

**VIRSTRA I-TECHNOLOGY  
SERVICES LIMITED  
Financial Statement  
for the year ended  
31 March 2017**

# B S R & Associates LLP

Chartered Accountants

Building No.10, 8th Floor, Tower-B  
DLF Cyber City, Phase - II  
Gurugram - 122 002, India

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## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF VIRSTRA I-TECHNOLOGY SERVICES LIMITED

#### Report on the Financial Statements

We have audited the accompanying financial statements of **Virstra I-Technology Services Limited** ("the Company"), which comprise the Balance Sheet as at 31 March, 2017, the Statement of Profit and Loss and 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.

#### Auditors' 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 March, 2017, its profit and its cash flows for the year ended on that date.

## Other Matters

The financial statements of the Company for the year ended 31 March 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 04 May 2016.

## Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ('Order'), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we enclose in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the said Order.

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 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 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 Auditors' 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 does not have any pending litigations which would impact its financial position;
  - 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 which were required to be transferred to the Investor Education and Protection Fund by the Company; and



- iv. the Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 08 November 2016 to 30 December 2016. Based on the audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the management- Refer Note 2.30 to the financial statements.

**For B S R & Associates LLP**  
*Chartered Accountants*  
Firm Registration No.: 116231 W/W-100024



**Rakesh Dewan**  
*Partner*  
Membership No.: 092212

Place: New Delhi  
Date: 25 April 2017

**Annexure A referred to in our Independent Auditors' Report to the members of Virstra  
I-Technology Services Limited on the financial statements for the year ended 31 March 2017.**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified by the company every year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets. In accordance with this programme, all fixed assets were physically verified during the year. As informed to us, discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (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 hold any immovable properties. Therefore, the provisions of paragraph 3(i)(c) of the Order are not applicable to the Company.
- (ii) The Company is in the business of rendering services and as such does not hold any inventory. Therefore, the provisions of paragraph 3 (ii) of the Order are not applicable to the Company.
- (iii) 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. Therefore, the provisions of paragraph 3 (iii) of the Order are not applicable to the Company.
- (iv) According to information and explanations given to us and based on audit procedures performed, there are no loans, investments, guarantees and securities provided by the Company as specified under section 185 and 186 of the Companies Act, 2013. Therefore, the provisions of paragraph 3 (iv) of the Order are not applicable to the Company.
- (v) As per the information and explanations given to us, the Company has not accepted any deposits as mentioned in the directives issued by the Reserve Bank of India and the provisions of section 73 to 76 or any other relevant provisions of the Act and the rules framed there under.
- (vi) According to the information and explanations given to us, 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.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income- tax, Sales tax, Service tax, Value added tax, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Employees' State Insurance, Duty of customs and Duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Service tax, Duty of customs, Duty of excise, Value added tax, Cess and other material statutory dues were in arrears as at 31 March 2017 for a period of more than six months from the date they became payable.



**B S R & Associates LLP**

- (b) According to the information and explanations given to us, there are no disputed dues in respect of Income tax, Sales tax, Service tax, Duty of customs, Duty of excise, Value added tax and Cess which have not been deposited with the appropriate authorities.
- (viii) In our opinion, and according to the information and explanations given to us, there are no loans or borrowing from a financial institution, bank, government or dues to debenture holders during the year. Therefore, the provisions of paragraph 3 (viii) of the Order are not applicable to the Company.
- (ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. The Company has not taken any term loans during the year.
- (x) According to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not paid / provided any managerial remuneration. Accordingly, the provisions of paragraph 3(xi) of the Order are not applicable to the Company.
- (xii) 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.
- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no transactions with the related parties which are not in compliance with Section 177 and 188 of the Companies Act, 2013 and the details have been disclosed in the financial statements, as required, by the applicable accounting standards.
- (xiv) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment, private placement of shares and fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to information and explanations given to us and based on audit procedures performed, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

*For B S R & Associates LLP*

*Chartered Accountants*

Firm registration no.: 116231W/W-100024



**Rakesh Dewan**

*Partner*

Membership No.: 092212

Place: New Delhi

Date: 25 April 2017

**Annexure B to the Independent Auditors' Report of even date on the financial statements of Virstra I-Technology Services Limited for the year ended 31 March 2017**

**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 Virstra I-Technology Services Limited ("the Company") as of 31 March 2017 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 included 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 judgment, 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 authorisations 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 31 March 2017, 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 ICAI.

**For B S R & Associates LLP**  
*Chartered Accountants*  
Firm Registration No.: 116231 W/W-100024



**Rakesh Dewan**  
*Partner*  
Membership No.: 092212

Place: New Delhi  
Date: 25 April 2017

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**BALANCE SHEET AS AT 31 MARCH 2017**

	Notes Ref.	As at 31 March 2017 (Rupees)	As at 31 March 2016 (Rupees)
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
a. Share capital	2.1	10,000,000	10,000,000
b. Reserves and surplus	2.2	144,802,638	103,229,856
		<b>154,802,638</b>	<b>113,229,856</b>
<b>2. NON-CURRENT LIABILITIES</b>			
Long-term provisions	2.3	<b>3,412,376</b>	<b>3,054,166</b>
<b>3. CURRENT LIABILITIES</b>			
a. Trade payables	2.4		
i) Total outstanding dues of micro enterprises and small enterprises		-	-
ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		6,576,753	6,391,294
b. Other current liabilities	2.5	5,562,262	2,777,956
c. Short-term provisions	2.6	1,065,550	1,065,619
		<b>13,204,565</b>	<b>10,234,869</b>
		<b>171,419,579</b>	<b>126,518,891</b>
<b><u>ASSETS</u></b>			
<b>1. NON-CURRENT ASSETS</b>			
a. Fixed assets			
- Tangible assets	2.7	523,468	554,624
- Intangible assets	2.7	288,403	964,808
		811,871	1,519,432
c. Deferred tax assets	2.8	3,094,369	2,397,052
d. Long-term loans and advances	2.9	20,882,649	32,069,499
e. Other non-current assets	2.10	456,625	427,419
		<b>25,245,514</b>	<b>36,413,402</b>
<b>2. CURRENT ASSETS</b>			
a. Current investments	2.11	116,147,783	57,641,970
b. Trade receivables	2.12	11,174,222	15,500,176
c. Cash and Bank balances	2.13	3,070,228	8,751,599
d. Short-term loans and advances	2.14	15,781,832	8,211,744
		<b>146,174,065</b>	<b>90,105,489</b>
		<b>171,419,579</b>	<b>126,518,891</b>

See accompanying notes forming part of the financial statements 1 & 2

In terms of our report attached

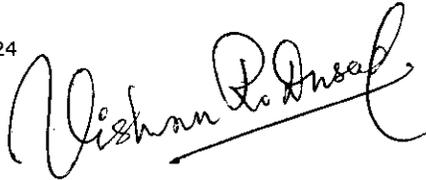
For **B S R & ASSOCIATES LLP**  
Chartered Accountants  
Firm Registration Number : 116231W/W-100024



**RAKESH DEWAN**  
Partner  
Membership number : 092212

Place : New Delhi  
Date : 25 April, 2017

For and on behalf of the Board of Directors,



**VISHNU R DUSAD**  
Director

Place : New Delhi  
Date : 25 April, 2017



**RAVI PRATAP SINGH**  
Director

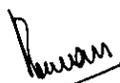


**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**STATEMENT OF PROFIT AND LOSS YEAR ENDED 31 MARCH 2017**

	Notes	Year Ended	Year Ended
	Ref.	31 March 2017	31 March 2016
		(Rupees)	(Rupees)
<b>1. REVENUE FROM OPERATIONS</b>			
Sale of services		152,496,149	170,154,218
<b>2. OTHER INCOME</b>	2.15	6,828,872	5,898,148
<b>3. TOTAL REVENUE (1+2)</b>		<b>159,325,021</b>	<b>176,052,366</b>
<b>4. EXPENSES</b>			
a. Employee benefits expense	2.16	77,200,721	93,312,744
b. Operating and other expenses	2.17	20,773,557	35,557,735
c. Finance cost/Bank charges	2.18	466,553	509,455
d. Depreciation and amortisation expense	2.8	1,091,834	1,435,351
<b>TOTAL EXPENSES</b>		<b>99,532,665</b>	<b>130,815,285</b>
<b>5. PROFIT BEFORE TAX (3-4)</b>		<b>59,792,356</b>	<b>45,237,081</b>
<b>6. TAX EXPENSE</b>			
a. Current tax expense		19,978,232	14,160,027
b. Deferred tax (credit) / charge	2.8	(697,317)	(250,175)
c. Tax expenses relating to prior years		-	70,641
<b>NET TAX EXPENSE</b>		<b>19,280,915</b>	<b>13,980,493</b>
<b>7. PROFIT FOR THE YEAR (5-6)</b>		<b>40,511,441</b>	<b>31,256,588</b>
<b>8. EARNINGS PER SHARE</b>			
Equity shares of Rs. 10 each			
Basic and Diluted	2.24	40.51	31.26
Number of shares used in computing earnings per share			
Basic and Diluted		1,000,000	1,000,000
See accompanying notes forming part of the financial statements	1 & 2		

In terms of our report attached

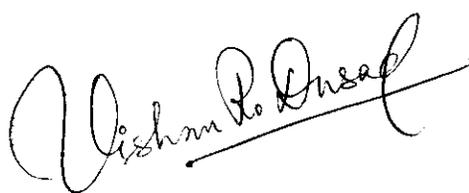
For **B S R & ASSOCIATES LLP**  
Chartered Accountants  
Firm Registration Number : 116231W/W-100024



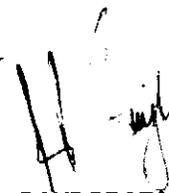
**RAKESH DEWAN**  
Partner  
Membership number : 092212

Place : New Delhi  
Date : 25 April, 2017

For and on behalf of the Board of Directors



**VISHNU R DUSAD**  
Director



**RAVI PRATAP SINGH**  
Director

Place : New Delhi  
Date : 25 April, 2017



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017**

	Notes Ref.	Year ended 31 March 2017 (Rupees)	Year ended 31 March 2016 (Rupees)
<b>A. Cash flow from operating activities</b>			
Net profit before tax		59,792,356	45,237,081
<b>Adjustment for:</b>			
Depreciation and amortisation expense		1,091,834	1,435,351
Exchange difference on translation of foreign currency accounts		(359,711)	85,859
Dividend received from non trade investments		(4,180,154)	(3,613,849)
Profit on sale of fixed assets		(215,174)	-
Provision for diminution in value of investment		130,113	-
Net gain on sale of investment		(55,772)	-
Interest income on fixed deposits with banks		(29,206)	(29,425)
Operating profit before working capital changes		<u>56,174,286</u>	<u>43,115,017</u>
Adjustment for (increase)/decrease in operating assets			
Trade receivable		4,325,954	(1,642,019)
Short-term loans and advances		(3,620,504)	7,216,682
Other non-current assets		-	(28,149)
Adjustment for Increase/ (decrease) in operating liabilities			
Long-term provisions		358,210	305,744
Trade payables		205,143	2,411,066
Short- term provisions		(69)	168,784
Other current liabilities		<u>2,673,478</u>	<u>819,867</u>
Income tax paid (net)		<u>(11,679,626)</u>	<u>(9,251,276)</u>
<b>Net cash flow from operating activities (A)</b>		<b>48,436,872</b>	<b>43,115,716</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress		(273,445)	(97,009)
Proceeds from sale of fixed assets		215,174	-
Purchase of current investments		(184,185,972)	(118,750,000)
Proceeds on sale of current investments		125,605,772	180,386,151
Interest income		-	29,425
Dividend received from investments		4,180,154	3,613,849
<b>Net cash flow from / (used in) investing activities (B)</b>		<b>(54,458,317)</b>	<b>65,182,416</b>
<b>C. Cash flow from financing activities</b>			
Interim dividend paid		-	(85,000,000)
Corporate dividend tax paid		-	(17,304,300)
<b>Net cash flow from / (used in) financing activities (C)</b>		<b>-</b>	<b>(102,304,300)</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>		<b>(6,021,445)</b>	<b>5,993,832</b>
<b>Cash and cash equivalents at the beginning of the year</b>	2.13	8,750,709	2,153,230
Exchange difference on translation of foreign currency bank accounts		340,075	603,647
<b>Cash and cash equivalents at the end of the year</b>	2.13	<b>3,069,338</b>	<b>8,750,709</b>

See accompanying notes forming part of the financial statements

1 & 2

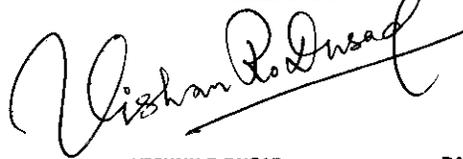
In terms of our report attached

For **B S R & ASSOCIATES LLP**  
Chartered Accountants  
Firm Registration Number : 116231W/W-100024



**RAKESH DEWAN**  
Partner  
Membership number : 092212

For and on behalf of the Board of Directors



**VISHNU R DUSAD**  
Director



**RAVI PRATAP SINGH**  
Director

Place : New Delhi  
Date : 25 April, 2017

Place : New Delhi  
Date : 25 April, 2017



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**Note 1:**

**1.1 Company Background**

VirStra i-Technology Services Limited ('Virstra' or 'the Company') was incorporated in May 2004 in India. Virstra is a wholly owned subsidiary company of Nucleus Software Exports Ltd. The Company's business broadly consists of offshore and onsite software support services to other group companies.

**1.2 Significant accounting policies**

**i. Basis of preparation**

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the Generally Accepted Accounting Principles ('GAAP') in India and comply with the accounting standards specified under section 133 of the Companies Act, 2013 ('Act'), as applicable adopted consistently by the Company.

All income and expenditure having a material bearing on the financial statement are recognised on accrual basis. Accounting policies have been consistently applied except where a newly issued accounting standard if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

**ii. Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Examples of such estimates include estimates of future obligations under employee retirement benefit plans and estimated useful life of fixed assets. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the year in which the results are known / materialise.

**iii. Cash flow statement**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**iv. Cash and cash equivalents (for purposes of Cash Flow Statement)**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**v. Revenue recognition**

Revenue from software services comprises income from time and material contracts, which is recognised as the services are rendered.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**vi. Other income**

Interest is accounted for on accrual basis.

Dividend income is accounted for when the right to receive it is established

**vii. Fixed assets**

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. Fixed assets are stated at the cost of acquisition including any directly attributable expenditure on making the asset ready for its intended use. Fixed assets under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

**viii. Depreciation**

Depreciation on fixed assets is provided on the straight-line method based on useful lives of respective assets as estimated by the management taking into account nature of the asset, the estimated usage of the asset and the operating conditions of the asset. Depreciation is charged on a pro-rata basis for assets purchased/ sold during the year.

The management's estimates of the useful lives of the various fixed assets in use are as follows:

<b>Particulars</b>	<b>Useful life (in years)</b>
<b>Tangible assets</b>	
Office and other equipment	5
Computers	3
Vehicles	5
Furniture and fixtures	5
Computer Servers	4
<b>Intangible assets</b>	
Software	3

**ix. Investments**

Investments are classified into long term and current investments based on the intent of management at the time of acquisition. Long-term investments including investment in subsidiaries are stated at cost and provision is made to recognise any decline, other than temporary, in the value of such investments. Current investments are stated at the lower of cost and the fair value.

**x. Foreign exchange transactions**

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the year are recognised in the Statement of Profit and Loss. Monetary assets and monetary liabilities that are determined in foreign currency are translated at the exchange rate prevalent at the date of balance sheet. The resulting difference is recorded in the Statement of Profit and Loss.

The Company uses foreign exchange forward contracts and options to hedge its exposure for movement in foreign exchange rates. The use of these foreign exchange forward contracts and options reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts or options for trading or speculation purposes.

16

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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The Company follows "Guidance Note on Accounting for Derivative Contracts" issued by the ICAI dated 12 May 2015, to the extent that the adoption does not conflict with existing mandatory accounting standards and other regulatory requirements.

**xi. Employee benefits**

Employee benefits include provident fund, gratuity and compensated absences.

***Defined contribution plans***

The Company's contribution to provident fund is considered as defined contribution plans and is charged as an expense as they fall due based on the amount of contribution required to be made.

***Defined benefit plans***

For defined benefit plans in the form of gratuity, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each year end. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the year in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

***Short-term employee benefits***

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

***Long-term employee benefits***

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

**xii. Operating leases**

Lease payments under operating lease are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**xiii. Earning per share**

Basic earnings per share are computed by dividing the Profit / Loss after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the Profit / Loss after Tax by the weighted average number of equity and dilutive equivalent shares outstanding during the year, except where results are anti-dilutive.

**xiv. Taxes on income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise such assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

**xv. Impairment of assets**

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

**xvi. Provisions and Contingencies**

The Company recognizes a provision when there is a present obligation as a result of a past event and it is probable that it would involve an outflow of resources and a reliable estimate can be made of the amount of such obligation. Such provisions are not discounted to their present value and are determined based on the management's estimation of the obligation required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect management's current estimates.

A disclosure for a contingent liability is made where it is more likely than not that a present obligation or possible obligation may result in or involve an outflow of resources.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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When no present or possible obligation exists and the possibility of an outflow of resources is remote, no disclosure is made.

**xvii. Hedge accounting**

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "Guidance Note on Accounting for Derivative Contracts".

The use of hedging instruments is governed by the Company's policy approved by the Board of Directors, which provide written principles on the use of such financial derivatives consistent with Company's risk management strategy.

These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in "Hedging reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve account" are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

**xviii. Derivative contracts**

The Company enters into derivative contracts in the nature of forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for foreign currency transactions and translations.

Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the policy stated for Hedge accounting.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

**xix. Service tax input credit**

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is reasonable certainty in availing / utilising the credits.

**xx. Operating cycle**

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31 March 2017 ( Rupees)	As at 31 March 2016 ( Rupees)
<b>2.1 SHARE CAPITAL</b>		
<b>a. Authorised</b>		
Equity shares		
1,000,000 (Previous year : 1,000,000) equity shares of Rs. 10 each	<b>10,000,000</b>	<b>10,000,000</b>
<b>b. Issued, subscribed and fully paid-Up</b>		
1,000,000 (Previous year : 1,000,000) equity shares of Rs. 10 each	<b>10,000,000</b>	<b>10,000,000</b>

Refer notes (i) to (iii) below

**(i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year :**

As at the beginning of the year		
- Number of Shares	1,000,000	1,000,000
- Amount	10,000,000	10,000,000
Shares issues/ (bought back) during the year		
- Number of Shares	-	-
- Amount	-	-
As at the end of the year		
- Number of Shares	1,000,000	1,000,000
- Amount	10,000,000	10,000,000

**(ii) Rights, preferences and restrictions attached to shares**

The Company has one class of equity shares having a par value of Rs. 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**(iii) Details of shares held by Nucleus Software Exports Limited, the Holding Company**

- Number of Shares (see note below)	1,000,000	1,000,000
- Percentage	100%	100%
- Amount	10,000,000	10,000,000

Note : Out of the above, 6 (Previous year 6) equity shares of Rs. 10 each are held by nominees on behalf of the Holding Company.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31 March 2017 ( Rupees)	As at 31 March 2016 ( Rupees)
<b>2.2 RESERVES AND SURPLUS</b>		
<b>a. General reserve</b>		
Opening balance	66,067,678	66,067,678
Add: Transferred from surplus in Statement of Profit and Loss	-	-
Closing balance	<b>66,067,678</b>	<b>66,067,678</b>
<b>b. Hedging reserve (see note 2.27)</b>		
Opening balance	902,388	458,663
Add: Movement during the year	1,061,341	443,725
Closing balance	<b>1,963,729</b>	<b>902,388</b>
<b>c. Surplus in the Statement of Profit and Loss</b>		
Opening balance	36,259,790	107,307,502
Add: Profit for the year	40,511,441	31,256,588
Less: Interim dividend	-	85,000,000
Less: Tax on interim dividend charge	-	17,304,300
Closing balance	<b>76,771,231</b>	<b>36,259,790</b>
	<b>144,802,638</b>	<b>103,229,856</b>
<b>2.3 LONG-TERM PROVISIONS</b>		
<b>Provision for employee benefits</b>		
a. Provision for compensated absences	3,412,376	3,054,166
	<b>3,412,376</b>	<b>3,054,166</b>
<b>2.4 TRADE PAYABLES</b>		
Trade payables		
- Micro and Small Enterprises (see note below)	-	-
- Others	6,576,753	6,391,294
	<b>6,576,753</b>	<b>6,391,294</b>
Note : The Company has no amounts payable to Micro and Small Enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified on the basis of information collected by the management. This has been relied upon by the auditors.		
<b>2.5 OTHER CURRENT LIABILITIES</b>		
a. Other payables - statutory liabilities	2,539,400	1,983,539
b. Payable to Holding Company	-	339,193
c. Payable to Fellow subsidiary Company	635,366	-
d. Unclaimed dividend	890	890
e. Payable for purchase of fixed assets	110,828	-
f. Payable to gratuity trust (see note 2.26)	1,965,563	454,334
g. Book overdraft	310,215	-
	<b>5,562,262</b>	<b>2,777,956</b>
<b>2.6 SHORT-TERM PROVISIONS</b>		
<b>Provision for employee benefits</b>		
a. Provision for compensated absences	1,065,550	1,065,619
	<b>1,065,550</b>	<b>1,065,619</b>



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.7 FIXED ASSETS (At Cost)**

PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK		
	As at 1 April 2016	Additions	Deductions / adjustments	As at 31 March 2017	As at 1 April 2016	Depreciation for the year	Deductions / adjustments	As at 31 March 2017	As at 31 March 2016
<b>Tangible assets</b>									
- Computers	26,279,866 (26,329,292)	206,662	12,065,269 (49,426)	14,421,259 (26,279,866)	25,810,258 (25,147,711)	373,933 (711,973)	12,065,269 (49,426)	302,337 (469,608)	469,608 (1,181,581)
- Office equipment	13,524,966 (13,439,947)	177,611 (97,009)	1,638,308 (11,990)	12,064,269 (13,524,966)	13,439,950 (13,439,947)	41,496 (11,993)	1,638,308 (11,990)	221,131 (85,016)	85,016 -
- Furniture and fixtures	713,380 (713,380)	-	114,750	598,630 (713,380)	713,380 (713,380)	-	114,750	-	-
<b>Intangible assets</b>									
- Softwares	40,518,212 (40,482,619)	384,273 (97,009)	13,818,327 (61,416)	27,084,158 (40,518,212)	39,963,588 (39,301,038)	415,429 (723,966)	13,818,327 (61,416)	523,468 (554,624)	554,624 (1,181,581)
	3,963,924 (3,963,924)	-	-	3,963,924 (3,963,924)	2,999,116 (2,287,731)	676,405 (711,385)	-	288,403 (964,808)	964,808 (1,676,193)
<b>Total</b>	<b>44,482,136 (44,446,543)</b>	<b>384,273 (97,009)</b>	<b>13,818,327 (61,416)</b>	<b>31,048,082 (44,482,136)</b>	<b>42,962,704 (41,588,769)</b>	<b>1,091,834 (1,435,351)</b>	<b>13,818,327 (61,416)</b>	<b>30,236,211 (42,962,704)</b>	<b>811,871 (1,519,432)</b>
									<b>1,519,432</b>

i. Figures in brackets denote amounts pertaining to the previous year.

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**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.8 DEFERRED TAX ASSET**

Particulars	As at 1 April 2016 ( Rupees)	Charge/ (Credited) During the period ( Rupees)	As at 31 March 2017 ( Rupees)
Provision for compensated absences and gratuity	1,512,341	(263,001)	1,775,342
On difference between book balance and tax balance of fixed assets	884,711	111,030	773,681
Gain/(Loss) on forward contracts	-	(545,346)	545,346
<b>Deferred tax asset</b>	<b>2,397,052</b>	<b>(697,317)</b>	<b>3,094,369</b>

Particulars	As at 31 March 2017 ( Rupees)	As at 31 March 2016 ( Rupees)
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**2.9 LONG-TERM LOANS AND ADVANCES**

(Unsecured, considered good)

a. Security deposits	5,579,420	5,579,420
b. MAT credit entitlement	12,956,256	24,280,345
c. Advance tax [net of provision for tax Rs. 82,861,937 (previous year Rs. 62,883,705)]	2,346,973	2,209,734
	<b>20,882,649</b>	<b>32,069,499</b>

**2.10 OTHER NON CURRENT ASSETS**

a. Long term bank deposits	373,360	373,360
b. Interest accrued but not due on bank deposits	83,265	54,059
	<b>456,625</b>	<b>427,419</b>

Note:-

Balances with scheduled banks- in deposit accounts represents deposits under lien with bank and are restricted from being settled for more than 12 months from the Balance Sheet date.

**2.11 CURRENT INVESTMENTS (at lower of cost or fair value)**

**Non Trade (unquoted)**

- 141,410.53 units (Previous year 576,094.17) of ICICI Prudential Liquid Direct Plan Daily Dividend	14,149,733	57,641,970
- 6,504.58 units (Previous year Nil) ICICI Prudential Flexible Income Plan - DDR - Direct	687,767	-
- 6,215,454.31 units (Previous year Nil) ICICI Prudential Ultra Short Term Plan- Direct Plan- Daily Dividend- Reinvestment option	62,815,867	-
- 1,824,464.38 units (Previous year Nil) ICICI Prudential Equity Arbitrage Fund- Direct Plan- Monthly Dividend- Reinvestment option	25,949,869	-
-1,236,756.74 units (previous year Nil) IDFC Money Manager- Direct Plan- Daily Dividend-Reinvestment option	12,544,547	-
<b>Total</b>	<b>116,147,783</b>	<b>57,641,970</b>
<b>Aggregate amount of unquoted investments</b>	<b>116,147,783</b>	<b>57,641,970</b>

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31 March 2017 ( Rupees)	As at 31 March 2016 ( Rupees)
<b>2.12 TRADE RECEIVABLES</b>		
(Unsecured, Considered good)		
Trade receivables outstanding for a period less than six months from the date they were due for payment	11,174,222	15,500,176
<b>2.13 CASH AND BANK BALANCES</b>		
<b>A. Cash and cash equivalents (as per AS 3 Cash Flow Statements)</b>		
a. Cash on hand	15,796	5,877
b. Balances with scheduled banks:		
- in current accounts	371,678	8,091,652
- in EEFC accounts	2,681,864	653,180
<b>Total - Cash and cash equivalents (as per AS 3 Cash Flow Statements) (A)</b>	<b>3,069,338</b>	<b>8,750,709</b>
<b>B. Other bank balances</b>		
a. Balances with scheduled banks in earmarked		
- unclaimed dividend accounts	890	890
<b>Total - Other bank balances (B)</b>	<b>890</b>	<b>890</b>
<b>Total Cash and Bank balances</b>	<b>3,070,228</b>	<b>8,751,599</b>
<b>Details of balances as on balance sheet dates with scheduled banks in current accounts</b>		
- HDFC Bank Ltd	371,678	419,430
- Citi Bank	-	8,019,463
- Citi Bank *	2,651,892	305,938
- HDFC Bank *	29,972	-
	<b>3,053,542</b>	<b>8,744,832</b>
* EEFC account		

Particulars	As at 31 March 2017 ( Rupees)	As at 31 March 2016 ( Rupees)
<b>2.14 SHORT-TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
a. Prepaid expenses	137,019	220,262
b. Supplier advance	1,292,641	1,074,416
c. Employee advances	1,405,459	480,694
d. Other advances	676,972	-
e. Mark-to-market gain on forward contracts (see note 2.27)	1,963,729	888,769
f. MAT credit entitlement	8,435,846	5,547,603
g. Balances with government authorities - Service Tax credit receivable	1,870,166	-
	<b>15,781,832</b>	<b>8,211,744</b>

B

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	Year ended 31 March 2017 ( Rupees)	Year ended 31 March 2016 ( Rupees)
<b>2.15 OTHER INCOME</b>		
a. Interest income on fixed deposits with banks	29,206	29,425
b. Dividend income from non-trade current investments	4,180,154	3,613,849
c. Net gain/(loss) on foreign currency transactions and translation	-	1,599,625
d. Net gain/(loss) on ineffective hedges (see note 2.27)	-	(13,619)
e. Net gain on sale of investments	55,772	-
f. Profit on sale of fixed assets	215,174	-
g. Miscellaneous income	2,348,566	668,868
	<b><u>6,828,872</u></b>	<b><u>5,898,148</u></b>
<b>2.16 EMPLOYEE BENEFITS EXPENSE</b>		
a. Salaries and wages	70,057,926	85,201,464
b. Contribution to provident and other funds	3,879,452	4,620,140
c. Gratuity expense (see note 2.26)	1,700,560	2,095,131
d. Staff welfare expenses	1,562,783	1,396,009
	<b><u>77,200,721</u></b>	<b><u>93,312,744</u></b>
<b>2.17 OPERATING AND OTHER EXPENSES</b>		
a. Rent and hire charges	5,329,962	5,889,780
b. Repair and maintenance		
- Buildings	748,810	776,688
- Others	727,551	891,787
c. Insurance	217,050	343,533
d. Rates & taxes	154,665	371,940
e. Travelling		
- Foreign	2,588,280	15,056,186
- Domestic	815,667	323,464
f. Legal and professional (see note 2.20)	1,881,659	3,191,300
g. Conveyance	1,474,211	1,681,494
h. Communication	1,273,289	1,966,487
i. Training and recruitment	425,854	864,024
j. Power and fuel	3,043,196	2,503,101
k. Net loss on foreign currency transactions	405,946	-
l. Director sitting fee	160,800	233,144
m. Advertisement and business promotion	-	8,348
n. Provision for diminution in value of investment	130,113	-
o. Miscellaneous expenses	1,396,504	1,456,459
	<b><u>20,773,557</u></b>	<b><u>35,557,735</u></b>
<b>2.18 FINANCE COST</b>		
Bank charges	<b><u>466,553</u></b>	<b><u>509,455</u></b>

B

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.19 Operating lease**

**Obligations on long-term, non-cancelable operating leases**

The company leases office space and other assets under operating lease. The Lease rental expense recognised in the statement of profit and loss for the year in respect of such lease is Rs. 5,329,962 (previous year Rs. 5,889,780). The future minimum lease payment in respect of such lease is as follows:

Particulars	As at 31 March 2017 ( Rupees)	As at 31 March 2016 ( Rupees)
<b>Lease obligations payable</b>		
a. Not later than 1 year	5,624,138	861,570
b. Later than 1 year but not later than 5 years	944,855	-
	<b>6,568,993</b>	<b>861,570</b>

Particulars	Year ended 31 March 2017 ( Rupees)	Year ended 31 March 2016 ( Rupees)
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**2.20 Legal and professional include :**

a. As auditors - statutory audit*	350,000	600,000
b. Other services	-	85,000
	<b>350,000</b>	<b>685,000</b>

\*excluding service tax

**2.21 CIF value of imports**

Capital goods	-	<b>894,837</b>
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**2.22 Earnings in foreign currency**

Sales of services	<b>152,496,149</b>	<b>170,154,218</b>
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**2.23 Expenditure in foreign currency**

a. Travelling expenses	626,662	12,475,628
b. Training and recruitment	-	236,672
c. Other expenses	208,652	185,199
	<b>835,314</b>	<b>12,897,499</b>

**2.24 Earnings per share**

a. Profit after taxation available to equity shareholders (Rupees)	40,511,441	31,256,588
b. Weighted average number of equity shares used in calculating basic earnings per share	1,000,000	1,000,000
c. Effect of dilutive issue of shares	-	-
d. Weighted average number of equity shares used in calculating diluted earnings per share	1,000,000	1,000,000
e. Basic earnings per share (Rupees)	40.51	31.26
f. Diluted earnings per share (Rupees)	40.51	31.26



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.25 RELATED PARTY TRANSACTIONS**

**List of related parties**

- a. Holding Company - where control exists**  
- Nucleus Software Exports Limited
- b. Fellow Subsidiary:**  
- Nucleus Software Solution Pte. Ltd., Singapore  
- Nucleus Software Japan Kabushiki Kaisha, Japan

Particulars	Year ended 31 March 2017 ( Rupees)	Year ended 31 March 2016 ( Rupees)
<b>Transactions with related parties</b>		
<b>i. Sale of services</b>		
- Nucleus Software Solution Pte. Ltd., Singapore	124,498,409	170,627,410
- Nucleus Software Japan Kabushiki Kaisha, Japan	25,561,240	-
<b>ii. Reimbursement of expenses</b>		
From related parties		
- Nucleus Software Solution Pte. Ltd., Singapore	-	289,711
- Nucleus Software Japan Kabushiki Kaisha, Japan	37,676,296	-
To related parties		
- Nucleus Software Exports Limited	212,215	-
- Nucleus Software Solution Pte. Ltd., Singapore	-	794,853
<b>iii. Dividend paid</b>		
- Nucleus Software Exports Limited	-	84,999,830

**Outstanding balances as at year end**

Particulars	As at 31 March 2017 (Rupees)	As at 31 March 2016 (Rupees)
<b>i Trade receivables</b>		
- Nucleus Software Solution Pte. Ltd., Singapore	9,922,050	15,500,176
- Nucleus Software Japan Kabushiki Kaisha, Japan	1,252,172	-
<b>ii Other current liabilities</b>		
- Nucleus Software Exports Limited	-	339,193
- Nucleus Software Japan Kabushiki Kaisha, Japan	635,366	-



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.26 Employee benefit obligations**

**Defined contribution plans**

An amount of Rs. 3,879,452 (previous year Rs. 4,620,140) has been recognized as an expense in respect of Company's contribution for Provident Fund deposited with the government authorities.

**Defined benefit plans**

The Gratuity scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service or part thereof in excess of 6 months subject to a maximum limit of Rs 1,000,000 in terms of the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of service.

Provision in respect of gratuity and leave encashment has been determined using the Projected Unit Credit method, with actuarial valuations being carried out at the balance sheet date.

During the year, the Company has made contributions to Nucleus Software Export Limited Employees Group Gratuity Assurance Scheme, which has made further contributions to Employees Group Gratuity Scheme of Life Insurance Corporation of India.

**Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2017 :**

<b>Particulars</b>	<b>As at 31 March 2017 (Rupees)</b>	<b>As at 31 March 2016 (Rupees)</b>
<b>a. Change in defined benefit obligations (DBO)</b>		
Obligation at beginning of the year	10,801,497	8,651,439
Current service cost	1,271,486	1,175,713
Interest cost	831,750	703,237
Actuarial losses/(gains)	328,684	1,006,774
Benefits paid	(1,220,586)	(735,666)
Obligation at year end	<b>12,012,831</b>	<b>10,801,497</b>
<b>b. Change in fair value of plan assets during the year</b>		
Plan assets at year beginning, at fair value	10,347,163	8,547,211
Expected return on asset plan	783,258	649,743
Contributions by employer	189,332	1,745,025
Actuarial (losses)/gains	(51,900)	140,850
Benefits paid	(1,220,585)	(735,666)
Plan assets at year end, at fair value	<b>10,047,268</b>	<b>10,347,163</b>
<b>c. Net asset / (liability) recognised in the Balance Sheet</b>		
Present value of defined benefit obligation	12,012,831	10,801,497
Fair value of plan assets	10,047,268	10,347,163
Funded status -Deficit	1,965,563	454,334
Net liability recognised in the Balance Sheet	<b>1,965,563</b>	<b>454,334</b>
<b>d. Expected employer's contribution next year</b>	1,000,000	1,000,000

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

e. **Gratuity cost for the year:**

Particulars	Year ended 31 March 2017 (Rupees)	Year ended 31 March 2016 (Rupees)
Current service cost	1,271,486	1,175,713
Interest cost	831,750	703,237
Expected return on asset plan	(783,258)	(649,743)
Actuarial losses/(gains)	380,582	865,924
Net gratuity cost	<b>1,700,560</b>	<b>2,095,131</b>

Particulars	Year ended 31 March 2017 (Rupees)	Year ended 31 March 2016 (Rupees)
f. Assumptions :-		
Economic assumptions		
Discount rate	6.90%	7.55%
Salary escalation rate	7.50%	8.00%
Expected Rate of Return on plan assets	8.00%	8.00%

**Discount rate:**

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

**Salary escalation rate:**

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

**Expected rate of return on plan assets:**

This is based on our expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

g. **Demographic assumptions**

Retirement age	58 years	58 years
Mortality table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

**Withdrawal rates**

Ages Withdrawal	Ages Withdrawal
21-50 years - 20%	21-50 years - 20%
51-54 years - 2%	51-54 years - 2%
55-57 years - 1%	55-57 years - 1%

h. **Category of assets**

Insurer managed funds	10,047,268	10,347,163
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11

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

i. **Experience adjustments**

	Year Ended		
	31 March 2017	31 March 2016	31 Mar 2015
	(Rupees)	(Rupees)	(Rupees)
Defined benefit obligation	12,012,831	10,801,497	8,651,349
Plan assets	10,047,268	10,347,163	8,547,211
Surplus/ (Deficit)	(1,965,563)	(454,334)	(104,228)
Experience adjustments on plan liabilities	(44,530)	829,928	(520,099)
Experience adjustments on plan assets	(51,900)	140,850	268,447

	Year ended	
	31 March 2014	31 March 2013
	(Rupees)	(Rupees)
Defined benefit obligation	8,100,978	7,376,983
Surplus/ Deficit	(8,100,978)	(7,376,983)
Plan assets	-	-
Experience adjustments on plan liabilities	184,053	352,724
Experience adjustments on plan assets	-	-

**2.27 Forward contract and option in foreign currency**

Particulars	As at	As at
	31 March 2017	31 March 2016
	(Rupees)	(Rupees)
<b>a. Forward contract outstanding</b>		
In USD	600,000	600,000
Equivalent amount in Rupees	38,910,000	39,756,000
<b>b. Short term loans and advances include net marked to market gain of Rs. 1,963,729 (Previous year ended 31 March, 2016 : Rs. 888,769) relating to forward contracts which are outstanding as at year end. The gain on such forward contract which are designated as effective, aggregating to Rs. 1,963,729 (Previous year ended 31 March 2016 : gain of Rs. 902,388) have been credited to Hedging Reserve. The Loss on ineffective contracts aggregating to Rs. Nil (Previous year ended 31 March 2016: gain of Rs. 13,619) has been debited/credited to Statement of Profit and Loss.</b>		
<b>c. The Company's exposure in respect of foreign currency denominated assets not hedged as on 31 March, 2017 by derivative instruments is as follows:</b>		

Particulars	As at	As at
	31 March 2017	31 March 2016
Current Assets in JPY	2,158,917	8,966,791
Current Assets in Rupees	1,252,172	5,289,510

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**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.28 Segment reporting**

Based on the guiding principles stated in Accounting Standard-17 on "Segment Reporting" with the accounting standards specified under section 133 of the Act, as applicable, the Company has identified its business of providing software support services in single country as one reportable segment only. Accordingly, no additional disclosure for segment reporting has been made in the financial statements.

**2.29 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS**

<b>Particulars</b>	<b>Year ended 31 March 2017 (Rupees)</b>	<b>Year ended 31 March 2016 (Rupees)</b>
Sales of services	152,496,149	170,154,218
Software support expenses	92,439,701	125,030,073
<b>Gross Profit</b>	<b>60,056,448</b>	<b>45,124,145</b>
General and administration expenses	6,001,131	4,349,861
<b>Operating profit before depreciation</b>	<b>54,055,317</b>	<b>40,774,284</b>
Depreciation	1,091,834	1,435,351
<b>Operating profit after depreciation</b>	<b>52,963,483</b>	<b>39,338,933</b>
Other income	6,828,872	5,898,148
<b>Profit before taxation</b>	<b>59,792,355</b>	<b>45,237,081</b>
Tax expense:		
- Current tax	19,978,232	14,230,668
- Deferred tax charge / (credit)	(697,317)	(250,175)
<b>Profit after taxation</b>	<b>40,511,441</b>	<b>31,256,588</b>



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.30** Details of Specified Bank Notes (SBN) held and transacted during the period 8 November 2016 to 30 December 2016 as provided in the table below:

Information pursuant to G.S.R. 308(E) dated 30 March 2017	Specified Bank notes	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	2,500	15,068	17,568
(+) Permitted receipts*	-	17,500	17,500
(-) Permitted payments	-	12,897	12,897
(-) Amount deposited in Banks	2,500	-	2,500
Closing cash in hand as on 30.12.2016	-	19,671	19,671

\* (Under permitted receipts of Rs, 17,500 (Rs 15,000 are for withdrawal from bank and Rs 2,500 for exchange from SBNs)

Note: For the purpose of this disclosure, the term "Specified Bank Notes" shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E) dated 8 November 2016

**2.31 Contingent liabilities and Commitments (to the extent not provided for)**

Particulars	As at 31 March 2017 (Rupees)	As at 31 March 2016 (Rupees)
<b>a. Contingent Liabilities</b>	-	-
<b>b. Capital Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).	108,520	-
	<b>108,520</b>	<b>-</b>

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

**2.33 EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY**

Particulars	Year ended 31 March 2017 (Rupees)	Year ended 31 March 2016 (Rupees)
Gross amount required to be spent by Company during the year ended 31 March, 2017 - 31 March, 2015 :	1,091,993	1,112,448
Amount spent during the period on purposes other than Construction/acquisition of any asset	-	-



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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- 2.34** Previous year's figures were audited by another firm of chartered accountants.
- 2.35** Previous year's figures have been regrouped/ reclassified wherever necessary to make them comparable with the current year figures.

For **B S R & ASSOCIATES LLP**

*Chartered Accountants*

Firm Registration Number : 116231W/W-100024



**RAKESH DEWAN**

Partner

Membership number : 092212

Place : New Delhi

Date : 25 April, 2017

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



**VISHNU R DUSAD**

Director

Place : New Delhi

Date : 25 April, 2017



**RAVI PRATAP SINGH**

Director

