



Annual Report 2014-15



Certificate of Registration

QUALITY MANAGEMENT SYSTEM - ISO 9001:2008

This is to certify that: **Megasoft Ltd.**
HTC Towers, 6-3-1192/2/1
Kundanbagh, Begumpet
Hyderabad 500 016
Telangana
India

Holds Certificate No: **FM 633409**
and operates a Quality Management System which complies with the requirements of ISO 9001:2008 for the following scope:

Design, Development, Delivery and Support Services for Mobile Enabled Software Products and Solutions

For and on behalf of BSI: **Alfred Au, Global Technical Director**

Original Registration Date: 24/04/2012 Effective Date: 24/04/2015
Latest Revision Date: 13/04/2015 Expiry Date: 24/04/2018

Page: 1 of 1



...making excellence a habit™

This certificate was issued electronically and remains the property of BSI and is bound by the conditions of contract. An electronic certificate can be authenticated via www.bsi-global.com/ClientDirectory or telephone +91 11 2692 9000. Printed copies can be validated at www.bsi-global.com/ClientDirectory or telephone +91 11 2692 9000. Further clarifications regarding the scope of this certificate and the applicability of ISO 9001:2008 requirements may be obtained by consulting the organization. This certificate is valid only if provided original copies are in complete set.
Information and Contact: BSI, Kitemark Court, Davy Avenue, Knowlhill, Milton Keynes MK5 8PP. Tel: +44 845 080 9000
BSI Assurance UK Limited, registered in England under number 7895321 at 389 Chiswick High Road, London W4 4AL, UK.
A Member of the BSI Group of Companies.

Information Security Policy

It is imperative that we ensure confidentiality, integrity and availability of information assets and implement appropriate security controls that will enable us to achieve our business goals.

Quality Policy

The company is committed to create and deliver innovative products and solutions that are consistently high quality, delivered on time at optimum cost.

Our quality implementation efforts are all pervasive, beginning with a stated goal.



MEGASOFT LTD.



6-3-1192/2/1, KUNDANBAGH, BEGUMPET, HYDERABAD - 500 016, ANDHRA PRADESH, INDIA.

Bureau Veritas Certification certifies that the Management System of the above organization has been audited and found to be in accordance with the requirements of the management system standard detailed below

Standard

ISO/IEC 27001:2005

Scope of certification

Information Security Management System encompasses the activities covering design, development, delivery and support services for mobile enabled software products and solutions.

Statement of Applicability Ver 1.0 dated 15-Sep-2013.

Certification cycle start date: **11 March 2014**
Subject to the continued satisfactory operation of the organization's Management System, this certificate expires on: **30 September 2015**

Original certification date: **11 March 2014**

Certificate No. **IND14.2047U** Version: **1** Revision date: **11 March 2014**



Certification Authority: **RAJESH KONDRAVE**
General Manager

Certification body address: **Brentford House, 100 Borough High Street, London SE16 4LS, United Kingdom.**

Local office: **"Megasoft" 4th Floor, Kothuram Market Marg, Opp. 6th Floor, Hyderabad, 500 016, Andhra Pradesh, India.**

Further clarifications regarding the scope of this certificate and the applicability of the management system requirements may be obtained by consulting the organization. To check the certificate validity please call +91 22 6699 8200.



Corporate Information

Board of Directors

G V Kumar, Managing Director
D Sudhakar Reddy, Executive Director
Anil Kumar Sood
Anish Mathew
R Janardhana Reddy
Ms Leona Ambuja

Auditors

Srikanth & Shanthi Associates
Chartered Accountants
New No.54, Old No.103, 1st floor
PS Sivasamy Salai, Mylapore
Chennai 600004

TN Rajendran & Co.
Chartered Accountants
New No.2, Old No.25, 1st Floor
Chengalvarayan Street, Shenoy Nagar
Chennai 600030

Bank

Axis Bank Limited

Registered office

No.85, Kutchery Road
Mylapore
Chennai 600004, Tamilnadu, India

Registrars and Share Transfer Agents

Cameo Corporate Services Limited
Subramanian Building
1, Club House Road
Chennai 600002, Tamilnadu, India

Shares Listed on

BSE Limited, India
National Stock Exchange of India Limited, India

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MEGASOFT LIMITED
CIN : L72200TN1999PLC042730

15th Annual Report 2014-15

Directors' Report

To the Members,

Your Directors have pleasure to present their report of your company on the business and operations for the 15 months period ended 31 March 2015.

Financial results

(` lakhs)

| Particulars | Standalone | | Consolidated | |
|---|--|-------------------------------------|--|-------------------------------------|
| | For the 15 months period ended 31 March 2015 | For the year ended 31 December 2013 | For the 15 months period ended 31 March 2015 | For the year ended 31 December 2013 |
| Revenues | 5,337.13 | 5,061.82 | 10,072.85 | 10,550.75 |
| Total expenditure | 4,775.76 | 4,293.17 | 7,596.87 | 8,297.53 |
| Finance cost | 316.45 | 541.61 | 1,202.59 | 1,119.43 |
| Depreciation | 304.08 | 276.92 | 1,354.74 | 1,187.04 |
| Operating profit / (loss) | (59.16) | (49.88) | (81.35) | (53.25) |
| Profit before tax | 11.53 | 311.30 | 24.44 | 291.69 |
| Less: Taxes | (50.02) | 20.98 | (49.37) | 23.94 |
| Profit after tax | 61.55 | 290.32 | 73.82 | 267.74 |
| Earnings per share (equity shares, par value ` 10 each) | | | | |
| Basic (`) | 0.14 | 0.66 | 0.17 | 0.60 |
| Diluted (`) | 0.13 | 0.62 | 0.16 | 0.57 |

Overview

During the financial period ended 31 March 2015 (15 months), your company recorded consolidated revenues of ` 10,072.85 lakhs as compared to ` 10,550.75 lakhs in the previous year. The consolidated profit was ` 73.82 lakhs as compared to ` 267.74 lakhs in the previous year.

Change in financial year

In compliance with the provisions of the Companies Act, 2013, your company decided to change its financial year from "January-December" to "April-March". Accordingly, the last financial year of your company was extended up to 31 March 2015 covering a period of fifteen months commencing from 1 January 2014. Your company shall henceforth follow its financial year commencing from 1 April and ending on 31 March, every year.

Dividend

On account of inadequacy of profits during the financial year ended 31 March 2015, the Board of Directors of the company have not recommended dividend.

Share capital

The paid-up equity share capital as on 31 March 2015 was ` 4,426.73 lakhs comprising of 4,42,67,293 equity shares of ` 10 each. During the year under review, the company has not issued shares with differential voting rights nor granted stock options or sweat equity.

Material changes from end of financial year to date of this report

The company received the title and completed the registration formalities on 23 May 2015 for lands situated at Madhapur (0.75 acres) and Nanakramaguda, Hyderabad (acquired through amalgamation of VisualSoft Technologies Limited in 2006-2007) allotted by TSIC (previously APIIC). Out of 15.61 acres originally allotted at Nanakramguda, Hyderabad, as per the directions of Government of Telangana, your company surrendered 7.29 acres and retained the balance land.

Directors and Key Managerial Personnel

Your company re-appointed Mr R Janardhana Reddy [DIN-02544300], Mr Anil Kumar Sood [DIN-00086577] and Mr Anish

Mathew [DIN-02545538] as Independent Directors with effect from 26 December 2014 to hold such office for a term of five years through a postal ballot process under the Companies Act, 2013.

The company has received declarations from all the independent directors of the company confirming that they meet with the criteria of independence as prescribed both under section 149 (6) and Schedule IV of the Companies Act, 2013 and clause 49 of the Listing Agreement with the stock exchanges.

Mr SV Ramkumar [DIN-00460119], a Non-Executive Independent Director of your company resigned on 13 August 2014. The board of directors places on record their sincere appreciation for the contribution and valuable service rendered by Mr SV Ramkumar during his tenure.

Ms Leona Ambuja [DIN-07138817] was appointed as an Additional Director with effect from 31 March 2015 to fulfil the requirement of appointing a Woman Independent Director on the Board of your company and now it is proposed to appoint her for a period of five years at the ensuing Annual General Meeting. In accordance with the provisions of the Companies Act, 2013 and in terms of the Memorandum and Articles of Association of the company, Mr GV Kumar [DIN-00059107] and Mr D Sudhakar Reddy [DIN-00047707], directors of your company, retire by rotation and are eligible for reappointment.

The KMP positions, CFO and Company Secretary, have fallen vacant by end of the current financial year and the company is in the process of filling these positions within the prescribed time limits under the applicable laws.

Board meetings

The Board of Directors met five (5) times during the financial year. The provisions of Companies Act, 2013 and listing agreement were adhered to while considering the time gap between two meetings.

Remuneration policy

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is available on the website of the company and the terms of reference are given separately in the Corporate Governance Report.

Board evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its committees. The manner in which the evaluation has been carried out has been detailed out in the Corporate Governance Report.

Directors' responsibility statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of section 134(3)(c) of the Companies Act, 2013:

- (i) in the preparation of the annual financial statements for the year ended 31 March 2015, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- (ii) the directors had 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 at the end of the financial year and of the profit and loss of the company for the year;
- (iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the directors had prepared the annual accounts on a "going concern basis";
- (v) the directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (vi) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Outlook

A detailed discussion on the performance of the company, industry structure, threats, opportunities, risks, future outlook and strategy is given separately in the Management's Discussion and Analysis section, which forms a part of this annual report.

Energy conservation, technology absorption and foreign exchange earnings and outgo

In terms of Section 134(3)(m) of the Companies Act, 2013 and the rules framed thereunder, your Directors furnish the required details below:

- (a) Conservation of Energy: Your company uses electric energy for all its equipments such as air conditioners, computer terminals, lighting and utilities in the work premises. All possible measures have been taken to conserve energy:
 - through periodic energy audits to identify potential areas for saving
 - by incorporating energy-efficient equipment
 - through automation i.e. using timers, automatic level controllers, etc.
- (b) Research and Development (R&D): Your company being a technology products company, Research and Development is the single most important investment into securing the future of the company. Especially in the area of Mobile technologies, which requires constant innovation to be ahead of market and competition, research and development becomes a necessity. This is also reflected

in your company Brand Tag Line "Innovate. Lead." During the past year we have spent around 30% of resources on building technologies in packet core, convergent billing, policy management, 4G capabilities, mobile banking and wallet products. Apart from building new products and components, past year significant time has been spent in enhancing the capabilities of existing products making them more feature rich, flexible to manage and at the same time robust to handle higher performance demands. This has enabled your company not only to launch newer products but also enhance existing products during the year. Your company believes this will culminate into enhanced customer satisfaction and revenue there by. In an effort to further develop exclusivity of the technologies company is actively seeking patent grants on some of these areas. Addition of a new patent in Mobile Service Platform area in April 2015 is an example of the same.

- (c) Technology Absorption: As the communication protocols and technologies are evolving, your company is keeping up the speed with them and actively absorbing them into product line as well as infrastructure planning. During the year, your company has adapted newer technologies like 4G, NFV, SIP, Cloud and Diameter into its product line and enhanced the capabilities of the products to match the demands of the market. Further your company also made conscious attempt to build technologies on Inter-operation between 3G and 4G, Wifi to GSM and Wifi to LTE areas.
- (d) Foreign Exchange Earnings and Outgo: The details of foreign exchange earnings and outgo are given in note no. 29 and 28 of the Notes forming part of the standalone financial statements of the company.

Quality certifications

The company's quality management system (QMS) has its foundation on decades of experience and industry best practices that are aligned with international standard quality models and certifications.

ISO 9001:2008 – Quality Management System

QMS enhancing customer satisfaction
The company is certified for ISO 9001:2008 by bsi, India. Our products & solutions therefore ensure customer satisfaction.

ISO 27001:2005 – Information Security

Information security management system enhancing Confidentiality, Availability and Integrity
The company is also certified for ISO 27001:2005 by Bureau VERITAS Certification, India. This assures that the company maintains confidentiality, integrity and availability of corporate and client information.

Risk management

Although the company has long been following the principle of risk minimisation as is the norm in every industry, it has now become a compulsion.

Therefore, in accordance with clause 49 of the listing agreement the Board members were informed about risk assessment and minimisation procedures after which the Board formally adopted steps for framing, implementing and monitoring the risk management plan for the company.

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the company are imperative. The common risks inter alia are: Regulations, competition, Business risk, Technology obsolescence, Investments, retention of talent and expansion of facilities.

Business risk, inter-alia, further includes financial risk, political risk, fidelity risk, legal risk.

As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

Internal control systems and their adequacy

The company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit (IA) function is defined in the Internal Audit Charter. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board.

The Internal Audit monitors and evaluates the efficacy and adequacy of internal control system in the company, its compliance with operating systems, accounting procedures and policies at all locations of the company and its subsidiaries. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

Vigil mechanism / whistle blower policy

In order to ensure that the activities of the company and its employees are conducted in a fair and transparent manner by adoption of highest standards of professionalism, honesty, integrity and ethical behaviour, the company has adopted a vigil mechanism policy. This policy is explained in corporate governance report and also posted on the website of the company.

Related party transactions

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the company with the promoters, directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of the company at large.

All related party transactions are placed before the Audit Committee as also the Board for approval.

The Board of Directors of the company has, on the recommendation of the Audit Committee, adopted a policy to regulate transactions between the company and its related parties, in compliance with the applicable provisions of the Companies Act, 2013, the Rules framed thereunder and the Listing Agreement. This Policy was considered and approved by the Board and has been uploaded on the website of the company.

Enhancing shareholder value

Your company believes that its shareholders are among its most important stakeholders. Accordingly, your company's operations are committed to achieving high levels of operating performance and cost competitiveness, consolidating and building for growth, enhancing the productive asset and resource base and nurturing overall corporate reputation. In the last few years, due to declining revenues and performance, the company had been unable to declare dividends and these issues have also impacted negatively on the share price of the company. However, your company is also committed to creating value for all its stakeholders by ensuring that its corporate actions positively impact the stock price and creation of Shareholder Value. In

addition, your company is committed to keep in mind the socio-economic and environmental dimensions and contribute to sustainable growth and development.

Corporate social responsibility

The provisions for corporate social responsibility ("CSR") under the Companies Act, 2013, are not applicable to the company for the current financial year. However, your company has been, over the years, pursuing as part of its corporate philosophy, an unwritten CSR policy voluntarily which goes much beyond mere philanthropic gestures and integrates interest, welfare and aspirations of the community with those of the company itself in an environment of partnership for inclusive development.

Corporate governance

A report on Corporate Governance including the relevant Auditors' Certificate regarding compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with the stock exchanges is annexed. Management's Discussion and Analysis is also annexed.

Particulars of loans, guarantees & investments

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in note no.24 and 13 of the Notes forming part of the standalone financial statements of the company.

Subsidiary companies

The statement pursuant to Section 129 of the Companies Act, 2013 in respect of subsidiaries is attached (Annexure-1). The consolidated financial statements duly audited are presented as part of this report in accordance with the prescribed accounting standards and the Listing Agreement with the Stock Exchanges, wherever applicable. The Ministry of Corporate Affairs has granted general exemption from attaching the Balance Sheet, State of Profit and Loss and other documents of the subsidiary companies with the Balance Sheet of the company. The Board of Directors of the company has by a resolution given consent for not attaching the Balance Sheet of the subsidiaries concerned. A statement containing brief financial details of the company's subsidiaries for the financial year ended 31 March 2015 is included in the Annual Report. The annual accounts of these subsidiaries and the related detailed information will be made available to any member of the company seeking such information at any point of time and are also available for inspection by any member of the company at the registered office of the company. The company shall furnish a copy of annual accounts of subsidiaries to any member on demand.

Consolidated financial statements

The consolidated financial statements of the company prepared in accordance with the prescribed Accounting Standards form part of this Annual Report.

Fixed deposits

The company has not accepted any deposits from the public, and as such, there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) Rules, 2014.

Particulars of employees

There are no employees falling within the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 [corresponding provisions - section 134(3)(q) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014] as amended and applicable to your company.

Employee stock option scheme

As required by clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the particulars of the stock option schemes are furnished as annexure to this report (Annexure-2).

Extract of annual return

The details forming part of the extract of the Annual Return in form MGT-9 has been given in the annexure appended hereto and forms part of this report (Annexure-3).

Auditors' Report

There are no qualifications, reservations, or adverse remarks or disclaimers in the Auditors' Report. Observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments under Section 134(1) of the Companies Act, 2013.

Auditors

Statutory Auditor

The company's joint statutory auditors, M/s Srikanth & Shanthi Associates [Firm Registration No.004006S], Chartered Accountants and M/s TN Rajendran & Co. [Firm Registration No.005080S], Chartered Accountants, hold office as auditors of the company till the conclusion of the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment. They have confirmed their eligibility in terms of Section 141 of the Companies Act, 2013 and the rules framed thereunder for reappointment as Auditors of the Company. The Auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India as required under the provisions of revised Clause 49 of the Listing Agreement with the Stock Exchanges. Pursuant to the provisions of section 139 of the companies act, 2013, the auditors are proposed to be reappointed for a term of two years, subject to ratification by the members at every annual general meeting.

Internal Auditor

Mr R Balasubramanian (FCA-220677), Chartered Accountants, perform the duties of internal auditors of the company and their report is reviewed by the audit committee from time to time.

Secretarial Auditor

Pursuant to the provisions of Sections 204 of the Companies Act, 2013 and the rules framed thereunder, the company has appointed M/s M Damodaran & Associates (CoP-5081 / FCS-5837), Practicing Company Secretaries, to undertake the Secretarial Audit of the company. The Secretarial Auditors' Report, in the prescribed format, for the fifteen months period ended 31 March 2015 is annexed to this Directors' Report and forms part of the Annual Report (Annexure-4).

Human resources development

Your company recognises the importance of human resources and has created a performance driven environment where innovation is encouraged, performance is recognised and employees are motivated to realise their potential. Your company reinforced the best HR practices to attract, develop and retain talented employees. Your company has framed a strong, structured, and systematic recognition programs, which motivates the employees to excel.

Your company fosters a culture of open communication that empowers employees to articulate their thoughts and feelings freely, exchange ideas and contribute to organisational growth. Regular HR connect sessions helps the company

understand the pulse on the ground and take necessary steps to keep the workforce engaged and motivated. A number of initiatives have been taken up that serve as effective platform for employees to connect and interact and share their goals and aspirations. Employees also receive feedback on technical, behavioral, other professional and personal areas on a regular basis.

Disclosure as required under section 22 of Sexual harassment of women at workplace (prevention, prohibition and redressal) Act, 2013

Your company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Internal Complaints Committee ("ICC") has been set up to redress the complaints received regarding sexual harassment. All employees are covered under this policy.

Listing with stock exchanges

Your company's equity shares are listed on BSE [532408] and NSE [MEGASOFT]. Necessary stock exchange regulations are complied with from time to time. Applicable listing fee for the year 2015-16 has already been paid to the respective stock exchanges.

During the year, your company's equity shares have been delisted from the Madras Stock Exchange (MSE) on a voluntarily basis in terms of regulations 6 and 7 of the SEBI (Delisting of Equity Shares) Regulations, 2009, and due to proposed closure of the regional stock exchanges.

Acknowledgements

Your directors place on record their appreciation of the customers, bankers, Government of India and of other countries, Registrar and Share Transfer Agent, vendors and technology partners for the support extended. Your directors also wish to place on record their appreciation of the contribution made by employees at all levels without whom the growth of the company is unattainable. Your directors seek and look forward to the same support during future years of growth.

Disclaimer

The Ministry of Corporate Affairs vide its Circular No. 08/2014 dated April 4, 2014 clarified that the financial statements and the documents required to be attached thereto, the Auditor's and Boards' Report in respect of the financial year under reference (financial year commencing on or before 1 April 2014) shall continue to be governed by the relevant provisions of the Companies Act, 1956, schedules and rules made thereunder. Accordingly, whilst the financial statements and the Auditor's Report as aforesaid are prepared as per the requirements of the Companies Act, 1956, the company, as per its commitment to transparency and good governance, has to the extent possible provided the information in the Board's Report and the Corporate Governance Report as per the Companies Act, 2013.

For and on behalf of the Board of Directors

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

Place: Hyderabad
Date : 26 May 2015

Annexure-1

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Pursuant to first proviso to sub-section (3) of Section 129 read with rule 5 of Companies (Accounts) Rules, 2014 ["Form AOC-1"]

Part "A": Subsidiaries

Information in respect of each subsidiary

| Name of the subsidiary | Megasoft Consultants Sdn Bhd | Megasoft Consultants Pte Ltd | XIUS Holding Corp (formerly, Boston Communications Group, Inc.) | Xius Corp (formerly, Cellular Express, Inc.) | BCGI Wireless Private Limited |
|-------------------------------|------------------------------|------------------------------|---|--|-------------------------------|
| Country | Malaysia | Singapore | USA | USA | India |
| Reporting period | 31-March-2015 | 31-March-2015 | 31-March-2015 | 31-March-2015 | 31-March-2015 |
| Reporting Currency | MR | SD | USD | USD | ` |
| Exchange rate (`) | 16.8301 | 45.4336 | 62.5908 | 62.5908 | 1 |
| | ` Lakhs | ` Lakhs | ` Lakhs | ` Lakhs | ` Lakhs |
| Share Capital | 84.15 | 45.43 | 7,915.26 | 0.00 | 28.00 |
| Reserves | 28.46 | (36.21) | (18,108.24) | (6,005.87) | (28.00) |
| Total Assets | 284.74 | 9.86 | — | (2,828.57) | — |
| Total Liabilities | 172.13 | 0.63 | 10,192.98 | 3,177.30 | — |
| Investments | — | — | 0.00 | — | — |
| Turnover | 1,907.21 | — | — | 5,534.18 | — |
| Profit/(Loss) before taxation | 2.61 | (2.18) | (864.60) | 742.55 | — |
| Provision for taxation | 0.71 | — | — | — | — |
| Profit/(Loss) after taxation | 1.89 | (2.18) | (864.60) | 742.55 | — |
| Proposed Dividend | — | — | — | — | — |
| % of Shareholding | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Names of Subsidiaries which are yet to commence operations: NIL

Names of Subsidiaries which have been liquidated or sold during the year: NIL

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint ventures

There are no associate companies and joint ventures during the current financial year.

Names of Associates which are yet to commence operations: NIL

Names of Associates or joint ventures which have been liquidated or sold during the year: NIL

For and on behalf of the Board of Directors

GV Kumar D Sudhakar Reddy
Managing Director Executive Director

Place: Hyderabad

Date : 26 May 2015

Annexure-2

Employees Stock Option Plans

| | Particulars | ESOS 2007 |
|-----|---|---|
| (a) | Options outstanding as at the beginning of the year | 2,325,000 |
| (b) | Options granted during the year | 0 |
| (b) | Pricing Formula | Options have been granted at the latest available market price as on the date of grant. |
| (c) | Options Vested** | 2,325,000 |
| (d) | Options Exercised** | 0 |
| (e) | Total no. of shares arising as result of exercise of Options | 0 |
| (f) | Options lapsed * | 20,000 |
| (g) | Variation in terms of Options | None |
| (h) | Money realised by exercise of Options (in Millions) | 0 |
| (i) | Total number of options in force** | 2,305,000 |
| | ** The number of options have been reported as on 31.03.2015 | |
| | * Lapsed Options includes options cancelled/lapsed. | |
| (j) | Diluted earnings per share pursuant to issue of shares on exercise of option calculated in accordance with AS 20 'Earnings per Share' (`) | 0.13 |
| (k) | Pro Forma Adjusted Net Income and earnings Per Share (`) | |
| | Particulars | ` lakhs |
| | Net Income | |
| | As Reported | 61.54 |
| | Add: Intrinsic Value Compensation Cost | 0 |
| | Less: Fair Value Compensation Cost | (2.58) |
| | Adjusted Pro Forma Net Income | 64.12 |
| | Earnings Per Share: Basic | |
| | As Reported (`) | 0.14 |
| | Adjusted Pro Forma (`) | 0.14 |
| | Earnings Per Share: Diluted | |
| | As Reported (`) | 0.13 |
| | Adjusted Pro Forma (`) | 0.14 |

Annexure-3

Form No. MGT-9 - Extract of Annual Return

for 15 months period ended 31 March 2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management and Administration) Rules, 2014

I REGISTRATION & OTHER DETAILS

| | | |
|---|--|---|
| 1 | CIN | L72200TN1999PLC042730 |
| 2 | Registration Date | 29 June 1999 |
| 3 | Name of the Company | Megasoft Limited |
| 4 | Category/Sub-category of the Company | Company having Share Capital |
| 5 | Address of the Registered office & contact details | 85, Kutchery Road, Mylapore, Chennai 600004 Tel No: 044 2461 6768 |
| 6 | Whether listed company | Yes |
| 7 | Name, Address & contact details of the Registrar & Share Transfer Agent, if any. | Cameo Corporate Services Limited "Subramanian Building" 1, Club House Road, Chennai 600002 Tel No: 044 2846 0390 |

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

| Sl.No. | Name and Description of main products / services | NIC Code of the Product/service |
|--------|--|---------------------------------|
| 1 | Computer programming, consultancy and related activities | 620 |

III PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Sl.No. | Name and Address of the Company | CIN/GLN | Holding / Subsidiary / Associate | % of shares held | Applicable Section |
|--------|--|-----------------------|----------------------------------|------------------|--------------------|
| 1 | Megasoft Consultants Sdn Bhd Suite 18-3, D' Wangsa, Jalan Wangsa Delima 11,53300 Kuala Lumpur, Malaysia | Foreign Company | Subsidiary | 100% | 2(87) |
| 2 | Megasoft Consultants Pte Ltd Block 615, #04-251, ChoaChu Kang Street-62, Singapore 680615 | Foreign Company | Subsidiary | 100% | 2(87) |
| 3 | XIUS Holding Corp (formerly, Boston Communications Group, Inc.) 15 Tyngsboro Road, Unit 8C, North Chelmsford, MA 01863, USA | Foreign Company | Subsidiary | 100% | 2(87) |
| 4 | XIUS Corp (formerly, Cellular Express, Inc.) 15 Tyngsboro Road, Unit 8C, North Chelmsford, MA 01863, USA | Foreign Company | Subsidiary | 100% | 2(87) |
| 5 | BCGI Wireless Private Limited No.6-3-1192/2/1, Kundanbagh, Begumpet, Hyderabad 500016, Telangana, India | U72200TG2004PTC044681 | Subsidiary | 100% | 2(87) |

IV SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

A Category-wise Share Holding

| Sl. No. | Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|----------|---|---|----------|----------|-------------------|---|----------|----------|-------------------|--------------------------|
| | | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A | Promoters | | | | | | | | | |
| 1 | Indian | | | | | | | | | |
| a | Individual / HUF | 3203956 | — | 3203956 | 7.24% | 3203956 | — | 3203956 | 7.24% | — |
| b | Central Govt | — | — | — | — | — | — | — | — | — |
| c | State Govt(s) | — | — | — | — | — | — | — | — | — |
| d | Bodies Corp. | — | — | — | — | — | — | — | — | — |
| e | Banks / FI | — | — | — | — | — | — | — | — | — |
| f | Any other | — | — | — | — | — | — | — | — | — |
| | Sub-Total (A)(1) | 3203956 | — | 3203956 | 7.24% | 3203956 | — | 3203956 | 7.24% | — |
| 2 | Foreign | | | | | | | | | |
| a | Individuals –NRIs | — | — | — | — | — | — | — | — | — |
| b | Other- Individuals | — | — | — | — | — | — | — | — | — |
| c | Bodies Corporate | — | — | — | — | — | — | — | — | — |
| d | Banks / FI | — | — | — | — | — | — | — | — | — |
| e | Any other | — | — | — | — | — | — | — | — | — |
| | Sub-Total (A)(2) | — | — | — | — | — | — | — | — | — |
| | Total Shareholding of Promoters (A)=(A)(1)+(A)(2) | 3203956 | — | 3203956 | 7.24% | 3203956 | — | 3203956 | 7.24% | — |
| B | Public Shareholding | | | | | | | | | |
| 1 | Institutions | | | | | | | | | |
| a | Mutual Funds | 571752 | — | 571752 | 1.29% | 1497036 | — | 1497036 | 3.38% | 2.09% |
| b | Banks / FI | 87 | — | 87 | 0.00% | 12 | — | 12 | 0.00% | — |
| c | Central Govt | — | — | — | — | — | — | — | — | — |
| d | State Govt(s) | — | — | — | — | — | — | — | — | — |
| e | Venture Capital Funds | 3762375 | — | 3762375 | 8.50% | 3762375 | — | 3762375 | 8.50% | — |
| f | Insurance Companies | 30478 | — | 30478 | 0.07% | 30478 | — | 30478 | 0.07% | — |
| g | FIs | 4321943 | — | 4321943 | 9.76% | 2326424 | — | 2326424 | 5.26% | (4.51%) |
| h | Foreign Venture Capital Funds | — | — | — | — | — | — | — | — | — |
| i | Others (specify) | | | | | | | | | |
| | Foreign Portfolio Investor (Corporate) Category II | 1197125 | — | 1197125 | 2.70% | 1197125 | — | 1197125 | 2.70% | — |
| | Sub-total (B)(1) | 9883760 | — | 9883760 | 22.33% | 8813450 | — | 8813450 | 19.91% | (2.42%) |
| 2 | Non-Institutions | | | | | | | | | |
| a | Bodies Corp. | | | | | | | | | |
| i | Indian | 4009892 | 2052562 | 6062454 | 13.70% | 4398195 | 2052562 | 6450757 | 14.57% | 0.88% |
| ii | Overseas | — | — | — | — | — | — | — | — | — |
| b | Individuals | | | | | | | | | |
| i | Individual shareholders holding nominal share capital upto ` 1 lakh | 6384889 | 340111 | 6725000 | 15.19% | 6948165 | 339927 | 7288092 | 16.46% | 1.27% |
| ii | Individual shareholders holding nominal share capital in excess of ` 1 lakh | 10355376 | 2023700 | 12379076 | 27.96% | 11925906 | 2023700 | 13949606 | 31.51% | 3.55% |
| c | Others (specify) | | | | | | | | | |
| | Non Resident Indians | 1200069 | 22061 | 1222130 | 2.76% | 1409773 | 22061 | 1431834 | 3.23% | 0.47% |
| | Overseas Corporate Bodies | 31 | — | 31 | 0.00% | — | — | — | — | — |
| | Directors and their relatives | 2409235 | — | 2409235 | 5.44% | 2402222 | — | 2402222 | 5.43% | (0.02%) |
| | Clearing Members | 36320 | — | 36320 | 0.08% | 37778 | — | 37778 | 0.09% | — |
| | Trusts | 2325 | — | 2325 | 0.01% | 1075 | — | 1075 | — | — |
| | Foreign Corporate Bodies | 1747872 | — | 1747872 | 3.95% | — | — | — | — | (3.95%) |
| | Hindu undivided families | 595134 | — | 595134 | 1.34% | 688523 | — | 688523 | 1.56% | 0.21% |
| | Sub-total (B)(2) | 26741143 | 4438434 | 31179577 | 70.43% | 27811637 | 4438250 | 32249887 | 72.85% | 2.42% |
| | Total Public Shareholding (B)=(B)(1)+(B)(2) | 36624903 | 4438434 | 41063337 | 92.76% | 36625087 | 4438250 | 41063337 | 92.76% | — |
| C | Shares held by Custodian for GDRs & ADRs | | | | | | | | | |
| | Grand Total (A+B+C) | 39828859 | 4438434 | 44267293 | 100.00% | 39829043 | 4438250 | 44267293 | 100.00% | — |

B Shareholding of Promoter

| Sl.No. | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in shareholding during the year |
|--------|-----------------------|---|----------------------------------|--|-------------------------------------|----------------------------------|--|--|
| | | No. of Shares | % of total shares of the company | % of shares pledged / encumbered to total shares | No. of Shares | % of total shares of the company | % of shares pledged / encumbered to total shares | |
| 1 | S Ravindra Babu | 2688768 | 6.07% | — | 2688768 | 6.07% | — | 0.00% |
| 2 | S Ravindra Babu (HUF) | 512126 | 1.16% | — | 512126 | 1.16% | — | 0.00% |
| 3 | S Saraswathamma | 3062 | 0.01% | — | 3062 | 0.01% | — | 0.00% |
| | Total | 3203956 | 7.24% | — | 3203956 | 7.24% | — | 0.00% |

C Change in Promoters' Shareholding (please specify, if there is no change)

| Sl.No. | Particulars | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|--------|---|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| | At the beginning of the year | 3203956 | 7.24% | 3203956 | 7.24% |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.) | — | — | — | — |
| | At the end of the year | 3203956 | 7.24% | 3203956 | 7.24% |

No changes in promoters' shareholding during the year.

D Shareholding Pattern of top ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs)

| Sl.No. | For each of the Top 10 shareholders | Shareholding at the beginning of the year | | Date | Increase/ decrease in shareholding | Reason | Cumulative Shareholding during the year | |
|--------|---|---|----------------------------------|------------|------------------------------------|-------------|---|----------------------------------|
| | | No. of shares | % of total shares of the company | | | | No. of shares | % of total shares of the company |
| 1 | I-Labs Venture Capital Fund | 3762375 | 8.50% | NA | NA | No change | 3762375 | 8.50% |
| 2 | Ashish Dhawan | 3554769 | 8.03% | NA | NA | No change | 3554769 | 8.03% |
| 3 | Copthall Mauritius Investment Limited | 1978712 | 4.47% | 24/10/2014 | -27537 | Market sale | 1951175 | 4.41% |
| | | | | 31/10/2014 | -10227 | Market sale | 1940948 | 4.38% |
| | | | | 07/11/2014 | -2401 | Market sale | 1938547 | 4.38% |
| | | | | 09/01/2015 | -75863 | Market sale | 1862684 | 4.21% |
| | | | | 16/01/2015 | -50973 | Market sale | 1811711 | 4.09% |
| | | | | 23/01/2015 | -10226 | Market sale | 1801485 | 4.07% |
| 4 | Sri Power Generation (India) Private Limited | 1769822 | 4.00% | NA | NA | No change | 1769822 | 4.00% |
| 5 | SAIF II Mauritius Company Limited | 1747872 | 3.95% | 11/07/2014 | -1747872 | Market sale | — | 0.00% |
| 6 | Birla Sun Life Trustee Company Pvt Ltd A/C Birla Sun Life Equity Fund | 1515748 | 3.42% | 30/01/2015 | -18712 | Market sale | 1497036 | 3.38% |
| 7 | Godavari Greenlands Private Limited | 1343750 | 3.04% | NA | NA | No change | 1343750 | 3.04% |
| 8 | Deutsche Securities Mauritius Limited | 1197125 | 2.70% | NA | NA | No change | 1197125 | 2.70% |
| 9 | Morgan Stanley Mauritius Company Limited | 890481 | 2.01% | 13/06/2014 | -92998 | Market sale | 797483 | 1.80% |
| | | | | 17/06/2014 | -30000 | Market sale | 767483 | 1.73% |
| | | | | 20/06/2014 | -20000 | Market sale | 747483 | 1.69% |
| | | | | 30/06/2014 | -30000 | Market sale | 717483 | 1.62% |
| | | | | 04/07/2014 | -20000 | Market sale | 697483 | 1.58% |
| | | | | 11/07/2014 | -20000 | Market sale | 677483 | 1.53% |
| | | | | 18/07/2014 | -20000 | Market sale | 657483 | 1.49% |
| | | | | 25/07/2014 | -39684 | Market sale | 617799 | 1.40% |
| | | | | 19/09/2014 | -15384 | Market sale | 602415 | 1.36% |
| | | | | 10/10/2014 | -25000 | Market sale | 577415 | 1.30% |
| | | | | 17/10/2014 | -30000 | Market sale | 547415 | 1.24% |
| | | | | 07/11/2014 | -20000 | Market sale | 527415 | 1.19% |
| | | | | 31/12/2014 | -100000 | Market sale | 427415 | 0.97% |
| | | | | 09/01/2015 | -8101 | Market sale | 419314 | 0.95% |
| 10 | Satyavathi Dendukuri | 835500 | 1.89% | NA | NA | No change | 835500 | 1.89% |

E Shareholding of Directors and Key Managerial Personnel

| Sl.No. | For each of the Top 10 Shareholders | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|--------|--|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1 | GV Kumar, Managing Director | | | | |
| | At the beginning of the year | 2226911 | 5.03% | 2226911 | 5.03% |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.) | — | — | — | — |
| | At the end of the year | 2226911 | 5.03% | 2226911 | 5.03% |
| 2 | D Sudhakar Reddy, Executive Director | | | | |
| | At the beginning of the year | — | — | — | — |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.) | — | — | — | — |
| | At the end of the year | — | — | — | — |
| 3 | R Janaradhana Reddy | | | | |
| | At the beginning of the year | 400 | 0.00% | 400 | 0.00% |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.) | — | — | — | — |
| | At the end of the year | 400 | 0.00% | 400 | 0.00% |
| 4 | Anil Kumar Sood | | | | |
| | At the beginning of the year | — | — | — | — |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.) | — | — | — | — |
| | At the end of the year | — | — | — | — |
| 5 | Anish Mathew | | | | |
| | At the beginning of the year | 97570 | 0.22% | 97570 | 0.22% |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.) | — | — | — | — |
| | At the end of the year | 97570 | 0.22% | 97570 | 0.22% |
| 6 | SV Ramkumar | | | | |
| | At the beginning of the year | — | — | — | — |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.) | — | — | — | — |
| | At the end of the year | — | — | — | — |
| 7 | Ms Leona Ambuja | | | | |
| | At the beginning of the year | — | — | — | — |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.) | — | — | — | — |
| | At the end of the year | — | — | — | — |
| 8 | GP Srinath, KMP* | | | | |
| | At the beginning of the year | 15850 | 0.04% | 15850 | 0.04% |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.) | — | — | — | — |
| | At the end of the year | 15850 | 0.04% | 15850 | 0.04% |

No change in shareholding of Directors and Key Managerial Personnel during the year.

*Employed for part of the year.

V INDEBTEDNESS

Indebtedness of the company including interest outstanding/accrued but not due for payment

| Sl.No. | Particulars | Secured Loans excluding deposits ` lakhs | Unsecured Loans ` lakhs | Deposits ` lakhs | Total Indebtedness ` lakhs |
|--------|--|---|----------------------------|---------------------|-------------------------------|
| | Indebtedness at the beginning of the financial year | | | | |
| i | Principal Amount | 10.62 | 158.50 | — | 169.12 |
| ii | Interest due but not paid | — | — | — | — |
| iii | Interest accrued but not due | — | — | — | — |
| | Total (i+ii+iii) | 10.62 | 158.50 | — | 169.12 |
| | Change in Indebtedness during the financial year | | | | |
| | * Addition | — | — | — | — |
| | * Reduction | 9.96 | — | — | 9.96 |
| | Net Change | 9.96 | — | — | 9.96 |
| | Indebtedness at the end of the financial year | | | | |
| i | Principal Amount | 0.66 | 158.50 | — | 159.16 |
| ii | Interest due but not paid | — | — | — | — |
| iii | Interest accrued but not due | — | — | — | — |
| | Total (i+ii+iii) | 0.66 | 158.50 | — | 159.16 |

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A Remuneration to Managing Director, Whole-time Directors and / or Manager

| Sl.No. | Particulars of Remuneration | Name of MD/WTD/ Manager | | Total Amount ` lakhs |
|--------|---|---|--|-------------------------|
| | | GV Kumar, MD ` lakhs | D Sudhakar Reddy, ED ` lakhs | |
| 1 | Gross salary | | | |
| (a) | Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 48.73 | 16.36 | 65.09 |
| (b) | Value of perquisites u/s 17(2) Income-tax Act, 1961 | — | — | — |
| (c) | Profits in lieu of salary under section 17(3) of the Income- tax Act, 1961 | — | — | — |
| 2 | Stock Option | No stock options were granted during the year under review | No stock options were granted during the year under review | |
| 3 | Sweat Equity | — | — | — |
| 4 | Commission | — | — | — |
| | - as % of profit | | | |
| | - others, specify... | | | |
| 5 | Others, please specify | — | — | — |
| | Total (A) | 48.73 | 16.36 | 65.09 |
| | Ceiling as per the Act | It is in accordance with the provisions of the Companies Act. | | |

B Remuneration to other directors

| Sl.No. | Particulars of Remuneration | Name of Directors | | | | | Total Amount ` lakhs |
|--------|--|---|-------------------------------|-------------------------|------------------------|----------------------------|-------------------------|
| | | Anil Kumar Sood ` lakhs | R Janardhana Reddy ` lakhs | Anish Mathew ` lakhs | SV Ramkumar ` lakhs | Ms Leona Ambuja ` lakhs | |
| 1 | Independent Directors | | | | | | |
| | Fee for attending board / committee meetings | 1.65 | 2.10 | 1.20 | 0.90 | — | 5.85 |
| | Commission | — | — | — | — | — | — |
| | Others, please specify | — | — | — | — | — | — |
| | Total (1) | 1.65 | 2.10 | 1.20 | 0.90 | - | 5.85 |
| 2 | Other Non-Executive Directors | | | | | | |
| | Fee for attending board / committee meetings | — | — | — | — | — | — |
| | Commission | — | — | — | — | — | — |
| | Others, please specify | — | — | — | — | — | — |
| | Total (2) | — | — | — | — | — | — |
| | Total (B)=(1+2) | 1.65 | 2.10 | 1.20 | 0.90 | — | 5.85 |
| | Total Managerial Remuneration | 1.65 | 2.10 | 1.20 | 0.90 | — | 5.85 |
| | Overall Ceiling as per the Act | It is in accordance with the provisions of the Companies Act. | | | | | |

C REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

| Sl.No. | Particulars of Remuneration | G P Srinath * | Total |
|--------|---|--|-------|
| | | lakhs | lakhs |
| 1 | Gross salary | | |
| (a) | Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 34.29 | 34.29 |
| (b) | Value of perquisites u/s 17(2) of the Income-tax Act, 1961 | — | — |
| (c) | Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961 | — | — |
| 2 | Stock Option | No stock options were granted during the year under review | |
| 3 | Sweat Equity | — | — |
| 4 | Commission | — | — |
| | as % of profit | | |
| | others, specify | | |
| 5 | Others, please specify | — | — |
| | Total | 34.29 | 34.29 |

* Employed for part of the year. Gross salary include terminal benefits.

VII PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

| | Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT/ COURT] | Appeal made, if any (give Details) |
|-------------|---------------------------|------------------------------|-------------------|---|------------------------------|------------------------------------|
| A | Company | } | | Nil | | |
| | Penalty | | | | | |
| | Punishment | | | | | |
| Compounding | | | | | | |
| B | Directors | | | | | |
| | Penalty | | | | | |
| | Punishment | | | | | |
| C | Other officers in default | | | | | |
| | Penalty | | | | | |
| | Punishment | | | | | |
| | Compounding | | | | | |

For and on behalf of the Board of Directors

GV Kumar D Sudhakar Reddy
 Managing Director Executive Director

Place: Hyderabad
 Date : 26 May 2015

Annexure-4

Form No. MR-3 - Secretarial Audit Report

for the financial year ended 31 March 2015

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To
The Members
Megasoft Limited
CIN: L72200TN1999PLC042730
No, 85 Kutcheri Road, Mylapore
Chennai 600004

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Megasoft Limited (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of Megasoft Limited books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31 March 2015 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Megasoft Limited for the financial year ended on 31 March 2015 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

- (d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (e) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and
- (vi) Other laws as may be applicable specifically to the company - NIL
- (vii) I have also examined compliance with the applicable clauses of the following:
 - (a) Secretarial Standards issued by The Institute of Company Secretaries of India (not applicable as not notified during the period under review).
 - (b) The Listing Agreements entered into by the Company with National Stock Exchange, Bombay Stock Exchange (BSE Ltd) and Madras Stock Exchange.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations: Nil

I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the company had no specific events / actions having a major bearing on the company's affairs

CS M Damodaran
Company Secretaries
ACS/FCS No. 5837
C.P.No. 5081

Place: Chennai
Date : 26 May 2015

Corporate Governance Report

The Securities and Exchange Board of India (SEBI) has introduced a code of corporate governance for listed companies which are implemented through the Listing Agreement with the Exchanges with which the company is listed. The company has complied with the corporate governance requirements set out in clause 49 of the Listing Agreement.

1 COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The company believes in adapting and adhering globally recognised standards of corporate conduct towards its employees, clients and society. Corporate Governance is an on-going process ensuring integrity, transparency and accountability in dealing with employees, shareholders, customers and the community at large. The company has benchmarked its practices with the prevailing guidelines by upholding the core values across all aspects of its operations. The company's Board is fully aware of its fiduciary responsibilities in the widest sense of the term. The company's disclosures match, if not go beyond, the best practices recommended by all international corporate governance codes.

2 BOARD OF DIRECTORS

The composition and category of the Directors on the Board of the company are given below:

| Director | Category of director | DIN No. | Date of appointment | Committee memberships (excluding in the company) # | | No of Directorship(s) held in Indian public limited companies * | No of shares held in the company | |
|--------------------|---------------------------|----------|---------------------|--|----------|---|----------------------------------|------|
| | | | | Member | Chairman | | No of Shares | % |
| GV Kumar | Managing Director | 00059107 | 01/09/2004 | — | — | — | 2226911 | 5.03 |
| D Sudhakar Reddy | Executive Director | 00047707 | 06/03/2000 | — | — | 1 | — | — |
| Anil Kumar Sood | Independent Non-Executive | 00086577 | 28/04/2007 | — | — | — | — | — |
| Anish Mathew | Independent Non-Executive | 02545538 | 31/01/2009 | — | — | — | 97570 | 0.24 |
| R Janardhana Reddy | Independent Non-Executive | 02544300 | 31/01/2009 | — | — | — | 400 | 0.00 |
| SV Ramkumar | Independent Non-Executive | 00460119 | 28/02/2012 | — | — | — | — | — |
| Ms Leona Ambuja | Independent Non-Executive | 07138817 | 31/03/2015 | — | — | — | — | — |

* Excludes directorships held in private limited companies, foreign companies and section 8 companies.

Disclosure of Chairmanship & Membership includes only two committees viz. Audit Committee and Stakeholders' Relationship Committee.

Mr SV Ramkumar [DIN-00460119] resigned from the Board of Directors of the Company on 13 August 2014.

Ms Leona Ambuja [DIN-07138817] has been inducted into the Board as an additional director (Non-executive Independent Woman Director) with effect from 31 March 2015.

The Board of Directors of the company met five times during the financial year 2014-15:

| Director | Board meetings held on | | | | |
|--------------------|------------------------|------------------|------------------|-------------------|-------------------|
| | February 22, 2014 | May 13, 2014 | August 13, 2014 | November 14, 2014 | February 13, 2015 |
| GV Kumar | ✓ | ✓ | ✓ | ✓ | ✓ |
| D Sudhakar Reddy | Leave of Absence | ✓ | ✓ | ✓ | ✓ |
| Anil Kumar Sood | ✓ | Leave of Absence | ✓ | ✓ | ✓ |
| R Janardhana Reddy | ✓ | ✓ | ✓ | ✓ | ✓ |
| Anish Mathew | Leave of Absence | ✓ | Leave of Absence | ✓ | ✓ |
| SV Ramkumar | ✓ | ✓ | ✓ | NA | NA |
| Ms Leona Ambuja | NA | NA | NA | NA | NA |

The Board periodically reviews the items required to be placed before it in terms of the Companies Act, 2013 (previously Companies Act, 1956) and Clause 49 of the Listing Agreement and in particular reviews and approves quarterly / half yearly unaudited financial statements and the audited annual accounts, corporate strategies, business plans, annual budgets, projects and capital expenditure. It monitors overall operating performance, progress of major projects and reviews such other items which require Board's attention. It directs and guides the activities of the Management towards the set goals and seeks accountability. It also sets standards of corporate behaviour, ensures transparency in corporate dealings and compliance with laws and regulations. The Agenda for the Board Meeting covers items prescribed under the Companies Act, 2013 and Clause 49 of the Listing Agreement to the extent these are relevant and applicable. All agenda items are supported by relevant information, documents and presentations to enable the Board to take informed decisions.

Board Training and Induction

At the time of appointing a Director, a formal letter of appointment is given to him / her, which inter alia explains the role, function, duties and responsibilities expected of him / her as a director of the company. The Director is also explained in detail the compliances required from him / her under the Companies Act, 2013, Companies Act, 1956, Clause 49 of the Listing Agreement and other relevant regulations and his / her affirmation taken with respect to the same.

Independent Directors' Meeting

During the financial year under review, the Independent Directors met on 13 February 2015, to discuss:

- Review the Performance of the Directors.
- Reviewed the performance of the Executive Directors of the company.
- Assess the quality, quantity and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

All the Independent Directors were present at the meeting.

3 AUDIT / RISK & COMPLIANCE COMMITTEE

During the year, the company's board of directors realigned the committee to look into the risk and compliance matters as well in terms of the clause 49 of the Listing Agreement and accordingly renamed the committee as "Audit / Risk & Compliance Committee". The primary objective of the Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensuring accurate, timely and proper disclosure and transparency, integrity and quality of financial reporting. The Committee adheres to the Listing Agreement in terms of quorum for its meetings, functioning, role and powers as also those set out in the Companies Act, 2013. The functions of the committee include:

- overseeing the company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- recommendation of appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services;
- review of adequacy of internal audit function, including the reporting structure, coverage and frequency of internal audit;
- review of the company's financial and risk management policies;
- review of the financial reporting system and internal control systems;
- approve quarterly, half yearly and annual financial results including major accounting entries involving exercise of judgement by the management;
- representation by the Statutory Auditors to the management in regard to any internal control weaknesses observed by them during the course of their audit and the action taken by the management thereon;
- discussions with Statutory and Internal Auditors on matters related to their area of audit;
- Management Discussion & Analysis of the company's operations;
- review of significant related party transactions;
- review of implementation of the Fraud Risk Management Policy and the Fraud Risk Assessment Reports;
- recommendation for appointment of Statutory Auditors and their remuneration;

The Committee consists of qualified and Independent Non-Executive Directors. All the Members on the Committee have the requisite qualification for appointment on the Committee and possess sound knowledge of finance, accounting practices and internal controls. The Committee members met five times during the financial year 2014-15:

| Members | Audit/Risk & Compliance Committee Meetings held on | | | | |
|-------------------------------------|--|------------------|------------------|-------------------|-------------------|
| | February 22, 2014 | May 13, 2014 | August 13, 2014 | November 14, 2014 | February 13, 2015 |
| R Janardhana Reddy, <i>Chairman</i> | ✓ | ✓ | ✓ | ✓ | ✓ |
| Anil Kumar Sood | ✓ | Leave of Absence | ✓ | ✓ | ✓ |
| Anish Mathew | Leave of Absence | ✓ | Leave of Absence | ✓ | ✓ |
| SV Ramkumar | ✓ | ✓ | ✓ | NA | NA |
| D Sudhakar Reddy | NA | NA | NA | ✓ | ✓ |

The Company Secretary is the Secretary of the Audit / Risk & Compliance Committee. The Managing Director and Executive Directors of the company as well as the Internal and Statutory Auditors of the company, attend Committee meetings to brief the Members. The Committee also invites Business and Departmental Heads, to discuss matters concerning their business / departments, as and when it deems necessary.

4 NOMINATION & REMUNERATION COMMITTEE

In compliance with Section 178 of the Companies Act, 2013, and the amended clause 49 of the Listing Agreement the Board renamed the committee as "Nomination & Remuneration Committee", during the year.

The Committee is governed by a Charter duly approved by the Board of Directors of the company.

The remuneration policy as adopted by the company envisages payment of remuneration according to qualification, experience and performance at different levels of the organisation. The software engineers as well as those rendering clerical, administrative and professional services are suitably remunerated according to the industry norms.

The terms of reference of the Committee inter alia, include the following:

- Succession planning of the Board of Directors and Senior Management Employees;
- Identifying and selection of candidates for appointment as Directors / Independent Directors based on certain laid down criteria;
- Identifying potential individuals for appointment as Key Managerial Personnel and to other Senior Management positions;
- Formulate and review from time to time the policy for selection and appointment of Directors, Key Managerial Personnel and senior management employees and their remuneration;
- Review the performance of the Board of Directors and Senior Management Employees based on certain criteria as approved by the Board. In reviewing the overall remuneration of the Board of Directors and Senior Management, the Committee ensures that the remuneration is reasonable and sufficient to attract, retain and motivate the best managerial talent, the relationship of remuneration to performance is clear and meets appropriate performance benchmarks and that the remuneration involves a balance between fixed and incentive pay reflecting short term and long term objectives of the Company.

The Committee also approves, allocates and administers the Employee Stock Option Plans delegated by the Board / Shareholders of the company subject to the Listing Agreement and other statutory regulations from time to time.

The Committee members met two times during the financial year 2014-15:

| Members | Nomination & Remuneration Committee Meetings held on | |
|-------------------------------------|--|-------------------|
| | November 14, 2014 | February 13, 2015 |
| R Janardhana Reddy, <i>Chairman</i> | ✓ | ✓ |
| Anil Kumar Sood | ✓ | ✓ |
| Anish Mathew | ✓ | ✓ |
| SV Ramkumar | NA | NA |
| D Sudhakar Reddy | ✓ | ✓ |

The company pays sitting fees of ₹ 15,000 per meeting to its non-executive directors for attending the board and committee meetings. The company also reimburses the out-of-pocket expenses incurred by the directors for attending meetings.

The members at the 12th Annual General Meeting held on 29 June 2012 had approved payment of commission to the Non-Executive Directors (NED) within the ceiling of 1% of the net profits of the company as computed under the applicable provisions of the Companies Act, 1956. The said commission subject to the available profits as computed in terms of the Act, is decided each year by the Board of Directors and distributed amongst the NEDs based on their contribution at Board and Committee meetings, as well as the time spent on operational matters other than at meetings.

The details of remuneration paid to directors of the company during the year are given below:

| Director | Salary / perquisites | Commission | Sitting fees | Total |
|--------------------|----------------------|------------|--------------|---------|
| | ₹ lakhs | ₹ lakhs | ₹ lakhs | ₹ lakhs |
| GV Kumar | 48.73 | — | — | 48.73 |
| D Sudhakar Reddy | 16.36 | — | — | 16.36 |
| Anil Kumar Sood | — | — | 1.50 | 1.50 |
| R Janardhana Reddy | — | — | 1.95 | 1.95 |
| Anish Mathew | — | — | 1.20 | 1.20 |
| SV Ramkumar | — | — | 0.90 | 0.90 |
| Ms Leona Ambuja | — | — | — | — |

The remuneration paid to executive directors exclude contribution to gratuity fund and provision for leave encashment on retirement payable to them since the same is provided on actuarial basis (non-funded) for the company as a whole.

The severance payment to executive directors is in terms of the provisions of Section 202 of the Companies Act, 2013.

Notice period of executive directors is as per the company's rules.

5 STAKEHOLDERS RELATIONSHIP COMMITTEE

In compliance with the provisions of Section 178 of the Companies Act, 2013 and amended clause 49 of the Listing Agreement, the Board has renamed the Committee as “Stakeholders’ Relationship Committee”, during the year.

The Stakeholders Relationship Committee of the company comprising of R Janardhana Reddy, Anil Kumar Sood, D Sudhakar Reddy and GV Kumar deal with various matters relating:

- To approve / refuse / reject registration of transfer / transmission / transposition of shares.
- To allot shares on exercise of stock options and to authorize issue of Share Certificates.
- To authorise:
 - (i) Issue of duplicate share certificates and issue of share certificates after split / consolidation / rematerialization of shareholding.
 - (ii) Printing of Share Certificates.
 - (iii) Affixation of Common Seal of the Company on Share Certificates.
 - (iv) Directors / Managers / Officers / Signatories for signing / endorsing Share Certificates.
 - (v) Necessary applications / corporate actions to Stock Exchanges and Depositories arising out of and incidental to the exercise of options by the employees.
- monitoring expeditious redressal of investors’ grievances
- non receipt of Annual Report and declared dividend
- all other matters related to shares.

The process of share transfer is assigned to Cameo Corporate Services Limited, the Registrar & Share Transfer Agent of the company, for taking care of share transfer formalities on an on-going basis.

There were 17 (other than dividend warrant revalidation) received and resolved during the year under report. There were no pending complaints at the beginning or end of the year. There were no transfers pending at the end of the year. All the complaints have been resolved to the satisfaction of the investors.

The Committee met two times during the financial year 2014-15:

| Members | Stakeholders’ Relationship Committee Meetings held on | |
|-------------------------------------|---|-------------------|
| | June 25, 2014 | February 13, 2015 |
| R Janardhana Reddy, <i>Chairman</i> | ✓ | ✓ |
| Anil Kumar Sood | ✓ | ✓ |
| D Sudhakar Reddy | ✓ | ✓ |
| G V Kumar | ✓ | ✓ |

The Company Secretary also functions as the Compliance Officer.

6 GENERAL BODY MEETINGS

Annual General Meetings (AGM)

| Year | AGM | Location | Date | Time | Special Resolutions passed |
|------|------|---|--------------|----------|--|
| 2014 | 14th | Narada Gana Sabha (Mini Hall) 314, TTK Road Alwarpet, Chennai 600018 | 25 June 2014 | 10.00 AM | Nil |
| 2013 | 13th | The Music Academy Kasturi Srinivasan Hall (Mini Hall) 168, TTK Road, Alwarpet, Chennai 600014 | 15 May 2013 | 3.30 PM | Payment of remuneration to GV Kumar, Managing Director |
| 2012 | 12th | The Music Academy Kasturi Srinivasan Hall (Mini Hall) 168, TTK Road, Alwarpet, Chennai 600014 | 29 June 2012 | 10.00 AM | Commission to Non-Executive Directors |

The resolutions were passed on show of hands with requisite majority and at the last AGM the resolutions were passed by e-voting and ballot as prescribed under the Companies Act, 2013.

Extra-ordinary General Meetings (EGM)

During the year, no extra-ordinary general meeting was held.

Postal Ballot

The Company successfully completed the process of obtaining approval of its Members on the following resolutions through Postal Ballot process during the year 2014-15:

| Sl No | Description | u/s of the companies act, 2013 | Type of Resolution |
|-------|--|--------------------------------|---------------------|
| 1 | Borrowing Powers of the Company | 180(1)(c) | Special Resolution |
| 2 | Creation of security on the assets of the Company | 180(1)(a) | Special Resolution |
| 3 | Inter-corporate Loans/investments/guarantee | 186 | Special Resolution |
| 4 | Related Party transactions | 188 | Special Resolution |
| 5 | Alteration of Memorandum of Association | 13 | Special Resolution |
| 6 | Amendment of Articles of Association | 14 | Special Resolution |
| 7 | Appointment of Mr R Janardhana Reddy as Independent Director | 149 and 152 | Ordinary Resolution |
| 8 | Appointment of Mr Anil Kumar Sood as Independent Director | 149 and 152 | Ordinary Resolution |
| 9 | Appointment of Mr Anish Mathew as Independent Director | 149 and 152 | Ordinary Resolution |

Voting Pattern and Procedure for Postal Ballot:

- (i) The Board of Directors of the Company, vide a circular resolution dated 14 November 2014, had appointed M/s M Damodaran & Associates, Practicing Company Secretaries, as the Scrutinizer for conducting the postal ballot voting process.
- (ii) The company had completed the dispatch of the Postal Ballot Notice dated 14 November 2014 together with the Explanatory Statement on 23 November 2014, along with forms and postage prepaid business reply envelopes to all the shareholders whose name(s) appeared on the Register of Members/list of beneficiaries as on 14 November 2014.
- (iii) The voting under the postal ballot was kept open from 24 November 2014 to 23 December 2014 (either physically or through electronic mode)
- (iv) Particulars of postal ballot forms received from the Members using the electronic platform of CDSL were entered in a register separately maintained for the purpose.
- (v) The postal ballot forms were kept under his safe custody in sealed and tamper proof ballot boxes before commencing the scrutiny of such postal ballot forms.
- (vi) All postal ballot forms received / receivable up to the close of working hours on 23 December 2014, the last date and time fixed by the company for receipt of the forms, had been considered for his scrutiny.
- (vii) Envelopes containing postal ballot forms received after close of business hours on 23 December 2014 had not been considered for his scrutiny.
- (viii) On 26 December 2014, Mr GV Kumar, Managing Director announced the results of the postal ballot as per the Scrutinizer's Report.
- (ix) All the resolutions put through the postal ballot were carried out by requisite majority.

7 PERFORMANCE EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of the Board Committees. A structured performance evaluation was done after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Non-Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the evaluation process.

8 SUBSIDIARY COMPANIES

The company does not have a material non-listed Indian subsidiary whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds the prescribed turnover or net worth of the listed holding company and its subsidiaries.

The financial statements of the subsidiary companies were / are placed before and reviewed by the Audit / Risk & Compliance Committee.

Copies of the minutes of the Board meetings of the subsidiary companies are tabled at the Board Meetings of the company.

9 CODE OF CONDUCT

The Board of Directors has approved a Code of Business Conduct which is applicable to the Members of the Board and all employees of the company and its subsidiaries. The Code has been posted on the website of the company.

The Code lays down the standard of conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with stakeholders. The Code gives guidance through examples on the expected behaviour from an employee in a given situation and the reporting structure.

All the Board Members and the Senior Management personnel have confirmed compliance with the Code. All Management Staff were required to complete an e-learning module in this regard.

10 DISCLOSURES

There were no materially significant related party transactions, pecuniary transaction or relationships between the company and its directors during the year ended 31 March 2015 that may have a potential conflict with the interests of the company at large.

All details relating to financial and commercial transactions where directors may have a pecuniary interest are provided to the Board, and the interested directors neither participated in the discussion, nor voted on such matters.

Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed elsewhere in this Annual Report and they are not in conflict with the interest of the company at large.

Business risk evaluation and managing such risks is an on-going process within the organisation. The Board is regularly briefed of risks assessed and the measures adopted by the company to mitigate the risks.

No strictures / penalties have been imposed on the company by the Stock Exchanges or SEBI or any statutory authority on any matters related to the capital market during the last three years.

The company's code of conduct has clearly laid down procedures for reporting unethical behaviour, actual or suspected fraud or violation of the ethics policies. No employee of the company is / was denied access to the Audit / Risk & Compliance Committee.

Adoption of non-mandatory requirements under clause 49 of the Listing Agreement is being reviewed by the Board from time to time.

Internal Controls

The company has a formal system of internal control testing which examines both the design effectiveness and operational effectiveness to ensure reliability of financial and operational information and all statutory / regulatory compliances. The company's business process has a strong monitoring and reporting process resulting in financial discipline and accountability.

CEO / CFO Certification

The certificate pursuant to the provisions of Clause 49 of the Listing Agreement certifying that the financial statements do not contain any untrue statement and these statements represent a true and fair view of the company's affairs is annexed and forms part of the Annual Report. The CFO position fell vacant during the end of the financial year and the company is in the process of filling this position within the prescribed time limits under the applicable laws.

Vigil Mechanism / Whistle Blower Policy

The company is committed to the high standards of Corporate Governance and stakeholder responsibility. The company has a whistle blower policy to deal with instances of fraud and mismanagement, if any. The said policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. The said policy is posted on the website of the company.

11 MEANS OF COMMUNICATION

The unaudited quarterly / half yearly financial results are announced within the stipulated time frame in terms of the Listing Agreement with the Stock Exchanges.

The audited annual financial results are announced within the stipulated time frame in terms of the Listing Agreement with the Stock Exchanges. For the financial year ended 31 March 2015, the company announced the audited annual financial results on 26 May 2015.

The above mentioned results are being taken on record by the Board of Directors with due review by the Audit / Risk & Compliance Committee and communicated to the Stock Exchanges where the company's securities are listed. The Stock Exchanges are intimated about these results and published within 48 hours in English (Business Standard) and Tamil (Makkal Kural) daily newspapers. They are also given by way of a press release to various news agencies.

The quarterly / half-yearly and the annual financial results are posted on the website of the company.

12 GENERAL SHAREHOLDER INFORMATION

- **Annual General Meeting**

At 10.00 AM (IST) on Wednesday, the 23rd day of September 2015 at Sri Thyaga Brahma Gana Sabha (Vani Mahal), No.103, G N Chetty Road, T Nagar, Chennai 600 017.

- **Financial calendar for 2015-16**

1 April to 31 March

Unaudited quarterly results for 2015-16

First quarter – first half of August 2015

Second quarter / half yearly – first half of November 2015

Third quarter – first half of February 2016

Annual results for the year ending 31 March 2016 – May 2016

Annual General Meeting for the year ending 31 March 2016 – August / September 2016

- **Date of book closure**

17 September 2015 to 23 September 2015 (both days inclusive)

■ Listing on Stock Exchanges

The company's equity shares are listed in India:

BSE Limited

Phiroze JeeJee Bhoy Towers
Dalal Street, Fort, Mumbai 400001

National Stock Exchange of India Limited

Exchange Plaza
Bandra-Kurla Complex, Bandra(E), Mumbai 400051

During the year, the company's equity shares have been delisted from the Madras Stock Exchange (MSE) on a voluntarily basis in terms of the regulations 6 and 7 of the SEBI (Delisting of Equity Shares) Regulations, 2009, and due to proposed closure of the regional stock exchanges.

The company has paid the listing fees to the stock exchanges where its securities are listed.

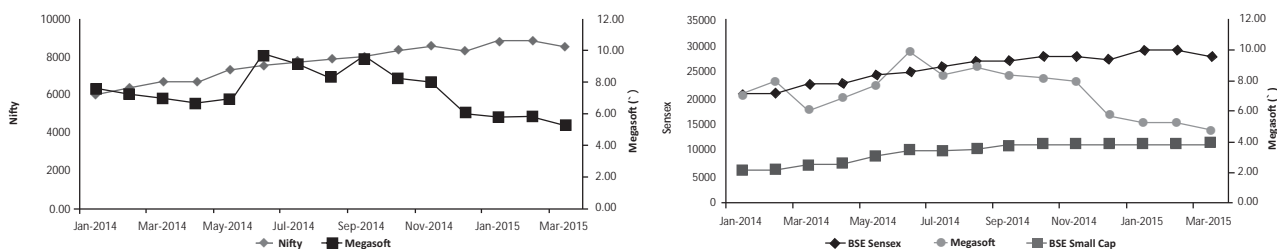
■ Stock Code

| Stock Exchange | Code |
|--|--------------|
| BSE Limited | 532408 |
| National Stock Exchange of India Limited | MEGASOFT |
| ISIN number for equity shares | INE933B01012 |

■ Stock market data

| Months | BSE | | | | NSE | | | |
|-----------|-------|------|-------|---------|-------|------|-------|-----------|
| | High | Low | Close | Volume | High | Low | Close | Volume |
| | | | | Nos | | | | Nos |
| January | 9.30 | 6.31 | 7.26 | 842,639 | 9.20 | 6.35 | 7.80 | 884,831 |
| February | 7.99 | 6.40 | 7.91 | 97,724 | 8.00 | 6.40 | 7.21 | 346,866 |
| March | 7.94 | 6.01 | 6.25 | 166,015 | 8.10 | 5.90 | 6.63 | 267,473 |
| April | 7.25 | 6.00 | 6.77 | 104,229 | 7.30 | 5.90 | 6.78 | 138,668 |
| May | 9.40 | 6.00 | 7.79 | 177,917 | 9.50 | 5.40 | 7.34 | 386,485 |
| June | 12.00 | 7.51 | 10.00 | 922,728 | 11.90 | 7.50 | 9.64 | 1,058,967 |
| July | 10.33 | 7.91 | 8.42 | 154,809 | 10.55 | 7.75 | 8.96 | 308,504 |
| August | 10.30 | 7.40 | 8.80 | 228,138 | 10.30 | 7.15 | 8.59 | 506,567 |
| September | 11.21 | 8.25 | 8.45 | 288,344 | 11.10 | 7.85 | 9.21 | 721,312 |
| October | 9.68 | 7.50 | 8.32 | 148,486 | 9.10 | 7.30 | 8.19 | 221,642 |
| November | 9.45 | 7.40 | 8.00 | 289,583 | 8.75 | 7.30 | 8.01 | 261,557 |
| December | 8.00 | 4.08 | 5.83 | 754,807 | 8.00 | 4.05 | 5.70 | 1,549,759 |
| January | 6.72 | 4.89 | 5.35 | 408,355 | 6.65 | 4.90 | 5.64 | 532,245 |
| February | 6.86 | 5.11 | 5.34 | 427,239 | 6.90 | 5.05 | 5.98 | 768,285 |
| March | 5.99 | 4.55 | 4.98 | 252,757 | 5.95 | 4.25 | 5.10 | 400,182 |

* There were no trades during the year in the Madras Stock Exchange.



■ Distribution of shareholding as on 31 March 2015

| No of Shares held | No of Shareholders | % of Shareholders | No of Shares | % of Shareholding |
|-------------------|--------------------|-------------------|-------------------|-------------------|
| 1-5000 | 20,083 | 85.30 | 2,144,373 | 4.84 |
| 5001-10000 | 1,498 | 6.36 | 1,189,962 | 2.69 |
| 10001-20000 | 824 | 3.50 | 1,246,273 | 2.82 |
| 20001-30000 | 298 | 1.27 | 757,188 | 1.71 |
| 30001-40000 | 160 | 0.68 | 564,025 | 1.27 |
| 40001-50000 | 141 | 0.60 | 667,762 | 1.51 |
| 50001-100000 | 246 | 1.04 | 1,860,231 | 4.20 |
| 100001 & Above | 293 | 1.24 | 35,837,479 | 80.96 |
| Total | 23,543 | 100.00 | 44,267,293 | 100.00 |

■ **Dematerialisation of shares**

The company's equity shares are tradable compulsorily in electronic form. The company has established connectivity with both the depositories, that is, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through Cameo Corporate Services Limited, Registrar and Share Transfer Agents. The International Securities Identification Number (ISIN) allotted to our shares under the Depository System is INE933B01012. Over 89.9% of outstanding equity shares of the company have been dematerialised as on 31 March 2015.

| Category | Number of shareholders | Number of shares | % to total equity |
|---------------|------------------------|-------------------|-------------------|
| Demat mode | | | |
| NSDL | 16,212 | 31,532,912 | 71.23 |
| CDSL | 6,489 | 8,296,131 | 18.74 |
| Physical mode | 842 | 4,438,250 | 10.03 |
| Total | 23,543 | 44,267,293 | 100.00 |

■ **Categories of shareholders**

| | Category of shareholder | No. of shareholders | Total No. of shares | % of shareholding |
|----------|---|---------------------|---------------------|-------------------|
| A | Shareholding of Promoter and Promoter Group | | | |
| | Indian Promoters | 4 | 3,203,956 | 7.24 |
| | Total Shareholding of Promoter Group | 4 | 3,203,956 | 7.24 |
| B | Public Shareholding | | | |
| 1 | Institutions | | | |
| | Mutual Funds / UTI | 1 | 1,497,036 | 3.38 |
| | Financial Institutions / Banks | 1 | 12 | 0.00 |
| | Venture Capital Funds | 1 | 3,762,375 | 8.50 |
| | Insurance Companies | 1 | 30,478 | 0.06 |
| | Foreign Institutional Investors | 3 | 2,326,424 | 5.26 |
| | Others-Foreign Portfolio Investors | 1 | 1,197,125 | 2.70 |
| | Sub Total B(1) | 8 | 8,813,450 | 19.90 |
| 2 | Non-institutions | | | |
| | Bodies Corporate | 503 | 6,450,757 | 14.57 |
| | Individuals | | | |
| | Individual shareholders holding nominal share capital up to ` 1 lakh | 21,964 | 7,288,092 | 16.46 |
| | Individual shareholders holding nominal share capital in excess of ` 1 lakh | 201 | 13,949,606 | 31.51 |
| | Others: | | | |
| | Directors & their Relatives | 6 | 2,402,222 | 5.43 |
| | HUF | 621 | 688,523 | 1.56 |
| | Trusts | 2 | 1,075 | 0.00 |
| | NRI | 212 | 1,431,834 | 3.23 |
| | Clearing Members | 22 | 37,778 | 0.09 |
| | Sub Total B(2) | 23,531 | 32,249,887 | 72.85 |
| | Total Public Shareholding (B)=B(1)+B(2) | 23,539 | 41,063,337 | 92.76 |
| | Total (A+B) | 23,543 | 44,267,293 | 100.00 |

Shareholders holding more than 1% of the equity share capital

| | Name of the shareholder | No. of shares | % of shareholding |
|----|---|-------------------|-------------------|
| 1 | Srinivas Raju D | 747,600 | 1.69 |
| 2 | Godavari Greenlands Private Limited | 1,343,750 | 3.04 |
| 3 | Satyavathi Dendukuri | 835,500 | 1.89 |
| 4 | Ashish Dhawan | 3,554,769 | 8.03 |
| 5 | Venkataraman Kumar Gandaravakottai | 2,226,911 | 5.03 |
| 6 | Copthall Mauritius Investment Limited | 1,801,485 | 4.06 |
| 7 | Deutsche Securities Mauritius Limited | 1,197,125 | 2.70 |
| 8 | Rakesh Mishra | 700,152 | 1.58 |
| 9 | Birla Sun Life Trustee Company Pvt Ltd A/C Birla Sun Life Equity Fund | 1,497,036 | 3.38 |
| 10 | I-Labs Venture Capital Fund | 3,762,375 | 8.50 |
| 11 | Sri Power Generation (India) Private Limited | 1,769,822 | 4.00 |
| 12 | Venturetech Solutions Private Limited | 458,250 | 1.04 |
| | Total | 19,894,775 | 44.94 |

■ **Registrars and Share Transfer Agents**

Cameo Corporate Services Limited
Subramanian Building, 1, Club House Road, Chennai 600002, Tamilnadu, India
Tel: +91.44.28460390, Fax: +91.44.28460129, email: cameo@cameoindia.com

■ **Share Transfer System and other related matters**

(i) **Share transfers**

The share transfers in physical form are presently processed and the share certificates are generally returned within a period of 15 days from the date of receipt.

(ii) **Nomination facility for shareholding**

As per the provisions of the Companies Act 2013, facility for making nomination is available for shareholders in respect of shares held by them. Those shareholders who hold shares in physical form may obtain nomination forms from the company.

(iii) **Payment of dividend through Electronic Clearing Service**

The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividends through Electronic Clearing Service (ECS) to the investors wherever ECS and Bank details are available. In the absence of ECS facility the company is required to print the Bank account details, if available, on payment instruments for distribution of dividend to the shareholders. The company is complying with SEBI's directive in this regard.

(iv) **Unclaimed Dividends**

Pursuant to the provisions of Section 123 of the Companies Act, 2013, the dividend for the following years, which remain unclaimed for seven years, will be transferred to Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 125 of the Companies Act, 2013.

Members who have not so far encashed their dividend warrant(s) are requested to seek revalidation of dividend warrants in writing to the company's Registrar and Transfer Agents, Cameo Corporate Services Limited, immediately. Members are requested to note that no claims shall lie against the company in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

Members are also advised to update their correspondence address in their demat accounts in case of their holdings in electronic form or inform their latest correspondence address to the Registrars in case of holdings in physical form.

Information in respect of such unclaimed dividends due for transfer to the Investor Education and Protection Fund (IEPF) is as follows.

| Financial Year | Date of Declaration | Due date for transfer to IEPF |
|---------------------------------------|---------------------|-------------------------------|
| Dividend declared by Megasoft Limited | | |
| 2007 | June 23, 2008 | July 30, 2015 |

(v) **Dividend remitted to IEPF**

| Financial Year | lakhs |
|----------------|-------|
| 2014 | 8.08 |
| 2012 | 5.80 |
| 2011 | 5.67 |
| 2010 | 2.98 |
| 2009 | 2.56 |
| 2008 | 3.41 |
| 2007 | 1.25 |

(vi) **Correspondence regarding Change of Address, etc.**

Shareholders are requested to ensure that any correspondence for change of address, change in Bank Mandates, etc. should be signed by the first named shareholder. The company is now also requesting for supporting documents such as proof of residence and proof of identification whenever a letter requesting for change of address is received. This is being done in the interest of shareholders as there are cases in the corporate world where attempts are made to fraudulently change the registered address of shareholders by unscrupulous parties. Shareholders are requested to kindly co-operate and submit the necessary documents / evidence while sending the letters for change of address. Shareholders who hold shares in dematerialised form should correspond with the Depository Participant with whom they have opened Demat Account/s.

(vii) Pending Investors' Grievances'

Any shareholder whose grievance has not been resolved to his / her satisfaction may kindly write to the Company Secretary at the Registered Office with a copy of the earlier correspondence.

■ **Go Green initiative**

In order to protect the environment and as a Go Green initiative, the company has taken an initiative of sending documents like Notice calling the Annual General Meeting, Directors' Report, Audited Financial Statements, Auditors' Report, dividend intimations, etc. by e-mail. Physical copies shall be sent only to those shareholders whose e-mail addresses are not registered with the company. Shareholders are requested to register / update their e-mail id with RTA / Depository to enable the company to send the documents in electronic form or inform the company in case they wish to receive the above documents in paper mode.

■ **Plant locations**

In view of the nature of the company's business viz. Information Technology (IT) services, the company operates from various offices in India and abroad and does not have any manufacturing plant.

■ **Address for correspondence**

Company Secretary
Megasoft Limited
85, Kutchery Road, Mylapore, Chennai 600004, Tamilnadu, India
Tel: +91.44.24616768, Fax: +91.44.24617810, email: investors@megasoft.com

For and on behalf of the Board of Directors

GV Kumar **D Sudhakar Reddy**
Managing Director Executive Director

Place: Hyderabad
Date : 26 May 2015

Management's Discussion and Analysis

(1) Background and overview

The Telecommunication industry in general had a challenging 2014-15. Falling ARPU has been the concern for operators across the globe making it necessary for them to think innovative and offer differentiated services. The company continues to be relevant by introducing new innovative products and services with its state of the technology and solutions and is quite confident to add new contracts to growth.

The company has continued to invent and grow its patent portfolio. In the past year the company was awarded 3 new patents. This shows the value of the company's investment in R&D. This increases the company's Intellectual property (IP) and reiterates the focus on innovation and the commitment the company has in contributing to the industry, new inventions. The company and management as always had their focus and commitment to R&D.

The company has been investing in new additional products with significant focus on 4G LTE, NFV (Network Function Virtualisation), Predictive Analytics, Mobile based Payment bank etc. The company also expanded their portfolio by developing new customer-requested feature functionality across both of its core product suites (Mobile Infrastructure Solutions and Services as well as Mobile Banking and Payments Solutions). Additionally, the company continues its expansion and application of its core capabilities in mobile data and enablement to create new product offerings that leverage the mobile depth and experience possessed by the company and its employees – the company's new product offering, "XIUS AMPLIO" being a sample.

(2) Financial results

The company reported a turnover of ₹ 10,072.85 lakhs in 2014-15 as against ₹ 10,550.75 lakhs in 2013. This generated an overall profit of ₹ 73.81 lakhs for the financial year under review. The board of directors of the company extended the current financial year to a 15 months period i.e. 1 January 2014 to 31 March 2015 to comply with the provisions of the companies act, 2013. Hence, the results of the operations for the current year are not directly comparable with the previous year.

(3) Business and Industry Outlook

The company operates in two key mobile technology segments, namely core network infrastructure and mobile payments. Both these segments are subject to macro-economic business outlook and capital spending especially in the Telecom sector.

Global growth in 2014 was lower than initially expected, continuing a pattern of disappointing outturns over the past several years. Growth picked up only marginally in 2014, to 2.6%, from 2.5% in 2013. Global business optimism dropped eight percentage points to net 35% in Q4-2014. This is hardly disastrous as global business

optimism stood at just net 27% in Q4-2013². Telecom service providers are expected to invest US\$ 346 billion towards capital spending (CAPEX) in 2015, indicating a flat growth. In 2014, CAPEX in fixed line telecom operations was 41% of US\$ 346 billion, while 59% was in wireless business of operators.³

Industry Trends

Surge in Data Usage - Data usage is increasing rapidly across the globe. Mobile data traffic grew 60% between Q3-2013 and Q3-2014.⁴ The number of mobile broadband subscriptions grew at a rate of 35% year-on-year, reaching 2.3 billion.⁵

4G LTE Penetration - ⁶GSA, the Global mobile Suppliers Association, has underlined the accelerating pace of development of LTE around the world by confirming that LTE subscriptions are growing faster than any other mobile communications system technology, and by a substantial margin. GSA forecasts there will be at least 450 commercially launched LTE networks globally by end 2015, up from 364 that had entered service by the end of last year, with deployment of LTE-Advanced technologies as a major industry trend in all regions.

GSA calculated that LTE subscription net additions outpaced 3G/WCDMA-HSPA by 21% during the last 6 months of 2014, with LTE leading in both Q3 and Q4.

- There were 497 million LTE subscriptions worldwide by 31 December 2014.
- A total of 290 million LTE subscriptions were gained in the year, equivalent to 140% annual growth.
- LTE subscriptions grew by 115 million in Q4, over 36% higher than 3G/WCDMA-HSPA connections.
- GSM subscriptions fell by 78.5 million in the same period.
- The APAC region increased its share of connections to 47% by end December 2014 compared to 40% in June 2014.
- North America is the second largest LTE market with 33% of global LTE subscriptions, down from 42.3% in six months previously, while Europe increased its share in the same period from 14.3% to 16% by year end.

Policy Management market reached just over US\$ 1 billion in 2013 and is on target to become a US\$ 2.5 billion market by 2018⁷. Growth will be sustained by the uptake of dynamic monetisation use cases driven by the need for operators to innovate and grow revenues. Global Telecoms Deep Packet Inspection market is set to grow to US\$ 1.6 billion by 2019.⁸

MVNO Revival

⁹The number of MVNOs in operation worldwide rose to almost 1000 by the end of 2014, new research from GSMA Intelligence has found.

¹ <http://www.worldbank.org/en/publication/global-economic-prospects>

² http://www.granthornton.ie/db/Attachments/IBR2015_Global_economy_2015_FINAL.pdf

³ <http://www.telecomlead.com/telecom-services/telecoms-capex-investment-touch-346-bn-2015-flat-growth-55007>

⁴ <http://www.ericsson.com/res/docs/2014/ericsson-mobility-report-november-2014.pdf>

⁵ <http://www.ericsson.com/res/docs/2014/ericsson-mobility-report-june-2014.pdf>

⁶ http://www.gsacom.com/news/gsa_424.php

⁷ <http://www.ksl.com/?sid=29613458&nid=>

⁸ <http://broabandtrafficmanagement.blogspot.in/2015/02/emi-dpi-market-to-reach-16b-by-2019.html>

⁹ <https://gsmaintelligence.com/research/2015/02/the-global-mvno-footprint-a-changing-environment/490/>

As of the end of 2014, the world's MNOs hosted 992 MVNOs and 260 MNO sub-brands. This represents a total of more than 1,250 mobile service providers worldwide hosted by MNOs, in addition to their own core brands. Research shows that MVNOs remain most prevalent in mature markets where penetration (based on connections) has surpassed 100%. Europe is home to two thirds of domestic MVNOs (585), followed by Asia Pacific (129) and Northern America (107). By contrast, the MVNO sector remains in its infancy in Sub-Saharan African markets with just eight MVNOs across the region.

The presence of MVNOs is limited to less than a third of countries worldwide as they are a phenomenon that mainly applies to saturated mobile markets. The average connections (excluding cellular M2M) penetration rate among the 72 countries that host MVNOs stands at 128%, compared to the global average of 97%. This explains the large number of MVNOs in Europe, which has the second-highest regional penetration level (126%) and saw early moves by regulators to establish an MVNO market.

Mobile Payments

Competition in the mobile payments field has intensified worldwide, acceptance and usage of in-store mobile payments and the preferences of shoppers towards payment methods in remote M-Commerce differed from country to country. A general trend is the lingering concern of consumers towards security of mobile payment transactions. Mobile payments, comprising remote and in person retail payments made with mobile devices, are forecasted to maintain rapid growth in the next several years. The number of mobile payment transactions is forecasted to near 50 billion in 2015. Contactless mobile payment transactions and mobile wallets are expected to be the leading segments in terms of market growth¹⁰.

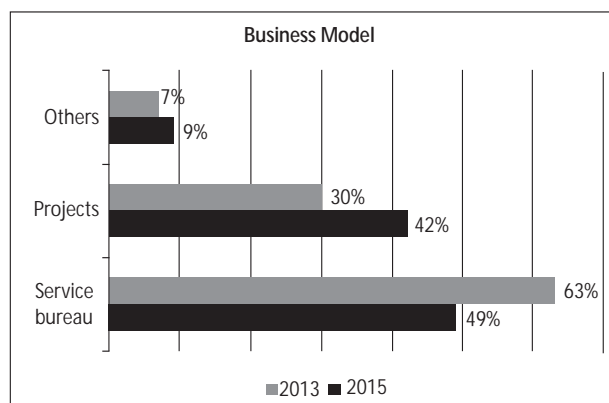
According to Gartner, worldwide mobile payment transaction volume was around US\$ 235.4 billion in 2013. It was estimated to be US\$ 325 billion in 2014, and is expected to grow to US\$ 717 billion by 2017. The growth in mobile payments has been driven by several factors, such as the growth in smartphone users, increased acceptance of mobile payments by merchants, a shift from magnetic strips to mobile wallets, and easy access to loyalty programs and coupons¹¹.

By the end of 2015, 5% of the world's 600 million to 650 million NFC-enabled phones will be used at least once every month to make contactless in-store payments at retail outlets. While 5% is not a staggering number, it represents a considerable increase over last year's mobile payment usage rate. As of mid-2014, less than 0.5% of the 450 million to 500 million NFC-enabled phone owners used their mobile devices for in-store purchases¹².

All of the above industry trends and statistics continue to encourage the company to follow the product and services direction that it has set regarding its Mobile Infrastructure Solutions and Services as well as Mobile Banking and Payments. This data is further supported by the real-time, on-the-ground sales opportunities that the company is encountering.

Summary

The company's geographically diverse sales focus allow it to focus on those regions where businesses are optimistic, economies are holding their own or growing, and investments in mobile are continuing to be made. While the company continued to see further reduction of opportunity for its service bureau offering in the US prepaid market as well as globally, its core solutions for Mobile Infrastructure Solutions and Services as well as Mobile Banking and Payments, position the company to meet the key areas of growth and investment in the global telecom market as noted above.



The majority of company's revenues going forward are of project related with back-ended cash flows with increased debtor days and collection cycle, as compared to the earlier years wherein majority of revenues were services based receivable monthly. However, with the change in the business model the margins are expected to be higher as compared to the larger services business revenue model during earlier years.

(4) MEGASOFT Products, Solutions and Business Overview

(A) Solutions

The 2014-15 portfolios of solutions focused on two major areas:

XIUS Mobile Infrastructure Solutions and Services enhance the way service providers across an array of industries deliver and capitalise upon next-generation mobile services.

- XIUS MSP provides end-to-end infrastructure for 3G/4G Mobile Operators, MVNE/MVNOs, Converged Broadband 4G/LTE Service Providers, Mobile Operator Wholesale Departments, and M2M Service Providers.
- XIUS Mobile Services Platform (MSP) offers a complete suite of cost-competitive and reliable infrastructure options that enable Mobile services delivery along with real-time rating and billing.
- Megasoftware is best positioned to enable service providers navigate an increasingly complex mobile ecosystem by allowing to launch branded mobile services.

¹⁰ http://www.ystats.com/wp-content/uploads/2015/03/Product-Brochure_Global-Mobile-Payment-Methods-2014.pdf

¹¹ <http://www.forbes.com/sites/greatspeculations/2015/03/13/will-credit-card-companies-reap-the-benefits-of-growing-mobile-payment-market/>

¹² <http://www.cio.com/article/2912896/mobile/the-state-of-mobile-payments-in-2015.html#slide2>

Megasoft was also awarded a global patent in early 2015 for the way how this platform delivers services to mobile users.

XIUS Mobile Payments & Banking Solutions enable value-based relationships for financial institutions, government agencies, mobile operators and their customers that directly lead to improved customer loyalty and increased revenues.

- Payment Manager gives operators the power to conveniently recharge mobile prepaid accounts, provide international recharge capabilities, bill pay post-paid account, and manage their distribution network.
- Mobile Wallet allows operators, government agencies and other institutions to deliver secure and cost-effective methods of payment, while introducing cost savings and new recurring revenue streams.
- Mobile Banking platform gives financial institutions the power to provide state-of-the-art mobile banking services.

(B) Business Strategy and Priorities for 2015-16

The telecommunications industry has transitioned from voice-oriented services to a data driven, customer centric and on demand services. Mobile Operators and Internet Service providers are challenged to improve their profitability under stiff competition amid growing demand for bandwidth and capacity. The ability to optimise network resources while creatively monetising customer behaviour is gaining importance and "XIUS AMPLIO" a new product launched in early 2015 from the company will address this core need.

The company realises the much-felt need of service providers for a solution that uniquely combines technology, predictive analytics, with domain and operational expertise anchored around customer experience. "XIUS AMPLIO" enables service providers to refine the services they already provide, with a focus on creating richer, personalised experiences. With better intelligence on customer usage patterns, service providers can leverage new valuable sources of customer insight to drive and multiply data revenue.

With over 50 billion things (devices) are expected to be connected by the year 2020, the Internet of Things (IoT) will revolutionise enterprises across various industries. Megasoft is planning to address this great market potential with their service enablement platform that will be capable of integrating with diverse devices (things) and spectrum of IoT applications. The platform will offer flexibility in terms of device, security, service and application management framework.

For 2015-16 and beyond, the company will execute on the following approach to growing the business:

(1) Mobile Infrastructure Solutions and Services

With the forecast of continued mobile network infrastructure spending around the globe in 2014, especially on the data service, the company is well positioned with its MSP and XIUS AMPLIO solution to further address this area of need in the market. The company's success to date has been in Asia and the Middle East and the company has a strong sales pipeline for MSP in Asia, Middle East, Central & East Europe and Africa, developed through both direct and channel partner sales efforts, in-country agents, as well as NEPs (as we help fill a niche for them with smaller carriers). We will continue to expand our channels to further increase our global reach.

Additionally, the MSP solution is continuously being enhanced with increased feature / functionality, expanded network components, multi-network technology and generation support. Such development enhancement and partnership will continue to allow the company to expand its offering in the mobile infrastructure market. The company's MSP delivers quality, reliable, dependent and easily expandable mobile services that allow multiple types of companies to deliver their customers the solutions and services demanded in the market today.

For its MSP platform, the company, targets the MVNE / MVNO segment, Large Carrier wholesale divisions, Small & Mid-size mobile Carriers and the M2M/IOT segments. Additionally, MSP's expansion to support 4G and the introduction of XIUS AMPLIO opens up additional target markets for the solution sales:

- Tier 1 Mobile Operators looking to reduce their LTE migration costs. This solution offers On-Demand 4G SDN Virtual Packet Core as well as a complete suite of 4G/LTE network components.
- Converged broadband providers with 4G/LTE spectrum license that wish to launch a combined 4G service with 3G failover capabilities.
- Mobile Operators, Fixed and wireless Broadband service providers, challenged with increase in bandwidth requirements while their ARPU not in par with the bandwidth increase, need ways to monetise and optimise their network.

(2) Mobile Payments and Payments

There is significant demand and opportunity for mobile banking and payment solutions in the market today ranging from opportunities created by Electronic Money regulation in Latin America, new banking initiatives for banking inclusion from the new government in India, the expanding demand for mobile services for banking customers, growing trust in Mobile Wallets by consumers and the market, as well as continued additional opportunities for mobile transaction processing. The company's Mobile Banking and Payment solutions are capable to address these needs. We continue our expansion in Latin America with our Payment Management solutions and we see continued growth opportunity in this region. Our sales pipeline in this area is active and we are expanding our reach through both direct and channel sales efforts.

(3) New Products

The company continues in its efforts to leverage its mobile infrastructure and transaction processing pedigree and depth of experience, and has identified several opportunity areas and will deliver new solutions to the market in 2015. As discussed earlier, the company already launched a product, XIUS AMPLIO, for this year targeting Mobile Operators and Broadband service providers and two more new products are in the SWOT analysis stage.

(C) Operational priorities

Sales, although not strictly operational, are the lifeblood of the company. Continued focus on maintaining a healthy pipeline and a steady stream of profitable contract closure is the priority. The company recognises that sales closure depends on satisfied and reference-able customers. It adjusts its operations focus and organisation to ensure customer account management and

advocacy is in place for our customers as they are vital in aiding in the new sales closure process.

R&D continues as the company's key strength and focus. Investment and expansion in the growth solution areas of mobile infrastructure as well as mobile banking and payments will continue to bolster our solutions' standings as compared to our competition and the needs of the market. Additionally, the company will continue to further expand and upgrade its R&D center and infrastructure capabilities to enable the launch of new market offerings.

The company continues the rationalisation and optimisation of its operations capabilities. As one solution area wanes (Prepaid) and others expand, we adjust our data center operations, operations skill sets, and product/service offerings to match the needs of the market.

The company continues its tight cost controls, debt reduction and repayment as well as monetisation of some of its real estate assets.

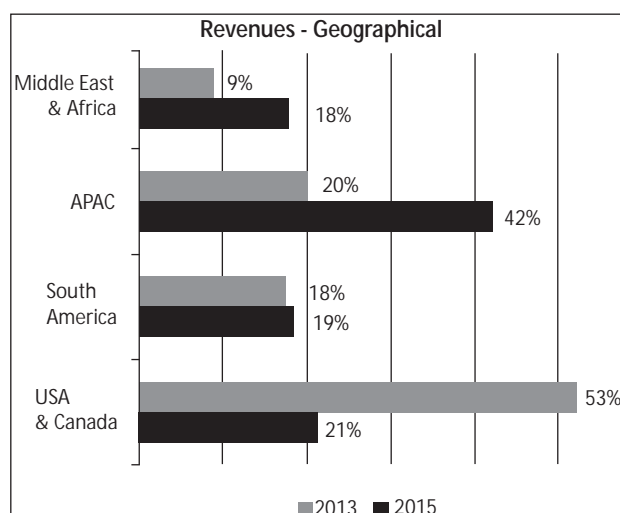
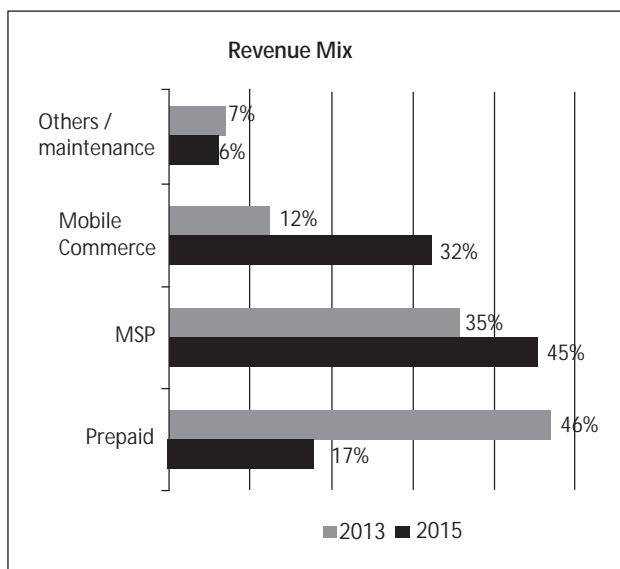
With the above, we believe that execution of the four-pronged approach to growth in 2015 will be a success.

(D) Sources of revenue

The company derives revenues through the following revenue models:

- **Hosted managed Services (ASP)**
The Company operates its platform end-to-end in data centers and gets paid monthly based on a revenue-share or per-subscriber transaction fee model around a multi-year contract. The company also normally charges an upfront technology implementation fee from ASP customers.
- **Software licensing**
The company also offers its platforms on a capacity licensing basis to mobile operators, wherein its platforms are installed in the carrier's premises in return for a one-time license fee for a stated limited capacity (subscriber, throughput, or other appropriate metric).
- **Share of transaction revenues**
In the mobile transactions market place, the company also earns from a share in transactions and this revenue stream is expected to contribute significantly to the overall revenues in the company's future
- **Services, Maintenance and Customization**
The company also realises revenues derived from customising its platforms to suit specific service needs of carrier customers. This is a steady revenue source with AMCs (Annual Maintenance Contracts).

(5) Segment-wise performance



(6) Quality certifications

The company has adopted and achieved the following international standards for process definition, industry best practices and continual improvement:

- ISO 9001-2008 - Quality Management System (QMS)
- ISO/IEC 27001:2005 - Information Security Management System (ISMS)

The vision of QMS and ISMS is to institutionalise excellence in quality of service and data security of customers and organisation by developing and deploying simple, efficient and effective Processes using the latest International Standards.

Quality Management System

The company has also undertaken various initiatives such as implementing an organisation wide Defect Prevention Program, Metrics Program, automation of testing processes and introduction of new tools. The Quality Improvement Program is based on the business needs, technology changes, customer feedback, suggestions and process performance. The Company has instituted processes that enable transition to new technologies and enable continuous process improvement.

The company is certified for ISO 9001:2008 by bsi, India.

Information Security Management System

Information Security management at IT outsourcing centers has become one of the important areas of concern for organisations. Stringent information security measures are in place at the company to ensure business continuity and reduce business risks by preventing and minimising the impact of security incidents.

ISO 27001 is a globally recognised information security standard used to identify, manage and reduce the range of threats to which information is subjected. The standard provides guidelines and directions to safeguard organisational assets and emphasises continuous improvement for information security.

The company is also certified for ISO 27001:2005 by Bureau VERITAS Certification, India.

Benefits

The customers have benefited as a result of fewer defects, reduction in cycle time and improved delivery capabilities. This has resulted in high levels of customer satisfaction and repeat business. Implementing the processes has trained the organisation and people to be methodical and process-driven. The company has introduced and improved upon best-of-breed industry practices and standards and thereby improved the delivery capability.

(7) Outlook

While the global economic situation slowly improves, there are growing pockets of optimism where the mobile industry continues to see investment and growth. With new product launched this year and 2 more products in pipeline the company's product portfolio remains relevant and supportive of the market trends. The company continue to experience continued interest in the mobile infrastructure capabilities and offerings (especially LTE and Mobile/Fixed Broadband Data Monetisation) as well as the mobile banking and payments solutions. The company has been able to leverage the knowledge and experience in mobile infrastructure and mobile transaction processing to provide relevant and timely solutions to the mobile industry. Additionally, the company is leveraging the knowledge in the development of new mobile enablement solutions and capabilities, while creating the opportunity for additional Intellectual Property as well.

(8) Risks and concerns

The company's management embarked on a number of initiatives to manage business risks (given below):

Market risk

The company's growth is dependent on Mobile Telecom industry growth. The telecom industry has historically suffered from an extended sales cycle and high debtors' position, detrimental to cash flows. With the macroeconomic situation still fluid and the Telco industry facing falling ARPU's worldwide, sustained capital expenditure in the mobile industry remains uncertain and this may affect the company's performance. The company is also aiming at non-Telco customers for its mobile transactions platforms. While this reduces the company's sole dependence on mobile Telco's for its revenues, it may also pose unknown challenges and risks due to the company's lack of experience in these segments.

With the company exploring new geographies, new products & services, the company anticipate new known and unknown competition and market risk.

Protection of Intellectual Property Rights

In a knowledge-driven business, the primary responsibility is to safeguard intellectual property. The company encourages employees to ideate and file patents to protect intellectual property. The company applied for 105 patents in the last few years, of which 27 were granted by the USPTO.

Litigation

There is an increasing trend towards litigation regarding intellectual property rights, patents and trademarks in the software and telecom industry. There are also other corporate legal risks including contractual performance and product performance. The company has an insurance policy in place to mitigate these risks. In respect of arbitrations moved by certain US clients against the company and its overseas subsidiary, the matter had been settled out of the court. The payments have been structured as per mutual agreement.

Foreign currency fluctuation

The company has a substantial exposure to foreign exchange-related risks on account of earnings denominated in foreign currencies by exporting software, products and solutions. A majority of the company's revenues are US\$ denominated; the continued depreciation of the Indian rupee vis-à-vis the US\$ can result in much higher interest and capital repayment outflows for the company. Also, such huge fluctuations make revenue and profit projections more unpredictable.

Client Concentration

As already seen in earlier year, wherein the loss of one of the largest clients resulted in a decline in revenues, the company's top five clients contribute to more than 50% of its revenues, resulting in high dependency on these clients. The company expanded its sales focus on new geographies and market segments and will expand its revenue base and achieve a better spread in revenues and clients.

Cash flow

As the company's business model has gone through a major change and its revenues are project related to a large extent with back-ended cash flows, the company may continue to be under constant cash pressures.

(9) Internal controls

The company possesses an adequate system of internal controls to safeguard assets. Checks and balances were in place and reviewed at regular intervals to ensure that transactions were properly authorised and reported correctly. The Audit Committee, in consultation with Internal Auditors, reviewed the internal control systems at regular intervals and initiated corrective action(s) wherever deemed necessary.

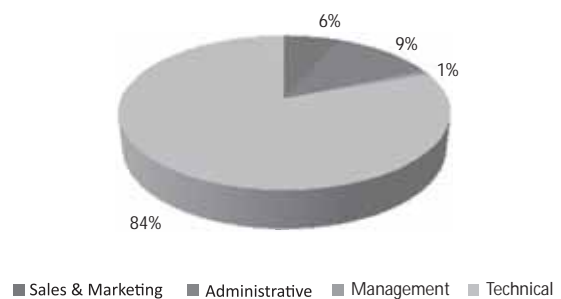
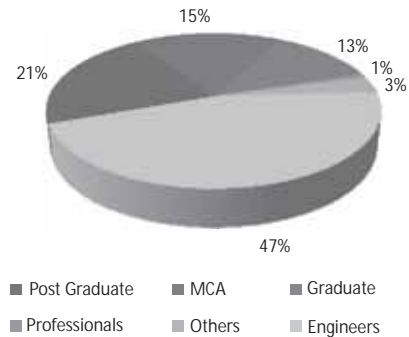
Additionally, the company has already initiated a corporate management initiative to define best practices in processes, methodologies, systems and metrics with a specific focus on customer interaction and service delivery. The company commissioned a new research and development organisation with supporting processes, customer support, managed services processes, management reporting and control systems (MRCS) and automation. Going forward, the company will regularly assess risks and controls for existing and new process flows.

The continuance of the company's 'cash and caution' policy enabled the company to remain profitable at the end of the financial year.

(10) Human assets

The company enjoys cordial relationships with employees as it endeavours to provide them with a professionally rewarding and enriching work environment. The company possesses an effective performance management system that focuses on employee development, measuring key result areas, competencies and training needs.

The company advocates work-life balance and welfare activities that enhance team cohesiveness. "F5" a welfare activity that was initiated last year has become a great success and has brought tremendously enthusiasm and motivation among the employees. To keep the skillset honed and up to date, the employees are professionally trained in technologies like LTE, Predictive Analytics & Big data. To ensure profitable contract closure the company has revised the sales incentive plan to motivate the sales organisation with more closures.



(11) Financial results review

The financial statements complied with the requirements of the Companies Act, 1956, and the Generally Accepted Accounting Principles (GAAP) in India. The board of directors of your company extended the current financial year to a 15 months period i.e. 1 January 2014 to 31 March 2015 to comply with the provisions of the companies act, 2013. Hence, the results of the operations for the current year are not directly comparable with the previous year.

FINANCIAL PERFORMANCE (CONSOLIDATED)

Share capital

There is no change in the company's equity share capital during the financial year under review.

Reserves and surplus

The movement in Foreign Currency Translation Reserve during the financial year under review was due to fluctuation in foreign currency rate.

The profit earned during the year has been carried forward in full. Certain advances made by the overseas subsidiary prior to 2007 (being the date of acquisition of that wholly owned subsidiary) have been set-off to retained earnings by that subsidiary. Accordingly, the surplus in statement of profit and loss was lower at the end of the current financial year.

Borrowings

| As at | Short term debt | | Long term debt | | Total debt | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs |
| Finance lease obligations | 7.97 | 10.90 | 0.66 | 10.62 | 8.63 | 21.52 |
| Secured - Current maturities of long-term debt from Bank | — | 1,980.70 | — | — | — | 1,980.70 |
| Secured - Working Capital / Demand loan from Bank | 6,712.11 | 4,586.86 | — | — | 6,712.11 | 4,586.86 |
| Unsecured - from bodies corporate | 2,643.35 | 2,615.81 | — | — | 2,643.35 | 2,615.81 |
| Total | 9,363.43 | 9,194.27 | 0.66 | 10.62 | 9,364.09 | 9,204.89 |

The movement in the finance lease obligations is on account of monthly instalments paid during the year. The movement in bank borrowings was on account of fluctuation in foreign currency rate.

The movement in unsecured loan is due to rupee depreciation against US\$.

Deferred tax liability / asset

The deferred tax asset is ` 6.30 lakhs at the end of the financial year as against deferred tax liability of ` 35.25 lakhs in the previous year.

Trade Payables & Other current liabilities

The decrease in trade payable and other current liabilities from ` 6,283.92 lakhs in 2013 to ` 4,661.33 lakhs in 2015 as the bank debt maturing during the current financial year was repaid.

Provisions

| As at | Short term | | Long term | | Total | |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs |
| Provision for retirement benefits | 6.78 | 6.61 | 144.26 | 123.16 | 151.04 | 129.77 |

The movement in the provisions is in the normal course of business.

Fixed assets

The fixed asset additions of ` 99.92 lakhs (previous year ` 83.50 lakhs) is in the normal course of business.

Goodwill on consolidation

Goodwill on consolidation was on account of accumulated losses in the overseas companies on the date of their acquisition and the excess consideration paid over and above their respective capital.

Investments

No additional investments were made during the financial year under review.

Trade receivables

The increase in trade receivables (net of provisions) stood at ` 8,778.31 lakhs as against ` 6,612.51 lakhs in the previous year on account of stretched sales realisation.

Cash and bank balances

The previous year cash and bank balances of ` 1,020.62 lakhs was higher on account of some of the sales collections received during last week of year end. The current year-end balance was ` 376.29 lakhs.

Short term loans and advances

The decrease in short term loans and advances from ` 5,813.26 lakhs in 2013 to ` 1,597.63 lakhs in 2015 was on account of certain advances made by the overseas subsidiary prior to 2007 (being the date of acquisition of that wholly owned subsidiary) set-off to retained earnings by that subsidiary. Accordingly, the advances were lower at the end of the current financial year.

Results of operations (consolidated)

| For the period/year ended | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs |
|---------------------------|------------------------|------------------------|
| Revenues | 10,072.85 | 10,550.75 |
| EBIDTA | 2,494.00 | 2,630.00 |
| Finance cost | 1,202.60 | 1,119.43 |
| Depreciation | 1,354.74 | 1,187.04 |
| Profit before tax | 24.44 | 291.69 |
| Less: Taxes | (49.37) | 23.94 |
| Profit after tax | 73.81 | 267.75 |

Revenues

The consolidated revenues declined from ` 10,550.75 lakhs in 2013 to ` 10,072.85 lakhs in 2015. The reduction in revenues was on account of delay in closure of deals by the company owing to capex deferment by the clients.

Other Income / (Expenses)

The foreign exchange gain (net) was ` 99.44 lakhs in 2015 as against ` 322.38 lakhs in 2013 in the previous financial year. The foreign exchange movement was on account of foreign currency rate fluctuation.

Software, hardware and material costs

The Software, hardware and material costs of ` 1,414.87 lakhs in 2015 and ` 857.23 lakhs in 2013 are on account of project supplies at the customer site through execution of the project contracts.

Employee cost

The increase in employee cost from ` 2,294.35 lakhs in 2013 to ` 2,723.21 lakhs in 2015 is in the normal course of business.

Other expenses

The decline in other expenses from ` 5,145.96 lakhs in 2013 to ` 3,458.79 lakhs in 2015 was on account of the economic measures initiated / implemented by the company over the last couple of years due to loss of a major client during mid-2013.

Finance cost

The movement in finance cost from ` 1,119.43 lakhs in 2013 to ` 1,202.59 lakhs in 2015 is in the normal course of business.

Depreciation

Depreciation was charged on a pro-rata basis on fixed assets purchased / sold during the year. Depreciation on assets acquired under finance lease / hire purchase was provided using the straight-line method over the shorter of the lease / hire purchase term and useful life of the asset. The movement in depreciation charge from ` 1,187.04 lakhs in the previous financial year to ` 1,354.74 lakhs in 2015 is in the normal course of business.

FINANCIAL PERFORMANCE (STANDALONE)

Share capital

There is no change in the company's equity share capital during the financial year under review.

Reserves and surplus

The profit earned by the company during the year has been carried forward in full and hence there is an increase in closing balance in Statement of Profit & Loss.

Borrowings

| As at | Short term debt | | Long term debt | | Total debt | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs |
| Finance lease obligations | 7.97 | 10.90 | 0.66 | 10.62 | 8.63 | 21.52 |
| Secured - Working Capital / Demand loan from Bank | 1,517.08 | 1,492.01 | — | — | 1,517.08 | 1,492.01 |
| Unsecured - from bodies corporate | 158.50 | 158.50 | — | — | 158.50 | 158.50 |
| Total | 1,683.55 | 1,661.41 | 0.66 | 10.62 | 1,684.21 | 1,672.03 |

The movement in the finance lease obligations is on account of monthly instalments paid during the year. There is no movement in unsecured loans during the year.

Deferred tax liability/asset

The deferred tax asset was ` 6.39 lakhs at the end of the financial year as against deferred tax liability of ` 35.12 lakhs in the previous year.

Trade Payables & Other current liabilities

The increase of payables and current liabilities from ` 730.18 lakhs in 2013 to ` 1,625.67 lakhs in 2015 was on account of delay in payments due to stretched cash flows.

Provisions

| As at | Short term | | Long term | | Total | |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs |
| Provision for retirement benefits | 6.78 | 6.61 | 144.26 | 123.16 | 151.04 | 129.77 |

The movement in the provisions was in the normal course of business.

Fixed assets

The fixed asset additions of ` 86.24 lakhs (previous year ` 83.50 lakhs) was in the normal course of business.

Investments

There was no movement in investments during the year.

Trade Receivables

Trade receivables (net of provisions) were higher at ` 6,076.27 lakhs as against ` 4,178.73 lakhs in the previous year on account of stretched sales realisation.

Cash and bank balances

The cash and bank balance was ` 207.63 lakhs in 2015 as against ` 515.37 lakhs in 2013.

Short term loans and advances

The decrease in short term loans and advances from ` 3,846.11 lakhs in 2013 to ` 3,091.14 lakhs in 2015 was on account of repayment of loans (part) by the company's overseas subsidiary during the year.

Result of Operations (Standalone)

| For the period/year ended | 31-Mar-2015 ` lakhs | 31-Dec-2013 ` lakhs |
|---------------------------|------------------------|------------------------|
| Revenues | 5,337.13 | 5,061.82 |
| EBIDTA | 578.00 | 1,089.00 |
| Finance cost | 316.44 | 541.61 |
| Depreciation | 304.08 | 276.92 |
| Profit before tax | 11.52 | 311.31 |
| Less: Taxes | (50.03) | 20.98 |
| Profit after tax | 61.55 | 290.33 |

Revenues

Revenues were ` 5,337.13 lakhs in 2015 as against ` 5,061.82 lakhs in 2013.

Other Income / (Expenses)

The foreign exchange gain (net) was ` 64.34 lakhs in 2015 as against ` 338.62 lakhs in 2013. The foreign exchange movement was on account of foreign currency rate fluctuation.

Software, hardware and material costs

The Software, hardware and material costs was ` 1,291.49 lakhs in 2015 as against ` 736.42 lakhs in 2013 on account of project supplies at the customer site through execution of the project contracts.

Employee cost

The decline in employee cost from ` 1,988.47 lakhs in 2013 to ` 1572.38 lakhs in 2015 was on account of down-sizing of employee count due to loss of a major client in the USA during mid-2013.

Other expenses

The decrease in other expenses from ` 1,984.37 lakhs in 2013 to ` 1,495.80 lakhs in 2015 was on account of the economic measures initiated / implemented by the company over the last couple of years due to loss of a major client during mid-2013.

Finance cost

The decrease in finance cost from ` 541.61 lakhs in 2013 to ` 316.45 lakhs in 2015 was on account of decrease in bank charges.

Depreciation

Depreciation was charged on a pro-rata basis on fixed assets purchased / sold during the year. Depreciation on assets acquired under finance lease / hire purchase is provided using the straight-line method over the shorter of the lease / hire purchase term and useful life of the asset. The depreciation charge was ` 304.08 lakhs in 2015 as against ` 276.92 lakhs in 2013.

For and on behalf of the Board of Directors

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

Place: Hyderabad
Date : 26 May 2015

Auditors' Certificate on Corporate Governance

To the Members of Megasoft Limited

We have examined the compliance of conditions of Corporate Governance by Megasoft Limited, for the 15 months period ended 31 March 2015, as stipulated in Clause 49 of the Listing Agreement of the said compliance with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied in all material respect with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

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

for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

MC Srikanth
Partner
Membership No.018588

TN Rajendran
Partner
Membership No.028778

Place: Hyderabad
Date : 26 May 2015

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, the undersigned, in our respective capacities as Chief Executive Officer and Chief Financial Officer of Megasoft Limited ("the Company"), to the best of our knowledge and belief certify that:

- (1) we have reviewed the financial statements and the cash flow statement for the financial year ended 31 March 2015 and based on our knowledge and belief, we state that;
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (2) there are no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct;
- (3) we are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies;
- (4) we have indicated, based on our most recent evaluation, wherever applicable, to the Auditors and Audit Committee:
 - (i) significant changes, if any, in the internal control over financial reporting during the year;
 - (ii) significant changes, if any, in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

Hyderabad
26 May 2015

GV Kumar
Managing Director

Hari K Patalay
DGM-Finance

Note: Due to the resignation of CFO during the financial year 2014-15, this Certificate for the financial year has been signed by Hari K Patalay, DGM-Finance jointly with CEO.

Declaration regarding compliance by Board members and senior management personnel with the company's code of conduct

This is to confirm that the company has adopted a Code of Conduct for the Board of Directors and senior management of the company. The same is available on website of the company at www.megasoft.com. As Managing Director of Megasoft Limited and as required by clause 49(I)(D)(ii) of the Listing Agreement of the Stock Exchanges in India, I hereby declare that all the Board members and senior management personnel of the company have affirmed compliance with the Code of Conduct for the financial year 2014-15.

Hyderabad
26 May 2015

GV Kumar
Managing Director

Independent Auditors' Report to the Members of Megasoft Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Megasoft Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (collectively called "the Megasoft Group"), comprising of the consolidated balance sheet as at 31 March 2015 and the consolidated statement of profit and loss and consolidated cash flow statement for the financial year ended (15 months) on that date, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures

that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph (a) of the Other Matters below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Megasoft Group, we are of the opinion that:

- (i) the consolidated balance sheet gives a true and fair view of the consolidated state of affairs of the Megasoft Group as at 31 March 2015;
- (ii) the consolidated Statement of profit and loss gives a true and fair view of the consolidated results of operations of the Megasoft Group for the 15 months period ended on that date; and
- (iii) the consolidated cash flow statement gives a true and fair view of the consolidated cash flows of the Megasoft Group for the 15 months period ended on that date.

Other matters

The accompanying consolidated financial statements includes total assets of ₹ 9,743.34 lakhs as at 31 March 2015 and total revenues of ₹ 4,735.72 lakhs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us. Our opinion on the consolidated financial statements, in so far as amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the report(s) of such other auditors.

| | |
|---|--|
| for Srikanth & Shanthi Associates Chartered Accountants Firm Registration No.004006S | for TN Rajendran & Co. Chartered Accountants Firm Registration No.005080S |
|---|--|

MC Srikanth
Partner
Membership No.018588

TN Rajendran
Partner
Membership No.028778

Place: Hyderabad
Date : 26 May 2015

Consolidated Balance Sheet

| | Note | As at 31 March 2015 lakhs | As at 31 December 2013 lakhs |
|------------------------------------|------|---------------------------------|------------------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| (a) Share Capital | 3 | 4,426.73 | 4,426.73 |
| (b) Reserves & Surplus | 4 | 12,556.85 | 16,631.18 |
| | | 16,983.58 | 21,057.91 |
| Non-Current liabilities | | | |
| (a) Long-term borrowings | 5 | 0.66 | 10.62 |
| (b) Deferred tax liabilities (Net) | 6 | — | 35.25 |
| (c) Long-term provisions | 7 | 144.26 | 123.16 |
| | | 144.92 | 169.03 |
| Current liabilities | | | |
| (a) Short-term borrowings | 8 | 9,355.46 | 7,202.67 |
| (b) Trade payables | 9 | 2,747.96 | 2,792.65 |
| (c) Other current liabilities | 10 | 1,913.33 | 3,491.27 |
| (d) Short-term provisions | 11 | 79.27 | 416.33 |
| | | 14,096.02 | 13,902.92 |
| Total | | 31,224.52 | 35,129.86 |
| ASSETS | | | |
| Non-current assets | | | |
| (a) Fixed Assets | 12 | | |
| (i) Tangible assets | | 8,304.59 | 9,389.37 |
| (ii) Intangible assets | | 791.60 | 924.30 |
| | | 9,096.19 | 10,313.67 |
| (b) Non-current investments | 13 | 1,212.30 | 1,212.30 |
| (c) Deferred tax assets (Net) | 6 | 6.30 | — |
| (d) Goodwill on consolidation | 14 | 10,157.50 | 10,157.50 |
| | | 20,472.29 | 21,683.47 |
| Current Assets | | | |
| (a) Trade receivables | 15 | 8,778.31 | 6,612.51 |
| (b) Cash and cash equivalents | 16 | 376.29 | 1,020.62 |
| (c) Short-term loans and advances | 17 | 1,597.63 | 5,813.26 |
| | | 10,752.23 | 13,446.39 |
| Total | | 31,224.52 | 35,129.86 |

The accompanying notes are an integral part of the consolidated financial statements.

As per our Report of even date attached
for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

For and on behalf of the Board

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

MC Srikanth
Partner
Membership No.018588

TN Rajendran
Partner
Membership No.028778

R Janardhana Reddy
Director

Anish Mathew
Director

Place: Hyderabad
Date : 26 May 2015

Consolidated Statement of Profit & Loss

| | Note | For the 15 months period ended 31 March 2015 ` lakhs | For the year ended 31 December 2013 ` lakhs |
|---------------------------------------|------|---|--|
| INCOME | | | |
| Revenue from operations | | 10,072.85 | 10,550.75 |
| Other Income / (Expenses) | 18 | 105.79 | 344.94 |
| Total Income | | 10,178.64 | 10,895.69 |
| EXPENSES | | | |
| Software, hardware and material costs | | 1,414.87 | 857.23 |
| Employee benefits expense | 19 | 2,723.21 | 2,294.35 |
| Finance cost | 20 | 1,202.59 | 1,119.43 |
| Depreciation | 12 | 1,354.74 | 1,187.04 |
| Other expenses | 21 | 3,458.79 | 5,145.95 |
| Total Expenses | | 10,154.20 | 10,604.00 |
| PROFIT | | | |
| Profit before tax | | 24.44 | 291.69 |
| Less: Taxes | 22 | (49.37) | 23.94 |
| Profit for the period | | 73.81 | 267.75 |
| EARNINGS PER SHARE | | | |
| (equity shares, par value ` 10 each) | 23 | | |
| Basic (`) | | 0.17 | 0.60 |
| Diluted (`) | | 0.16 | 0.57 |
| Number of shares used in computing | | | |
| Basic | | 44,267,293 | 44,267,293 |
| Diluted | | 46,572,293 | 46,592,293 |

The accompanying notes are an integral part of the consolidated financial statements.

As per our Report of even date attached
for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

For and on behalf of the Board

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

MC Srikanth
Partner
Membership No.018588

TN Rajendran
Partner
Membership No.028778

R Janardhana Reddy
Director

Anish Mathew
Director

Place: Hyderabad
Date : 26 May 2015

Consolidated Cash Flow Statement

| | For the 15 months period ended 31 March 2015 ` lakhs | For the year ended 31 December 2013 ` lakhs |
|---|---|--|
| Cash flows from operating activities | | |
| Profit before taxation | 24.44 | 291.69 |
| Adjustments for: | | |
| Depreciation & Amortisation | 1,354.74 | 1,187.04 |
| Provision for retirement benefits | 21.27 | (2.01) |
| Exchange differences on translation (net) | (163.39) | (594.31) |
| Bad debts written-off | 1,154.48 | 276.76 |
| Provision for Doubtful Debts | (1,136.86) | 102.96 |
| Interest received | (3.13) | (22.32) |
| Finance cost | 1,202.59 | 1,119.43 |
| Operating profit before working capital changes | 2,454.14 | 2,359.24 |
| (Increase) / Decrease in Trade Receivables | (2,183.42) | (504.22) |
| (Increase) / Decrease in Short Term Loans & Advances | (94.64) | (347.94) |
| (Decrease) / Increase in Current Liabilities | (1,622.63) | 1,300.28 |
| Taxes paid during the year | (3.89) | (8.18) |
| Net cash provided by operating activities | (1,450.44) | 2,799.18 |
| Cash flows from investing activities | | |
| Purchase / acquisition of Fixed Assets | (99.92) | (83.50) |
| Foreign exchange differences on translation of fixed assets | (37.34) | (657.50) |
| Interest received | 3.13 | 22.32 |
| Net Cash used for investing activities | (134.13) | (718.68) |
| Cash flows from financing activities | | |
| Increase / (Decrease) in Short Term Borrowings | 2,152.79 | (1,880.41) |
| Increase / (Decrease) in Long Term Borrowings | (9.96) | (10.91) |
| Finance cost | (1,202.59) | (1,119.43) |
| Net cash provided by financing activities | 940.24 | (3,010.75) |
| Net increase in cash & cash equivalents | (644.33) | (930.25) |
| Cash & Cash equivalents at the beginning of the year | 1,020.62 | 1,950.87 |
| Cash & Cash equivalents at the end of the year* | 376.29 | 1,020.62 |

* The balance with banks include ` 7.69 lakhs, which are not available for use by the company as they represent unclaimed dividend liabilities (31 December 2013: ` 15.78 lakhs).

* The balance with banks in deposit accounts of ` 75.91 lakhs (31 December 2013: ` 75.91 lakhs) has been pledged as security by the company for availing non-fund based facilities.

As per our Report of even date attached
for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

For and on behalf of the Board

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

MC Srikanth
Partner
Membership No.018588

TN Rajendran
Partner
Membership No.028778

R Janardhana Reddy
Director

Anish Mathew
Director

Place: Hyderabad
Date : 26 May 2015

Notes to the consolidated financial statements

[All amounts in the consolidated financial statements are presented in lakhs and as otherwise stated]

1 Corporate Information

Megasoft Limited, a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956, on 29 June 1999 and is having its registered office in Chennai. The company's shares are listed on BSE and NSE, in India. The company is a unique trans-national company with customers, employees and operations across multiple continents and combines the best global practices with a focus on the global telecommunications domain.

Megasoft Limited ("the Company") together with its subsidiary companies (collectively "the Group") is engaged in the business of providing Information Technology services to customers.

| Name of the wholly owned subsidiary companies | Country of Incorporation | % holding |
|---|--------------------------|-----------|
| Megasoft Consultants Sdn Bhd | Malaysia | 100% |
| Megasoft Consultants Pte Ltd | Singapore | 100% |
| XIUS Holding Corp (formerly, Boston Communications Group, Inc.) | USA | 100% |
| Xius Corp (formerly, Cellular Express, Inc.) | USA | 100% |
| BCGI Wireless Private Limited | India | 100% |

2 Significant Accounting policies

(i) Basis of preparation of consolidated financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and guidelines issued by the Securities and Exchange Board of India. 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. Management evaluates all recently issued or revised accounting standards on an on-going basis.

The 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 on Consolidated Financial Statements as specified in the Companies (Accounting Standards) Rules, 2006. The financial statements of Megasoft Limited and its subsidiaries 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 intragroup balances and transactions and resulting unrealised gain / loss. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group. Minority interests have been excluded. Exchange difference resulting from the difference due to translation of foreign currency assets and liabilities in subsidiaries is disclosed as foreign currency translation reserve.

(ii) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting

period. Examples of such estimates include estimates of carrying value of work in progress, provision for doubtful debts and useful life of fixed assets. Actual results could differ from estimates.

(iii) Revenue Recognition

Revenue from software development on the time and material basis is recognised based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognised based on the milestones achieved as specified in the contracts or on the percentage of completion basis. Provision for estimated losses on incomplete contract is recorded in the period in which such losses become probable based on the current estimates. Revenues from product licenses and related revenues are recognised as follows:

- Licence fees, on delivery and subsequent milestone schedule as per the terms of the contract with the end user.
- Product maintenance revenues, over the period of the maintenance contract.

(iv) Fixed Assets & Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Direct costs such as freight, installation costs, duties and taxes are included in the cost of the asset until the assets are ready to be put to use. Assets acquired under hire purchase / leases are capitalised and the corresponding liability is recorded at an amount equal to the fair value of the hired / leased asset or the present value of the minimum hire / lease payments, whichever is lower, at the inception of the lease / hire purchase. Lease rentals in respect of leased assets are charged to Profit and Loss Account. Initial costs incurred in connection with specific leasing / hire purchase activities directly attributable to activities performed for a finance lease / hire purchase are included as part of the amount recognised as an asset under the lease / hire purchase.

Depreciation on fixed assets is provided using the straight-line method in accordance with the rates specified under the local laws of the respective countries. Depreciation is charged on a pro-rata basis on fixed assets purchased / sold during the period. Depreciation on assets acquired under finance lease / hire purchase is provided using the straight-line method over the shorter of the lease / hire purchase term and useful life of the asset.

(v) Intangible Assets and Amortisation

Intangible assets are stated at cost of acquisition or construction less accumulated amortisation and impairment losses if any. Intangible assets are amortised over their estimated useful economic life. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

(vi) Impairment of assets

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 impairment loss is recognised wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in

use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Previously recognised impairment loss is further provided or reversed depending on changes in circumstances.

(vii) Investments

Investments in other companies are classified as long-term investments and are stated at cost. Any diminution in value is to be determined for each investment individually on the basis of its expected benefits to the company. The exact quantum of such benefits is dependent on a number of uncertain future events.

(viii) Foreign Currency transactions

The Consolidated Financial Statements are prepared in Indian Rupees, which is the functional currency for Megasoft Limited. The translation of the functional currencies into the reporting currency is performed for assets and liabilities of the foreign subsidiary companies currency using the current exchange rates in effect at the balance sheet date, for revenues, costs and expenses using average exchange rates prevailing during the reporting periods and for share capital, using the exchange rate at the date of the transaction. The resultant translation exchange gain/loss has been disclosed as "Foreign Currency Translation Reserve" under "Reserves & Surplus".

All income and expenditure transactions of the foreign branch during the year are included in these accounts at the average rate of exchange. Monetary assets and liabilities at rates prevailing on the balance sheet date as per the provisions of AS-11. Non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Depreciation is translated at the rates used for the translation of the values of the assets on which depreciation is computed. Net gain/loss on foreign currency translation is recognised in the Profit & Loss Account.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and / or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of the contract.

Gains / Losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract are recognised as income or expense for the period.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period) is recognised in the profit and loss account for the period.

(ix) Retirement benefits

India

Contributions to provident fund are deposited with a recognised provident fund. Provision for gratuity and leave encashment is made on the basis of an actuarial valuation.

Subsidiary companies

Retirement benefits are provided to employees of subsidiary companies in accordance with the local laws and regulations prevailing in the country in which the subsidiary company is located.

(x) Borrowing cost

Borrowing costs other than those directly attributable to qualifying Fixed Assets are recognised as an expense in the period in which they are incurred.

(xi) Taxes

Current tax

Current tax is measured at the amount expected to be paid out or recovered from the tax administration adopting the applicable rates in force.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonable / virtual certainty (as the case may be) to be realised.

The break-up of major components of the deferred tax assets and liabilities as of each year-end Balance Sheet date have been arrived at after setting off deferred tax assets and liabilities where the Group has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing laws.

(xii) Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

(xiii) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

| | As at 31 March 2015 ₹ lakhs | As at 31 December 2013 ₹ lakhs |
|---|-----------------------------------|--------------------------------------|
| 3 Share Capital | | |
| Authorised | | |
| 75,000,000 Equity Shares of ₹ 10 each | 7,500.00 | 7,500.00 |
| | 7,500.00 | 7,500.00 |
| Issued, Subscribed & Paid-up | | |
| 44,267,293 Equity Shares of ₹ 10 each fully paid-up | 4,426.73 | 4,426.73 |
| | 4,426.73 | 4,426.73 |

The company has only one class of shares referred to as equity shares having a par value of ₹ 10 each. Each holder of the equity share, as reflected in the records of the company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive any of the remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Equity shareholders holding more than 5 percent of equity shares along with the number of equity shares held at the beginning and at the end of the period is as given below:

| | No of shares | % | No of shares | % |
|-----------------------------|--------------|------|--------------|------|
| S.Ravindra Babu | 2,688,768 | | 2,688,768 | |
| Ravindra Babu S (HUF) | 512,126 | | 512,126 | |
| | 3,200,894 | 7.23 | 3,200,894 | 7.23 |
| GV Kumar | 2,226,911 | 5.03 | 2,226,911 | 5.03 |
| I Labs Venture Capital Fund | 3,762,375 | 8.50 | 3,762,375 | 8.50 |
| Ashish Dhawan | 3,554,769 | 8.03 | 3,554,769 | 8.03 |

The company has not allotted any equity shares by way of bonus shares nor has bought back any equity shares during the period of five years immediately preceding the balance sheet date. The company has not allotted any equity shares without payment being received in cash during the period of five years immediately preceding the balance sheet date.

Employees Stock Option Plans

The company has two stock option plans that provide for the granting of stock options to employees / directors of the company and its subsidiaries (not being promoter directors of the company). The objectives of these plans include attracting and retaining the best personnel, providing for additional performance incentives and promoting the success of the company by providing employees the opportunity to acquire equity shares. Remuneration / Compensation Committee administers all these stock options under various plans. The stock option plans are summarised below:

(i) Associates Stock Option Plan 2004

The shareholders of the company in the AGM held on 18 June 2004 approved an Associate Stock Option Plan (ASOP-2004). The ASOP-2004 provides for issue of 755,000 equity shares of ₹ 10 each to the employees including directors at the market price of the shares on the date of grant.

At the AGM held on 22 June 2006, the exercise price of the options to be granted was amended to enable issue of options / shares at such discounts to the Market Price as on the date of the grant of the options subject to the exercise price not being less than the face value of shares.

The company has not granted any options during the year. There are no options outstanding at the beginning or end of the year.

(ii) Employees Stock Option Plan 2007

The shareholders of the company through a postal ballot process, postal ballot notice dated 26 April 2007, results declared on 8 June 2007, approved an Employees Stock Option Plan (ESOP-2007). The ESOP-2007 provides for issue of 2,700,000 options (underlying equity shares of ₹ 10 each) to the employees / Directors of both the company and its subsidiaries, at such discounts to the Market Price as on the date of the grant of the options subject to the exercise price not being less than the face value of equity shares.

| | As at 31 March 2015 Nos | As at 31 December 2013 Nos |
|--|-------------------------------|----------------------------------|
| Options outstanding at the beginning of the year | 2,325,000 | 2,325,000 |
| Options granted during the year | — | — |
| Exercised during the year | — | — |
| Expired / Cancelled during the year | 20,000 | — |
| Options outstanding at the end of the year | 2,305,000 | 2,325,000 |
| Exercisable at the end of the year | 2,305,000 | 2,325,000 |

The company granted stock options to the Managing Director and the Officers on 6 August 2010 at then prevailing market price of ₹ 25 per equity share of ₹ 10 each.

GV Kumar, MD, was granted 1,350,000 stock options on 6 August 2010 at ₹ 25 (then prevailing market price) per option convertible into equivalent equity shares of ₹ 10 each in three equal tranches at the end of first, second and third year from the date of grant. He was further granted 900,000 stock options (performance based) on 6 August 2010 at ₹ 25 (then prevailing market price) per option convertible into equivalent equity shares of ₹ 10 each in three equal tranches at the end of first, second and third year from the date of grant. Considering the market scenario and the economical factors it has not been feasible to exercise the stock options vested at the end of the year.

| | As at 31 March 2015 ₹ lakhs | As at 31 December 2013 ₹ lakhs |
|--|-----------------------------------|--------------------------------------|
| 4 Reserves & Surplus | | |
| Securities Premium | | |
| Opening Balance | 250.66 | 250.66 |
| Closing Balance | 250.66 | 250.66 |
| Foreign Currency Translation Reserve | | |
| Opening Balance | (2,242.56) | (1,648.25) |
| Movement during the year | (163.39) | (594.31) |
| Closing Balance | (2,405.95) | (2,242.56) |
| General Reserve | | |
| Opening Balance | 5,368.55 | 5,368.55 |
| Closing Balance | 5,368.55 | 5,368.55 |
| Business Reconstruction Reserve | | |
| Opening Balance | 21.38 | 21.38 |
| Closing Balance | 21.38 | 21.38 |
| Surplus in statement of profit and loss | | |
| Opening Balance | 13,233.15 | 12,965.40 |
| Profit for the period | 73.81 | 267.75 |
| Adjustments * | (3,984.75) | — |
| Closing Balance | 9,322.21 | 13,233.15 |
| Total Reserves & Surplus | 12,556.85 | 16,631.18 |

* Certain advances made by the wholly owned subsidiary company prior to 2007 (being the date of acquisition of that wholly owned subsidiary) have been set-off to retained earnings by that wholly owned subsidiary.

| | As at 31 March 2015 ` lakhs | As at 31 December 2013 ` lakhs |
|---|-----------------------------------|--------------------------------------|
| 5 Long-term borrowings | | |
| Secured | | |
| Long term maturities of finance lease obligations | 0.66 | 10.62 |
| | 0.66 | 10.62 |
| Vehicles are hypothecated to the Banks / Financial Institutions as security for the amounts borrowed by the company. | | |
| The Company has entered into leasing / hire purchase arrangements with banks and financial institutions for the hire / lease of motor vehicles ("the leased asset") for a period not exceeding 60 months. During the lease / hire period, the Company has agreed to hypothecate and create an exclusive charge on the vehicle in favour of the bank / financial institution and repay the principal amount of the loan along with interest thereon by way of instalments as agreed upon. The charge / security created in favour of the bank / financial institution shall remain in force until such time all the dues under the agreement are fully discharged. | | |
| Pending lease / hire purchase obligations comprising minimum lease / hire payments | | |
| Not later than one year | 7.97 | 10.90 |
| Later than one year and not later than five years | 0.66 | 10.62 |
| Total | 8.63 | 21.52 |
| Less: Amounts representing interest | (0.88) | (3.42) |
| Present value of minimum lease payments | 7.75 | 18.10 |
| Less : Amount due not later than one year | (7.20) | (8.64) |
| Amounts due later than one year and not later than five years | 0.55 | 9.46 |
| 6 Deferred tax (assets) / liabilities (net) | | |
| Fixed Assets | (18.55) | 68.63 |
| Retirement benefits | 7.03 | 0.66 |
| Provision for doubtful debts | 5.22 | (34.04) |
| | (6.30) | 35.25 |
| 7 Long-term provisions | | |
| Provision for retirement benefits (non-funded) | 144.26 | 123.16 |
| | 144.26 | 123.16 |
| 8 Short-term borrowings | | |
| Secured | | |
| Working Capital / Demand loan from Bank | 6,712.11 | 4,586.86 |
| Unsecured | | |
| From bodies corporate | 2,643.35 | 2,615.81 |
| | 9,355.46 | 7,202.67 |
| The working capital loan facilities from Banks are secured by a first charge on entire current assets and fixed assets (except company's assets acquired under hire purchase scheme), present and future, of the company. | | |
| 9 Trade payables | | |
| Sundry Creditors | | |
| for goods / services | 2,747.96 | 2,792.65 |
| | 2,747.96 | 2,792.65 |
| 10 Other current liabilities | | |
| Current maturities of long-term debt | — | 1,980.70 |
| Current maturities of finance lease obligations | 7.97 | 10.90 |
| For accrued salaries and benefits | 135.34 | 134.25 |
| Provision for expenses | 1,683.75 | 1,251.36 |
| Other payables | 78.58 | 98.28 |
| Unclaimed Dividends | 7.69 | 15.78 |
| | 1,913.33 | 3,491.27 |
| 11 Short-term provisions | | |
| Provision for retirement benefits (non-funded) | 6.78 | 6.61 |
| Provision for taxation (net) | 72.49 | 409.72 |
| | 79.27 | 416.33 |

12 Fixed Assets

| Particulars | Gross Block | | | | | Depreciation | | | | | Net Block | |
|------------------------------|-----------------------|--------------|-------------------------|---|------------------------|------------------|----------------------|----------------------------|---|-------------------------|-------------------|-------------------|
| | Cost as at 1-Jan-2014 | Additions | Deletions / Adjustments | Foreign exchange translation difference | Cost as at 31-Mar-2015 | As at 1-Jan-2014 | For the period/ year | On Deletions / Adjustments | Foreign exchange translation difference | Total as at 31-Mar-2015 | As at 31-Mar-2015 | As at 31-Dec-2013 |
| | lakhs | lakhs | lakhs | lakhs | lakhs | lakhs | lakhs | lakhs | lakhs | lakhs | lakhs | lakhs |
| (A) Tangible Assets | | | | | | | | | | | | |
| Land & Land development | 4,317.09 | — | — | — | 4,317.09 | — | — | — | — | — | 4,317.09 | 4,317.09 |
| Plant & Machinery | 190.10 | 56.74 | (106.75) | 10.30 | 150.39 | 68.53 | 76.12 | (106.75) | 10.32 | 48.22 | 102.17 | 121.57 |
| Computer systems & Software | 15,369.02 | 43.18 | (2,748.46) | 178.87 | 12,842.61 | 10,581.72 | 1,087.66 | (2,748.46) | 148.84 | 9,069.76 | 3,772.85 | 4,787.30 |
| Furniture & Fittings | 441.60 | — | (47.76) | 2.68 | 396.52 | 311.78 | 23.90 | (47.76) | 2.66 | 290.58 | 105.94 | 129.82 |
| Vehicles | 195.72 | — | (126.07) | — | 69.65 | 162.13 | 27.05 | (126.07) | — | 63.11 | 6.54 | 33.59 |
| | 20,513.53 | 99.92 | (3,029.04) | 191.85 | 17,776.26 | 11,124.16 | 1,214.73 | (3,029.04) | 161.82 | 9,471.67 | 8,304.59 | 9,389.37 |
| (B) Intangible Assets | | | | | | | | | | | | |
| Intellectual Property Rights | 68.00 | — | — | — | 68.00 | 68.00 | — | — | — | 68.00 | — | — |
| Patents | 1,134.48 | — | — | 12.69 | 1,147.17 | 210.18 | 140.01 | — | 5.38 | 355.57 | 791.60 | 924.30 |
| | 1,202.48 | — | — | 12.69 | 1,215.17 | 278.18 | 140.01 | — | 5.38 | 423.57 | 791.60 | 924.30 |
| Total | 21,716.01 | 99.92 | (3,029.04) | 204.54 | 18,991.43 | 11,402.34 | 1,354.74 | (3,029.04) | 167.20 | 9,895.24 | 9,096.19 | 10,313.67 |
| Previous year | 20,221.47 | 83.50 | (37.09) | 1,448.13 | 21,716.01 | 9,461.76 | 1,187.04 | (14.89) | 768.43 | 11,402.34 | 10,313.67 | |

Notes: Depreciation include impairment of assets.

| | As at 31 March 2015 ` lakhs | As at 31 December 2013 ` lakhs |
|--|---|--|
| 13 Non-current investments | | |
| Trade (Unquoted) - at cost | | |
| In other companies | | |
| Keystone Wireless, LLC | 1,212.30 | 1,212.30 |
| A company incorporated in USA represents 5% of the capital on the date of investment | | |
| | 1,212.30 | 1,212.30 |
| 14 Goodwill on consolidation | | |
| XIUS Holding Corp (formerly, Boston Communications Group, Inc.) | | |
| Accumulated losses on the date of becoming subsidiary i.e. 30 August 2007 | 10,157.50 | 10,157.50 |
| | 10,157.50 | 10,157.50 |
| Goodwill arising on account of acquisition of subsidiary companies are not being amortised. | | |
| 15 Trade receivables | | |
| Over six months from the date they were due for payment | | |
| considered good | 4,671.30 | 2,887.15 |
| considered doubtful | 730.90 | 1,867.76 |
| Others - unsecured, considered good | 4,107.01 | 3,725.36 |
| | 9,509.21 | 8,480.27 |
| Less: Provision for doubtful debts | (730.90) | (1,867.76) |
| | 8,778.31 | 6,612.51 |
| 16 Cash & Bank balances | | |
| Cash on hand | 0.82 | 0.41 |
| Balances with Banks | | |
| In Current Accounts | 291.87 | 928.52 |
| Other Bank balances | | |
| Unclaimed dividend accounts | 7.69 | 15.78 |
| Other Bank Deposits * | 75.91 | 75.91 |
| | 376.29 | 1,020.62 |
| * The balance on deposit accounts which has been pledged as a security, by the company for availing non-fund based facilities. | | |
| 17 Short-term loans and advances | | |
| Unsecured, considered good | | |
| Loans and advances to employees | 25.45 | 23.04 |
| Other loans and advances | 1,398.52 | 5,267.23 |
| Security Deposits | 173.14 | 196.95 |
| Advance Income-tax | 0.52 | 326.04 |
| | 1,597.63 | 5,813.26 |
| | For the 15 months period ended 31 March 2015 ` lakhs | For the year ended 31 December 2013 ` lakhs |
| 18 Other Income/ (Expenses) | | |
| Miscellaneous Income | 3.22 | 0.24 |
| Interest received | 3.13 | 22.32 |
| Gains / (losses) on foreign currency, net | 99.44 | 322.38 |
| | 105.79 | 344.94 |
| 19 Employee benefits expenses | | |
| Salaries & Bonus including overseas staff expenses | 2,545.10 | 2,141.41 |
| Contribution to Provident & Other Funds | 97.81 | 77.13 |
| Social security and other benefit plans for overseas employees | 41.57 | 36.14 |
| Employees Welfare expenses | 38.73 | 39.67 |
| | 2,723.21 | 2,294.35 |
| 20 Finance cost | | |
| Interest expense | 1,046.18 | 930.47 |
| Bank charges and commission | 156.41 | 188.96 |
| | 1,202.59 | 1,119.43 |

| | For the 15 months period ended 31 March 2015 ₹ lakhs | For the year ended 31 December 2013 ₹ lakhs |
|--|---|--|
| 21 Other expenses | | |
| Services rendered by business associates and others | 847.86 | 1,573.75 |
| Rent | 338.13 | 315.55 |
| Rates & Taxes | 20.18 | 38.21 |
| Communication expenses | 467.37 | 1,091.58 |
| Travel & Conveyance | 570.80 | 362.80 |
| Insurance | 105.81 | 129.86 |
| Power & Fuel | 188.56 | 230.76 |
| Repairs & Maintenance | | |
| Machinery | 105.74 | 343.34 |
| Others | 37.75 | 21.41 |
| Printing & Stationery | 10.37 | 15.25 |
| Business Development expenses | 127.79 | 57.49 |
| Legal & Professional expenses | 279.72 | 232.56 |
| Auditors' remuneration | 29.90 | 27.93 |
| Rebates & Discounts | 253.96 | 277.11 |
| Miscellaneous expenses | 57.23 | 48.63 |
| Bad debts written-off | 1,154.48 | 276.76 |
| Provision for doubtful debts (net) | (1,136.86) | 102.96 |
| | 3,458.79 | 5,145.95 |
| 22 Taxes | | |
| Current tax | 60.67 | 42.98 |
| Deferred tax expense / (benefit) | (41.54) | (19.04) |
| Earlier year tax | (68.50) | — |
| | (49.37) | 23.94 |
| 23 Earnings per share | | |
| Basic | | |
| Profit after tax | 73.81 | 267.75 |
| Weighted average number of equity shares outstanding | 44,267,293 | 44,267,293 |
| Earnings per share - Basic (₹) | 0.17 | 0.60 |
| Diluted | | |
| Profit after tax | 73.81 | 267.75 |
| Weighted average number of equity shares outstanding | 44,267,293 | 44,267,293 |
| Dilutive effect of stock options outstanding | 2,305,000 | 2,325,000 |
| Weighted average number of equity shares outstanding | 46,572,293 | 46,592,293 |
| Earnings per share - Diluted (₹) | 0.16 | 0.57 |
| 24 Commitments & Contingencies | | |
| (i) Estimated amount of contracts pending execution on capital account (net of advances) | 2.26 | — |
| (ii) Bank guarantees | 485.60 | 474.88 |
| (iii) The company's bankers have provided Stand-by Letter of credit facility for US\$ 8.30 million (previous year – US\$ 8.20 million) to the company's wholly owned subsidiary, for working capital facility availed by that subsidiary by discounting of the same overseas. The said facility of that subsidiary is further secured by a corporate guarantee of the company. | | |
| (iv) The company's appeal to the CIT (Appeals) for the assessment year 2007-08 involving a demand of ₹ 2,313 lakhs, in respect of claim under section 10A of the Income Tax Act, 1961, has been decided in its favour. However, the Income Tax Authorities have preferred an appeal before the Income Tax Appellate Tribunal against the decision. | | |
| (v) In respect of arbitrations moved by certain US clients against the company and its overseas subsidiary, the matter had been settled out of the court. The payments have been structured as per mutual agreement. | | |

25 Related party transactions

Associates

Enterprise over which Director(s) / KMP have significant influence

NMR Property Development Private Limited, Sri City Private Limited, Suprani Farms Private Limited, Sricity Holdings India Private Limited, Sricity Utility Services Private Limited, Sumedha Estates Private Limited, Haripuram Developers Private Limited, Lamda Developers Private Limited, Iota Developers Private Limited, Kappa Developers Private Limited, Gamaa Developers Private Limited. Sri Dhruva Builders Private Limited

Directors & Key Management Personnel

GV Kumar, D Sudhakar Reddy

| | For the 15 months period ended 31 March 2015 lakhs | For the year ended 31 December 2013 lakhs |
|---|---|--|
| Associate companies | | |
| Reimbursement of common expenses received | 1,735.00 | 1,870.00 |
| Due to / (from) | (217.00) | (291.00) |
| Directors & Key Management Personnel | | |
| Remuneration to Executive Directors | 6,509.00 | 5,207.00 |
| Commission to Non-Executive Directors | — | — |
| Directors' sitting fees | 585.00 | 375.00 |

There are no provisions for doubtful debts / advances in respect of related parties as at the Balance Sheet date or amounts written-off or written back during the year in respect of debts due from or to related parties.

26 Employee benefit plans

(a) Provident Fund

Both the employees and the company make monthly contributions to the Provident Fund Plan equal to a specified percentage of the covered employee's salary. The entire contribution in respect of employees is contributed to the Government administered employee Provident and Pension Fund.

(b) Defined benefit plans

The Group offers the following employee benefit schemes to its employees:

- Gratuity (unfunded) - The scheme provides for lump sum payment to vested employees in India at retirement, death while in employment or on termination of employment based on completed years of service or part thereof in excess of six months. Vesting occurs on completion of five years of service.
- Post-employment leave encashment (unfunded) - Leave encashment is payable to the employees in India on separation from the company at retirement, death while in employment or on termination of employment. Employees are not entitled to encash leave while in employment.

(iii) The overseas subsidiaries of the company provide for retirement benefit plans in accordance with the local laws.

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

| For the period/year ended | Gratuity | | Privilege Leave | |
|--|-------------|-------------|-----------------|-------------|
| | 31 Mar 2015 | 31 Dec 2013 | 31 Mar 2015 | 31 Dec 2013 |
| Present Value of Projected Benefit Obligation | | | | |
| Present Value of Benefit Obligation at the Beginning of the Period | 96.74 | 94.40 | 33.04 | 37.38 |
| Interest Cost | 11.49 | 7.79 | 3.92 | 3.08 |
| Service Cost | 20.12 | 18.93 | 15.58 | 14.54 |
| (Benefit Paid Directly by the Employer) | (32.45) | (25.02) | (15.51) | (15.88) |
| Actuarial (Gains)/Losses on Obligations - Due to Change in Financial Assumptions | 18.93 | — | 6.28 | — |
| Actuarial (Gains)/Losses on Obligations - Due to Experience | (0.65) | 0.63 | (6.45) | (6.08) |
| Present Value of Benefit Obligation at the End of the Period | 114.18 | 96.73 | 36.86 | 33.04 |
| Fair Value of Plan Assets | N.A | N.A | N.A | N.A |
| Actuarial (Gains)/Losses Recognised in the Statement of Profit or Loss | | | | |
| Actuarial (Gains)/Losses on Obligation For the Period | 18.28 | 0.63 | (0.17) | (6.08) |
| Actuarial (Gains)/Losses on Plan Asset For the Period | — | — | — | — |
| Subtotal | 18.28 | 0.63 | (0.17) | (6.08) |
| Actuarial (Gains)/Losses Recognised in the Statement of Profit or Loss | 18.28 | 0.63 | (0.17) | (6.08) |

| | | | | |
|--|----------|---------|---------|---------|
| Actual Return on Plan Assets | N.A | N.A | N.A | N.A |
| Amount Recognised in the Balance Sheet | | | | |
| (Present Value of Benefit Obligation at the end of the Period) | (114.18) | (96.73) | (36.86) | (33.04) |
| Fair Value of Plan Assets at the end of the Period | — | — | — | — |
| Funded Status [Surplus/ (Deficit)] | (114.18) | (96.73) | (36.86) | (33.04) |
| Unrecognised Past Service Cost at the end of the Period | — | — | — | — |
| Net (Liability)/Asset Recognised in the Balance Sheet | (114.18) | (96.73) | (36.86) | (33.04) |
| Net Interest Cost | | | | |
| Present Value of Benefit Obligation at the Beginning of the Period | 96.74 | 94.40 | 33.04 | 37.38 |
| (Fair Value of Plan Assets at the Beginning of the Period) | — | — | — | — |
| Net Liability/(Asset) at the Beginning | 96.74 | 94.40 | 33.04 | 37.38 |
| Interest Cost | 11.49 | 7.79 | 3.92 | 3.08 |
| (Expected Return on Plan Assets) | — | — | — | — |
| Net Interest Cost | 11.49 | 7.79 | 3.92 | 3.08 |
| Expenses Recognised in the Statement of Profit or Loss | | | | |
| Service Cost | 20.12 | 18.93 | 15.58 | 14.54 |
| Net Interest Cost | 11.49 | 7.79 | 3.92 | 3.08 |
| Actuarial (Gains)/Losses | 18.28 | 0.63 | (0.17) | (6.08) |
| Expenses Recognised in the Statement of Profit or Loss | 49.89 | 27.35 | 19.33 | 11.54 |
| Balance Sheet Reconciliation | | | | |
| Opening Net Liability | 96.74 | 94.40 | 33.04 | 37.38 |
| Expense Recognised in Statement of Profit or Loss | 49.89 | 27.35 | 19.33 | 11.54 |
| (Benefit Paid Directly by the Employer) | (32.45) | (25.02) | (15.51) | (15.88) |
| Net Liability/(Asset) Recognised in the Balance Sheet | 114.18 | 96.73 | 36.86 | 33.04 |
| Category of Assets | N.A. | N.A. | N.A. | N.A. |
| Actuarial assumptions | | | | |
| Expected Return on Plan Assets | N.A. | N.A. | N.A. | N.A. |
| Rate of Discounting | 8.03% | 9.50% | 8.03% | 9.50% |
| Rate of Salary Increase | 6.00% | 6.00% | 6.00% | 6.00% |
| Rate of Employee Turnover | 2.00% | 2.00% | 2.00% | 2.00% |

* The estimate of future salary increases considered in actuarial valuation takes account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

* Mortality Rate During Employment - Indian Assured Lives Mortality (2006-08)

| Experience Adjustments | 31 Mar 2015 | 31 Dec 2013 | 31 Dec 2012 | 31 Dec 2011 | 31 Dec 2010 |
|--|-------------|-------------|-------------|-------------|-------------|
| Gratuity | | | | | |
| Present value of DBO | 114.18 | 96.73 | 94.40 | 103.18 | 80.74 |
| Fair value of plan assets | — | — | — | — | — |
| Funded status [Surplus / (Deficit)] | (114.18) | (96.73) | (94.40) | (103.18) | (80.74) |
| Experience gain / (loss) adjustments on plan liabilities | (0.65) | 0.63 | (17.43) | 1.41 | 10.35 |
| Experience gain / (loss) adjustments on plan assets | — | — | — | — | — |
| Leave encashment | | | | | |
| Present value of DBO | 36.86 | 33.04 | 37.38 | 41.46 | 44.38 |
| Fair value of plan assets | — | — | — | — | — |
| Funded status [Surplus / (Deficit)] | (36.86) | (33.04) | (37.38) | (41.46) | (44.38) |
| Experience gain / (loss) adjustments on plan liabilities | (6.45) | (6.08) | (2.72) | (4.40) | 21.08 |
| Experience gain / (loss) adjustments on plan assets | — | — | — | — | — |

27 Segmental Information

The company has a single reportable segment, that of Telecom (Mobile Technologies).

Secondary segmental reporting is reported on the basis of the geographical location of customers. Geographical revenues are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognised.

| | For the 15 months period ended 31 March 2015 ` lakhs | For the year ended 31 December 2013 ` lakhs |
|--|---|--|
| Business Segment (Primary) | | |
| Revenues - Telecom | 10,072.85 | 10,550.75 |
| Segment profit | 2,493.60 | 2,632.94 |
| Less: Finance cost | 1,202.59 | 1,119.43 |
| Less: Depreciation | 1,354.74 | 1,187.04 |
| Other Income / (Expenses) | 88.17 | (34.78) |
| Profit before taxes | 24.44 | 291.69 |
| Less: Taxes | (49.37) | 23.94 |
| Profit after taxes | 73.81 | 267.75 |
| Geographical Segment (Secondary) | | |
| Revenues | | |
| USA & Canada | 2,155.11 | 5,551.46 |
| South America | 1,868.18 | 1,935.48 |
| Middle East & Africa | 1,774.20 | 929.71 |
| APAC | 4,275.36 | 2,134.10 |
| | 10,072.85 | 10,550.75 |
| Carrying amount of segment assets | | |
| USA & Canada | 8,327.21 | 13,051.52 |
| South America | 1,054.98 | 1,789.38 |
| Middle East & Africa | 2,197.63 | 1,189.02 |
| APAC | 8,268.08 | 7,404.12 |
| | 19,847.90 | 23,434.04 |
| Addition to Fixed Assets | | |
| USA & Canada | 13.57 | 0.01 |
| South America | — | — |
| Middle East & Africa | — | — |
| APAC | 86.35 | 83.49 |
| | 99.92 | 83.50 |

28 Previous year comparatives

The financial statements have been prepared for the fifteen months period ended 31 March 2015 due to change in accounting year-end from December to March. The comparatives presented are for the year ended 31 December 2013 (12 months) and hence, not comparable to the current fifteen months period ended 31 March 2015. The previous period figures have been regrouped / reclassified, wherever necessary to conform to the current period presentation. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Group.

Independent Auditors' Report to the Members of Megasoft Limited

Report on Standalone Financial Statements

We have audited the accompanying financial statements of Megasoft Limited which comprise the Balance Sheet as at 31 March 2015, the Statement of Profit and Loss and Cash Flow Statement for the 15 months period then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, "of the state of affairs" of the Company as at 31 March 2015;
- (b) In the case of the Statement of Profit and Loss, of the "profit" for the 15 months period ended on that date ; and

- (c) In the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

Report on Other Legal and Regulatory Requirements

- (1) 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.
- (2) As required by Section 227(3) of the Act, we report that:
 - 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;
 - In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this report are in agreement with the books of account; and
 - In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section [3-C] of section 211 of the Companies Act, 1956.

Other Matters

The Ministry of Corporate Affairs (hereinafter referred to as "MCA") had on 1 April 2014, vide its General Circular No. 07/2014, dissemination of information with regards to the provisions of the Companies Act, 2013 as notified till date vis-a-vis corresponding provisions of the Companies Act, 1956, identified such sections of the Companies Act, 1956 that would cease / continue to have effect from 1 April 2014. Accordingly, in terms of the aforesaid circular, our reporting in respect of section 227(3)(f) of the Companies Act, 1956, and clauses (iii), (v)(a) and (b), (vi), (viii), (xiv), (xviii) of the Companies (Auditor's Report) Order, 2003 (dealing with sections 49, 58A, 58AA, 209(l)(d) and 301 of the Companies Act, 1956) is only for the period beginning from i.e. 1 January 2014 till 31 March 2014 since as per the aforementioned MCA circular these sections have ceased to have effect from 1 April 2014.

| | |
|--|-----------------------------------|
| for Srikanth & Shanthi Associates | for TN Rajendran & Co. |
| Chartered Accountants | Chartered Accountants |
| Firm Registration No.004006S | Firm Registration No.005080S |

| | |
|----------------------|----------------------|
| MC Srikanth | TN Rajendran |
| Partner | Partner |
| Membership No.018588 | Membership No.028778 |

Place: Hyderabad
Date : 26 May 2015

Annexure to the Independent Auditors' Report to the Members of Megasoftware Limited

[Referred to in paragraph 1 under the heading of "Report on other legal and regulatory requirements" of our report of even date]

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with such programme, the Management has physically verified certain fixed assets during the year and no material discrepancies were noticed on such verification.
- (c) Fixed assets disposed-off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) In our opinion and according to the information and explanations given to us, in view of the nature of activities of the Company, the provisions of Clause 4(ii) relating to inventory is not applicable to the Company.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 ("the Act"). Consequently, sub clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g) of clause 3 of paragraph 4 of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and the sale of services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements exceeding ` 5 lakhs in respect of any party during the year, which have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 1975 with regard to the deposits accepted from the public are not applicable.
- (vii) In our opinion, the Company has an internal audit system, commensurate with its size and the nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act in respect of services carried out by the Company.
- (ix) (a) According to the information and explanations given to us, and on the basis of our examination of the books of account, the Company has been depositing with the appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, wealth tax, service tax, sales-tax, customs duty, cess and other statutory dues applicable to it. *However, in respect of provident fund, employees' state insurance, professional tax, service tax and tax deducted at source, instances of delayed remittances were noticed during the year. However, there were no dues on any of these accounts as of the date of this report.*
- (b) According to the information and explanations given to us, no undisputed dues payable in respect of provident fund, employees' state insurance, income-tax, wealth tax, service tax, sales-tax, customs duty, cess and other statutory dues were outstanding as at 31 March 2015 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us there are no statutory dues that have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year. The Company has not incurred cash loss in the preceding financial year also.
- (xi) In our opinion and according to the information and explanations given to us, *there was a delay of 55 days in respect of interest amounting to ` 17.59 lakhs due to a bank as on 31 March 2015. However, there were no dues to the bank as of the date of this report.*
- (xii) According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence the question of maintenance of adequate records for this purpose does not arise.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund, nidhi, mutual benefit fund or a society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has given corporate guarantees for foreign currency loans availed by wholly-owned subsidiary from a bank. The terms and conditions of such guarantees are not prejudicial to the interest of the Company.
- (xvi) According to the information and explanations given to us, the Company has not availed any new term loan during the year.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short-term basis have, prima-facie, not been used for long term investment.
- (xviii) During the year, the Company has not made any preferential allotment of shares to companies / firms / parties covered in the register maintained under section 301 of the Act.
- (xix) The Company has not raised any money by public issues during the year.
- (xx) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

MC Srikanth
Partner
Membership No.018588

TN Rajendran
Partner
Membership No.028778

Place: Hyderabad
Date : 26 May 2015

Balance Sheet

| | Note | As at 31 March 2015 lakhs | As at 31 December 2013 lakhs |
|------------------------------------|------|---------------------------------|------------------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| (a) Share Capital | 3 | 4,426.73 | 4,426.73 |
| (b) Reserves & Surplus | 4 | 13,000.47 | 12,938.92 |
| | | 17,427.20 | 17,365.65 |
| Non-Current liabilities | | | |
| (a) Long-term borrowings | 5 | 0.66 | 10.62 |
| (b) Deferred tax liabilities (Net) | 6 | — | 35.12 |
| (c) Long-term provisions | 7 | 144.26 | 123.16 |
| | | 144.92 | 168.90 |
| Current liabilities | | | |
| (a) Short-term borrowings | 8 | 1,675.58 | 1,650.51 |
| (b) Trade payables | 9 | 1,362.51 | 415.63 |
| (c) Other current liabilities | 10 | 263.16 | 314.55 |
| (d) Short-term provisions | 11 | 78.54 | 413.29 |
| | | 3,379.79 | 2,793.98 |
| Total | | 20,951.91 | 20,328.53 |
| ASSETS | | | |
| Non-current assets | | | |
| (a) Fixed Assets | 12 | | |
| (i) Tangible assets | | 4,714.79 | 4,932.63 |
| (ii) Intangible assets | | — | — |
| | | 4,714.79 | 4,932.63 |
| (b) Non-current investments | 13 | 6,855.69 | 6,855.69 |
| (c) Deferred tax assets (Net) | 6 | 6.39 | — |
| | | 11,576.87 | 11,788.32 |
| Current Assets | | | |
| (a) Trade receivables | 14 | 6,076.27 | 4,178.73 |
| (b) Cash and cash equivalents | 15 | 207.63 | 515.37 |
| (c) Short-term loans and advances | 16 | 3,091.14 | 3,846.11 |
| | | 9,375.04 | 8,540.21 |
| Total | | 20,951.91 | 20,328.53 |

The accompanying notes are an integral part of the standalone financial statements.

As per our Report of even date attached
for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

For and on behalf of the Board

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

MC Srikanth
Partner
Membership No.018588

TN Rajendran
Partner
Membership No.028778

R Janardhana Reddy
Director

Anish Mathew
Director

Place: Hyderabad
Date : 26 May 2015

Statement of Profit & Loss

| | Note | For the 15 months period ended 31 March 2015 ` lakhs | For the year ended 31 December 2013 ` lakhs |
|---------------------------------------|------|---|--|
| INCOME | | | |
| Revenue from operations | | 5,337.13 | 5,061.82 |
| Other Income / (Expenses) | 17 | 70.69 | 361.18 |
| Total Income | | 5,407.82 | 5,423.00 |
| EXPENSES | | | |
| Software, hardware and material costs | | 1,291.49 | 736.42 |
| Employee benefits expense | 18 | 1,988.47 | 1,572.38 |
| Finance cost | 19 | 316.45 | 541.61 |
| Depreciation | 12 | 304.08 | 276.92 |
| Other expenses | 20 | 1,495.80 | 1,984.37 |
| Total Expenses | | 5,396.29 | 5,111.70 |
| PROFIT | | | |
| Profit before tax | | 11.53 | 311.30 |
| Less: Taxes | 21 | (50.02) | 20.98 |
| Profit for the period | | 61.55 | 290.32 |
| EARNINGS PER SHARE | | | |
| (equity shares, par value ` 10 each) | 22 | | |
| Basic (`) | | 0.14 | 0.66 |
| Diluted (`) | | 0.13 | 0.62 |
| Number of shares used in computing | | | |
| Basic | | 44,267,293 | 44,267,293 |
| Diluted | | 46,572,293 | 46,592,293 |

The accompanying notes are an integral part of the standalone financial statements.

As per our Report of even date attached
for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

for **TN Rajendran & Co.**
Chartered Accountants
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For and on behalf of the Board

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TN Rajendran
Partner
Membership No.028778

R Janardhana Reddy
Director

Anish Mathew
Director

Place: Hyderabad
Date : 26 May 2015

Cash Flow Statement

| | For the 15 months period ended 31 March 2015 ` lakhs | For the year ended 31 December 2013 ` lakhs |
|--|---|--|
| Cash flows from operating activities | | |
| Profit before taxation | 11.53 | 311.30 |
| Adjustments for: | | |
| Depreciation & Amortisation | 304.08 | 276.92 |
| Bad debts written-off | 1,152.65 | 217.32 |
| Provision for Doubtful Debts | (1,136.86) | 102.96 |
| Provision for retirement benefits | 21.27 | (2.01) |
| Interest received | (3.13) | (22.32) |
| Finance cost | 316.45 | 541.61 |
| Operating profit before working capital changes | 665.99 | 1,425.78 |
| (Increase) / Decrease in Trade Receivables | (1,913.33) | 968.68 |
| (Increase) / Decrease in Short Term Loans & Advances | 429.45 | 839.84 |
| (Decrease) / Increase in Current Liabilities | 895.49 | 220.77 |
| Taxes paid during the year | (0.89) | (8.25) |
| Net cash provided by operating activities | 76.71 | 3,446.82 |
| Cash flows from investing activities | | |
| Purchase / acquisition of Fixed Assets | (86.24) | (83.50) |
| Interest received | 3.13 | 22.32 |
| Net Cash used for investing activities | (83.11) | (61.18) |
| Cash flows from financing activities | | |
| Increase / (Decrease) in Short Term Borrowings | 25.07 | (2,519.04) |
| Increase / (Decrease) in Long Term Borrowings | (9.96) | (10.91) |
| Finance cost | (316.45) | (541.61) |
| Net cash provided by financing activities | (301.34) | (3,071.56) |
| Net increase in cash & cash equivalents | (307.74) | 314.08 |
| Cash & Cash equivalents at the beginning of the year | 515.37 | 201.29 |
| Cash & Cash equivalents at the end of the year* | 207.63 | 515.37 |

* The balance with banks include ` 7.69 lakhs, which are not available for use by the company as they represent unclaimed dividend liabilities (31 December 2013: ` 15.78 lakhs).

* The balance with banks in deposit accounts of ` 75.91 lakhs (31 December 2013: ` 75.91 lakhs) has been pledged as security by the company for availing non-fund based facilities.

As per our Report of even date attached
for **Srikanth & Shanthy Associates**
Chartered Accountants
Firm Registration No.004006S

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

For and on behalf of the Board

GV Kumar
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Membership No.018588

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Partner
Membership No.028778

R Janardhana Reddy
Director

Anish Mathew
Director

Place: Hyderabad
Date : 26 May 2015

Notes to the financial statements

[All amounts in the financial statements are presented in ` lakhs and as otherwise stated]

1 Corporate Information

Megasoft Limited, a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956, on 29 June 1999 and is having its registered office in Chennai. The company's shares are listed on BSE and NSE, in India. The company is a unique trans-national company with customers, employees and operations across multiple continents and combines the best global practices with a focus on the global telecommunications domain.

2 Significant Accounting policies

(i) Basis for preparation

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. 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 Management evaluates all recently issued or revised accounting standards on an on-going basis.

(ii) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of carrying value of work in progress, provision for doubtful debts and useful life of fixed assets. Actual results could differ from estimates.

(iii) Revenue Recognition

Revenue from software development on time and material basis is recognised based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognised based on the milestones achieved as specified in the contracts or on the percentage of completion basis. Provision for estimated losses on incomplete contract is recorded in the period in which such losses become probable based on the current estimates. Revenues from product licenses and related revenues are recognised as follows:

- Licence fees, on delivery and subsequent milestone schedule as per the terms of the contract with the end user.
- Product maintenance revenues, over the period of the maintenance contract.

(iv) Fixed Assets & Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Direct costs such as freight, installation costs, duties and taxes are included in the cost of the asset until the assets are ready to be put to use. Assets acquired under hire purchase / leases are capitalised and the corresponding liability is recorded at an amount equal to the fair value of the hired / leased asset or the present value of the minimum hire / lease

payments, whichever is lower, at the inception of the lease / hire purchase. Leased rentals in respect of leased assets are charged to Profit and Loss Account. Initial costs incurred in connection with specific leasing / hire purchase activities directly attributable to activities performed by the Company for a finance lease / hire purchase are included as part of the amount recognised as an asset under the lease / hire purchase.

Depreciation on fixed assets other than computer systems & software is provided using the straight-line method in accordance with the rates specified under Schedule XIV to the Companies Act, 1956. Depreciation on computer systems & software other than telecom related assets is provided on the basis of estimated useful life of four years. Depreciation is charged on a pro-rata basis on fixed assets purchased / sold during the year. Depreciation on assets acquired under finance lease / hire purchase is provided using the straight-line method over the shorter of the lease / hire purchase term and useful life of the asset.

(v) Intangible Assets and Amortisation

Intangible assets are stated at cost of acquisition or construction less accumulated amortisation and impairment losses if any. Intangible assets are amortised over their estimated useful economic life. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

(vi) Impairment of assets

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 impairment loss is recognised wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Previously recognised impairment loss is further provided or reversed depending on changes in circumstances.

(vii) Investments

Investments in subsidiary / other companies are classified as long-term investments and are stated at cost. Any diminution in value is to be determined for each investment individually on the basis of its expected benefits to the Company. The exact quantum of such benefits is dependent on a number of uncertain future events.

(viii) Foreign Currency transactions

Transactions in foreign currency are recorded at the rates of exchange prevailing on the date of the transaction or at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transactions. Current assets and liabilities denominated in foreign currency are translated at the rate of exchange as at Balance Sheet date as per the provisions of AS-11. All resulting gains or losses are recognised in the Profit & Loss account. Foreign exchange gains or losses relating to the acquisition of fixed assets are adjusted to the cost of the asset.

All income and expenditure transactions of the foreign branch during the year are included in these accounts at the average rate of exchange. Monetary assets and liabilities are translated at rates prevailing on the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Depreciation is translated at the rates used for the translation of the values of the assets on which depreciation is computed. Net gain/loss on foreign currency translation is recognised in the Profit & Loss Account.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and / or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of the contract.

Gains / Losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract are recognised as income or expense for the period.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period) is recognised in the profit and loss account for the period.

(ix) Retirement benefits

Provident Fund

Employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to the Regional Provident Fund equal to a specified percentage of the covered employee's salary. The company has no further obligations under the plan beyond its monthly contributions.

Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a non-funded, defined benefit retirement plan (the "Gratuity Plan") covering all employees. The plan, subject to the provisions of the Act, provides a lump sum payment to vested employees at retirement or termination of employment of an amount based on the respective employee's salary and the years of employment with the Company. The Company estimates its liability on adhoc basis in the interim financial reports and on an actuarial valuation basis as of each year-end balance sheet date carried out by an independent actuary, and is charged to Profit & Loss Account in accordance with AS-15 (revised).

Leave encashment

Leave encashment cost is a defined benefit, and is accrued on adhoc basis in the interim financial reports and on an actuarial valuation basis as of each year-end balance sheet date carried out by an independent actuary, and is charged to Profit & Loss Account in accordance with AS-15 (revised).

(x) Borrowing cost

Borrowing costs other than those directly attributable to qualifying Fixed Assets are recognised as an expense in the period in which they are incurred.

(xi) Taxes

Current tax

Current tax is measured at the amount expected to be paid out or recovered from the tax administration adopting the applicable rates in force.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonable / virtual certainty (as the case may be) to be realised.

The break-up of major components of the deferred tax assets and liabilities as of each year-end Balance Sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing laws.

(xii) Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

(xiii) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

| | As at 31 March 2015 ₹ lakhs | As at 31 December 2013 ₹ lakhs |
|---|-----------------------------------|--------------------------------------|
| 3 Share Capital | | |
| Authorised | | |
| 75,000,000 Equity Shares of ₹ 10 each | 7,500.00 | 7,500.00 |
| | 7,500.00 | 7,500.00 |
| Issued, Subscribed & Paid-up | | |
| 44,267,293 Equity Shares of ₹ 10 each fully paid-up | 4,426.73 | 4,426.73 |
| | 4,426.73 | 4,426.73 |

The company has only one class of shares referred to as equity shares having a par value of ₹ 10 each. Each holder of the equity share, as reflected in the records of the company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive any of the remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Equity shareholders holding more than 5 percent of equity shares along with the number of equity shares held at the beginning and at the end of the period is as given below:

| | No of shares | % | No of shares | % |
|-----------------------------|--------------|------|--------------|------|
| S.Ravindra Babu | 2,688,768 | | 2,688,768 | |
| Ravindra Babu S (HUF) | 512,126 | | 512,126 | |
| | 3,200,894 | 7.23 | 3,200,894 | 7.23 |
| GV Kumar | 2,226,911 | 5.03 | 2,226,911 | 5.03 |
| I Labs Venture Capital Fund | 3,762,375 | 8.50 | 3,762,375 | 8.50 |
| Ashish Dhawan | 3,554,769 | 8.03 | 3,554,769 | 8.03 |

The company has not allotted any equity shares by way of bonus shares nor has bought back any equity shares during the period of five years immediately preceding the balance sheet date. The company has not allotted any equity shares without payment being received in cash during the period of five years immediately preceding the balance sheet date.

Employees Stock Option Plans

The company has two stock option plans that provide for the granting of stock options to employees / directors of the company and its subsidiaries (not being promoter directors of the company). The objectives of these plans include attracting and retaining the best personnel, providing for additional performance incentives and promoting the success of the company by providing employees the opportunity to acquire equity shares. Remuneration / Compensation Committee administers all these stock options under various plans. The stock option plans are summarised below:

(i) Associates Stock Option Plan 2004

The shareholders of the company in the AGM held on 18 June 2004 approved the Associate Stock Option Plan (ASOP-2004). The ASOP-2004 provides for issue of 755,000 equity shares of ₹ 10 each to the employees including directors at the market price of the shares on the date of grant.

At the AGM held on 22 June 2006, the exercise price of the options to be granted was amended to enable issue of options / shares at such discounts to the Market Price as on the date of the grant of the options subject to the exercise price not being less than the face value of shares.

The company has not granted any options during the year. There are no options outstanding at the beginning or end of the year.

(ii) Employees Stock Option Plan 2007

The shareholders of the company through a postal ballot process, postal ballot notice dated 26 April 2007, results declared on 8 June 2007, approved an Employees Stock Option Plan (ESOP-2007). The ESOP-2007 provides for issue of 2,700,000 options (underlying equity shares of ₹ 10 each) to the employees / Directors of both the company and its subsidiaries, at such discounts to the Market Price as on the date of the grant of the options subject to the exercise price not being less than the face value of equity shares.

| | As at 31 March 2015 ₹ lakhs | As at 31 December 2013 ₹ lakhs |
|--|-----------------------------------|--------------------------------------|
| Options outstanding at the beginning of the year | 2,325,000 | 2,325,000 |
| Options granted during the year | — | — |
| Exercised during the year | — | — |
| Expired / Cancelled during the year | 20,000 | — |
| Options outstanding at the end of the year | 2,305,000 | 2,325,000 |
| Exercisable at the end of the year | 2,305,000 | 2,325,000 |

The company granted stock options to the Managing Director and the Officers on 6 August 2010 at then prevailing market price of ₹ 25 per equity share of ₹ 10 each.

GV Kumar, MD, was granted 1,350,000 stock options on 6 August 2010 at ₹ 25 (then prevailing market price) per option convertible into equivalent equity shares of ₹ 10 each in three equal tranches at the end of first, second and third year from the date of grant. He was further granted 900,000 stock options (performance based) on 6 August 2010 at ₹ 25 (then prevailing market price) per option convertible into equivalent equity shares of ₹ 10 each in three equal tranches at the end of first, second and third year from the date of grant. Considering the market scenario and the economical factors it has not been feasible to exercise the stock options vested at the end of the year.

| | As at 31 March 2015 ₹ lakhs | As at 31 December 2013 ₹ lakhs |
|--|-----------------------------------|--------------------------------------|
| 4 Reserves & Surplus | | |
| Securities Premium | | |
| Opening Balance | 250.66 | 250.66 |
| Closing Balance | 250.66 | 250.66 |
| General Reserve | | |
| Opening Balance | 5,368.55 | 5,368.55 |
| Closing Balance | 5,368.55 | 5,368.55 |
| Business Reconstruction Reserve | | |
| Opening Balance | 21.38 | 21.38 |
| Closing Balance | 21.38 | 21.38 |
| Surplus in statement of profit and loss | | |
| Opening Balance | 7,298.33 | 7,008.01 |
| Profit for the period | 61.55 | 290.32 |
| Closing Balance | 7,359.88 | 7,298.33 |
| Total Reserves & Surplus | 13,000.47 | 12,938.92 |

| | As at 31 March 2015 lakhs | As at 31 December 2013 lakhs |
|---|---------------------------------|------------------------------------|
| 5 Long-term borrowings | | |
| Secured | | |
| Long term maturities of finance lease obligations | 0.66 | 10.62 |
| | 0.66 | 10.62 |
| Vehicles are hypothecated to the Banks / Financial Institutions as security for the amounts borrowed by the company. | | |
| The Company has entered into leasing / hire purchase arrangements with banks and financial institutions for the hire / lease of motor vehicles ("the leased asset") for a period not exceeding 60 months. During the lease / hire period, the Company has agreed to hypothecate and create an exclusive charge on the vehicle in favour of the bank / financial institution and repay the principal amount of the loan along with interest thereon by way of instalments as agreed upon. The charge / security created in favour of the bank / financial institution shall remain in force until such time all the dues under the agreement are fully discharged. | | |
| Pending lease / hire purchase obligations comprising minimum lease / hire payments | | |
| Not later than one year | 7.97 | 10.90 |
| Later than one year and not later than five years | 0.66 | 10.62 |
| Total | 8.63 | 21.52 |
| Less: Amounts representing interest | (0.88) | (3.42) |
| Present value of minimum lease payments | 7.75 | 18.10 |
| Less : Amount due not later than one year | (7.20) | (8.64) |
| Amounts due later than one year and not later than five years | 0.55 | 9.46 |
| 6 Deferred tax (assets)/liability (net) | | |
| Fixed Assets | (18.64) | 68.50 |
| Retirement benefits | 7.03 | 0.66 |
| Provision for doubtful debts | 5.22 | (34.04) |
| | (6.39) | 35.12 |
| 7 Long-term provisions | | |
| Provision for retirement benefits (non-funded) | 144.26 | 123.16 |
| | 144.26 | 123.16 |
| 8 Short-term borrowings | | |
| Secured | | |
| Working Capital / Demand loan from Bank | 1,517.08 | 1,492.01 |
| Unsecured | | |
| From bodies corporate | 158.50 | 158.50 |
| | 1,675.58 | 1,650.51 |
| The working capital loan facilities from Banks are secured by a first charge on entire current assets and fixed assets (except company's assets acquired under hire purchase scheme), present and future, of the company. | | |
| 9 Trade payables | | |
| Sundry Creditors for goods / services | 1,362.51 | 415.63 |
| | 1,362.51 | 415.63 |
| The company has compiled this information based on the current information in its possession. As at the year end, no supplier has intimated the company about its status as a Micro or Small Enterprise or its registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006. | | |
| 10 Other current liabilities | | |
| Current maturities of finance lease obligations | 7.97 | 10.90 |
| For accrued salaries and benefits | 127.00 | 134.25 |
| Provision for expenses | 57.93 | 75.26 |
| Other payables | 62.57 | 78.36 |
| Unclaimed Dividends | 7.69 | 15.78 |
| | 263.16 | 314.55 |
| 11 Short-term provisions | | |
| Provision for retirement benefits (non-funded) | 6.78 | 6.61 |
| Provision for taxation (net) | 71.76 | 406.68 |
| | 78.54 | 413.29 |

12 Fixed Assets

| Particulars | Gross Block | | | Depreciation | | | Net Block | | | |
|------------------------------|-----------------------------------|--------------------|-------------------------------------|------------------------------------|------------------------------|---------------------------------|--|-------------------------------------|-------------------------------|-------------------------------|
| | Cost as at 1-Jan-2014 lakhs | Additions lakhs | Deletions / Adjustments lakhs | Cost as at 31-Mar-2015 lakhs | As at 1-Jan-2014 lakhs | For the period/year lakhs | On Deletions / Adjustments lakhs | Total as at 31-Mar-2015 lakhs | As at 31-Mar-2015 lakhs | As at 31-Dec-2013 lakhs |
| (A) Tangible Assets | | | | | | | | | | |
| Land & Land development | 4,317.09 | — | — | 4,317.09 | — | — | — | — | 4,317.09 | 4,317.09 |
| Plant & Machinery | 189.89 | 56.63 | (106.75) | 139.77 | 68.32 | 76.12 | (106.75) | 37.69 | 102.08 | 121.57 |
| Computer systems & Software | 4,089.16 | 29.61 | (2,748.46) | 1,370.31 | 3,758.60 | 177.02 | (2,748.46) | 1,187.16 | 183.15 | 330.56 |
| Furniture & Fittings | 283.19 | — | (47.76) | 235.43 | 153.37 | 23.89 | (47.76) | 129.50 | 105.93 | 129.82 |
| Vehicles | 195.72 | — | (126.07) | 69.65 | 162.13 | 27.05 | (126.07) | 63.11 | 6.54 | 33.59 |
| | 9,075.05 | 86.24 | (3,029.04) | 6,132.25 | 4,142.42 | 304.08 | (3,029.04) | 1,417.46 | 4,714.79 | 4,932.63 |
| (B) Intangible Assets | | | | | | | | | | |
| Intellectual Property Rights | 68.00 | — | — | 68.00 | 68.00 | — | — | 68.00 | — | — |
| Patents | 2.68 | — | — | 2.68 | 2.68 | — | — | 2.68 | — | — |
| | 70.68 | — | — | 70.68 | 70.68 | — | — | 70.68 | — | — |
| Total | 9,145.73 | 86.24 | (3,029.04) | 6,202.93 | 4,213.10 | 304.08 | (3,029.04) | 1,488.14 | 4,714.79 | 4,932.63 |
| Previous year | 9,077.12 | 83.50 | (14.89) | 9,145.73 | 3,951.07 | 276.92 | (14.89) | 4,213.10 | 4,932.63 | |

Notes : Depreciation include impairment of assets.

| | As at 31 March 2015 lakhs | As at 31 December 2013 lakhs |
|---|---------------------------------|------------------------------------|
| 13 Non-current investments | | |
| Trade (Unquoted) - at cost | | |
| In wholly owned subsidiary companies | | |
| Megasoft Consultants Pte Ltd | 26.31 | 26.31 |
| A company incorporated in Singapore | | |
| 100,000 ordinary shares of S\$ 1 each fully paid | | |
| Megasoft Consultants Sdn Bhd | 63.63 | 63.63 |
| A company incorporated in Malaysia | | |
| 500,000 ordinary shares of MR 1 each fully paid | | |
| XIUS Holding Corp (formerly, Boston Communications Group, Inc.) | 5,553.45 | 5,553.45 |
| A company incorporated in USA | | |
| 1,000 ordinary shares of US\$ 0.001 each fully paid | | |
| Trade (Unquoted) - at cost | | |
| In other companies | | |
| Keystone Wireless, LLC | 1,212.30 | 1,212.30 |
| A company incorporated in USA | | |
| represents 5% of the capital on the date of investment | | |
| | 6,855.69 | 6,855.69 |
| 14 Trade receivables | | |
| Over six months from the date they were due for payment | | |
| considered good | 4,604.78 | 2,801.65 |
| considered doubtful | 730.90 | 1,867.76 |
| Others - unsecured, considered good | 1,471.49 | 1,377.08 |
| | 6,807.17 | 6,046.49 |
| Less: Provision for doubtful debts | (730.90) | (1,867.76) |
| | 6,076.27 | 4,178.73 |
| 15 Cash & Bank balances | | |
| Cash on hand | 0.82 | 0.41 |
| Balances with Banks | | |
| In Current Accounts | 123.21 | 423.27 |
| Other Bank balances | | |
| Unclaimed dividend accounts | 7.69 | 15.78 |
| Other Bank Deposits * | 75.91 | 75.91 |
| | 207.63 | 515.37 |

* The balance in deposit accounts has been pledged as security, by the company for availing non-fund based facilities.

16 Short-term loans and advances

| | | |
|--|-----------------|-----------------|
| Unsecured, considered good | | |
| Loans and advances to employees | 17.12 | 7.85 |
| Loans and advances to subsidiary companies | 2,121.25 | 2,650.80 |
| Other loans and advances | 789.47 | 674.62 |
| Security Deposits | 162.78 | 186.80 |
| Advance Income-tax | 0.52 | 326.04 |
| | 3,091.14 | 3,846.11 |

The advances include capital advances paid by the company to TSIC (previously APIIC) for purchase of land, stamp duty, other expenditure, etc., relating to land at Madhapur and Nanakramguda, Hyderabad. The company received the title and completed the registration formalities on 23 May 2015 for lands situated at Madhapur (0.75 acres) and Nanakramguda, Hyderabad (acquired through amalgamation of VisualSoft Technologies Limited in 2006) allotted by TSIC (previously APIIC). Out of 15.61 acres originally allotted at Nanakramguda, Hyderabad, as per the directions of Government of Telangana the company surrendered an area of 7.29 acres and retained the balance land.

Advance income-tax include MAT credit entitlement.

| | For the 15 months period ended 31 March 2015 ` lakhs | For the year ended 31 December 2013 ` lakhs |
|--|---|--|
| 17 Other Income / (Expenses) | | |
| Miscellaneous Income | 3.22 | 0.24 |
| Interest received | 3.13 | 22.32 |
| Gains / (losses) on foreign currency, net | 64.34 | 338.62 |
| | 70.69 | 361.18 |
| 18 Employee benefits expenses | | |
| Salaries & Bonus including overseas staff expenses | 1,851.93 | 1,455.58 |
| Contribution to Provident & Other Funds | 97.81 | 77.13 |
| Employees Welfare expenses | 38.73 | 39.67 |
| | 1,988.47 | 1,572.38 |
| Computation of net profit in accordance with Section 198 read with section 309(5) of the Companies Act, 1956, and calculation of commission payable to non-executive directors. | | |
| Profit after tax | 61.55 | 290.32 |
| Add: | | |
| Managerial Remuneration | 70.94 | 55.82 |
| Depreciation / impairment as per books | 304.08 | 276.92 |
| Provision for doubtful debts | 15.79 | 102.96 |
| Provision for taxation | (50.02) | 20.98 |
| | 340.79 | 456.68 |
| Less: | | |
| Depreciation as per Section 123 of the Act | 304.08 | 276.92 |
| Profit on which commission is payable | 98.26 | 470.08 |
| Commission to Non-Executive Directors | | |
| Maximum allowed as per the Act | 0.98 | 4.70 |
| Commission approved by the Board | — | — |
| * The liability towards gratuity is provided on an actuarial basis for the company as a whole. The amount pertaining to directors is not individually ascertainable and is therefore not included above. | | |
| Above amount does not include remuneration paid by wholly owned subsidiary company to Managing Director of the company aggregating to ` 85.17 lakhs (Previous year ` 60.38 lakhs) in terms of section 196 & 197 of the companies act, 2013 with due approval of the shareholders obtained through postal ballot Notice dated 14 November 2014. | | |
| 19 Finance cost | | |
| Interest expense | 279.68 | 537.52 |
| Bank charges and commission | 36.77 | 4.09 |
| | 316.45 | 541.61 |

| | For the 15 months period ended 31 March 2015 ₹ lakhs | For the year ended 31 December 2013 ₹ lakhs |
|---|---|--|
| 20 Other Expenses | | |
| Services rendered by business associates and others | 294.62 | 926.20 |
| Rent | 185.00 | 136.95 |
| Rates & Taxes | 12.39 | 6.82 |
| Communication expenses | 69.81 | 47.88 |
| Travel & Conveyance | 343.69 | 229.03 |
| Insurance | 61.93 | 70.10 |
| Power & Fuel | 90.29 | 66.12 |
| Repairs & Maintenance | | |
| Machinery | 21.47 | 80.19 |
| Others | 30.12 | 21.41 |
| Printing & Stationery | 8.12 | 6.18 |
| Business Development expenses | 21.17 | 5.74 |
| Legal & Professional expenses | 27.36 | 14.13 |
| Auditors' remuneration | 18.72 | 18.72 |
| Rebates & Discounts | 260.33 | — |
| Miscellaneous expenses | 34.99 | 34.62 |
| Bad debts written-off | 1,152.65 | 217.32 |
| Provision for doubtful debts (net) | (1,136.86) | 102.96 |
| | 1,495.80 | 1,984.37 |
| 21 Taxes | | |
| Current tax | 60.00 | 40.00 |
| Deferred tax expense / (benefit) | (41.52) | (19.02) |
| Earlier year tax | (68.50) | — |
| | (50.02) | 20.98 |

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be continuous, the Company is in the process of continually updating the documentation for the international transactions entered into with the associated enterprises during the financial year. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

| | | |
|--|------------|------------|
| 22 Earnings per share | | |
| Basic | | |
| Profit after tax | 61.55 | 290.32 |
| Weighted average number of equity shares outstanding | 44,267,293 | 44,267,293 |
| Earnings per share (₹) | 0.14 | 0.66 |
| Diluted | | |
| Profit after tax | 61.55 | 290.32 |
| Weighted average number of equity shares outstanding | 44,267,293 | 44,267,293 |
| Dilutive effect of stock options outstanding | 2,305,000 | 2,325,000 |
| Weighted average number of equity shares outstanding | 46,572,293 | 46,592,293 |
| Earnings per share (₹) | 0.13 | 0.62 |

| | As at 31 March 2015 ` lakhs | As at 31 December 2013 ` lakhs |
|--|-----------------------------------|--------------------------------------|
| 23 Commitments & Contingencies | | |
| (i) Estimated amount of contracts pending execution on capital account (net of advances) | 2.26 | — |
| (ii) Bank guarantees | 485.60 | 474.88 |
| (iii) The company's bankers have provided Stand-by Letter of credit facility for US\$ 8.30 million (previous year – US\$ 8.20 million) to the company's wholly owned subsidiary, for working capital facility availed by that subsidiary by discounting of the same overseas. The said facility of that subsidiary is further secured by a corporate guarantee of the company. | | |
| (iv) The company's appeal to the CIT (Appeals) for the assessment year 2007-08 involving a demand of ` 2,313 lakhs, in respect of claim under section 10A of the Income Tax Act, 1961, has been decided in its favour. However, the Income Tax Authorities have preferred an appeal before the Income Tax Appellate Tribunal against the decision. | | |
| (v) In respect of an arbitration moved by US client against the company, the matter had been settled out of the court. The payments have been structured as per mutual agreement. | | |

24 Related party transactions

Wholly owned Subsidiary companies

Megasoft Consultants Sdn Bhd, Malaysia; Megasoft Consultants Pte Ltd, Singapore; XIUS Holding Corp (formerly, Boston Communications Group, Inc.), USA; XIUS Corp (formerly, Cellular Express, Inc.), USA; BCGI Wireless Private Limited.

Enterprise over which Director(s) / KMP have significant influence

NMR Property Development Private Limited, Sri City Private Limited, Suprani Farms Private Limited, Sricity Holdings India Private Limited, Sricity Utility Services Private Limited, Sumedha Estates Private Limited, Haripuram Developers Private Limited, Lamda Developers Private Limited, Iota Developers Private Limited, Kappa Developers Private Limited, Gamma Developers Private Limited, Sri Dhruva Builders Private Limited.

Directors & Key Management Personnel

GV Kumar, D Sudhakar Reddy

| | For the 15 months period ended 31 March 2015 ` lakhs | For the year ended 31 December 2013 ` lakhs |
|---|---|--|
| Wholly owned Subsidiary companies | | |
| Sale of services | | |
| Megasoft Consultants Sdn Bhd | 886.63 | 598.18 |
| XIUS Corp (formerly, Cellular Express, Inc.), USA | 1,071.45 | 1,885.19 |
| Software development expenses | | |
| XIUS Corp (formerly, Cellular Express, Inc.), USA | 120.19 | 895.79 |
| Trade Receivables | | |
| Megasoft Consultants Sdn Bhd | 98.46 | 24.53 |
| XIUS Corp (formerly, Cellular Express, Inc.), USA | 140.83 | — |
| Short-term loans and advances | | |
| XIUS Holding Corp (formerly, Boston Communications Group, Inc.), USA | 2,121.25 | 2,650.80 |
| Corporate Guarantees for foreign currency loan from bank | | |
| XIUS Holding Corp (formerly, Boston Communications Group, Inc.), USA | 5,195.04 | 5,075.55 |
| Associates | | |
| Reimbursement of common expenses received | 17.35 | 18.70 |
| Due to / (from) | (2.17) | (2.91) |
| Directors & Key Management Personnel | | |
| Remuneration to Executive Directors | 65.09 | 52.07 |
| Commission to Non-Executive Directors | — | — |
| Directors' sitting fees | 5.85 | 3.75 |
| Details of loans and advances in the nature of loans (as required by clause 32 of the listing agreement with the stock exchanges) | | |
| Balance at the end of the year | | |
| XIUS Holding Corp (formerly, Boston Communications Group, Inc.), USA | 2,513.09 | 2,732.82 |
| Maximum amount outstanding during the year | | |
| XIUS Holding Corp (formerly, Boston Communications Group, Inc.), USA | 2,732.82 | 3,726.42 |

There are no provisions for doubtful debts / advances in respect of related parties as at the Balance Sheet date or amounts written-off or written back during the year in respect of debts due from or to related parties.

25 Employee benefit plans

(a) Provident Fund

Both the employees and the company make monthly contributions to the Provident Fund Plan equal to a specified percentage of the covered employee's salary. The entire contribution in respect of employees is contributed to the Government administered employee Provident and Pension Fund.

(b) Defined benefit plans

The company offers the following employee benefit schemes to its employees:

- (i) Gratuity (unfunded) - The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment based on completed years of service or part thereof in excess of six months. Vesting occurs on completion of five years of service.
- (ii) Post-employment leave encashment (unfunded) - Leave encashment is payable to the employees on separation from the company at retirement, death while in employment or on termination of employment. Employees are not entitled to encash leave while in employment.

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

| For the period/year ended | Gratuity | | Privilege Leave | |
|--|-------------|-------------|-----------------|-------------|
| | 31 Mar 2015 | 31 Dec 2013 | 31 Mar 2015 | 31 Dec 2013 |
| Present Value of Projected Benefit Obligation | | | | |
| Present Value of Benefit Obligation at the Beginning of the Period | 96.74 | 94.40 | 33.04 | 37.38 |
| Interest Cost | 11.49 | 7.79 | 3.92 | 3.08 |
| Service Cost | 20.12 | 18.93 | 15.58 | 14.54 |
| (Benefit Paid Directly by the Employer) | (32.45) | (25.02) | (15.51) | (15.88) |
| Actuarial (Gains)/Losses on Obligations - Due to Change in Financial Assumptions | 18.93 | — | 6.28 | — |
| Actuarial (Gains)/Losses on Obligations - Due to Experience | (0.65) | 0.63 | (6.45) | (6.08) |
| Present Value of Benefit Obligation at the End of the Period | 114.18 | 96.73 | 36.86 | 33.04 |
| Fair Value of Plan Assets | N.A | N.A | N.A | N.A |
| Actuarial (Gains)/Losses Recognised in the Statement of Profit or Loss | | | | |
| Actuarial (Gains)/Losses on Obligation For the Period | 18.28 | 0.63 | (0.17) | (6.08) |
| Actuarial (Gains)/Losses on Plan Asset For the Period | — | — | — | — |
| Subtotal | 18.28 | 0.63 | (0.17) | (6.08) |
| Actuarial (Gains)/Losses Recognised in the Statement of Profit or Loss | 18.28 | 0.63 | (0.17) | (6.08) |
| Actual Return on Plan Assets | N.A | N.A | N.A | N.A |
| Amount Recognised in the Balance Sheet | | | | |
| (Present Value of Benefit Obligation at the end of the Period) | (114.18) | (96.73) | (36.86) | (33.04) |
| Fair Value of Plan Assets at the end of the Period | — | — | — | — |
| Funded Status [Surplus/ (Deficit)] | (114.18) | (96.73) | (36.86) | (33.04) |
| Unrecognised Past Service Cost at the end of the Period | — | — | — | — |
| Net (Liability)/Asset Recognised in the Balance Sheet | (114.18) | (96.73) | (36.86) | (33.04) |
| Net Interest Cost | | | | |
| Present Value of Benefit Obligation at the Beginning of the Period | 96.74 | 94.40 | 33.04 | 37.38 |
| (Fair Value of Plan Assets at the Beginning of the Period) | — | — | — | — |
| Net Liability/(Asset) at the Beginning | 96.74 | 94.40 | 33.04 | 37.38 |
| Interest Cost | 11.49 | 7.79 | 3.92 | 3.08 |
| (Expected Return on Plan Assets) | — | — | — | — |
| Net Interest Cost | 11.49 | 7.79 | 3.92 | 3.08 |
| Expenses Recognised in the Statement of Profit or Loss | | | | |
| Service Cost | 20.12 | 18.93 | 15.58 | 14.54 |
| Net Interest Cost | 11.49 | 7.79 | 3.92 | 3.08 |
| Actuarial (Gains)/Losses | 18.28 | 0.63 | (0.17) | (6.08) |
| Expenses Recognised in the Statement of Profit or Loss | 49.89 | 27.35 | 19.33 | 11.54 |
| Balance Sheet Reconciliation | | | | |
| Opening Net Liability | 96.74 | 94.40 | 33.04 | 37.38 |
| Expense Recognised in Statement of Profit or Loss | 49.89 | 27.35 | 19.33 | 11.54 |
| (Benefit Paid Directly by the Employer) | (32.45) | (25.02) | (15.51) | (15.88) |
| Net Liability/(Asset) Recognised in the Balance Sheet | 114.18 | 96.73 | 36.86 | 33.04 |

| Category of Assets | N.A. | N.A. | N.A. | N.A. |
|--------------------------------|-------|-------|-------|-------|
| Actuarial assumptions | | | | |
| Expected Return on Plan Assets | N.A. | N.A. | N.A. | N.A. |
| Rate of Discounting | 8.03% | 9.50% | 8.03% | 9.50% |
| Rate of Salary Increase | 6.00% | 6.00% | 6.00% | 6.00% |
| Rate of Employee Turnover | 2.00% | 2.00% | 2.00% | 2.00% |

* The estimate of future salary increases considered in actuarial valuation takes account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

* Mortality Rate During Employment - Indian Assured Lives Mortality (2006-08)

| Experience Adjustments | 31 Mar 2015 | 31 Dec 2013 | 31 Dec 2012 | 31 Dec 2011 | 31 Dec 2010 |
|--|-------------|-------------|-------------|-------------|-------------|
| Gratuity | | | | | |
| Present value of DBO | 114.18 | 96.73 | 94.40 | 103.18 | 80.74 |
| Fair value of plan assets | — | — | — | — | — |
| Funded status [Surplus / (Deficit)] | (114.18) | (96.73) | (94.40) | (103.18) | (80.74) |
| Experience gain / (loss) adjustments on plan liabilities | (0.65) | 0.63 | (17.43) | 1.41 | 10.35 |
| Experience gain / (loss) adjustments on plan assets | — | — | — | — | — |
| Leave encashment | | | | | |
| Present value of DBO | 36.86 | 33.04 | 37.38 | 41.46 | 44.38 |
| Fair value of plan assets | — | — | — | — | — |
| Funded status [Surplus / (Deficit)] | (36.86) | (33.04) | (37.38) | (41.46) | (44.38) |
| Experience gain / (loss) adjustments on plan liabilities | (6.45) | (6.08) | (2.72) | (4.40) | 21.08 |
| Experience gain / (loss) adjustments on plan assets | — | — | — | — | — |

| | For the 15 months period ended 31 March 2015 ` lakhs | For the year ended 31 December 2013 ` lakhs |
|---|---|--|
| 26 Payments to Auditors | | |
| Audit fees (including service tax) | 15.73 | 15.73 |
| Out of pocket expenses | 2.24 | 1.49 |
| Tax matters (including service tax) | 0.75 | 1.50 |
| | 18.72 | 18.72 |
| 27 CIF value of imports | | |
| Capital goods | — | — |
| Others | 10.69 | 592.46 |
| | 10.69 | 592.46 |
| 28 Expenditure in foreign currency | | |
| Travel expenses | 106.99 | 85.13 |
| Software Development expenses | 120.19 | 895.79 |
| Others | 10.69 | 592.46 |
| | 237.87 | 1,573.38 |
| 29 Earnings in foreign currency | | |
| Software development services | 5,337.13 | 5,061.82 |

30 Quantitative details

The Company is in the business of development and maintenance of computer software. The development and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to furnish the quantitative details and the information required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

31 Segmental Information

The company prepares consolidated financial statements, hence as per Accounting Standard 17 on Segment Reporting, segment information has not been provided in the standalone financial statements.

32 Previous year comparatives

The financial statements have been prepared for the fifteen months period ended 31 March 2015 due to change in accounting year-end from December to March. The comparatives presented are for the year ended 31 December 2013 (12 months) and hence, not comparable to the current fifteen months period ended 31 March 2015. The previous period figures have been regrouped / reclassified, wherever necessary to conform to the current period presentation.



MEGASOFT LIMITED

CIN L72200TN1999PLC042730

No.85, Kutchery Road, Mylapore, Chennai 600004, Tamilnadu, India

www.megasoft.com

Notice of the Annual General Meeting

Notice is hereby given that the **15th Annual General Meeting** of the Members of **MEGASOFT LIMITED** will be held at 10.00 AM (IST) on Wednesday, the 23rd day of September 2015 at Sri Thyaga Brahma Gana Sabha (Vani Mahal), No.103, G N Chetty Road, T Nagar, Chennai 600017, to transact the following business:

Ordinary business

(1) Adoption of financial statements

To receive, consider and adopt:

- (i) the audited financial statements of the Company for the 15 months period ended 31st March, 2015 and the reports of the Board of Directors and Auditors thereon.
- (ii) the audited Consolidated Financial statements of the Company for the 15 months period ended 31st March, 2015.

(2) Re-appointment of director

To appoint a Director in place of Mr D Sudhakar Reddy (DIN-00047707), who retires by rotation and, being eligible offers himself for re-appointment.

(3) Re-appointment of director

To appoint a Director in place of Mr GV Kumar (DIN-00059107), who retires by rotation and, being eligible offers himself for re-appointment.

(4) Appointment of statutory auditors

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

RESOLVED that pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and other applicable rules, if any, M/s Srikanth & Shanthi Associates, Chartered Accountants [ICAI Firm Registration No.004006S], Chennai, and M/s TN Rajendran & Co., Chartered Accountants [ICAI Firm Registration No.005080S], Chennai, be and are hereby appointed as the joint Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting (AGM) until the conclusion of the Seventeenth (17th) AGM of the Company to be held in the year 2017 (subject to ratification of their appointment by the Members at every AGM held after this AGM) at such remuneration plus service tax, out of pocket and travelling expenses, etc., as may be mutually agreed between the Board of Directors of the Company and the Auditors based on the recommendation of the Audit / Risk & Compliance Committee.

Special business

(5) Appointment of Branch Auditor

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

RESOLVED that pursuant to the provisions of section 143(8) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, and the Rules framed thereunder, the Board be and is hereby authorised to appoint from time to time Branch Auditors of any Branch office of the Company, whether existing or which may be opened / acquired hereafter outside India, based on the recommendation of the Audit / Risk & Compliance Committee, in consultation with the Company's Auditors, any person(s) qualified to act as Branch Auditor within the meaning of section 143(8) of the Companies Act, 2013 and to fix their remuneration.

(6) Appointment of Ms Leona Ambuja as a Director of the Company

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

RESOLVED that pursuant to provisions of Section 149 and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014, and clause 49 of the Listing Agreement, Ms Leona Ambuja (DIN-07138817) who was appointed as an Additional Director by the Board of Directors effective 31 March 2015 pursuant to the provisions of Section 161 of the Companies Act, 2013 and the Articles of Association of the Company and who holds office up to the date of this AGM and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing her candidature for the office of a Director, be and is hereby appointed as an Independent Woman Director of the Company not liable to retire by rotation.

By order of the Board of Directors
for **Megasoft Limited**

Place: Hyderabad
Date : 26 May 2015

GV Kumar
Managing Director

NOTES

- (1) The statement pursuant to Section 102 (1) of the Companies Act, 2013 with respect to the special business set out in the Notice is annexed.
- (2) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as a proxy to attend and vote on his/her behalf in the meeting and such person can act as a proxy on behalf of members of the company not exceeding 50 (Fifty) and holding in aggregate not more than 10% (Ten percent) of the total shares. A member holding more than 10% (Ten percent) of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- (3) The instrument appointing the Proxy, duly completed must be deposited at the Company's registered office not less than 48 hours before the commencement of the meeting. A proxy form for the ANNUAL GENERAL MEETING is enclosed.
- (4) During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the company, provided that not less than three days of notice in writing is given to the Company.
- (5) Members/proxies should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.
- (6) Proxies submitted on behalf of Limited Companies, Societies, and Partnerships firms, etc. must be supported by appropriate resolution / authority as applicable issued by the member organisation.
- (7) Corporate members intending to send their authorised representatives to attend the meeting are requested to send to the Company, a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Annual General Meeting.
- (8) The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
- (9) The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available for inspection by the members at the Annual General Meeting.
- (10) Members are requested to bring their copy of the Annual Report with them to the meeting.
- (11) Members desiring any information with regard to Accounts/ Reports are requested to write to the Company Secretary at least ten days before the meeting so as to enable the management to keep the information ready.
- (12) The certificate from the Auditors of the Company certifying that the Company's Stock Option Plan(s) are being implemented in accordance with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and SEBI (Employee Share Benefits) Rules, 2014 as applicable and in accordance with the resolution of the Members in the General Meeting is available for inspection by the Members at the Annual General Meeting.
- (13) The Register of Members and Share Transfer Books of the Company will remain closed from 17th September 2015 to 23rd September 2015 (both days inclusive) in terms of the provisions of Section 91 of the Companies Act, 2013 and the applicable clauses of the Listing Agreement entered into with the Stock Exchanges.
- (14) Members who are holding physical shares more than one folio are requested to intimate to the company / Registrar & Share Transfer Agents the details of all their Folio Numbers for consolidation into a single Folio.
- (15) Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updates bank account details to their respective Depository Participant(s). Members are encouraged to utilise the Electronic Clearing System (ECS) for receiving dividends.
- (16) Members are requested to quote their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID number on all correspondences with the Company. The transfer deeds, communication for change of address, bank details, ECS details, mandates (if any), should be lodged with the Registrar & Share Transfer Agents ('RTA') of the Company, Cameo Corporate Services Limited, Chennai. Members whose shares are held in the electronic mode are requested to intimate the same to their respective Depository Participants.
- (17) The Company is concerned about the environment and utilises natural resources in a sustainable way. The Ministry of Corporate Affairs (MCA), Government of India, has by its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively; permitted companies to send official documents to their shareholders electronically as part of its Green Initiative in Corporate Governance. Recognising the spirit of the Circular issued by the MCA, we are sending documents like Notice convening the general Meetings, Financial Statements, Directors' Report, Auditors' Report, etc., to the email address provided by you with your depositories.
- (18) Annual Report 2015 with Attendance Slip and Proxy forms are being sent by electronic mode only to all the members whose email addresses are registered with the Company/Depository Participant (s) for communication purpose unless a member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report are being sent by the permitted mode.
- (19) Pursuant to the provisions of Section 123 of the Companies Act, 2013 dividends which remained unclaimed after the prescribed period of 7 years shall be transferred to the Investor Education Protection Fund ('IEPF') of the Central Government. Members who have not encashed their dividend warrants are requested to correspond with RTA. It is requested to note that once unclaimed dividend is transferred to IEPF pursuant to Section 205C of the Companies Act, 1956, no further claim shall be entertained. Information in respect of such unclaimed dividend when due for transfer to IEPF of Government of India including the unclaimed amount since 2007, are given in the Corporate Governance Report.
- (20) Members may note that the Notice of the 15th Annual General Meeting and the Annual Report 2015 will also be available on the Company's website www.megasoft.com. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Chennai for inspection during normal business hours on working days. Members who require communication in physical form in addition to e- communication, or have any other queries, may write to us at investors@megasoft.com
- (21) Additional information pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges in respect of the Directors seeking appointment at the Annual General Meeting is furnished and forms part of the Notice. The directors have furnished the requisite consents / declarations for their appointment / re-appointment.
- (22) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
- (23) Voting through electronic means - Pursuant to Section 110 of the Companies Act, 2013 and the Rules framed thereunder and Clause 35B of the Listing Agreement, the Company is pleased to provide a facility to the members to exercise their right to vote at the 15th Annual General Meeting by electronic means and all the business shall be transacted through e-voting services provided by CDSL. Instructions for e-voting sent separately along with this notice.
- (24) The Company has appointed Mr M Damodaran, Sole proprietor of M/s Damodaran & Associates, Practicing Company Secretaries, Chennai as Scrutinizer for conducting the e-voting process in fair and transparent manner.

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 20th September 2015 at 9.00 AM and ends on 22nd September 2015 at 5.00 PM During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. 16th September 2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now enter your User ID
 - (a) For CDSL: 16 digits beneficiary ID,
 - (b) For NSDL: 8 Character DP-ID followed by 8 Digits Client ID,
 - (c) Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any other company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

| | For Members holding shares in Demat Form and Physical Form |
|--|--|
| PAN | Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company / Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. (For sequence number refer serial no. printed on the name and address sticker) • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field. |
| Dividend Bank Details OR Date of Birth (DOB) | Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. <ul style="list-style-type: none"> • If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v). |

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the relevant EVSN on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the password then Enter the User ID and the image verification code and click on Forgot Password and enter the details as prompted by the system.
- (xviii) Note for Non - Individual Shareholders and Custodians
 - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions 'FAQs' and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

Explanatory Statement

(Pursuant to Section 102(1) of the Companies Act, 2013)

Item No.5

The Company has branches outside India and may also open / acquire new branches outside India in future. It may be necessary to appoint branch auditors for carrying out the audit of the accounts of such branches to meet the compliance of laws applicable in those countries. The Members are requested to authorise the Board of Directors of the Company to appoint branch auditors in consultation with the Company's Auditors and fix their remuneration.

None of the directors or key managerial personnel or their relatives is concerned or interested in the Resolution.

The Board recommends the resolution set forth in Item No.5 for the approval of the shareholders.

Item No.6

The Board of Directors with due recommendation of the Nomination and Remuneration Committee of the Company had appointed Ms Leona Ambuja as an Additional Director with effect from 31st March 2015 by passing Circular Resolution and designated her as an Independent Non-Executive Woman Director on the Board of the Company.

In terms of Section 161 and other applicable provisions (including any modification or re-enactment thereof), if any, of the Companies Act, 2013, Ms Leona Ambuja

holds office only up to the date of this Annual General Meeting of the Company and is eligible for appointment. A notice in writing has been received from a Member of the Company along with the requisite deposit under Section 160 of the Companies Act, 2013 signifying intention to propose Ms Leona Ambuja as a candidate for the office of a Director.

Ms Leona Ambuja, holds a graduate degree in Commerce from the Osmania University. Ms Leona Ambuja has an experience of over seven years in the areas of accounting, taxation and compliance matters.

Ms Leona Ambuja does not hold any shares in the Company.

Ms Leona Ambuja does not hold any Directorship / Committee Membership in other companies.

Ms Leona Ambuja will be deemed to be concerned or interested in the proposed resolution to the extent of the remuneration that the office of an independent director may carry. None of the other directors or key managerial personal or their relatives is concerned or interested in the Resolution.

The Board recommends the resolution set forth in Item No.6 for the approval of the shareholders.

By order of the Board of Directors
for **Megasoft Limited**

Place: Hyderabad
Date : 26 May 2015

GV Kumar
Managing Director

ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE 15TH ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

The brief resume, experience and functional expertise and the membership on the various Boards and Committees, of Directors proposed to be re-appointed / appointed at Sl. Nos. 2, 3 and 6 of the Notice of the Annual General Meeting as required under Clause 49 of the Listing Agreement are given below:

| Name of the Director | D Sudhakar Reddy | G V Kumar | Ms Leona Ambuja |
|---|---|--|--|
| Date of Birth | 15 June 1958 | 31 July 1966 | 31 December 1986 |
| Date of Appointment | 6 March 2000 | 1 September 2004 | 31 March 2015 |
| Qualification | Fellow Member of The Institute of Chartered Accountants of India | Electrical Engineer with Post Graduate degree in Management | Commerce Graduate |
| Experience in Specific-functional area | He was in practice for over fifteen years and is an expert in Finance, Tax and Corporate Laws | Founder & CEO of XIUS India Limited (which was merged with the company in 2004) and has over 25 years of experience in IT & Telecom Industries | Professional accountant having experience in the areas of Accounting, Taxation and Compliance. |
| List of companies in which directorship held in other companies | 8 | NIL | NIL |
| Chairman / Members of the Committee of the Board of companies in which he is Director | Member of Audit / Risk & Compliance Committee of the company Member of Stakeholder Relationship Committee of the company | Member of Stakeholders Relationship Committee of the company | NIL |
| Shareholding in the company (equity shares of ` 10 each) | NIL | 22,26,911 | NIL |

Directorship in foreign companies, membership in governing councils, chambers and other bodies, Partnership firms, etc., are not included. Membership in non-mandatory Committees is also not included.

None of the aforesaid Director is related to each other or to any other Director on the Board of the Company.



MEGASOFT LIMITED

CIN L72200TN1999PLC042730

No.85, Kutchery Road, Mylapore, Chennai 600004, Tamilnadu, India

www.megasoft.com

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s) :

Registered Address :

E-mail id :

Folio No. / Client id & DP id :

I/We, being the member(s) of _____ shares of Megasoft Limited, hereby appoint:

_____ of _____ having e-mail id _____ or failing him

_____ of _____ having e-mail id _____ or failing him

_____ of _____ having e-mail id _____ or failing him

and whose signature(s) are appended below as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 15th Annual General Meeting of the Company, to be held on Wednesday, September 23, 2015 at 10:00 am, Sri Thyaga Brahma Gana Sabha (Vani Mahal), No.103, G N Chetty Road, T Nagar, Chennai 600017 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution Nos.

1. To consider and adopt:
 - (a) Audited Financial Statements and Reports of the Board of Directors and Auditors thereon
 - (b) Audited Consolidated Financial Statements and Reports of the Auditors thereon
2. Re-appointment of Mr D Sudhakar Reddy (DIN-00047707) who retires by rotation
3. Re-appointment of Mr GV Kumar (DIN-00059107) who retires by rotation
4. Appointment of Auditors
5. Appointment of Branch Auditors
6. Appointment of Ms Leona Ambuja as an Independent Director

Affix
1/-
Revenue
Stamp

Signed this _____ day of _____ 2015

Signature of shareholder

Signature of first proxy holder

Signature of second proxy holder

Signature of third proxy holder

Note : This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.



MEGASOFT LIMITED

CIN L72200TN1999PLC042730

No.85, Kutchery Road, Mylapore, Chennai 600004, Tamilnadu, India

www.megasoft.com

ATTENDANCE SLIP

Regd. Folio No. _____

DP / Client ID* _____

No. of shares held _____

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

I hereby record my presence at the 15th ANNUAL GENERAL MEETING of the Company at Sri Thyaga Brahma Gana Sabha (Vani Mahal), No.103, G N Chetty Road, T Nagar, Chennai 600017 at 10.00 am on Wednesday, the 23rd day of September 2015.

Signature of Member/Proxy

Member's/Proxy's name in BLOCK Letters

Note : Please fill up this attendance slip and hand it over at the entrance of the meeting hall.

Members are requested to bring their copies of the Annual Report to the meeting.

* For share(s) held in electronic form.

GLOBAL offices

INDIA

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Disclaimer

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

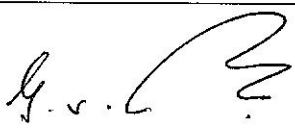

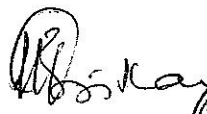

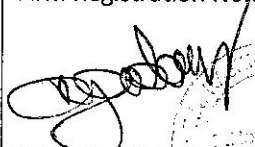


We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Registered office: Megasoft Limited, No 85 Kutcheri Road, Mylapore, Chennai 600004, Tamilnadu, India

FORM A
Format of covering letter of the annual audit report to be filed with the Stock Exchange

| | | | |
|---|--|--|--|
| 1 | Name of the company | Megasoft Limited | |
| 2 | Annual financial statements for the year ended | 31st March 2015 | |
| 3 | Type of Audit observation | <p>Un-qualified / Matter of Emphasis</p> <p><u>Clause ix (a) of the Annexure to the Auditors' Report:</u> <i>However, in respect of provident fund, employees' state insurance, professional tax, service tax and tax deducted at source, instances of delayed remittances were noticed during the year. However, there were no dues on any of these accounts as of the date of this report.</i></p> <p><u>Clause xi of the Annexure to the Auditors' Report:</u> <i>there was a delay of 55 days in respect of interest amounting to Rs.17.59 lakhs due to a bank as on 31 March 2015. However, there were no dues to the bank as of the date of this report.</i></p> | |
| 4 | Frequency of observation | <p>Whether appeared first time... repetitive.../ since how long period ...</p> <p>Clause xi : first time</p> <p>Clause ix(a) : delays observed in the previous financial years – since 31 December 2012 (year end).</p> | |
| 5 | To be signed by- CEO/Managing Director | GV Kumar Managing Director |  |
| | CFO | Hari K Patalay, DGM-Finance |  |
| | Auditor of the company | <p>for Srikanth & Shanthi Associates Chartered Accountants Firm Registration No.004006S</p> <p> MC Srikanth Partner Membership No.018</p> <p></p> | <p>for TN Rajendran & Co. Chartered Accountants Firm Registration No.005080S</p> <p> TN Rajendran Partner Membership No.028778</p> <p></p> |
| | Audit/Risk & Compliance Committee Chairman | R Janardhana Reddy |  |

Place: Hyderabad
Date: 26 May 2015