

**INDEPENDENT AUDITORS' REPORT**

**To the Members of M/s. Locuz Enterprise Solutions Limited**

**Report on the Financial Statements**

We have audited the accompanying financial statements of **M/s. Locuz Enterprise Solutions 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 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 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 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 financial statements.

### 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 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 loss and its cash flows for the year ended on that date.

### Emphasis of Matter

Attention is drawn to Note 25 - 2.12 in the matter of not having proper composition of Board of Directors in accordance with the provisions of Section 149 of the Act and consequently, even the provisions of Section 177 and 178 of the Act could not be adhered to.

Our opinion is not modified in respect of this matter.

### Other Matter

The financial statements of the Company for the year ended March 31, 2015 were audited by an independent firm of Chartered Accountants whose report dated May 26, 2015 expressed an unqualified opinion on those statements. The opening balances as on 1<sup>st</sup> April, 2015 have been taken based on the aforesaid audited financial statements.

Our opinion is not modified in respect of this matter.

### 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 Section 143 (11) of the Companies Act, 2013, we enclose 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, to the extent applicable;
- e) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st 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 25 - 2.1 to the financial statements;
  - ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts - Refer Note 25 - 2.11 to the financial statements;
  - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31st March, 2016.

Place: Mumbai  
Date : August 10, 2016

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

  
R P Baradiya

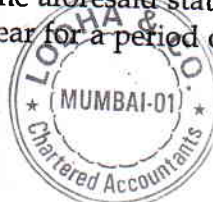
Partner  
Membership No.: 44101



**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 financial statements for the year ended 31<sup>st</sup> March, 2016, we report that:

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained, all the fixed assets have been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- c) The Company does not own any immovable property and thus, paragraph 3(i)(c) of the Order is not applicable to the Company.
- ii) The inventory has been physically verified by the management at reasonable intervals during the year. As per the information and explanations given to us, the discrepancies noticed on verification between physical inventories and the book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- iii) 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.
- iv) In our opinion and according to the information and explanations given to us, during the year, the Company has not given any loans, made investments, issued guarantees and security and hence, the question of complying with the provisions of Section 185 and 186 of the Act does not arise at all.
- v) In our opinion and according to the information and explanations given to us, 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. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- vi) The Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company and hence, the paragraph 3(vi) the Order is not applicable to the Company.
- vii) a) According to the information and explanations given to us and on the basis of our examination of records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, value added tax, cess have not been regularly deposited with the appropriate authorities and there have been serious delays in a large number of cases. As explained to us, the Company does not have any dues on account of duty of excise.  
According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid statutory dues were in arrears as at the last day of the financial year for a period of more than six months from



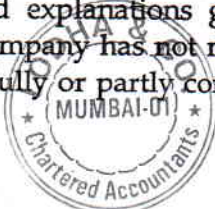


the date they became payable except dues of Rs. 43.70 lakhs on account of Tax Deducted at Source (since paid).

- b) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, duty of customs, value added tax which have not been deposited on account of any dispute, except the following:

S. No.	Name of the Statute	Nature of Dues	Forum where the dispute is pending	Financial Year	₹ in Lakhs
1.	Central Sales Tax, 1956	Central Sales Tax	The Hon. Administrative Tribunal, Panaji Goa	2003-04	4.84
2.	Central Sales Tax, 1956	Central Sales Tax	Andhra Pradesh High Court	2003-04	34.50

- viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans to banks. Further, the Company does not have any dues to Government, debenture holders or financial institutions.
- ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. The term loan outstanding at the beginning of the year was applied for the purpose for which it was raised.
- x) 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 nor have we been informed of such case by the management.
- xi) According to the information and explanations given to us and based on the examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act except that the requisite approval of Nomination and Remuneration Committee could not be obtained (Refer Note 25 - 2.12).
- xii) In our opinion, the Company is not a Nidhi Company. Accordingly, paragraph 3 (xii) of the Order is not applicable to the Company.
- xiii) According to the information and explanations given to us and based on the examination of the records of the Company, transactions with related parties are not in compliance with section 177 and section 188 of the Act in as much as the prior approval of Audit Committee has not been obtained (Refer Note 25 - 2.12).
- xiv) According to the information and explanations given to us and based on the examination of the records, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the



year. Hence, paragraph 3(xiv) of the Order is not applicable.

- xv) According to the information and explanations given to us and based on our examinations of the records, the Company has not entered into any non-cash transactions with directors or persons connected with them as per the provisions of section 192 of the Act. Thus, paragraph 3 (xv) of the Order is not applicable to the Company.
- xvi) The Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934.

Place: Mumbai  
Date : August 10,2016

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

*R P Baradiya*

R P Baradiya

Partner

Membership No.: 44101



**ANNEXURE BTO THE AUDITORS' REPORT****ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON FINANCIAL STATEMENTS OF M/S. LOCUZ ENTERPRISE SOLUTIONS 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 M/s. Locuz Enterprise Solutions Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the 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 ('ICAI'). 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 unauthorised 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





# LOCUZ ENTERPRISE SOLUTIONS LIMITED

401, Krishe Sapphire, Main Road, Madhapur, Hyderabad - 500081.

## Balance Sheet as at 31st March, 2016

(Figures in ₹ unless as otherwise stated)

Particulars	Note	As at 31st March, 2016	As at 31st March, 2015
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholders' Funds			
(a) Share Capital	1	1,00,00,000	1,00,00,000
(b) Reserves and Surplus	2	11,96,18,568	23,00,77,090
(2) Non-Current Liabilities			
(a) Long-Term Borrowings	3	1,50,29,341	3,52,70,992
(b) Other Long Term Liabilities	4	4,15,62,926	-
(3) Current Liabilities			
(a) Short-Term Borrowings	5	7,79,52,664	6,20,88,544
(b) Trade Payables	6	25,19,12,889	55,71,80,937
(c) Other Current Liabilities	7	11,72,06,020	3,34,86,630
(d) Short-Term Provisions	8	81,38,768	72,42,661
<b>TOTAL</b>		<b>64,14,21,176</b>	<b>93,53,46,854</b>
<b>II. ASSETS</b>			
(1) Non-Current Assets			
(a) <u>Fixed Assets</u>	9		
Tangible Assets		1,09,50,244	1,83,99,380
Intangible Assets		34,67,474	30,81,894
(b) Deferred Tax Assets (Net)	10	-	45,83,000
(c) Long Term Loans and Advances	11	2,28,15,860	2,37,73,668
(d) Other Non-current Assets	12	14,04,70,845	11,33,57,965
(2) Current Assets			
(a) Inventories	13	82,03,219	1,43,54,937
(b) Trade Receivables	14	32,64,24,043	68,65,16,590
(c) Cash and Bank Balances	15	4,06,79,288	1,25,04,591
(d) Short Term Loans and Advances	16	1,69,74,005	2,17,77,111
(e) Other Current Assets	17	7,14,36,198	3,69,97,718
<b>TOTAL</b>		<b>64,14,21,176</b>	<b>93,53,46,854</b>
Significant accounting policies and notes on financial statements	1-25		
Notes 1 to 25 form an integral part of the financial statement			
<p>As per attached report of even date  For LODHA &amp; CO.  Chartered Accountants  FRN : 301051E</p> <p>For and on behalf of the Board</p> <p>R.P. Baradiya  Partner  Membership No. : 44101</p> <p>Vijay Kumar Wadhi  Director  DIN: 00087657</p> <p>Uttam Majumdar  Director  DIN: 00087668</p> <p>Place : Mumbai  Date : 10 AUG 2016</p> <p>Place : Hyderabad  Date : 10 AUG 2016</p>			

**LOCUZ ENTERPRISE SOLUTIONS LIMITED**  
**401, Krishe Sapphire, Main Road, Madhapur, Hyderabad - 500081.**

**Statement of Profit and Loss for the Year ended 31st March, 2016**

(Figures in ₹ unless as otherwise stated)

Sr No	Particulars	Note	For the Year ended 31.03.2016	For the year ended 31.03.2015
I.	Revenue from Operations	18	131,06,51,985	200,40,15,838
II.	Other Income	19	1,32,03,040	57,03,876
III.	<b>Total Revenue (I + II)</b>		<b>132,38,55,025</b>	<b>200,97,19,714</b>
IV.	<b>Expenses :</b>			
	Purchases of Stock-in-trade and Cost of Revenue	20	114,70,53,411	174,95,90,871
	Changes in inventories of Stock-in-trade	21	61,51,718	(7,64,978)
	Employee Benefits Expense	22	12,08,55,443	11,12,00,286
	Finance Costs	23	2,77,30,636	2,43,44,045
	Depreciation		82,01,594	5,32,26,864
	Other Expenses	24	7,79,55,287	5,75,54,996
	<b>Total Expenses</b>		<b>138,79,48,089</b>	<b>199,51,52,083</b>
V.	Profit/(Loss) before Exceptional Items and Tax (III-IV)		(6,40,93,064)	1,45,67,631
VI.	Exceptional Item ( Refer Note 25 - 2.10)		2,40,22,109	-
VII.	Profit before tax (V-VI)		(8,81,15,173)	1,45,67,631
VIII.	Tax Expense:			
	(1) Current tax		-	1,91,91,000
	(2) Deferred tax		45,83,000	(1,38,32,000)
	(3) Prior Years' Income Tax Adjustments		1,77,60,349	7,77,744
IX.	<b>Profit/ (Loss) for the year (VII-VIII)</b>		<b>(11,04,58,522)</b>	<b>84,30,887</b>
X.	<b>Earning per equity share of face value of Rs. 10 each</b>			
	Basic & Diluted ( in Rs.)		(110.46)	8.43
	Weighted average number of equity shares outstanding		10,00,000	10,00,000

**Significant accounting policies and notes on financial statements**

1-25

**Notes 1 to 25 form an integral part of the financial statement**

**As per attached report of even date**

**For LODHA & CO.**

**Chartered Accountants**

**FRN : 301051E**

**R.P. Baradiya**

**Partner**

**Membership No. : 44101**

**Place : Mumbai**

**Date :**

**For and on behalf of the Board**

**Vijay Kumar Wadhi**

**Director**

**DIN: 00087657**

**Place : Hyderabad**

**Date :**

**Uttam Majumdar**

**Director**

**DIN: 00087668**



10 AUG 2016

10 AUG 2016

# LOCUZ ENTERPRISE SOLUTIONS LIMITED

401, Krishe Sapphire, Main Road, Madhapur, Hyderabad - 500081.

## Cash Flow Statement for the year ended 31st March, 2016

(Figures in ₹ unless as otherwise stated)

Particulars	For the Year ended 31.03.2016	For the year ended 31.03.2015
<b>A) Cash Flow from Operating Activities</b>		
Net Profit/(Loss) after Tax	(11,04,58,522)	84,30,887
<u>Adjustments for:</u>		
Tax Expense	2,23,43,349	61,36,744
Depreciation / Amortization	82,01,594	5,32,26,864
Interest received	(12,01,420)	(13,41,336)
Interest paid / payable	2,14,10,902	1,66,96,277
Sundry balances written back	(25,25,930)	3,03,429
Exceptional Item	(2,40,22,109)	-
Provision for Bad and Doubtful Debts	(1,70,09,941)	-
<b>Operating Profit before Working Capital Changes</b>	<b>(10,32,62,077)</b>	<b>8,34,52,865</b>
<u>Adjustments for:</u>		
Trade and Other Receivables	36,00,92,547	(35,50,50,111)
Inventories	61,51,718	(7,64,978)
Loans and Advances and Other Assets	(6,89,67,795)	(1,71,04,682)
Trade Payables and Other Liabilities	(30,52,28,808)	34,52,27,648
Other Current Liabilities	14,08,21,307	(5,91,98,164)
Provisions	8,96,107	1,88,91,114
<b>Sub-Total</b>	<b>13,37,65,075</b>	<b>(6,79,99,173)</b>
<b>Net cashflow from Operating Activities - A</b>	<b>3,05,02,998</b>	<b>1,54,53,692</b>
<b>B) Cash Flow from / (used in) Investing Activities :</b>		
Purchase of fixed assets net	(7,83,469)	(58,11,278)
Sale of fixed assets net	-	20,773
Interest received	12,01,420	13,41,336
<b>Net cashflow from / (used in) Investing Activities - B</b>	<b>4,17,951</b>	<b>(44,49,169)</b>
<b>C) Cash Flow from / (used in) Financing Activities :</b>		
Interest paid / payable	1,74,95,399	1,66,96,277
Increase / (Decrease) in Long Term Borrowings	(2,02,41,651)	(1,74,86,951)
<b>Net Cashflow from Financing Activities - C</b>	<b>(27,46,252)</b>	<b>(7,90,674)</b>
<b>Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>2,81,74,697</b>	<b>1,02,13,849</b>
Cash and Cash Equivalents as at the beginning of the year	1,25,04,591	22,90,742
Cash and Cash Equivalents as at the end of the year	4,06,79,288	1,25,04,591

### Notes:

- The above cash flow statement has been prepared by using the indirect method set out in Accounting Standard 3 - on Cash Flow Statements as defined in Accounting Standards notified under Companies (Accounting Standards) Rules, 2006.
- Previous year's figures have been regrouped / rearranged wherever necessary so as to conform to current year's presentation.

For LODHA & CO.  
Chartered Accountants  
FRN : 301051E

R.P. Baradiya  
Partner  
Membership No. : 44101

Place : Mumbai  
Date:

For and on behalf of the Board

Vijay Kumar Wadhi  
Director  
DIN: 00087657

Place : Hyderabad  
Date:

Uttam Majumdar  
Director  
DIN: 00087668





## LOCUZ ENTERPRISE SOLUTIONS LIMITED

401, Krishe Sapphire, Main Road, Madhapur, Hyderabad - 500081.

### Notes to the Financial Statements

(Figures in ₹ unless as otherwise stated)

#### Note : 1 - Shareholders' Funds - Share Capital

Particulars	As at 31st March, 2016		As at 31st March, 2015	
	Number	₹	Number	₹
<b>AUTHORIZED CAPITAL</b>				
10,00,000 Equity Shares of Rs. 10 each	1,000,000	10,000,000	1,000,000	10,000,000
	1,000,000	10,000,000	1,000,000	10,000,000
<b>ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL</b>				
10,00,000 Equity Shares of Rs.10 each fully paid up	1,000,000	10,000,000	1,000,000	10,000,000
	1,000,000	10,000,000	1,000,000	10,000,000

#### a) Terms / Rights attached to Equity shares

The Company has issued one class of equity shares having a face value of ₹ 10 per share. Each shareholder has right to vote in respect of such share, on every resolution placed before the Company and his voting right on a poll shall be in proportion to his share of the paid-up equity capital of the Company. In the event of liquidation, the equity shareholders are entitled to receive the remaining assets of the Company after payments to secured and unsecured creditors, in proportion to their shareholding.

#### b) Details of Equity Shares held by the Holding Company :

Particulars	As at 31st March, 2016		As at 31st March, 2015	
	Number of shares	% of Holding	Number of shares	% of Holding
3i Infotech Limited	740,000	74.00%	740,000	74.00%

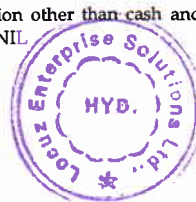
#### c) Reconciliation of numbers of shares outstanding is set out below :

Particulars	As at 31st March, 2016		As at 31st March, 2015	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	1,000,000	10,000,000	1,000,000	10,000,000
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	1,000,000	10,000,000	1,000,000	10,000,000

#### d) The details of Equity Shareholders holding more than 5% of Equity Shares:

Name of Shareholder	As at 31st March, 2016		As at 31st March, 2015	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
3i Infotech Limited	740,000	74.00%	740,000	74.00%
Uttam Kumar Majumdar	96,230	9.62%	96,230	9.62%
Vijay Kumar Wadhi	93,663	9.37%	93,663	9.37%

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





**LOCUZ ENTERPRISE SOLUTIONS LIMITED**  
401, Krishe Sapphire, Main Road, Madhapur, Hyderabad - 500081.

**Notes to the Financial Statements**  
(Figures in ₹ unless as otherwise stated)

**Note : 2 - Shareholders' Fund - Reserves and Surplus :**

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Surplus / (Deficit) :</b>		
As per last Balance Sheet	23,00,77,090	22,16,46,196
Add: Net Profit/(Loss) for the Year	(11,04,58,522)	84,30,893
<b>TOTAL</b>	<b>11,96,18,568</b>	<b>23,00,77,090</b>

**Note : 3 - Non-Current Liabilities - Long Term Borrowings :**

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Unsecured</b>		
(i) Loan from Shareholders (Refer Note 1 below)	-	66,59,733
Less: Current Maturities (Refer Note 7)	-	(14,47,422)
(ii) Deferred Payment Liability to Vendor/s (Refer Note 2 below)	3,75,73,352	4,83,98,211
Less: Current Maturities (Refer Note 7)	(2,25,44,011)	(1,83,39,530)
<b>TOTAL</b>	<b>1,50,29,341</b>	<b>3,52,70,992</b>

**Notes :**

1. Loan from Mr. Aluri Srinivas and Mrs. Aluri Niveditha, the shareholders of the Company was originally taker of 5 years @ 12% p.a interest. However, the same has been repaid prematurely.
2. The Company has taken interest free unsecured loan from a Company on account of purchases made from cer on deferred payment basis.



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**Notes to the Financial Statements**  
(Figures in ₹ unless as otherwise stated)

**Note : 4 - Non-Current Liabilities - Other Long Term Liabilities**

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b><u>Others</u></b>		
Provision for Foreseeable Losses*#	2,21,74,255	-
Less: Shown under Other Current Liabilities (Refer Note 7)	(73,91,416)	-
Unearned Revenue	6,72,34,255	-
Less: Shown under Other Current Liabilities (Refer Note 7)	(4,51,85,213)	-
Finance Lease Liability	67,13,756	-
Less: Shown under Other Current Liabilities (Refer Note 7)	(21,89,758)	-
Unamortised gain on sale and leaseback of assets	3,25,129	-
Less: Shown under Other Current Liabilities (Refer Note 7)	(1,18,082)	-
<b>TOTAL</b>	<b>4,15,62,926</b>	<b>-</b>

\* Refer Note 25 - 2.10

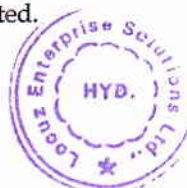
# Net of reversal of Rs. 18,47,854 being charged to Cost of Revenue

**Note : 5 - Current Liabilities - Short Term Borrowings**

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b><u>Secured Loans:</u></b>		
<b><u>Working Capital Loan from a Bank *</u></b>		
Cash Credit (Interest Rate - 15% p.a, Previous Year - 15% p.a)	6,83,52,867	5,99,40,612
<b><u>Unsecured Loans</u></b>		
i) Cash Credit from a Bank (Interest Rate - 14% p.a, Previous Year - 14% p.a)	20,99,797	21,47,932
ii) Loan from a Director (Interest Rate - 12% p.a, Previous Year - Nil)	75,00,000	-
<b>TOTAL</b>	<b>7,79,52,664</b>	<b>6,20,88,544</b>

**Note :**

\*Working Capital Loan as stated above and Non-Fund Based limits of Rs. 27 Crores (Previous Year - Rs. 22 Crores), utilised to the extent of Rs. 26 Crores (Previous Year - Rs. 19 Crores) are secured by way of a first charge by hypothecation of current assets of the Company, both present and future. It is further guaranteed by the corporate guarantee of its Holding Company, 3i Infotech Limited.



**LOCUZ ENTERPRISE SOLUTIONS LIMITED**  
401, Krishe Sapphire, Main Road, Madhapur, Hyderabad - 500081.

**Notes to the Financial Statements**  
(Figures in ₹ unless as otherwise stated)

**Note : 6 - Current Liabilities - Trade Payables**

Particulars	As at 31st March, 2016	As at 31st March, 2015
Micro, Small and Medium Enterprises ***	-	-
Others**	25,19,12,889	55,71,80,937
	25,19,12,889	55,71,80,937
**Include due to Holding Company	53,54,873	25,80,094

\*\*\*Refer Note 25 - 2.4

**Note : 7 - Current Liabilities - Other Current Liabilities**

Particulars	As at 31st March, 2016	As at 31st March, 2015
<u>Current Maturities of Long Term Debts</u> (Refer Note 3):		
-Deferred Payment Liability to Vendor/s	2,25,44,011	1,83,39,530
-Loan from Shareholders	-	14,47,422
-Finance Lease Liability	21,89,758	-
Provision for Foreseeable Losses (Refer Note 4)	73,91,416	-
Provision for Warranty	2,20,000	-
Advances received from Customers	51,03,984	63,32,005
Unearned Revenue (Refer Note 4)	4,51,85,213	-
Unamortised gain on sale and leaseback of asset (Refer Note 4)	1,18,082	-
<u>Other Payables</u>		
Statutory Dues	3,44,53,556	73,67,673
<b>TOTAL</b>	<b>11,72,06,020</b>	<b>3,34,86,630</b>

**Note : 8 - Current Liabilities - Short Term Provisions**

Particulars	As at 31st March, 2016	As at 31st March, 2015
<u>Provision for Employee Benefits</u>		
Compensated Absences	31,38,831	24,53,716
Gratuity	49,99,937	47,88,945
<b>TOTAL</b>	<b>8,138,768</b>	<b>72,42,661</b>





# LOCUZ ENTERPRISE SOLUTIONS LIMITED

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## Notes to the Financial Statements

(Figures in ₹ unless as otherwise stated)

### NOTE 9 - NON - CURRENT ASSETS - FIXED ASSETS

Description	Gross Block (At Cost)			Depreciation/Amortisation				Net Block	
	As at 31st March, 2015	Additions	Deductions/ Adjustments	As at 31st March, 2016	As at 31st March, 2015	For the Year	Deductions/ Adjustments	As at 31st March, 2016	As at 31st March, 2015
<u>Tangible Assets :</u> Leasehold Improvements	1,50,08,496 (1,50,08,496)	72,21,411	68,66,842 (4,75,788)	1,53,63,065 (1,45,32,708)	34,29,868 (2,74,389)	26,92,717 (31,55,480)	- -	61,22,585 (34,29,869)	92,40,480 (1,11,02,839)
Furniture and Fixtures	99,99,999 (1,03,06,440)	- (1,69,347)	-	99,99,999 (1,04,75,787)	94,60,468 (31,47,057)	9,51,068 (63,13,410)	- (20,773)	1,04,11,536 (94,39,694)	5,39,531 (71,59,383)
Office Equipments	67,69,174 (66,34,232)	- (1,34,942)	- -	67,69,174 (67,69,174)	56,31,709 (16,76,448)	2,94,912 (39,55,261)	- -	59,26,621 (56,31,709)	11,37,465 (49,57,784)
Computers and Data Processing Units	9,37,36,952 (9,11,25,033)	7,83,469 (26,53,394)	- (41,475)	9,45,20,421 (9,37,36,952)	9,03,20,328 (5,16,64,851)	29,21,345 (3,86,76,250)	- -	9,32,41,673 (9,03,41,101)	34,16,624 (3,94,60,182)
<u>Intangible Assets :</u> Computer Software	60,64,868 (32,11,273)	- (28,53,595)	- -	60,64,868 (60,64,868)	12,55,842 (1,29,379)	13,41,552 (11,26,463)	- -	25,97,394 (12,55,842)	48,09,026 (30,81,894)
TOTAL	13,15,79,489	80,04,880	68,66,842	13,27,17,527	11,00,98,215	82,01,594	-	11,82,99,809	2,14,81,274
Previous Period	(12,62,85,474)	(5,811,278)	(517,263)	(13,15,79,489)	(5,68,92,124)	(5,32,26,864)	(20,773)	(11,00,98,215)	(6,93,93,350)





# LOCUZ ENTERPRISE SOLUTIONS LIMITED

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## Notes to the Financial Statements

(Figures in ₹ unless as otherwise stated)

### Note : 10 - Non-Current Assets - Deferred Tax Asset (Net) :

Particulars	As at 31st March, 2016	As at 31st March, 2015
Deferred Tax (Asset) / Liability :		
Depreciation	-	13,09,995
Others	-	32,73,006
<b>TOTAL</b>	<b>-</b>	<b>45,83,000</b>

### Note : 11 - Non-Current Assets - Long Term Loans and Advances :

Particulars	As at 31st March, 2016	As at 31st March, 2015
Unsecured, considered good		
<u>Security Deposits</u>		
Rental Deposits	66,46,398	66,04,398
Other Deposits	10,23,206	20,23,014
Advances given to Holding Company	1,51,46,256	1,51,46,256
<b>TOTAL</b>	<b>2,28,15,860</b>	<b>2,37,73,668</b>

### Note : 12 - Non-Current Assets - Other Non-Current Assets:

Particulars	As at 31st March, 2016	As at 31st March, 2015
Unsecured, considered good		
<u>Others</u>		
Margin Money Deposits with original maturity of more than 12 months (Refer Note 15)	39,53,284	36,31,694
Advance Tax and Tax Deducted at Source	6,92,13,300	4,55,32,222
Appeal Deposit with Sales Tax Authorities	34,96,085	34,94,601
Unamortised Purchases and Prepaid Services*	12,10,27,595	8,10,13,788
Less : Shown under Other Current Assets (Refer Note 17)	(5,72,19,419)	(2,03,14,340)
<b>TOTAL</b>	<b>14,04,70,845</b>	<b>11,33,57,965</b>

\*represents purchases and services cost to be expensed out on periodical basis in accordance with the periodicity of recognising the related revenue.



# LOCUZ ENTERPRISE SOLUTIONS LIMITED

401, Krishe Sapphire, Main Road, Madhapur, Hyderabad - 500081.

## Notes to the Financial Statements (Figures in ₹ unless as otherwise stated)

### Note : 13 - Currents Assets - Inventories (Valued at lower of cost and net realisable value)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Traded Goods	82,03,219	1,43,54,937
<b>TOTAL</b>	<b>82,03,219</b>	<b>1,43,54,937</b>

### Note : 14 - Currents Assets - Trade Recievables

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Outstanding for a period exceeding six months from the due date</b>		
Unsecured, considered good	14,89,16,088	5,79,06,589
Unsecured, considered doubtful	1,98,55,129	28,45,188
Less : Provision for Doubtful Debts	(1,98,55,129)	(28,45,188)
	14,89,16,088	5,79,06,589
<b>Others</b>		
Unsecured, considered good	19,73,63,084	63,14,55,189
<b>TOTAL</b>	<b>32,64,24,043</b>	<b>68,65,16,590</b>

### Note : 15 - Currents Assets - Cash and Bank Balances

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Cash and Cash Equivalents</b>		
a) Balances with Banks:		
In Current Accounts	2,99,52,808	37,69,510
b) Cash on hand	49,487	51,098
<b>Others</b>		
Margin Money Deposits	1,46,30,277	1,23,15,677
Less : Margin Money Deposits with original maturity of more than 12 months (Refer Note 12)	(39,53,284)	(36,31,694)
<b>TOTAL</b>	<b>4,06,79,288</b>	<b>1,25,04,591</b>



# LOCUZ ENTERPRISE SOLUTIONS LIMITED

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## Notes to the Financial Statements (Figures in ₹ unless as otherwise stated)

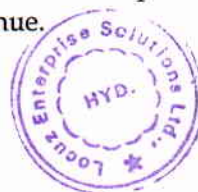
### Note : 16 - Currents Assets - Short Terms Loans and Advances

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Unsecured, Considered good</b>		
Advances recoverable in cash or in kind for value to be received	2,94,416	33,27,117
Loan to an Associate Company	7,13,977	-
Earnest Money Deposit	1,15,37,586	1,50,15,217
Loans to Employees	2,26,545	-
Prepaid Expenses	42,01,481	34,34,777
<b>TOTAL</b>	<b>1,69,74,005</b>	<b>2,17,77,111</b>

### Note : 17 - Currents Assets - Other Current Assets

Particulars	As at 31st March, 2016	As at 31st March, 2015
Unbilled Revenue	76,13,495	15,30,000
Unamortised Purchases and Prepaid Services* (Refer Note 12)	5,72,19,419	2,03,14,340
Advance Tax and Tax Deducted at Source (Net of Provision for Income tax of Rs. 2,07,89,000, Previous Year : 2,07,89,000)	66,03,284	1,51,53,378
<b>TOTAL</b>	<b>7,14,36,198</b>	<b>3,69,97,718</b>

\*represents purchases and services cost to be expensed out on periodical basis in accordance with the periodicity of recognising the related revenue.



## LOCUZ ENTERPRISE SOLUTIONS LIMITED

401, Krishe Sapphire, Main Road, Madhapur, Hyderabad - 500081.

**Notes to the Financial Statements**  
(Figures in ₹ unless as otherwise stated)

### NOTE - 18 - Revenue from Operations :

Particulars	For the Year ended 31.03.2016	For the year ended 31.03.2015
<b>Sale of Products</b>		
I.T. Solutions	102,32,13,782	160,17,94,246
<b>Sale of Services</b>		
I.T. Services	27,08,96,127	37,37,46,864
<b>Other Operating Revenue</b>		
Commission	79,10,142	46,39,502
Target Discount Received	86,31,935	2,38,35,226
<b>TOTAL</b>	<b>131,06,51,985</b>	<b>200,40,15,838</b>

### NOTE - 19 - Other Income :

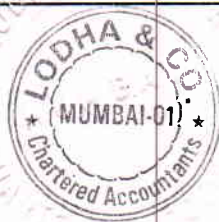
Particulars	For the Year ended 31.03.2016	For the year ended 31.03.2015
Interest Income	12,01,420	13,41,336
Selling and Distribution Expenses Recovered	26,25,814	19,17,789
VAT Refund Received	1,63,290	-
Provision for expense no longer required/ Sundry		
Balances Written Back	51,50,423	1,36,048
Profit on Sale of Fixed Assets	29,440	4,298
Foreign Exchange Gain (Net)	35,24,147	18,29,288
Miscellaneous Income	5,08,505	4,75,117
<b>TOTAL</b>	<b>1,32,03,040</b>	<b>57,03,876</b>

### NOTE : 20 - Purchases of Stock-in-trade and Cost of Revenue:

Particulars	For the Year ended 31.03.2016	For the year ended 31.03.2015
Hardware	92,33,22,789	145,90,15,588
IT Services	22,37,30,621	29,05,75,283
<b>TOTAL</b>	<b>114,70,53,411</b>	<b>174,95,90,871</b>

### NOTE : 21 - Changes in Inventories of Stock-in-Trade:

Particulars	For the Year ended 31.03.2016	For the year ended 31.03.2015
Opening Stock	1,43,54,937	1,35,89,959
Less : Closing Stock	82,03,219	1,43,54,937
<b>TOTAL</b>	<b>61,51,718</b>	<b>(7,64,978)</b>





# LOCUZ ENTERPRISE SOLUTIONS LIMITED

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## Notes to the Financial Statements (Figures in ₹ unless as otherwise stated)

### NOTE - 22 - Employees Benefit Expenses :

Particulars	For the Year ended 31.03.2016	For the year ended 31.03.2015
Salaries and Wages	10,99,69,701	10,35,35,419
Contribution to Provident Fund and Other Funds	79,39,135	49,46,526
Staff Welfare Expenses	29,46,608	27,18,341
<b>TOTAL</b>	<b>12,08,55,443</b>	<b>11,12,00,286</b>

### NOTE - 23 - Finance Cost :

Particulars	For the Year ended 31.03.2016	For the year ended 31.03.2015
Interest Expenses	2,14,10,902	1,83,56,645
Other Borrowing Costs	63,19,734	59,87,400
<b>TOTAL</b>	<b>2,77,30,636</b>	<b>2,43,44,045</b>

### NOTE - 24 - Other Expenses :

Particulars	For the Year ended 31.03.2016	For the year ended 31.03.2015
Rent	1,75,69,517	1,65,22,444
Travelling and Conveyance	90,30,524	1,17,91,230
Power and Fuel	28,24,013	27,18,505
Selling and Distribution Expenses	41,81,711	53,79,485
Repairs and Maintenance-Others	43,39,649	42,80,275
Insurance	86,432	39,579
Rates and Taxes	18,41,566	11,40,721
Communication Expenses	44,46,079	43,20,664
Legal and Professional Charges	28,53,750	23,15,838
Loss on Foreign Exchange Fluctuations (Net)	-	-
Payment to Auditors*	4,57,000	4,49,440
Bad Debts Written off	54,18,760	20,55,068
Provision for Bad and Doubtful Debts	1,70,09,941	-
Miscellaneous Expenses	78,96,345	65,41,747
<b>TOTAL</b>	<b>7,79,55,287</b>	<b>5,75,54,996</b>
*Payment to Auditors		
- for Statutory Audit	4,00,000	3,00,000
- for Tax Audit Fees	-	50,000
- for Taxation Matters	-	50,000
- for Out of Pocket Expenses (Service Tax)	57,000	49,440



# LOCUZ ENTERPRISE SOLUTIONS LIMITED

401, Krishe Sapphire, Main Road, Madhapur, Hyderabad – 500081.

## Note 25

### NOTES TO FINANCIAL STATEMENTS

#### Overview of the Company

M/s. Locuz Enterprise Solutions Limited was incorporated in the year 1999 and has over the last 14 years provided focused IT Infrastructure Services across the geography of India, with its Headquarter at Hyderabad and having branches at Bangalore, Pune, Delhi, Chennai and Singapore. Addressing the various IT Infrastructure needs in verticals like Education & Research, Defense, IT / ITES, Corporates in India, Locuz has emerged as a successful & profitable business operation owing to their niche specialization in certain areas of operation. What differentiates Locuz in the industry is its sole focus on Technology Infrastructure applied to select client industries where it provides end-to-end services capability (Plan, Acquire, Deploy, Maintain and Retire).

#### 1. SIGNIFICANT ACCOUNTING POLICIES:

##### 1.1 Basis of preparation of Financial Statements

- a) The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles ("GAAP") of India. 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. The financial statements have been prepared on accrual basis and under historical cost convention.
- b) All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle to be 12 months for the purpose of current and non-current classification of assets and liabilities.

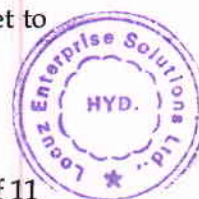
##### 1.2 Use of estimates

The preparation of financial statements in conformity with GAAP requires the 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 is made relying on these estimates. Any revision to accounting estimates is recognized prospectively.

##### 1.3 Fixed Assets

###### Tangible Assets

Tangible Assets are stated at cost net of recoverable taxes, trade discounts and rebates, less accumulated depreciation and impairment loss, if any. The cost of tangible assets comprises its purchase price, borrowing cost and any cost directly attributable to bringing the asset to



its working condition for its intended use, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the assets.

**Intangible assets:**

Intangible assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization/depletion and impairment loss, if any.

**1.4 Inventory:**

Inventories consist of hardware and supplies. Inventories are valued at lower of cost and net realizable value. Cost of inventory is computed on first in first out basis.

**1.5 Revenue Recognition**

Revenue from supply of Hardware/Outsourced Software License/Term License/Other Materials is recognized based on delivery/installation, as the case may be. Recovery of incidental expenses is added to respective revenue. Provision for estimated losses, if any, on such uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

Maintenance revenue in respect of products is deferred and recognized ratably over the period of the underlying maintenance agreement.

Revenue from transaction services and other service contracts is recognized based on transactions processed or manpower deployed.

Revenue recognized over and above the billings on a customer is classified as "Unbilled Revenue".

Liquidated damages and penalties are accounted as per the contract terms wherever there is a delayed delivery attributable to the Company and when there is a reasonable certainty with which the same can be estimated.

Interest income is recognized using time proportion method.

**1.6 Borrowing Costs:**

Borrowing costs directly attributable to acquisition, construction and production of qualifying assets are capitalized as a part of the cost of such assets up to the date when such assets are ready for its intended use. Other borrowing costs are charged to the Statement of Profit and Loss.

**1.7 Depreciation:**

Depreciation on fixed assets is provided to the extent of depreciable amount on Straight-Line Method at the rates and in the manner as prescribed in Schedule II to the Companies Act, 2013 except in the case of Furniture and Fixtures and Office Equipment where the useful lives of the assets have been determined based on internal technical assessment which are as under:

<u>S.no</u>	<u>Description of assets</u>	<u>Useful life as per Books of Account</u>	<u>Useful life as per Schedule II</u>
1	Furniture and Fixtures	5 years	10 years
2	Office Equipments	5 Years	10 years





Based on internal technical assessment, the Management believes that the useful lives as given above best represent the period over which assets are expected to be used.

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

#### **a) Gratuity**

Gratuity is a defined benefit retirement plan. The Company contributes to the Scheme with Life Insurance Corporation of India based on actuarial valuation done by them as at the close of the financial year.

#### **b) Provident Fund**

Retirement benefit in the form of Provident Fund and 'Employer-Employee Scheme' are defined contribution schemes. The company's contributions paid/payable to the fund are charged to the Statement of Profit and Loss for the year when the contributions are due. The Company has no obligation other than the contributions payable to the provident fund.

#### **c) Compensated Absences**

Liability for compensated absences payable to employee is provided for on the basis of actuarial valuation carried out by an actuary at the close of the year.

### **1.9 Translation of Foreign Currency Items:**

Transactions denominated in foreign currency are recorded at rates that approximate the exchange rate prevailing on the date of respective transaction.

Exchange differences arising on foreign exchange transactions settled during the year are recognized in the Statement of Profit and Loss of the year. Monetary assets and liabilities in foreign currency, which are outstanding at the year end, are translated at the year end closing exchange rate and the resultant exchange differences are recognized in the Statement of Profit and Loss.

### **1.10 Accounting for Taxes on Income:**

Income tax expenses comprise current tax (i.e., amount of tax for the year determined in accordance with the income tax law) and deferred tax charges or credit (reflecting the tax effects of timing differences between accounting income and taxable income of the year).

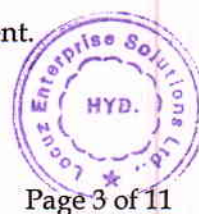
The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax on assets are recognized and carried forward only if there is a virtual / reasonable certainty of realization of such assets in near future and are reviewed for their appropriateness of their respective carrying value at each balance sheet date.

### **1.11 Provisions, Contingent Liabilities and Contingent Assets:**

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.

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.

Contingent Assets are neither recognized nor disclosed in the financial statement.





### **1.12 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 recognized in the Statement of Profit and Loss whenever the carrying amount of such assets exceeds its recoverable amount. 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 the extent of the carrying value of the asset that would have been determined (net of amortization/ depreciation) had no impairment loss been recognized.

### **1.13 Lease:**

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the Statement of Profit and Loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized. Leases, where the lessor effectively retain substantially all the risks and benefits incidental to ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss.

### **1.14 Earnings per share**

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year.

### **1.15 Segment accounting and reporting**

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. The basis of reporting is as follows:

#### **a) Segment revenue and expenses**

Segment revenue and expenses those are directly attributable to the segment are considered for respective segments. For rest allocation has been done between the segments and where it is not possible to segregate, the same has been considered as un-allocable revenue and expenses. Segment expenses do not include leave encashment, gratuity, and provision for taxation.

#### **b) Segment assets and liabilities**

Segment assets and liabilities which arise as a result of operating activities of the segment are recognized in that segment. Un-allocable assets and liabilities are those which are not attributable to any of the segments and include advance taxes and provision for taxation, gratuity and leave encashment.



## 2. OTHER NOTES

### 2.1 Contingent liabilities

- a) Estimated amount of claims against the Company not acknowledged as debts in respect of:

Particulars	As at March 31, 2016 (in ₹)	As at March 31, 2015 (in ₹)
Disputed Income tax matters	-	97,409
Disputed Sales tax matters	69,00,169	69,00,169

- 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.

### 2.2. Leases:

- a) Operating Lease:

All lease arrangements in respect of properties are renewable /cancellable at the Company's and/or lessors' option as mutually agreed. The future lease rental payments that the Company is committed to make are:

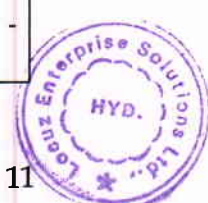
Particulars	As at March 31, 2016 (in ₹)	As at March 31, 2015 (in ₹)
- within one year	34,85,515	25,60,528
- later than one year and not later than five years	40,42,235	21,49,237

- b) Financial Lease:

Leasehold Improvements are acquired on finance lease in the course of sale and lease back transaction. The net carrying amount of Leasehold Improvements acquired on Finance lease is ₹66.21 Lakhs.

The future lease obligation that the Company is committed to make is as follows:

Particulars	Total Minimum lease payments outstanding(in ₹)		Present value of minimum lease payments(in ₹)		Interest included in minimum lease payments(in ₹)	
	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
Due within one year	28,80,000	-	21,89,758	-	6,90,242	-
- later than one year and not later than five years	50,40,000	-	45,23,998	-	5,16,002	-



- c) The salient features of Finance Lease Agreement are:
- The financial lease is for a period of 3 years at a fixed monthly rental of Rs. 2,40,000.
  - The Company has an option to purchase the asset at the end of the lease term upon payment of 1% of residual value of the asset.
  - The Lessor has right to terminate the agreement in case the Company fails to pay the rentals on the dates and as per the terms and conditions of the Agreement within 10 days of their becoming due.

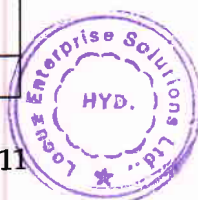
### 2.3. Earnings Per Share

The Earnings per share have been computed in accordance with the 'Accounting Standard 20 - Earnings per Share. The numerators and denominators used to calculate Basic Earnings per Share:

Particulars		For year ended March 31, 2016	For year ended March 31, 2015
Profit/(Loss) attributable to Equity Shareholders (₹)	A	(11,04,58,522)	84,30,887
Weighted average number of Equity Shares outstanding during the year (Nos.)	B	10,00,000	10,00,000
Nominal value of Equity Shares (₹)		10	10
Basic and diluted Earnings Per Share (₹)	A/B	(110.46)	8.43

- 2.4 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	-	-





**2.5 Disclosure in respect of related parties pursuant to Accounting Standard 18:**

**(A) List of related parties:**

Related parties with whom the Company entered into transactions during the year:

**i) HOLDING COMPANY:**

3i Infotech Limited

**ii) FELLOW SUBSIDIARIES:**

3i Infotech (Middle East) FZ LLC

Locuz Inc., USA

**iii) KEY MANAGEMENT PERSONNEL**

Mr. Vijay Kumar Wadhi - Managing Director

Mr. Uttam Majumdar - Whole-time Director

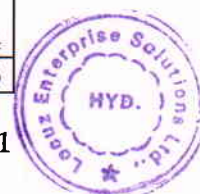
Mr. Durganadh. K.Venkata - Whole-time Director

**(B) During the year, the following transactions were carried out with related parties at arm's length:**

S. No.	Nature of Transactions	For year ended March 31, 2016 (in ₹)	For year ended March 31, 2015 (in ₹)
1.	<b>Sales of Products and Services</b>		
a.	3i Infotech Limited	28,65,388	75,22,807
b.	Locuz Inc.	79,72,290	7,36,067
2.	<b>Expenses</b>		
a.	3i Infotech Limited	28,80,861	25,58,267
b.	Mr. Vijay Kumar Wadhi	5,33,400	1,28,400
3.	<b>Remuneration to Key Management Personnel</b>		
a.	Mr. Vijay Kumar Wadhi	41,25,000	45,00,000
b.	Mr. Uttam Majumdar	28,32,024	28,32,024
4.	<b>Unsecured Loan taken from</b>		
a.	Mr. Vijay Kumar Wadhi	75,00,000	-

**(C) Outstanding balances as on**

S.No.	Particulars	As at March 31, 2016 (in ₹)	As at March 31, 2015 (in ₹)
1.	<b>Note 5 - Current Liabilities - Short Term Borrowings</b> Unsecured Loans taken from Mr. Vijay Kumar Wadhi	75,67,500	-
2.	<b>Note 6 - Current Liabilities - Trade Payables</b> 3i Infotech Limited	53,54,873	25,80,094
3.	<b>Note 10 - Non-Current Assets - Long Term</b>	1,51,46,256	1,51,46,256



	Loans and Advances 3i Infotech Limited		
4.	Note 14 - Currents Assets - Trade Receivables		
a.	3i Infotech Limited	4,04,624	1,17,75,412
b.	3i Infotech (Middle East) FZ LLC	11,60,826	10,95,329
c.	Locuz Inc.	47,57,078	7,36,067
5.	Note 16 -Currents Assets - Short Terms Loans and Advances Locuz Inc.	7,13,977	4,33,977
6.	Note : 6 -Current Liabilities		
a.	Mr. Vijay Kumar Wadhi	28,34,044	-
b.	Mr. Uttam Majumdar	20,60,939	-

**Notes:**

1. No amounts in respect of related parties have been written off / written back during the year.
2. Related parties are as identified by the management and relied upon by the auditors.

2.6 i) In the opinion of the Management, assets other than Fixed Assets have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet. The provision for depreciation and all other known liabilities is adequate and not in excess of the amount reasonably necessary.

ii) Certain balances in Trade Payables, Other Current Liabilities, Trade Receivables and Loans and advances are subject to confirmations, reconciliation and adjustments. In the opinion of the Management, adjustments, if any, on such confirmations/reconciliations will not have material impact on the loss for the year.

**2.7. Additional Information pursuant to Note 5 of Part III of the Schedule - III of the Act:**

Sr. No.	Particulars	For year ended March 31, 2016 (in ₹)	For year ended March 31, 2015 (in ₹)
1.	<u>CIF Value of Imports:</u> Goods and Services	4,51,85,653	9,96,19,474
2.	<u>Expenditure in Foreign Currency on account of:</u> Travelling Expenses	4,67,749	4,23,547
3.	<u>Earnings in Foreign Exchange:</u> Target Discount Commission	97,92,214 68,42,190	3,62,00,743 39,21,555



## 2.8 Foreign exchange currency exposures:

The year ended foreign currency exposures that have not been hedged are given below:

Particulars	Currency type	As at March 31, 2016		As at March 31, 2015	
		Amount (Foreign currency)	Amount (In ₹)	Amount (Foreign currency)	Amount (In ₹)
Current Assets, Loans and Advances	USD	23,70,802	15,72,62,182	62,42,907	39,07,48,533
Current Liabilities	USD	12,64,688	8,38,90,400	48,57,908	30,40,60,353

## 2.9. Employee Benefit Plans

The following table set out the status of the gratuity plan as required under AS 15:

Reconciliation of Benefit Obligations and Planned Assets:

Reconciliation of Defined Benefit Obligations and Planned Assets	Amount in ₹	
	As at March 31, 2016	As at March 31, 2015
Change in Defined obligation		
Obligation at the beginning of the year	72,42,661	64,78,502
Interest cost	-	-
Current Service cost	8,96,107	7,64,159
Benefits paid	-	-
Actuarial (gain)/loss in obligations	-	-
Obligation at year end	81,38,768	72,42,661
Change in Fair value of Plan Assets*		
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	-	-
Fair value of planned assets at year end	-	-

Reconciliation or Present Value of the obligation and the Fair value of the Plan Assets		
Liability at year-end	81,38,768	72,42,661
Fair value of plan assets at year-end	-	-
Liability recognized in the balance sheet	81,38,768	72,42,661
Assumptions		
Discount Rate	8%	8%
Salary Escalation Rate	4%	4%

\*The Company has entered into a Group Gratuity Scheme with Life Insurance Corporation of India ('LIC') and the plan assets of the Company are being maintained by LIC.





- 2.10. In terms of Accounting Standard 17, the Company taking into account the organization structure and differential risk and returns of the segments has identified its geographical segments as Primary segments based on its operations; being carried out as operations from India and operations from outside India through its Singapore branch.

The Company's operations predominantly relate to only one business segment i.e., IT Solutions (software products and services, software development, consulting and IT infrastructure services) and hence segment information is not disclosed.

Particulars	For year ended March 31, 2016 (in ₹)			For year ended March 31, 2015 (in ₹)		
	India	Outside India	Total	India	Outside India	Total
External Sales	60,74,83,499	71,51,70,106	130,94,50,565	93,52,14,936	106,74,59,556	200,26,74,492
Inter Segment Sales	-	-	-	-	-	-
<b>Total Segment Revenue</b>	60,74,83,499	71,51,70,106	130,94,50,565	93,52,14,936	106,74,59,556	200,26,74,492
Segment Results	(4,17,65,826)	(21,17,756)	(5,70,86,622)	(3,03,13,372)	5,45,21,466	2,42,08,093
Capital Expenditure	80,04,880	-	80,04,880	58,11,278	-	58,11,278
Depreciation / Amortisation	82,01,594	-	82,01,594	5,32,26,864	-	5,32,26,864
Non cash expenditure, other than depreciation/ amortisation	-	-	-	-	-	-

Particulars	As at March 31, 2016 (in ₹)			As at March 31, 2015 (in ₹)		
	India	Outside India	Total	India	Outside India	Total
Segment Assets	31,22,66,326	14,28,13,366	45,71,13,469	36,16,66,036	38,87,14,756	75,24,14,569
Segment Liabilities	39,12,41,616	6,39,68,725	45,52,10,341	35,59,38,419	30,40,60,353	65,99,98,772

- 2.11. Exceptional item represents provision for foreseeable losses for a sum of Rs. 2,40,22,109 due to time and cost overrun in respect of supply and installation contracts entered into with a customer.
- 2.12. In accordance with the provisions of Section 149 read with Sections 177 and 178 of the Companies Act, 2013, the Company is required to have at least two independent directors on the Board of the Company. However, there is only one independent director and the management is in the process of appointing another independent director so as to comply with the aforesaid stipulated requirements.



- 2.13. Figures for the previous year's have been re-grouped / re-arranged, wherever considered necessary to conform to current year's presentation.

For and on behalf of the Board



Vijay Kumar Wadhi  
Director  
DIN: 00087657



Uttam K Majumdar  
Director  
DIN: 00087668

Date : 10 AUG 2016  
Place : Hyderabad

