

**INDEPENDENT AUDITORS' REPORT**

**To the Members of 3i Infotech Consultancy Services Limited**

**Report on the Standalone Financial Statements**

We have audited the accompanying financial statements of **3i Infotech Consultancy Services Limited** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone 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 the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone financial statements based on our 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 thereunder.

We conducted our audit in accordance with the Standards on Auditing 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 the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the standalone financial statements.

### **Basis for Qualified Opinion**

Trade receivables includes an overdue amount of Rs. 3,24,33,629 receivable in foreign currency, which has been outstanding for more than nine months as at March 31, 2016, which is not in compliance with RBI Master Circular No. 2014-15/306 dated 20.11.2014. We are unable to comment on the consequential effect, if any, on the financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, and its profit and its cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;



- c) 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;
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164(2) of the Act;
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i) The Company has disclosed the impact of pending litigations on its financial position in the aforesaid financial statements – Refer Note 20.1 to the financial statements.
  - ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii) There were no amounts required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31<sup>st</sup> March, 2016.

For Lodha & Co.  
Chartered Accountants  
Firm Registration No. 301051E

*R P Baradiya*

R P Baradiya  
Partner  
Membership No. 44101

Place: Mumbai  
Date : August 10, 2016



**ANNEXURE A TO THE AUDITORS' REPORT**

**With respect to the Annexure referred to in Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31<sup>st</sup> March, 2016, we report that:**

1.
  - a) The Company is in the process of maintaining its fixed asset register showing full particulars including quantitative details and situation of fixed assets.
  - b) The fixed assets have not been physically verified by the management. In the absence of physical verification, we are not in a position to comment on the discrepancies, if any, between physical and book balances and the impact thereof.
  - c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not own any immovable properties and thus, paragraph 3(i)(c) of the Order is not applicable to the Company.
2. The Company is a service company, primarily rendering information technology services. Accordingly, it does not hold any inventories. Thus, paragraph 3(ii) of the Order, is not applicable to the Company.
3. During the year, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable to the Company.
4. During the year, the Company has not given any loans, not made investments, not issued guarantees, and has not provided security. Accordingly, paragraph 3(iv) of the Order is not applicable to the Company.
5. No deposits within the meaning of directives issued by RBI (Reserve Bank of India) and Sections 73 to 76 or any other relevant provisions of the Act and rules framed there under have been accepted by the Company.
6. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act, for any of the services rendered by the Company.
7.
  - a) The Company is not regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and any other statutory dues applicable to the Company with the appropriate authorities. No undisputed amounts payable in respect of the aforesaid statutory dues were outstanding as at the last day of the



financial year for a period of more than six months from the date they became payable.

- b) According to the records of the Company, there are no dues of Income Tax, Sales Tax, Service tax, Duty of Customs, Duty of Excise or Value Added Tax which have not been deposited on account of any dispute, except the following:

S. No.	Name of the Statute	Nature of the Dues	Amount in Rs.	Financial Year	Forum where the dispute is pending
1.	Income Tax Act, 1961	Income Tax	1,16,00,994	2009-10	Commissioner of Income Tax (Appeals)
2.	Income Tax Act, 1961	Income Tax	87,16,330	2011-12	Commissioner of Income Tax (Appeals)

8. As per the information and explanations given to us and our verification of the records of the Company, the Company has made delays in repayment of dues to a bank during the year under audit. However, as per the Debt Restructuring Scheme approved by the CDR Empowered Group, the dues repayable to a bank have been recognised in the Holding Company and thus no amount is payable by the Company in respect of such dues as at 31.03.2016. Attention is also invited to Note 20.8 to the financial statements. The Company does not have any dues to financial institutions, Government or debenture holders.
9. According to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
10. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing standards in India and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the management.
11. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration in accordance with the provisions of Section 197 read with Schedule V of the Act and thus, paragraph 3(xi) of the Order is not applicable.
12. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.



13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards. (Refer Note 20.6 to the financial statements)
14. According to the information and explanations given to us and based on our examinations of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him as per the provisions of Section 192 of the Act.
15. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Lodha & Co.  
Chartered Accountants  
Firm Registration No: 301051E

*R P Baradiya*

R P Baradiya  
Partner

Membership No: 44101

Place : Mumbai

Dated : August 10, 2016



**ANNEXURE B****ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF 3i INFOTECH CONSULTANCY SERVICES LIMITED****Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **3i Infotech Consultancy Services Limited** ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting includes obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.


### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

**For Lodha & Co.**  
**Chartered Accountants**  
**Firm Registration No: 301051E**

  
**R P Baradiya**  
**Partner**  
**Membership No.: 44101**

Place : Mumbai  
Date: August 10, 2016



**3i Infotech Consultancy Services Limited**  
**Balance Sheet as at March 31, 2016**

(In Rs.)

Particulars	Note No.	As at March 31, 2016	As at March 31, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
(a) Share capital	<u>2</u>	48,052,110	48,052,110
(b) Reserves and surplus	<u>3</u>	176,926,422	173,286,828
<b>2. Current liabilities</b>			
(a) Short-term borrowings	<u>4</u>	219,590,844	129,952,130
(b) Trade payables			
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	<u>5</u>	27,500,628	19,110,044
(c) Other current liabilities	<u>6</u>	44,413,412	87,305,236
(d) Short-term provisions	<u>7</u>	18,393,388	15,875,152
<b>TOTAL</b>		<b>534,876,804</b>	<b>473,581,500</b>
<b>II. ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Fixed assets	<u>8</u>		
(i) Tangible assets		-	-
(ii) Intangible assets		-	-
(b) Deferred tax assets	<u>9</u>	8,645,000	7,992,000
(c) Long-term loans and advances	<u>12</u>	67,056,574	52,742,855
<b>2. Current assets</b>			
(a) Trade receivables	<u>10</u>	348,407,062	251,034,082
(b) Cash and Bank balances	<u>11</u>	1,100,379	648,081
(c) Short-term loans and advances	<u>12</u>	50,382,722	107,978,551
(d) Other current assets	<u>13</u>	59,285,068	53,185,931
<b>TOTAL</b>		<b>534,876,804</b>	<b>473,581,500</b>
See accompanying notes to the financial statements	<u>20</u>		

As per our attached report of even date

Schedules referred to above form an integral part of the financial statements

For Lodha & Company  
Chartered Accountants  
Firm Registration No:301051E

For and on behalf of the Board

*R P Baradiya*  
R P Baradiya  
Partner  
Membership No. 44101  
Date August 10, 2016  
Place : Mumbai

*Padmanabhan Iyer*  
Padmanabhan Iyer  
Chairman  
DIN:05282942

*Mrinal Ghosh*  
Mrinal Ghosh  
Director  
DIN:07232477



**3i Infotech Consultancy Services Limited**  
**Statement of Profit and Loss for the year ended March 31, 2016**

(In Rs.)

Particulars	Note No.	For the year ended March 31, 2016	For the year ended March 31, 2015
I. Revenue from operations	14	642,061,443	606,339,062
II. Other income	15	1,727,190	10,323,317
<b>III. Total Revenue (I + II)</b>		<b>643,788,633</b>	<b>616,662,379</b>
<b>IV. Expenses:</b>			
Cost of Revenue	16	54,013,040	46,730,227
Employee benefits expense	17	529,582,590	493,652,063
Finance costs	18	32,348,737	29,512,973
Depreciation and amortization expense	8	-	198,347
Other expenses	19	27,062,025	25,101,621
<b>Total expenses</b>		<b>643,006,392</b>	<b>595,195,231</b>
<b>V. Profit before tax (III - IV)</b>		<b>782,241</b>	<b>21,467,148</b>
<b>VI. Tax expense:</b>			
Current tax		1,382,000	11,010,000
MAT credit entitlement		-	(90,000)
Deferred tax		(653,000)	(1,530,934)
Income Tax for earlier years		(3,586,353)	8,281,424
<b>VII. Profit / (Loss) for the period (V-VI)</b>		<b>3,639,594</b>	<b>3,796,658</b>
<b>VIII. Earnings per equity share of face value of Rs.10 each:</b>			
Basic & Diluted		0.76	0.79
See accompanying notes to the financial statements	20		

As per our attached report of even date  
Schedules referred to above form an integral part of the financial statements

For Lodha & Company  
Chartered Accountants  
Firm Registration No:301051E

For and on behalf of the Board

*R P Baradiya*

R P Baradiya  
Partner  
Membership No. 44101  
Date : August 10, 2016  
Place : Mumbai

*Padmanabhan Iyer*

Padmanabhan Iyer  
Chairman  
DIN:05282942

*Mrinal Ghosh*

Mrinal Ghosh  
Director  
DIN:07232477



**3i Infotech Consultancy Services Limited**  
**Cash Flow Statement for the year ended March 31, 2016**

(In Rs.)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>A. Cash Flow from Operating Activities :</b>		
Profit before taxation	782,241	21,467,148
Adjustments for:		
Depreciation / Amortization	-	198,347
Interest received	-	(7,368,305)
Interest paid / payable	32,348,737	29,512,973
<b>Operating Profit before Working Capital Changes</b>	<b>33,130,978</b>	<b>43,810,163</b>
Adjustments for:		
Trade and Other Receivables	(45,701,943)	(101,352,541)
Trade Payables and Other Liabilities	97,632,681	69,110,316
	<b>51,930,738</b>	<b>(32,242,225)</b>
<b>Cash generated from Operations</b>	<b>85,061,716</b>	<b>11,567,938</b>
<b>Net cash from Operating Activities</b>	<b>85,061,716</b>	<b>11,567,938</b>
<b>B. Cash Flow from Investing Activities :</b>		
Interest received	-	7,368,305
<b>Net cash from Investing Activities</b>	<b>-</b>	<b>7,368,305</b>
<b>C. Net cash from Financing Activities</b>		
Interest paid / payable	(32,348,737)	(29,512,973)
Repayment of borrowings ( net )	(52,260,681)	8,550,458
<b>Net Cash used in Financing Activities</b>	<b>(84,609,418)</b>	<b>(20,962,515)</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>452,298</b>	<b>(2,026,272)</b>
<b>Cash and Cash Equivalents as at beginning</b>	<b>648,081</b>	<b>2,674,353</b>
<b>Cash and Cash Equivalents as at end</b>	<b>1,100,379</b>	<b>648,081</b>
<b>See accompanying notes to the financial statements</b>	<b>20</b>	

**Notes :**

- 1 The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash Flow Statement" notified by the Companies Act, 2013.
- 2 Previous year figures have been regrouped / rearranged wherever necessary to conform to the current period's presentation.

**For Lodha & Company**  
**Chartered Accountants**  
**Firm Registration No:301051E**

*R P Baradiya*  
**R P Baradiya**  
**Partner**  
**Membership No. 44101**  
**Date : August 10, 2016**  
**Place : Mumbai**



**For and on behalf of the Board**

*Padmanabhan Iyer*  
**Padmanabhan Iyer**  
**Chairman**  
**DIN:05282942**

*Mrinal Ghosh*  
**Mrinal Ghosh**  
**Director**  
**DIN:07232477**

### **3i INFOTECH CONSULTANCY SERVICES LIMITED**

**Notes forming part of Financial Statements as at and for the year ended March 31, 2016**

#### **1. Significant Accounting Policies**

##### **1.1 Overview of the Company**

3i Infotech Consultancy Services Limited is a wholly owned subsidiary of 3i Infotech Ltd. The Company undertakes Consultancy Services and BPO Transaction Processing Services.

##### **1.2 Method of Accounting**

The financial statements are prepared in accordance with Generally Accepted Accounting Principles ("GAAP") of India under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards notified under the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act, 2013. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard required a change in accounting policy hitherto in use.

##### **1.3 Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosures of an item or information in the financial statements are made relying on these estimates. Any revision to accounting estimates is recognized prospectively.

##### **1.4 Revenue Recognition**

Revenue from consulting services is recognized either on time and material basis or fixed price basis, as the case may be. Revenue on time and material contracts is recognized as and when services are performed. Revenue on fixed-price contracts is recognized as per the milestone completion method.

Revenue from Staff augmentation services are recognized based on number of manpower deployed as per the terms of the relevant agreements.

##### **1.5 Fixed Assets, Depreciation and Amortisation**

Fixed Assets are stated at cost, which comprises of purchase consideration and other directly attributable cost of bringing the assets to its working condition for the intended use.

Depreciation on fixed assets other than acquired software is provided on straight-line method at the rates and in the manner as prescribed in Schedule II to the Companies Act, 2013.

Acquired Software is amortized over a period of five years.

##### **1.6 Accounting for Taxes on Income**

Provision for current income tax is made on the basis of the estimated taxable income for the year in accordance with the Income Tax Act, 1961.

MAT credit asset is recognized and carried forward only if there is a reasonable certainty of it being set off against regular tax payable within the stipulated statutory period.

Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized and carried forward only if there is a virtual certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.



### **3i INFOTECH CONSULTANCY SERVICES LIMITED**

**Notes forming part of Financial Statements as at and for the year ended March 31, 2016**

#### **Significant Accounting Policies**

##### **1.7 Translation of Foreign Currency Items**

Transactions in foreign currency are recorded at the rate of exchange in force on the date of the transactions. Current assets, current liabilities and borrowings denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet. The resultant gain/loss is recognized in the Statement of Profit & Loss.

##### **1.8 Accounting of Employee Benefits**

###### **a) Gratuity**

The Company provides for gratuity, a defined benefit retirement plan, covering eligible employees. Liability under gratuity plan is determined on actuarial valuation done by an independent valuer using the Projected Unit Credit Method.

###### **b) Provident fund**

Eligible employees receive benefits from a provident fund, which is a defined contribution plan to the Regional Provident Fund Commissioner. The aggregate contribution along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contribution to the Regional Provident Fund Commissioner equal to a specified percentage of the covered employee's salary. Company also contributes to a Government administered pension fund on behalf of its employees.

- c) Liability for long term leave encashment/entitlement for employees is provided on the basis of the actuarial valuation carried out semi-annually.
- d) Short term employee benefits are estimated and provided for.

##### **1.9 Borrowing Costs**

Borrowing costs directly attributable to acquisition, construction and production of assets are capitalized as a part of the cost of such asset upto the date of completion. Other borrowing costs are charged to the Statement of Profit & Loss.

##### **1.10 Unbilled and Unearned Revenue**

Revenue recognized over and above the billings on a customer is classified as unbilled revenue while excess of billing over the revenue recognized in respect of a customer is classified as unearned revenue.

##### **1.11 Impairment of Assets**

In accordance with AS 28 on 'Impairment of Assets', where there is an indication of impairment of the Company's assets related to cash generating units, the carrying amounts of such assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is realizable whenever the carrying amount of such assets exceeds its recoverable amount. Impairment loss is recognized in the Statement of Profit & Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to extent of the carrying value of the asset that would have been determined (net of amortization/depreciation) had no impairment loss been recognized.



### **3i INFOTECH CONSULTANCY SERVICES LIMITED**

**Notes forming part of Financial Statements as at and for the year ended March 31, 2016**

#### **Significant Accounting Policies**

##### **1.12 Lease**

Where the Company has substantially acquired all risks and rewards of ownership of the assets, leases are classified as financial lease. Such assets are capitalized at the inception of the lease, at the lower of fair value or present value of minimum lease payment and liability is created for an equivalent amount. Each lease rental paid is allocated between liability and interest cost so as to obtain constant periodic rate of interest on the outstanding liability for each year.

Where significant portion of risks and reward of ownership of assets acquired under lease are retained by lessor, leases are classified as Operating lease. Lease rentals for such leases are charged to Statement of Profit and Loss. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the financial year in which termination takes place.

##### **1.13 Provisions, Contingent Liabilities and Contingent Assets**

- i) Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be outflow of resources.
- ii) Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.
- iii) Contingent Assets are neither recognized nor disclosed in the financial statements.



**3i Infotech Consultancy Services Limited**  
Notes forming part of Financial Statements as at and for the year ended March 31, 2016

**2 Share Capital**

Particulars	(In Rs.)	
	As at March 31, 2016	As at March 31, 2015
Authorised		
10,000,000 Equity shares of Rs. 10 each (as at Mar 31, 2012 - 10,000,000 of Rs. 10 each)	100,000,000	100,000,000
	100,000,000	100,000,000

	In Numbers		In Amount (In Rs.)	
	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
Issued, Subscribed & Paid - up Equity shares of Rs. 10 each	4,805,211	4,805,211	48,052,110	48,052,110
	4,805,211	4,805,211	48,052,110	48,052,110

**i) Terms/Rights attached to Equity Shares:**

The Company has only one class of Equity Shares having a par value of Rs. 10. Each holder of Equity Shares is entitled to one vote per share. In the event of liquidation of the Company, the holder of Equity Shares will be entitled to receive the remaining assets of the company, after distribution of all preferential and other payables. The distribution will be in proportion to the number of Equity Shares held by the shareholders.

**(ii) Details of Member holding more than 5 percent shares are as follows:**

Particulars	As at March 31, 2016		As at March 31, 2015	
	No. of Shares	%	No. of Shares	%
3i Infotech Limited	4,805,211	100%	4,805,211	100%

**(iii) Reconciliation of number of shares outstanding at the beginning and at the end of the period / year is as follows:**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Amount (In Rs.)	Number	Amount (In Rs.)
Equity Shares of ` 10 each				
Equity Shares as at the beginning of the period / year	4,805,211	48,052,110	4,805,211	48,052,110
Equity Shares as at the beginning of the period / year	4,805,211	48,052,110	4,805,211	48,052,110

**iv) Aggregate number of bonus shares issued and share issued for consideration other than cash during the period of five years immediately preceding the reporting date - NIL**



3i Infotech Consultancy Services Limited  
Notes forming part of Financial Statements as at and for the year ended March 31, 2016

3 Reserves and Surplus		(In Rs.)	
Particulars	As at March 31, 2016	As at March 31, 2015	
<b>a. Securities Premium Reserve</b>			
Balance as per last Balance Sheet	322,328,296	322,328,296	
	<b>322,328,296</b>	<b>322,328,296</b>	
<b>b. Surplus / (Deficit) in Statement of Profit and Loss</b>			
Balance as per last Balance Sheet	(149,041,468)	(149,287,940)	
Depreciation Reserve Adjustment	-	(3,550,186)	
Add : Balance of Profit carried forward from Profit and Loss account	3,639,594	3,796,658	
	<b>(145,401,874)</b>	<b>(149,041,468)</b>	
<b>Total</b>	<b>176,926,422</b>	<b>173,286,828</b>	



3) Infotech Consultancy Services Limited  
Notes forming part of Financial Statements as at and for the year ended March 31, 2016

4 Borrowings	Particulars	As at March 31, 2016		As at March 31, 2015	
		Current	Non Current	Current	Non Current
	<b>Borrowings</b>				
	Secured Loans				
	Cash Credit *	-	-	52,260,679	-
	From Other Bodies Corporate	-	-	105,754,832	-
	Less: Shown under Other Current Liabilities (Refer Note 7 below)	-	-	(52,260,679)	-
	<b>Total Secured Loans (a)</b>	-	-	<b>105,754,832</b>	-
	<b>Unsecured Loans</b>				
	- From a Holding company (Refer note no.20.8)	166,816,763	-	-	-
	- From a Fellow subsidiary	52,774,081	-	24,197,298	-
	<b>Total Unsecured Loans (b)</b>	<b>219,590,844</b>	-	<b>24,197,298</b>	-
	<b>Total Borrowings (a+b)</b>	<b>219,590,844</b>	-	<b>129,952,130</b>	-



## 5 Trade payables

(In Rs.)

Particulars	As at March 31, 2016		As at March 31, 2015	
	Current	Non Current	Current	Non Current
<b>Due to</b>				
Total outstanding dues of micro enterprises and small enterprises	-	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises:				
Others	27,500,628	-	19,110,044	-
(also refer note no. 20.2 regarding dues to Micro, Small and Medium Enterprises)				
<b>Total</b>	<b>27,500,628</b>	<b>-</b>	<b>19,110,044</b>	<b>-</b>

## 6 Other Current Liabilities

(In Rs.)

Particulars	As at March 31, 2016		As at March 31, 2015	
	Current	Non Current	Current	Non Current
<b>Other Current Liabilities</b>				
Overdue Cash Credit Loan	-	-	52,260,679	-
Others				
Statutory Dues	44,413,412	-	35,044,557	-
<b>Total</b>	<b>44,413,412</b>	<b>-</b>	<b>87,305,236</b>	<b>-</b>

## 7 Provisions

(In Rs.)

Particulars	As at March 31, 2016		As at March 31, 2015	
	Current	Non Current	Current	Non Current
Provision for Employee benefits	18,393,388	-	14,322,892	-
Proposed Dividend				
Provision for Income Tax (Net of TDS)	-	-	1,552,260	-
<b>Others</b>				
Provision for Income Tax (Net of TDS)				
<b>Total</b>	<b>18,393,388</b>	<b>-</b>	<b>15,875,152</b>	<b>-</b>

## 8 Deferred Tax Asset / (Liability)

(In Rs.)

Particulars	As at March 31, 2016	As at March 31, 2015
Expenses allowable on payment and others	5,902,000	4,647,000
Fixed Assets (Depreciation / Amortization)	2,743,000	3,345,000
<b>Total</b>	<b>8,645,000</b>	<b>7,992,000</b>



31 Infotech Consultancy Services Limited  
Notes forming part of Financial Statements as at and for the year ended March 31, 2016

8 Fixed Assets

(In Rs.)

Particulars	GROSS BLOCK			DEPRECIATION / AMORTIZATION							NET BLOCK		
	As at April 1,2015	Additions on Business combinations	Additions during the year	Ded / (Adj) during the year	As at March 31,2016	Upto April 1,2015	Additions on Business combinations	Depreciation for the year	Depreciation Reserve Adjustment	Ded / (Adj) for the year	Upto March 31,2016	As at March 31,2016	As at March 31,2015
Tangible assets													
Furniture & Fixtures	8,442,611	-	-	8,442,611	-	8,442,611	-	-	-	-	8,442,611	-	-
Office Equipment	5,003,703	-	-	5,003,703	-	5,003,703	-	-	-	-	5,003,703	-	-
Computers	14,477,490	-	-	14,477,490	-	14,477,490	-	-	-	-	14,477,490	-	-
Total	27,923,804	-	-	27,923,804	-	27,923,804	-	-	-	-	27,923,804	-	-



**3i Infotech Consultancy Services Limited**
**Notes forming part of Financial Statements as at and for the year ended March 31, 2016**
**10 Trade receivables**
**(In Rs.)**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Unsecured, considered good</b>		
Receivables outstanding for more than six months from the due date		
- Holding Company	46,437,547	54,575,132
- Fellow subsidiary	34,531,256	27,901,012
- Others	1,007,100	-
Less: Provision for bad and doubtful debts	-	-
	<b>81,975,903</b>	<b>82,476,144</b>
<b>Others:</b>		
- Holding Company	263,050,957	137,910,386
- Fellow subsidiary	3,025,526	28,848,203
- Others	354,676	1,799,349
	<b>266,431,159</b>	<b>168,557,938</b>
<b>Total</b>	<b>348,407,062</b>	<b>251,034,082</b>

**11 Cash and Bank Balances**
**(In Rs.)**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Cash and Cash Equivalents</b>		
<b>Cash on hand</b>		
<b>Bank Balances</b>		
(a) Balances with scheduled banks:		
- In current accounts	1,100,379	648,081
<b>Total</b>	<b>1,100,379</b>	<b>648,081</b>

**12 Loans and advances**
**(In Rs.)**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Current	Non Current	Current	Non Current
<b>Unsecured, considered good</b>				
Advance to Creditors		-	57,410,271	-
- Holding Company	174,343			
Security Deposit				
- Holding Company	50,000,000	-	50,000,000	-
<b>Others:</b>				
Advances recoverable in cash or in kind or for value to be received	208,379	-	568,280	-
Advance tax and tax deducted at source (net)	-	67,056,574	-	52,742,855
<b>Total</b>	<b>50,382,722</b>	<b>67,056,574</b>	<b>107,978,551</b>	<b>52,742,855</b>

**13 Other Current Assets**
**(In Rs.)**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Current	Non Current	Current	Non Current
Unbilled Revenue	-	-	-	-
- Holding Company	58,855,765	-	51,026,336	-
- Fellow subsidiary	7,054	-	719,653	-
- Others	422,249	-	1,439,942	-
<b>Total</b>	<b>59,285,068</b>	<b>-</b>	<b>53,185,931</b>	<b>-</b>



**3i Infotech Consultancy Services Limited****Notes forming part of Financial Statements as at and for the year ended March 31, 2016****14 Revenue from Operations****(In Rs.)**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Income from operations	642,061,443	606,339,062
<b>Total</b>	<b>642,061,443</b>	<b>606,339,062</b>

**15 Other Income****(In Rs.)**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest income	188,916	8,784,147
Net gain / (loss) on Foreign Exchange translation and transactions	1,536,457	1,524,570
Miscellaneous Income	1,817	14,600
<b>Total</b>	<b>1,727,190</b>	<b>10,323,317</b>

**16 Cost of Revenue****(In Rs.)**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Cost of third party products / outsourced services	4,235,594	4,649,929
Travelling and conveyance	45,209,639	37,970,413
Communication expenses	4,567,807	4,109,885
<b>Total</b>	<b>54,013,040</b>	<b>46,730,227</b>

**17 Employee benefit expenses****(In Rs.)**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Salaries and wages	475,832,725	441,136,543
Contribution to provident funds and other funds	36,809,776	34,278,629
Contribution to gratuity funds	6,689,428	6,043,379
Contribution to ESIC funds	10,005,026	10,298,679
Recruitment and training expenses	245,635	1,480,011
Staff welfare expenses	-	414,822
<b>Total</b>	<b>529,582,590</b>	<b>493,652,063</b>



**3i Infotech Consultancy Services Limited****Notes forming part of Financial Statements as at and for the year ended March 31, 2016****18 Finance cost****(In Rs.)**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest expense:		
- on Borrowings	24,008,259	25,073,231
- on late payment of statutory dues	6,962,344	2,631,188
Other borrowing costs	1,378,134	1,808,554
<b>Total</b>	<b>32,348,737</b>	<b>29,512,973</b>

**19 Other expenses****(In Rs.)**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Payments to Auditors		
-Audit	400,000	400,000
Rates and taxes	316,213	286,613
Legal and Professional charges	56,500	1,692,980
Outsourced services cost - support activities	26,289,312	22,722,014
Miscellaneous expenses	-	14
<b>Total</b>	<b>27,062,025</b>	<b>25,101,621</b>



### 3i INFOTECH CONSULTANCY SERVICES LIMITED

Notes forming part of Financial Statements as at and for the year ended March 31, 2016

#### 20. Other Notes

##### 20.1 Contingent Liabilities and Commitments (to the extent not provided for)

- a) Income Tax matters under appeal: (Rs. in lakhs)
- i) Penalty amount deducted from the refund order for the Assessment year 2010-11 - 56.14 (Previous Year Rs. 56.14 lakhs)
  - ii) Demand as per Assessment Order after reassessment proceedings for the Assessment Year 2010-11 - 116.01 lakhs (Previous Year Rs. 116.01 lakhs)
  - iii) Demand as per Assessment Order for the Assessment Year 2012-13 - 87.16 lakhs (Previous Year Rs. 87.16 lakhs)
  - iv) Demand as per Assessment Order for the Assessment Year 2013-14 - 89.32 lakhs (Previous Year Rs. Nil)
- b) The Company's pending litigations comprise of claims against the Company and proceedings pending with Tax and other Authorities. The Company has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its financial statements. The Company does not reasonably expect the outcome of these proceedings to have a material impact on its financial statements.

20.2 The Company has no dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosure pursuant to the said MSMED Act are as follows:

Particulars	As at March 31, 2016	As at March 31, 2015
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-	-
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-	-
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	-	-
Further interest remaining due and payable for earlier years	-	-

20.3 In the opinion of the Board, the current assets, loans and advances have a value on realization in the The accounts of certain Trade receivables, Trade Payables, Current Assets, Current Liabilities and Loans & Advances are however, subject to formal confirmations or reconciliation and consequent adjustments, if any. However there is no indication of dispute on this accounts, other than mentioned those in the Financial Statements. The Management does not expect any material difference affecting the current year's Financial Statement on such reconciliations, adjustments.



### 3i INFOTECH CONSULTANCY SERVICES LIMITED

Notes forming part of Financial Statements as at and for the year ended March 31, 2016

#### 20.4 Earnings Per Share:

The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

Particulars		For the year ended March 31, 2016	For the year ended March 31, 2015
Profit / (Loss) attributable to Equity Shareholders (Rs.)	A	3,639,594	3,796,658
Weighted Average number of Equity Shares outstanding during the quarter/ year (Nos.)	B	4,805,211	4,805,211
Nominal value of Equity Shares (Rs.)		10	10
Basic/Diluted Earnings Per Share (Rs.)	A/B	0.76	0.79

#### 20.5 Auditors' Remuneration:

Particulars		(In Rs) For the year ended March 31, 2016	For the year ended March 31, 2015
Audit Fees		400,000	400,000
For Service Tax		56,000	49,440
For Out of Pocket Expenses		-	-
Total		456,000	449,440

#### 20.6 Related Party disclosure as per Accounting Standard 18

Parties with whom transactions have been carried out in the ordinary course of business

Names of the related Parties are as follows

a. The parties where control exists - the Holding Company:

3i Infotech Limited,

b. Fellow Subsidiaries:

3i Infotech Saudi Arabia LLC  
3i Infotech (Africa) Limited  
3i Infotech (Middle East) FZ-LLC  
3i Infotech Holdings Private Limited  
3i Infotech (UK) Limited  
3i Infotech (Western Europe) Holdings Limited  
3i Infotech (Western Europe) Group Limited (Upto 23<sup>rd</sup> December, 2014)  
Rhyme Systems Limited  
3i Infotech Financial Software Inc.  
3i Infotech Framework Limited  
Professional Access Software Development Private Limited  
Locuz Enterprise Solutions Limited  
3i Infotech BPO Limited  
3i Infotech Inc.



### 3i INFOTECH CONSULTANCY SERVICES LIMITED

Notes forming part of Financial Statements as at and for the year ended March 31, 2016

#### Directors / Key Management Personnel:

Mr. Madhivanan Balakrishnan (Chairman)  
Mr. Padmanabhan Iyer (Director)  
Mr. Ashish Kakkar (Director)

- a) The Company has entered into the following transactions with related parties in the ordinary course of business:

(In Rs)		
Nature of transactions	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>3i Infotech Limited</b>		
Income	626,653,816	573,612,275
Corporate Charges	26,289,312	22,722,014
Advances paid / (repaid)	-	57,410,271
Loan received (Refer note no.20.8)	166,816,763	-
<b>3i Infotech (MEA) FZ-LLC</b>		
Income	6,459,523	1,433,590

- b) Outstanding Balances:

(In Rs)		
Nature of transactions	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>3i Infotech Limited</b>		
Receivable	309,622,846	220,386,530
Loan Payable (Refer note no.20.8)	166,816,763	-
Unbilled Revenue	58,855,765	51,026,336
EMD	50,000,000	50,000,000
<b>3i Infotech BPO Services Limited</b>		
Payable	52,774,081	24,197,298
<b>3i Infotech (MEA) FZ-LLC</b>		
Receivable	37,556,782	28,848,203
Unbilled Revenue	7,054	719,653

#### Notes:

1. Related Party is identified by the Management and relied upon by the Auditors.
2. No balances in respect of the related parties have been provided for / written back / written off.



### 3i INFOTECH CONSULTANCY SERVICES LIMITED

Notes forming part of Financial Statements as at and for the year ended March 31, 2016

#### 20.7 Employee Benefit Plans

The expected return on plan assets is based on market expectations at the beginning of the year for the returns over the entire life of the related obligations. The estimates for future salary increases considered take into account, inflation, seniority, promotion and other relevant factors.

The following table set out the status of the gratuity plan as required under AS 15 (Revised) and figures given below are as per actuarial valuation

#### Reconciliation of Benefit Obligations and Planned Assets:

##### Change in Defined obligation

(In Rs)

Particulars	As at March 31, 2016	As at March 31, 2015
Obligation at the beginning of the year	12,143,529	6,910,488
Acquisition Cost	-	-
Interest cost	962,069	624,107
Past Service Cost	-	-
Current Service cost	5,443,476	4,396,789
Benefits paid	(2,789,987)	(641,619)
Actuarial (gain)/loss in obligations	480,551	853,854
<b>Obligation at year end</b>	<b>16,239,638</b>	<b>12,143,529</b>

##### Change in Fair value of Plan Assets

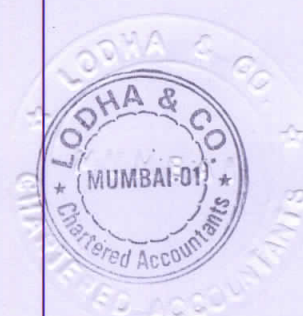
(In Rs)

Particulars	As at March 31, 2016	As at March 31, 2015
Fair value of planned assets at the beginning of the year	-	-
Expected return on the plan assets	-	-
Contributions by the employer	-	-
Benefits paid	-	-
Actuarial gain/(loss) on plan assets	-	-
<b>Fair value of planned assets at year end</b>	<b>-</b>	<b>-</b>

##### Expenses recognized in Statement of Profit and Loss

(In Rs)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Current Service Cost	5,443,476	4,396,789
Interest Cost	962,069	624,017
Net Actuarial (gain)/loss recognized in the year	480,551	853,854
<b>Expenses recognized in the Statement of Profit and Loss</b>	<b>6,886,096</b>	<b>5,874,660</b>



### 3i INFOTECH CONSULTANCY SERVICES LIMITED

Notes forming part of Financial Statements as at and for the year ended March 31, 2016

#### Reconciliation or Present Value of the obligation and the Fair value of the Plan Assets

Particulars	As at March 31, 2016	As at March 31, 2015
Liability at year-end	1,62,39,368	1,21,43,529
Fair value of plan assets at year-end	-	-
Liability recognized in the balance sheet	1,62,39,368	1,21,43,529

#### Assumptions

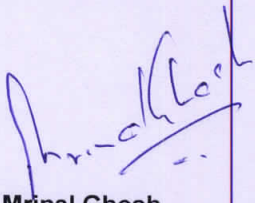
Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Discount Rate	7.90%	7.90%
Expected Rate of Return on plan assets	-	-
Salary Escalation Rate	3% for first three years and 2% thereafter	3% for first three years and 2% thereafter

With respect to compensated absences (leave entitlements), liability recognized in the balance sheet (as per actuarial valuation) as on March 31, 2016 is Rs. 21,53,750 (Previous Year Rs. 21,79,363).

- 20.8 During the year, with an objective to serve interest of the lenders in the long term and offer the possibility of the value enhancement and simultaneously support the growth, the Holding Company submitted a Debt restructuring Scheme ('DRS') to its lenders (including the lenders of subsidiary companies). Subsequent to the year end, the DRS has been approved by the CDR Empowered Group. As per DRS terms, Lenders' exposure in the Company as at March 31, 2016 is to be recognized in the Holding Company. Accordingly, the lenders' exposure as at March 31, 2016 amounting to Rs.166,816,763 has been recognized as 'Borrowing'.
- 20.9 Figures for the previous year have been re-grouped / re-arranged, wherever considered necessary to confirm to current year's presentation.

Signatures to Notes "1" to "20"  
For and on behalf of the Board

  
Padmanabhan Iyer  
Chairman  
DIN:05282942

  
Mrinal Ghosh  
Director  
DIN:07232477

Place: Mumbai  
Date: August 10, 2016

