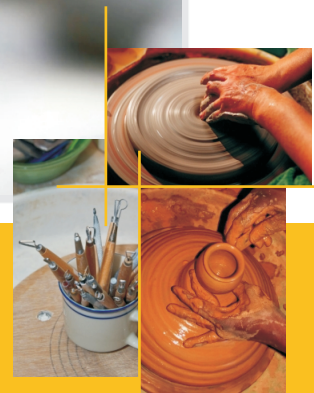


The art of Transforming lies in the thoughts and ideas  
the beginning, as you observe, is in imagination



## CONTENTS

1.	Corporate Information	2
2.	Chairman's Message	3
3.	Notice of 14th Annual General Meeting	5
4.	Directors' Report	9
5.	Management Discussion & Analysis	14
6.	Corporate Governance Report	18

### **STANDALONE FINANCIAL STATEMENTS**

7.	Auditor's Report	33
8.	Balance Sheet	37
9.	Profit & Loss Account	38
10.	Cash Flow Statement	39
11.	Notes to Financial Statements	40

### **CONSOLIDATED FINANCIAL STATEMENTS**

12.	Consolidated Auditor's Report	58
13.	Consolidated Balance Sheet	59
14.	Consolidated Profit & Loss Account	60
15.	Consolidated Cash Flow Statement	61
16.	Notes to Consolidated Financial Statements	62
17.	Attendance Slip and Proxy Form	83

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Ms. Madhavi Vuppalapati**, Chairperson & Whole time Director  
**Mr. Lalith Prasad S**, Independent Director  
**Dr. Satyapal Narang**, Independent Director  
**Mr. Prithipal Singh**, Independent Director  
**Mr. Chinmoy Chakravarty**, Independent Director (Upto 27.09.2011)  
**Mr. Satish Kumar Vuppalapati**, Managing Director

### Vice President (F) & Company Secretary

**Mr. Malleswara Durga Prasad**

### Vice President - F & A

**Mr. M.N. Narayanan**

### Auditors

**M/s P. Murali & Co.,**  
Chartered Accountants,  
6-3-655/2/3, Somajiguda,  
Hyderabad - 500 082.

### Registered Office

Prithvi House, # 2-56/2/19, Khanamet, Madhapur,  
Hyderabad – 500 081.

### Website

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

## Chairman's Message

### Dear Shareholders,

I am happy to bring you the updates on the exciting things that are happening at your company. The strategic transformation project that was started 3 years ago is beginning to take shape. The year 2011-2012 saw multiple pieces of the new strategic vision falling into place. The results of the strategic transformation project would start to show in the next financial year.

The changing economic landscape across the world prompted your company to re-assess its long term strategic targets and goals. Your company chose to undergo complete transformation and strategize our long term goals. Through this process your company has emerged stronger and more resilient. This would not have been possible without the steadfast support that we have received from you and our other stakeholders. I would like to thank you for your support and tell you that your patience will pay off soon.

With the target of being one of the best integrated Information and Communication Technology (ICT) companies in the world, Prithvi has developed clear strategy and implementation plan for each of the three business units.

In IT, your company is transforming itself into a full service IT organization, which can meet all the end to end needs of the customer. The organization is investing in increasing our capabilities to be able to deliver end to end services. This exercise will make your company one of the few mid-tiers IT companies in India and the world with capability to service diverse end to end needs of the customers. Key strategic focus areas for the business continue to be Data – Process – Mobility.

In telecom engineering services (TES), your company aims to be the foremost provider of services across the world in multiple technologies including LTE, Wimax etc. The target is to be the integrated provider of telecom engineering services for customers across the world. Our expansion in new geographies such as Middle East and North Africa (MENA) would drive growth in the TES business.

Telecom products business would concentrate on orders that would be of higher margin and help in backward integration of our services businesses. This business would become a key part of the Telecom 360 degrees solution.

With our sight firmly focused on the future, we have made some tough choices to in the financial year 2011-2012. The year saw your company give up business in multiple projects that did not meet our margin thresholds. On a Y-O-Y basis the consolidated revenue reduced to INR 1378.31 Cr from INR 1633.99 Cr, a reduction of 15.64%. However, during the same period the profits grew on a Y-O-Y basis to 20 Cr, an increase of 14.46% percentage.

The total revenue from IT is at INR 1265.99 Cr and the total revenue from telecom both engineering services and products is at INR 112.32 Cr



There have been multiple achievements during the year in customer acquisition and in launching new point solutions that solve specific customer problems. Some of our fastest growing services include managed services, system integration and enterprise performance management. Point solutions such as Responsive Infrastructure management and Unchurn have been received well by the customers. The basket of services being offered has constantly expanded during the year.

I am also happy to announce that our conviction in fighting various legal battles on behalf of our share holders has started to payoff. Your company has been able to earn favorable results in those cases. It should put an end to the question marks about Prithvi's sincerity in seeking a legal recourse to fight for the right of our shareholders.

The next few months would see a flurry of activity. Your company would be making some major announcements that would have set course for the next stage of growth for the company. I am eagerly looking forward to bring you more good news next year.

Regards

Chairman

## NOTICE

Notice is hereby given that the 14<sup>th</sup> Annual General Meeting of the Members of the Company will be held on **Monday, the 24<sup>th</sup> September, 2012 at 11.00 a.m. at Surana Udyog Auditorium, Federation House, The Federation of Andhra Pradesh Chamber of Commerce and Industry, Red Hills, Lakdikapul, Hyderabad - 500 004** to transact the following business:

### Ordinary Business

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2012 and the Audited Balance Sheet as on that date along with the Reports of Auditors and Directors' there on.
2. To appoint a Director in place of Mr. Prithipal Singh, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Dr. Satyapal Narang, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint statutory auditors and to authorize the Board to fix their remuneration for the Financial Year 2012-13

By Order of the Board

August 14, 2012

**MALLESWARA DURGA PRASAD**  
Company Secretary & Vice President (F)

Registered Office: Prithvi House, # 2-56/2/19, Khanamet, Madhapur, Hyderabad - 500 081.



## Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK PROXY FORM IS ENCLOSED. THE PROXY FORM DULY STAMPED AND EXECUTED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY.
2. The Instrument appointing a Proxy must be lodged at the Registered Office of the Company at least 48 hours prior to the time of the meeting.
3. Members are requested to affix their signatures at the space provided on the Attendance Slip annexed to the Proxy Form and hand over the slip at the entrance to the place of the Meeting.
4. Members who hold shares in dematerialized form are requested to bring their client ID and DP ID for easy identification of attendance at the meeting.
5. Corporate members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
6. The Register of Members and Transfer Books of the Company will be closed from 17<sup>th</sup> September, 2012 to 24<sup>th</sup> September, 2012 (both days inclusive).
7. Shareholders holding shares in physical form are requested to advise any change of address immediately to the Company's Registrar and Share Transfer Agents, Karvy Computershare Private Limited, Unit: Prithvi Information Solutions Limited, Plot Nos. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 quoting their Folio Number/ Client ID.
8. Shareholders holding shares in electronic form must send the advice about change in address to their respective Depository Participants and not to the Company.
9. Brief notes on the background and the functional expertise of the Directors proposed for re-appointment are furnished below, along with details of companies in which they are Directors and the Board Committees of which they are members:

**Additional information on Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting**

<b>Name</b>	<b>Prithipal Singh</b>	<b>Satyapal Narang</b>
<b>Date of birth</b>	23-12-1943	01-01-1943
<b>Designation</b>	Non-Executive Director-Independent Director	Non-Executive Director-Independent Director
<b>Date of appointment</b>	31-12-2009	31-12-2009
<b>Educational Qualifications</b>	Graduate in Electrical Engineering	M.Com., Ph.D., LL.B., FCS and Fellow Member of All India Management Association (FIMA)
<b>Areas of Experience</b>	<p>He is the former Chairman and Managing Director of BSNL, the third largest telecom operator in Asia and the seventh largest in the world. Prithipal led a team of over 350,000 employees, with an annual budget in excess of \$6 billion and a customer base of around 40 million subscribers. Under his leadership, BSNL doubled the size of its network, established a highly successful portfolio of consumer brands and was awarded the title of “Best Telecoms Operator” in the 2003 Voice and Data awards. He became the first Government employee to be nominated for the Ernst and Young Entrepreneur of the Year Award, again in 2003.</p>	<p>He retired as Secretary &amp; CEO of the Institute of Company Secretaries of India (ICSI) after serving the Institute for over 21 years. Presently, he is a Hony. Prof. of School of Management Studies, IGNOU. He has been actively involved in education, research, training and professional development. He also provided inputs for drafting of Corporate and Economic Laws from time to time during his tenure with the Institute of Company Secretaries of India. He has been a prolific writer and has been regularly contributing articles in the reputed professional Journals and financial dailies like The Economic Times and Financial Express. He has also participated in many National and International conferences on the subjects related to Corporate Laws, Corporate Governance, CSR &amp; Business Ethics. He specializes in the field of Corporate Laws, Strategic &amp; Financial Management. He has also been a member of the various Committees constituted by the Central &amp; State Government including SEBI. He is closely associated with the various Chambers of Commerce like FICCI, ASSOCHAM, CII, PHDC and various academic/ professional bodies in different capacities.</p>
<b>Membership/Chairmanship of the Committees held in the company</b>	<p>Chairman of Business Development Committee and Business Strategy Committee.</p> <p>Member of Audit Committee, Share Transfer &amp; Investors Grievances Committee, Remuneration Committee, Legal &amp; Finance Committee and Nomination Committee</p>	<p>Chairman of Board Meeting, Share Transfer &amp; Investors Grievances Committee, Remuneration Committee and Nomination Committee Meetings.</p> <p>Member of Audit Committee, Legal &amp; Finance Committee and Business Development Committee Meetings.</p>





<b>Companies in which he holds Directorship</b>	The Investment Advisory Board of Punjab Venture Capital Limited The Advisory Board of Punjab Information & Communication Technology Corporation Limited	JCT Limited
<b>Membership/Chairmanship of the Committees held in other companies</b>	2	--
<b>No of Shares held in the company</b>	--	--
<b>Relationship with other directors of the Company</b>	Not related to any director of the Board of the Company and Promoters of the Company.	Not related to any director of the Board of the Company and Promoters of the Company.

## DIRECTORS' REPORT

To The Members,

The Directors are pleased to submit the 14<sup>th</sup> Annual Report of the Company along with the Audited Financial Statements for the financial year ended March 31, 2012.

### Financial Results

(Rupees in Crores )

		Stand Alone		Consolidated	
		2011-2012	2010-2011	2011-2012	2010-2011
1	Revenue from Operations	<b>1,233.17</b>	1,556.92	<b>1,370.52</b>	1,632.05
2	Operating Expenditure	<b>1,188.73</b>	1,510.97	<b>1,312.79</b>	1576.00
3	Depreciation & Amortization	<b>10.05</b>	8.81	<b>10.51</b>	9.02
4	Operating Profit	<b>34.39</b>	37.13	<b>47.22</b>	47.03
5	Interest Expenses	<b>26.35</b>	22.76	<b>26.77</b>	22.87
6	Other Income (net)	<b>7.79</b>	2.05	<b>7.80</b>	1.95
7	Profit Before Tax	<b>15.83</b>	16.42	<b>28.24</b>	26.11
8	Provision for Tax	<b>5.11</b>	7.63	<b>8.14</b>	8.55
9	Profit for the Year	<b>10.72</b>	8.79	<b>20.10</b>	17.56
10	Balance B/F from Prev Year	<b>313.09</b>	304.30	<b>320.47</b>	302.90
11	Balance Carried to B/S	<b>323.81</b>	313.09	<b>340.57</b>	320.47

### Dividend

The Board of Directors has not recommended any Dividend for the year in lieu of the funds required for ongoing operations and also to fund the expected growth.

### Performance

The Revenues in the IT segment have increased by 12.73% in the current year as compared to previous year. The revenues for the year is Rs.1,265.99 crores (Rs.1,123.01 crores in previous year). It is expected that the growth in this segment will continue for the forth coming year also.

The profit before tax for the year has been Rs.28.24 crores as compared to Rs.26.11 crores in the previous year, increasing the profit by 8.16%. The Company has ensured a strict monitoring of the expenditure. This has resulted in improving profits for the year despite reduction in revenues.

There has been a short fall in revenues during the current year by 16% as compared to the previous year, as part of our strategic initiatives which led to consolidation of business and giving up business which did not meet our margin thresholds.

### Explanation on Auditors' Observation

1. *Para 4(i) In respect of a creditor to whom payables amounting to Rs. 331.60 crores were under dispute / litigation, the company is in the process of settlement as per the information and explanations given to us.*  
**Process of settlement is in progress and is further being expedited.**



2. *Para 4(ii) With respect to FCCB the Company entered into an agreement with the Bond Holders and the same is under process for its redemption. **Company already initiated the process with regulatory bodies and final approval of the same is awaited.***
3. *Annex-IX (a) Undisputed Statutory Dues including Provident Fund, Employees State Insurance, Tax Deducted at Source, Central Sales Tax, as applicable have not generally been regularly deposited with appropriate authorities and there had been significant delays in few cases. **Company is arranging funds to pay off all the statutory dues shortly and efforts will be made to streamline for timely payments in future.***

### **Corporate governance report and management discussion and Analysis statement**

A report on Corporate Governance and Management Discussion and Analysis Statement is enclosed in the Annual Report. A certificate for compliance with the Clause 49 of the Listing Agreement issued by the Practicing Company Secretary is also enclosed in the Annual Report.

### **Directors' Responsibility Statement**

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

- i. In the preparation of the Annual Accounts for the fiscal year 2011-12, the applicable Accounting Standards have been followed and there are no material departure.
- ii. They have selected such accounting policies in consultation with the Statutory Auditors and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the profit of the Company for the financial year.
- iii. There has been 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.

### **Manpower Resources**

Company has been continuously adjusting its business based on technological changes and the requirements of the industry. Company lays emphasis on its human resource needs to be competitive in the global arena. Employment arrangements differ according to specific business needs and geographic location, but in all situations the objective is to utilize our resources in a flexible and cost-effective manner.

### **Legal Issues**

There is one litigation pending.

## **DIRECTORS**

Dr S P Narang, who retires by rotation as Director being eligible for reappointment offer himself for reappointment.

Mr Prithipal Singh, who retires by rotation as Director being eligible for reappointment offer himself for reappointment.

## **AUDITORS**

M/s P Murali & Company, Chartered Accountants, Hyderabad, Statutory Auditors of the Company retires at the Annual General Meeting and are eligible for reappointment.

## **FIXED DEPOSITS**

Your Company has not accepted any public deposits and as such, no amount on account of principal or interest on public deposits was outstanding on the date of the Balance Sheet.

## **UTILIZATION OF FCCB FUNDS**

The Company issued Zero Coupon Foreign Currency Convertible Bonds amounting to USD 50,000,000 due in 2012, convertible into ordinary shares of the Company. The bonds are issued in denomination of USD 100,000 each and integral multiples thereof. The bonds will constitute direct un-conditional and secured obligations of the Company and will rank pari passu, without any preference among themselves, with all other outstanding secured and unsubordinated obligation of the Company, present and future, but in the event of insolvency, only to the extent permitted by applicable laws relating to the creditors' right. The bond will be secured by a second charge on all consolidated receivables. The Bond will have yield to maturity @ 8.58% per annum compounded semi-annually.

The bondholders can convert the bonds into equity share of the Company at conversion price of Rs. 346.30 per share at fixed exchange rate of 1 USD = Rs. 44.09 during Bondholder Conversion Period, which starts on March 12, 2007 and ends at the place where certificate is deposited for conversion of a Bond on January 26, 2012.

The Company may, at its absolute discretion at any time on or after February 26, 2008 and prior to February 26, 2010, elect to convert all (but not some) of the Bonds into Shares at the Conversion Price subject to the terms and conditions mentioned in the offer circular.

These bonds matured on February 29, 2012 with a maturity value of USD 50 million towards principal and USD 26.37 million towards premium totaling USD 76.37 million. The Company entered into an agreement with the Bond Holders and the same is under process for its redemption.

## **PARTICULARS OF EMPLOYEES**

The information required under Section 217(2A) of the Act and the Rules made there under, is provided in an Annexure forming part of this Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any Shareholder interested in obtaining a copy of the same may write to the Company Secretary.



## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars as prescribed under Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are set out in an annexure to this Report.

## **ACKNOWLEDGEMENTS**

The Directors wish to thank the members for their cooperation and reposing faith in the company and for their support to the Company. The Directors also thank the Company's customers, business associates, vendors and bankers for their continuous support in the development of the company. The Directors also thank the Government of India and other concerned State Governments and agencies for their cooperation. In the least, the Directors place on record their appreciation for the contributions made by members and associates of the Prithvi family across the globe.

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

**V. Satish Kumar**  
Managing Director

**S. Lalith Prasad**  
Director

Hyderabad  
August 14, 2012

## Annexure

### Particulars pursuant to Companies (Disclosure of Particulars in their Report of the Board of Directors) Rules, 1988.

#### a. Conservation of Energy

The operations of the Company involve low energy consumption. However, adequate measures have been taken to conserve energy, wherever possible.

#### b. Technology Absorption, Adaptation and Innovation

*Specific areas in which R&D was carried out by the Company*

Regular up-gradation of technology is achieved through the constant training of all the software professionals.

*Benefits derived as a result of the above R&D and future plan of action.*

The efforts shall result in building competitive business solutions that incorporate emerging technologies.

#### c. Expenditure on R&D

A policy on R&D is being formulated and based on this policy capitalization of R&D expenditure shall be undertaken.

##### Earnings in foreign currency

(INR)

Particulars	2011-12	2010-11
Income from Services	11,127,262,331	10,407,297,868
Interest Income	0	14,336,889
<b>Total</b>	<b>11,127,262,331</b>	<b>10,421,634,757</b>

##### Expenditure in Foreign Currency

Particulars	2011-12	2010-11
Professional and consultancy	9,593,437,115	8,826,914,392
Remuneration	507,144,507	763,722,966
Travelling	14,756,483	29,014,105
Marketing	304,892	1,652,046
Communication	6,353,659	5,051,099
Bank Charges	137,484	353,039
Other expenses	137,273,512	125,366,009
<b>Total</b>	<b>10,259,407,652</b>	<b>9,752,073,656</b>

For and on behalf of the Board of Directors,

V. Satish Kumar  
Managing Director

S. Lalith Prasad  
Director

Hyderabad  
August 14, 2012

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### Future Outlook

Despite 2011 ending in a difficult economic environment, some geographic regions and services are expected to circumvent the situation in 2012. Global GDP, after growing by 2.7 per cent in 2011, is expected to grow 2.5 per cent in 2012, with developing economies growing thrice as fast as the developed economies. Better economic conditions in the second half of the year signifying return of consumer confidence and renewal of business growth, is expected to drive IT spending going forward. IT outsourcing market is set to grow at a CAGR of about 8 per cent over 2011 to 2013. IT spending is only being directed to strategic projects. Similarly, telecom is seeing a renaissance in the newer advanced wireless technologies that support triple play.

Clearly, the future of technology services industry is changing by the year. The industry would no longer be driven by traditional straight jacket IT services – it will be a combination of breadth of service portfolio, solutions and platforms. Many of the companies are investing building Intellectual Property (IP) through Solutions, Frameworks etc, which would help them deliver services to their customers effectively. These measures would ensure that services companies increase the revenue and at the same time increase the margins.

Some area's such as cloud, mobility, analytics etc. are expected to more growth than others. For example, the industry can take clue from the fact that public cloud services spending is expected to outpace growth of the overall IT spend by about four times between 2012 and 2015.

### Industry Structure and Developments

As an Information and Communication technology (ICT) company, your company's business is divided into two divisions viz., I.T. and Telecom. Your company's focus areas are System Integration, Managed Services, Enterprise Performance Management, and Point Solutions. These focus areas are expected to be the key driver of growth for the organization in the next financial year. The last year also saw your company launching multiple point solutions such as Responsive Telecom Management, Responsive Infrastructure Management and Unchurn. The solutions overlap both our business divisions.

### IT services

According to NASSCOM, the exports to US in the IT-BPO segment are expected to grow at a rate of 17% in the next year. Similarly, India market is expected to see a growth of 17% next year. These two markets represent the largest markets for your company. With our new strategy of being a full service IT/ITES organization, your company should be able to gain more market share in both the geographies.

Worldwide information technology spending will increase less this year than expected a quarter ago, researcher Gartner Inc. said, citing instability in Europe and a shortage of hard-disk drives.

Spending in the computing hardware, enterprise software, information technology services, and telecommunications equipment industries will rise 3.7 percent in 2012, compared with an earlier estimate of 4.6 percent. Uncertainty for businesses and consumers may cause information technology spending in Western Europe to decline by 0.7 percent from the 2011 level, according to Gartner's revised forecast.

We believe that despite the reduction in the expected increase in IT spending, we are well placed to seize opportunities and increase growth.

## **Focus Area's**

### **Managed Services**

Since 2000, hi-tech industries have embraced the global delivery model as an important and necessary practice. Most businesses benefit even more from a combination of services, delivered locally and remotely, to achieve the kind of operational flexibility they need.

Prithvi's Managed Solutions organization works with many of the leading technology companies on large-scale programs that touch the full product lifecycle and involve world-wide talent deployment. Our expertise allows us to work with clients to implement programs that meet their immediate business needs, and help them to transition to more leveraged solutions over time. Prithvi routinely handles onsite, offsite, and offshore deployments all within a turn-key, SLA-driven model.

Managed Services is one of the fastest growing businesses at Prithvi.

### **System Integration**

Prithvi offers a wide range of services for OSS (Operations Support System) and BSS (Business Support System) ranging from consulting, configuration, integration, migration, deployment, application/interface development and maintenance/support. Our system integration solutions are designed to bring accelerated results to telecom service providers.

### **Enterprise Performance Management**

Prithvi's strength in bringing business processes, business performance and analytics has been one of the key reasons for success of in the Enterprise Performance Management Space.

The changing regulatory, political and economic environments are changing the business models. Prithvi is taking note of this change and increasing its local presence in its important markets. India would continue to provide offshore services for clients across the world. The delivery capabilities in US have been ramped up to allow near shore servicing of customers. Prithvi is developing a similar strategy for other markets such as CALA and Middle East.

### **Telecom**

Telecom industry across the world is going through a period of spurt in new technology implementations. The growth of smart phones and the need for network to support the new evolving and growing needs of customers are pushing operators to opt for newer and more advanced wireless solutions. LTE, WiMax, wifi-grids are expected to dot various geographies across the world. US, India, Brazil and Middle East would continue to be at the fore front of new implementations. The increased activity would help Prithvi's telecom engineering services division to accelerate its growth and become dominant player of the market.

Another geography that is showing signs of impending exponential growth is Africa. The continent is expected to leap frog multiple legacy technologies and increase implementations in the Next Generation Networks (NGN).

In India, intensive competition has contributed to some of the lowest Average Revenue per User (ARPU) in the world. The NGN are seen as a way out of the voice drive revenue model to triple play model that can enhance the ARPU's substantially.

Wireless subscriber base grew by more than 27% in 2011 in urban India. With tele-density reaching over 166% in the urban markets, the telecom industry is now eyeing to tap the rural market. The tele-density



in rural India is less than 36%. Wireless data subscribers showed a growth rate of 116% in 2010, while only 36% last year. The net broadband addition per month was just around 0.2 million in contrast to around 7 million mobile connections per month. The high level of growth in the Indian wireless telecom sector, due to low rural penetration, would continue to drive huge investments in building the telecom infrastructure.

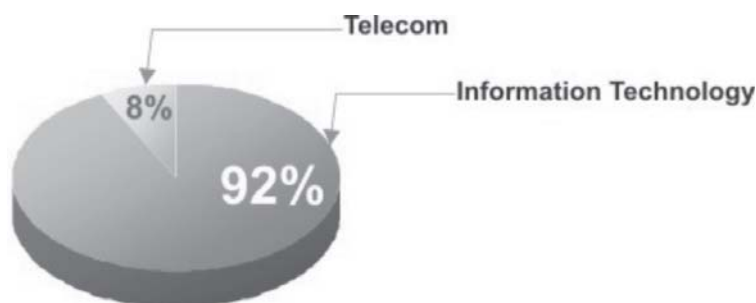
As a pioneer in telecom engineering services, Prithvi is making an effort to deliver the telecom services across the world, using a global delivery model. Prithvi would be delivering solutions in India, US, CALA etc through local delivery centers. The company is also creating a global resource pool of personnel who could be deployed anywhere in the world rapidly. This global resource pool is being created by cross skilling existing resources on technology and geographic awareness.

Once implemented the model would be one of its kind in the world to deliver solutions to telecom operators.

### Segment Wise Performance

The company is divided into two businesses, IT and Telecom. IT consists of all the businesses related to IT, while Telecom includes Telecom Engineering Services and Telecom Products.

#### *Contribution to Revenue*



### Outlook

The key future growth businesses such as Systems Integration, Managed Services, Enterprise Performance management and Telecom Engineering Services are showing positive signs of growth. The company is confident that robust results will start to flow starting the next financial year.

### Discussion on Financial performance with respect to operations:

The discussions on the financial performance as given below are carried on the basis of Consolidated Financials of the Company for the year 2011-12. The summary of the same is given hereunder:

(Rs in Crores)

	Consolidated	
	2011-2012	2010-2011
1 Revenue from Operations	1,370.52	1,632.05
2 Operating Expenditure	1,312.79	1576.00
3 Depreciation & Amortization	10.51	9.02
4 Operating Profit	47.22	47.03
5 Interest Expenses	26.77	22.87
6 Other Income (net)	7.80	1.95
7 Profit Before Tax	28.24	26.11
8 Provision for Tax	8.14	8.55
9 Profit for the Year	20.10	17.56
10 Balance B/F from Prev Year	320.47	302.90
11 Balance Carried to B/S	340.57	320.47

### Gross Revenue

The Gross Revenue has declined from Rs.1634crores in 2010-11 to Rs.1378crores in 2011-12 (reduction of Rs.256crores constituting 15.66%).

### Operational Costs

The Operational cost of the Company was 97.97% in the year 2011-12 as compared to 98.41% in the year 2010-11 reducing the operational costs. This resulted in additional contribution of 0.44%. This was due to the increase operational efficiencies by the expenditure control measures adopted by the Management.

### Profit Before Tax

Profit Before Tax was Rs.28.24 crores in the year 2011-12 as compared to Rs.26.11crores in the year 2010-11, which increased the profit by 8.16%. This is the result of additional contribution obtained from operational efficiency, despite the reduction in gross revenue.

### Profit After Tax

Profit After Tax for the period has been Rs.20.10 crores as compared to Rs.17.56 crores in the previous year, thereby increasing the net profit by Rs.2.54 crores.

### Additional Equity

During the year Rs.52.55crores was received towards Share application money against equity and Fully Compulsorily Convertible Warrants on preferential basis at a price of Rs.26/- (premium Rs.16/-).

# Report on Corporate Governance

## 1. Company's Philosophy on Corporate Governance

The Company believes that good corporate governance practices should be enshrined in all activities of the Company. This would enable conduct of the affairs of the company achieve its goal of maximizing value for all its stakeholders in days ahead while upholding the core values of transparency, integrity, honesty and accountability, which are fundamental for the success of any corporate.

The Company is in compliance with the requirements of the guidelines on corporate governance stipulated under Clause 49 of the Listing Agreement with the stock exchanges. Company is complying with substantial portion of the Corporate Governance Voluntary Guidelines issued by Ministry of Corporate Affairs, Government of India in December, 2009, which are duly tabulated under Corporate Governance Voluntary Guidelines Section. The Company has also adopted a Code of Conduct for prevention of insider trading in its shares.

## 2. Board of Directors

The Company's policy is to maintain optimum combination of executive and independent directors on its board. The Directors are having wide range of expertise and experience in diverse fields which bring the company wide range of skills.

The Company's Board of Directors comprises of 6 directors. Two are Promoters and Executive Directors and balance four are Non-Executive Independent Directors.

None of the Directors on the Board is a member of more than 10 committees or chairman of more than 5 committees as specified in Clause 49 and Clause I A.4 of Corporate Governance Voluntary Guidelines, 1999 across all the companies in which he/she is a director. Necessary disclosures regarding committee positions in other public companies as at March 31, 2012 have been made by the Directors.

The Managing Director and other Whole-time Directors are responsible for the conduct of the business and the day-to-day affairs of the Company.

During the year under review, Eight Board Meetings were held on 14<sup>th</sup> May, 2011, 28<sup>th</sup> May, 2011 (Adj), 4<sup>th</sup> July, 2011, 9<sup>th</sup> August, 2011, 3<sup>rd</sup> September, 2011, 20<sup>th</sup> October, 2011, 13<sup>th</sup> November, 2011, 30<sup>th</sup> November, 2011, 4<sup>th</sup> February, 2012.

The details of composition of the Board along with category of Directors, attendance of Directors at Board Meetings & annual general meeting and also the details of other directorships and chairmanship/ memberships of audit and shareholders/investors grievance committees in other companies are as follows:

Name of the Director	Designation & Category	Attendance Particulars			No. of other Directorships and Committee memberships / Chairmanships held			
		Board meetings during his/her Directorship		Last AGM	Other Directorships (Public Companies)		Committee Memberships	Committee Chairmanships
		Held	Attended		Chairman	Director		
Ms. V Madhavi	Promoter, Chairperson & Whole time Director	8	1	No	—	1	—	—
Mr. V. Satish Kumar	Promoter, Managing Director	8	8	Yes	—	1	—	—
Dr. S.P. Narang	Non-Executive Independent Director	8	8	Yes	—	2	1	1
Mr. S. Lalith Prasad	Non- Executive Independent Director	8	7	Yes	—	—	—	—
Mr. Prithipal Singh	Non-executive Independent Director	8	8	No	—	2	—	—

## Secretarial Standards

The Institute of Company Secretaries of India (ICSI) has laid down standards on secretarial practices relating to meetings of the board and board committees, general meetings, dividends, etc. The secretarial and the operating practices of the Company are in line with the above secretarial standards. Necessary information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement has been placed before the Board for their consideration from time to time.

None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company except to the extent of their remuneration.

Information on Directors appointment / re-appointment as required under Clause 49 VI (G) of the Listing Agreement with stock exchanges is given in the notice to the AGM.

To enable better and more focused attention on the affairs of the company, the Board delegates particular matters to Committees of the Board set up for the purpose. At present the Board has constituted three Committees consisting members of the Board.

These committees facilitate timely and efficient deliberations and decisions. These committees function within their defined terms of reference in accordance with the Companies Act, 1956; the listing Agreement entered with stock exchanges where the shares of the company were listed in India and as approved by the Board of Directors of the company.

None of the directors on the Board is a member of more than ten committees nor was the chairman of more than five committees across all companies in which they are directors.

Details of the Committees and other related information are provided hereunder:

### 3. Audit Committee

#### i. Constitution

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the stock exchanges read with Section 292A of the Companies Act, 1956. Audit Committee was reconstituted on 24<sup>th</sup> April, 2010 by induction of Mr. Prithipal Singh as a Member in addition to existing members of Mr. S Lalith Prasad, Dr. S P Narang and Mr. V Satish Kumar.

#### ii. The Composition of the Audit Committee:

The Audit Committee of the Company comprises of three Non-Executive Independent directors and one Executive Non - Independent director. The Company Secretary of the Company acts as a Secretary to the Committee. The Vice President-Finance & Accounts is a permanent invitee to this Committee. The Statutory Auditors and Internal Auditors are invited to attend the Audit Committee Meetings.

The Committee comprises of:

1. Mr. S. Lalith Prasad - Chairman
2. Dr. S. P. Narang - Member
3. Mr. Prithipal Singh – Member and
4. Mr. V. Satish Kumar - Member

**iii. The terms of reference of the Audit Committee are broadly as under:**

- a. To have discussion with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the periodical financial statements before submission to the Board of Directors.
- b. To review the Company's systems of internal control and to ensure that adequate system of internal audit exists and is functioning.
- c. To investigate into any matter as may be referred to it by the Board of Directors.
- d. To recommend the appointment of internal auditors and statutory auditors.
- e. To establish accounting policies.
- f. To review officer's expense accounts
- g. To review and approve signatories to various bank accounts.
- h. To provide the Company's statutory auditors and internal auditors with the normal and easy access to the Board of Directors.
- i. To serve as an informed voice on the Board of Directors in support of the financial and accounting departments of the Company.
- j. Other functions as may be assigned by the Board of Directors and applicable statutory enactment.

The Committee, inter alia, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2012 and has recommended its adoption. In addition, the Committee has also reviewed quarterly results and half yearly results for the financial year 2011-12, which was subject to Limited Review by the Statutory Auditors of the Company.

**iv. The details of attendance by the Members of the Committee are as below:**

Name	Category	No. of meetings during the year 2011-12	
		Held	Attended
Mr. S. Lalith Prasad	Independent Non-Executive	6	5
Mr. S.P. Narang	Independent Non-Executive	6	6
Mr. Prithipal Singh	Independent Non-Executive	6	6
Mr. V. Satish Kumar	Executive	6	6

**4. Remuneration Committee**

**a) Brief description and terms of reference**

The Company constituted a Remuneration Committee of Directors. The purpose for which the Remuneration Committee was constituted and the general business transacted by the committee was to decide and approve the terms and conditions for appointment of executive directors of the Company and other matters related thereto.

**b) Composition**

The Remuneration Committee comprises of:

1. Dr. Satyapal Narang - Chairman,
2. Mr. S. Lalith Prasad - Member
3. Mr. Prithipal Singh - Member and
4. Mr. V Satish Kumar, Member

The Company Secretary acts as Secretary.

c) There was no occasion during the year for the Committee to meet.

**d) 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 endeavors to attract, retain, develop and motivate a high performance workforce. The Company follows a compensation mix of fixed pay, benefits. 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) and commission (variable component) to its Wholtime Directors. The Remuneration Committee decides on the commission payable to the Directors out of the profits for the financial year and within the ceilings prescribed under the Companies Act, 1956, based on the performance of the Company as well as that of the Managing Director.

**e) Remuneration paid to Directors**

During the period under review, the remuneration paid/payable to the executive and non executive directors is as follows:

INR

Name	Position	Remuneration	Sitting Fees	Total
Ms. V. Madhavi	Chairperson & Wholtime Director	8,558,850	0	8,558,850
Mr. V. Satish Kumar	Managing Director	6,000,000	0	6,000,000
Mr. S. Lalith Prasad	Non-Executive Director	-	4,80,000	4,80,000
Dr. S. P. Narang	Non-Executive Director	-	5,00,000	5,00,000
Mr. Prithipal Singh	Non-Executive Director	-	5,00,000	5,00,000
Mr. Chinmoy Chakravary	Non-Executive Director	-	-	-

**f) Shareholdings of Non Executive Directors as on March 31, 2011:**

None of the Non-Executive Directors hold any shares in the Company.

**5. Share Transfers/Investors Grievance Committee**

The Committee meets at frequent intervals, to approve inter-alia, transfer / transmission of shares, issue of duplicate share certificates and review the status of investors' grievances and redressal mechanism and recommend measures to improve the level of investor services.

The Committee reviews the performance of the Company's Registrar and Transfer Agents (R&TA), and their system of dealing with and responding to correspondence from all categories of shareholders. The manner and timeliness of dealing with complaint letters received from Stock Exchanges/SEBI/ Dept. of Company Affairs etc. and the responses thereto, are reviewed by the



Committee. During the year, 16 complaints were received from investors on matters relating to refund orders, revalidation of dividend warrants etc. and all were dealt with satisfactorily. There were no complaints forwarded by SEBI/ stock exchanges which were pending. Similarly, there are no valid requests pending for transfer of shares as at the year end.

This committee consists of three members namely:

1. Dr. S. P. Narang - Chairman
2. Mr. S Lalith Prasad – Member
3. Mr. Prithipal Singh – Member and
4. Mr. V Satish Kumar – Member

The Company Secretary acts as Secretary of the Share Transfers/Investor Grievance Committee.

### Meetings and Attendance

Share Transfers/Investors Grievance Committee meetings held during the year 2011-12 and attendance details:

Date of Meeting	Committee Strength	Members present
13 <sup>th</sup> May, 2011	4	4
9 <sup>th</sup> August, 2011	4	3
13 <sup>th</sup> November, 2011	4	4
3 <sup>rd</sup> February, 2012	4	4

### Compliance Officer

The Board has appointed Mr. Malleswara Durga Prasad, the Company Secretary as Compliance Officer.

### Details of Investor's Complaints:

There were no complaints pending at the beginning of the year, the Company has received 16 Complaints during the year. The company resolved all of them during the year under review. There are no outstanding complaints as on 31<sup>st</sup> March, 2012.

### 6. Limited Review Committee

The Committee was constituted as per the provisions of the Listing Agreement to look in to the Limited Review Reports (LRR) of the Statutory Auditors along with the quarterly financial results. The Committee comprised 1/3 of the Board, which is equivalent to 2. Mr. S Lalith Prasad, Independent Director and Mr. V Satish Kumar, Managing Director are the members of the Company. Company Secretary acts as Secretary of the Committee.

However, there was one occasion during the year for the committee to meet, the details of which are as follows:

Date of Meeting	Committee Strength	Members present
25 <sup>th</sup> August, 2011	2	2
20 <sup>th</sup> January, 2012	2	2
22 <sup>nd</sup> March, 2012	2	2

### 7. Compensation Committee:

A Compensation Committee has been constituted to deal with the issue of ESOPs. However, there was no occasion during the year for the Committee to meet.

## 8. Legal and Finance Committee

The Board of Directors constituted this committee on 25<sup>th</sup> July, 2010 to review the Financials of the Company, Legal Compliances, Cash Flows, Receivables, Statutory Payments, review the performance of budgeted with actuals and other statutory related issues. Committee consists of Mr. S Lalith Prasad, Independent Director, Dr. S P Narang, Independent Director, Mr. Prithipal Singh, Independent Director and Mr. V Satish Kumar, Promoter Director.

Details of attendance by the Members of the Committee during the year 2011-12 are as follows:

Name	Category	No. of meetings during the year 2011-12	
		Held	Attended
Dr. S.P. Narang	Independent Non-Executive	2	2
Mr. S. Lalith Prasad	Independent Non-Executive	2	2
Mr. Prithipal Singh	Independent Non-Executive	2	2
Mr. V. Satish Kumar	Executive	2	2

## 9. Business Development & Monitoring Committee

The Board of Directors constituted this committee on 25<sup>th</sup> July, 2010 to review the Business and its progress viz-a-viz the performance as per the PO/ Contract and taken remedial timely actions and monitor on the implementation. Committee consists of Mr. Prithipal Singh, Independent Director, Dr. S P Narang, Independent Director, Mr. S Lalith Prasad, Independent Director and Mr. V Satish Kumar, Promoter Director.

Details of attendance by the Members of the Committee during the year 2011-12 are as follows:

Name	Category	No. of meetings during the year 2011-12	
		Held	Attended
Mr. Prithipal Singh	Independent Non-Executive	2	2
Dr. S.P. Narang	Independent Non-Executive	2	2
Mr. S. Lalith Prasad	Independent Non-Executive	2	2
Mr. V. Satish Kumar	Executive	2	2

## 10. Finance and Accounts Committee

The Finance and Accounts Committee was constituted to review the Financials of the Company such as Cash Flows, Receivables and the performance of budgeted with actual. Committee consists of Mr. S Lalith Prasad, Independent Director, Dr. S P Narang, Independent Director and Mr. V Satish Kumar, Promoter Director.

Details of attendance by the Members of the Committee during the year 2011-12 are as follows:

Name	Category	No. of meetings during the year 2011-12	
		Held	Attended
Dr. S.P. Narang	Independent Non-Executive	1	1
Mr. S. Lalith Prasad	Independent Non-Executive	1	1
Mr. V. Satish Kumar	Executive	1	1



### 11. Legal and Compliance Committee

The Legal and Compliance Committee was constituted to review the Legal Compliances, Statutory Payments, status on legal cases filed by and against the Company and other statutory related issues. Committee consists of Dr. S P Narang, Independent Director, Mr. S Lalith Prasad, Independent Director, Mr. Prithipal Singh, Independent Director and Mr. V Satish Kumar, Promoter Director.

Details of attendance by the Members of the Committee during the year 2011-12 are as follows:

Name	Category	No. of meetings during the year 2011-12	
		Held	Attended
Dr. S.P. Narang	Independent Non-Executive	1	1
Mr. S. Lalith Prasad	Independent Non-Executive	1	1
Mr. Prithipal Singh	Independent Non-Executive	1	1
Mr. V. Satish Kumar	Executive	1	1

### 12. Business Development Committee

Business Development and Monitoring Committee has reconstituted with this Committee to review the Business and its progress viz-a-viz the performance as per the PO/ Contract and taken remedial timely actions and monitor on the implementation. Committee consists of Mr. Prithipal Singh, Independent Director, Dr. S P Narang, Independent Director, Mr. S Lalith Prasad, Independent Director and Mr. V Satish Kumar, Promoter Director.

Details of attendance by the Members of the Committee during the year 2011-12 are as follows:

Name	Category	No. of meetings during the year 2011-12	
		Held	Attended
Mr. Prithipal Singh	Independent Non-Executive	2	2
Dr. S.P. Narang	Independent Non-Executive	2	2
Mr. S. Lalith Prasad	Independent Non-Executive	2	2
Mr. V. Satish Kumar	Executive	2	2

### 13. Business Strategy Committee Meeting

This committee has been constituted to review business Strategy and Planning and to provide advice and exercise delegated functions in relation to Business Strategy and Development matters. Committee consist of Mr. Prithipal Singh, Independent Director and Mr. V Satish Kumar, Promoter Director.

However, there was one occasion during the year for the committee to meet, the details of which are as follows:

Date of Meeting	Committee Strength	Members present
14 <sup>th</sup> November, 2011	2	2

#### 14. General Body Meetings

The details of location and date / time for last three Annual General Meetings were:

Financial year ended	Date	Time	Venue
March, 2009	30.01.2010	3.30 p.m	Surana Udyog Auditorium, Federation House, Federation of AP Chamber of Commerce & Industry(FAPCCI), Red Hills, Hyderabad-500004
March, 2010	29.09.2010	11.00 a.m	Sri KLN Prasad Auditorium, Federation House, Federation of AP Chamber of Commerce & Industry, Red Hills, Hyderabad - 500 004
March, 2011	30.11.2011	11.00 a.m	Surana Udyog Auditorium, Federation House, Federation of AP Chamber of Commerce & Industry(FAPCCI), Red Hills, Hyderabad-500004

#### Special resolutions

All resolutions moved at the Annual General Meeting were passed by a show of hands by the requisite majority of members attending the meeting. The following are the special resolutions passed at the previous General meetings held in the last three years:

AGM held on	Whether special resolution passed	Summary of the resolution
31 <sup>st</sup> December, 2009	Yes	1. Increase of Authorised Share Capital
29 <sup>th</sup> September, 2010	Yes	2. To raise long term resources 3. Payment of Commission to Non-Executive Directors To raise long term resources
30 <sup>th</sup> November, 2011	Yes	To raise long term resources

#### Postal Ballot:

The company has not passed any resolution through postal ballot during the last year. Presently, the Company is not proposing to pass any special resolution through postal ballot.

#### Whether any Special Resolutions proposed to be put through Postal Ballot this year: No

The Chairman of the Audit Committee was present at all the above Annual General Meetings.

Details of Extra Ordinary General Meetings held in the last three years:

Date	Time	Venue
23.07.2009	3.30 p.m	Surana Udyog Auditorium, Federation of AP Chamber of Commerce & Industry(FAPCCI), Red Hills, Hyderabad Hills, Hyderabad
10.05.2012	3.30 p.m	Surana Udyog Auditorium, Federation of AP Chamber of Commerce & Industry(FAPCCI), Red Hills, Hyderabad Hills, Hyderabad

All the resolutions placed before the shareholders at the above meetings were approved. There were no resolutions requiring approval through postal ballot.



## **15. Disclosures**

### **a. CEO and CFO Certification**

The Managing Director and Vice President-Finance & Accounts have given a Certificate to the Board that they have reviewed the financial statements for the year and that to the best of their knowledge and belief that these statements do not contain any materially untrue statement which might be misleading and that this statement present a true and fair view of the company's affairs. This certificate is as contemplated under Clause 49 of the Listing Agreement.

### **b. Related Party Transactions**

There have been related party transactions with the Company's promoters, Directors, the management, their subsidiaries or relatives which may have potential conflict with the interests of the Company. The transactions in which directors are interested are placed before the Board regularly for its approval.

The necessary disclosures regarding the transactions with related parties are given in the Notes to the Annual Accounts for the year 2011-12.

### **c. Disclosure of Accounting Treatment:**

The Company has followed the accounting standards notified under Companies (Accounting Standards) Rules, 2006 in the preparation of its financial statements.

### **d. Compliance**

It is brought to the Board's Notice at periodical intervals for review by the Board on compliance of various laws and regulations. The Board considers materially important Show Cause / Demand Notices received from Statutory Authorities and the steps / actions taken by the Company in this regard. The Board reviews the compliance of all the applicable laws and gives appropriate directions wherever necessary.

A status report of material legal cases and disputed liabilities pending before the courts is also put up to the board regularly.

During the last three years, there were no strictures or penalties imposed on the Company by either Stock Exchanges or Securities and Exchange Board of India or any statutory authority for non-compliance on any matter related to capital markets.

### **e. Risk Management**

The Board regularly discusses the significant business risks identified by the management and the mitigation process being taken up.

### **f. Pecuniary Transactions with Non Executive Directors**

There were no pecuniary transactions with any of the Non Executive Directors.

### **g. Whistle Blower Policy:**

The Company has adopted a Whistle Blower Policy and has established the necessary mechanism in line with Clause 49 of the Listing Agreement with the Stock Exchanges, for employees to report concerns about unethical behavior. No employee was denied access to the Chairman of the Audit Committee.

#### **h. Code of Conduct**

The Company has adopted the Code of Conduct which is applicable to the members of the Board and top management of the Company. The Code of Conduct is available on the Company's website. All directors and senior management personnel have affirmed compliance with the code of conduct and submitted declarations in this behalf for the year ended 31st March 2012.

Mr. Satish Kumar Vuppalapati, Managing Director and Mrs. Madhavi Vuppalapati, Chairperson & Wholetime Director are brother and sister.

#### **16. Secretarial Audit**

In terms of Corporate Governance Voluntary Guidelines, 2009, issued by the Ministry of Corporate Affairs, a Secretarial Audit was conducted for the financial year 2011-12. Mr. S.Chidambaram, Company Secretary in Practice conducted the Secretarial Audit and his Report was placed before the Board of Directors of the Company. The Audit covered the provisions of the Companies Act, 1956, the Depositories Act, 1996, the Listing Agreement with the Stock Exchanges and the SEBI guidelines / regulations on Insider Trading and Takeover Code.

#### **17. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause:**

The Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement.

##### **Compliance with Non-Mandatory requirements:**

The Company complied with the following non-mandatory requirements:

- (i) The Board - The Company has ensured that the persons who are being appointed as an Independent Director has the requisite qualifications and experience which would be of use to the Company and contribute effectively to the Company. The Suggested tenure of Independent Directors is yet to be implemented.
- (ii) Remuneration Committee - The Company constituted a Remuneration Committee. A detailed note on it is provided in the Remuneration Committee section.
- (iii) Shareholder Rights - The Company publishes its results on its website i.e, [www.prithvisolutions.com](http://www.prithvisolutions.com) which is accessible to the public at large. Quarterly Financial Results are published in leading newspapers, viz. Financial Express and vernacular - Andhra Prabha. Hence, half-yearly results are not sent to the shareholders individually. The audited results for the financial year are approved by the Board and then communicated to the members through the Annual Report.
- (iv) Audit qualifications - The Company is adopting best practices to ensure regime of unqualified financial statements.
- (v) Training of Board members - Complied.
- (vi) Mechanism for evaluating Non-Executive Board members - To be implemented

As regards other non-mandatory requirements, the Board has taken cognizance of the same and may consider adopting them as and when deemed appropriate.



**“Corporate Governance Voluntary Guidelines, 2009”.**

The Ministry of Corporate Affairs recently announced a set of voluntary guidelines on corporate Governance. The company, in line with its stated policy of being committed to the principles and practices of good corporate governance, is in compliance with some of the guidelines, as reported in the earlier paragraphs. As regards the remaining guidelines, the Company is in the process of evaluating the feasibility for implementation progressively. Tabulated below the items of Voluntary Guidelines on Corporate Governance that the Company has implemented:

Clause No.	Particulars	Status of Compliance
I	<b>BOARD OF DIRECTORS:</b>	
	<b>A. APPOINTMENT OF DIRECTORS</b>	
	A.2.Separation of Offices of Chairman & CEO	Complied
	A.4.No. of Companies in which an individual may become a Director	Complied
	<b>B. INDEPENDENT DIRECTORS</b>	
	B.2.Tenure of Independent Directors:	
	i. An individual may not remain as an Independent Director in a company for more than six years	Complied
	ii. A period of three years should elapse before such an individual is inducted in the same company in any activity	Complied
	iv. The maximum no. of public companies in which an individual may serve as an Independent Director should be restricted to seven.	Complied
	B.3.Independent Directors to have the Option and Freedom to meet Company Management periodically	Complied
	<b>C. REMUNERATION OF DIRECTEORS</b>	
	C.1.2 Remuneration to Non- Executive Directors	Complied
	C.1.4 Remuneration of Independent Directors	Complied
	C.2 Remuneration Committee	Complied
II	<b>RESPONSIBILITIES OF THE BOARD</b>	
	A. Training of Directors	Complied
	B. Enabling Quality Decision Making	Complied
	C. Risk Management	Complied
III	<b>AUDIT COMMITTEE OF THE BOARD</b>	
	A. Audit Committee – Constitution	Complied
	B. Audit Committee – Enabling Powers	Complied
	C. Audit Committee – Role and Responsibilities	Complied
IV	<b>AUDITORS</b>	
	A. Appointment of Auditors	Complied
	D. Need for clarity on information to be sought by auditor and/or provided by the Company to him/it	Complied
	E. Appointment of Internal Auditor	Complied
V	<b>SECRETARIAL AUDIT</b>	Complied
VI	<b>INSTITUTION OF MECHANISM FOR WHISTLE BLOWING</b>	Complied

## 18. Means of Communication

The quarterly, half-yearly and annual results of the Company are published in leading newspapers in India which include Financial Express, and Andhra Prabha. The results are also displayed on the Company's website [www.prithvisolutions.com](http://www.prithvisolutions.com). The Company's website also displays official press/news releases, presentations made to analysts, and several other details/information of interest to stakeholders.

## 19. Shareholders' Information

a.	<b>Annual General Meeting</b>	
	Date, time and venue of Annual General Meeting	September 24, 2012, 11.00 a.m, Surana Udyog Auditorium, Federation House, Federation of Andhra Pradesh Chamber of Commerce & Industry, Red Hills, Hyderabad - 500 004
b.	Financial Calendar	1st April to 31st March a) Annual General Meeting : September 24, 2012 b) Results for the quarter ending June 30, 2012 : Un audited Financial Results were considered by the Board on 14 <sup>th</sup> August, 2012 c) Results for the quarter ending September 30, 2012 : on or before 14 <sup>th</sup> November, 2011 (Tentative) d) Results for the quarter ending December 31, 2012: on or before 14 <sup>th</sup> February, 2013 (Tentative) e) Results for the quarter ending March 31, 2013: on or before 15 <sup>th</sup> May, 2013 (Tentative)
c.	Date of Book Closure (both days inclusive)	September 17, 2012 to September 24, 2012 (both days inclusive)
d.	Dividend Payment Due Date	Not Applicable
e.	Listing on Stock Exchanges	The Bombay Stock Exchange Limited, P.J.Towers, Dalal Street, Mumbai-400001. The National Stock Exchange of India Limited, Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400051 Annual Listing fee paid to NSE.
	Liquidity	The shares of the company are listed in the BSE and NSE.
f.	Stock Code	BSE: 235675 ; NSE: PRITHVI
g.	Dematerialisation of shares and liquidity	The Company's equity shares are available for dematerialization on both the Depositories i.e. 1. The National Securities Depository Ltd. Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parle, Mumbai - 400013. 2. Central Depository Services (India) Ltd Phiroze Jeejeebhoy Towers, 28 <sup>th</sup> Floor, Dalal Street, Mumbai - 400023 The International Securities Identification Number (ISIN) allotted to the Company's scrip is Equity ISIN : INE700C01013 99.68% of equity shares are held in dematerialised form as on March 31, 2012.



h.	Registered Office Address (for correspondence)	Prithvi House, # 2-56/2/19, KhanametMadhapur, Hyderabad-500081 Ph: +91 40 44856019; Fax +91 40 44856021 <a href="http://www.prithvisolutions.com">www.prithvisolutions.com</a>
i.	Registrar and Share Transfer Agent's Contact Address	<b>Karvy Computershare Pvt. Ltd.</b> Plot No.17-24 Vittalrao Nagar, Madhapur, Hyderabad - 500 081 Tel No. 040-44655000, Fax No.040-23420814, Toll Free No.1800-3454-001 E-mail: <a href="mailto:einward.ris@karvy.com">einward.ris@karvy.com</a> Web Site: <a href="http://www.karvy.com">www.karvy.com</a> Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants
j.	Share transfer system	Shares lodged for physical transfer at the Registrar's address are normally processed within a period of 15 days from the date of lodging, if the documents are clear in all respects. The shares duly transferred would be dispatched to the concerned shareholders within a week from the date of approval of transfers by the Share Transfer Committee.
k.	Details of Compliance Officer	Mr. Malleswara Durga Prasad Company Secretary & Vice President(F) Prithvi House, # 2-56/2/19, Khanamet, Madhapur, Hyderabad-500 081 Ph. +91 40 44856019 ; Fax +91 40 44856021
l.	Plant locations	16-11-19, Saleem Nagar, Malakpet, Hyderabad, Andhra Pradesh

## 20. Corporate Ethics:

The company adheres to high standards of business ethics, compliance with various statutory and legal requirements and commitment to transparency in business dealings.

The company has adopted a Share Dealing Code in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 1992 (as amended) for prevention of insider trading by its Management, Staff and Directors. The code is applicable to all Directors, Designated Employees and their Dependents.

The code lays down guidelines and procedures to be followed and also disclosures to be made by the Directors and Designated Employees while dealing with shares of the company. They are prohibited from dealing in securities of the company during the "Restricted Trading Periods" notified by the company from time to time.

The said code has been circulated to all the concerned persons. The Company Secretary of the company is appointed as Compliance Officer and is responsible for adherence to the code.

## 21. Compliance Certificate of Auditors:

The company has obtained a certificate from Practicing Company Secretary confirming the compliance with the conditions of corporate governance as stipulated in clause - 49 which is attached to this report.

## 22. Distribution of shareholding as on March 31, 2012

S/no	Category (Shares)	No.of Holders	% To Holders	No.of Shares	% To Equity
1	1 - 5000	27765	99.08	7032180	38.90
2	5001 - 10000	131	0.47	926748	5.13
3	10001 - 20000	70	0.25	925957	5.12
4	20001 - 30000	24	0.09	621835	3.44
5	30001 - 40000	10	0.04	333867	1.85
6	40001 - 50000	3	0.01	136025	0.75
7	50001 - 100000	5	0.02	349574	1.93
8	100001 and above	16	0.06	7750814	42.88
	<b>TOTAL:</b>	<b>28024</b>	<b>100.00</b>	<b>18077000</b>	<b>100.00</b>

## 23. Shareholding Pattern as on March 31, 2012

Category	No. of shares	%
Promoters	37,99,406	21.02
Mutual Funds/Financial/ Institutions/Banks/FIIs	60	0.00
Bodies Corporate	33,68,133	18.63
NRIs/OCB/Trusts/ Clearing Members	2,40,659	1.33
Others	1,06,68,742	59.02
<b>Total</b>	<b>18,077,000</b>	<b>100</b>

## 24. Market price data

The Company's shares are traded on The Bombay Stock Exchange Ltd and The National Stock Exchange of India Limited.

Monthly high and low quotations of equity shares traded on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) for 2011-12 were as follows:

Market Price and Index Data High, Low during each month in Last financial year	Months	(BSE)		SENSEX		( NSE )		S&P CNX NIFTY	
		High	Low	High	Low	High	Low	High	Low
	<b>Apr-11</b>	35.90	29.55	19,811.00	18,976.00	35.40	29.40	5,944.00	5,693.00
	<b>May-11</b>	39.40	28.55	19,254.00	17,786.00	39.85	28.30	5,775.00	5,329.00
	<b>Jun-11</b>	32.15	26.40	18,873.00	17,314.00	31.75	26.05	5,658.00	5,196.00
	<b>Jul-11</b>	32.00	28.00	19,132.00	18,132.00	32.60	28.00	5,740.00	5,454.00
	<b>Aug-11</b>	30.20	19.55	18,440.00	15,766.00	28.45	19.90	5,552.00	4,720.00
	<b>Sep-11</b>	23.40	19.40	17,212.00	15,801.00	23.50	19.25	5,169.00	4,759.00
	<b>Oct-11</b>	20.65	15.60	17,908.00	15,745.00	20.45	17.35	5,400.00	4,728.00
	<b>Nov-11</b>	20.90	13.45	17,702.00	15,479.00	20.85	13.30	5,326.00	4,639.00
	<b>Dec-11</b>	15.99	10.55	17,004.00	15,136.00	15.85	10.60	5,099.00	4,531.00
	<b>Jan-12</b>	19.93	10.96	17,259.00	15,358.00	20.00	10.90	5,217.00	4,588.00
	<b>Feb-12</b>	27.20	16.80	18,524.00	17,062.00	27.55	18.15	5,630.00	5,159.00
	<b>Mar-12</b>	26.65	19.05	18,041.00	16,921.00	26.90	19.00	5,499.00	5,136.00





## Declaration for Compliance with Code of Conduct

The Board of Directors of Prithvi Information Solutions Limited adopted the Code of Conduct for the Directors and also for the Company's Senior Management personnel, which was posted on the Company's website.

In accordance with Clause 49 I (D) of the Listing Agreement with the stock exchanges, I hereby confirm that, all the Directors and the senior management personnel of the Company have affirmed compliance with the aforesaid Code of Conduct as applicable to them for the financial year ended March 31, 2012.

For Prithvi Information Solutions Limited

Place : Hyderabad  
Date : August 14, 2012

**V. Satish Kumar**  
Managing Director

---

## Company Secretary's Certificate on Compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement

To

**The Members of  
Prithvi Information Solutions Limited**

We have examined the compliance of conditions of Corporate Governance by M/s. Prithvi Information Solutions Limited (the Company) for the Financial Year ended 31<sup>st</sup> March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review the procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on 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 as stipulated in the above mentioned Listing Agreement.

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

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.

Place: Hyderabad  
Date: August 14, 2012

S. Chidambaram  
Practicing Company Secretary  
CP No.2286

## AUDITORS REPORT

To

The Members

**Prithvi Information Solutions Limited,**

1. We have audited the attached balance sheet of Prithvi Information Solutions Limited ("The Company") as at 31st March 2012, and also the profit and loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. We further report that
  - (i) In respect of a Creditor to whom payables amounting to Rs.331.60 Crores were under dispute/ litigation, the company is in the process of settlement as per the information and explanations given to us.(Please refer Note no:43 of Notes to Financial Statements)
  - (ii) With respect to FCCB the Company entered into an agreement with the Bond Holders and the same is under process for its redemption (Please refer Note No: 34 of Notes to Financial Statements)
5. Further to our comments in the Annexure referred to in paragraph 3 above and basis our observation in paragraph 4 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the company as far as appears from our examination of those books.
  - c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act,1956;



- e) On the basis of written representations received from the Directors, as on 31st March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
  - ii) In the case of the Profit & Loss Account, of the profit for the year ended on that date; and
  - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For P. Murali & Co;**  
Chartered Accountants  
FRN: 007257S

Hyderabad  
Date: 14-08-2012

P. Murali Mohana Rao  
Partner,  
M.No.023412

### **Annexure to the Auditors' Report**

- I.**
  - a) The Company has maintained fixed assets register giving quantitative details and situations of fixed assets.
  - b) Fixed assets have been physically verified by Management during the year.
  - c) There was no substantial disposal of fixed assets during the year.
- II.**
  - a) There is no inventory at the year end.
  - b) The Company has established procedures for physical verification of inventory.
  - c) The Company has maintained proper records for inventory.
- III.**
  - a) The Company has granted interest free loans/advance to 3 (three) parties covered in the register maintained under Section 301 of the Companies Act, 1956. The year-end balance of loans granted to such parties was Rs. 9619.62 Lakhs.
  - b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans, including loan to a wholly owned subsidiary, are not prima facie prejudicial to the interest of the Company except in case of Private Limited Company where interest free advance of Rs. 3000 Lakhs have been given.
  - c)
    - i) With respect to loan/advance granted in case of wholly owned subsidiary, out of the Opening balance of Rs. 243.26 Crores the company has converted Rs. 104.57 Crores in to Equity and for the balance Rs. 134.86 Crores an agreement for redemption has been entered in to.
    - ii) There are no covenants with regard to repayment of loan, other business advances given to private Limited Company/ other entities.

- iii) There is no overdue amount of loans granted to Companies, Firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- iv) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956. Accordingly, the provisions of clause 4(iii)(f) and (g) of the Companies (Auditor's Report) order, 2003 (as amended) are not applicable to the company.
- 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, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- V.**
- a) According to the information and explanations provided by Management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the sale of services made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- VI.** The Company has not accepted any deposits from the public.
- VII.** The Company has an internal audit system in India and the internal audit is carried by external firm of chartered accountants.
- VIII.** To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the products of the Company.
- IX.**
- a) Undisputed statutory dues including Provident fund(PF), employees' state insurance(ESI), Tax deducted at source(TDS), Central sales-tax(CST) as applicable have not generally been regularly deposited with appropriate authorities and there had been significant delays in few cases.
- b) According to the information and explanations given to us, undisputed amounts payable in respect of provident fund (PF), employees' state insurance (ESI), Tax deducted at source (TDS), Central sales-tax (CST), Works Contract Tax(WCT), Income Tax were outstanding, at the year end, for a period of more than six months from the date they became payable.

Name of the Statute	Nature of Dues	Amount Rs.	Period to Which the Amount Relates
Income Tax Act, 1961	Income Tax	41,28,968	2008-2009
Income Tax, 1961	FBT	38,88,033	
	Interest there on	11,29,464	2008-2009
Provident Fund Act, 1952	Provident Fund	65,19,523	2011-12
Employee's State Insurance Act, 1948	ESI	1,57,066	2011-12
Income Tax Act, 1961	TDS	89,55,298	2011-12
Central sales Act, 1946	CST	15,02,748	Opening Balance
Works Contracts Act	WCT	19,15,208	Opening Balance



- c) According to the information and explanation given to us, the customs duty of Rs. 2667 Lakhs which is disputed and under adjudication has not been deposited.
- X. The Company has been registered for a period of not less than 5 years, and The Company has no accumulated losses at the end of the financial year nor has it incurred cash losses in the current financial year or previous financial year.
- XI. Based on our audit procedures and as per the information and explanations given by the management, the Company did not have any overdue loans as at the end of the year except a crystallized liability of Rs. 1761 Lakhs on discounted bills that were overdue at the year end.
- XII. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII. In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- XIV. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- XV. The Company has not given guarantee in respect of loans taken by others from bank or financial institutions in respect of which it has not charged any commission.
- XVI. According to the information and explanations given to us, the Term Loans obtained by the company were applied for the purpose for which such loans were obtained by the company.
- XVII. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long-term investment.
- XVIII. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- XIX. The Company did not have any outstanding debentures during the year.
- XX. According to information and explanations given to us, the company has not raised money by way of public issues during the year, hence the clause regarding the disclosure by the management on the end use of money raised by public issue is not applicable.
- XXI. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

Hyderabad  
Date: 14-08-2012

**For P. Murali & Co.,**  
Chartered Accountants  
FRN: 007257S  
  
P. Murali Mohana Rao  
Partner,  
M.No.023412

## Balance Sheet as at March 31, 2012

	Note No.	As At March 31, 2012 Indian Rupees	As At March 31, 2011 Indian Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>I SHAREHOLDERS' FUNDS</b>			
(a) Share Capital	1	180,770,000	180,770,000
(b) Reserves & Surplus	2	3,589,823,861	3,648,491,240
<b>II SHARE APPLICATION MONEY PENDING ALLOTMENT</b>	3	525,505,200	0
<b>III NON-CURRENT LIABILITIES</b>			
(a) Long-term Borrowings	4	3,942,804,863	3,280,551,788
(b) Deferred Tax Liabilities (Net)	5	92,149,824	64,974,377
(c) Long-term Provisions	6	703,338,658	678,945,125
<b>IV CURRENT LIABILITIES</b>			
(a) Short-term Borrowings	7	712,447,685	975,697,600
(b) Trade Payables	8	7,709,167,333	7,690,983,493
(c) Other Current Liabilities	9	375,782,331	545,511,767
(d) Short-term Provisions	10	155,142,942	83,552,826
<b>TOTAL</b>		<b>17,986,932,696</b>	<b>17,149,478,216</b>
<b>ASSETS</b>			
<b>I NON-CURRENT ASSETS</b>			
(a) Fixed Assets			
(i) Tangible Assets	11	60,767,257	78,652,762
(ii) Intangible Assets	12	637,679,630	703,892,247
(b) Non-current Investments	13	1,129,753,578	83,701,328
(c) Deferred Tax Assets (Net)	5	12,872,201	5,100,630
(d) Long-term Loans and Advances	14	2,337,140,573	3,327,286,818
(e) Other Non-current Assets	15	238,222,451	192,721,974
<b>II CURRENT ASSETS</b>			
(a) Trade Receivables	16	8,234,109,458	10,764,187,675
(b) Cash and Cash Equivalents	17	341,061,173	494,542,182
(c) Short-term Loans and Advances	18	1,794,008,800	39,891,223
(d) Other Current Assets	19	3,201,317,576	1,459,501,378
<b>TOTAL</b>		<b>17,986,932,696</b>	<b>17,149,478,216</b>
<b>XII Significant Accounting Policies</b>			
<b>Notes to Financial Statements</b>	1 - 45		
The accompanying Notes are an integral part of the Financial Statements			
As per our report of even date		For and on behalf of the Board	
<b>M/s.P Murali &amp; Co.,</b>			
Chartered Accountants			
Firm Regn. No: 007257S			
Sd/-	Sd/-	Sd/-	
<b>P. Murali Mohana Rao</b>	<b>V. Satish Kumar</b>	<b>S. Lalith Prasad</b>	
Partner	Managing Director	Director	
M.No. 23412			
Place: Hyderabad	Sd/-	Sd/-	
Date: August 14, 2012	<b>M.N. Narayanan</b>	<b>Malleswara Durga Prasad</b>	
	Vice President - F&A	Company Secretary	



## Profit and Loss Account for the year ended March 31, 2012

	Note No.	Year Ended March 31, 2012 Indian Rupees	Year Ended March 31, 2011 Indian Rupees
<b>I</b> Revenue from Operations	<b>20</b>	<b>12,331,700,456</b>	15,569,119,969
<b>II</b> Other Income	<b>21</b>	<b>77,874,987</b>	20,493,124
<b>III Total Revenue (I + II)</b>		<b>12,409,575,444</b>	<b>15,589,613,093</b>
<b>IV EXPENSES</b>			
(a) Cost of Materials Consumed	<b>22</b>	<b>984,549,525</b>	4,785,931,444
(b) Software Development Expenses	<b>22</b>	<b>9,469,254,895</b>	8,810,713,483
(c) Employee Benefit Expenses	<b>23</b>	<b>447,721,604</b>	466,608,393
(d) Financial Costs	<b>26</b>	<b>263,513,871</b>	227,561,906
(e) Depreciation and amortisation expenses	<b>11 &amp; 12</b>	<b>100,466,519</b>	88,095,844
(f) Other Operating Expenses	<b>24</b>	<b>105,530,047</b>	107,987,342
(g) Administrative Expenses	<b>25</b>	<b>880,246,098</b>	938,465,649
<b>Total Expenses</b>		<b>12,251,282,559</b>	<b>15,425,364,063</b>
<b>V</b> Profit before exceptional and extra-ordinary items and tax (III-IV)		<b>158,292,884</b>	164,249,030
<b>VI</b> Exceptional items		<b>0</b>	0
<b>VII</b> Profit before extra-ordinary items and tax (V-VI)		<b>158,292,884</b>	164,249,030
<b>VIII</b> Extra-ordinary Items		<b>0</b>	0
<b>IX Profit Before Tax (VII - VIII)</b>		<b>158,292,884</b>	164,249,030
<b>X Tax Expense</b>			
(1) Current Tax		<b>31,670,845</b>	33,865,121
(2) Deferred Tax		<b>19,403,876</b>	42,479,923
<b>XI Profit / (Loss) for the Period (IX - X)</b>		<b>107,218,163</b>	<b>87,903,986</b>
<b>Earnings per equity share</b>			
(a) Basic		<b>5.93</b>	4.86
(b) Diluted		<b>3.65</b>	3.20
<b>XII Significant Accounting Policies</b>			
<b>Notes to Financial Statements</b>	<b>1 - 45</b>		
The accompanying Notes are an integral part of the Financial Statements			
As per our report of even date		For and on behalf of the Board	
<b>M/s.P Murali &amp; Co.,</b>			
Chartered Accountants			
Firm Regn. No: 007257S			
Sd/-	Sd/-	Sd/-	
<b>P. Murali Mohana Rao</b>	<b>V. Satish Kumar</b>	<b>S. Lalith Prasad</b>	
Partner	Managing Director	Director	
M.No. 23412			
	Sd/-	Sd/-	
Place: Hyderabad	<b>M.N. Narayanan</b>	<b>Malleswara Durga Prasad</b>	
Date: August 14, 2012	Vice President - F&A	Company Secretary	

## Statement of Cash Flows for the year ended March 31, 2012

	Year Ended March 31, 2012 Indian Rupees	Year Ended March 31, 2011 Indian Rupees
<b>I CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before Taxes	158,292,884	164,249,030
Adjustments for:		
Depreciation	100,466,519	88,095,844
Interest / Miscellaneous Income	(10,003,723)	(20,493,124)
Interest Expenses	263,513,871	227,561,906
Unrealised exchange loss / (gain)	(67,871,264)	340,699,368
<b>Operating Profit before working capital changes</b>	<b>444,398,288</b>	<b>800,113,025</b>
Unbilled Revenues	(1,722,952,924)	237,596,533
Sundry Debtors	2,530,078,217	(1,100,841,856)
Trade Payables	18,183,840	707,770,439
Other Current Assets	(64,363,751)	(35,673,041)
Short Term Loans and Advances	(1,754,117,577)	63,916,534
Current Liabilities	(101,858,172)	(188,462,672)
Long term provisions	25,525,091	(251,372,663)
Short term provisions	70,458,558	52,492,559
<b>Cash generated from operations</b>	<b>(554,648,430)</b>	<b>285,538,858</b>
Taxes payable	(31,670,845)	(33,865,121)
<b>Net cash provided by operating activities</b>	<b>(586,319,275)</b>	<b>251,673,737</b>
<b>II CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed Assets	(16,368,398)	(25,522,661)
Investments	(1,046,052,250)	1,226,960
<b>Net cash used in investing activities</b>	<b>(1,062,420,648)</b>	<b>(24,295,701)</b>
<b>III CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share Application money	525,505,200	0
Long Term Borrowings	662,253,074	234,463,866
Short Term Borrowings	(263,249,916)	(148,672,883)
Long Term Loans and Advances	990,146,245	(1,375,892,418)
Interest / Miscellaneous Income	10,003,723	20,493,124
Interest Expense	(263,513,871)	(227,561,906)
Reserves & Surplus	(165,885,542)	(285,741,130)
<b>Net cash used in financing activities</b>	<b>1,495,258,913</b>	<b>(1,782,911,347)</b>
<b>Net Increase/(Decrease) in cash and cash equivalents (I+II+III)</b>	<b>(153,481,009)</b>	<b>(1,555,533,312)</b>
Cash and cash equivalents at the beginning of the year	494,542,182	2,050,075,494
<b>Cash and cash equivalents at the end of the year</b>	<b>341,061,173</b>	<b>494,542,182</b>
<b>Cash and Bank balance as at the end of the year as per Note 17</b>	<b>341,061,173</b>	<b>494,542,182</b>
As per our report of even date	For and on behalf of the Board	
<b>M/s.P Murali &amp; Co.,</b>		
Chartered Accountants		
Firm Regn. No: 007257S		
Sd/-	Sd/-	Sd/-
<b>P. Murali Mohana Rao</b>	<b>V. Satish Kumar</b>	<b>S. Lalith Prasad</b>
Partner	Managing Director	Director
M.No. 23412		
	Sd/-	Sd/-
Place: Hyderabad	<b>M.N. Narayanan</b>	<b>Malleswara Durga Prasad</b>
Date: August 14, 2012	Vice President - F&A	Company Secretary





## Notes to Financial Statements

	As At March 31, 2012 Indian Rupees	As At March 31, 2011 Indian Rupees
<b>NOTE 1</b>		
<b>a SHARE CAPITAL</b>		
(a) Authorised - 3,00,00,000 equity shares of Rs. 10/- each	300,000,000	300,000,000
(b) Issued - 1,80,77,000 equity shares of Rs. 10/- each	180,770,000	180,770,000
(c) Subscribed and Fully Paid up	180,770,000	180,770,000
(d) Subscribed and not Fully Paid up	0	0
(e) Par Value per Share Rs. 10	0	0
<b>Total Equity Share Capital</b>	<b>180,770,000</b>	<b>180,770,000</b>
<b>b Calls unpaid:</b>		
By Directors	0	0
By Officers	0	0
<b>c Forfeited Shares (amount originally paid up)</b>	<b>0</b>	<b>0</b>
<b>d A Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period</b>	<b>No. of Shares</b>	<b>No. of Shares</b>
Total no. of shares at opening accounting period	18,077,000	18,077,000
Add/(Less): No. of shares issued/forfeited during the year	0	0
Total no. of shares at end of accounting period	18,077,000	18,077,000
<b>e Details of Shareholding more than 5% shares of the company:</b>	<b>% No. of Shares</b>	<b>% No. of Shares</b>
Mr. Satish Kumar Vuppalapati	14.30% 2,584,961	14.57% 2,634,589
Ms. Madhavi Vuppalapati	6.72% 1,214,445	11.80% 2,133,267
Mr. Pajjuri Karunakar	6.11% 1,105,310	0.00% 0
<b>NOTE 2</b>		
<b>I RESERVES AND SURPLUS</b>		
(a) Securities Premium Account		
As as the commencement of the year	220,881,680	506,588,765
Additions during the year	0	0
Utilised for FCCB Premium during the year	(165,885,542)	(285,707,085)
	<b>54,996,138</b>	<b>220,881,680</b>
(b) General Reserve		
As as the commencement of the year	296,741,234	296,741,234
Additions during the year	0	0
Utilised during the year	0	0
	<b>296,741,234</b>	<b>296,741,234</b>
(c) Surplus:		
Opening Balance - Profit & Loss Account	3,130,868,327	3,042,964,330
Add: Transfer from Profit & Loss Account	107,218,163	87,903,997
Less: Transfer to General Reserve	0	0
	<b>3,238,086,490</b>	<b>3,130,868,327</b>
<b>Total Reserves and Surplus</b>	<b>3,589,823,861</b>	<b>3,648,491,240</b>

## Notes to Financial Statements

	As At March 31, 2012 Indian Rupees	As At March 31, 2011 Indian Rupees
<b>NOTE 3</b>		
<b>I SHARE APPLICATION MONEY PENDING ALLOTMENT</b>	<b>525,505,200</b>	<b>0</b>
The Company has issued shares to the extent of 16,528,786 and share warrants 50,487,926 at a price of Rs. 26 per share (at a premium of Rs. 16) on preferential allotment basis (refer Note No. 44).		
<b>NOTE 4</b>		
<b>I LONG TERM BORROWINGS</b>		
(a) Bonds / Debentures - Secured (FCCB) (refer Note 34)	<b>3,908,741,174</b>	3,258,592,061
(b) Long term maturities of Finance Lease obligations - Secured	<b>2,968,929</b>	5,289,954
(c) Other Loans and Advances - Unsecured	<b>31,094,760</b>	16,669,773
<b>Total Long Term Borrowings</b>	<b><u>3,942,804,863</u></b>	<b><u>3,280,551,788</u></b>
(i) Obligations under finance lease are secured against fixed assets obtained under finance lease arrangements		
<b>NOTE 5</b>		
<b>DEFERRED TAX LIABILITY (NET)</b>		
<b>I</b> Opening Deferred Tax Liability	<b>64,974,377</b>	36,528,780
Add: Deferred Tax Liability for the year (due to depreciation)	<b>23,843,848</b>	19,803,147
Add: Deferred Tax Liability for the year (due to others)	<b>3,331,599</b>	8,642,450
<b>Gross Deferred Tax Liability</b>	<b>92,149,824</b>	64,974,377
Opening Deferred Tax Asset	<b>5,100,630</b>	2,690,750
Add: Deferred Tax Asset for the year (due to others)	<b>7,771,571</b>	2,409,880
<b>Gross Deferred Tax Asset</b>	<b>12,872,201</b>	5,100,630
<b>Deferred Tax Liability / (Asset) - Net</b>	<b><u>79,277,623</u></b>	<b><u>59,873,747</u></b>
<b>NOTE 6</b>		
<b>I LONG TERM PROVISIONS</b>		
(a) Provision for Gratuity	<b>8,282,619</b>	8,597,632
(b) Provision for Leave Encashment	<b>6,901,843</b>	13,864,321
(c) Provision for Derivative Contract Loss	<b>688,154,196</b>	656,483,172
<b>Total Long Term Provisions</b>	<b><u>703,338,658</u></b>	<b><u>678,945,125</u></b>
<b>NOTE 7</b>		
<b>I SHORT TERM BORROWINGS</b>		
(a) Loans payable on demand		
(i) From Banks - Secured	<b>371,560,298</b>	678,013,438
(ii) From Banks - Unsecured	<b>340,887,386</b>	297,684,162
(b) Other Loans and Advances - Unsecured	<b>0</b>	0
<b>Total Short Term Borrowings</b>	<b><u>712,447,685</u></b>	<b><u>975,697,600</u></b>
(i) Bank limits are secured against total book debts		



## Notes to Financial Statements

	As At March 31, 2012 Indian Rupees	As At March 31, 2011 Indian Rupees
<b>NOTE 8</b>		
<b>I TRADE PAYABLES</b>		
(a) Dues of Micro, Small & Medium Enterprises	0	0
(b) Dues of other creditors	7,709,167,333	7,690,983,493
<b>Total Trade Payables</b>	<u>7,709,167,333</u>	<u>7,690,983,493</u>
<b>NOTE 9</b>		
<b>I OTHER CURRENT LIABILITIES</b>		
(a) Unpaid Dividend	744,760	744,826
(b) Accrued Payroll and other dues to employees	51,691,811	43,532,148
(c) Statutory Liabilities (refer Note 41)	43,500,134	40,639,889
(d) Other Liabilities (refer Note 42)	279,845,625	460,594,904
<b>Total Other Current Liabilities</b>	<u>375,782,331</u>	<u>545,511,767</u>
<b>NOTE 10</b>		
<b>I SHORT TERM PROVISIONS</b>		
(a) Provision for Taxes	72,881,169	47,949,909
(b) Provision for Gratuity	392,706	306,333
(c) Provision for Leave Encashment	1,045,185	0
(d) Provision for Operating, Vehicle and Travel Expenses	80,823,882	35,296,584
<b>Total Short Term Provisions</b>	<u>155,142,942</u>	<u>83,552,826</u>

**Notes to Financial Statements**  
(All amounts in Indian Rupees except as otherwise stated)

NOTES 11-12

**TANGIBLE & INTANGIBLE ASSETS AS AT 31-03-2012**

Description	Gross Block as at April 1, 2011	Additions	Deletions/ Adjustments	Gross Block as at March 31, 2012	Accumulated Depreciation as at April 1, 2011	Depreciation for the year	Deletions/ Adjustments	Accumulated Depreciation as at March 31, 2012	Net book value as at March 31, 2012	Net book value as at March 31, 2011
<b>(A) TANGIBLE ASSETS</b>										
Plant & Machinery	4,523,076	0	0	4,523,076	647,850	692,438	0	1,340,288	3,182,789	3,875,226
Computer Equipments	62,278,435	3,395,931	2,788,056	62,886,310	42,957,854	6,860,300	2,207,857	47,610,297	15,276,013	19,320,581
Office Equipments	35,212,435	164,060	0	35,376,495	23,570,955	7,245,054	0	30,816,009	4,560,486	11,641,481
Furniture and Fixtures	18,738,876	1,087,635	0	19,826,511	5,277,083	1,370,834	0	6,647,917	13,178,594	13,461,793
Leasehold Improvements	9,021,100	0	0	9,021,100	7,108,055	1,913,034	0	9,021,089	11	1,913,045
Vehicles	36,630,525	71,700	822,985	35,879,240	8,189,889	3,847,791	727,804	11,309,876	24,569,364	28,440,636
<b>(B) INTANGIBLE ASSETS</b>										
Software	960,674,061	12,324,452	0	972,998,513	307,843,957	57,207,018	0	365,050,975	607,947,538	652,830,104
Acquisition of Clients	108,799,945	0	0	108,799,945	57,737,802	21,330,051	0	79,067,853	29,732,092	51,062,143
<b>TOTAL</b>	1,235,878,453	17,043,778	3,611,041	1,249,311,190	453,333,444	100,466,519	2,935,661	550,864,303	698,446,887	782,545,009
<b>Previous Year</b>	569,367,792	690,244,336	23,733,675	1,235,878,453	365,237,600	96,358,629	8,262,785	453,333,444	782,545,009	204,130,192
Capital Work-in-progress									0	0
<b>GRAND TOTAL</b>									698,446,887	782,545,009



## Notes to Financial Statements

	As At March 31, 2012 Indian Rupees	As At March 31, 2011 Indian Rupees
<b>NOTE 13</b>		
<b>I NON-CURRENT INVESTMENTS</b>		
(a) Investment in Subsidiaries		
(1) Equity Shares		
(i) Prithvi Solutions Inc - 100% holding	447	447
(ii) Prithvi Solutions Inc - Share Application Money	1,126,601,814	80,892,054
(iii) Prithvi Wireless Solutions Limited - 100% holding	500,000	157,510
	<u>1,127,102,260</u>	<u>81,050,010</u>
(b) Investment in Joint Ventures		
(i) Prithvi Middle East WLL (50%) - 25000 BHD @ INR 106.0527	2,651,318	2,651,318
	<u>2,651,318</u>	<u>2,651,318</u>
<b>Total Non-Current Investments</b>	<u>1,129,753,578</u>	<u>83,701,328</u>
Less: Provision for Diminution in Investments	0	0
<b>Total Non-Current Investments</b>	<u>1,129,753,578</u>	<u>83,701,328</u>
<b>NOTE 14</b>		
<b>LONG TERM LOANS AND ADVANCES</b>		
(a) Security Deposit - Secured	26,553,961	17,134,944
(b) Loans and Advances to Related Parties - Unsecured		
(i) Prithvi Solutions Inc	1,348,624,492	2,432,648,774
(ii) Prithvi Information Solutions Do Brazil	406,062,120	354,253,100
(iii) Prithvi Information Solutions Canada Ltd	255,900,000	223,250,000
(iv) Bastusilpi Constructions Private Limited	300,000,000	300,000,000
<b>Total Long Term Loans and Advances</b>	<u>2,337,140,573</u>	<u>3,327,286,818</u>
<b>NOTE 15</b>		
<b>OTHER NON-CURRENT ASSETS</b>		
(i) MAT Credit Entitlement	58,549,393	58,549,393
(ii) Service Tax Credit Receivable	113,592,150	132,598,035
(iii) Unamortised Expenses	64,556,499	0
(iv) Interest Accrued on Deposits	1,524,409	1,574,546
<b>Total Other Non-Current Assets</b>	<u>238,222,451</u>	<u>192,721,974</u>

## Notes to Financial Statements

	As At March 31, 2012 Indian Rupees	As At March 31, 2011 Indian Rupees
<b>NOTE 16</b>		
<b>TRADE RECEIVABLES</b>		
(a) Over six months		
(i) Unsecured, Considered good	6,134,216,398	2,131,585,382
(ii) Considered doubtful	25,590,000	22,325,000
	<u>6,159,806,398</u>	<u>2,153,910,382</u>
(b) Others		
(i) Unsecured, Considered good	2,099,893,060	8,632,602,293
(ii) Considered doubtful	0	0
	<u>2,099,893,060</u>	<u>8,632,602,293</u>
Total Trade Receivables	8,259,699,458	10,786,512,675
Less: Provision for Doubtful Debts	25,590,000	22,325,000
<b>Total Trade Receivables (Net)</b>	<u><u>8,234,109,458</u></u>	<u><u>10,764,187,675</u></u>
<b>NOTE 17</b>		
<b>CASH AND BANK BALANCES</b>		
(a) Balances with Banks		
(i) On Current Accounts	235,232,212	359,200,344
(ii) Unpaid Dividend Account	744,435	744,651
(b) Cash on Hand	41,890	68,854
sub-total	<u>236,018,536</u>	<u>360,013,849</u>
(c) Other Bank Balances		
(i) On Margin Money Deposit Accounts	105,042,636	134,528,333
sub-total	<u>105,042,636</u>	<u>134,528,333</u>
<b>Total Cash and Cash Balances</b>	<u><u>341,061,173</u></u>	<u><u>494,542,182</u></u>
<b>NOTE 18</b>		
<b>SHORT TERM LOANS AND ADVANCES</b>		
(a) Other Loans and Advances		
(i) Loans and Advances to Employees	7,191,756	4,029,676
(ii) Advances recoverable in cash or kind or for value to be received	1,786,817,044	35,861,547
<b>Total Short Term Loans and Advances</b>	<u><u>1,794,008,800</u></u>	<u><u>39,891,223</u></u>
<b>NOTE 19</b>		
<b>OTHER CURRENT ASSETS</b>		
(a) Unbilled Revenue	3,079,195,272	1,356,242,348
(b) Income Taxes Paid (including refunds receivable) (net)	120,469,089	96,025,556
(c) Prepaid Expenses	1,653,215	7,233,474
	<u><u>3,201,317,576</u></u>	<u><u>1,459,501,378</u></u>

## Notes to Financial Statements

	Year Ended March 31, 2012 Indian Rupees	Year Ended March 31, 2011 Indian Rupees
<b>NOTE 20</b>		
<b>REVENUE FROM OPERATIONS</b>		
(a) Revenue from Operations		
(i) Sale of Products	919,086,643	4,948,481,114
(ii) Sale of Services	11,412,453,705	10,620,638,855
(iii) Other operating Revenues	160,108	0
<b>Total Revenue from Operations</b>	<b>12,331,700,456</b>	<b>15,569,119,969</b>
<b>NOTE 21</b>		
<b>OTHER INCOME</b>		
(a) Interest Income	10,003,723	20,493,124
(b) Net Gain on Foreign Currency Translation and transaction	67,871,264	0
<b>Total Other Income</b>	<b>77,874,987</b>	<b>20,493,124</b>
<b>NOTE 22</b>		
<b>COST OF MATERIALS CONSUMED</b>		
(a) Telecom Products	898,736,130	4,651,980,786
(b) Software Development Expenses	9,469,254,895	8,810,713,483
(c) Others	85,813,395	133,950,658
<b>Total Cost of Materials Consumed</b>	<b>10,453,804,420</b>	<b>13,596,644,927</b>
<b>NOTE 23</b>		
<b>EMPLOYEE BENEFIT EXPENSES</b>		
(a) Salaries & Wages	437,504,762	450,789,475
(b) Contribution to PF & Other Funds	9,314,784	9,224,744
(c) Staff Welfare Expenses	902,058	6,594,174
<b>Total Employee Benefit Expenses</b>	<b>447,721,604</b>	<b>466,608,393</b>
<b>SCHEDULE 24</b>		
<b>OTHER OPERATING EXPENSES</b>		
(a) Power & Fuel	4,767,186	6,785,706
(b) Rent	53,554,000	65,308,659
(c) Repairs & Maintenance	4,168,883	4,929,508
(d) Insurance	3,177,795	4,263,565
(e) Rates & Taxes	1,515,635	2,138,109
(f) Miscellaneous Expenditure	10,189,814	25,318,681
(g) Net Loss on Foreign Currency Translation and transaction	0	340,699,368
(h) Payment to Auditors		
(i) As Statutory Auditor	4,401,520	3,270,427
(ii) For Management Services	900,000	253,333
(iii) For reimbursement of Expenses	20,510	114,493
(i) Net Loss on sale / disposal of Assets	222,975	0
(j) Prior Period Items	22,611,730	(345,094,506)
	<b>105,530,047</b>	<b>107,987,342</b>

## Notes to Financial Statements

	Year Ended March 31, 2012 Indian Rupees	Year Ended March 31, 2011 Indian Rupees
<b>NOTE 25</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
(a) Telephone, Postage & Others	15,396,807	15,362,098
(b) Travelling and Conveyance	41,846,015	64,001,568
(c) Office Maintenance	7,387,092	7,970,052
(d) Printing & Stationery Expenses	2,964,878	3,370,083
(e) Security Charges	813,859	795,636
(f) Marketing Expenses	699,761,456	685,710,917
(g) Managerial Remuneration	10,208,850	11,254,700
(h) Consultancy Charges	0	0
(i) Professional Charges	94,682,040	148,237,427
(j) Director Sitting Fee / Out of Pocket Expenses	1,905,495	1,389,018
(k) Interest on taxes payable	160,000	0
(l) General Expenses	5,119,608	374,150
	<u>880,246,098</u>	<u>938,465,649</u>
<b>NOTE 26</b>		
<b>FINANCE COST</b>		
(a) Interest Expenses		
(i) Interest on Bill Discounting	58,852,834	45,483,251
(ii) Interest on Cash Credit	39,141,495	40,005,299
(iii) Loan Processing and Bank Charges	4,564,986	34,461,620
(iv) Factoring Charges	66,224,778	0
(b) Other Borrowing Costs	94,729,779	107,611,737
	<u>263,513,871</u>	<u>227,561,906</u>





## Nature of Operations

Prithvi Information solutions Ltd is an Information and Communication technology (ICT) service provider. Prithvi is divided into IT services and Telecom Products and Services. Prithvi IT services division provides multiple services and solutions to meet the IT requirements of various industries across geographies. Prithvi telecom solutions division provide service that covers all aspects of a telecom operator ecosystem including providing telecom software, building telecom networks and supplying telecom hardware product.

## Significant Accounting Policies

### a. Basis of preparation

The financial statements are prepared under the historical cost convention and the requirement of the Companies Act, 1956.

### b. Use of estimates

The preparation of financial statements requires the management of the company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of financial statements and reported amounts of income and expenses during the year. Example of such estimates include provision for doubtful debts, employee benefits, provision for income taxes, useful lives of depreciable fixed assets and provisions for impairment.

### c. Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition.

### d. Depreciation

Depreciation other than freehold land and capital work-in-progress is charged so as to write off the cost of assets, on the following basis:

Plant & Machinery	Straight Line	4.75%
Computers and computer equipment	Straight Line	16.21%
Office Equipment	Straight Line	16.21%
Furniture & Fixtures	Straight Line	6.33%
Leasehold Improvements	Straight Line	20.00%
Vehicles	Straight Line	9.50%
Software	Straight Line	16.21%
Software Tools	Straight Line	5.00%
Acquisition of clients	Straight Line	20.00%

Individual assets costing Rs. 5,000/- or less are fully depreciated in the year of purchase.

### e. Impairment

At each balance sheet date, the management reviews the carrying amounts of its assets to determine whether there is any indication that those assets were impaired. If any such indication exists, the

recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

**f. Intangible assets**

An intangible is recognised, where it is probable that future economic benefits attributable to the asset will accrue to the enterprise and the cost can be measured reliably. Intangible assets are stated at cost less accumulated amortisation.

**g. Research and Development Costs**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

**h. Leases**

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

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the profit & loss account on a straight line basis.

**i. Investments**

Investments are stated at cost, less provision for other than temporary diminution in value.

**j. Inventories**

Raw materials, sub-assemblies and components are carried at the lower of cost and net realisable value. Cost is determined on first in first out basis. Work-in-progress and finished goods are carried at lower of cost and net realisable value. Cost includes direct material and labour and a proportion of manufacturing overheads.

**k. Revenue recognition**

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred.

Revenues from turn key contracts, which are generally time bound fixed priced contracts, are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion.

Revenues from the sale of equipment are recognised upon delivery to the customer.

#### **l. Foreign currency transactions**

Income and expenses in foreign currencies during a month are converted at projected exchange rates for the month. The projected exchange rates for the month are based on the closing exchange rates of the previous month. The assets and liabilities as at the end of a month are restated using the current month's closing exchange rate and the exchange gain or loss arising on the restatement is recognised as income or expense in that month. The projected exchange rate is reviewed for any major fluctuation during the month.

#### **m. Retirement and other employee benefits (Refer Note:27)**

Retirement benefits in the form of Provident Fund are a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the Provident Fund authorities.

Gratuity liability is defined benefit obligations and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

#### **n. Income Taxes**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961.

Deferred Tax expense or benefit is recognised on timing differences being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or subsequently enacted by the balance sheet date.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of income tax liability, is considered as an asset if there is convincing evidence that the company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the company and the asset can be measured reliably.

#### **o. Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognised when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised in the financial statements. Contingent asset is neither recognised nor disclosed in the financial statements.

#### **p. Cash and cash equivalents**

The company considers all highly liquid financial instruments, which are readily convertible into cash and have original maturities of three months or less from the date of purchase, to be cash equivalents.

## Notes to Financial Statements

### 27. Gratuity Plan

The company has an unfunded defined benefit gratuity plan. Employees are eligible for gratuity benefits on termination or retirement in accordance with Payment of Gratuity Act, 1972. The following tables summarises the components of net benefit expense recognised in the profit and loss account and the provision status and amounts recognised in the balance sheet for the plan:

#### Defined Gratuity Benefit Plan Expenses / Obligation:

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Interest Cost	1,042,981	1,019,567
Current Service Cost	3,891,394	4,501,644
Past Service Cost	0	0
Actuarial (Gain) / Loss	(5,163,015)	(4,133,300)
Net Employee benefit expense	(228,640)	1,387,911
Defined benefit obligation – Opening	8,903,965	7,916,298
Defined benefit paid during the year	(228,640)	400,244
Defined benefit obligation – Closing	8,675,325	8,903,965

#### Assumptions used in accounting for the gratuity plan:

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Discount Rate	8.65%	8.25%
Expected rate of return on plan assets	Not Applicable	Not Applicable
Salary escalation rate – first year	7.0%	10.0%
Salary escalation rate – second year	7.0%	7.0%
Salary escalation rate – from 3 <sup>rd</sup> year	7.0%	7.0%

### 28. Segment Reporting

The company is engaged in the business of:

- i. Software services
- ii. Telecom services and products

Segment reporting			
Year ended March 31, 2012			
Particulars	Business Segments (Rs.)		
	Software	Telecom	Total
Revenue	11,208,487,213 10,455,462,356	1,123,213,243 5,113,657,613	12,331,700,456 15,569,119,969
Segment result	464,610,737 139,823,510	(20,212,450) 319,590,147	444,398,288 459,413,657
Unallocable Expenses			363,980,391 315,657,751
Operating income			80,417,897 143,755,906
Other income (net)			77,874,987 20,493,124
Profit before Taxes			158,292,884 164,249,030
Tax expenses			51,074,721 76,345,044
Net profit for the year			107,218,163 87,903,986
Particulars	Business Segments (Rs.)		
	Software	Telecom	Total
As at March 31, 2012			
Segment Assets	2,535,536,143	5,698,573,315	8,234,109,458
Unallocable Assets			9,752,823,238
Total Assets			17,986,932,696
Segment liabilities	165,380,560	7,543,786,773	7,709,167,333
Unallocable Liabilities			5,981,666,302
Total Liabilities			13,690,833,635

## 29. Related Party Disclosures

- a. Related Parties and their Relationship
  - i. Subsidiaries
    1. Prithvi Solutions Inc
    2. Prithvi Wireless Solutions Limited
  - ii. Associates
    1. Prithvi Information Solutions LLC
    2. Prithvi Information Solutions Brazil
    3. Prithvi Information Solutions Canada, Ltd
    4. Bastusilpi Constructions Private Limited

iii. Key Managerial Personnel

1. Ms. V Madhavi
2. Mr. V Satish Kumar

b. Transactions with Related Parties (Rs.)

Particulars	Subsidiaries	Associates	Key Managerial Personnel
Long term Loans and Advances***	(38,314,522)	84,459,020	-
Investments***	(1,045,709,760)	-	-
Short Term Loans and Advances (Note No:18(a) (ii))	-	1,92,48,504	-
Sales	-	336,76,35,050	-
Collections	-	346,53,37,160	-
Purchases	-	28,39,699	-
Payments	-	30,57,057	-
Remuneration	-	-	14,558,850

\*\*\* The figures are shown in the Balance Sheet in notes to financial statements at Note no. 14.

Particulars	Subsidiaries	Associates
<b>Balance as on 01.04.2011</b>		877,503,100
Add/(Less):Long Term Loans and Advances	(38,314,522)	84,459,020
Add / (Less) : Investments	(1,045,709,760)	
<b>Balance as on 31.03.2012</b>		<b>961,962,120</b>

30. Leases

	Year ended March 31, 2012 Indian Rupees	Year ended March 31, 2011 Indian Rupees
<b>Non-cancellable Operating Lease obligation</b>		
Not later than one year	49,725,416	64,471,644
Later than one year but not later than five years	142,713,360	99,268,536
Later than five years	107,509,878	-
<b>Total</b>	<b>299,948,654</b>	<b>163,740,180</b>
<b>Obligation towards finance leases</b>		
Less than one year	404,850	5,795,682
One to five years	-	15,071
Later than five years	-	-
<b>Total</b>	<b>404,850</b>	<b>5,810,753</b>

31. Interest in Joint Venture

The company has a 50% interest in the assets, liabilities, incomes and expenses of Prithvi Middle East WLL, incorporated in the Kingdom of Bahrain, which is engaged in Software Development.

There are no capital expenditure commitments and contingent liabilities of the joint venture as on March 31, 2012.

### 32. Contingent Liabilities

Particulars	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
Interest and FX losses Claimed by Deutsche Bank	-	80,300,860
Sojitz Corporation - Excess of Interest Claimed over amount provided	-	11,103,804
Marubeni Corporation - Out of Pocket expenses claimed	-	25,831,824
Suguna Technologies - Interest Claimed	180,531	180,531
Income tax demand for the FY 2006-07	-	397,552,902
TDS demand for the FY 2004-05	2,501,310	2,501,310
TDS demand for the 2005-06	1,825,026	1,825,026
TDS demand for the 2006-07	26,093,828	26,093,828
TDS demand for the 2008-09	405,790	15,442,120

### 33. Foreign Currency Exposure

Particulars as on March 31, 2012	CUR	Dr/(Cr)	Exch Rate	Amt in Rs.
Sundry Debtors	USD	48,085,766	51.18	2,461,029,520
Loans to Subsidiary	USD	26,350,615	51.18	1,348,624,492
Loans and Advances	USD	45,513,466	51.18	2,329,379,197
Secured Loans	USD	(6,236,675)	51.18	(319,193,001)
Bank Balance	USD	893,358	51.18	45,722,077
Unbilled Revenue	USD	53,343,107	51.18	2,730,100,226
Payment to Vendors	USD	(2,203,541)	51.18	(112,777,231)
Trade Payables	USD	(2,139,123)	51.18	(109,480,329)
Foreign Currency Convertible Bonds (FCCB)	USD	(50,000,000)	51.18	(2,559,000,000)
Premium payable on FCCB	USD	(26,372,434)	51.18	(1,349,741,174)
Particulars as on March 31, 2011	CUR	Dr/(Cr)	Exch Rate	Amt in Rs.
Sundry Debtors	USD	106,795,451	44.65	4,768,416,875
Loans to Subsidiary	USD	56,482,605	44.65	2,521,948,327
Payable to Vendors	USD	(2,448,248)	44.65	(109,314,289)
Loans and Advances	USD	12,934,000	44.65	577,503,100
Secured Loans	USD	(10,489,819)	44.65	(468,370,423)
Unsecured Loans	USD	(6,236,643)	44.65	(278,466,128)
Bank Balance	USD	39,624	44.65	1,769,224
Unbilled Revenue	USD	18,161,253	44.65	810,899,959
Sundry Creditors	USD	(2,332,057)	44.65	(104,126,329)
Foreign Currency Convertible Bonds (FCCB)	USD	(50,000,000)	44.65	(2,232,500,000)
Premium on FCCB	USD	(22,980,785)	44.65	(1,026,092,061)
Sundry Creditors	JPY	(4,803,380,711)	0.5402	(2,594,786,260)

### 34. Foreign Currency Convertible Bonds (FCCB)

The Company issued Zero Coupon Foreign Currency Convertible Bonds amounting to USD 50,000,000 due in 2012, convertible into ordinary shares of the Company. The bonds are issued in denomination of USD 100,000 each and integral multiples there of. The bonds will constitute direct un-conditional and secured obligations of the Company and will rank pari passu, without any preference among themselves, with all other outstanding secured and unsubordinated obligation of the Company, present and future, but in the event of insolvency, only to the extent permitted by applicable laws relating to the creditors' right. The bond will be secured by a second charge on all consolidated receivables. The Bond will have yield to maturity @ 8.58% per annum compounded semi-annually.

The bondholders can convert the bonds into equity share of the Company at conversion price of Rs. 346.30 per share at fixed exchange rate of 1 USD = Rs. 44.09 during Bondholder Conversion Period, which starts on March 12, 2007 and ends at the place where certificate is deposited for conversion of a Bond on January 26, 2012.

The Company may, at its absolute discretion at any time on or after February 26, 2008 and prior to February 26, 2010, elect to convert all (but not some) of the Bonds into Shares at the Conversion Price subject to the terms and conditions mentioned in the offer circular.

These bonds matured on February 29, 2012 with a maturity value of USD 50 million towards principal and USD 26.37 million towards premium totaling USD 76.37 million. The Company entered into an agreement with the Bond Holders and the same is under process for its redemption.

Utilisation of Funds raised thru FCCB:

Particulars	As at March 31, 2012 (Rs.)	As at March 31, 2011 (Rs.)
FCCB Funds received	2,200,500,000	2,200,500,000
Interest Earned – Bank	217,094,476	217,094,476
Exchange Gain / (Loss)	53,756,796	125,089,980
<b>Total Funds</b>	<b>2,471,351,272</b>	<b>2,542,684,456</b>
Loans to Subsidiary	2,394,334,252	2,465,667,436
Professional Charges	77,017,020	77,017,020
<b>Total Utilisation</b>	<b>2,471,351,272</b>	<b>2,542,684,456</b>

### 35. Directors' Remuneration

Particulars	As at March 31, 2012 (Rs.)	As at March 31, 2011 (Rs.)
Salaries, bonus and allowances	14,558,850	14,204,700
Commission to non executive directors	1,650,000	3,050,000
<b>Total</b>	<b>16,208,850</b>	<b>17,254,700</b>

**Note:**

- As the future liability for gratuity and leave encashment is provided on an actuarial basis for the company as a whole, the amount pertaining to the directors is not ascertainable and therefore, not included above.





**36. Computation of Net Profit in accordance with Section 349 and 350 of the Companies Act, 1956 for calculation of commission payable to Directors:**

Particulars	Year ended March 31, 2012 (Rs.)	Year ended March 31, 2011 (Rs.)
Profit after Tax and prior period items as per Profit & Loss Account	107,218,163	87,903,986
<b>Add:</b>		
Directors' Remuneration	16,208,850	17,254,700
Income tax payable by the company	51,074,721	76,345,044
Loss on Derivative contracts	0	118,508
Total Net Profit for payment of Managerial remuneration	174,501,734	181,622,238
<b>Maximum commission allowed to Managing and Whole Time Directors @ 10% of the Net Profits as calculated above</b>	17,450,173	18,162,224
<b>Maximum commission allowed to other Directors @ 1% of the Net Profits as calculated above</b>	1,745,017	1,816,222

**37. Auditors' Remuneration**

Particulars	Year ended March 31, 2012 (Rs)	Year ended March 31, 2011 (Rs)
Statutory Audit Fees	1,600,000	1,500,000
Audit of US Operations	2,801,520	1,103,760
Internal Audit Fees	900,000	840,000
Out of pocket expenses	20,510	194,493
<b>TOTAL</b>	<b>5,322,030</b>	<b>3,638,253</b>

**38. Earnings in Foreign Currency (Accrual basis)**

Particulars	Year ended March 31, 2012 (Rs)	Year ended March 31, 2011 (Rs)
Income from Services	11,127,262,331	10,407,297,868
Interest Income	0	14,336,889
<b>Total</b>	<b>11,127,262,331</b>	<b>10,421,634,757</b>

**39. Expenditure in Foreign Currency (Accrual basis)**

Particulars	Year ended March 31, 2012 (Rs)	Year ended March 31, 2011 (Rs)
Professional and Consultancy charges	9,593,437,115	8,826,914,392
Remuneration	507,144,507	763,722,966
Travelling	14,756,483	29,014,105
Marketing	304,892	1,652,046
Communication	6,353,659	5,051,099
Bank Charges	137,484	353,039
Other Expenses	137,273,512	125,366,009
<b>Total</b>	<b>10,259,407,652</b>	<b>9,752,073,656</b>

#### 40. Disclosure required by Clause 32 of the Listing Agreements

Amount of loans and advances in the nature of loans due from subsidiaries as at March 31, 2012:

Subsidiary	As at March 31,2012	Maximum amount during the year
Prithvi Solutions Inc	1,348,624,492	2,394,334,252
<b>Total</b>	<b>1,348,624,492</b>	<b>2,394,334,252</b>

#### 41. Statutory Remittances

Particulars	As at 31 <sup>st</sup> March 12 Amount in Rs.
Provident Fund Payable	15,459,642.00
Provident Tax Payable	558,070.00
ESI Payable	1,252,652.00
TDS - Salaries	20,675,776.00
TDS - Others	5,553,994.00
<b>Total</b>	<b>43,500,134.00</b>

#### 42. Other Liabilities

Particulars	As at 31 <sup>st</sup> March 12 Amount in Rs.
Customs Duty Payable	266,672,693.00
Service Tax Payable	8,228,889.50
WCT Payable	1,915,208.20
CST Payable	3,028,834.38
<b>Total</b>	<b>279,845,625.08</b>

\*\*Customs duty of Rs. 2667 lakhs is disputed and under adjudication.

43. The Company has entered into an agreement with a creditor with whom there was a disputed liability of Rs. 331.60 crores, and the same is under settlement.

An Escrow account was opened for discharging liability to the creditor and funds have been deposited to the extent of Rs. 126.74 crores.

44. Out of the preferential issue of Rs. 174.24 crores the Company has received Rs. 29.43 crores towards equity shares and Rs. 23.11 crores towards share warrants and balance is yet to be received.

45. Previous year's figures have been regrouped where necessary to confirm to this year's classification.

**M/s.P Murali & Co.,**  
Chartered Accountants  
Firm Regn. No: 007257S

Sd/-  
**P. Murali Mohana Rao**  
Partner  
M.No. 23412

Place: Hyderabad  
Date: August 14, 2012

For and on behalf of the Board of Directors

Sd/-  
**V. Satish Kumar**  
Managing Director

Sd/-  
**M.N. Narayanan**  
Vice President - F&A

Sd/-  
**S. Lalith Prasad**  
Director

Sd/-  
**Malleswara Durga Prasad**  
Company Secretary



## Consolidated Auditors' Report

To The Board of Directors  
Prithvi Information Solutions Ltd.

1. We have audited the attached Consolidated Balance Sheet of Prithvi Information Solutions Limited and its subsidiaries ('the Group'), as at March 31, 2012, and also the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Prithvi Information Solutions Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have not audited the financial statements of subsidiaries, in which total assets of **Rs. 296,09,82,034** as at March 31, 2012, has been shown the revenue of **Rs. 137,34,90,661** and net cash inflows amounting to Rs. **1,87,35, 020** for the year ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We further report that
  - (i) TIn respect of a Creditor to whom payables amounting to Rs.331.60Crores were under dispute/ litigation, the company in the process of settlement as per the information and explanation given to us.(Please refer Note No:42)
  - (ii) With respect to FCCB the Company entered into an agreement with the Bond Holders and the same is under process for its redemption (Please refer Note No: 35 of Notes to Financial Statements)
5. The consolidated financial statements have been prepared by the Group in accordance with the requirements of Accounting Standards 21, consolidated financial statements and Accounting Standard-27, Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and to the best of our information and according to the explanations given to us, we are of the opinion *that subject to our observation in paragraph 4 above*, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;
  - b. In the case of the Consolidated Profit & Loss Account, of the profit of the Group for the year ended on that date; and
  - c. In the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

**For P. Murali & Co;**  
Chartered Accountants  
FRN: 007257S

P. Murali Mohana Rao  
Partner,  
M.No.023412

Hyderabad  
Date: 14-08-2012

## Consolidated Balance Sheet as at March 31, 2012

	Note No.	As At March 31, 2012 Indian Rupees	As At March 31, 2011 Indian Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>I SHAREHOLDERS' FUNDS</b>			
(a) Share Capital	1	180,770,000	180,770,000
(b) Reserves & Surplus	2	3,788,417,745	3,730,536,986
<b>II SHARE APPLICATION MONEY PENDING ALLOTMENT</b>	3	525,505,200	0
<b>III MINORITY INTEREST</b>		67,499,340	42,183,405
<b>IV NON-CURRENT LIABILITIES</b>			
(a) Long-term Borrowings	4	3,942,804,863	3,280,551,788
(b) Deferred Tax Liabilities (Net)	5	92,149,824	64,974,377
(c) Long-term Provisions	6	703,338,658	678,945,125
<b>V CURRENT LIABILITIES</b>			
(a) Short-term Borrowings	7	735,855,663	1,006,351,828
(b) Trade Payables	8	7,816,104,695	7,797,372,180
(c) Other Current Liabilities	9	482,894,721	609,505,547
(d) Short-term Provisions	10	177,593,151	88,189,896
<b>TOTAL</b>		<b>18,512,933,859</b>	<b>17,479,381,131</b>
<b>ASSETS</b>			
<b>I NON-CURRENT ASSETS</b>			
(a) Fixed Assets			
(i) Tangible Assets	11	80,458,853	89,780,819
(ii) Intangible Assets	12	1,481,099,727	1,439,147,431
(b) Non-current Investments	13	2,651,318	2,651,318
(c) Deferred Tax Assets (Net)	5	12,872,201	5,100,630
(d) Long-term Loans and Advances	14	2,727,453,738	2,752,579,875
(e) Other Non-current Assets	15	238,222,451	192,721,974
<b>II CURRENT ASSETS</b>			
(a) Trade Receivables	16	8,546,214,466	10,943,157,942
(b) Cash and Cash Equivalents	17	382,229,774	516,975,763
(c) Short-term Loans and Advances	18	1,796,363,878	40,814,075
(d) Other Current Assets	19	3,245,367,454	1,496,451,305
<b>TOTAL</b>		<b>18,512,933,859</b>	<b>17,479,381,131</b>
<b>XII Significant Accounting Policies</b>			
<b>Notes to Consolidated Financial Statements</b>	1 - 44		
The accompanying Notes are an integral part of the Financial Statements			
As per our report of even date		For and on behalf of the Board	
<b>M/s.P Murali &amp; Co.,</b>			
Chartered Accountants			
Firm Regn. No: 007257S			
Sd/-		Sd/-	Sd/-
<b>P. Murali Mohana Rao</b>		<b>V. Satish Kumar</b>	<b>S. Lalith Prasad</b>
Partner		Managing Director	Director
M.No. 23412			
Place: Hyderabad		Sd/-	Sd/-
Date: August 14, 2012		<b>M.N. Narayanan</b>	<b>Malleswara Durga Prasad</b>
		Vice President - F&A	Company Secretary



## Consolidated Profit and Loss Statement for the year ended March 31, 2012

	Note No.	Year Ended March 31, 2012 Indian Rupees	Year Ended March 31, 2011 Indian Rupees
<b>I</b> Revenue from Operations	<b>20</b>	<b>13,705,191,118</b>	16,320,472,451
<b>II</b> Other Income	<b>21</b>	<b>77,965,348</b>	19,519,307
<b>III Total Revenue (I + II)</b>		<b>13,783,156,466</b>	16,339,991,758
<b>IV EXPENSES</b>			
(a) Cost of Materials Consumed	<b>22</b>	<b>984,549,525</b>	4,785,931,444
(b) Software Development Expenses	<b>22</b>	<b>9,573,165,892</b>	8,936,874,156
(c) Employee Benefit Expenses	<b>23</b>	<b>1,409,222,111</b>	866,539,498
(d) Financial Costs	<b>26</b>	<b>267,736,545</b>	228,722,369
(e) Depreciation and amortisation expenses	<b>11 &amp; 12</b>	<b>105,067,796</b>	90,177,534
(f) Other Operating Expenses	<b>24</b>	<b>127,555,228</b>	124,875,743
(g) Administrative Expenses	<b>25</b>	<b>1,033,409,583</b>	1,045,792,127
<b>Total Expenses</b>		<b>13,500,706,680</b>	16,078,912,872
<b>V</b> Profit before exceptional and extra-ordinary items and tax (III-IV)		<b>282,449,786</b>	261,078,886
<b>VI</b> Exceptional items		<b>0</b>	0
<b>VII</b> Profit before extra-ordinary items and tax (V-VI)		<b>282,449,786</b>	261,078,886
<b>VIII</b> Extra-ordinary Items		<b>0</b>	0
<b>IX Profit Before Tax (VII - VIII)</b>		<b>282,449,786</b>	261,078,886
<b>X Tax Expense</b>			
(1) Current Tax		<b>62,031,660</b>	42,972,271
(2) Deferred Tax		<b>19,403,876</b>	42,479,923
<b>XI Profit / (Loss) for the Period (IX - X)</b>		<b>201,014,249</b>	<b>175,626,692</b>
<b>Earnings per equity share</b>			
(a) Basic		<b>11.12</b>	9.72
(b) Diluted		<b>6.85</b>	6.39
<b>XII Significant Accounting Policies</b>			
<b>Notes to Consolidated Financial Statements</b>	<b>1 - 44</b>		
The accompanying Notes are an integral part of the Financial Statements			
As per our report of even date		For and on behalf of the Board	
<b>M/s.P Murali &amp; Co.,</b>			
Chartered Accountants			
Firm Regn. No: 007257S			
Sd/-	Sd/-	Sd/-	
<b>P. Murali Mohana Rao</b>	<b>V. Satish Kumar</b>	<b>S. Lalith Prasad</b>	
Partner	Managing Director	Director	
M.No. 23412			
Place: Hyderabad	Sd/-	Sd/-	
Date: August 14, 2012	<b>M.N. Narayanan</b>	<b>Malleswara Durga Prasad</b>	
	Vice President - F&A	Company Secretary	

## Consolidated Statement of Cash Flows for the year ended March 31, 2012

	Year Ended March 31, 2012 Indian Rupees	Year Ended March 31, 2011 Indian Rupees
<b>I CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before Taxes	282,449,786	261,078,886
Adjustments for:		
Depreciation	105,067,796	90,177,534
Interest / Miscellaneous Income	(10,050,501)	(20,501,383)
Interest Expenses	267,736,545	228,722,369
Unrealised exchange loss / (gain)	(240,859,051)	253,710,634
<b>Operating Profit before working capital changes</b>	<b>404,344,574</b>	<b>813,188,041</b>
Unbilled Revenues	(1,730,663,518)	207,061,356
Sundry Debtors	2,396,943,476	(1,110,400,659)
Trade Payables	18,732,515	683,021,700
Other Current Assets	(63,753,108)	(36,746,949)
Short Term Loans and Advances	(1,755,549,804)	62,986,461
Current Liabilities	(58,695,979)	(129,501,555)
Long term provisions	25,525,091	(251,372,663)
Short term provisions	88,271,697	55,102,843
<b>Cash generated from operations</b>	<b>(674,845,056)</b>	<b>293,338,575</b>
Taxes payable	(62,031,660)	(42,972,271)
<b>Net cash provided by operating activities</b>	<b>(736,876,716)</b>	<b>250,366,304</b>
<b>II CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed Assets	(29,533,213)	(29,301,300)
Investments	0	1,226,960
Goodwill	108,164,912	91,870,805
<b>Net cash used in investing activities</b>	<b>78,631,700</b>	<b>63,796,465</b>
<b>III CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share Application money	525,505,200	0
Long Term Borrowings	662,253,074	234,463,866
Short Term Borrowings	(263,249,916)	(148,672,883)
Long Term Loans and Advances	25,126,137	(1,382,486,673)
Interest / Miscellaneous Income	10,050,501	20,501,383
Interest Expense	(267,736,545)	(228,722,369)
Reserves & Surplus	(143,133,490)	(280,698,141)
Share of Minority Interest	(25,315,935)	(64,572,916)
<b>Net cash used in financing activities</b>	<b>523,499,027</b>	<b>(1,850,187,733)</b>
<b>Net Increase/(Decrease) in cash and cash equivalents (I+II+III)</b>	<b>(134,745,989)</b>	<b>(1,536,024,964)</b>
Cash and cash equivalents at the beginning of the year	516,975,763	2,053,000,727
<b>Cash and cash equivalents at the end of the year</b>	<b>382,229,774</b>	<b>516,975,763</b>
<b>Cash and Bank balance as at the end of the year as per Note 17</b>	<b>382,229,774</b>	<b>516,975,763</b>
As per our report of even date	For and on behalf of the Board	
<b>M/s.P Murali &amp; Co.,</b>		
Chartered Accountants		
Firm Regn. No: 007257S		
Sd/-	Sd/-	Sd/-
<b>P. Murali Mohana Rao</b>	<b>V. Satish Kumar</b>	<b>S. Lalith Prasad</b>
Partner	Managing Director	Director
M.No. 23412		
	Sd/-	Sd/-
Place: Hyderabad	<b>M.N. Narayanan</b>	<b>Malleswara Durga Prasad</b>
Date: August 14, 2012	Vice President - F&A	Company Secretary



## Notes to Consolidated Financial Statements

	As At March 31, 2012 Indian Rupees	As At March 31, 2011 Indian Rupees
<b>NOTE 1</b>		
<b>a SHARE CAPITAL</b>		
(a) Authorised - 3,00,00,000 equity shares of Rs. 10/- each	300,000,000	300,000,000
(b) Issued - 1,80,77,000 equity shares of Rs. 10/- each	180,770,000	180,770,000
(c) Subscribed and Fully Paid up	180,770,000	180,770,000
(d) Subscribed and not Fully Paid up	0	0
(e) Par Value per Share Rs. 10	0	0
<b>Total Equity Share Capital</b>	<b>180,770,000</b>	<b>180,770,000</b>
<b>b Calls unpaid:</b>		
By Directors	0	0
By Officers	0	0
<b>c Forfeited Shares (amount originally paid up)</b>	<b>0</b>	<b>0</b>
<b>d A Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period</b>		
	<b>No. of Shares</b>	<b>No. of Shares</b>
Total no. of shares at opening accounting period	18,077,000	18,077,000
Add/(Less): No. of shares issued/forfeited during the year	0	0
Total no. of shares at end of accounting period	<b>18,077,000</b>	<b>18,077,000</b>
<b>e Details of Shareholding more than 5% shares of the company:</b>		
	<b>% No. of Shares</b>	<b>% No. of Shares</b>
Mr. Satish Kumar Vuppalapati	14.30% 2,584,961	14.57% 2,634,589
Ms. Madhavi Vuppalapati	6.72% 1,214,445	11.80% 2,133,267
Mr. Pajjuri Karunakar	6.11% 1,105,310	0.00% 0
<b>NOTE 2</b>		
<b>I RESERVES AND SURPLUS</b>		
(a) Securities Premium Account		
As as the commencement of the year	220,881,680	506,588,765
Additions during the year	0	0
Utilised for FCCB Premium during the year	(165,885,542)	(285,707,085)
	<b>54,996,138</b>	<b>220,881,680</b>
(b) General Reserve		
As as the commencement of the year	304,991,235	296,741,234
Additions during the year	22,752,053	8,250,001
Utilised during the year	0	0
	<b>327,743,288</b>	<b>304,991,235</b>
(c) Surplus:		
Opening Balance - Profit & Loss Account	3,204,664,071	3,029,037,378
Add: Transfer from Profit & Loss Account	201,014,249	175,626,692
Less: Transfer to General Reserve	0	0
	<b>3,405,678,320</b>	<b>3,204,664,071</b>
<b>Total Reserves and Surplus</b>	<b>3,788,417,745</b>	<b>3,730,536,986</b>

## Notes to Consolidated Financial Statements

	As At March 31, 2012 Indian Rupees	As At March 31, 2011 Indian Rupees
<b>NOTE 3</b>		
<b>I SHARE APPLICATION MONEY PENDING ALLOTMENT</b>	<b>525,505,200</b>	<b>0</b>
The Company has issued shares to the extent of 16,528,786 and share warrants 50,487,926 at a price of Rs. 26 per share (at a premium of Rs. 16) on preferential allotment basis (refer Note No. 43).		
<b>NOTE 4</b>		
<b>I LONG TERM BORROWINGS</b>		
(a) Bonds / Debentures - Secured	<b>3,908,741,174</b>	3,258,592,061
(b) Long term maturities of Finance Lease obligations - Secured	<b>2,968,929</b>	5,289,954
(c) Other Loans and Advances - Unsecured	<b>31,094,760</b>	16,669,773
<b>Total Long Term Borrowings</b>	<b><u>3,942,804,863</u></b>	<b><u>3,280,551,788</u></b>
(i) Obligations under finance lease are secured against fixed assets obtained under finance lease arrangements		
<b>NOTE 5</b>		
<b>DEFERRED TAX LIABILITY (NET)</b>		
<b>I</b> Opening Deferred Tax Liability	<b>64,974,377</b>	36,528,780
Add: Deferred Tax Liability for the year (due to depreciation)	<b>23,843,848</b>	19,803,147
Add: Deferred Tax Liability for the year (due to others)	<b>3,331,599</b>	8,642,450
<b>Gross Deferred Tax Liability</b>	<b>92,149,824</b>	64,974,377
Opening Deferred Tax Asset	<b>5,100,630</b>	2,690,750
Add: Deferred Tax Asset for the year (due to others)	<b>7,771,571</b>	2,409,880
<b>Gross Deferred Tax Asset</b>	<b>12,872,201</b>	5,100,630
<b>Deferred Tax Liability / (Asset) - Net</b>	<b><u>79,277,623</u></b>	<b><u>59,873,747</u></b>
<b>NOTE 6</b>		
<b>I LONG TERM PROVISIONS</b>		
(a) Provision for Gratuity	<b>8,282,619</b>	8,597,632
(b) Provision for Leave Encashment	<b>6,901,843</b>	13,864,321
(c) Provision for Derivative Contract Loss	<b>688,154,196</b>	656,483,172
<b>Total Long Term Provisions</b>	<b><u>703,338,658</u></b>	<b><u>678,945,125</u></b>
<b>NOTE 7</b>		
<b>I SHORT TERM BORROWINGS</b>		
(a) Loans payable on demand		
(i) From Banks - Secured	<b>371,560,298</b>	678,013,438
(ii) From Banks - Unsecured	<b>340,887,386</b>	297,684,162
(b) Other Loans and Advances - Unsecured	<b>23,407,978</b>	30,654,228
<b>Total Short Term Borrowings</b>	<b><u>735,855,663</u></b>	<b><u>1,006,351,828</u></b>
(i) Bank limits are secured against total book debts		





## Notes to Consolidated Financial Statements

	As At March 31, 2012 Indian Rupees	As At March 31, 2011 Indian Rupees
<b>NOTE 8</b>		
<b>I TRADE PAYABLES</b>		
(a) Dues of Micro, Small & Medium Enterprises	0	0
(b) Dues of other creditors	7,816,104,695	7,797,372,180
<b>Total Trade Payables</b>	<u>7,816,104,695</u>	<u>7,797,372,180</u>
<b>NOTE 9</b>		
<b>I OTHER CURRENT LIABILITIES</b>		
(a) Unpaid Dividend	744,760	744,826
(b) Accrued Payroll and other dues to employees	69,046,995	47,171,167
(c) Statutory Liabilities	132,379,511	100,766,518
(d) Other Liabilities	280,723,454	460,823,035
<b>Total Other Current Liabilities</b>	<u>482,894,721</u>	<u>609,505,547</u>
<b>NOTE 10</b>		
<b>I SHORT TERM PROVISIONS</b>		
(a) Provision for Taxes	95,331,378	52,586,979
(b) Provision for Gratuity	392,706	306,333
(c) Provisio for Leave Encashment	1,045,185	0
(d) Provision for Operating, Vehicle and Travel Expenses	80,823,882	35,296,584
<b>Total Short Term Provisions</b>	<u>177,593,151</u>	<u>88,189,896</u>

NOTES 11-12

TANGIBLE & INTANGIBLE ASSETS AS AT 31-03-2012

**Notes to Consolidated Financial Statements**  
(All amounts in Indian Rupees except as otherwise stated)

Description	Gross Block as at April 1, 2011	Additions	Deletions/ Adjustments	Gross Block as at March 31, 2012	Accumulated Depreciation as at April 1, 2011	Depreciation for the year	Deletions/ Adjustments	Accumulated Depreciation as at March 31, 2012	Net book value as at March 31, 2012	Net book value as at March 31, 2011
<b>(A) TANGIBLE ASSETS</b>										
Plant & Machinery	4,523,076	0	0	4,523,076	647,850	692,438	0	1,340,288	3,182,789	3,875,226
Computer Equipments	67,192,684	2,788,056	3,039,660	66,941,080	44,136,301	6,632,316	1,422,704	49,345,913	17,595,167	23,056,383
Office Equipments	35,212,435	164,060	0	35,376,495	23,570,955	7,245,054	0	30,816,009	4,560,486	11,641,481
Furniture and Fixtures	22,336,378	14,883,104	0	37,219,482	6,517,192	4,446,530	0	10,963,722	26,255,760	15,819,186
Leasehold Improvements	9,021,100	0	0	9,021,100	7,108,055	1,913,034	0	9,021,089	11	1,913,045
Vehicles	43,563,772	334,393	71,700	43,826,465	10,088,273	5,601,356	727,804	14,961,825	28,864,640	33,475,499
<b>(B) INTANGIBLE ASSETS</b>										
Goodwill	735,255,185	108,164,912	0	843,420,097	0	0	0	0	843,420,097	735,255,185
Software	960,674,061	12,324,452	0	972,998,513	307,843,957	57,207,018	0	365,050,975	607,947,538	652,830,104
Acquisition of Clients	108,799,945	0	0	108,799,945	57,737,802	21,330,051	0	79,067,853	29,732,092	51,062,143
TOTAL	1,986,578,636	138,658,977	3,111,360	2,122,126,253	457,650,385	105,067,796	2,150,508	560,567,673	1,561,558,580	1,528,928,250
Previous Year	1,316,289,336	694,099,062	23,809,762	1,986,578,636	367,449,009	90,177,534	(23,842)	457,650,385	1,528,928,250	948,840,327
Capital Work-in-progress									0	0
<b>GRAND TOTAL</b>									<b>1,561,558,580</b>	<b>1,528,928,250</b>

## Notes to Consolidated Financial Statements

	As At March 31, 2012 Indian Rupees	As At March 31, 2011 Indian Rupees
<b>NOTE 13</b>		
<b>I NON-CURRENT INVESTMENTS</b>		
(a) Investment in Joint Ventures		
(i) Prithvi Middle East WLL (50%) - 25000 BHD @ INR 106.0527	2,651,318	2,651,318
	2,651,318	2,651,318
<b>Total Non-Current Investments</b>	2,651,318	2,651,318
Less: Provision for Diminution in Investments	0	0
<b>Total Non-Current Investments</b>	<u>2,651,318</u>	<u>2,651,318</u>
<b>NOTE 14</b>		
<b>LONG TERM LOANS AND ADVANCES</b>		
(a) Security Deposit - Secured	27,930,618	17,632,613
(b) Loans and Advances to Related Parties - Unsecured		
(i) Prithvi Information Solutions Do Brazil	406,062,120	354,253,100
(ii) Prithvi Information Solutions Canada Ltd	255,900,000	223,250,000
(iii) Bastusilpi Constructions Private Limited	300,000,000	300,000,000
(c) Other Loans and Advances	1,737,561,000	1,857,444,162
<b>Total Long Term Loans and Advances</b>	<u>2,727,453,738</u>	<u>2,752,579,875</u>
<b>NOTE 15</b>		
<b>OTHER NON-CURRENT ASSETS</b>		
(i) MAT Credit Entitlement	58,549,393	58,549,393
(ii) Service Tax Credit Receivable	113,592,150	132,598,035
(iii) Unamortised Expenses	64,556,499	0
(iv) Interest Accrued on Deposits	1,524,409	1,574,546
<b>Total Other Non-Current Assets</b>	<u>238,222,451</u>	<u>192,721,974</u>

## Notes to Consolidated Financial Statements

	As At March 31, 2012 Indian Rupees	As At March 31, 2011 Indian Rupees
<b>NOTE 16</b>		
<b>TRADE RECEIVABLES</b>		
(a) Over six months		
(i) Unsecured, Considered good	6,446,171,139	2,131,585,382
(ii) Considered doubtful	25,590,000	22,325,000
	<u>6,471,761,139</u>	<u>2,153,910,382</u>
(b) Others		
(i) Unsecured, Considered good	2,100,043,327	8,811,572,560
(ii) Considered doubtful	0	0
	<u>2,100,043,327</u>	<u>8,811,572,560</u>
Total Trade Receivables	8,571,804,466	10,965,482,942
Less: Provision for Doubtful Debts	25,590,000	22,325,000
	<u><u>8,546,214,466</u></u>	<u><u>10,943,157,942</u></u>
<b>NOTE 17</b>		
<b>CASH AND BANK BALANCES</b>		
(a) Balances with Banks		
(i) On Current Accounts	276,381,930	381,631,180
(ii) Unpaid Dividend Account	744,435	744,651
(b) Cash on Hand	60,773	71,600
sub-total	<u>277,187,138</u>	<u>382,447,430</u>
(c) Other Bank Balances		
(i) On Margin Money Deposit Accounts	105,042,636	134,528,333
sub-total	<u>105,042,636</u>	<u>134,528,333</u>
<b>Total Cash and Cash Balances</b>	<u><u>382,229,774</u></u>	<u><u>516,975,763</u></u>
<b>NOTE 18</b>		
<b>SHORT TERM LOANS AND ADVANCES</b>		
(a) Other Loans and Advances		
(i) Loans and Advances to Employees	9,546,834	4,952,527
(ii) Advances recoverable in cash or kind or for value to be received	1,786,817,044	35,861,547
<b>Total Short Term Loans and Advances</b>	<u><u>1,796,363,878</u></u>	<u><u>40,814,075</u></u>
<b>NOTE 19</b>		
<b>OTHER CURRENT ASSETS</b>		
(a) Unbilled Revenue	3,122,524,756	1,391,861,238
(b) Income Taxes Paid (including refunds receivable) (net)	120,482,396	96,037,165
(c) Prepaid Expenses	2,360,302	8,552,902
	<u><u>3,245,367,454</u></u>	<u><u>1,496,451,305</u></u>



## Notes to Consolidated Financial Statements

	Year Ended March 31, 2012 Indian Rupees	Year Ended March 31, 2011 Indian Rupees
<b>NOTE 20</b>		
<b>REVENUE FROM OPERATIONS</b>		
(a) Revenue from Operations		
(i) Sale of Products	919,086,643	4,948,481,114
(ii) Sale of Services	12,785,944,367	11,371,980,621
(iii) Other operating Revenues	160,108	10,716
<b>Total Revenue from Operations</b>	<b>13,705,191,118</b>	<b>16,320,472,451</b>
<b>NOTE 21</b>		
<b>OTHER INCOME</b>		
(a) Interest Income	10,050,501	20,501,383
(b) Net Gain on Foreign Currency Translation and transaction	67,914,847	(982,076)
<b>Total Other Income</b>	<b>77,965,348</b>	<b>19,519,307</b>
<b>NOTE 22</b>		
<b>COST OF MATERIALS CONSUMED</b>		
(a) Telecom Products	898,736,130	4,651,980,786
(b) Software Development Expenses	9,573,165,892	8,936,874,156
(c) Others	85,813,395	133,950,658
<b>Total Cost of Materials Consumed</b>	<b>10,557,715,417</b>	<b>13,722,805,600</b>
<b>NOTE 23</b>		
<b>EMPLOYEE BENEFIT EXPENSES</b>		
(a) Salaries & Wages	1,398,160,856	849,745,786
(b) Contribution to PF & Other Funds	9,314,784	9,224,744
(c) Staff Welfare Expenses	1,746,471	7,568,968
<b>Total Employee Benefit Expenses</b>	<b>1,409,222,111</b>	<b>866,539,498</b>
<b>NOTE 24</b>		
<b>OTHER OPERATING EXPENSES</b>		
(a) Power & Fuel	4,930,069	6,946,775
(b) Rent	57,506,241	70,395,872
(c) Repairs & Maintenance	8,270,224	7,097,749
(d) Insurance	8,306,498	6,904,127
(e) Rates & Taxes	3,161,671	2,143,172
(f) Miscellaneous Expenditure	17,223,789	32,144,934
(g) Net Loss on Foreign Currency Translation and transaction	0	340,699,368
(h) Payment to Auditors		
(i) As Statutory Auditor	4,401,520	3,270,427
(ii) For Management Services	900,000	253,333
(iii) For reimbursement of Expenses	20,510	114,493
(i) Net Loss on sale / disposal of Assets	222,975	0
(j) Prior Period Items	22,611,730	(345,094,506)
	<b>127,555,228</b>	<b>124,875,743</b>

## Notes to Consolidated Financial Statements

	Year Ended March 31, 2012 Indian Rupees	Year Ended March 31, 2011 Indian Rupees
<b>NOTE 25</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
(a) Telephone, Postage & Others	20,111,427	27,990,234
(b) Travelling and Conveyance	49,742,712	67,888,513
(c) Office Maintenance	7,549,483	8,072,465
(d) Printing & Stationery Expenses	4,046,480	4,303,434
(e) Security Charges	813,859	795,636
(f) Marketing Expenses	828,510,071	764,200,435
(g) Managerial Remuneration	10,208,850	11,254,700
(h) Professional Charges	103,216,603	157,862,130
(i) Director Sitting Fee / Out of Pocket Expenses	1,905,495	1,389,018
(j) Interest on taxes payable	160,000	0
(k) General Expenses	7,144,604	2,035,562
	<u>1,033,409,583</u>	<u>1,045,792,127</u>
<b>NOTE 26</b>		
<b>FINANCE COST</b>		
(a) Interest Expenses		
(i) Interest on Bill Discounting	62,413,076	45,708,299
(ii) Interest on Cash Credit	39,141,495	40,005,299
(iii) Loan Processing and Bank Charges	5,096,173	35,344,330
(iv) Factoring Charges	66,224,778	0
(b) Other Borrowing Costs	94,861,024	107,664,441
	<u>267,736,545</u>	<u>228,722,369</u>



## **Nature of Operations**

Prithvi Information solutions Ltd is an Information and Communication technology (ICT) service provider. Prithvi is divided into IT services and Telecom Products and Services. Prithvi IT services division provides multiple services and solutions to meet the IT requirements of various industries across geographies. Prithvi telecom solutions division provide service that covers all aspects of a telecom operator ecosystem including providing telecom software, building telecom networks and supplying telecom hardware product.

## **Significant Accounting Policies**

### **a. Basis of preparation**

The financial statements are prepared under the historical cost convention and the requirement of the Companies Act, 1956.

### **b. Principles of Consolidation**

The financial statements of the subsidiary companies are drawn up to the same reporting date as of the company.

The consolidated financial statements have been prepared on the following basis:

- i. The financial statements of the company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, inter-company balances and transactions and unrealised profits or losses have been fully eliminated.
- ii. Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Group in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.
- iii. The Joint Ventures which are in the form of "Jointly Controlled Entities" are not consolidated.

### **c. Use of estimates**

The preparation of financial statements requires the management of the company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of financial statements and reported amounts of income and expenses during the year. These estimates are often based on judgements, probabilities and assumptions that management believe are reasonable but that are inherently uncertain and unpredictable. As a result, actual result could differ from those estimates. Example of such estimates include provision for doubtful debts, employee benefits, provision for income taxes, useful lives of depreciable fixed assets and provisions for impairment.

Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates are made progressively based on such periodic evaluations.

### **d. Fixed Assets**

Fixed assets are stated at cost, less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition.

#### e. Depreciation

Depreciation other than freehold land and capital work-in-progress is charged so as to write off the cost of assets, on the following basis:

Plant & Machinery	Straight Line	4.75%
Computers and computer equipment	Straight Line	16.21%
Office Equipment	Straight Line	16.21%
Furniture & Fixtures	Straight Line	6.33%
Leasehold Improvements	Straight Line	20.00%
Vehicles	Straight Line	9.50%
Software	Straight Line	16.21%
Software Tools	Straight Line	5.00%
Acquisition of clients	Straight Line	20.00%

Individual assets costing Rs. 5,000/- or less are fully depreciated in the year of purchase.

#### f. Impairment

At each balance sheet date, the management reviews the carrying amounts of its assets to determine whether there is any indication that those assets were impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

#### g. Intangible assets

An intangible is recognised, where it is probable that future economic benefits attributable to the asset will accrue to the enterprise and the cost can be measured reliably. Intangible assets are stated at cost less accumulated amortisation.

#### h. Research and Development Costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

#### i. Leases

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

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the profit & loss account on a straight line basis.

#### j. Investments

Investments are stated at cost, less provision for other than temporary diminution in value.

#### k. Inventories

Raw materials, sub-assemblies and components are carried at the lower of cost and net realisable value. Cost is determined on first in first out basis. Work-in-progress and finished goods are carried at lower of cost and net realisable value. Cost includes direct material and labour and a proportion of manufacturing overheads.



**l. Revenue recognition**

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred.

Revenues from turn key contracts, which are generally time bound fixed priced contracts, are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion.

Revenues from the sale of equipment are recognised upon delivery to the customer.

**m. Foreign currency transactions**

Income and expenses of the subsidiaries are converted in INR at the year-end closing exchange rates. The assets and liabilities are also converted in INR at the year-end closing exchange rates.

**n. Retirement and other employee benefits (Refer Note:28)**

Retirement benefits in the form of Provident Fund are a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the Provident Fund authorities.

Gratuity liability is defined benefit obligations and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

**o. Income Taxes**

Tax expense comprises of current and deferred tax. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to overseas operations is determined in accordance with the tax laws applicable in countries where such operations are domiciled.

Deferred Tax expense or benefit is recognised on timing differences being the difference between the taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or subsequently enacted by the balance sheet date.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of income tax liability, is considered as an asset if there is convincing evidence that the company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the company and the asset can be measured reliably.

**p. Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognised when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised in the financial statements. Contingent asset is neither recognised nor disclosed in the financial statements.

**q. Cash and cash equivalents**

The company considers all highly liquid financial instruments, which are readily convertible into cash and have original maturities of three months or less from the date of purchase, to be cash equivalents.

## Notes to Consolidated Financial Statements

### 27. Particulars of Subsidiaries

Name of the Company	Country of Incorporation	% of voting power	% of voting power
		March 31, 2012	March 31, 2011
<b>Subsidiaries</b>			
Prithvi Solutions Inc	USA	100	100
Prithvi Wireless Solutions Ltd	India	100	100

### 28. Gratuity Plan

The company has an unfunded defined benefit gratuity plan. Employees are eligible for gratuity benefits on termination or retirement in accordance with Payment of Gratuity Act, 1972. The following tables summarises the components of net benefit expense recognised in the profit and loss account and the provision status and amounts recognised in the balance sheet for the plan:

#### Defined Gratuity Benefit Plan Expenses / Obligation:

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Interest Cost	1,042,981	1,019,567
Current Service Cost	3,891,394	4,501,644
Past Service Cost	0	0
Actuarial (Gain) / Loss	(5,163,015)	(4,133,300)
Net Employee benefit expense	(228,640)	1,387,911
Defined benefit obligation – Opening	8,903,965	7,916,298
Defined benefit paid during the year	(228,640)	400,244
Defined benefit obligation – Closing	8,675,325	8,903,965



### Assumptions used in accounting for the gratuity plan:

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Discount Rate	8.65%	8.25%
Expected rate of return on plan assets	Not Applicable	Not Applicable
Salary escalation rate – first year	7.0%	10.0%
Salary escalation rate – second year	7.0%	7.0%
Salary escalation rate – from 3 <sup>rd</sup> year	7.0%	7.0%

### 29. Segment Reporting

The company is engaged in the business of:

- Software services
- Telecom services and products

Segment reporting			
Year ended March 31, 2012			
Particulars	Business Segments (Rs.)		
	Software	Telecom	Total
Revenue	12,581,977,875 11,206,814,838	1,123,213,243 5,113,657,613	13,705,191,118 16,320,472,451
Segment result	597,501,228 240,869,336	(20,212,450) 319,590,147	577,288,778 560,459,483
Unallocable Expenses			372,804,341 322,650,503
Operating income			204,484,438 237,808,980
Other income (net)			77,965,348 23,269,907
Profit before Taxes			282,449,786 261,078,886
Tax expenses			81,435,536 85,452,194
Net profit for the year			201,014,249 175,626,692
Particulars	Business Segments (Rs.)		
	Software	Telecom	Total
As at March 31, 2012			
Segment Assets	2,847,641,151	5,698,573,315	8,546,214,466
Unallocable Assets			9,966,719,393
Total Assets			18,512,933,859
Segment liabilities	272,317,922	7,543,786,773	7,816,104,695
Unallocable Liabilities			6,134,636,879
Total Liabilities			13,950,741,574

### 30. Related Party Disclosures

- a. Related Parties and their Relationship
  - i. Subsidiaries
    1. Prithvi Solutions Inc
    2. Prithvi Wireless Solutions Limited
  - ii. Associates
    1. Prithvi Information Solutions LLC
    2. Prithvi Information Solutions Brazil
    3. Prithvi Information Solutions Canada, Ltd
    4. Bastusilpi Constructions Private Limited
  - iii. Key Managerial Personnel
    1. Ms. V Madhavi
    2. Mr. V Satish Kumar
- b. Transactions with Related Parties (Rs.)

Particulars	Subsidiaries	Associates	Key Managerial Personnel
Long term Loans and Advances***	(38,314,522)	84,459,020	-
Investments***	(1,045,709,760)	-	-
Short Term Loans and Advances (Note No:18(a) (ii))	-	1,92,48,504	-
Sales	-	336,76,35,050	-
Collections	-	346,53,37,160	-
Purchases	-	28,39,699	-
Payments	-	30,57,057	-
Remuneration	-	-	14,558,850

\*\*\* The figures are shown in the Balance Sheet in notes to financial statements at Note no. 14.

Particulars	Subsidiaries	Associates
<b>Balance as on 01.04.2011</b>		2,432,648,774
Add/(Less):Long Term Loans and Advances	(38,314,522)	84,459,020
Add / (Less) : Investments	(1,045,709,760)	
<b>Balance as on 31.03.2012</b>		<b>1,348,624,492</b>

### 31. Leases

	Year ended March 31, 2012 Indian Rupees	Year ended March 31, 2011 Indian Rupees
<b>Non-cancellable Operating Lease obligation</b>		
Not later than one year	49,725,416	64,471,644
Later than one year but not later than five years	142,713,360	99,268,536
Later than five years	107,509,878	-
<b>Total</b>	<b>299,948,654</b>	<b>163,740,180</b>
<b>Obligation towards finance leases</b>		
Less than one year	404,850	5,795,682
One to five years	-	15,071
Later than five years	-	-
<b>Total</b>	<b>404,850</b>	<b>5,810,753</b>

### 32. Interest in Joint Venture

The company has a 50% interest in the assets, liabilities, incomes and expenses of Prithvi Middle East WLL, incorporated in the Kingdom of Bahrain, which is engaged in Software Development.

There are no capital expenditure commitments and contingent liabilities of the joint venture as on March 31, 2012.

### 33. Contingent Liabilities

Particulars	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
Interest and FX losses Claimed by Deutsche Bank	-	80,300,860
Sojitz Corporation - Excess of Interest Claimed over amount provided	-	11,103,804
Marubeni Corporation - Out of Pocket expenses claimed	-	25,831,824
Suguna Technologies - Interest Claimed	180,531	180,531
Income tax demand for the FY 2006-07	-	397,552,902
TDS demand for the FY 2004-05	2,501,310	2,501,310
TDS demand for the 2005-06	1,825,026	1,825,026
TDS demand for the 2006-07	26,093,828	26,093,828
TDS demand for the 2008-09	405,790	15,442,120

### 34. Foreign Currency Exposure

Particulars as on March 31, 2012	CUR	Dr/(Cr)	Exch Rate	Amt in Rs.
Sundry Debtors	USD	48,085,766	51.18	2,461,029,520
Loans to Subsidiary	USD	26,350,615	51.18	1,348,624,492
Loans and Advances	USD	45,513,466	51.18	2,329,379,197
Secured Loans	USD	(6,236,675)	51.18	(319,193,001)
Bank Balance	USD	893,358	51.18	45,722,077
Unbilled Revenue	USD	53,343,107	51.18	2,730,100,226
Payment to Vendors	USD	(2,203,541)	51.18	(112,777,231)
Trade Payables	USD	(2,139,123)	51.18	(109,480,329)
Foreign Currency Convertible Bonds (FCCB)	USD	(50,000,000)	51.18	(2,559,000,000)
Premium payable on FCCB	USD	(26,372,434)	51.18	(1,349,741,174)
Particulars as on March 31, 2011	CUR	Dr/(Cr)	Exch Rate	Amt in Rs.
Sundry Debtors	USD	106,795,451	44.65	4,768,416,875
Loans to Subsidiary	USD	56,482,605	44.65	2,521,948,327
Payable to Vendors	USD	(2,448,248)	44.65	(109,314,289)
Loans and Advances	USD	12,934,000	44.65	577,503,100
Secured Loans	USD	(10,489,819)	44.65	(468,370,423)
Unsecured Loans	USD	(6,236,643)	44.65	(278,466,128)
Bank Balance	USD	39,624	44.65	1,769,224
Unbilled Revenue	USD	18,161,253	44.65	810,899,959
Sundry Creditors	USD	(2,332,057)	44.65	(104,126,329)
Foreign Currency Convertible Bonds (FCCB)	USD	(50,000,000)	44.65	(2,232,500,000)
Premium on FCCB	USD	(22,980,785)	44.65	(1,026,092,061)
Sundry Creditors	JPY	(4,803,380,711)	0.5402	(2,594,786,260)

### 35. Foreign Currency Convertible Bonds (FCCB)

The Company issued Zero Coupon Foreign Currency Convertible Bonds amounting to USD 50,000,000 due in 2012, convertible into ordinary shares of the Company. The bonds are issued in denomination of USD 100,000 each and integral multiples thereof. The bonds will constitute direct un-conditional and secured obligations of the Company and will rank pari passu, without any preference among themselves, with all other outstanding secured and unsubordinated obligation of the Company, present and future, but in the event of insolvency, only to the extent permitted by applicable laws relating to the creditors' right. The bond will be secured by a second charge on all consolidated receivables. The Bond will have yield to maturity @ 8.58% per annum compounded semi-annually.

The bondholders can convert the bonds into equity share of the Company at conversion price of Rs. 346.30 per share at fixed exchange rate of 1 USD = Rs. 44.09 during Bondholder Conversion Period, which starts on March 12, 2007 and ends at the place where certificate is deposited for conversion of a Bond on January 26, 2012.

The Company may, at its absolute discretion at any time on or after February 26, 2008 and prior to February 26, 2010, elect to convert all (but not some) of the Bonds into Shares at the Conversion Price subject to the terms and conditions mentioned in the offer circular.

These bonds matured on February 29, 2012 with a maturity value of USD 50 million towards principal and USD 26.37 million towards premium totaling USD 76.37 million. The Company entered into an agreement with the Bond Holders and the same is under process for its redemption.

Utilisation of Funds raised thru FCCB:

Particulars	As at March 31, 2012 (Rs.)	As at March 31, 2011 (Rs.)
FCCB Funds received	2,200,500,000	2,200,500,000
Interest Earned – Bank	217,094,476	217,094,476
Exchange Gain / (Loss)	53,756,796	125,089,980
<b>Total Funds</b>	<b>2,471,351,272</b>	<b>2,542,684,456</b>
Loans to Subsidiary	2,394,334,252	2,465,667,436
Professional Charges	77,017,020	77,017,020
<b>Total Utilisation</b>	<b>2,471,351,272</b>	<b>2,542,684,456</b>

### 36. Directors' Remuneration

Particulars	As at March 31, 2012 (Rs.)	As at March 31, 2011 (Rs.)
Salaries, bonus and allowances	14,558,850	14,204,700
Commission to non executive directors	1,650,000	3,050,000
<b>Total</b>	<b>16,208,850</b>	<b>17,254,700</b>

#### Note:

- As the future liability for gratuity and leave encashment is provided on an actuarial basis for the company as a whole, the amount pertaining to the directors is not ascertainable and therefore, not included above.



**37. Computation of Net Profit in accordance with Section 349 and 350 of the Companies Act, 1956 for calculation of commission payable to Directors:**

Particulars	Year ended March 31, 2012 (Rs.)	Year ended March 31, 2011 (Rs.)
Profit after Tax and prior period items as per Profit & Loss Account	107,218,163	87,903,986
<b>Add:</b>		
Directors' Remuneration	16,208,850	17,254,700
Income tax payable by the company	51,074,721	76,345,044
Loss on Derivative contracts	0	118,508
Total Net Profit for payment of Managerial remuneration	174,501,734	181,622,238
<b>Maximum commission allowed to Managing and Whole Time Directors @ 10% of the Net Profits as calculated above</b>	17,450,173	18,162,224
<b>Maximum commission allowed to other Directors @ 1% of the Net Profits as calculated above</b>	1,745,017	1,816,222

**38. Auditors' Remuneration**

Particulars	Year ended March 31, 2012 (Rs)	Year ended March 31, 2011 (Rs)
Statutory Audit Fees	1,600,000	1,500,000
Audit of US Operations	2,801,520	1,103,760
Internal Audit Fees	900,000	840,000
Out of pocket expenses	20,510	194,493
<b>TOTAL</b>	<b>5,322,030</b>	<b>3,638,253</b>

**39. Earnings in Foreign Currency (Accrual basis)**

Particulars	Year ended March 31, 2012 (Rs)	Year ended March 31, 2011 (Rs)
Income from Services	11,127,262,331	10,407,297,868
Interest Income	0	14,336,889
<b>Total</b>	<b>11,127,262,331</b>	<b>10,421,634,757</b>

**40. Expenditure in Foreign Currency (Accrual basis)**

Particulars	Year ended March 31, 2012 (Rs)	Year ended March 31, 2011 (Rs)
Professional and Consultancy charges	9,593,437,115	8,826,914,392
Remuneration	507,144,507	763,722,966
Travelling	14,756,483	29,014,105
Marketing	304,892	1,652,046
Communication	6,353,659	5,051,099
Bank Charges	137,484	353,039
Other Expenses	137,273,512	125,366,009
<b>Total</b>	<b>10,259,407,652</b>	<b>9,752,073,656</b>

#### 41. Disclosure required by Clause 32 of the Listing Agreements

Amount of loans and advances in the nature of loans due from subsidiaries as at March 31, 2012:

Subsidiary	As at March 31, 2012	Maximum amount during the year
Prithvi Solutions Inc	1,348,624,492	2,394,334,252
<b>Total</b>	<b>1,348,624,492</b>	<b>2,394,334,252</b>

42. The Company has entered into an agreement with a creditor with whom there was a disputed liability of Rs. 331.60 crores, and the same is under settlement.

An Escrow account was opened for discharging liability to the creditor and funds have been deposited to the extent of Rs. 126.74 crores.

43. Out of the preferential issue of Rs. 174.24 crores the Company has received Rs. 29.43 crores towards equity shares and Rs. 23.11 crores towards share warrants and balance is yet to be received.

44. Previous year's figures have been regrouped where necessary to confirm to this year's classification.

**M/s.P Murali & Co.,**  
Chartered Accountants  
Firm Regn. No: 007257S

For and on behalf of the Board of Directors

Sd/-  
**P. Murali Mohana Rao**  
Partner  
M.No. 23412

Sd/-  
**V. Satish Kumar**  
Managing Director

Sd/-  
**S. Lalith Prasad**  
Director

Place: Hyderabad  
Date: August 14, 2012

Sd/-  
**M.N. Narayanan**  
Vice President - F&A

Sd/-  
**Malleswara Durga Prasad**  
Company Secretary





**Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to subsidiary companies**

<b>Particulars</b>	<b>Prithvi Solutions Inc</b>	<b>Prithvi Solutions Inc Subsidiaries</b>	<b>Prithvi Wireless Solutions Limited</b>
Reporting Currency	USD	USD	INR
Exchange Rate	51.18	51.18	1.00
Capital	1,148,069,760	464,771,517	500,000
Reserves	83,830,298	20,520,566	(500,000)
Total Assets	2,101,252,752	859,729,282	0
Total Liabilities	1,385,602,339	287,404,083	0
Other Investments	523,012,666	0	0
Turnover	111,458,739	1,262,031,922	0
Profit Before Taxation	11,170,392	116,324,533	0
Provision or Taxation	4,407,371	29,291,417	0
Profit after Taxation	6,763,021	87,033,116	0
Proposed Dividend	0	0	0
Country	USA	USA	India

*LEFT BLANK INTENTIONALLY*



*LEFT BLANK INTENTIONALLY*





## PRITHVI INFORMATION SOLUTIONS LIMITED

Registered Office: Prithvi House, # 2-56/2/19, Khanamet, Madhapur, Hyderabad-500 081

### ATTENDANCE SLIP

Regd. Folio No./Client ID :

Name & Address of First/Sole Shareholder :

No. of Shares held :

I hereby record my presence at the 14<sup>th</sup> Annual General Meeting of the Company on **Monday, the 24<sup>th</sup> September, 2012 at 11.00 a.m. at Surana Udyog Auditorium, Federation House, The Federation of Andhra Pradesh Chamber of Commerce and Industry, Red Hills, Lakdikapul, Hyderabad - 500 004.**

**Signature of Member/Proxy**

**Note:** A Member/Proxy who wish to attend the meeting shall bring this Attendance Slip to the meeting and handover at the entrance duly signed.



## PRITHVI INFORMATION SOLUTIONS LIMITED

Registered Office: Prithvi House, # 2-56/2/19, Khanamet, Madhapur, Hyderabad-500 081

### PROXY FORM

Regd. Folio No./Client ID: ..... No. of Shares Held: .....  
 I/We.....of.....being a member/members  
 of the above named Company, hereby appoint..... of .....  
 or failing him/her .....  
 of .....as my/our Proxy to attend and vote for me/  
 us on my/our behalf at the 14<sup>th</sup> Annual General Meeting of the Company on Monday, the 24<sup>th</sup> September, 2012 at 11.00 am at Surana Udyog Auditorium, Federation House, The Federation of Andhra Pradesh Chamber of Commerce and Industry, Red Hills, Lakdikapul, Hyderabad - 500 004 and at any adjournment thereof.

Signed \_\_\_\_\_ day of September, 2012.

Affix  
₹ 1 paise  
revenue  
stamp

A Proxy need not be a member of the company.

- The Proxy form duly signed by the member(s) across Revenue Stamp should reach the Company's Registered Office at Prithvi House, #2-56/2/19, Khanamet, Madhapur, Hyderabad – 500 081 at least 48 hours before the time fixed for the meeting.
- In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members.
- The submission by a member of this form of proxy will not preclude such member from attending in person and voting at the Meeting.

*LEFT BLANK INTENTIONALLY*



# 2012

**BOOK-POST**



## Prithvi House

#2-56/2/19, Khanamet,  
Madhapur, Hyderabad - 500 081.  
Website : [www.prithvisolutions.com](http://www.prithvisolutions.com)