecom service providers in India and this is expected to result in substantial growth in revenues and margin. The Company has diversified into m-commerce and tied up with leading payment gateway in US which is expected to generate revenues in the coming quarters.

### **(3) Expected increase in productivity and profits in measurable terms**

The Company expects to generate increased revenues in the coming years

## **Item No.5**

The Board of Directors of the Company, pursuant to the provisions of Section 260 of the Companies Act, 1956 and the article number 115 appointed Dr. A.G.Ravindranath Reddy as an Additional Director of the Company with effect from January 29, 2014.

In terms of the provisions of Section 161(1) of the Companies Act, 2013, Dr. A.G.Ravindranath Reddy would hold office up to the date of the ensuring Eighteenth Annual General Meeting. Based on the disclosures received from Dr. A.G.Ravindranath Reddy, the Board is satisfied that Dr. A.G.Ravindranath Reddy meets the criteria for independence as laid down in Section 149(6) of the Companies Act, 2013 and he is not disqualified as contemplated under Section 164 of the Companies Act, 2013.

A detailed profile of Dr. A.G.Ravindranath Reddy as required under Clause 49 IV(G) of the Listing Agreements attached to this Notice. The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Dr. A.G.Ravindranath Reddy for the office of Director of the Company.

In the opinion of the Board, Dr. A.G.Ravindranath Reddy fulfills the conditions for his appointment as an Independent Director as specified in the Act and the Listing Agreement. Dr. A.G.Ravindranath Reddy is independent of the management.

Brief resume of Dr. A.G.Ravindranath Reddy, nature of his expertise in specific functional areas and names of companies in which he holds directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of the Annual Report. Keeping in view his vast expertise and knowledge, it will be in the interest of the Company that Dr. A.G.Ravindranath Reddy is appointed as an Independent Director. Save and except Dr. A.G.Ravindranath Reddy and his relatives, to the extent of their shareholding interest, if any, in the Company, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 3 of the Notice. Dr. A.G.Ravindranath Reddy does not hold equity shares of the company. Your Directors commend this resolution for approval of the shareholders as an ordinary resolution.



**Item No. 6**

Padmabhushan Ram Narain Agarwal Ram Narain Agarwal is serving on the Board of your company as Independent Director in compliance to the Clause 49 of the Listing Agreement with NSE and BSE.

Based on the disclosures received from Padmabhushan Ram Narain Agarwal, the Board satisfied that Padmabhushan Ram Narain Agarwal meets the criteria for independence as laid down in Section 149(6) of the Companies Act, 2013 and he is not disqualified as contemplated under Section 164 of the Companies Act, 2013.

A detailed profile of Padmabhushan Ram Narain Agarwal as required under Clause 49 IV(G) of the Listing Agreements attached to this Notice. The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Padmabhushan Ram Narain for the office of Director of the Company.

Section 149 of the Act inter alia stipulates the criteria of independence should a company propose to appoint an independent director on its Board. As per the said Section 149, an independent director can hold office for a term up to 5 (five) consecutive years on the Board of a company and be eligible for re-appointment on passing a special resolution by the Company for a further period of 5 years and he shall not be included in the total number of directors for retirement by rotation.

In the opinion of the Board, Padmabhushan Ram Narain Agarwal (DIN: 00003498) fulfills the conditions for his appointment as an Independent Director as specified in the Act and the Listing Agreement. Padmabhushan Ram Narain Agarwal (DIN: 00003498) is independent of the management.

Brief resume of Padmabhushan Ram Narain Agarwal, nature of his expertise in specific functional areas and names of companies in which he holds directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of the Annual Report. Keeping in view his vast expertise and knowledge, it will be in the interest of the Company that Padmabhushan Ram Narain Agarwal is appointed as an Independent Director.

Save and except Padmabhushan Ram Narain Agarwal and his relatives, to the extent of their shareholding interest, if any, in the Company, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice. Padmabhushan Ram Narain Agarwal do not hold equity shares of the company. Your Directors commend this resolution for approval of the shareholders as an ordinary resolution.

**Item No.7**

As per the provisions of Section 203 of the Companies Act, 2013, any person shall be appointed as chairperson of the company as well as the managing director or chief executive officer of the Company, at the same time unless, the Articles of the Company provides.

As Mr. D. Uday Kumar Reddy is acting as both Chairman and Managing Director of the Company it is proposed to alter the article 106 of the Articles of Association to enable the appointment of same person as the Chairman and Managing Director.

Pursuant to Section 14 of the Companies Act, 2013, approval of members is required by way of Special Resolution for alteration of Articles of Association.

Your directors recommend the aforesaid resolution for your approval.



## AGM Notice

Except Mr. D. Uday Kumar Reddy, none of the Directors, Key Managerial Personnel or their relatives are concerned or interested, financial or otherwise, in the resolution except to the extent of their shareholding.

### Item no. 8

Section 152 of the Companies Act, 2013, states, not less than two-thirds of the total number of directors of a public company shall be liable to retire by rotation and further provides that “total number of directors” shall not include independent directors as defined under Sec 149 of the Companies Act, 2013. In order to comply with the aforesaid provisions of the Companies Act, 2013, it is proposed to amend the Articles of Association to provide that the Managing Director or Joint/Deputy Managing Director shall also be liable to retire by rotation.

Accordingly, it is proposed to amend Article 119 of the Articles of Association as set out in Item No.8 of this Notice.

Pursuant to Section 14 of the Companies Act, 2013, approval of members is required by way of Special Resolution for alteration of Articles of Association.

Your directors recommend the aforesaid resolution for your approval.

Except Mr. D. Uday Kumar Reddy, none of the Directors, Key Managerial Personnel or their relatives are concerned or interested, financial or otherwise, in the resolution except to the extent of their shareholding

Place: Hyderabad  
Date: August 25, 2014

Registered Office:  
Tanla Technology Centre,  
Hi-tech City Road,  
Madhapur, Hyderabad - 500081.

By the order of the Board of Directors  
For Tanla Solutions Limited  
Sd/-  
CS Seshanuradha Chava  
AVP - Legal & Secretarial

## **DETAILS PURSUANT TO CLAUSE 49 IV (G) (I) OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT**

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

Mr. Gautam Sabharwal, Director - Global Business Development, joined Tanla in 2004. Prior to this, he founded Techserve which was merged with Tanla in 2004. His vast experience includes several years of running successful business in the telecom services markets of Europe and long-term strategy planning along with knowledge of the core business.

He holds Masters Degree in Management from Westminster Business School, United Kingdom.

### **Dr. A.G.Ravindranath Reddy** **Independent Director**

Dr. A.G.Ravindranath Reddy is a Practicing Company Secretary and Corporate Consultant. He is associated with various companies. His vast experience includes advising listed companies under the SEBI Guidelines.

He is a Post Graduate in Commerce, a Fellow Member of the Institute of Company Secretaries of India, with a Doctorate on the topic “Role of Shareholders in Corporate Governance”.

### **Padmabhushan Ram Narain Agarwal** **Independent Director**

Padmabhushan Ram Narain Agarwal joined Tanla in 2005. Prior to this, he worked as Program Director (AGNI) and as a Director, Advanced Systems Laboratory and DRDO. He is a Distinguished Scientist. He has four decades of experience in Missile Technology.

He holds Bachelors degree in Engineering from Madras Institute of Technology, a Masters Degree in Engineering from Aero-Indian Institute of Science, Bangalore and also holds Fellow Membership in the Indian National Academy of Engineering and Aeronautical Society of India.

He is the recipient of Padmashree in the year 1990 and Padmabhushan in the year 2000.

*This page is intentionally left blank*

**TANLA SOLUTIONS LIMITED**  
**CIN : L72200AP1995PLC021262**

**Registered Office : Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad - 500081**

**PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL**

<b>DP ID:</b>	<b>Folio No./Client ID:</b>	<b>No.of Shares:</b>
---------------	-----------------------------	----------------------

Name of the Shareholder:

Name of the Proxy:

I hereby record my/our presence at the **18TH ANNUAL GENERAL MEETING** of the Company held on Tuesday, September 30, 2014 at 11.30 a.m. at : Novotel Hyderabad Convention Centre, Novotel & HICC Complex, Near Hitech City, Madhapur, Hyderabad - 500081

Signature of the Shareholder/Proxy : \_\_\_\_\_  
\_\_\_\_\_

(Only shareholders/proxies are allowed to attend the meeting)

.....  
.....

**This page is intentionally left blank**

**TANLA SOLUTIONS LIMITED**  
**CIN : L72200AP1995PLC021262**

**Registered Office : Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad - 500081**

**PROXY FORM**  
**Form MGT-11**

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014)

Name of the Member(s):	No. of Shares:
Folio No./Client ID:	DP ID:

I / We being the holder of .....shares of Tanla Solutions Limited, hereby appoint:

1) Mr/Ms .....having email id..... or failing him

2) Mr/Ms.....having email id..... and whose signature(s) are appended below as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the **18TH ANNUAL GENERAL MEETING** of the Company to be held on Tuesday, September 30, 2014 at 11.30 a.m. at Novotel Hyderabad Convention Centre, Novotel & HICC Complex, Near Hitech City, Madhapur, Hyderabad - 500081 and at any adjournment thereof in respect of such resolutions as are indicated below:

S. No.	Subject Matter of the Resolution	No. of Shares held by me	For	Against
1	Adoption of Annual Accounts and Reports thereon for the year ended 31st March 2014.			
2	Re-appointment of Mr. Gautam Sabharwal who retires by rotation			
3	Appointment of M/s Ramasamy Koteswara Rao & Co., Chartered Accountants as the Statutory Auditors			
4	Remuneration payable to Mr. D. Uday Kumar Reddy, Chairman & Managing Director			
5	Appointment of Dr. A.G.Ravindranath Reddy as Independent Director			
6	Appointment of Padmabhushan Ram Narain Agarwal as Independent Director			
7	Alteration of Article No.106 of the Articles of Association			
8	Alteration of Article No.119 of the Articles of Association			

Signed this .....day of September, 2014

.....  
Signature of first proxy holder

.....  
Signature of second proxy holder

Notes:

1. This form of Proxy in order to be effective should be duly completed and deposited at the Registered office of the Company, not less than 48 hours before the commencement of the meeting.

2. A Proxy need not be a member of the Company.

Affix 1  
Revenue  
Stamp

Signature of shareholder  
Across Revenue Stamp

**This page is intentionally left blank**

## Notes

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



# Notes

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

## Notes

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

# Notes

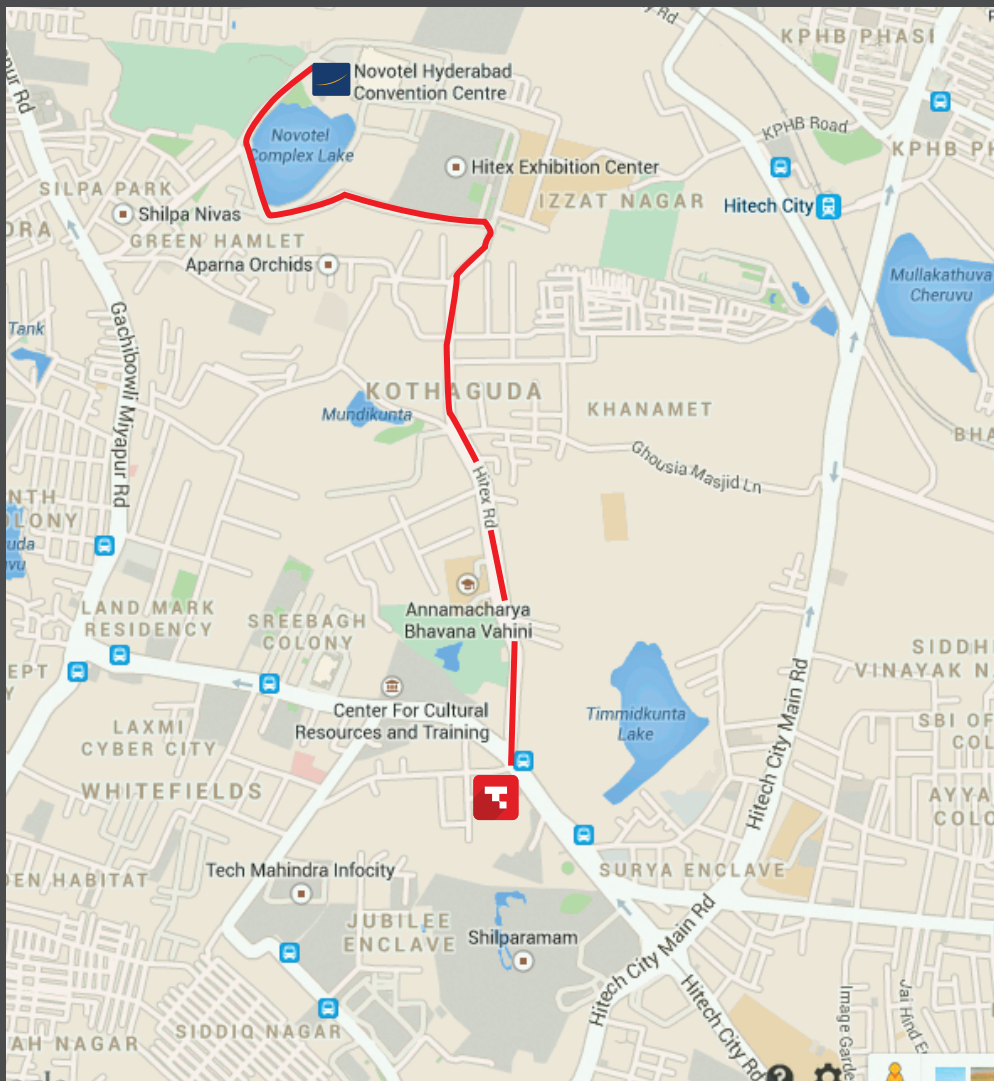
This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

# AGM Venue Address

Novotel Hyderabad Convention Centre, Novotel & HICC Complex,  
Madhapur, Hyderabad : 500081

Ph: +91 -40-66824422

## Map



RSVP: +91-9573983838

