

Acropetal Technologies Ltd  
Annual Report 2010-2011



## GENERAL INFORMATION

### BOARD OF DIRECTOR

Mr. D. Ravi Kumar	Chairman and Managing Director
Mr. Ramdas Janardhana Kamath	Independent Director
Dr. D.K. Subrahmanya Reddy	Independent Director
Dr. Mathew J. Manimala	Independent Director
Mr. Ashok Kumar Jultha	Director
Mr. Mohan Hosahally Ramakrishna	Independent Director
Dr. Rajesh Nair	Director

(up to 1<sup>st</sup> September, 2010)

### COMPANY SECRETARY

Ms. Shobha Acharya

### AUDIT COMMITTEE

Mr. Ramdas Janardhana Kamath	Chairman
Dr. D.K Subrahmanya Reddy	Member
Mr. Mohan Hosahally Ramakrishna	Member

### REMUNERATION COMMITTEE

Dr. Mathew J. Manimala	Chairman
Mr. Ramdas Janardhana Kamath	Member
Mr. Mohan Hosahally Ramakrishna	Member

### SHAREHOLDERS GRIEVANCE COMMITTEE

Dr. D.K Subrahmanya Reddy	Chairman
Mr. Mohan Hosahally Ramakrishna	Member
Mr. D. Ravi Kumar	Member

### BANKERS

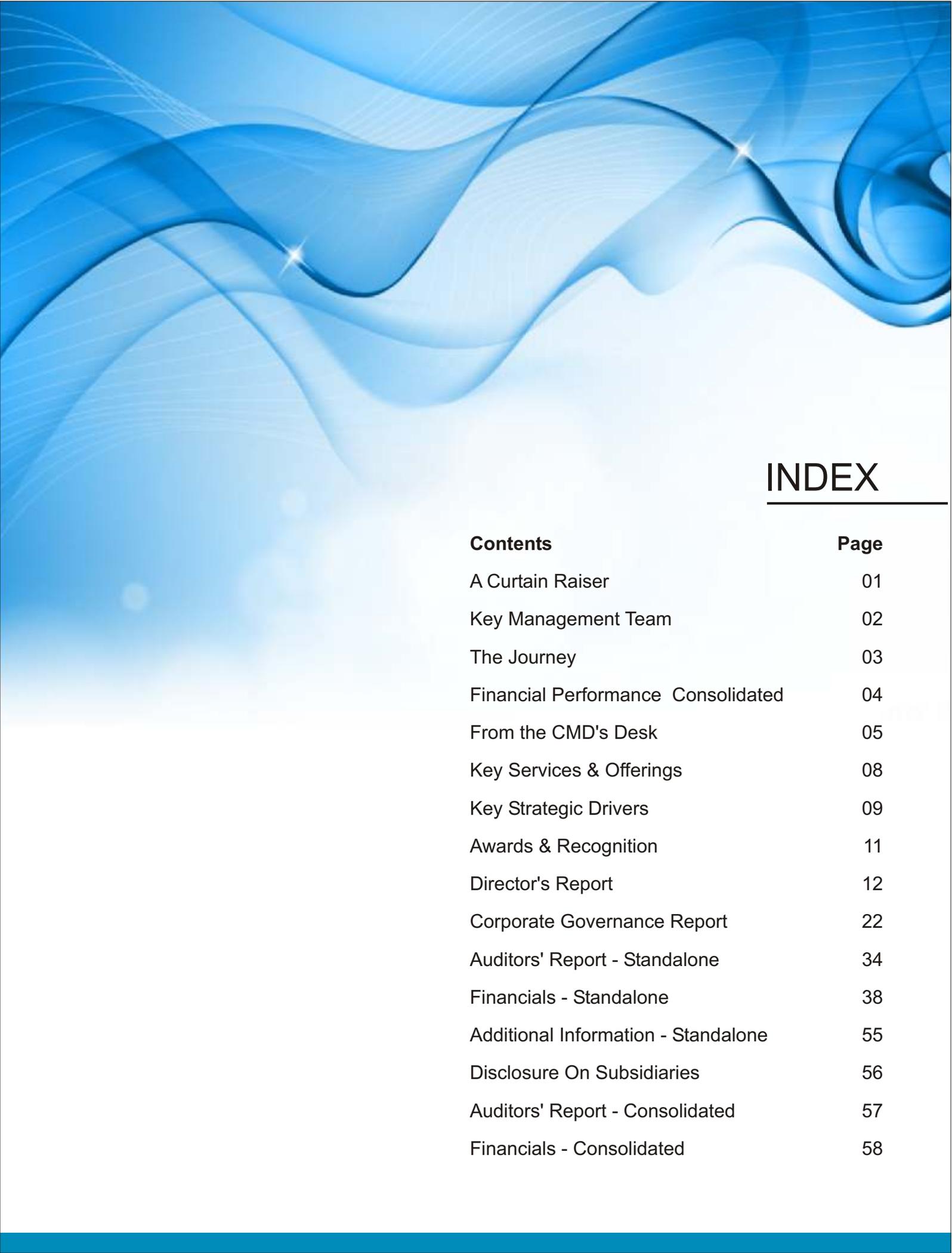
State Bank of Travancore  
Axis Bank Limited  
United Bank of India  
South Indian Bank Limited

### STATUTORY AUDITORS

M/s K. Gopalakrishnan & Co.  
**Chartered Accountants**  
# 120, Infantry Road,  
Next to Balaji Plywood  
Bangalore- 560 001.

### REGISTERED OFFICE

#2/10, 3<sup>RD</sup> Floor, Ajay Plaza  
1<sup>st</sup> Main, N S Palya  
Bannerghatta Road  
Bangalore - 560 001.



# INDEX

---

<b>Contents</b>	<b>Page</b>
A Curtain Raiser	01
Key Management Team	02
The Journey	03
Financial Performance Consolidated	04
From the CMD's Desk	05
Key Services & Offerings	08
Key Strategic Drivers	09
Awards & Recognition	11
Director's Report	12
Corporate Governance Report	22
Auditors' Report - Standalone	34
Financials - Standalone	38
Additional Information - Standalone	55
Disclosure On Subsidiaries	56
Auditors' Report - Consolidated	57
Financials - Consolidated	58

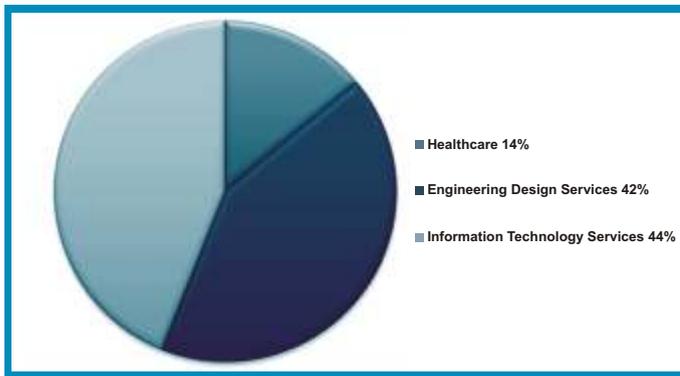
# ACROPETAL TECHNOLOGIES - A Curtain Raiser

Bangalore-based IT services and products company offering Information Technology (IT) partnerships for integrated enterprise solutions to its global clients.

- Presence in over 7 countries worldwide including business partners
- State of the Art Development Centre and Corporate Office – over 55,000 square feet
- Development centre under construction - 200,000 square feet
- IP protection & separate network protection for ODC and data sensitive client engagement
- Global Delivery Model with optimal onsite, offsite, offshore services facilitating cost effective and high quality services

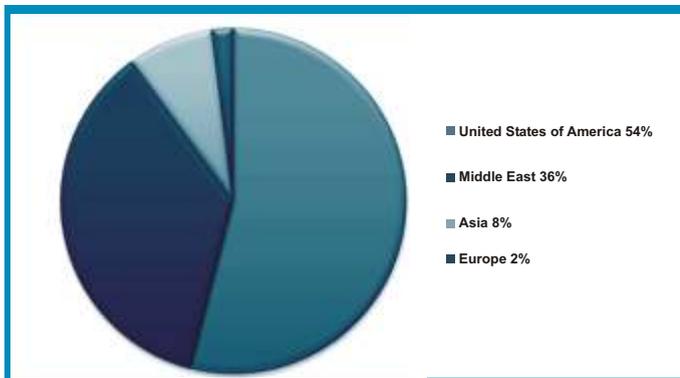
## Industry Verticals

### Segment Wise Revenues



## Geographies

### Geographical Break up of Revenues



## Key Management Team

<b>Mr. D Ravi Kumar</b>	Chairman & Managing Director
<b>Mr. Jamili Jalaiah</b>	Executive Vice President – Strategy
<b>Mr. Ashok Kumar Jultha</b>	Director Healthcare Services
<b>Mr. Sudhendu Kumar Basu</b>	Vice President – Finance
<b>Dr. Sandeep K. Krishnan</b>	Head – Human Resources
<b>Mr. Sanjay Prasad</b>	Executive Vice President & Head Technology Solutions
<b>Mr. Pavaman YA</b>	Executive Vice President Enterprise Solutions
<b>Mr. Ajoy Sridhar</b>	Vice President Sales – SAP Practice
<b>Mr. N. Mohan Kumar</b>	Head – US Operations



# The Journey

## 2001 - 2002

- ✍ Acropetal incorporated in Bangalore
- ✍ Engineering Design Services key focus area
- ✍ Started Bangalore development center

## 2002-2003

- ✍ Added IT services vertical
- ✍ QMS for quality initiated
- ✍ Started dedicated development centre for one of our large client

## 2003-2008

- ✍ Best Performer High Growth SMB – By STPI IT Export Awards 06 - 07
- ✍ First Among the Fastest Growth SME Companies In Karnataka – 06 – 07
- ✍ Received Approval for setting up 100 % EOU under STPI scheme

## 2008-2009

- ✍ Healthcare & Energy as New Verticals
- ✍ High Growth in SMB Unit – By STPI 2008 - 2009
- ✍ ISO 9001 – 2008 quality certified

## 2009-2010

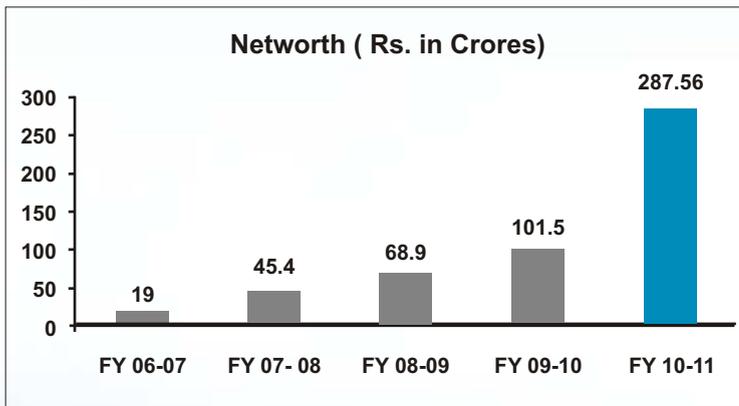
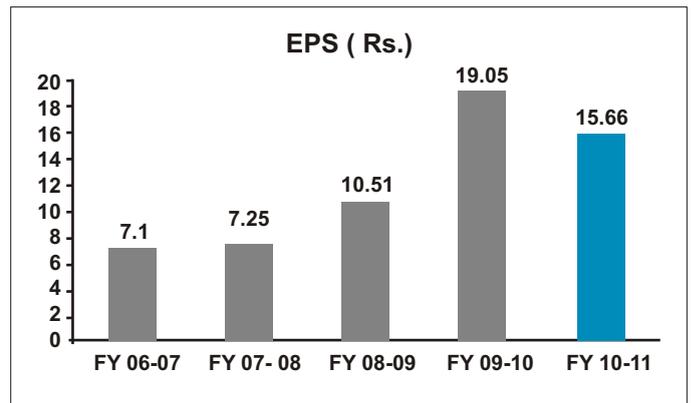
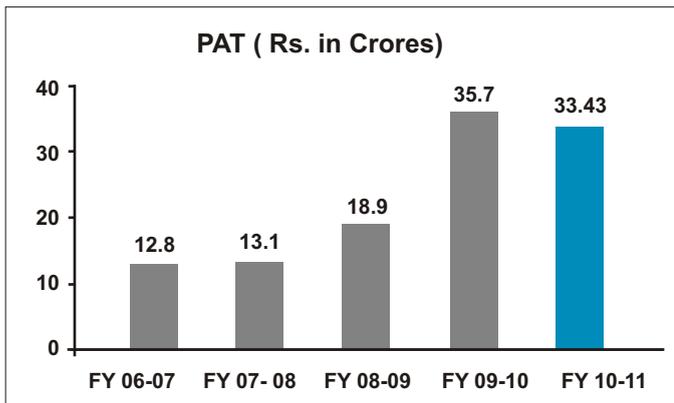
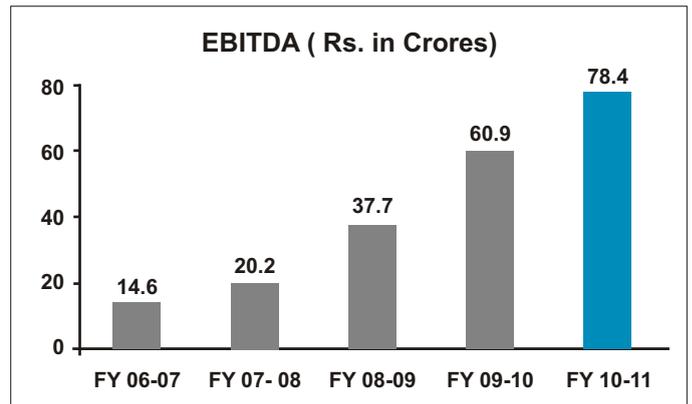
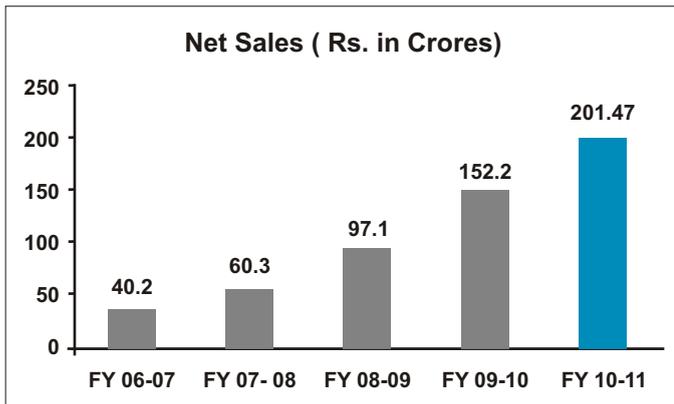
- ✍ Strategic investment in healthcare products
- ✍ Re-align Strategy to focus on 4 verticals
- ✍ Setup 100% wholly owned subsidiary in UAE

## 2010-2011

- ✍ CMD Recognized as CEO of Emerging Organizations at Asia Pacific HR Congress 2010
- ✍ Healthcare & Energy key focus verticals
- ✍ Successful IPO, now listed at BSE and NSE



## Financial Performance (Consolidated)



### Dear Fellow Stakeholders

It is with pleasure that I pen this note to you, the stakeholders of our company which listed recently at the premier Indian stock exchanges post the successful completion of our Initial Public Offering of Rs. 170 crores. At the outset, allow me to thank all of you who participated to make this issue a successful one and for reposing their faith in our business.

### Our Operations

We recorded a 32% rise in net sales from operations on the back of strong traction from existing and new customers. Operating profits grew by 30% on account of good business traction and our cost conscious approach.

At the net profit level we witnessed a marginal de-growth of 6%, mainly due to increase in provisions made for depreciation on the assets acquired during the year. Infact there is an increase of 24.70% in cash profit.

### Global Headwinds

The global economic scenario remained uncertain following prolonged weakness in the U.S. and European markets and it continues to remain so. Activity is slowing down and downside risks have increased again. Growth in many advanced economies is still weak, considering the depth of the recession that has set in therein.

In India, whereas the economy has been relatively insulated from the global downturn, rising inflation and interest rates have cast an overhang on domestic growth prospects. Nevertheless, the Indian economy continues to be one of the fastest growing economies in the world.

Poised to become a USD 225 billion industry by 2020, as per NASSCOM estimates, the Indian information technology (IT) industry has played a key role in putting India on the global map. The IT-BPO sector has become one of the most significant growth catalysts for the Indian economy.

The sector is estimated to have grown by 19 per cent in the FY2011, clocking revenue of almost USD 76 billion. India's outsourcing industry has witnessed a rebound and registered better than expected growth according to NASSCOM.

The export revenues are estimated to have aggregated to USD 59 billion in FY2011 and contributed 26 per cent as its share in total Indian exports (merchandise plus services), according to a research report 'IT-BPO Sector in India: Strategic Review 2011', published by NASSCOM. Furthermore, the domestic IT-BPO revenues excluding hardware are expected to have grown at almost 16 per cent to reach USD 17.35 billion in FY2011.

## **Competitive Edge**

Our company's competitive edge lies in its niche offerings with strong focus on four major industry sectors such as Infrastructure, BFSI/Retail, Health and Energy.

This diversified product portfolio helps our company to leverage on our domain expertise in addition to offering end-to-end solutions to our customers.

The ability of our teams to consistently deliver value to clients is due to the disciplined implementation of processes across all facets of our business. This foundation governs quality management across our operations and for each stakeholder group. Our strong commitment to operational excellence is also supported by an extensive local and global delivery model.

Our success in meeting client expectations in fiscal 2011 led to significant new contract signings, expanding our relationship with others.

These wins, combined with major contract renewals across our targeted industries, including new revenue opportunities generated through strong customer relationship driven engagements and focused sales and marketing initiatives have enhanced our scale and delivery capabilities. Our focus will continue to be on generating the results our clients need to grow and thrive in their respective industries. Our company has legacy clients, who have remained with us for a long period of time and this augurs well in terms of the stability tenets.

## **Strategic Inorganic Growth**

We have raised funds for acquisition purposes. Our thought process was to acquire companies which compliment our existing portfolio in terms of technology and also enable us to offer end-to-end solutions.

Client base expansion is also the core focus area of our acquisitions. In line with this strategic focus, we acquired Line Beyond Inc, USA and Optech Consulting Inc. USA. These companies provide synergies in terms of client enlargement.

Significant opportunities exist in core verticals (BFSI) and geographic segments (US), and emerging geographic (Asia Pacific) and vertical markets such as retail, healthcare and government. Additionally, the Indian domestic market, with its current low penetration levels, offers significant headroom for growth in the future. Tapping these will be one of our major growth drivers going forward.

## Vote of Thanks

The success behind the niche we have created for ourselves amidst the burgeoning numbers of IT service providers emanates from the ownership mentality which is woven into all aspects of our management approach resulting in high accountability and empowerment of all our staff members. Our Company was awarded the 'organization with innovative HR practices' at the Asia-Pacific HRM congress for Global HR Excellence Award, 2010.

I take this opportunity to thank all our stakeholders here for their continued support and look forward to another year of growth driven by innovation.

Chairman & Managing Director

D Ravi Kumar

## Key Services & Offerings

Acropetal Technologies Limited (ATL) was incorporated in the year 2001 in Bangalore and received 100% EOU certification in January 2003. The company has categorized its services into:

Engineering Design Services	Healthcare	Enterprise Solutions	IT Infrastructure Solutions
<ul style="list-style-type: none"> <li>✍ Architectural</li> <li>✍ Structural</li> <li>✍ Electrical</li> <li>✍ Plumbing</li> <li>✍ Steel Detailing</li> <li>✍ External Utilities</li> <li>✍ Design Engineering</li> </ul>	<ul style="list-style-type: none"> <li>✍ Hospital Management System</li> <li>✍ Electronic Medical Records</li> <li>✍ PACS</li> <li>✍ Diagnostics</li> <li>✍ Workflow Management</li> </ul>	<ul style="list-style-type: none"> <li>✍ Customer Relationship Management</li> <li>✍ Enterprise Resource Planning</li> <li>✍ IT Applications Management</li> <li>✍ Greenhouse Gas Management</li> </ul>	<ul style="list-style-type: none"> <li>• Information Life Cycle Management</li> <li>• Network Security Solution</li> <li>• IT Infrastructure Management Services</li> <li>• Cloud Services</li> <li>• Enterprise Software Solution</li> <li>• End Point Computing</li> </ul>



## Key Strategic Drivers

Mr. Jamili Jalaiah , Executive Vice President – Strategy shares his insights on the company's growth prospects with Ms. Mallika ( Head – Corporate Communications).

### Diversified Revenue Model

The initial focus of the company was on Engineering Design Services. The company's services facilitate reduced product design cycle time and costs. The company has created a niche presence in high potential segments such as Infrastructure, BFSI/Retail, Health and Energy. It provides comprehensive offerings equipped by its deep domain understanding of these verticals. These conscious strategic initiatives will insulate it against downturn in any specific verticals.

The company is headquartered in Bangalore with presence in Dubai, UAE, through its subsidiary Vision Info Inc. Our Company intends to set up new Software Development Center and Corporate Office in Bangalore and also expand its geographical presence in the US, UK, Middle East and South East Asia by setting up offices. This will ensure scalability and sustainability through diversification.

### Presence in Potent Segments

The Worldwide IT outsourcing market is expected to grow at a CAGR of 6.9 per cent and reach USD 275 billion by 2012 driven by increasing technology adoption across businesses and industries and new software applications. The export component of the Indian industry is expected to reach USD 175 billion in revenue by 2020 while the domestic component is likely to contribute USD 50 billion. Overall, the prospects of the Indian IT sector appear promising for niche players such as Acropetal technologies due to their cost effective solutions and understanding of the sectors to which they cater.

### Robust Delivery Model

Acropetal has built a client centric focus delivery model. The near shore centres integrated with this model have enabled the company to offer cost effective solutions to the customers. Our onsite team coordinates with the client for technical requirements and modifications. The team then helps to transition the job to the offshore development centers. The onsite team also ensures optimum resource allocation and acts as an interface with the client through the execution and testing stages. This practice over a period of time has enabled the company to achieve high client satisfaction.

## **Client Relationships**

Acropetal has developed a strong customer base since it commenced operations and has a string of legacy clients who have stayed with the company. Its strategy in terms of building existing customer relationships by broadening the spectrum of services and tapping new customers through organic and inorganic initiatives should stand the company in good stead in achieving scale.

## **Strong Management Team**

The company has been spearheaded by a strong management team comprising successful entrepreneurs, technology professionals, experienced professionals from large companies. They bring to their table their diverse experience and at the same time equip the company with exhaustive skill sets.

## Awards and Recognition

- ✍ Asia Pacific HR Congress 2010 - Organization with Innovative HR Practices
- ✍ Asia Pacific HR Congress 2010 - Chairman and Managing Director Recognized as CEO of an Emerging Organization
- ✍ Indira Gandhi Sadbhavana Award in 2007 to CMD -for his continued contribution to the industry
- ✍ Udyoga Rattan Award in 2009 to the CMD - for his support in various R&D activities, by the Institute of Economic Studies
- ✍ STPI IT Export Awards 2006-2007 - Best Performer High Growth SMB
- ✍ First Among the Fastest Growth SME Companies In Karnataka – 06 – 07
- ✍ High Performing Women IT Entrepreneur to Dr. Malini Reddy - Co-Founder – STPI – 2009-2010



## DIRECTORS' REPORT

To

The Members of Acropetal Technologies Limited,

Your Directors take pleasure in presenting the 10th Annual Report together with the audited Balance Sheet and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2011 along with the Report of Auditors thereon.

### PERFORMANCE AT A GLANCE :

(Rs. in Crores)

Particulars	March 31, 2011	March 31, 2010
Income	141.78	107.30
Expenditure	118.68	87.98
Profit before tax	23.10	19.32
<b>Provisions for taxation</b>		
Deferred Tax	2.18	(0.28)
Current Tax	0.25	0.05
Profit after tax	20.67	19.55
Proposed Dividend	4.67	1.33
Provision for Dividend Tax	0.79	0.22
Amount transferred to General Reserve	2.07	6.00
Profit transferred to Balance Sheet	13.14	12.00

Your Company has achieved total sales of Rs. 141.78 crores for the year ended 31<sup>st</sup> March, 2011 recording a growth of 32.13%. After providing a sum of Rs. 118.68 crores for expenditure, provision for taxes and depreciation the company made a net profit of Rs. 20.67 crores recording a growth of 5.73% over the previous year. An amount of Rs.2.07 Crores is proposed to be transferred to General Reserves. It gives us abundant satisfaction that your company is able to record a steady growth inspite of many challenges faced by the industry both domestic and international.

### BUSINESS PROSPECTS :

Offering technological expertise, attainment of efficiencies and excellence in quality for varied strategic business interests shall always be our primary pursuit. The Company is committed to deliver cost-effective software products, services and solutions to its customers. It shall strive persistently to achieve client satisfaction and broaden customer base, build trustworthy relationships with customers, shareholders and business associates and thereby promote mutual beneficial growth. The board is confident of doing healthy business in the forthcoming years.

### ACQUISITION PLANS :

The Company has announced that it shall enter into a definitive agreement with Line Beyond Inc., and Optech Consulting Inc., USA for acquisition. These acquisitions will significantly expand the Company's addressable market and growth potential, broadening the solutions the Company provides to the rapidly growing Healthcare IT market. The combination will expand Acropetal's offering of Niche solutions to the health care customers and also strengthen the

Company's performance in the US Markets. The Company's acquisition plans is a strategic move that will boost shareholder value, enable Acropetal to provide profitable solutions, strengthen its Healthcare IT Services and also enhance the wide range of IT services and solutions portfolio and expands its global presence and would augment Acropetal's presence in the US Healthcare markets with specialized healthcare products and solutions.

Line Beyond Inc. is headquartered in the Bay area; California in the USA providing IT outsourced development services, specialized healthcare solutions and consulting services from mid-size to Fortune 500 business enterprises

Optech Consulting Inc. is headquartered in Dallas, Texas offers leading strategic information Technology (IT) solutions and services globally since 1996.

(The company has acquired 100% of Line Beyond Inc. and 70% of Optech Consulting Inc effective from 1<sup>st</sup> of April 2011 and hence are not forming part of financial statements as on 31<sup>st</sup> March, 2011)

### **ENERGY AND ENVIRONMENT SOLUTIONS:**

The company has entered the segment of energy and environment solutions recently. Our Energy and Environment Division is led by a team of people who hold considerable industry experience in the Energy and Environment space. With past experience in international firms and research institutions, the team brings together expertise in the area of 3E linkages (Economy, Energy, and Environment) and Operations Research (Optimization Models) for providing business solutions in Energy Optimization and Greenhouse Gas (GHG) Management. Energy Planner and Cost Optimizer (EPCO) and Greenhouse Gas Accounting and Mitigation Cost Optimizer (GAMCO) are tools developed by Acropetal based on international accounting standards and are dynamic optimization models that enable businesses to account for their current energy consumption and GHG emissions and identify least cost options for improving energy efficiency and GHG mitigation in the current and future years.

The efforts in this segment will start contributing to the sales and revenues of the company in the forthcoming years.

### **MATERIAL CHANGES AND COMMITMENTS :**

With a successful listing, this year the Company has announced to acquire two Companies in the USA, Viz. Line Beyond Inc. and Optech Consulting Inc. the emerging vertical Healthcare. The acquisition of Optech Consulting Inc. and the Line Beyond Inc was decisive for our long term growth while creating more values for the customers. Line Beyond Inc. is valued at USD 5 million and Optech is valued at USD 7 million. Acropetal Technologies Ltd. acquires 100% of Line Beyond Inc. and 70% of Optech Consulting Inc. at present. This also enables Acropetal to provide solutions ranging from Fortune 500 enterprises and mid-sized healthcare providers, to medical service providers and doctors- who are undergoing a rapid technology adoption.

Apart from the acquisition of companies abroad, the company has acquired 100% stake in Mindriver Information Technologies Private Limited and 51% in Kinfotech Private Limited in the month of April, 2011.

The above acquisitions will substantially enhance the company's offerings and increase number of clients in the IT and Technology Solutions.

We continue with our strategic focus of growth in organic and inorganic methods and are actively engaged in development into an end-to-end solutions provider.

Other than the above, there are no material Changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the company and the date of the report.

### **INITIAL PUBLIC OFFERING :**

During the year under review, the Company made an Initial Public Offering (IPO) of equity shares of Rs. 10 each for cash

at a premium in terms of the Red Herring Prospectus dated 2<sup>nd</sup> February 2011. The Issue price was fixed at Rs. 90/- per equity share resulting in 1,88,88,889 equity shares of Rs. 10/- each for cash being issued at a premium Rs. 80/- per equity share.

The IPO was subscribed by 1.129 times in case of QIB category, 1.30 times in Non-Institutional category and 1.22 times in retail category and overall 1.31 times.

### **DIVIDEND :**

Your Directors recommend a dividend of Rs. 1.20 per share of Rs.10/- each for the year ended 31<sup>st</sup> March, 2011. The outflow for the payment of dividend would be Rs. 5.46 crores.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

#### **Macro Economic Overview :**

The Indian economy grew by 8.5 percent in the fiscal year that ended 31<sup>st</sup> March, 2011. In spite of volatile global headwinds, the Prime Minister's Economic Advisory Council (PMEAC) has only marginally scaled down its forecast for the country's economic growth rate to 8.2 per cent for the current financial year from 9 per cent predicted earlier.

Globally , the economic scenario appears subdued on account of debt crisis in the US and UK and there seems to be lack of clarity for the time being over the future prospects of these economies. Although the global economic environment is a cause for concern, it is not likely to impact the Indian IT industry in the near-term future, as per National Association of Software & Services Companies (NASSCOM)

#### **INDUSTRY STRUCTURE AND DEVELOPMENT:**

##### **GLOBAL MARKET:**

Worldwide IT spending is expected to grow 7.1 per cent in 2011, according to the latest quarterly spending outlook by Gartner, Inc. Analysts have revised the overall IT forecast spending growth, up from their first quarter update when they projected 5.6 per cent growth for 2011.

Global IT services are forecasted to reach \$846 billion in 2011, a 6.6 per cent increase from 2010. The computing and hardware segment is poised for the strongest growth with spending forecast to grow 11.7 per cent in 2011.

##### **DOMESTIC MARKETS:**

In a recently released publication, Strategic Review 2011, NASSCOM states that the IT-BPO sector's revenue as a proportion of the country's gross domestic product (GDP) has grown from 1.2 per cent in 1998-99 to an estimated 6.4 per cent in 2010-11. Further, NASSCOM predicts that the Indian IT-BPO revenues may touch USD 225 billion by 2020.

Software and services export revenues are expected to grow by 16-18 per cent and domestic revenues to grow by 15-17 per cent. Domestic Market is at an inflection point as per NASSCOM and healthy growth of 16% in FY 2011.

Apart from existing growth areas, a vibrant start-up ecosystem, cloud, SAAS, analytics, mobile and products for India will add additional drivers.

While the global economic situation is improving, the recovery is slow and hampered by a sluggish growth outlook in the important mature economies of the U.S. and Western Europe. There are also growing concerns about the ability of key emerging economies to sustain relatively high growth rates. Nevertheless, as well as a fundamental enabler of cost reduction and cost optimization, investment in IT is seen increasingly as an important element in business growth

strategies. As the global economy repairs itself in coming years, we are optimistic about continued healthy spending on IT.

Engineering design and products development in India generated revenues of USD 11.3 billion in FY2011; growing by 13.4 per cent, driven by increasing use of electronics, technology convergence and need for localized products. The engineering services landscape in India has evolved significantly reflecting maturity, diversification and enhanced verticalisation to partner with global corporations.

#### **Healthcare:**

As per RNCOS, the healthcare IT market in the U.S. will reach USD 40 billion by the end of 2011 and grow at an impressive 24% compound annual growth rate (CAGR) for the next several years. The new projections are part of a new report published recently whereby it is suggested that the growth will be driven not only by healthcare reform and the implementation of eHealth systems, but also by a population that will demand, and increasingly be able to afford, quality services. Back home too, Technology spending in healthcare has come a long way. According to Springboard Research, IT spending in the healthcare segment in India is expected to grow from USD 274.2 million in 2009 to USD609.5 million in 2013, which represents a CAGR of 22 percent.

#### **OPPORTUNITIES AND THREATS:**

The customers prefer to align their costs with activity by using contracting models like Risk-Reward models, which provide opportunities for growth for the players engaged in IT Services. Your Company having proven track record in this area is well positioned to capitalize this opportunity. The customers are now focusing on initiatives to derive more value from their existing software investments. Constantly changing business priorities, mergers, acquisition and consolidation of companies provide opportunities. Your Company is well positioned to explore these opportunities. The financial crisis that hit the developed markets last year posed a threat to the Industry to which it was not exposed earlier. High cost of delivery to offshore customer, protectionist steps taken by advanced economies faced with recession are the others sources of threats.

Acropetal Technologies' Competitive Positioning:

- Niche offering catering to diversified segments having satisfactory growth prospects.
- Potential for global outsourcing business and increasing domestic IT spend.
- Present in highly potent industry verticals such as Healthcare and Energy.
- Proven Management Team with industry professionals from diverse backgrounds.

#### **SEGMENT WISE PERFORMANCE:**

The details of segment wise performance is provided under Notes to Accounts.

#### **OUTLOOK :**

According to estimates from the National Association of Software and Services Companies (NASSCOM) the growth in the software and services for the year 2012 is estimated to be at 16-18 per cent and the aggregate revenue is estimated to be USD 68-70 billion. The domestic market is also promising and is expected to grow by 15-17 per cent with revenue of INR 900-920 billion. Cost and operational efficiencies will be more focused by the customers under the prevailing economic conditions. Your Company by offering technological expertise and commitment to deliver cost-effective software products looks forward to the future with optimism and is confident of attaining higher growth. Your Company has also plans to enhance its focus to domestic market to explore local growth opportunities.

## RISKS AND CONCERNS:

The risks to which the Company is exposed are common to all the players in the Industry. Some of the major risks are reduction in the IT budget allocation, volatility in currencies etc. These risks are constantly monitored. Client concentration risk is constantly monitored and efforts are made to diversify the client base. Continuation of exemption under Section 10A of the Income Tax Act, 1961 for profits derived from export of Software and other issues under the Income tax has become an area of concern, which is common to all the companies in the IT sector. The Company is also exposed to IT Security Risks, Market Risks, Financial Reporting Risks, Exchange Risks, Competition Risks, contractual compliance Risks, other compliances Risks which are all monitored constantly.

## INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The Company has put in place, appropriate and adequate internal control systems and checks to ensure that all the assets of the Company are safeguarded and that all the transactions are authorized recorded and reported fully and correctly.

The Audit Committee also plays a vital role in the Internal Control System of the Company.

## DISCUSSION ON FINANCIAL PERFORMANCE WITH REFERENCE TO OPERATIONAL PERFORMANCE

### 1. Revenues

Revenue from US was 54.06%, Middle East 35.90%, Europe 3.05% and Asia was 6.99% for the year ended 31<sup>st</sup> March, 2011 as compared to 75.50% from US, 12.94% from Middle East, 7.96% from Europe and 3.60% from Asia for the last year. Your Company's strategy of building strong delivery capability with its multi-pronged emphasis on technology, people and processes has resulted not only in increased business from existing customers but also in new customer acquisition.

### 2. Operating Expenses

The ratio of operating expenditure to total income has increased by 0.73% over the last year.

### 3. EBIDT

The EBIDT was at 60.14% for the year ended 31<sup>st</sup> March, 2011 as compared to 60.52% for the last year.

### 4. Profit after Tax

Profit after Tax was at 14.58% for the year ended 31<sup>st</sup> March, 2011 as compared to 18.22% for the last year.

### 5. Interest and Borrowings

The Company had term loan of Rs. 4316.42 lakhs, working capital loan of Rs. 3530.22 lakhs and Vehicle Loan of Rs. 30.12 as on 31<sup>st</sup> March, 2011 as compared to Rs. 4333.48 lakhs of term loan, Rs. 3385.55 lakhs of working capital loan and Rs. 41.20 lakhs Vehicle loan for the last year. The Company had incurred interest expenses of Rs. 672.06 lakhs towards term loan, Rs. 129.40 lakhs for financial charges and Rs. 386.79 lakhs for other interest as on 31<sup>st</sup> March, 2011 as compared to Rs. 368.24 lakhs for Term loan, Rs. 261.78 lakhs for financial charges and Rs. 333.74 lakhs for other interest for the last year.

### 6. Capital Employed

The Return on Average Capital Employed (ROCE) for the year ended 31<sup>st</sup> March, 2011 was 10.20% as compared to 17.49% for the last year.

## **7. Net Worth**

The Return on Average Net Worth (RONW) for the year ended 31<sup>st</sup> March, 2011 was 13.50% as compared to 34.05% for the last year.

## **8. Fixed Assets**

The Company added fixed assets to the extent of Rs.1182.51 lakhs. Additions were mainly incurred for new software application packages purchase.

## **9. Receivables**

Debtors as number of days' sales stood at 100 days for the year ended 31<sup>st</sup> March, 2011 as compared to 152 days for the last year.

## **10. Cash Generation**

Cash generated from operations was Rs.4354.38 lakhs for the year ended 31<sup>st</sup> March, 2011.

### **PERFORMANCE SUMMARY:**

#### **1. Revenue**

Revenue increased by 32.60% at Rs. 14,165.29 lakhs for the year ended 31<sup>st</sup> March, 2011 as compared to Rs.10,682.90 lakhs for the last year.

#### **2. EBIDT**

EBIDT was Rs.5651.09 lakhs for the year ended 31<sup>st</sup> March, 2011 as compared to Rs.4236.07 lakhs for the last year.

#### **3. Profit After Tax (PAT)**

PAT stood at Rs. 2066.54 lakhs for the year ended 31<sup>st</sup> March, 2011 as compared to Rs.1955.09 lakhs for the last year.

### **MATERIAL DEVELOPMENTS IN HUMAN RESOURCES:**

Acropetal recognizes its employees as its most valuable asset. Continuous efforts are made to attract, train, retain and motivate our employees and to create happy and prosperous work environment for all the employees. Participation of employees at all levels has been focused. This will give the employees impetus to put in their best efforts.

The Company had 541 employees as on 31<sup>st</sup> March, 2011.

### **DIRECTORS**

Mr. Ramdas Janardhana Kamath and Mr. Mohan Hosahalli Ramakrishna are retiring as directors by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointments. The Board recommends the re-appointments.

During the year under review, Dr. Rajesh Nair ceased to be director with effect from 01.09.2010. Dr. Rajesh Nair was appointed on February 2010 as a Director in the casual vacancy caused by the resignation of Mr. K Doraiswamy.

The Board places on record their sincere appreciation of his services during his tenure as director.

Dr. D.K Subrahmanya Reddy was appointed as a director on 11.12.2009 in the casual vacancy caused by the resignation of Mr. Anil T. Shridhar . Your Company received notice under Section 257 of the Companies Act, 1956, for his appointment. His appointment is placed for consideration by the members in the ensuing Annual General Meeting. The Board recommends his appointment.

### SUBSIDIARY:

The Company has one wholly owned subsidiary, VISION INFO INC. (incorporated in Dubai under the Ras Al Khaimah International Company Regulations, 2006). This Company has contributed a sales turnover of Rs. 59.82 crores and net profit of Rs. 12.76 crores.

Taking into account the performance of the subsidiary the company's performance on consolidated basis is summarized as under:

(Rs. in Crores)

Particulars	March 31, 2011	March 31, 2010
Income	201.60	152.66
Expenditure	165.74	117.19
Profit before tax	35.86	35.47
<b>Provisions for taxation</b>		
Deferred Tax	2.18	(0.28)
Current Tax	0.25	0.04
Profit after tax	33.43	35.71
Proposed Dividend	4.67	1.33
Provision for Dividend Tax	0.79	0.22
Amount transferred to General Reserve	2.07	6.00
Profit transferred to Balance Sheet	25.90	28.16

The company has been able to achieve a better turnover and a higher profit.

In order to maintain and excel the past performance it is felt that the Company shall pursue mergers and acquisitions. In fact it is one of the objects of the IPO and a sum of Rs.55.00 crores was allocated for this purpose. The Company is looking for suitable opportunities in this context. The Company's acquisition of two Companies in the USA, Viz. Line Beyond Inc, and Optech Consulting Inc, is a furtherance in this direction.

Your Company has resolved to utilize the general exemption granted by the Ministry of Corporate Affairs, Government of India vide its General Circular No.2/2011 dated 8th February, 2011 from attaching the Balance Sheet, profit and loss account, Directors' Report and Auditors Report and other related documents of subsidiary companies and accordingly, the said documents of Vision Info Inc. a subsidiary of your Company are not attached to the Balance Sheet of your Company. However, requirements which your Company is required to meet under the said Circular, will be complied with.

Your Company undertakes that the annual accounts and the related detailed information of your Company's subsidiary Vision Info Inc. will be made available to the shareholders of the Company and Vision Info Inc. who seek such information at any point of time. The annual accounts of Vision Info Inc. will also be kept for inspection by any shareholders in the head office of your Company and of Vision Info Inc. The Company shall furnish a hard copy of the accounts of the subsidiary to any shareholder on demand.

## **FIXED DEPOSITS**

Your Company has not accepted any fixed deposits from public during the year and, as such, no amount of principal or interest was outstanding.

## **AUDITORS**

M/s. K. Gopalakrishnan & Co, Chartered Accountants, # 120, Infantry Road, Next to Balaji Plywood, Bangalore - 560 001, who were appointed as Statutory Auditors of the Company shall retire at the Annual General Meeting of the Company. The auditors have confirmed that the re-appointment, if made, will be in accordance with the provisions of Sec.224 (1B) of the Companies Act 1956. Your Directors recommend their reappointment.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm-

- i. That in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii. That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the company as on 31st March, 2011 and of the profit of the company for that period.
- iii. That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv. That the directors have prepared the Annual Accounts on a going concern basis.

## **CORPORATE GOVERNANCE**

Your Company is committed to good Corporate Governance practices. Your Directors endeavor to adhere to the standards set out by the Securities and Exchange Board of India's (SEBI) corporate Governance practices and accordingly has implemented all the stipulations prescribed. Corporate Governance Report and Corporate Governance Compliance Certificate for the year ended 31<sup>st</sup> March, 2011, in line with Clause 49 of the Stock Exchange Listing Agreement is attached to this report.

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

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

### **CONSERVATION OF ENERGY:**

The Company is well - equipped with appliances and devices that consume less power. The Company's Electricity power requirement is almost negligible. As on the date of this report, the board has no proposal to make any additional investment for reduction of consumption of energy.

### **TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION :**

Your Company is working on the following competency based services:

- Engineering Design Services
- Healthcare Services
- Enterprise and IT Services
- Energy and Environment Services
- IT Infrastructure management services
- IT security Consultancy Services.

Continuous efforts are made for developing new technologies and for absorption and adoption of technologies developed all over the world, to meet the changing business requirements of our customers. As a result, your company has been able to internally develop and build a strong product and services portfolio in the above mentioned areas. To deliver the products best suited to the customers, your Company has developed an Eight Stage process. The Engineering Design Services span across the entire product development cycle. The Company has implemented several health care case management and patient information system that merge sophisticated technologies with user friendly interfaces. The Company also provides end to end solutions in many areas. Open Source Solutions, Endpoint Security and Management, Network Access Control, Disk Encryption are a few among them.

### RESEARCH AND DEVELOPMENT :

The Research and Development is an integral part of the business operations of the Company and is carried on continuously in all the areas of operation. Your Company has created Incubation Business Unit (IBU). Under this, the Company will invest, provide infrastructure, marketing support etc to the new product ideas/initiative. This will stimulate new market for our services. The Company has plans to continue with such innovations with the support of its R & D capability. As explained above the R&D is carried on by the Company as a part of ongoing business activity of the Company and expenditure thereof is considered as part of operating expenditure and hence expenditure on R&D cannot be shown separately.

### FOREIGN EXCHANGE EARNINGS AND OUTGO :

- a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and Export Plans:

The Company is mainly into the business of exporting software services. The Company is operating primarily in India and the Middle-east .One of the strategies is to tap new markets and expand business to regions where we do not have presence. In this context, we may possibly look to acquire companies which have geographical and diverse presence. The Company intends to establish more offices in USA, UK, Middle - East and in Singapore to supplement our existing set-up and explore business opportunities.

- b) Total foreign exchange used and earned:

Foreign Exchange Earnings	:	Rs. 140,55,23,591 /-
Foreign Exchange Outgo	:	Rs. 64,95,83,719 /-

### PARTICULARS OF EMPLOYEES :

The Company had no employees drawing remuneration above the limit mentioned under Section 217 (2A) of the Companies Act, 1956 .

### ACKNOWLEDGEMENTS :

Your Directors express their gratitude for the whole-hearted assistance and persistent co-operation received from various Government and Semi-Government authorities, Bankers, shareholders, Investors, Vendors, and Customers.

Your Directors place on record their sincere appreciation for the continuous support, and sustained efforts put in by the employees of the Company at all levels through their hard work, sense of belongingness and sheer dedication.

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

Place: Bangalore  
Date: 12<sup>th</sup> August, 2011

D. Ravi Kumar  
Chairman and Managing Director

R.J. Kamath  
Director

**CORPORATE GOVERNANCE REPORT**

In accordance with Clause 49 of the Listing Agreement with Stock Exchanges in India the details of governance systems and processes followed by Acropetal Technologies Limited are as follows:

**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The Company's philosophy on Corporate Governance envisages highest levels of transparency, accountability and equity in all operations. It is based on the concept that good governance practices will ensure efficient and prudent conduct of the affairs of the company. This will help in achieving its goal of wealth maximization.

**APPLICABILITY OF CLAUSE 49**

The Company's shares are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited on 10<sup>th</sup> March 2011, after the initial public offer. Consequently the corporate governance report relates to the period from 10<sup>th</sup> March 2011 to 31<sup>st</sup> March 2011 (herein after called ("the period")).

**2. COMPOSITION OF BOARD OF DIRECTORS**

In Acropetal Technologies Limited the composition of the Board of Directors meets the requirements of Corporate Governance Code prescribed in the Listing Agreement. As on 31<sup>st</sup> March 2011, the Company has 6 (Six) Directors including an Executive Chairman. Mr. D. Ravikumar is the Chairman and Managing Director and a Promoter Director. Mr. Ashok Kumar Rao Jultha is Non-Executive and Non-Independent Director. The remaining four directors are Independent and Non-Executive Directors. The composition and category of directors as of 31<sup>st</sup> March 2011 with the number of Directorships and Committee memberships/Chairmanship held by them in domestic public companies as on the same date along with the attendance of the directors are given below:

Name of Director	Category	Attendance		Other Directorships/Committee Memberships /Chairmanships		
		No. of Meetings Attended out of 10 (Ten) Board Meetings	Last AGM attended (Yes/No)	Directorship in other Companies	Committee Memberships	Committee Chairmanships
Mr. D.Ravikumar (Chairman and Managing Director)	Promoter and Executive	10	Yes	-	1	--
Mr. Ramdas Janardhana Kamath	Non-Executive & Independent	9	No	6	--	4
Dr. D.K. Subrahmanya Reddy	Non-Executive & Independent	7	Yes	--	1	1
Mr. Mathew J. Manimala	Non-Executive & Independent	7	No	--	--	--
Mr. Mohan H. Ramakrishna	Non-Executive & Independent	10	Yes	--	2	--
Mr. Ashok Kumar Rao Jultha	Non-Executive & Non-Independent	8	Yes	--	--	--
Dr. Rajesh Nair	Non-Executive & Non-Independent	1*	N.A.	--	--	--

\* Dr. Rajesh Nair resigned as director w.e.f. September 01, 2010.

@ Excludes Directorships held in private limited companies, foreign companies, membership of management committees of various chambers/bodies/Section 25 Companies, if any.

# Includes only Audit and Shareholders' Grievance Committees

None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 Committees across all the companies in which he is a Director.

The Directors of the Company are not related to each other.

## **BOARD MEETINGS**

During the financial year 2010-11, Ten (10) Board Meetings have been held viz. on 18.06.2010, 17.09.2010, 27.09.2010, 26.11.2010, 19.01.2011, 02.02.2011, 25.02.2011 ((2)Two Board Meetings)), 06.03.2011 and includes 1(One) Board meeting held on 18.03.2011, after listing of the shares of the Company.

## **3. AUDIT COMMITTEE**

The constitution of Audit Committee is in conformity with the requirements of Section 292A of the Companies Act, 1956 and also as per the requirements of Clause 49 (II) (A) of the Listing Agreement.

### **Powers of the Audit Committee:**

- a) to investigate any activity within its terms of reference.
- b) to seek information from any employee.
- c) to obtain outside legal or other professional advice and
- d) to secure attendance of outsiders with relevant expertise, if it considers necessary.

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

1. To review Company's financial reporting process and the disclosure of its financial information to ensure its correctness.
2. To recommend the appointment and removal of Statutory Auditors, fixation of audit fee and also approval for payment to the external auditors for any other services.
3. To review the quarterly, half yearly and annual financial statements before submission to the Board.
4. To look into the adequacy and compliance of internal control systems, disclosures in financial statements and the authenticity of information contained therein.
5. To undertake periodical review of Internal Audit functions and appraise and update the range and scope of Internal Audit programme from time to time.
6. To interact with the Statutory Auditors from time to time and discuss about finalization of annual financial statements.
7. To review Management Discussion and Analysis of financial conditions and results of operations.
8. To review related party transactions
9. Reviewing of Company's financial and risk management policies.
10. Management letters/letters of internal control weakness issued by the statutory auditors

11. Internal audit reports relating to internal control weaknesses and
12. The appointment of, removal and terms of remuneration of the internal auditor shall be subject to review by the Audit Committee.
13. To look into any other matter which may be referred to it by the Board
14. Such others as are included in the listing Agreement and as may be necessitated by amendments to the listing agreement or the Companies Act, 1956 or as may be entrusted by the Board from time to time.

The Composition of the Audit Committee as on 31st March, 2011 and attendance during the year 2010-2011:

Name of Director	No. of Meetings attended Out of (3) meetings
Mr. Ramdas Janardhana Kamath - Chairman	3
Dr. D.K. Subrahmanya Reddy	3
Mr. Mohan Hosahally Ramakrishna	3

During the financial year 2010-11, 3 (three) Audit Committee Meetings have been held viz. on 18.06.2010, 27.09.2010 and on 19.01.2011. The Company Secretary acts as the Secretary of the Audit Committee.

## 2. REMUNERATION COMMITTEE

The broad terms of reference of the Remuneration Committee of the Company is to recommend to the Board the compensation package for executive directors and Managerial Personnel including pension rights and payment of compensation subject to approvals from shareholders and Central Government, as and when necessary. No financial/commercial transactions have been made by the Board Members and the Senior Management Personnel with the Company.

The following Directors are the members of the Remuneration Committee:

Mr. Mathew J. Manimala (Chairman)	(Non Executive) (Independent)
Mr. Ramdas Janardhana Kamath	(Non Executive) (Independent)
Mr. Mohan Hosahally Ramakrishna	(Non Executive) (Independent)

No remuneration committee meeting was held during the period.

## REMUNERATION TO DIRECTORS :

The remuneration of Managerial Personnel is recommended by the Remuneration Committee and approved by the Board of Directors. Non - executive directors are not paid any remuneration except sitting fees of Rs. 20,000/- for every Meeting of the Board/Committee attended.

The remuneration paid during the period from 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011 to the Chairman and Managing Director and the number of shares held in the Company as on 31<sup>st</sup> March 2011 are furnished as under:

Name of the Director	Salary (Rs.)	Perquisites & allowance (Rs.)	Statutory Payments (Rs.)	Total Remuneration (Rs.)	Service Contract	Notice Period	Severance Fee	Number of Equity Shares held in the Company
Mr. D. Ravi Kumar	48,00,000/-	--	2,88,000/-	50,88,000/-	As approved by the shareholders in the General Meeting of the company	As per Company's Rule	As per Company's Rule	1,23,02,800
Mr. Ramdas Janardhana Kamath	--	--	--	NIL	--	--	--	NIL
Dr. D.K. Subrahmanya Reddy	--	--	--	NIL	--	--	--	NIL
Mr. Mathew J. Manimala	--	--	--	NIL	--	--	--	NIL
Mr. Mohan H. Ramakrishna	--	--	--	NIL	--	--	--	NIL
Mr. Ashok Kumar Rao Jultha	--	--	--	NIL	--	--	--	NIL
* Dr. Rajesh Nair	--	--	--	NIL	--	--	--	NIL

\* Dr. Rajesh Nair resigned as director w.e.f. September 01, 2010.

**PROCEEDS OF PUBLIC ISSUE:**

**Utilization of fund raised through IPO:**

(Rs. In Crores)

Particulars	To be Utilised as per Prospectus	Amount Utilised till 31st March 2011
<b>Gross Proceeds Received from IPO</b>		<b>17001.33</b>
<b>Utilisation Till 31st March 2011</b>		
Proposed Acquisition	5500.00	3735.90
Set up Software development Centre cum Corporate Office	2618.67	950.00
Expansion and Establishment of Overseas Office	1944.96	312.69
Part Repayment of Term Loan	2500.00	500.00
Additional Long Term Working Capital	2500.00	2500.00
Public Issue Expenses	1500.00	1112.02
General Corporate Purpose	436.37	104.15
<b>Total</b>	<b>17000.00</b>	<b>9214.76</b>
<b>Break up of Unutilized Amount</b>		
Fixed Deposit in Bank		4000.00
Balance in current Account with Schedule bank		3786.57
<b>Total</b>		<b>7786.57</b>

**17001.33**

The Audit Committee plays vital role in monitoring utilization of Issue proceeds. The utilization of proceeds has been disclosed under separate head in the balance sheet for the Financial Year 2010-11. The Company has prepared a statement of funds utilized and placed it before the Audit Committee, certified by the Statutory Auditors. Pursuant to Clause 49 of the listing agreement, the Company has disclosed to the Audit Committee the uses and application of the Issue Proceeds and Proceeds that have not been utilized also indicating investments, if any, of such unutilized Issue Proceeds. No part of the Issue Proceeds of this issue has been paid as consideration to our Promoter, Directors, key managerial employees or Group Concerns/Companies promoted by our Promoters. There are no unclaimed shares of the IPO lying in Escrow Account.

**5. SHAREHOLDERS' GRIEVANCE COMMITTEE**

The Shareholders' Grievance Committee was constituted to specifically look into the redressal of Investors' complaints relating to the transfer of shares, non-receipt of Annual Reports, non-receipt of Dividend etc., The members of the Shareholders' Grievance Committee are as follows:-

Dr D.K. Subrahmanya Reddy (Chairman)	(Non Executive) (Independent)
Mr. Mohan Hosahally Ramakrishna	(Non Executive) (Independent)
Mr. D. Ravi Kumar	(Executive) (Non-Independent)

Ms. Shobha Acharya, Company Secretary is the secretary of shareholders grievance committee.

Number of Shareholders' Complaints received were 7(Seven), Complaints not solved to the satisfaction of the shareholders were Nil and Number of Pending Complaints were Nil.

During the period no meeting of the Shareholders' Grievance Committee was held.

## SHARE TRANSFER SYSTEM

In order to expedite the process of Share Transfers, Dematerialisation, issue of duplicate certificates and certificates after Splits/Consolidation/Renewal, Rematerialisation etc., the Board has delegated the power of approval of share transfer etc., to Ms. Shobha Acharya, Company Secretary.

The Company Secretary will approve the share transfer etc., once in 15 days as required under Clause 49(IVG) of the Listing Agreement.

## 6. PARTICULARS OF THE PAST THREE ANNUAL GENERAL MEETINGS

Location, date and time of Annual General Meetings held during the last 3 years:

Year	Location	Date	Time	Special resolutions passed in the AGM
2007-2008	<b>Registered Office</b> #2/10, 3rd Floor, Ajay Plaza, 1 <sup>st</sup> Main, N.S.Palya, Bannerghatta Road, Bangalore - 560 076.	30.09.2008	10.00 A.M.	NIL
2008-2009	<b>Registered Office</b> #2/10, 3rd Floor, Ajay Plaza, 1 <sup>st</sup> Main, N.S.Palya, Bannerghatta Road, Bangalore - 560 076.	29.09.2009	10.00 A.M.	Alteration of Articles of Association
2009-2010	<b>Registered Office:</b> #2/10, 3rd Floor, Ajay Plaza, 1 <sup>st</sup> Main, N.S.Palya, Bannerghatta Road, Bangalore - 560 076.	27.09.2010	4.00 P.M.	NIL

Special Resolution put through postal ballot last year, details of voting pattern, person who conducted the postal ballot exercise:- Nil

Special Resolution to be passed through Postal Ballot will be conducted as and when required by following the prescribed procedure.

### 7. DISCLOSURES :

1. Disclosures on materially significant related party transactions that may have potential conflicts with the interest of the company at large:

During the year, the Company had not entered into any transaction of a material nature with any of the related parties which were in conflict with the interest of the company.

All transactions with the Related Parties were in the ordinary course of business and at arms length.

2. While preparing Financial Statements applicable accounting standards have been followed.
3. Details of non-compliance by the Company, penalties, strictures imposed on the company by Stock Exchange or SEBI or other authority on any matter related to capital markets, during last three years: NIL
4. The Company at present does not have Whistle Blower policy.
5. The Shares of the Company were listed at the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited on 10<sup>th</sup> March , 2011 ,after the completion of the Initial Public Offer. The Company has duly complied with the applicable mandatory requirements of Clause 49 and has constituted a Remuneration Committee, which is non-mandatory under Clause 49.

### 8. MEANS OF COMMUNICATION

- Newspapers wherein results normally published :
  - a. The Hindu- Business line (All India Editions)
  - b. The Financial Express (All India Editions)
  - c. Samyuktha Karnataka (Regional language paper)
- Management Discussions and Analysis forms part of this Annual Report, which is also being posted to all the shareholders of the Company.
- A separate e-mail id viz. ipo@acropetal.com has been designated exclusively for registering complaints by the investors of the Company.
- Company's Website address: www.acropetal.com. The same is being updated as and when necessary
- Presentations were made to Institutional Investors /Analysts in connection with IPO and listing of Shares.

### 9. GENERAL SHAREHOLDER INFORMATION

- **Annual General Meeting:**
  - a. Date and Time : 28<sup>th</sup> September 2011, 11 A.M.
  - b. Venue: Kutchi Bhavan, #44B, 1st Main Road, J.P Nagar,3rd Phase , opp. Mini Forest , (Near Shopper's Stop, Bannerghatta Road), Bangalore-560 078.
- Financial Year of the Company commences from 1<sup>st</sup> April and ends on 31<sup>st</sup> March of next year.

- Book closure: 21<sup>st</sup> September, 2011 to 28<sup>th</sup> September, 2011 (both days inclusive).
- Dividend Payment date: 6<sup>th</sup> October 2011.
- Listing on the Stock Exchanges
- Equity Shares of the Company are listed on Bombay Stock Exchange Limited(BSE)and National Stock Exchange of India Limited (NSE). Annual Listing fees for the year 2011-12 have been paid to BSE and NSE.
- Stock Code  
NSE : Acropetal  
BSE : 533330
- Stock Market data: High, Low and Closing price during the period 10<sup>th</sup> March 2011 to 31<sup>st</sup> March, 2011.

Month & Year	Acropetal Technologies Limited on BSE			BSE Sensex		Acropetal Technologies Limited on NSE			NSE Sensex	
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High	Low	High (Rs.)	Low (Rs.)	Volume (Nos.)	High	Low
During the period from 10 <sup>th</sup> March, 2011 to 31 <sup>st</sup> March, 2011	156.00	57.75	19,41,86,369	19575.16	17792.17	156.00	57.65	24,30,73,422	5872.00	5348.20

- Registrar and Transfer Agents:

Sharex Dynamic (India) Pvt. Ltd.,  
Unit no 1, Luthra Ind. Premises,  
Safed Pool, Andheri Kurla Road,  
Andheri (East), Mumbai 400 072.

Tel : 9122 2851 5606/5644  
Fax No: +91 22 28512885  
Contact Person: Mr. B.S Baliga  
E-mail:atl.ipo@sharexindia.com  
www.sharexindia.com

- Share Transfer System

The Company's Shares are transferable through the depository system and the shares in the physical form are processed by the Registrar and Transfer Agent of the Company and approved by the Company Secretary once in 15 days.

## 10 A. Shareholding Pattern

Sl. No.	Category	As on 31.03.2011		As on 31.03.2010	
		No. of shares held	% of share-holding	No. of shares held	% of share-holding
1.	Promoter Group	17145000	44.09	17145000	85.72
2.	Resident Individuals	4686445	12.05	12,55,000	6.28
3.	Bodies Corporate	8450713	21.73	16,00,000	8.00
4.	Non Resident Indians	40038	0.10	--	--
5.	Clearing Members	5018880	12.90	--	--
6.	Foreign Institutional Investors	3549282	9.13	--	--
		38890358	100.00	20000000	100.00

10 B. DISTRIBUTION OF SHAREHOLDING AS ON 31<sup>ST</sup> MARCH, 2011

No. of shares	No. of shareholders	% to total shareholders	No. of shares held	% to total equity
1 – 5,000	10307	84.36	1373450	3.53
5,001 – 10,000	828	6.78	645562	1.66
10,001 – 20,000	414	3.39	622179	1.60
20,001 – 30,000	161	1.32	406228	1.04
30,001 – 40,000	76	0.62	270938	0.70
40,001 – 50,000	61	0.50	283335	0.73
50,001–1,00,000	130	1.06	930707	2.39
100001 & above	241	1.97	34357959	88.35
<b>Total</b>	<b>12218</b>	<b>100.00</b>	<b>38890358</b>	<b>100.00</b>

## 11. DEMATERIALISATION OF SHARES AND LIQUIDITY

As on 31<sup>st</sup> March 2011, 88.01 % of the company's total shares representing 34228158 shares were held in dematerialized form and the balance 11.99 % representing 4662200 shares were in physical form. The Company shares are traded regularly on the Bombay stock Exchange Limited and the National Stock Exchange of India Limited.

Demat ISIN Number: INE055L01013

## 12. The Company has not issued any GDRs / ADRs / Warrants or any convertible instruments.

## 13. DEVELOPMENT CENTRES

The Company's development centers are located at the following places:

- Registered Office at : # 2/10, 3<sup>rd</sup> Floor, Ajay Plaza, 1<sup>st</sup> Main N.S. Palya, Bannerghatta Road, Bangalore - 560 076.
- Corporate office at : 74/75, 3<sup>rd</sup> Cross, 1st Main, N. S. Palya, Bannerghatta Road, Bangalore - 560 076.
- Centres Abroad :
  - Vision Info Inc.  
No.204, Tower "a" , Gulf Towersa, Oud Metha, P.O. Box 116793 ,Dubai, UAE.
  - 5005 Galleria Dr  
Suite # 3241, Farmers Branch  
Dallas, Texas 75244 USA

## 14. ADDRESS FOR CORRESPONDANCE

Shareholders may correspond with the Company at its Registered Office Address or at the office of Registrars and Transfer Agent of the Company.

Registered Office	Registrars and Transfer Agents
#2/10, 3rd Floor, Ajay Plaza, 1 <sup>st</sup> Main, N.S.Palya, Bannerghatta Road, Bangalore-560 076.  Tel : +91-80-4155 9501/02 Fax No: +91-80-2678 9553 Email: ipo@acropetal.com	Sharex Dynamic (India) Pvt. Ltd., Unit no 1, Luthra Ind. Premises, Safed Pool, Andheri Kurla Road, Andheri (East), Mumbai 400 072.  Tel : 9122 2851 5606/5644 Fax No: +91 22 28512885 Email: atl.ipo@sharexindia.com

**CEO / CFO Certification**

The Board of Directors has received a certificate for the period ended 31<sup>st</sup> March, 2011 from the CEO and the CFO as per the requirements of Para V of Clause 49 of the Listing Agreement .

**CODE OF CONDUCT**

The Board has formulated and adopted a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The Code of Conduct has been posted on the Company's website [www.acropetal.com](http://www.acropetal.com). Affirmation Report on Compliance of Code of Conduct has been received from the Board Members and Senior Management Personnel of the Company for the year 2010-11. The declaration by the CEO to this effect is given below:

Place: Bangalore  
Date: 12.08.2011

D. Ravi Kumar  
Chairman & Managing Director

R.J. Kamath  
Director

**Declaration**

Based on the affirmation report received from the Board Members and Senior Management Personnel on compliance of Code of Conduct, I hereby declare that all the Board Members and Senior Management Personnel of the Company have duly complied with the Code of Conduct of the Company for the year 2010-2011.

Place: Bangalore  
Date: 12.08.2011

D. Ravi Kumar  
Chairman & Managing Director

**ANNEXURE TO THE REPORT OF THE DIRECTORS**  
**CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE**

To

The Shareholders of Acropetal Technologies Limited

I have examined the compliance of conditions of Corporate Governance by Acropetal Technologies Limited for the year ended 31<sup>st</sup> March 2011 (10.03.2011 to 31.03.2011) as stipulated in Clause 49 of the Listing Agreement of the said Company with various Stock Exchanges in India.

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

In my opinion and to the best of my information and according to the explanations given to us, and based on our reliance upon the representations made by the Directors and the Management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that in respect of investor grievances received during the period 31<sup>st</sup> March,2011 ,no investor grievances are pending for a period exceeding one month against the Company as per records maintained by the Company which are presented to the Shareholders/Investors Grievance Committee.

I 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.

Date: 12.08.2011  
Place: Bangalore

C. Dwarakanath

Company Secretary in Practice  
Membership No. : ACS8417  
C.P. No. - 4847

AUDITORS' REPORT

To

The Members of Acropetal Technologies Limited

1. We have audited the attached balance sheet of **ACROPETAL TECHNOLOGIES LIMITED** as at **31<sup>st</sup> March 2011** the profit and loss account and the cash flow statement for year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (ii) In our opinion, the company has kept proper books of account as required by law so far as appears from our examination.
  - (iii) The balance sheet, profit and loss account dealt with by this report are in agreement with the books of account.
  - (iv) In our opinion, the balance sheet, profit and loss account dealt with by this report comply with the accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on 31<sup>st</sup> March 2011 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31<sup>st</sup> March 2011 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanation 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 principle generally accepted in India:
    - A. In the case of the balance sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2011.
    - B. In the case of the profit and loss account, of the profit for the year ended on that date;
    - C. In the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date.

**For K. Gopalakrishnan & Co.,**  
Chartered Accountants  
Firm Regn. No 009600S

**Place: Bangalore**  
**Date: 27.05.2011**

**K. Gopalakrishnan**  
Proprietor. M. No.:025421.

### **Annexure to our report of even date:**

- (i) In respect of the Fixed Assets:
  - (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) All the assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. According to information and explanation given to us no material discrepancies were noticed on such verification.
  - (c) During the year the company has not disposed off any fixed asset. Hence, in our opinion the going concern status is not affected.
- (ii) In respect of its Inventories:
  - (a) As explained to us, the inventory has been physically verified during the year by the management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) According to the information and explanations given to us, the company has not granted any loans to companies other than wholly owned subsidiary company during the year, firms or other parties covered in the register maintained u/s 301 of the Companies Act 1956. Accordingly Paragraph iii (b), (c) and (d) of the order are not applicable.

The company has extended an interest free loan for its wholly owned subsidiary for a period of two years.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weakness in such internal controls system.
- (v) In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies act, 1956, to the best of our knowledge and belief and according to the information and explanation given to us:
  - (a) The particulars of contracts or arrangements referred to section 301 that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - (b) Where each of such transaction is in excess of Rs 5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

- (vi) The company has not taken any public deposits during the year.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) As explained to us, the Central Government has not prescribed maintenance of Cost records to the Company.
- (ix) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state Insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31.03.2011, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) The company does not have accumulated losses. The company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) The company has taken term loans from banks & the company is regular in repayment of such loans within the stipulated time.
- (xii) The company has not granted any loan against security by way of pledge of shares, debentures or other securities.
- (xiii) 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 are not applicable to the Company.
- (xiv) 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 are not applicable to the company.
- (xv) The company has given a corporate guarantee in favor of UPS Capital Inc for the loan availed by wholly owned subsidiary Vision Info Inc, UAE as under :
- |             |   |                 |
|-------------|---|-----------------|
| Term Loan 1 | : | Rs. 82,204,088  |
| Term Loan 2 | : | Rs. 128,631,069 |
- (xvi) In our opinion and according to the information and explanation given to us, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds are raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the company has made preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act, and the price at which the shares are not prejudicial to the interest of the company.
- (xix) According to the information and explanations given to us, during the period the company has not issued any debenture during the period and hence the question of creation of charge or and use are not applicable to the Company.

- (xx) We have verified the end use of money raised by public issue from the draft prospectus filed with SEBI and other relevant records and the details are disclosed in the notes to the financial statements.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For K. Gopalakrishnan & Co.,**  
Chartered Accountants  
Firm Regn. No 009600S

**Place: Bangalore**  
Date : 27.05.2011

**K. Gopalakrishnan**  
**Proprietor.**  
M. No.: 025421.

BALANCE SHEET AS AT MARCH 31, 2011

Amount in Rs.

Particulars	Schedule	March 31, 2011	March 31, 2010
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	388,903,580	200,000,000
Reserves and Surplus	2	2,202,355,829	650,277,189
		2,591,259,409	850,277,189
<b>LOAN FUNDS</b>	3		
Secured Loans		787,676,419	776,022,806
		787,676,419	776,022,806
<b>DEFERRED TAX LIABILITIES (NET)</b>	4	50,933,742	29,091,486
<b>TOTAL</b>		<b>3,429,869,570</b>	<b>1,655,391,481</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>	5		
Gross Block		1,340,230,257	1,221,979,538
Less: Accumulated Depreciation		489,567,860	274,279,467
Net Block		850,662,397	947,700,071
Capital Work-in-Progress		293,765,238	-
		1,144,427,635	947,700,071
<b>INVESTMENTS</b>	6	51,135,979	61,135,979
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>	7		
Sundry Debtors		391,410,261	449,631,434
Cash and Bank Balances		970,100,569	66,958,802
Loans and Advances		1,166,396,594	207,940,797
		2,527,907,424	724,531,033
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>	8		
Current Liabilities		236,500,342	62,036,873
Provisions		57,101,126	15,938,729
		293,601,468	77,975,602
<b>NET CURRENT ASSETS</b>		<b>2,234,305,956</b>	<b>646,555,431</b>
<b>TOTAL</b>		<b>3,429,869,570</b>	<b>1,655,391,481</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES</b>	13		
The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.			

As per our report of even date attached

**For K. Gopalakrishnan & Co.,**  
Chartered Accountants.  
Firm Reg No: 009600S

**K.Gopalakrishnan.**  
Proprietor.  
Membership No. 025421

Bangalore  
May 27, 2011

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

**D. Ravikumar**  
Managing Director

**S. Sudheer**  
Chief Financial Officer

**R. J. Kamath**  
Director

**Shobha Acharya**  
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

Amount in Rs.

Particulars	Schedule	For the Year ended	
		March 31, 2011	March 31, 2010
<b>INCOME</b>			
Export Sales		1,405,523,590	1,061,936,506
Domestic Sales		11,005,346	6,353,698
Other Income		1,275,052	4,694,396
		<b>1,417,803,988</b>	<b>1,072,984,600</b>
<b>EXPENDITURE</b>			
Software Development Expenses	<b>9</b>	699,206,955	523,465,905
General and Administration Expenses	<b>10</b>	48,681,600	47,718,020
Selling and Marketing Expenses	<b>11</b>	104,806,153	78,193,711
Interest and Financial Charges	<b>12</b>	118,825,909	96,375,817
Depreciation		215,288,393	134,071,937
		<b>1,186,809,009</b>	<b>879,825,390</b>
<b>NET PROFIT BEFORE TAX</b>		<b>230,994,979</b>	<b>193,159,210</b>
Provision for Taxation			
Current Tax		2,499,063	430,000
Deferred Tax		21,842,256	(2,779,868)
<b>NET PROFIT AFTER TAX</b>		<b>206,653,660</b>	<b>195,509,078</b>
Balance brought forward from previous year		410,249,470	420,276,840
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>616,903,130</b>	<b>615,785,918</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend		46,668,430	13,255,890
Provision For Dividend Tax		7,933,633	2,252,839
Amount Transferred to General Reserve		20,665,366	60,027,719
Transferred To Share Capital as Bonus Issue		-	130,000,000
Balance Carried to Balance sheet		541,635,700	410,249,470
		<b>616,903,129</b>	<b>615,785,918</b>
<b>EARNINGS PER SHARE</b>			
Equity shares of par value Rs.10/- each			
Basic and diluted (Rs.)		9.68	10.43
Number of shares used in computing earnings per share			
Basic and diluted		21,345,615	18,745,205
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>			
The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.	<b>13</b>		

As per our report of even date attached

**For K. Gopalakrishnan & Co.,**  
Chartered Accountants.  
Firm Reg No: 009600S

**K.Gopalakrishnan.**  
Proprietor.  
Membership No. 025421

Bangalore  
May 27, 2011

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

**D. Ravikumar**  
Managing Director

**R. J. Kamath**  
Director

**S. Sudheer**  
Chief Financial Officer

**Shobha Acharya**  
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

Amount in Rs.

Particulars		March 31, 2011	March 31, 2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net profit before Tax		230,994,979	193,159,210
Adjustments for:			
Depreciation		215,288,393	134,071,937
Interest Paid		118,825,909	96,375,817
Interest & Dividend Income		(1,171,165)	(269,547)
<b>Operating Profit before working capital changes</b>		<b>563,938,116</b>	<b>423,337,417</b>
Changes in Current Assets and Current Liabilities			
Sundry Debtors		58,221,173	4,984,294
Loans and Advances		(358,502,067)	(57,982,781)
Current Liabilities and Provisions		174,463,468	(38,144,280)
Cash generated from Operations		438,120,690	332,194,650
Income Taxes paid		(2,682,839)	(1,488,680)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>435,437,851</b>	<b>330,705,970</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase / Increase in Net Fixed Assets		(118,250,719)	(347,942,107)
Change in Capital Work-in-progress		(293,765,238)	-
Investments		10,000,000	(26,700,000)
Interest and Dividend Received		1,171,165	269,547
Investment in Subsidiary		(226,364,000)	(32,169,085)
Investment by way of Advance towards Acquisition		(373,589,730)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,000,798,522)</b>	<b>(406,541,645)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Issue of Equity Shares		1,700,132,220	-
Share Issue Expenses		(111,201,596)	-
Proceeds from Borrowings		11,653,613	153,715,396
Interest paid		(118,825,909)	(96,375,817)
Dividend paid		(13,255,890)	(5,000,000)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>1,468,502,438</b>	<b>52,339,579</b>
<b>NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>903,141,767</b>	<b>(23,496,096)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>66,958,802</b>	<b>90,454,898</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>970,100,569</b>	<b>66,958,802</b>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON	13		
The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.			

As per our report of even date attached

**For K. Gopalakrishnan & Co.,**  
Chartered Accountants.  
Firm Reg No: 009600S

**K.Gopalakrishnan.**  
Proprietor.  
Membership No. 025421

Bangalore  
May 27, 2011

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

**D. Ravikumar**  
Managing Director

**S. Sudheer**  
Chief Financial Officer

**R. J. Kamath**  
Director

**Shobha Acharya**  
Company Secretary

## SCHEDULES FORMING PART OF BALANCE SHEET

Amount in Rs.

Schedule	Particulars	As at March 31, 2011	As at March 31, 2010
1	<b>SHARE CAPITAL</b>		
	<b>Authorised</b> 40,000,000 (previous year 40,000,000) equity shares of Rs. 10 each	400,000,000	400,000,000
	<b>Issued, Subscribed and Paid up</b>		
	38,890,358 (Previous Year-20,000,000) equity shares of Rs. 10 each fully Paid up [Of the above 18,890,358 (Previous Year-Nil)equity shares of Rs. 10 each fully paid up have been issued by way of Initial Public Offer and 16,000,000 (Previous Year-16,000,000) equity shares of Rs. 10 each fully paid up issues as bonus shares by capitalization of retained profits	388,903,580	200,000,000
2	<b>RESERVES AND SURPLUS</b>		
	<b>Share Premium Account</b>		
	Opening Balance	180,000,000	180,000,000
	[2,000,000 (Previous year - 2,000,000) equity shares issued at a premium of Rs. 90 each]		
	Add: Addition during the year		
	[18,890,358(Previous Year-Nil) equity shares issued by way of Initial Public Offer	1,511,228,640	-
	at a premium of Rs. 80 each]	1,691,228,640	180,000,000
	Less: Share Issue Expenses (IPO related)	111,201,596	-
		1,580,027,044	180,000,000
	<b>General Reserve</b>		
	Opening balance	60,027,719	-
	Add: Transferred from Profit & Loss Account	20,665,366	60,027,719
		80,693,085	60,027,719
	<b>Balance in Profit &amp; Loss Account</b>	541,635,700	410,249,470
		2,202,355,829	650,277,189

Amount in Rs.

Schedule	Particulars	As at March 31, 2011	As at March 31, 2010
3	<b>Secured Loans</b>		
	Working Capital Loan		
	Cash Credit Accounts	100,626,412	88,555,119
	Packing Credits	252,395,271	250,000,000
		353,021,683	338,555,119
	Term Loans	431,642,274	433,347,926
	Vehicle Loans	3,012,462	4,119,761
	[Refer Note No: B- 8 for security details]		
		787,676,419	776,022,806
4	<b>DEFFERED TAX ASSETS</b>		
	On timing difference		
	Opening Balance	29,091,486	31,871,354
	Add: Changes During the Year	21,842,256	(2,779,868)
		50,933,742	29,091,486

SCHEDULES FORMING PART OF BALANCE SHEET

SCHEDULE 5  
FIXED ASSETS

Particulars of the Assets	GROSS BLOCK					DEPRECIATION				Amount in Rs.	
	As at April 1, 2010	Additions during the year	Deletions during the year	As at March 31, 2011	As at April 1, 2010	for the Year	Deletions during the Period	As at March 31, 2011	Net book value as at March 31, 2011	Net book value as at March 31, 2010	
	Land	22,205,000	-	-	22,205,000	-	-	-	-	22,205,000	22,205,000
Buildings	466,922,386	-	-	466,922,386	35,677,595	21,266,866	-	56,944,461	409,977,925	431,244,791	
Computers and Computer Accessories	51,833,707	1,174,797	-	53,008,504	42,107,857	4,082,904	-	46,190,761	6,817,743	9,725,850	
Software Application Packages.	649,998,140	113,963,553	-	763,961,693	182,493,971	186,602,915	-	369,096,886	394,864,807	467,504,169	
Furniture & Fixtures	8,012,559	1,174,758	-	9,187,317	4,387,428	725,420	-	5,112,848	4,074,469	3,625,131	
Electrical and Networking	4,197,102	703,856	-	4,900,958	1,950,887	466,019	-	2,416,906	2,484,052	2,246,215	
Office Equipments	1,252,340	1,176,555	-	2,428,895	422,709	170,344	-	593,053	1,835,842	829,631	
Air Conditioners	3,138,851	-	-	3,138,851	1,119,241	277,079	-	1,396,320	1,742,531	2,019,610	
UPS and Generators	5,145,850	57,200	-	5,203,050	1,940,732	446,987	-	2,387,719	2,815,331	3,205,118	
Vehicles	7,747,098	-	-	7,747,098	3,317,005	1,131,239	-	4,448,244	3,298,854	4,430,093	
Office Interiors	1,526,505	-	-	1,526,505	862,042	118,620	-	980,662	545,843	664,463	
<b>Total</b>	<b>1,221,979,538</b>	<b>118,250,719</b>	<b>-</b>	<b>1,340,230,257</b>	<b>274,279,467</b>	<b>215,286,393</b>	<b>-</b>	<b>489,567,860</b>	<b>850,662,397</b>	<b>947,700,071</b>	
Previous year	876,153,181	367,526,357	21,700,000	1,221,979,538	142,323,280	134,071,937	2,115,750	274,279,467	947,700,071	733,829,901	
Capital Work in Progress [including Capital Advance Rs. 9.5 crores. (Previous year Nil)]									<b>293,765,238</b>		
Grand Total									<b>1,144,427,635</b>	<b>947,700,071</b>	

Amount in Rs.

Schedule	Particulars	As at March 31, 2011	As at March 31, 2010
6	<b>INVESTMENTS</b>		
	<b>Long Term Investments (at Cost)</b>		
	<b>Unquoted</b>		
	Binary Spectrum Softech P Limited. [4080 Equity Shares of Rs.10/- each fully Paid valued at Rs. 12,500 each (Previous year: 4080 Shares of Rs.10/- each fully Paid valued at Rs. 12,500 each	51,000,000	51,000,000
	<b>Vision Info Inc.</b> [10 Shares of 1000 Arab Emirates Dhiraams each fully paid (previous year: 10 Shares of 1000 Arab Emirates Dhiraams each fully paid)]	135,979	135,979
	<b>Current Investments - at lower of cost and fair value</b>		
	Liquid Mutual Fund Units of SBI Mutual Fund	-	10,000,000
		51,135,979	61,135,979
7	<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
	<b>CURRENT ASSETS</b>		
	<b>Sundry Debtors (Unsecured)</b>		
	Debts outstanding for more than six months		
	Debts considered good	-	2,484,914
	Debts considered doubtful	2,102,844	-
	Other Debts considered good	391,410,261	447,146,520
	<b>Total</b>	393,513,105	449,631,434
	Less: Provision for doubtful debts	2,102,844	-
		391,410,261	449,631,434
	<b>Cash and Bank Balances</b>		
	Cash in hand	81,026	299,422
	Balances with scheduled banks		
	In Current Account	381,579,197	17,957,226
	[Includes proceeds of IPO Rs. 378,656,894 (Previous year- Nil)]		
	In Deposit Accounts	420,445,586	
	[Includes proceeds of IPO Rs. 400,000,000 (Previous year- Nil)]		
	In EEFC account	167,425,368	40,741,911
	Balances With Foreign Banks		
	Compass Bank - in Current Account	569,392	7,960,243
	[Maximum Balance during the period Rs. 44,578,303 (Previous year Rs. 51,270,135)]		
		970,100,569	66,958,802
	<b>LOANS AND ADVANCES</b>		
	Advances recoverable in cash or kind or for value to be received	283,847,601	43,266,118
	Advance towards acquisition	373,589,730	-
	Loan to Subsidiary	258,533,085	32,169,085
	Security deposits	43,128,928	20,587,812
	Loans and advances to employees	3,424,802	1,422,736
	Minimum Alternate Tax credit entitlement	125,333,448	76,767,546
	Unbilled revenue	78,539,000	33,727,500
		1,166,396,594	207,940,797

Amount in Rs.

Schedule	Particulars	As at March 31, 2011	As at March 31, 2010
8	<b>CURRENT LIABILITIES AND PROVISIONS</b>		
	<b>Current Liabilities</b>		
	Trade creditors	115,759,095	3,064,994
	Salary and consultancy charges payable	7,069,279	1,503,078
	Other Outstanding Liabilities	61,010,245	17,495,220
	Advance from Customers	315,000	273,581
	Minimum Alternate Tax Payable	52,346,723	39,700,000
		236,500,342	62,036,873
	<b>Provisions</b>		
	Proposed Dividend	46,668,430	13,255,890
	Provision for Dividend Tax	7,933,633	2,252,839
	Provision for Current income Tax	2,499,063	430,000
		57,101,126	15,938,729
	<b>SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT</b>		
9	<b>SOFTWARE DEVELOPMENT EXPENSES</b>		
	Salaries and consultancy charges including bonus, incentives, gratuity and leave encashment	135,160,463	111,275,189
	Contribution to provident fund	3,851,751	3,377,150
	Staff welfare expenses	1,395,789	638,135
	Onsite Development Expenses - technical sub-contractors	557,762,834	408,175,431
	Third party items bought for service delivery to client	1,036,118	-
		699,206,955	523,465,905
10	<b>GENERAL AND ADMINISTRATION EXPENSES</b>		
	Salaries and consultancy charges including bonus, incentives, gratuity and leave encashment	11,996,581	9,689,053
	Contribution to provident fund	877,799	694,708
	Staff welfare expenses	128,000	159,808
	Rent	4,797,242	5,460,974
	Communication expenses	1,423,379	1,285,982
	Repairs and maintenance	3,740,319	4,819,612
	Travelling and conveyance exp	8,271,621	7,326,765
	Printing and stationery	3,420,312	3,096,436
	Security Charges	701,897	541,395
	Rates and Taxes	896,690	908,197
	Insurance	1,239,648	637,165
	Power, Fuel & water Charges	3,009,068	2,183,486
	Auditor's remuneration		
	- Statutory Audit Fees	750,000	551,500
	- Certification expenses and reimbursements	255,968	551,500
	Other Admin and Miscellaneous Expenses	2,783,860	2,597,733
	Foreign Exchange Loss account Net	2,286,372	7,213,706
	Provision for doubtful debts	2,102,844	-
		48,681,600	47,718,020

Amount in Rs.

Schedule	Particulars	As at March 31, 2011	As at March 31, 2010
11	<b>SELLING AND MARKETING EXPENSES</b>		
	Salaries and consultancy charges including bonus, incentives, gratuity and leave encashment	9,040,989	8,889,769
	Contribution to provident fund	564,552	533,386
	Staff welfare expenses	29,147	44,480
	Advertisement & Publicity Expenses	1,200,579	126,056
	Business Promotion & Overseas office expenses including facility hiring charges	93,970,886	68,600,020
		104,806,153	78,193,711
12	<b>INTEREST AND FINANCIAL CHARGES</b>		
	Interest On Term Loan	67,206,902	36,824,332
	Other Interest	38,679,227	33,374,549
	Financial Charges	12,939,780	26,176,936
		118,825,909	96,375,817

## Schedule 13

### SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

#### SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Preparation of Financial Statements

The financial statements are prepared under the historical cost convention on the accrual basis unless otherwise stated and the requirements of the companies act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

##### 2. 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. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

##### 3. Fixed Assets

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

##### 4. Depreciation on Fixed Assets

Depreciation on fixed assets has been provided on written down value method, at rates and in the manner specified in the Schedule XIV to the Companies Act, 1956.

##### 5. Revenue Recognition

The revenue is recognised on the basis of accrual and based on appropriate stage of completion of projects. The expenses are recognised on accrual basis unless otherwise stated. Cost and earnings in excess of billing are classified as unbilled revenue.

##### 6. Investment

Investments are classified as current and long term based on the Management's Intention at the time of purchase. Current investments are stated at lower of cost and fair value; Long term investments are stated at cost less provisions for permanent diminution in value, if any.

##### 7. Foreign Currency Transactions

- a. Income and expenses in foreign currencies are converted at exchange rates prevailing on the date of the transaction.
- b. Gain or loss on foreign exchange transactions relating to the acquisitions of fixed assets are translated at the rate of prevailing on the date of transaction and adjusted to the cost of such fixed assets.
- c. All foreign currency assets and liabilities outstanding are translated as on the date of the Balance Sheet.

d. Exchange gains or losses on foreign exchange transactions other than those relating to assets are recognized in profit and loss account under respective heads of accounts.

**8. Retirement Benefits**

Provision for Gratuity and Leave encashment are made on the basis of Actuarial valuation at the end of every year and charged to profit and loss account.

**9. Leasehold premises are being amortized over the period of lease.**

**10. Impairment of Asset**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is recognized in the profit and loss account where the carrying amount of an asset exceeds its recoverable amount. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**B. NOTES ON ACCOUNTS**

1. The Company is engaged in the development of computer software. The Production and sale of such items cannot be expressed on any generic term. Hence it is not possible to give the quantitative details of sales and information as required under paragraph 3, 4 C & 4 D of Part II of the Schedule VI to the Companies Act.

**2. Managerial Remuneration**

	<b>Current Year (in Rs.)</b>	<b>Previous Year (in Rs.)</b>
Salary	5,580,000	5,961,225
Contribution to PF	2,88,000	672,000

3. Particulars of foreign Exchange earnings and outgo.

	<b>Current Year in Rs.</b>	<b>Previous Year in Rs.</b>
Foreign Exchange Outgo	649,583,719	388,186,391
Foreign Exchange Earnings	1405,523,591	1061,624,819

**4. AS-15(Revised)**

The company has adequately provided for all retirement benefits based on actuarial valuation.

**5. AS-19 Accounting for leases:**

The company is operating its unit taken under various operating leases, which are not non-cancelable and are

renewable by mutual consent on mutually agreeable terms. The rent of Rs. 4,797,242/- (Previous year - Rs. 5,460,974/-) made by the company is recognized in the statement of Profit and loss account paid under general and administrative expenses.

**6. AS-20 Earnings Per Share:**

As required by AS-20 the company has calculated its earnings per share.

Net Profit for the year (in Rs.)	206,653,660	195,509,078
Weighted Average number of Equity Shares outstanding-For Basic Earning Per Share	21,345,615	18,745,205
Weighted Average number of Equity Shares outstanding-For Diluted Earning Per Share	21,345,615	18,745,205
Basic Earnings Per Share (in Rs.)	9.68	10.43
Diluted Earnings Per Share (in Rs.)	9.68	10.43

**7. AS-22 Accounting For Taxes On Income:**

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income and reversal of timing differences of earlier years. Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available.

8. Secured Loan (Working Capital) from State bank of Travancore and Axis Bank are against Hypothecation of Book Debts on pari passu basis. Secured Loan (Term Loan) from Axis Bank (AB) is against hypothecation of the proposed Tech Park on Hosur road and specific assets. All these loans have hypothecation of fixed assets as a pari passu basis and additional inter-se second charge ceded among the both SBT and AB and also carries personal guarantees of the Promoter Directors.

Secured Loan (Term loan) from United Bank of India is secured against the specific asset funded and additionally collateral owned by Mr. D Ravikumar and carries his personal guarantee as well.

Secured Loan (Term loan) from South Indian Bank is secured against the specific asset funded and additionally collateral owned by Mr. D Ravikumar and carries his personal guarantee as well.

**9. Contingent Liabilities not provided for:**

- a. Corporate Guarantee in favor of UPS Capital Business Credit main office situated at 425 Day Hill Road, Windsor, Connecticut, U.S.A. 06095 for the loan availed by Vision Info Inc.

	Term Loan 1	Term Loan 2
Guarantee amount (USD)	3,068,415	3,032,471
Expiry Date	February 25, 2014	December 31, 2015
Current Outstanding (USD)	1,841,077	2,880,875
Current Outstanding (INR)	82,204,088	128,631,069
Previous Year Guarantee Amount(USD)	3,068,415	NIL
Previous year Outstanding (USD)	2,454,760	NIL
Previous year Outstanding (INR)	110,537,843	NIL

- b. Bills discounted with SBI Global Factors Ltd. Rs. 118,643,147  
(Previous Year: Rs. 82,902,064)
- c. Outstanding guarantees and counter guarantees Rs.97,55,000 (Previous Year - Nil)
- 10. Estimated amount of contracts to be executed on capital account and not Provided for(net advance) Rs.2.5 crores  
(Previous Year- Rs. 18,50,000)
- 11. As per the information available with the company, there are no small-scale industries undertaking / Micro enterprises to which the company owes.
- 12. Revenue expenditure on research and development is charged in the period it is incurred.
- 13. Interest on bank loan for acquisition of capital assets till the date of the assets put to use has been capitalized wherever applicable.
- 14. Previous year's figures have been regrouped and rearranged wherever necessary.

**15. Related Party disclosure:**

a) Name of Related Party and Description of Relationship:

Description of relationship	Name of Related party
Wholly Owned Subsidiary Company	Vision Info Inc.
Associate concern in which company has investment in less than 50% stake	Binary Spectrum Softech Pvt. Ltd.
Enterprise where key Management Personnel interested as Director	Kinfotech Pvt. Ltd. Ecologix Knowledge Solutions Pvt Ltd.
Key Management Personnel	Mr. D Ravikumar (Managing Director)

b) Summary of Transactions with related parties:

**1. Key Management Personnel**

Amount in Rs.

	<b>Current Year</b>	<b>Previous Year</b>
Mr. D. Ravikumar, - Salary-Rs.	4,800,000	3,953,400
Dr. Malini Reddy, - Salary Rs	Nil	2,007,825
Office Rent- Rs.	3,653,136	3,256,056
	8,453,136	9,217,281

**2. Investments & Loans**

	<b>As At 31-03-2011</b>	<b>As At 31-03-2010</b>
a. Vision Info Inc., UAE (wholly owned subsidiary) Investment Rs LoanRs.	135,979 258,553,085	135,979 32,169,085
b. Binary Spectrum Softech Pvt. Ltd. Investment Rs.	51,000,000	51,000,000

**16. Proceeds from IPO**

Pursuant to the approval of the shareholders of the Company in an EGM held on 1<sup>st</sup> February, 2010 the Company has issued and allotted through Initial Public Offering (IPO) 18,890,358 equity shares of Rs.10 each at a premium of Rs.80 per share to all categories of investors. The issue has been made in accordance with the terms of the Company's prospectus dated 25<sup>th</sup> February 2011.

The Proceeds raised from the issue upto March 31, 2011 are given below:

<b>Particular</b>	<b>Rs. in Lakhs</b>
Funds received up to March 31, 2011	
Equity Share Capital	1,889.03
Securities Premium	15,112.29
Total	17,001.32

The amount raised through public issue has been utilized upto March 31, 2011 are given below:

Rs. in Lakhs

Sr. No.	Particulars	Projected	Actual
1	Proposed Acquisitions	5,500.00	3,735.90
2	Setting up of Software Development Centre and Corporate Office	2,618.67	950.00
3	Expansion & Establishment of overseas offices	1,944.96	312.69
4	Part Repayment of Term Loans	2,500.00	500.00
5	Additional Working Capital requirements	2,500.00	2,500.00
6	Public Issue Expenses	1,500.00	1,112.01
7	General Corporate Purposes	436.37	104.15
	<b>Total</b>	<b>17,000.00</b>	<b>9214.75</b>

Pending utilisation, the balance proceeds have been temporarily invested in:

Sr. No.	Particulars	Actual (Rs. in Lakhs)
1	Fixed Deposit in Bank	4000.00
2	Balance in current account with schedule bank	3786.57
	<b>Total</b>	<b>7786.57</b>

## 17. Segment Revenue: 2010-11

Amount in Rs.

Business Segment	Engineering Design Service	Information Technology Service	Health Care	Total
Income	494,399,332	814,016,893	108,112,712	1,416,528,937
Expenditure	269,038,397	381,803,492	48,365,066	699,206,955
Allocated General Expenses	88,532,609	161,353,308	22,427,745	272,313,662
Segment Operating Income	136,828,326	270,860,093	37,319,901	445,008,320
Unallocated Expenses				215,288,393
Operating Income				229,719,927
Other Income				1,275,052
Net Profit Before Taxes				230,994,979
Income Taxes				24,341,319
Net Profit After Tax				206,653,660

Geographic Segment	United States	Middle East	Europe	Asia	Total
Income	765,774,776	508,512,323	43,162,953	99,078,885	1,416,528,937
Expenditure	366,772,268	257,980,934	23,488,081	50,965,672	699,206,955
Allocated Expenses	147,212,618	97,756,459	8,297,650	19,046,935	272,313,662
Segments Income	251,789,890	152,774,930	11,377,221	29,066,279	445,008,320
Unallocable Expenses					215,288,393
Operating Income					229,719,927
Other Income					1,275,052
Net Profit Before Taxes					230,994,979
Income Taxes					24,341,319
Net Profit After Taxes					206,653,660

As the assets of the Company are used interchangeably between the segments as also the liabilities contracted are not ascertainable to any specific segment, reporting of Segmental Assets is not considered feasible.

Segment Revenue: 2009-10

Amount in Rs.

Business Segment	Engineering Design Service	Information Technology Service	Health Care	Total
Income	463,936,810	601,062,523	3,290,871	1,068,290,204
Expenditure	267,686,178	254,029,193	1,750,534	523,465,905
Allocated Expenses	96,534,982	125,067,808	684,758	222,287,548
Segmental Operating Income	99,715,650	221,965,521	855,579	322,536,751
Unallocable expenses				134,071,937
Operating Income				188,464,814
Other Income				4,694,396
Net Profit before taxes				193,159,210
Income Taxes				-2,349,868
Net Profit After Taxes				195,509,078

Geographic segment	United States	Middle East	Europe	Asia	Total
Income	806,599,995	138,185,925	85,028,035	384,762,49	1,068,290,204
Expenditure	381,098,354	79,858,694	41,570,637	20,938,220	523,465,905
Allocated Expenses	167,835,608	28,753,432	17,692,452	8,006,056	222,287,548
Segment Income	257,666,033	29,573,798	25,764,946	9,531,973	322,536,751
Unallocable expenses					134,071,937
Operating Income					188,464,814
Other Income					4,694,396
Net Profit before Taxes					193,159,210
Income Taxes					-2,349,868
Net Profit after Taxes					195,509,078

As the assets of the Company are used interchangeably between the segments as also the liabilities contracted are not ascertainable to any specific segment, reporting of Segmental Assets is not considered feasible.

As per our report of even date attached

**For K. Gopalakrishnan & Co.,**  
Chartered Accountants.  
Firm Reg No: 009600S

**K.Gopalakrishnan.**  
Proprietor.  
Membership No. 025421

Bangalore  
May 27, 2011

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

**D. Ravikumar**  
Managing Director

**R. J. Kamath**  
Director

**S. Sudheer**  
Chief Financial Officer

**Shobha Acharya**  
Company Secretary

## Balance Sheets Abstract and Company's General Business Profile

I.	<b>Additional Information Pursuant to the Provisions of Part IV of Schedule VI of the Companies Act, 1956, Balance Sheet Abstract &amp; Company Business Profile</b> Registration Details Registration Number State Code Number Balance Sheet Date	28944 8 31st March, 2011
II.	<b>Capital Raised During the Year (Amount in Rs. Lakhs)</b> Public Issue Rights Issue Bonus Issue Private Placement	17001.32 NIL NIL NIL
III.	<b>Position of Mobilisation and Deployment of Funds (Amounts In Rs . Lakhs)</b> Total Liabilities Total Assets <b>Sources of Funds</b> Paid-up Capital Reserves and Surplus Secured Loans Unsecured Loans <b>Application of Funds</b> Net Fixed Assets Investments Net Current Assets Miscellaneous Expenditure	34,299 34,299 3,889 22,024 7,877 NIL 8,507 511 22,343
IV.	<b>Performance of Company (Amount in Rs.Lakhs)</b> Turnover Other Income Total Expenditure Profit/Loss Before Tax + (-) Profit/Loss After Tax + (-) Earnings Per Share in Rs. Dividend Rate %	14,165 13 11,868 2,310 2,067 10 12%
V.	<b>Generic Names of Three Principal Products/Services of Company (as per monetary terms)</b> Item Code No. (ITC Code) Product Description : <b>Software Development</b>	

As per our report of even date attached

**For K. Gopalakrishnan & Co.,**  
 Chartered Accountants.  
 Firm Reg No: 009600S

**K.Gopalakrishnan.**  
 Proprietor.  
 Membership No. 025421

Bangalore  
 May 27, 2011

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

**D. Ravikumar**  
 Managing Director

**S. Sudheer**  
 Chief Financial Officer

**R. J. Kamath**  
 Director

**Shobha Acharya**  
 Company Secretary

**Disclosure On Subsidiaries**

Disclosures made in respect of a Subsidiary Company pursuant to the General Circular No. 2/2011 dated 8th February, 2011 issued by the Minister of Corporate Affairs, Government of India, for the year ended 31st March, 2011.

(Rs. in lakhs)

1)	Name Of the Subsidiary	Vision Info Inc
a)	Capital	1.30
b)	Reserves	2,974.20
c)	Total Assets	7,539.65
d)	Total Liabilities	7,539.65
e)	Details of Investment (except in case investment in the subsidiaries)	NIL
f)	Turnover	5,982.04
g)	Profit Before Taxation	1,276.16
h)	Provision for Taxation	-
i)	Profit after Taxation	1,276.16
j)	Proposed Dividend	NIL

As per our report of even date attached

**For K. Gopalakrishnan & Co.,**  
Chartered Accountants.  
Firm Reg No: 009600S

**K.Gopalakrishnan.**  
Proprietor.  
Membership No. 025421

Bangalore  
May 27, 2011

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

**D. Ravikumar**  
Managing Director

**S. Sudheer**  
Chief Financial Officer

**R. J. Kamath**  
Director

**Shobha Acharya**  
Company Secretary

## AUDITORS' REPORT

### TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF M/S. ACROPETAL TECHNOLOGIES LIMITED AND ITS SUBSIDIARY

We have audited the attached consolidated Balance Sheet of **M/S. ACROPETAL TECHNOLOGIES LIMITED** (the Company) and its subsidiary **M/S. VISION INFO INC.** (collectively called the Acropetal Group) as at 31<sup>st</sup> March 2011, the consolidated profit and loss account and the consolidated cash flow statement for the period 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.

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 misstatements. 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.

The financial statements of **M/S. VISION INFO INC** (wholly owned subsidiary) have been audited by us whose total assets and revenue have been considered in the consolidated financial statements of ACROPETAL GROUP.

We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21. Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

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

- (a) in the case of the consolidated balance sheet, of the state of affairs of the ACROPETAL GROUP as at 31<sup>st</sup> March 2011.
- (b) in the case of the consolidated profit and loss account, of the PROFIT of the ACROPETAL 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 ACROPETAL GROUP for the Year Ended on that date.

**For K. Gopalakrishnan & Co.,**  
Chartered Accountants,  
Firm Regn. No 009600S

**K. Gopalakrishnan**  
Proprietor  
M. No.: 025421.

Place : Bangalore  
Date : May 27, 2011

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011

Amount in Rs.

Particulars	Schedule	As At March 31, 2011	As At March 31, 2010
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	388,903,580	200,000,000
Reserves and Surplus	2	2,486,663,680	814,908,873
		2,875,567,260	1,014,908,873
<b>LOAN FUNDS</b>			
Secured Loans	3	787,676,419	776,022,806
Unsecured Loans		210,835,177	110,537,843
		998,511,596	886,560,649
DEFERRED TAX LIABILITIES (NET)	4	50,933,742	29,091,486
<b>TOTAL</b>		3,925,012,598	1,930,561,008
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	1,717,338,962	1,441,922,269
Less: Accumulated Depreciation		593,112,399	292,356,941
Net Block		1,124,226,563	1,149,565,328
Capital Work-in-Progress		293,765,238	
		1,417,991,801	1,149,565,328
INVESTMENTS	6	51,000,000	61,000,000
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry Debtors	7	570,317,007	575,364,200
Cash and Bank Balances		975,827,128	67,985,683
Loans and Advances		1,221,529,759	175,771,712
		2,767,673,894	819,121,595
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	8	254,551,971	83,187,186
Provisions		57,101,126	15,938,729
		311,653,097	99,125,915
<b>NET CURRENT ASSETS</b>		2,456,020,797	719,995,680
<b>TOTAL</b>		3,925,012,598	1,930,561,008
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>			
		13	
The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.			

As per our report of even date attached

**For K. Gopalakrishnan & Co.,**  
Chartered Accountants.  
Firm Reg No: 009600S

**K.Gopalakrishnan.**  
Proprietor.  
Membership No. 025421

Bangalore  
May 27, 2011

For and on behalf of the Board of Directors.

**D. Ravikumar**  
Managing Director

**S. Sudheer**  
Chief Financial Officer

**R. J. Kamath**  
Director

**Shobha Acharya**  
Company Secretary

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

Amount in Rs.

Particulars	Schedule	For the Year ended	
		March 31, 2011	March 31, 2010
<b>INCOME</b>			
Export Sales		2,003,727,498	1,515,614,500
Domestic Sales		11,005,346	6,353,698
Other Income		1,275,053	4,694,396
		<b>2,016,007,897</b>	<b>1,526,662,594</b>
<b>EXPENDITURE</b>			
Software Development Expenses	9	1,023,213,880	752,746,803
General and Administration Expenses	10	63,093,704	59,522,217
Selling and Marketing Expenses	11	145,712,542	107,613,486
Interest and Financial Charges	12	124,621,597	99,839,765
Depreciation		300,755,458	152,149,411
		<b>1,657,397,181</b>	<b>1,171,871,682</b>
<b>NET PROFIT BEFORE TAX</b>		<b>358,610,716</b>	<b>354,790,912</b>
Provision for Taxation			
Current Tax		2,499,063	430,000
Deferred Tax		21,842,256	(2,779,868)
<b>NET PROFIT AFTER TAX</b>		<b>334,269,397</b>	<b>357,140,780</b>
Balance brought forward from previous year		595,207,985	443,603,653
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>929,477,382</b>	<b>800,744,433</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend		46,668,430	13,255,890
Provision For Dividend Tax		7,933,633	2,252,839
Amount Transferred to General Reserve		20,665,366	60,027,719
Transferred To Share Capital as Bonus Issue			130,000,000
Balance Carried to Balance sheet		854,209,953	595,207,985
		<b>929,477,382</b>	<b>800,744,433</b>
<b>EARNINGS PER SHARE</b>			
Equity shares of par value Rs.10/- each			
Basic and diluted (Rs.)		15.66	19.05
Number of shares used in computing earnings per share			
Basic and diluted		21,345,615	18,745,205
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	13		
The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.			

As per our report of even date attached

**For K. Gopalakrishnan & Co.,**  
Chartered Accountants.  
Firm Reg No: 009600S

**K.Gopalakrishnan.**  
Proprietor.  
Membership No. 025421

Bangalore  
May 27, 2011

For and on behalf of the Board of Directors.

**D. Ravikumar**  
Managing Director

**R. J. Kamath**  
Director

**S. Sudheer**  
Chief Financial Officer

**Shobha Acharya**  
Company Secretary

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

Amount in Rs.

Particulars		March 31, 2011	March 31, 2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net profit before Tax		358,610,716	354,790,912
Adjustments for:			
Depreciation		300,755,458	152,149,411
Interest Expenses		124,621,597	99,839,765
Interest & Dividend Income		(1,171,165)	(269,547)
Effect of Exchange Difference on Foreign Currency Translation		(7,939,571)	(16,093,014)
<b>Operating Profit before working capital changes</b>		<b>774,877,035</b>	<b>590,417,527</b>
Changes in Current Assets and Current Liabilities			
Sundry Debtors		5,047,193	(120,748,472)
Loans and Advances		(672,168,317)	(72,401,726)
Current Liabilities and Provisions		171,364,785	(17,820,485)
Cash generated from Operations		279,120,696	379,446,844
Income Taxes paid		(2,682,839)	(1,488,680)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>276,437,857</b>	<b>377,958,164</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase / Increase in Net Fixed Assets		(275,416,693)	(377,429,802)
Change in Capital Work-in-progress		(293,765,238)	-
Investments		10,000,000	(26,700,000)
Interest and Dividend Received		1,171,165	269,547
Investment in Subsidiary			
Investment by way of Advance towards Acquisition		(373,589,730)	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(931,600,496)</b>	<b>(403,860,255)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Issue of Equity Shares		1,700,132,220	-
Share Issue Expenses		(111,201,596)	-
Proceeds from Borrowings		111,950,947	108,193,652
Interest paid		(124,621,597)	(99,839,765)
Dividend paid		(13,255,890)	(5,000,000)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>1,563,004,084</b>	<b>3,353,887</b>
<b>NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>907,841,445</b>	<b>(22,548,204)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>67,985,683</b>	<b>90,533,887</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>975,827,128</b>	<b>67,985,683</b>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.	13		

As per our report of even date attached

**For K. Gopalakrishnan & Co.,**  
Chartered Accountants.  
Firm Reg No: 009600S

**K.Gopalakrishnan.**  
Proprietor.  
Membership No. 025421

Bangalore  
May 27, 2011

For and on behalf of the Board of Directors.

**D. Ravikumar**  
Managing Director

**S. Sudheer**  
Chief Financial Officer

**R. J. Kamath**  
Director

**Shobha Acharya**  
Company Secretary

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

Amount in Rs.

Schedule	Particulars	As at March 31, 2011	As at March 31, 2010
1	<b>SHARE CAPITAL</b> <b>Authorised</b> 40,000,000 (previous year 40,000,000) equity shares of Rs.10 each	400,000,000	400,000,000
	<b>Issued, Subscribed and Paid up</b> 38,890,358 (Previous Year 20,000,000) equity shares of Rs.10 each fully Paid up  [Of the above 18,890,358 (Previous Year Nil) equity shares of Rs.10 each fully paid up have been issued by way of Initial Public Offer and 16,000,000 (Previous Year 16,000,000) equity shares of Rs.10 each fully paid up issued as bonus shares by capitalisation of retained profits]	388,903,580	200,000,000
2	<b>RESERVES AND SURPLUS</b>  <b>Share Premium Account</b> Opening Balance [2,000,000 (Previous year - 2,000,000) equity shares issued at a premium of Rs. 90 each Add: Addition during the year [18,890,358(Previous Year-Nil) equity shares issued by way of Initial Public Offer at a premium of Rs. 80 each] Less: Share Issue Expenses (IPO related)	180,000,000    1,511,228,640 1,691,228,640 111,201,596 1,580,027,044	180,000,000       180,000,000 180,000,000
	<b>General Reserve</b> Opening balance Add: Transferred from Profit & Loss Account	60,027,719 20,665,366 80,693,085	- 60,027,719 60,027,719
	<b>Balance in Profit &amp; Loss Account</b>	854,209,953 854,209,953	595,207,985 595,207,985
	<b>Foreign Currency Translation Reserve</b> Opening Balance Add: For the Period	(20,326,831) (7,939,571) (28,266,402)	- (20,326,831) (20,326,831)
		2,486,663,680	814,908,873

Amount in Rs.

Schedule	Particulars	As at March 31, 2011	As at March 31, 2010
3	<b>LOAN FUND</b>		
	<b>Secured Loans</b>		
	Working Capital Loan		
	Cash Credit Accounts	100,626,412	88,555,119
	Packing Credits	252,395,271	250,000,000
		353,021,683	338,555,119
	Term Loans	431,642,274	433,347,926
	Vehicle Loans	3,012,462	4,119,761
		787,676,419	776,022,806
	<b>UNSECURED LOANS</b>		
	Term Loan	210,835,177	110,537,843
		210,835,177	110,537,843
	[Refer Note No: B- 5 for security details]	998,511,596	886,560,649
4	<b>DEFERRED TAX ASSETS</b>		
	On timing difference		
	Opening Balance	29,091,486	31,871,354
	Add: Changes During the Year	21,842,256	(2,779,868)
	50,933,742	29,091,486	

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

SCHEDULE 5

FIXED ASSETS

Amounts in Rs.

Particulars of the Assets	GROSS BLOCK			DEPRECIATION			Net book value as at March 31, 2011	Net book value as at March 31, 2010
	As at April 1, 2010	Additions during the year	Deletions during the year	As at April 1, 2010	for the Year	Deletions during the Period		
Land	22,205,000	-	-	-	-	-	-	22,205,000
Buildings	466,922,386	-	-	35,677,595	21,266,866	-	56,944,461	409,977,925
Computers and Computer Accessories	51,833,707	1,174,797	-	42,107,857	4,082,904	-	46,190,761	6,817,743
Software Application Packages,	869,940,871	271,129,527	-	200,571,445	272,069,980	-	472,641,425	669,369,426
Furniture & Fixtures	8,012,559	1,174,758	-	4,387,428	725,420	-	5,112,848	4,074,469
Electrical and Networking	4,197,102	703,856	-	1,950,887	466,019	-	2,416,906	2,484,052
Office Equipments	1,252,340	1,176,555	-	422,709	170,344	-	593,053	1,835,842
Air Conditioners	3,138,851	-	-	1,119,241	277,079	-	1,396,320	1,742,531
UPS and Generators	5,145,850	57,200	-	1,940,732	446,987	-	2,387,719	2,815,331
Vehicles	7,747,098	-	-	3,317,005	1,131,239	-	4,448,244	3,298,854
Office Interiors	1,526,505	-	-	862,042	118,620	-	980,662	545,843
<b>Total</b>	<b>1,441,922,269</b>	<b>275,416,693</b>	<b>-</b>	<b>292,356,941</b>	<b>300755458</b>	<b>0</b>	<b>593,112,399</b>	<b>1,124,226,563</b>
Previous year	876,153,181	587,469,088	21,700,000	142,323,280	152,149,411	2,115,750	292,356,941	1,149,565,328
Capital Work in Progress (including Capital Advance Rs. 9.5 crores. (Previous year Nil))	-	-	-	-	-	-	-	293,765,238
<b>Grand Total</b>								<b>1,443,330,566</b>
								<b>733,829,901</b>

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

Amount in Rs.

Schedule	Particulars	As at March 31, 2011	As at March 31, 2010
6	<b>INVESTMENTS</b>		
	<b>Long Term Investments (at Cost)</b>		
	<b>Unquoted</b>		
	Binary Spectrum Softech P Limited. [4080 Equity Shares of Rs.10/- each fully Paid valued at Rs. 12500/- each] (Previous year: 4080 Shares of Rs. 10/- each fully Paid valued at Rs. 12500/- each)	51,000,000	51,000,000
	<b>Current Investments - at lower of cost and fair value</b>		
	Liquid Mutual Fund Units of SBI Mutual Fund	-	10,000,000
		51,000,000	61,000,000
7	<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
	<b>CURRENT ASSETS</b>		
	<b>Sundry Debtors (Unsecured)</b>		
	Debts outstanding for more than six months		
	Debts considered good	-	2,484,914
	Debts considered doubtful	2,102,844	-
	Other Debts considered good	570,317,007	572,879,286
	Total	572,419,851	575,364,200
	Less: Provision for doubtful debt	2,102,844	
		570,317,007	575,364,200
	<b>Cash and Bank Balances</b>		
	Cash in hand	81,026	299,422
	Balances with scheduled banks		
	In Current Account	381,579,197	17,957,226
	[Includes proceeds of IPO Rs. 378,656,894 (Previous year Nil)]		
	In Deposit Accounts	420,445,586	-
	[Includes proceeds of IPO Rs. 400,000,000 (Previous year Nil)]		
	In EEFC account	167,425,368	40,741,911
	Balances With Foreign Banks		
	Compass Bank - in Current Account	569,392	7,960,243
	[Maximum Balance during the period Rs. 44,578,303 (Previous year Rs. 51,270,135)]		
	Standard chartered Bank	5,726,559	1,026,881
	[Maximum Balance during the period Rs. 25,183,219 (Previous year Rs. 71,626,257)]		
		975,827,128	67,985,683

Amount in Rs.

Schedule	Particulars	As at March 31, 2011	As at March 31, 2010
8	<b>LOANS AND ADVANCES</b>		
	Advances recoverable in cash or kind or for value to be received	597,513,851	43,266,118
	Advance towards acquisition	373,589,730	
	Security deposits	43,128,928	20,587,812
	Loans and advances to employees	3,424,802	1,422,736
	Minimum Alternate Tax credit entitlement	125,333,448	76,767,546
	Unbilled revenue	78,539,000	33,727,500
		1,221,529,759	175,771,712
	<b>CURRENT LIABILITIES AND PROVISIONS</b>		
	<b>Current Liabilities</b>		
	Trade creditors	145,819,708	20,415,053
	Salary and consultancy charges payable	7,069,279	1,503,078
	Other Outstanding Liabilities	46,322,262	21,295,474
	Advance from Customers	2,994,000	273,581
	Minimum Alternate Tax Payable	52,346,722	39,700,000
	254,551,971	83,187,186	
<b>Provisions</b>			
Proposed Dividend	46,668,430	13255890	
Provision for Dividend Tax	7,933,633	2252839	
Provision for Current income Tax	2,499,063	430000	
	57,101,126	15938729	
	<b>SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT</b>		
9	<b>SOFTWARE DEVELOPMENT EXPENSES</b>		
	Salaries and consultancy charges including bonus, incentives, gratuity and leave encashment	135,160,463	111,275,189
	Contribution to provident fund	3,851,751	3,377,150
	Staff welfare expenses	1,395,789	638,135
	Onsite Development Expenses - technical sub-contractors	881,769,759	637,456,329
	Third party items bought for service delivery to client	1,036,118	-
		1,023,213,880	752,746,803

Amount in Rs.

Schedule	Particulars	As at March 31, 2011	As at March 31, 2010
10	<b>GENERAL AND ADMINISTRATION EXPENSES</b>		
	Salaries and consultancy charges including bonus, incentives, gratuity and leave encashment	11,996,581	9,689,053
	Contribution to provident fund	877,799	694,708
	Staff welfare expenses	128,000	159,808
	Rent	4,797,242	5,460,974
	Communication expenses	1,423,379	1,285,982
	Repairs and maintenance	3,740,319	4,819,612
	Travelling and conveyance exp	8,271,621	7,326,765
	Printing and stationery	3,420,312	3,096,436
	Security Charges	701,897	541,395
	Rates and Taxes	896,690	908,197
	Insurance	1,239,648	637,165
	Power, Fuel & water Charges	3,009,068	2,183,486
	Auditor's remuneration		
	Statutory Audit Fees	976,450	790,200
	Certification expenses and reimbursements	255,968	551,500
	Other Admn and Miscellaneous Expenses	16,969,514	14,163,230
	Foreign Exchange Loss account Net	2,286,372	7,213,706
	Provision for bad & doubtful debt	2,102,844	-
		63,093,704	59,522,217
11	<b>SELLING AND MARKETING EXPENSES</b>		
	Salaries and consultancy charges including bonus, incentives, gratuity and leave encashment	9,040,989	8,889,769
	Contribution to provident fund	564,552	533,386
	Staff welfare expenses	29,147	44,480
	Advertisement & Publicity Expenses	1,200,579	126,056
	Business Promotion & Overseas office expenses including facility hiring charges	134,877,275	98,019,795
		145,712,542	107,613,486
12	<b>INTEREST AND FINANCIAL CHARGES</b>		
	Interest On Term Loan	69,131,473	40,260,747
	Other Interest	38,679,227	33,374,549
	Financial charges	16,810,897	26,204,469
		124,621,597	99,839,765

## Schedule 13

### Schedule to the Consolidated Financial Statements for the year ended March 31<sup>st</sup> 2011

#### **SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS**

##### **B. SIGNIFICANT ACCOUNTING POLICIES**

###### **1. Basis of Preparation of Financial Statements**

The consolidated financial statements have been prepared on the basis of historical cost convention and recognize income and expenditure on accrual basis unless otherwise stated. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Accounting Standard (AS) 21, "Consolidated Financial Statements".

The financial statements of Acropetal technologies Limited the parent company and Vision Info, Inc. UAE have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gain / loss. The consolidated financial statements are prepared by applying uniform accounting policies in use at the group.

###### **2. Use of Estimates:**

The presentation of financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions that may affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of financial statements and the reported amount of incomes and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual result could differ from these estimates.

###### **3. Fixed Assets**

Fixed Assets are stated at cost less depreciation including taxes, freight and other incidental expenses incurred in relation to acquisition and installation until the Fixed Assets are ready for use. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use at the reporting date.

###### **4. Depreciation on Fixed Assets**

Depreciation on fixed assets has been provided on written down value method, at rates and in the manner specified in the Schedule XIV to the Companies Act, 1956.

###### **5. Revenue Recognition**

The revenue is recognised on the basis of accrual and based on appropriate stage of completion of projects. The expenses are recognised on accrual basis unless otherwise stated. Cost and earnings in excess of billing are classified as unbilled revenue.

**6. Investments**

Trade Investments are the Investments made to enhance the Group's business Interest. Investments are classified as current and long term based on the Management's Intention at the time of purchase. Current investments are stated at lower of cost and fair value; Long term investments are stated at cost less provisions for permanent diminution in value, if any.

**7. Foreign Currency Transactions**

- a. Income and expenses in foreign currencies are converted at exchange rates prevailing on the date of the transaction.
- b. Gain or loss on foreign exchange transactions relating to the acquisitions of fixed assets are at the rate prevailing on the date of transaction and adjusted to the cost of such fixed assets.
- c. All foreign currency assets and liabilities outstanding are translated into the functional currency at exchange rates in effect at the Balance Sheet date.
- d. Exchange gains or losses on foreign exchange transactions other than those relating to assets are recognized in profit and loss account under respective heads of accounts.
- e. The functional currency of Acropetal Technologies Limited is Indian Rupee and the functional currency of Vision Info, Inc. is United States Dollar (USD). The translation of financial statements of the foreign subsidiary from the functional currency of the foreign subsidiary to the functional currency of the Company for Balance Sheet accounts using the exchange rate in effect at the Balance Sheet date and for revenue expenses and cash-flow items using a monthly average exchange rate for the respective periods and the resulting difference is presented as foreign currency translation reserve included in "Reserve and Surplus".

**8. Retirement Benefits**

Provision for Gratuity is made on the basis of Actuarial valuation at the end of every year and charged to profit and loss account.

**9. Leasehold premises are being amortized over the period of lease.**

**10. Impairment of Asset**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is recognized in the profit and loss account where the carrying amount of an asset exceeds its recoverable amount. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**B. NOTES ON ACCOUNTS**

**1. AS-15 (Revised)**

The company has adequately provided for all retirement benefits based on actuarial valuation.

## 2. AS-19 Accounting for leases:

The company is operating its unit taken under various operating leases, which are not non-cancelable and are renewable by mutual consent on mutually agreeable terms. The rent of Rs. 4,797,242/- (Previous year - Rs. 5,460,974/- ) made by the company is recognized in the statement of Profit and loss account paid under general and administrative expenses.

## 3. AS-20 Earnings per Share:

As required by AS-20 the company/group has calculated its earnings per share.

Sr. No.	Particulars	Current Year	Previous year
1	Net Profit for the year (INR)	334,269,397	357,140,780
2	Weighted Average number of Equity Shares outstanding for Basic Earning Per Share	21,345,615	18,745,205
3	Weighted Average number of Equity Shares outstanding for Diluted Earning Per Share	21,345,615	18,745,205
4	Basic Earnings Per Share (INR)	15.66	19.05
5	Diluted Earnings Per Share (INR)	15.66	19.05

## 4. AS-22 Accounting For Taxes On Income:

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income and reversal of timing differences of earlier years. Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available.

5. Secured Loan (Working Capital) from State bank of Travancore and Axis Bank are against Hypothecation of Book Debts on pari passu basis. Secured Loan (Term Loan) from Axis Bank (AB) is against hypothecation of the proposed Tech Park on Hosur road and specific assets. All these loans have hypothecation of fixed assets as a pari - passu basis and additional inter-se second charge ceded among the both SBT and AB and also carries personal guarantees of the Promoter Directors.

Secured Loan (Term loan) from United Bank of India is secured against the specific asset funded and additionally collateral owned by Mr. D Ravikumar and carries his personal guarantee as well.

Secured Loan (Term loan) from South Indian Bank is secured against the specific asset funded and additionally collateral owned by Mr. D Ravikumar and carries his personal guarantee as well.

6. Unsecured Loan in Vision Info Inc obtained from UPS Capital Business Credit was supported by guarantee issued by the Export Import Bank of the United States (Ex-Im) and corporate guarantee of Acropetal Technologies Ltd., In addition the loan also carry personal guarantee of Mr. Ravikumar.

## 7. Contingent Liabilities not provided for:

Bills discounted with SBI Global Factors Ltd. Rs. 118,643,147.00  
(Previous Year: Rs. 82,902,064)

Outstanding guarantees and counter guarantees Rs.97,55,000.00  
(Previous Year - Nil)

8. Estimated amount of contracts to be executed on capital account and not Provided for(net advance) Rs.2.5 crores (Previous Year- Rs. 18,50,000).
9. Previous year's figures have been regrouped and rearranged wherever necessary.

**10. Related Party disclosure:**

a) Name of Related Party and Description of Relationship:

Description of relationship	Name of Related party
Wholly Owned Subsidiary Company	Vision Info Inc.
Associate concern in which company has investment in less than 50% stake	Binary Spectrum Softech Pvt. Ltd.
Enterprise where key Management Personnel interested as Director	Kinfotech Pvt. Ltd Ecologix Knowledge Solutions Pvt Ltd.
Key Management Personnel	Mr. D Ravikumar (Managing Director)

b) Summary of Transactions with related parties:

**Key Management Personnel**

Amount in Rs.

		Current Year	Previous Year
Mr. D. Ravikumar	Salary	4,800,000	3,953,400
Dr. Malini Reddy	Salary	Nil	2,007,825
	Office Rent	3,653,136	3,256,056
		8,453,136	9,217,281

**Investments & Loans**

Amount in Rs.

	March 31, 2011	March 31, 2010
Binary Spectrum Softech Pvt. Ltd. Investment	51,000,000	51,000,000

**11. Proceeds from IPO**

Pursuant to the approval of the shareholders of the Company in an EGM held on 1<sup>st</sup> February, 2010 the Company has issued and allotted through Initial Public Offering (IPO) 18,890,358 equity shares of Rs.10 each at a premium of Rs.80 per share to all categories of investors. The issue has been made in accordance with the terms of the Company's prospectus dated 25<sup>th</sup> February 2011.

The Proceeds raised from the issue till March 31, 2011 are given below:

Particular	Rs. in Lakhs
Funds received up to March 31, 2011	
Equity Share Capital	1,889.03
Securities Premium	15,112.29
<b>Total</b>	<b>17,001.32</b>

The amount raised through public issue has been utilized till March 31, 2011 are given below:

Rs. in Lakhs

Sr. No.	Particulars	Projected	Actual
1	Proposed Acquisitions	5,500.00	3,735.90
2	Setting up of Software Development Centre and Corporate Office	2,618.67	950.00
3	Expansion & Establishment of overseas offices	1,944.96	312.69
4	Part Repayment of Term Loans	2,500.00	500.00
5	Additional Working Capital requirements	2,500.00	2,500.00
6	Public Issue Expenses	1,500.00	1,112.01
7	General Corporate Purposes	436.37	104.15
	<b>Total</b>	<b>17,000.00</b>	<b>9214.75</b>

Pending utilisation, the balance proceeds have been temporarily invested in:

Rs. in Lakhs

Sr. No.	Particulars	Actual
1	Fixed Deposit in Bank	4,000.00
2	Balance in current account with schedule bank	3,786.57
	<b>Total</b>	<b>7,786.57</b>

12. Segment Revenue: 2010-11

Amount in Rs.

Business Segment	Engineering Design Service	Information Technology Service	Health Care	Total
Income	851,452,105	891,349,568	271,931,171	2,014,732,844
Expenditure	483,270,061	418,766,518	121,177,301	1,023,213,880
Allocated General Expenses	120,481,670	173,273,772	39,672,365	333,427,807
Segment Operating Income	247,700,374	299,309,278	111,081,505	658,091,157
Unallocated Expenses				300,755,493
Operating Income				357,335,664
Other Income				1,275,052
Net Profit Before Taxes				358,610,716
Income Taxes				24,341,319
Net Profit After Tax				334,269,397

Geographic Segment	United States	Middle East	Europe	Asia	Total
Income	1,084,435,216	731,040,209	43,162,953	156,094,466	2,014,732,844
Expenditure	540,348,412	374,202,366	23,488,081	85,175,020	1,023,213,880
Allocated Expenses	176,767,840	120,490,499	8,297,650	24,871,817	333,427,807
Segment Income	364,318,964	236,347,344	11,377,221	46,047,628	658,091,157
Unallocable Expenses					300,755,493
Operating Income					357,335,664
Other Income					1,275,052
Net Profit Before Taxes					358,610,716
Income Taxes					24,341,319
Net Profit After Taxes					334,269,397

As the assets of the Company are used interchangeably between the segments as also the liabilities contracted are not ascertainable to any specific segment, reporting of Segmental Assets is not considered feasible.

**Segment Revenue: 2009-10**

Amount in Rs.

Business Segment	Engineering Design Service	Information Technology Service	Health Care	Total
Income	737,682,744	746,583,591	37,701,863	1,521,968,198
Expenditure	414,339,131	323,554,810	14,852,862	752,746,803
Allocated Expenses	123,561,911	139,098,789	4,314,768	266,975,468
Segmental Operating Income	199,781,702	283,929,992	18,534,233	502,245,927
Unallocable expenses				152,149,411
Operating Income				350,096,516
Other Income				4,694,396
Net Profit before taxes				354,790,912
Income Taxes				(2,349,868)
Net Profit After Taxes				357,140,780

Geographic Segment	United States	Middle East	Europe	Asia	Total
Income	984,168,925	138,185,925	168,300,917	231,312,431	1,521,968,198
Expenditure	500,553,876	80,764,492	80,089,502	91,338,933	752,746,803
Allocated Expenses	184,134,502	28,481,746	26,230,588	28,128,631	266,975,468
Segment Income	299,480,547	28,939,687	61,980,827	111,844,867	502,245,927
Unallocable expenses					152,149,411
Operating Income					350,096,516
Other Income					4,694,396
Net Profit before Taxes					354,790,912
Income Taxes					(2,349,868)
Net Profit after Taxes					357,140,780

As the assets of the Company are used interchangeably between the segments as also the liabilities contracted are not ascertainable to any specific segment, reporting of Segmental Assets is not considered feasible.

As per our report of even date attached

**For K. Gopalakrishnan & Co.,**  
Chartered Accountants.  
Firm Reg No: 009600S

**K.Gopalakrishnan.**  
Proprietor.  
Membership No. 025421

Bangalore  
May 27, 2011

For and on behalf of the Board of Directors.

**D. Ravikumar**  
Managing Director

**R. J. Kamath**  
Director

**S. Sudheer**  
Chief Financial Officer

**Shobha Acharya**  
Company Secretary





### **Safe Harbour :**

Statements made in this Annual Report describing the Company's objectives, projections, estimates, expectations may be "Forward-Looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make difference to the Company's operations include economic conditions affecting demand, supply and price conditions in the domestic and overseas markets in which the Company operates ,changes in the government regulations, tax laws and other statutes and other incidental factors.



Acropetal Technologies Ltd.

Regd. Office : #2/10, 3rd Floor, Ajay Plaza, Ist Main N.S. Palya,  
Bannerghatta Road, Bangalore - 560 076. India.

Tel : +91 80 4087 0707, Fax : +91 80 2678 9553. E-mail:corp@acropetal.com