

**HOVS**

**HOV SERVICES LIMITED**

28<sup>th</sup> ANNUAL REPORT 2015 - 16

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**COMPANY INFORMATION**

Registered Office & Head Office	3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune - 411 037, Maharashtra Tel: (91 20) - 24231623; Fax: (91 20) - 24221470
Registrar & Share Transfer Agent	Karvy Computershare Pvt Ltd., Karvy Selenium Tower B, Plot number 31 & 32, Financial District, Gachibowli, Hyderabad - 500 032, Telangana Tel: (91 40) - 23420815; Fax: (91 40) - 23420814
Statutory Auditors	Lodha & Co., Chartered Accountants, 6 Karim Chambers, 40, Ambalal Doshi Marg, Mumbai - 400 023, Maharashtra, India Tel: (91 22) - 2265 1140; Fax: (91 22) - 2269 1414
Secretarial Auditors	J.B.Bhave & Co., Company Secretaries, Flat No. 9, Karan Aniket, Shri Varanasi CHS Ltd., Off Mumbai Bangalore Highway, Behind Atul Nagar, Warje, Pune - 411 058 Tel: (91 20) - 2520 43 57 / 59
Internal Auditor	Arth & Associates, Chartered Accountants, Flat No.102/103, Beena Apartments, Behind Chrysallis Institute, Opp SBI Bank, S.B. road, Pune - 411 016
Chief Financial Officer	Mr. Sriram Gopalan Iyengar
VP-Corporate Affairs & Company Secretary & Compliance Officer	Mr. Bhuvanesh Sharma <a href="mailto:investor.relations@hovsltd.com">investor.relations@hovsltd.com</a>
Website	<a href="http://www.hovsltd.com">www.hovsltd.com</a>

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**THE BOARD OF DIRECTORS**

Mr. Sunil Rajadhyaksha	<b>Chairman &amp; Executive Director</b>
Mr. Surinder Rametra	<b>Executive Director</b>
Mr. Parvinder S Chadha	<b>Executive Director</b>
Mr. B R Gupta	<b>Independent Director</b>
Mr. Harish Bhasin	<b>Independent Director</b>
Mrs. Lakshmi Kumar	<b>Independent Director</b>

**THE EXECUTIVE MANAGEMENT**

Mr. James Reynolds	<b>Chief Financial Officer, Global</b>
Mr. Sriram Gopalan Iyengar	<b>Chief Financial Officer</b>
Mr. Bhuvanesh Sharma	<b>VP-Corporate Affairs &amp; Company Secretary &amp; Compliance Officer</b>

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**COMMITTEES OF THE BOARD****AUDIT COMMITTEE**

<b>Name</b>	<b>Designation/Category</b>
Mr. B R Gupta	Chairman (Independent Director)
Mr. Harish Bhasin	Member (Independent Director)
Mr. Surinder Rametra	Member (Executive Director)

**NOMINATION & REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation/Category</b>
Mr. Harish Bhasin	Chairman (Independent Director)
Mr. B. R. Gupta	Member (Independent Director)
Mrs. Lakshmi Kumar	Member (Independent Director)
Mr. Sunil Rajadhyaksha	Member (Executive Director)

**STAKEHOLDERS RELATIONSHIP COMMITTEE**

<b>Name</b>	<b>Designation/Category</b>
Mr. B. R. Gupta	Chairman (Independent Director)
Mr. Harish Bhasin	Member (Independent Director)
Mr. Sunil Rajadhyaksha	Member (Executive Director)

**Chairman Message:**

*Dear Member,*

*With great pleasure, I welcome you to the 28<sup>th</sup> Annual General Meeting of Your Company.*

*We have come along one more year of moving ahead in emerging opportunities in global and domestic markets. India continues to consolidate its position as the global hub for IT –BPM services enabling digital transforming for clients and domestic markets getting boost with different initiatives on “Digital India” and “Make in India. We believe by leveraging our domain experience in technology and significant presence in the rapidly growing health care services, banking and transaction processing services will provide good opportunity to enhance our business spread.*



*We are very optimistic about our strategic investment made in SourceHOV Holdings Inc., a company in which our wholly owned subsidiary in the United States, HOVS LLC holds investment. The combined company is one of the global leaders in financial transaction solutions and services, healthcare services and administration of claims. SourceHOV with direct sales and operations in 14 countries, provides solutions and services to over 3,000 customers in 55 countries. The company with over 15,000 dedicated employees is strategically positioned to leverage its global presence, multi industry solutions and services to grow in Americas, Europe, Asia, Pacific and Middle East and North Africa.*

*The Company through its subsidiary HOV Environment Solutions Private Limited entered into environment protection management solutions. It constructed Asia’s largest Geotextile Project at, Cochin and undertaken India’s first government funded offshore geotextile multipurpose reef structure for coastal erosion protection at Mirya Bay, Ratnagiri, Maharashtra. Such projects have long gestation period to achieve breakeven. We have successfully completed two projects; and working on to explore new assignments.*

*On behalf of Company’s Board of directors I would like to acknowledge and thank each and every one of our HOVS family member for their dedication to work for your Company.*

*I am thankful to each and every Shareholder for showing trust; confidence; and support to the management of the Company.*

*Together we can succeed!*

*Best regards and thank you all,*

**Sunil Rajadhyaksha**

*Chairman and Executive Director*

## Directors' Report

Your Directors are pleased to present the Twenty-Eighth Annual Report on the Business and Operations of HOV Services Limited (the "Company" or "HOVS") together with the Audited Financial Statements for the financial year ended March 31, 2016.

### FINANCIAL RESULTS AND OPERATIONS:

Particulars	Rs. In Million			
	Consolidated		Standalone	
	For the year ended on March 31, 2016	For the year ended on March 31, 2015	For the year ended on March 31, 2016	For the year ended on March 31, 2015
<b>INCOME</b>				
Income from Operation	151.51	164.04	135.06	125.45
Other Income	11.16	5.71	13.35	8.17
	<b>162.67</b>	<b>169.75</b>	<b>148.41</b>	<b>133.62</b>
<b>EXPENDITURE</b>				
Staff Cost	104.45	104.21	102.16	100.64
General and Administrative Expenses	44.19	77.90	24.39	33.33
	<b>148.64</b>	<b>182.11</b>	<b>126.55</b>	<b>133.97</b>
<b>Profit/(Loss) before Interest, Depreciation and Tax</b>	14.03	(12.36)	21.86	(0.35)
Less: Interest	6.07	4.11	-	-
Less: Depreciation	9.75	10.13	3.55	4.37
<b>Profit/(Loss) before Tax</b>	<b>(1.79)</b>	<b>(26.60)</b>	<b>18.31</b>	<b>(4.72)</b>
Less: Provisions for taxes				
Current Tax	5.69	-	5.69	-
Deferred Tax	(1.30)	(1.79)	(1.30)	(1.79)
<b>Profit/(Loss) after Tax</b>	<b>(6.18)</b>	<b>(24.81)</b>	<b>13.92</b>	<b>(2.93)</b>
Less: Minority Interest	-	4.70	-	-
<b>Profit/(Loss) after minority interest</b>	<b>(6.18)</b>	<b>(20.11)</b>	<b>13.92</b>	<b>(2.93)</b>
Add: Share of (Loss) from an Associate	(2,750.19)	(1,533.11)	-	-
<b>Net Profit/(Loss)</b>	<b>(2,756.37)</b>	<b>(1,553.22)</b>	<b>13.92</b>	<b>(2.93)</b>

**1. RESULTS OF OPERATIONS:**

**For the financial year ended March 31, 2016 as follows:-**

**Consolidated Financial Performance:**

- Consolidated total Income for the current year was Rs. 162.67 million.
- EBIDT for the current year was Rs. 14.03 million.
- Net Profit/ (Loss) was Rs. (2,756.37) million.
- The basic and diluted Earnings Per Share (EPS) was Rs. (220.08) for the year.

**Standalone Financial Performance**

- Total Income for the current year was Rs. 148.41 million.
- EBIDT for the current year was Rs. 21.86 million.
- Net Profit/ (Loss) was Rs. 13.92 million.
- The basic and diluted Earnings Per Share (EPS) is Rs. 1.11 for the year under reporting.

**2. Appropriations****(i) Dividend:**

Your Company intends to conserve available resources to invest in the growth of the business and pursue strategic growth opportunities, accordingly did not recommend any dividend for the year.

**(ii) Transfer to Reserve:**

No amount was transferred to Reserve during the financial year ended on March 31, 2016.

**3. Subsidiary companies and Associate company****A. Subsidiary Companies:**

- HOVS LLC incorporated in Delaware under the laws of United States of America;
- HOV Environment LLC incorporated in Nevada State under the laws of United States of America;
- HOVS Holdings Limited incorporated under the Companies Ordinance of Hong Kong; and
- HOV Environment Solutions Private Limited incorporated in Maharashtra under Indian Company Laws.

**B. Associate Company:**

SourceHOV Holdings Inc., in which HOVS LLC, wholly owned subsidiary of the Company, has 44.8% stake holding.

Pursuant to shareholders' approval on November 4, 2014, SourceHOV Holdings Inc. ("SourceHOV"), a company in which HOVS LLC, wholly owned US subsidiary of HOV Services Limited, holds an investment, completed the merger with BancTec Group LLC. Post-merger the equity ownership of HOVS LLC in SourceHOV increased from 26.1% to 44.8%. The fair value of HOVS LLC investment on November 4, 2014 in SourceHOV has been valued at US\$ 95 million (Rs. 58,337.60 lakhs) at the time of aforesaid merger. Accordingly, additional Capital Reserve of Rs 58,240.26 lakhs was recognized being the fair value of investment in the associate over the carrying value of investment. The Company has done the impairment test during the financial year 2015-16 under Accounting Standard 28 "Impairment of Assets" for the investment and there is no impairment to the Investment Value.

*A report on the performance and financial position of Subsidiaries, Associate Company as per the Companies Act, 2013 is annexed in the financial statements.*

#### 4. Significant developments

During the financial year there was no significant development happened in the Company.

#### 5. ADR/GDR

The shareholder's in their Annual General Meeting dated July 21, 2007 granted approval for proposed 15,000,000 of ADR/GDR issue. However, so far none of the underlying equity shares were issued by the Company.

#### 6. Share Capital of the Company

During the financial year, the Company had allotted 18,500 equity shares under ESOP Plan 2007. Consequently, after the allotment, the paid up share capital of the Company has gone up from 12,524,522 equity shares of Rs. 10/- each aggregating to Rs. 125,245,220/- to 12,532,522 equity shares of Rs. 10/- aggregating to Rs. 125,325,220/-.

#### 7. Employee Stock Option Plan (ESOP)

Your Company instituted "HOVS Stock Option Plan 2007" and "HOVS Stock Option Plan 2008" for its employees and for employees of its subsidiary companies as detailed below:

Plan	Shareholder's Approval Date	No. of Options for employees of the Company	No. of Options for employees of subsidiary companies	Total
"HOVS Stock Option Plan 2007"	July 21, 2007	400,000	700,000	1,100,000
"HOVS Stock Option Plan 2008"	September 30, 2008	0	750,000	750,000

The information to be disclosed as per SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, is annexed herewith as "ANNEXURE- A" to this report.

#### 8. Conservation of Energy, Technology Absorption and Foreign Exchange

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 13 (3) (m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014, is annexed herewith as "ANNEXURE- B" to this report.

#### 9. Human Resources

All employees are aligned under our value system which propagates and practices being open, transparent and honest, collaborative, honoring commitments and demanding excellence among them. During the year the Company had maintained cordial relations with all its employees and has taken utmost care of its employees deployed.

The Company has no employees who received remuneration in excess of limits prescribed under Section 197 of the Companies Act, 2013 read with the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014.

#### 10. Disclosure as per Section 197 (12) of the Companies Act, 2013 and Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith as "ANNEXURE- C" to this report.



**11. Directors Responsibility Statement:**

Information as per Section 134(5) of the Companies Act, 2013 is annexed herewith as "ANNEXURE- D" to this report.

**12. Financial Summary and Highlights**

The Company's current year financial summary and highlights are mentioned in the Management Discussion and Analysis Report.

**13. Board Meetings**

During the financial year 6 (Six) Board Meetings were held the details of which are given in the Corporate Governance Report.

**14. Directors and Key Managerial Personnel**

Mr. Surinder Rametra, Executive Director, retires by rotation and being eligible has offered himself for re-appointment.

Mr. Baldev Raj Gupta and Mr. Harish Bhasin were appointed in 26<sup>th</sup> Annual General Meeting held on July 26, 2014 as Independent Directors for a term comprising of two years. Their term is getting over on July 26, 2016. Based on the recommendation of the Nomination and Remuneration Committee the Board of Directors recommended their re-appointment by the shareholders in the ensuing 28<sup>th</sup> Annual General Meeting as Independent Director for a term comprising of five years from July 26, 2016 to July 25, 2021.

Mr. Sunil Rajadhyaksha, Whole time Director, Mr. Parvinder Chadha, Whole time Director and Mr. Surinder Rametra, Whole time Director of the Company were re-appointed by the shareholders in the 27<sup>th</sup> Annual General Meeting for a term of 5 years commence on April 1, 2016 till March 31, 2021.

None of the Directors were materially interested in any contract & agreements existing or at the end of the financial year that was significant in relation to the business of the Company.

All Independent Directors of the Company have given declaration under Section 149(7) of the Companies Act, 2013, stating that they meet the criteria of independence as mentioned in the Section 149(6) of the Companies Act, 2013.

**15. Meeting of Independent Directors**

Independent Directors of the Company met on March 21, 2016, to review the performance of non-independent directors, the Board as a whole and the Chairman of the Company and assess the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The familiarisation program was arranged by the Company for Independent Directors with regard to their roles, rights, responsibilities with the Company, the nature of the industry in which the Company operates and business model of the Company on March 21, 2016. The details of the familization program was disclosed under Investor Relations section of the Company's website [www.hovsltd.com](http://www.hovsltd.com).

**16. Performance Evaluation**

During the year the evaluation of Board, its Committees, Independent Directors and other non-independent directors including Chairman of the Board was carried out considering parameters as set by the members of the Board.

For Board and its Committees, the exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board & committees, experience & competencies, meeting in legal frame work, time spent on agendas, receiving information from management and having well defined Committees and each Committee having co-operative working environment with the Board. The evaluation of Chairperson was carried out by independent directors on criteria of leadership, promotes participation among all members and ability to manage conflicting situations positively. In case of evaluation of the independent directors by whole board members was carried out based on the criteria of efforts undertaken for understanding the company, brings independent view point in discussion and awareness of roles and responsibilities.

**17. Internal Financial Controls**

The Company has adopted adequate procedures for ensuring the internal financial controls. The Company adheres to best practices for safeguarding its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and timely preparation of reliable and accurate financial informations.

**18. Related Party Transactions**

The transactions entered by the Company with related parties are in ordinary course of business and at arm's length basis. The particulars of transactions entered with related parties is annexed herewith as "ANNEXURE- E" to this report.

**19. Corporate Governance Report**

The Company believes in good corporate governance which are essential to enhance the value of the Company for the stakeholders and abide by the Corporate Governance norms as stipulated under Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Corporate Governance report is annexed as the part of the Director's report.

**20. Management Discussion and Analysis**

Management Discussion and Analysis Report for the year under review, as stipulated under Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is presented as a separate section forming part of the Director's report.

**21. Code of Conduct for Board and Senior Management**

The Company has adopted Code of Conduct for the Directors and Senior Management and same is available on the Company's website [http://hovsltd.com/code\\_of\\_conduct.html](http://hovsltd.com/code_of_conduct.html). All Directors and Senior Management personnel have affirmed their compliance with the said Code. A declaration signed by the Whole-time Director to this effect is annexed as part of the Director's report.

**22. Auditors and Auditors' Report****Statutory Auditors**

At the Annual General Meeting held on July 26, 2014, M/s. Lodha & Co, Chartered Accountants, Mumbai, were appointed as Statutory Auditors of the Company to hold office till the conclusion of 29<sup>th</sup> Annual General Meeting subject to ratification by shareholders at every Annual General Meeting and being eligible have expressed their willingness to continue.

A resolution proposing ratification of their appointment is submitted at the ensuing 28<sup>th</sup> Annual General Meeting. The Statutory Auditors' Report does not contain any qualification, reservation or adverse remark.

#### **Secretarial Audit Report**

The Board appointed M/s. J B Bhavé & Co., Practicing Company Secretaries, Pune for conducting secretarial audit, the Secretarial Audit Report for FY 2015-16 is annexed herewith as "ANNEXURE- F" to this report. The Secretarial Auditors' Report does not contain any qualification, reservation or adverse remark.

#### **23. Extract of Annual Return**

Extract of Annual Return is annexed herewith as "ANNEXURE- G" to this report.

#### **24. Committees of the Board**

##### **Audit Committee**

The Company has constituted Audit Committee, the details of the same are disclosed in the Corporate Governance Report. The Board accepts all the recommendations of the Audit Committee.

##### **Nomination & Remuneration Committee**

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration.

##### **Stakeholders Relationship Committee**

The Company has constituted the above committee to resolve the grievances of the shareholders.

The details of the committees along with their charters are annexed as part of this Board's Report.

#### **25. Whistle Blower Policy**

The Board of Directors had adopted the Vigil Mechanism/Whistle Blower Policy in order to establish a mechanism for directors and employees to report genuine concerns or grievances about unethical behavior, actual or suspected frauds or violation of the Company's Code of Conduct. It provides necessary safeguards for protection of employees from reprisals or victimization, for whistle-blowing in good faith. In line with the commitment of Company to the highest possible standards of ethical, moral and legal business conduct and its commitment to open communication and made provisions for direct access to the Chairperson of the Audit Committee in appropriate and exceptional cases. During the there was no instances reported under the Policy.

#### **26. General**

- a. The statement relating to risk management policy and identification of risk elements are covered under Management Discussion Analysis Report as annexed with this Report.
- b. On following points no reporting or disclosure is required as there were no transactions on these items during the financial year under review:
  - i. There was no loan, guarantees and investment made;

- ii. Details relating to deposits covered under Chapter V of the Companies Act, 2013;
- iii. No significant and material orders passed by the regulators or courts or tribunals which impacted the going concern status and operation of the Company;
- iv. Issue of equity shares with differential rights as to dividend, voting or otherwise;
- v. Issue of sweat equity shares;
- vi. None of the whole-time directors of the Company received any remuneration or commission from the subsidiaries of the Company.

**27. Acknowledgement**

Your Directors place on record their appreciation for co-operation and support received from the Government of India, Government of Maharashtra, Reserve Bank of India, Software Technology Parks of India, Registrar of Companies, Pune, other local governmental bodies, NASSCOM, the National Stock Exchange, the Bombay Stock Exchange, Bankers of the Company and Shareholders during the financial year.

Your Directors express their sincere appreciation for the efforts made by employees at all levels for their hard work, co-operation and support extended to your Company during the financial year.

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

Date: May 13, 2016

Sunil Rajadhyaksha  
**Chairman & Executive Director**  
(DIN- 00011683)

**DECLARATION REGARDING CODE OF CONDUCT**

We hereby confirm that for the financial year ended March 31, 2016, the Directors and Senior Management Personnel have complied with the Code of Conduct of the Company as applicable to them.

Date: May 13, 2016

Sunil Rajadhyaksha  
**Chairman & Executive Director**  
(DIN- 00011683)

**CEO AND CFO CERTIFICATION**

The Board of Directors'  
HOV Services Limited

**CERTIFICATE FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2016**

We, to the best of our knowledge and belief, certify that:

- a) We have reviewed financial statements and the cash flow statement of the Company for the financial year ended on March 31, 2016 and that:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) To the best of our knowledge and belief there are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee that;
  - i. there was no changes in internal control over financial reporting during the year;
  - ii. there was no significant changes in accounting policies during the year required to be disclosed in the notes to the financial statements; and
  - iii. there was no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Sriram Iyengar  
**Chief Financial Officer**

Sunil Rajadhyaksha  
**Chairman & Executive Director**  
**(DIN- 00011683)**

Date- May 13, 2016

**ANNEXURE TO THE DIRECTORS' REPORT****Management Discussion and Analysis Report**

HOV Services Limited ("HOVS" or the "Company") operates as a hybrid between an investment company and a diversified services corporation. The Company's business encompasses a) Software and IT Enabled Services and b) Environment Protection Solutions. The Company believes that this operational structure is fundamental to our value proposition for our future success.

SourceHOV Holdings Inc., ("**SourceHOV**") a company in which our wholly owned subsidiary in the United States, HOVS LLC, holds investments, is a one of the global leaders in financial transaction solutions and services, healthcare services and administration of claims. SourceHOV with direct sales and operations in 14 countries serves over 3,000 customers in 55 countries. The company, with over 15,000 dedicated employees, is strategically positioned to leverage its global presence in Americas, Europe, Asia, Pacific and Middle East and North Africa.

Our second company, HOV Environment Solutions Private Limited ("**HOV ESPL**") has been involved in building artificial reefs to reduce erosion of beaches, thereby providing erosion protection solutions.

**Financial Performance**

Management discussion and analysis on financial performance of the Company for the financial year under reporting is as under:

Sr. No.	Particulars	On Standalone basis	On Consolidated basis
1	<b>Shareholders' funds</b>	Shareholder's funds stood at Rs. 867.42 million as at March 31, 2016 as compared to Rs. 852.86 million as at March 31, 2015.	Shareholder's funds stood at Rs. 3374.50 million as at March 31, 2016 as compared to Rs. 5780.94 million as at March 31, 2015.
2	<b>Equity &amp; Security Premium:</b>	During the year, Share Capital and Securities Premium were Rs. 125.33 million and Rs.624.34 million respectively. Presently, HOVS has 12,532,522 equity shares of Rs. 10 each fully paid up.	During the year, Share Capital and Securities Premium were Rs. 125.33 million and Rs. 624.34 million respectively. Presently, HOVS has 12,532,522 equity shares of Rs. 10 each fully paid up.
3	<b>Profit and Loss Account</b>	Retained earnings as at March 31, 2016 amount to Rs. 97.58 million. As at March 31, 2016, HOVS's book value per share increased to Rs. 69.21 per share as compared to Rs. 68.15 per share as at March 31, 2015.	Retained earnings as at March 31, 2016 amount to Rs. (4,532.61) million. As at March 31, 2016, HOVS's book value per share Rs. 269.26 per share as compared to Rs. 461.96 per share as at March 31, 2015
4	<b>General Reserve</b>	During the year there is no change in amount of reserve from the year ended of previous year ended March 31, 2015 which was Rs. 19.54 million.	No change same as previous year ended March 31, 2014 which was Rs. 19.54 million.
5	<b>Capital Redemption Reserve</b>	During the year there is no change CRR amount of Rs. 0.63 million which was created on account of buy-back of equity share capital in year 2009.	During the year there is no change CRR amount of Rs.0.63 million which was created on account of buy-back of equity share capital in year 2009.
6	<b>Investments</b>	Non-current investments as at March 31, 2016 amount to Rs. 757.82 million as compared to Rs. 759.70 million as at March 31, 2015.	Non-current investments as at March 31, 2016 amount to Rs. 3,325.10 million as compared to Rs. 5727.79 million as at March 31, 2015.
7	<b>Fixed Assets</b>	Gross Block as at March 31, 2016 stood at Rs. 35.45 million as compared to Rs. 33.69 million as at March 31, 2015. The corresponding Net Block as at March 31, 2016 is Rs. 4.11 million as compared to Rs. 5.73 million as at March 31, 2015.	Gross Block as at March 31, 2016 stood at Rs. 83.15 million as compared to Rs. 80.32 million as at March 31, 2015. The corresponding Net Block as at March 31, 2016 is Rs. 30.94 million as compared to Rs. 37.86 million as at March 31, 2015.



Sr. No.	Particulars	On Standalone basis	On Consolidated basis
8	<b>Goodwill</b>	Goodwill as at March 31, 2016 stood as Nil.	Goodwill as at March 31, 2016 stood at Rs. 0.038 million.
9	<b>Trades Receivables</b>	<p>Net Receivables as at March 31, 2016 amounted to Rs. 48.71 million as compared to Rs. 26.21 million as at end of previous year March 31, 2015.</p> <p>Trade receivables as a percentage of revenue from operations is 36.07% as at March 31, 2016 as against 20.89% as at March 31, 2015</p>	<p>Net Receivables as at March 31, 2016 amounted to Rs. 52.40 million as compared to Rs. 42.79 million as at end of previous year March 31, 2015.</p> <p>Trade receivables as a percentage of revenue from operations is 34.58% as at March 31, 2016 as against 26.09% as at March 31, 2015.</p>
10	<b>Non-current Liabilities</b>	Non-current liabilities amount to Rs. 60.45 million as at March 31, 2016 as compared to Rs. 67.87 million as at March 31, 2015.	Non-current liabilities amount to Rs. 60.58 million as at March 31, 2016 as compared to Rs. 68.14 million as at March 31, 2015.
11	<b>Current Liabilities</b>	As at March 31, 2016 current liabilities amount to Rs. 34.68 million as compared to Rs. 30.83 million as at March 31, 2015.	As at March 31, 2016 current liabilities amount to Rs. 142.22 million as compared to Rs. 131.96 million as at March 31, 2015.
12	<b>Sale of services</b>	For the year ended March 31, 2016, Revenue from Operations was Rs. 135.06 million.	For the year ended March 31, 2015, Revenue from Operations was Rs. 151.51 million.
13	<b>Operating Profit/ (Loss)</b>	Reported Profit/ (Loss) before exceptional items and tax is of Rs. 18.31 million for the year ended March 31, 2016.	Reported Profit/ (Loss) before exceptional items and tax is of Rs. (1.78) million for the year ended March 31, 2016.
14	<b>Net Profit/ (Loss) after Tax</b>	HOVS recorded a PAT of Rs. 13.92 million for the year ended March 31, 2016.	Recorded a PAT of Rs. (2,756.37) million for the year ended March 31, 2016.

**Revenues - standalone**

Our total revenue in current year on a standalone basis increased to Rs 148.41 million from Rs. 133.61 million in the previous year, at a increased rate of 11.07%. Our software export revenues aggregated to Rs 135.06 million, from Rs 125.45 million in the previous year.

**Revenues - consolidated**

Our total revenue in current year on a consolidated basis decreased to Rs 162.67 million from Rs 169.75 million in the previous year, a decrease by 4.17% . Our software export revenues aggregated to Rs 151.51 million, from Rs 164.04 million in the previous year.

**Profits - standalone**

Employee Benefit Expenses were at Rs 102.16 million for year ended March 31, 2016 and were at Rs 100.64 million for the year ended March 31, 2015. Other expenses were at Rs 24.39 million for year ended March 31, 2016 and were at Rs 33.33 million for the year ended March 31, 2015.

The EBITDA amounted to Rs 21.86 million as against Rs (0.35) million in the previous year.

The Profit/(Loss) after tax was Rs 13.92 million, as against Rs (2.93) million in the previous year.

**Profits - consolidated**

Employee Benefit Expenses were at Rs 104.45 million for year ended March 31, 2016 and were at Rs 104.21 million for the year ended March 31, 2015.

Other expenses were at Rs 44.19 million for year ended March 31, 2016 and were at Rs 77.90 million for the year ended March 31, 2015.

The EBITDA amounted to Rs 14.03 million as against Rs (12.36) million in the previous year. The (Loss) after tax before minority interest and share of (Loss) from Associate is Rs (6.18) million, as against Rs (24.81) million in the previous year. Share of (Loss) from an associate is Rs 2,750.19 million for current year as against Rs (1533.11) million in the previous year.

Our Net Profit/ (Loss) in current year on a consolidated basis amounted to Rs. (2,756.37) million, as against Rs. (1553.22) million in the previous year.

**Capital Reserve**

Our capital reserve on a consolidated basis amounted to Rs 7268.17 million, as against Rs 6811.45 million in the previous year.

**Segment-wise performance**

During the year the Software and IT Enabled business on consolidated basis fairly scaled with turnover of Rs 134.98 million and Environment Solutions Business with revenue of Rs. 16.53 million crore. Environment business have long gestation period and will take 5-7 years of period to scale up on project revenues and profitability.

**Our Investment**

Pursuant to shareholders' approval on November 4, 2014, SourceHOV Holdings Inc. ("SourceHOV"), a company in which HOVS LLC, wholly owned US subsidiary of HOV Services Limited, holds an investment, completed the merger with BancTec Group LLC. Post-merger the equity ownership of HOVS LLC in SourceHOV increased from 26.1% to 44.8%. The fair value of HOVS LLC investment on November 4, 2014 in SourceHOV has been valued at US\$ 95 million (Rs. 58,337.60 lakhs) at the time of aforesaid merger. Accordingly, additional Capital Reserve of Rs 58,240.26 lakhs was recognized being the fair value of investment in the associate over the carrying value of investment. The Company has done the impairment test during the financial year 2015-16 under Accounting Standard 28 "Impairment of Assets" for the investment and there is no impairment to the Investment Value.

HOVS LLC's share of loss before merger for the period from January 1, 2014 till October 31, 2014 is Rs. 15,013.91 lakhs and the loss post-merger from November 1, 2014 till December 31, 2014 is Rs 317.30 lakhs aggregating to the loss of Rs. 15,331.20 lakhs which has been consolidated as loss of associates in the previous year. For current year's consolidation, audited financial statements of SourceHOV covering calendar year ended December 31, 2015 have been used. As per Equity method of Accounting as prescribed by Accounting Standard 23 "Accounting for Investments in Associates" share of loss of the associate of Rs 27,501.87 lakhs have been consolidated in the financial statements. The said loss of the associate is mainly on account of amortization of Goodwill and intangible asset recorded at the time of merger. Due to adjustment of aforesaid loss the Carrying value of the investment accordingly is reduced from Rs. 56,288.66 lakhs to Rs. 32,280.62 lakhs.

**Human Resources**

The Human Resource is important asset of the Company. For growth of employees Company organizes training sessions, various other programs to boost the morale of employees and appreciate them time to time for their performance. Management communicates with employees on regular basis through various modes and including internal portal. The Company has maintained cordial relationship with the employees. There were 274 employees at the peak during the year.

The Internal Complaints Committee had been constituted pursuant to the Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 for protection against sexual harassment of women at work place.

**Internal Control Systems and their adequacy**

The Company has established adequate internal control systems with checks and balances observed at all levels, covering not only, financial transactions but other department functions as well. The internal control framework essentially based on various policies, procedures and process of different functional departments of the Company to achieve efficiency and effectiveness in operations and compliance with laws and regulations. The internal controls for various processes are adequately and periodically tested by Internal Auditor.

The Internal audit team functions vigilantly on a continuous basis and monitors the effectiveness of internal controls and provides assurance of the adequacy and effectiveness of the internal controls to the Audit Committee and Board of Directors. The system of certification of the effectiveness and deficiencies of internal controls is in place and the same has been placed before the Audit Committee.

**Risks and Concerns**

The risk management framework includes identifications of element of risk, if any which in the opinion of the management need mitigation.

The following are some of the key risks relating to the businesses of the Company, as identified by the management:

- a) Business model related risk:- The revenue of the Company is based on cost plus mark up for contracts with customers. The wage cost is major risks which may not be acceptable to customers due to change in minimum wages requirements. In order to mitigate the risks management of the Company in continues endeavour keep apprised its customers about any change in cost factors well in advance.
- b) Foreign currency fluctuation risk:- Revenue accrues in US Dollars and its expenditure is incurred in the Indian Rupees. Therefore, there is risk exposure due to adverse fluctuation of exchange rate between the US Dollar and the Indian Rupees. In order to mitigate the risk the management tracks foreign currency movements closely.
- c) Financial risk :-The surplus funds of the Company are invested in fixed deposits with banks which is averse to risk related to volatility of interest rate. To mitigate the risk of interest rate the management closely tracks movement of rate change with banks.
- d) Credit risk:- It is exposed to risk of delay in collection and to mitigate such risk pre-defined credit period is mentioned in contract entered and the same is followed for receiving payments from customers.
- e) Operational risk:- The Company is exposed to risks of operational performance on account of costs. If the performance is lower than expected from the operators, it could have impact on profitability. So to mitigate such risks the Company had proper MIS in place.
- f) Investment risk:- The Company through its wholly owned subsidiary HOVS LLC holds investments of 44.8% in SourceHOV Holdings Inc. The Company is exposed to the risk of value of investment getting effected due to performance of the investee company. To mitigate such risk the management of the Company keeps constant liaison with investee company and the Board of the Company is been kept informed about necessary information on timely basis.
- g) Information Technology risk:- The business operations are mostly dependent on systems involving computers/ servers which are prone to hacking due to advancement in technology. In order to mitigate the hacking risk, appropriate anti-hacking multi layered systems are installed.
- h) Legal, Compliance risk:- There is a risk on account of inadvertent non-compliance with laws and in order to mitigate such risk the management had created a robust compliance framework for respective functional areas.
- i) Social Media risk:-Being listed entity, the Company is exposed to risks of any inappropriate discloser made by any employee in social media. In order to mitigate such risk the employees and management including board members strictly adheres to the code of "Fair Disclosure Code" of the Company.
- j) Business Continuity and Disaster Recovery risk:- To ensure continued delivery of services to customers irrespective of any disturbances the Company has implemented strong systems and processes across different locations so as to enabling it to take appropriate measures in respect of disaster recovery and business continuity.
- k) The rising inflation and salaries along with high attrition among employees is a risk. The impact of this is hard to manage and to the extent possible, the management uses technology, automation, incentives and good work environment to reduce its impact.
- l) In our environment business, the projects are often complex, face unknown hurdles, require substantial cash infusion to complete and typically the gestation period for such projects are around 5-7 years. All the efforts are taken to continually revisit the scope and objects of the project undertaken.

**Opportunities, Outlook & Threats**

With recovery of developed economies like US and Europe where budgets for IT & ITES have increased enabling more contract been awarded, we look forward to capture those opportunities. We are also positive to capture opportunities in growing emerging markets for environment projects.

Company's management has strong domain knowledge and experience of successful leading business ventures in emerging sector. Our key strategy is to identify new opportunities that have the potential for growth.

There is huge competition in industry, large number of players are available to provide IT & ITES related services at very competitive rates.

**Report On Corporate Governance**

The Directors present the Company's Report on Corporate Governance for the year ended March 31, 2016.

**1. Company's Philosophy on Corporate Governance**

Corporate Governance implies to conduct the business in a fair, transparent and ethical manner, aimed at promoting sustainable business and enhancing shareholders' value in the long term.

The Company's affairs being managed in a manner which ensures accountability, transparency in all transactions. Transparency in terms of business practices which is done in fair and ethical manner and Accountability in terms of responsibility towards environment in which it operates.

The Board of Directors and Senior Management of your Company not only adhere to legal obedience of applicable laws but goes deeper confirming to ethical practices across the entire functioning of the Company thereby observing the corporate governance principles in its letter and spirit.

**2. Board of Directors**

The Board functions either as a full Board or through various Committees constituted to oversee specific operational areas. The Board of Directors of your Company along with its Committees provides direction and guidance to the Company's Management and directs, supervises the functioning of the Company. The Board plays an important role in overseeing how the management safeguards the interests of all the stakeholders' interest and entrusted with the task of managing the Company directly or through delegation of authority to executive management which provides the Board detailed reports on its performance periodically. The Board of Directors comprises of members having distinguished experience in various fields such as management, finance, technology and strategic planning, with considerable professional expertise and experience in business and industry.

**(a) Size and Composition of Board of Directors**

The Board has an optimum combination of three executive and three non-executive Directors with one woman director and presently fifty percent of the Board comprises of Independent Directors. All three non-executive directors are Independent Directors. The Chairman of the Company is an Executive Director.

**(b) Directors' Compensation and Disclosures**

The Non-Executive Directors on the Board of the Company are paid sitting fees for attending the Board Meeting and meetings of the various committees of the Board of Directors. All such fees paid to the Non-Executive Directors are fixed by Board of Directors.

The Non-Executive Directors have been granted stock options under Employee Stock Option Plan 2007 of the Company.

During the financial year no stock options granted to the Non-Executive Directors and pursuant to Section 149 of the Companies Act, 2013 Independent Directors of the Company shall not be entitled for any further grant of stock options.

**(c) Other provisions related to Board and Committees**

The Company Secretary circulates the agenda papers and supporting documents well in advance before the respective Board and Committee Meeting. The Board and Audit Committee meet at least four times on quarterly basis in a year to review the quarterly financial statements and meets on need basis on other matters. The Nomination & Remuneration Committee and Stakeholder's Relationship Committee of the Board meets as and when required.

The gap between two board meetings does not exceed four months. Leave of absence was granted to the Directors as and when requested by them. The Board was made available necessary information as required to be placed before the Board as per Regulation 17 (7) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["SEBI (LODR), 2015"] for their discussion and consideration.

As per Regulation 26 of SEBI (LODR), 2015 none of the Directors on the Company's Board is a member of more than ten committees or Chairman of more than five committees across all listed entities in which he/ she is director. All the directors have made necessary disclosure regarding committees positions held by them in other listed entities. None of the directors is having any relation with other directors of the Board.

The composition of Board, attendance at Board meeting during the year under review, number of Directorship, membership and their shareholding in the Company is given as per below table;

**Composition of Board of Directors and details of meeting attended:**

Name of Director	Category	Board Meetings		Attended Last AGM	Other Directorships/Board Committees (Number)		
		Held	Attended		Directorship	Committee Membership	Committee Chairmanship
Mr. Surinder Rametra	Promoter Executive	6	3	Yes	-	-	-
Mr. Parvinder S Chadha	Promoter Executive	6	3	Yes	-	-	-
Mr. Sunil Rajadhyaksha	Promoter Executive	6	2	Yes	-	-	-
Mr. B R Gupta	Non-Executive Independent	6	6	Yes	8	5	3
Mr. Harish Bhasin	Non-Executive Independent	6	6	Yes	1	-	-
Mrs. Lakshmi Kumar	Non-Executive Independent	6	3	Yes	1	-	-

The details of Board Meetings held during the financial year ended March 31, 2016 are as under:

Sr. No.	Date of Board Meetings	Board Strength	No. of Directors Present
1	April 20, 2015	6	5
2	May 22, 2015	6	4
3	July 22, 2015	6	6
4	November 6, 2015	6	3
5	February 10, 2016	6	2
6	March 21, 2016	6	3

Shareholding of Directors as on March 31, 2016 is as below:

Sr. No.	Name of Director	Number of shares held
1	Mr. B R Gupta, Independent Director	8,000
2	Mr. Harish Bhasin, Independent Director	8,000
3	Mr. Surinder Rametra, Executive Director	1,20,000
4	Mr. Sunil Rajadhyaksha, Chairman & Executive Director	5,88,720
5	Mr. Parvinder Chadha, Executive Director	38,250

(d) Details of Remuneration of all the Directors:

Sr. No.	Name of Director	Salary & Perquisites Rs.	Bonus/ Commission	Sitting Fees Rs.
1	Mr. Surinder Rametra	Nil	Nil	Nil
2	Mr. Parvinder S Chadha	Nil	Nil	Nil
3	Mr. Sunil Rajadhyaksha	48,00,000	Nil	Nil
4	Mr. B R Gupta	Nil	Nil	3,20,000
5	Mr. Harish Bhasin	Nil	Nil	3,20,000
6	Mrs. Lakshmi Kumar	Nil	Nil	60,000

Notes:

- i) The Company has not entered into any pecuniary relationship or transaction with the Non-Executive Directors.
- ii) The remuneration and sitting fees amount in above table is for the financial year ended March 31, 2016



- iii) The Company had made an application to Central Government for payment of remuneration for remaining period of two years (From April 1, 2014 to March 31, 2016) to Mr. Sunil Rajadhyaksha, Whole time Director of the Company. The Central Government vide its letter dated January 22, 2016 has given approval for payment of remuneration for balance period from April 1, 2014 to March 31, 2016.
- iv) The shareholders in their 27<sup>th</sup> Annual General Meeting had re-appointed Mr. Sunil Rajadhyaksha as Whole time Director of the Company for further five years period starting from April 1, 2016 to March 31, 2021 with remuneration of Rs. 4,00,000/- (Rupees Four Lakh) all inclusive per month . The Company had made an application on October 13, 2015 to Central Government for approval.
- v) The shareholders in their 27<sup>th</sup> Annual General Meeting had re-appointed Mr. Parvinder Chadha and Mr. Surinder Rametra as Whole time Directors of the Company for further five years period starting from April 1, 2016 to March 31, 2021 without any remuneration. The Company had made applications on October 20, 2015 and April 26, 2016 respectively to Central Government for approval.
- vi) There is no pecuniary relationship with non-executive time directors except entitled to get sitting fees for attending Board Meetings and its Committees Meetings.
- vii) The remuneration payable to directors does not have performance linked incentives.
- viii) None of the Directors are eligible for severance fees.
- ix) Notice period, as mutually decided by the Board and Director.

### **3. Audit Committee**

The objective of the Audit Committee is to monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures. The composition of the Audit Committee and its roles is as per the provisions of Companies Act, 2013 and SEBI (LODR), 2015.

Section 177 of Companies Act, 2013, and the Regulation 18 of the SEBI (LODR), 2015, have expanded the terms of reference of the Audit Committee. The terms of reference for Audit Committee include:

- i) The recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- ii) Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- iii) Examination of the financial statement and the auditors' report thereon;
- iv) Approval or any subsequent modification of transactions of the company with related parties;
- v) Scrutiny of inter-corporate loans and investments;
- vi) Valuation of undertakings or assets of the company, wherever it is necessary;
- vii) Evaluation of internal financial controls and risk management systems;

- viii) Monitoring the end use of funds raised through public offers and related matters.
- ix) Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- x) Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- xi) Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- xii) Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- xiii) Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- xiv) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- xv) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- xvi) Discussion with internal auditors of any significant findings and follow up there on;
- xvii) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- xviii) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- xix) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- xx) To review the functioning of the Whistle Blower mechanism;
- xxi) Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- xxii) Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
  - b. Changes, if any, in accounting policies and practices and reasons for the same

- c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report
- xxiii) Oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

Majority of the Members of the Audit Committee, including the Chairman of the Committee have accounting and financial management expertise. Mr. B R Gupta, who was the Chairman of the Audit Committee at the time of previous Annual General Meeting and, had attended the 27<sup>th</sup> Annual General Meeting of the Company, held on July 22, 2015. Mr. B R Gupta has over five decades of rich & versatile experience in Insurance, Investment and Financial Services Sector.

The Chairman of the Company, Statutory Auditors, and Chief Financial Officer attend the meetings of the Audit Committee as invitees. Mr. Bhuvanesh Sharma, VP-Corporate Affairs & Company Secretary & Compliance Officer also acts as Secretary to the Audit Committee.

**The composition of Audit Committee is as follows:**

Name	Designation/Category
Mr. B R Gupta	Chairman (Independent Director)
Mr. Harish Bhasin	Member (Independent Director)
Mr. Surinder Rametra	Member (Executive Director)

The details of Audit Committee Meetings and its attendance during the financial year ended March 31, 2016 are as under:

Sr. No	Meeting Date	April 20, 2015	May 22, 2015	July 22, 2015	November 6, 2015	February 10, 2016	March 21, 2016
1	Mr. B. R. Gupta	P	P	P	P	P	P
2	Mr. Harish Bhasin	P	P	P	P	P	P
3	Mr. Surinder Rametra	P	P	P	A	A	A

#### 4. Nomination & Remuneration Committee

The composition of Nomination & Remuneration Committee is as per Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI (LODR), 2015.

The N&R Committee acts in terms of reference specified by the Board which, inter-alia, includes,

- i) Identify persons who are qualified to become directors and who may be appointed in "senior management";

- ii) Recommend to the Board for appointment and removal of senior management;
- iii) Carry out evaluation of every director's performance;
- iv) Devising a policy on Board diversity;
- v) Formulate the criteria for determining qualifications, positive attributes and independence of a director;
- vi) Recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees ensuring the following while formulating the policy that:-
  - a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
  - b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

The composition of Nomination & Remuneration Committee is as follows:

<b>Name</b>	<b>Designation/Category</b>
Mr. Harish Bhasin	Chairman (Independent Director)
Mr. B. R. Gupta	Member (Independent Director)
Mrs. Lakshmi Kumar	Member (Independent Director)
Mr. Sunil Rajadhyaksha	Member (Executive Director)

The details of Nomination & Remuneration Committee Meetings and its attendance during the financial year ended March 31, 2016 are as under:

<b>Sr. No</b>	<b>Meeting Date</b>	<b>May 22, 2015</b>	<b>November 6, 2015</b>
1	Mr. B. R. Gupta	P	P
2	Mr. Harish Bhasin	P	P
3	Mrs. Lakshmi Kumar	P	A
4	Mr. Sunil Rajadhyaksha	P	A

The Remuneration Policy of the Company is designed to attract, motivate and retain manpower. This Policy applies to directors and senior management including its Key Managerial Personnel (KMP) and other employees of the Company. The compensation strategy revolves around getting the "best talent from the market".

The remuneration of the Executive Director(s) and KMPs of the Company is recommended by the Nomination and Remuneration Committee based on established criteria. The Company generally pays remuneration by way of salary, perquisites and allowances which is fixed.

The performance evaluation of independent directors was carried out by whole board

members based on the criteria i) efforts undertaken for understanding the Company; ii) brings independent view point in discussion; and iii) awareness of roles and responsibilities by independent directors.

## 5. Stakeholders Relationship Committee

The Stakeholders Relationship Committee is constituted as per Section 178 and Regulation 20 of the SEBI (LODR), 2015.

The composition of Stakeholders Relationship Committee is as follows:

<b>Name</b>	<b>Designation/Category</b>
Mr. B. R. Gupta	Chairman (Independent Director)
Mr. Harish Bhasin	Member (Independent Director)
Mr. Sunil Rajadhyaksha	Member (Executive Director)

The Stakeholders Relationship Committee acts in terms of reference specified by the Board which, inter-alia, includes,

- i) To consider and resolve the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of balance sheet, non- receipt of declared dividends.
- ii) To monitor and review the performance and service standards of the Registrar and Share Transfer Agents of the Company and provides continuous guidance to improve the service levels for investors;
- iii) To monitor and review any investor complaints received by the Company or through SEBI, SCORES and ensure its timely and speedy resolution, in consultation with the Company Secretary and Compliance officer and RTA of the Company.
- iv) To expedite the process of share transfers, the Board of the Company delegates the power of share transfer to an officer or a committee or to the registrar and share transfer agents. The delegated authority attends to share transfer formalities at least once in a fortnight.

The Stakeholders Relationship Committee had authorized Mr. Bhuvanesh Sharma, VP - Corporate Affairs & Company Secretary & Compliance Officer to overview the task of investor's servicing and redress their grievances by having fortnightly review calls to take care of requirements related to shareholders queries, re-materialization of shares, issue of duplicate share certificates, issue of new certificates in replacement of those that are torn, defaced, lost or destroyed, split/consolidation of share certificates and any other matter as and when received from the shareholders of the Company and maintain the records thereof. The meetings of the Committee during the financial year were held on May 22, 2015 and November 6, 2015.

During the financial year no complaints received from the shareholders of the Company.

## 6. General Body Meetings

- a) The details of last three Annual General Meetings held areas under:

Year	Location	Date	Time	Special Resolutions passed
2013	Le Meridien, Raja Bahadur Mill Road, Pune-411001	May 18, 2013	11:00 AM	No
2014	Le Meridien, Raja Bahadur Mill Road, Pune - 411001	July 26, 2014	11.00 AM	No
2015	Le Meridien, Raja Bahadur Mill Road, Pune- 411001	July 22, 2015	10.30 AM	Yes

- b) Extra Ordinary General Meeting: No Extra Ordinary General Meeting was held during the year.
- c) Postal Ballot: There was no postal ballot process carried out during the year.

## 7. Subsidiary Companies

The Company does not have any material non-listed Indian Subsidiary companies, whose turnover or net worth (paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the Company.

The major updates about the unlisted subsidiary companies are regularly presented to the Audit Committee and the Board in addition to the following key points which are taken up in the audit committee/ board meeting of subsidiaries. Minutes of all the meetings of board of directors of the Indian subsidiary company are placed before the Board of Directors of the Company.

## 8. Disclosures Requirements

- i) The detailed Management Discussion and Analysis Report are given separately in the Annual Report.
- ii) On November 2011, HOV Environment Solutions Private Limited (the "HOV ESPL") was set up as an indirect subsidiary of the Company, to design and develop advanced solutions for solving problems related to erosion control, soil stabilization, environment conservations and protection solutions.
- iii) No dividend was declared for the financial year ended March 31, 2016.
- iv) Unclaimed Dividends

The Company has to transfer the unclaimed dividend after a period of seven years from the date it becomes due for payment to the Investor Education and Protection Fund, established by the Central Government. Following are the details of the unclaimed dividend:-

Sr. No.	Type of Dividend	Year	Date of Declaration/ approval	Unclaimed Dividend as on March 31, 2016	Due Date for transfer of unclaimed dividend to Investor Education and Protection Fund (IEPF)
1	Interim Dividend	2009-10	28-Jan-10	39,128.00	February 18, 2017
2	Final Dividend	2009-10	21-Jul-10	44,012.01	July 30, 2017
3	Interim Dividend	2010-11	29-Jul-10	40,118.00	Aug 27, 2017
4	2nd Interim Dividend	2010-11	26-Oct-10	52,650.00	Nov 18, 2017
5	3rd Interim Dividend	2010-11	27-Jan-11	58,766.79	Feb 21, 2018
6	Final Dividend	2010-11	3-Aug-11	83,762.00	Aug 22, 2018

Shareholders who have not claimed their dividend are requested to correspond with the Karvy Computershare Private Limited.

- v) The Company was not subject to any non-compliance and no penalties or strictures were imposed on the Company by Stock Exchanges, SEBI or any statutory or other authority on any matters relating to capital markets, during the last three years, except penalties levied by Stock Exchanges in February, 2014 in respect of delay in submission of results to the Stock Exchanges for the quarter ended December 31, 2013 by 12 days due to change in year end from calendar year to financial year in compliance with the provisions of the Companies Act, 2013.
- vi) The Company has formulated a Whistle Blower Policy to establish a vigil mechanism for Directors and employees of the Company to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. The Whistle Blower Policy is available on <http://hovsltd.com/docs/Policies/HOVS%20Vigil%20WhistleBlower%20Policy.pdf>. During the year, no employee was denied access to Audit Committee.
- vii) The details of the familization program are disclosed on the Company's website <http://hovsltd.com/docs/ir/HOVS-%20FAMILIRIZATION%20OF%20PROGRAMME%20FOR%20INDEPENDENT%20DIRECTORS.pdf>
- viii) The details of the policy on determining "Material Subsidiaries" is available on <http://hovsltd.com/docs/Policies/HOVS%20Policy%20for%20Material%20Subsidiary.pdf>.
- ix) The Company has formulated policy on Related Party Transactions available on [http://hovsltd.com/docs/Policies/HOVS%20RPTs%20Policy\\_Clean%20Version.pdf](http://hovsltd.com/docs/Policies/HOVS%20RPTs%20Policy_Clean%20Version.pdf).
- x) There was no material significant related party transactions between the related parties having potential conflict with the interests of the Company at large during the year.
- xi) Nomination Facility

Section 72 of the Companies Act, 2013 (earlier Section 109A of the Companies Act, 1956), provides facility for making nominations by Members in respect of their holding of shares. Such nomination greatly facilitates transmission of shares from the deceased Member to his / her nominee without being required to go through the process of obtaining Succession Certificates / Probate of the Will, etc. It would therefore, be in the best interest

of the Members holding shares as a sole holder to make such nomination. Members holding shares in physical mode are advised to write to the Registrar and Share Transfer Agent of the Company for making nomination. Members holding shares in demat form are advised to contact their DP for making nominations. Members are further requested to quote their E-mail IDs, Telephone / Fax numbers for prompt reply to their communication.

- xii) The details in respect of the shares lying in the suspense account till March 31, 2016 is as under.

Description	No. of Cases	No. of Shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year:	4	341
Number of shareholders who approached issuer for transfer of shares from suspense account during the year:	0	0
Number of shareholders to whom shares were transferred from suspense account during the year:	0	0
Aggregate number of shareholders and the outstanding	4	341

All the unclaimed shares are being credited to a DEMAT suspense account and all the corporate benefits in terms of securities, accruing to on these unclaimed shares shall be credited to such account. Voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

- xiii) Pursuant to shareholders' approval on November 4, 2014, SourceHOV Holdings Inc. ("SourceHOV"), a company in which HOVS LLC, wholly owned US subsidiary of HOV Services Limited, holds an investment, completed the merger with BancTec Group LLC. Post-merger the equity ownership of HOVS LLC in SourceHOV increased from 26.1% to 44.8%. The fair value of HOVS LLC investment on November 4, 2014 in SourceHOV has been valued at US\$ 95 million (Rs. 58,337.60 lakhs) at the time of aforesaid merger. Accordingly, additional Capital Reserve of Rs 58,240.26 lakhs was recognized being the fair value of investment in the associate over the carrying value of investment. The Company has done the impairment test during the financial year 2015-16 under Accounting Standard 28 "Impairment of Assets" for the investment and there is no impairment to the Investment Value.

## 9. Means of Communications

The Company communicates through Quarterly Results, Press Releases. The financial results are generally published in local/ regional newspapers, financial and other national papers that include Financial Express (all editions) and Loksatta, Pune (regional newspaper).

The Company's periodic financial results as well as official news releases are made available to the shareholders by way of displaying under "Investor Relations" section on the web site of the Company at [www.hovsltd.com](http://www.hovsltd.com).

All the information about the Company is promptly sent through, email and also posted to the Stock Exchange where the shares of the Company are listed and are released to press, where ever required, for information of public at large and is available on the Company's website.

The Company has taken up "Go Green Initiative in the Corporate Governance" for paperless compliances as per circular issued by the Ministry of Corporate Affairs ("MCA") on April 21, 2011, which provides for service of document by a company through electronic mode.

The Company will make the communication in electronic form to the e-mail address provided by member and made available to Company and R&T agent of the Company by the



Depositories. Therefore, it is requested to register/ provide/update your e-mail address with Depositories and with the R&T Agent of the Company on the email id hov.cs@karvy.com created for the purpose.

#### 10. Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certifications

As per the requirement of Regulation 17 (8) of the SEBI (Listing Obligations and Disclosure Requirements), 2015, a certificate duly signed by CEO and CFO of the Company was placed at the meeting of Board of Directors of the Company held on May 13, 2016. The same is annexed to the Board's Report.

#### 11. General Shareholder Information

##### a) Details of ensuing AGM:

Day and Date	Time	Venue
Thursday the June 30, 2016	10.30 A.M.	Le Meridien, Raja Bahadur Mill Road, Pune- 411001

##### b) Financial Year: April 1 to March 31

##### c) Dividend payment date: No dividend was declared for the financial year ended March 31, 2016.

##### d) Listing on Stock Exchanges:

National Stock Exchange of India "Exchange Plaza" Bandra-Kurla Complex, Bandra (East), Mumbai- 400 051	Bombay Stock Exchange Limited Phirozejeebhoy Towers, Dalal Street, Mumbai- 400 001
<b>Stock Code</b>	
HOVS	532761

##### e) Market price data:

Monthly highs, lows and trading volume for FY ended March 31, 2016 is as below:

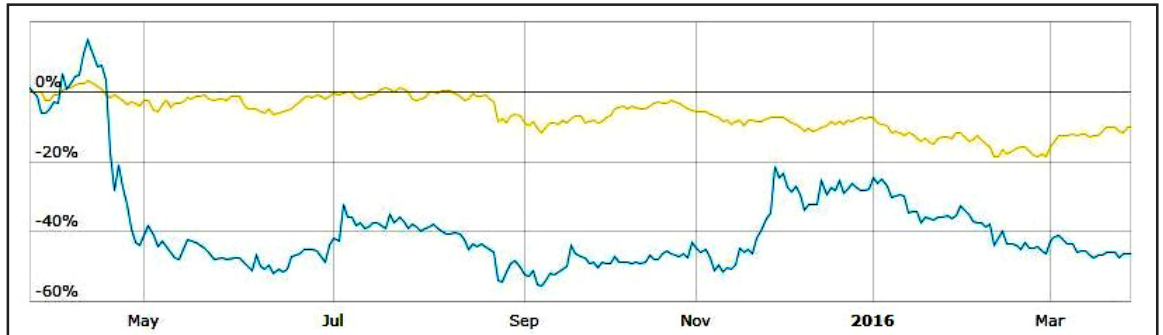
Month	NSE				BSE		
	High (Rs.)	Low (Rs.)	Trade Quantity	Total Trade Quantity	High (Rs.)	Low (Rs.)	Trade Quantity
Apr-15	169.00	79.50	3,71,813	13,74,715	170.30	79.00	6,21,336
May-15	89.60	73.65	63,534	3,03,030	89.60	74.00	1,63,464
Jun-15	82.20	67.20	40,827	2,47,968	82.00	68.40	1,39,467
Jul-15	99.30	82.00	2,91,386	7,86,533	99.60	81.80	2,80,545
Aug-15	93.00	57.75	37,527	2,84,686	97.35	57.55	1,24,713
Sep-15	86.45	61.25	1,04,869	2,41,416	85.20	61.50	1,68,900
Oct-15	88.75	72.40	2,11,517	4,28,600	88.80	72.50	1,51,204
Nov-15	113.40	68.00	5,56,988	14,36,904	113.75	64.00	6,05,450
Dec-15	118.50	94.20	3,98,957	12,22,841	118.50	95.00	4,58,516
Jan-16	114.40	81.70	73,333	3,59,154	113.80	88.50	2,48,102
Feb-16	101.80	73.20	20,256	1,94,606	99.70	74.35	1,49,015
Mar-16	89.70	74.00	36,419	3,26,679	89.80	75.10	1,24,993

**f) HOV Services Limited's Share prices versus the NSE Nifty**

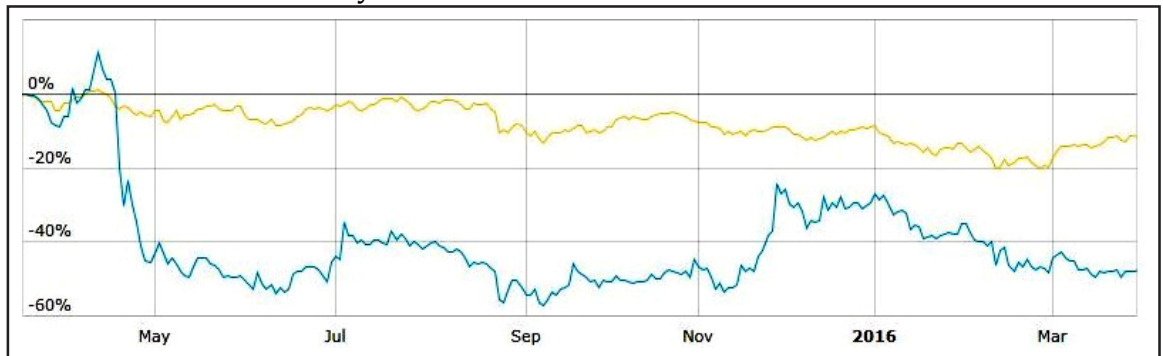
The Chart herein below shows the comparison of the Company's share price movement vis-à-vis the movement of BSE Sensex and NSE Nifty:

Historic Graph 01-04-2015 to 31-03-2016

**HOVS vis-à-vis BSE Sensex:**



**HOVS vis-à-vis NSE Nifty:**



**g) Registrar and Share Transfer Agent**

Karvy Computershare Pvt. Ltd.  
 Karvy Selenium, Tower B,  
 Plot number 31 & 32, Financial District,  
 Gachibowli, Hyderabad 500 032

**h) Share Transfer System**

Shareholders/Investors are requested to send share transfer related documents directly to Registrar and Share Transfer Agent. If the transfer documents are in order, the transfer of shares(s) will get registered within 15 days of receipt of transfer documents by our Registrar and Share Transfer Agent. The Company's R&T agent has expertise and effective systems for share transfers.

**i) Financial Calendar for the Financial Year 2016-17:**

Schedule of the Board Meetings for declaration of Financial Results (tentative and subject to change):

Quarter End	Date
1 <sup>st</sup> Quarter Results	On or before August 14, 2016
2 <sup>nd</sup> Quarter Results	On or before November 14, 2016
3 <sup>rd</sup> Quarter Results	On or before February 14, 2017
4 <sup>th</sup> Quarter Results (Audited)	On or before May 30, 2017

**j) Date of Book Closure:** June 27, 2016 to June 30, 2016 (both days inclusive).

**k) Distribution of Shareholding as of March 31, 2016**
**i) Distribution of Shares according to size of holding:**

Sr. No	Category	No. of Cases	% of Cases	Amount	% of Amount
1	1 - 5000	6,714	88.54	7,472,010	5.96
2	5001 - 10000	359	4.73	2,929,380	2.34
3	10001 - 20000	198	2.61	3,113,930	2.48
4	20001 - 30000	91	1.20	2,394,820	1.91
5	30001 - 40000	36	0.47	1,267,490	1.01
6	40001 - 50000	35	0.46	1,627,020	1.30
7	50001 - 100000	63	0.83	4,583,910	3.66
8	100001 And Above	87	1.15	101,936,660	81.34
	<b>Total:</b>	<b>7,583</b>	<b>100.00</b>	<b>125,325,220</b>	<b>100.00</b>

**ii) Distribution of Shares by Shareholders Category:**

Sr. No	Description	Cases	Shares	% Equity
1	CLEARING MEMBERS	22	7,635	0.06
2	EMPLOYEES	17	30,041	0.24
3	FOREIGN INSTITUTIONAL INVESTORS	2	11,800	0.09
4	FOREIGN NATIONALS	3	3,77,416	3.01
5	HUF	286	2,74,466	2.19
6	BODIES CORPORATE	1	9,04,274	7.22
7	BODIES CORPORATES	190	10,94,998	8.74
8	NON RESIDENT INDIANS	83	4,32,613	3.45
9	COMPANY PROMOTERS	8	62,27,329	49.69
10	RESIDENT INDIVIDUALS	6,971	31,71,950	25.31
	<b>Total:</b>	<b>7,583</b>	<b>1,25,32,522</b>	<b>100.00</b>

**iii) Top Ten Shareholders as of March 31, 2016**

Sr.No	Holder	Total Shares	% To Equity	Category
1	ADESI 234 LLC	30,00,985	23.95	PRO
2	HOF2 LLC	16,67,933	13.31	PRO
3	Chitale LLC	9,04,274	7.22	LTD
4	Stern Capital Partners LLC	6,94,246	5.54	PRO
5	Sunil Vasant Rajadhyaksha	5,88,720	4.70	PRO
6	E India Venture Holding Company Ltd.	4,08,009	3.26	LTD
7	Globe Capital Market Ltd	2,36,569	1.89	LTD
8	Dr Xin Cheng	2,23,950	1.79	FN
9	Karan Negi	1,48,817	1.19	FN
10	Purvi Prabhatchandra Jain	1,21,096	0.97	PUB

**l) Dematerialization of shares and liquidity**

The shares of the Company are tradable both in dematerialization (electronic) as well as physical form and are available for trading under both depository systems in India-CDSL & NSDL 97.67% of the Company's shares are held in electronic form as on March 31, 2016.

**m) Outstanding GDRs/ADRs/Warrants/Convertible instruments and their impact on the equity shares**

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments and hence there are no other particulars to be given under this head. None of the underlying equity shares were issued against 15,000,000 number of ADR/GDR previously approved by the Company.

**n) Plant/Office Locations**

As the Company is engaged in Business Process Outsource (BPO) Industry, it does not have Plant. The Key facilities in India and USA are listed below:

India Office:	Global office:
3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune 411037	8550 W Desert Inn Rd Sute 102452 Las Vegas, NV89117-2119

**o) Name, Designation and Address of Compliance officer for communication****Bhuvanesh Sharma**

VP - Corporate Affairs & Company Secretary & Compliance Officer

3rd Floor, Sharda Arcade,

Pune Satara Road,

Bibwewadi, Pune 411037

Maharashtra, India

Tel: (91 20) 2423 1623

Fax: (91 20) 2422 1470

E-mail: [investor.relations@hovsltd.com](mailto:investor.relations@hovsltd.com)

Website: [www.hovsltd.com](http://www.hovsltd.com)

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE****TO THE MEMBERS OF  
HOV SERVICES LIMITED**

We have examined the compliance of conditions of Corporate Governance by **HOV SERVICES LIMITED** ("the Company"), for the year ended March 31, 2016, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges for the period April 1, 2015 to November 30, 2015 and as per Regulation 15(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015 for the period December 1, 2015 to March 31, 2016.

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement/Listing Regulation, as applicable.

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

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

Place: Mumbai  
Date: May 13, 2016

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

**Annexure- A to the Director's Report**
**Details of Employees Stock Options as on March 31, 2016.**

- i) The details of options granted, lapsed and equity shares issued under HOVS ESOP Plan 2007 are as below:

Particulars	Plan 2007		
	Employees of the Company	Employees of the erstwhile subsidiary Companies	Total
<b>Approved Options</b>	<b>400,000</b>	<b>700,000</b>	<b>1,100,000</b>
Grant in 2007	141,500	526,000	667,500
Grant in 2008	28,150	217,900	246,050
Grant in 2011	52,500	10,000	62,500
Grant in 2013	115,000	-	115,000
<b>Total Grant</b>	<b>337,150</b>	<b>753,900</b>	<b>1,091,050</b>
<b>Options Lapsed as of March 31, 2016</b>	<b>208,300</b>	<b>712,400</b>	<b>920,700</b>
<b>Equity shares issued and allotted</b>	<b>41,500</b>	<b>0</b>	<b>41,500</b>
<b>Options in force</b>	<b>87,350</b>	<b>41,500</b>	<b>128,850</b>
<b>Balance options available</b>	<b>271,150</b>	<b>658,500</b>	<b>929,650*</b>

\*Includes lapsed options eligible for further grants and granted.

- ii) The details of options vested from grants made in different periods under **Plan 2007**:

Details of Options vested from:	Employees of the Company	Employees of the subsidiary	Total
Grant in 2007	3,500	31,500	35,000
Grant in 2008	3,350	-	3,350
Grant in 2011	3,500	4,000	7,500
Grant in 2013	-	-	-
<b>Total options vested</b>	<b>10,350</b>	<b>35,500</b>	<b>45,850</b>

iii) Information of grant made to directors and employees under **Plan 2007**:

Options granted date	Directors	Other than Directors	Total (A+B)
	(A)	(B)	
July 21, 2007	7,500	640,000	647,500
October 25, 2007	0	20,000	20,000
July 30, 2008	7,500	183,550	191,050
October 8, 2008	0	55,000	55,000
May 27, 2011	30,000	32,500	62,500
February 27, 2013	75,000	40,000	115,000
<b>Total Granted</b>	<b>120,000</b>	<b>971,050</b>	<b>1,091,050</b>
<b>Options lapsed</b>	<b>40,500</b>	<b>880,200</b>	<b>920,700</b>
<b>Equity shares Issued and allotted on exercise of options</b>	<b>27,000</b>	<b>14,500</b>	<b>41,500</b>
<b>Options in force</b>	<b>52,500</b>	<b>76,350</b>	<b>128,850</b>

 iv) The details of options granted under the **Plan 2007** and **Plan 2008** are given in the table.

**As of March 31, 2016**

		<b>Plan 2007</b>	<b>Plan 2008</b>
<b>a.</b>	Options Granted:	1,091,050	Nil
<b>b.</b>	The Pricing formula:	Closing price of the stock exchange where there is highest trading volume, prior to the date of the meeting of the Compensation & Remuneration Committee in which options are granted.	Nil
<b>c.</b>	Options Vested:	45,850	Nil
<b>d.</b>	Options Exercised:	41,500	Nil
<b>e.</b>	Total number of shares would be arising as a result of exercise of options:	45,850	Nil
<b>f.</b>	Options lapsed:	920,700	Nil
<b>g.</b>	Variation of terms of option:	NA	NA
<b>h.</b>	Money realized by exercise of options:	Rs 1,908,900/-	NA
<b>i.</b>	Total number of options in force:	128,850	Nil

j.	Employee wise details of Options granted to:		Nil
	i. Senior Management personnel:	Nil	
	ii. Employee receiving 5% or more of the total number of options granted during the year:	Nil	
	iii. Employee granted 1% or more of the issued capital:	Nil	
k.	Diluted EPS on issue of shares on exercise calculated in accordance with AS 20.	Rs. 1.11/-	NA

**Notes:**

- i) Based on recommendation of Nomination & Remuneration Committee of the Company, the HOVS ESOP Plan 2008 was discarded by the Board in its meeting held on May 13, 2016.
- ii) Options issued to employees at an exercise price not less than closing price of the stock exchange where there is highest trading volume, prior to the date of meeting of the Compensation & Remuneration Committee in which options were granted. The options will vest in a phased manner within five years as 10% in each first to four years and balance 60% at the end of fifth year;
- iii) As per ESOP Plan 2007, options granted shall be capable of being exercised within a period of five years from the date of vesting of the respective employee stock options. The un-exercised vested options will lapse upon the expiry of five years from the respective date of their vesting;
- iv) During the year no options were granted out of ESOP Plan 2007.
- v) The options of all employees of HOV Services LLC which now forms part of SourceHOV LLC whom the options were granted out of the HOVS ESOP Plan 2007 during the year 2007 and 2008 have expired and lapsed as per the ESOP Plan 2007. The Compensation and Remuneration Committee and the Board of Directors in their respective meetings held on February 28, 2014 took note of all such expired and lapsed options.
- vi) Independent directors are not entitled for any grant of options.



**Annexure- B to the Board's Report****Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

[Section 134 (3) (m) of The Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014]

**Conservation of Energy:**

Your Company's operations involve low energy consumption. The Company strives to conserve energy on continuous basis.

**Technology Absorption, Adaptation and Innovation:**

The Company is constantly developing and adopting modern technologies and standards to grow its competitive advantage, to serve better its clients, retain its employees and improve their productivity and performance. Technology deployment is strategic to growth and effective use of technology to improve operations efficiency will continue to lead to better, faster, and cheaper solutions for clients. The Company has embarked on a technologically efficient process which will enable higher productivity with lower costs.

**Research and Development:**

The Company has not undertaken any R&D activity in any specific area during the year under review, and hence no cost has been incurred towards the same.

**Foreign Exchange Earnings and Outgo:**

Almost the entire earnings of the Company are from the export of services since the Company has no domestic business. The foreign exchange earnings and outgo is contained in the Note number 20.4 of Notes to the Financial Statements of the Annual Report.

**Annexure- C to the Director's Report**

Disclosure as per Section 197 (12) of the Companies Act, 2013 and Rule no. 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

- i) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2015-16, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2015-16 are as under:

Sr. No.	Name of Director/KMP and Designation	% increase in Remuneration in the Financial Year 2015-16	Ratio of remuneration of each Director/ to median remuneration of employees
1	Sunil Rajadhyaksha Whole-time Director	NIL	NIL
2	Parvinder Chadha Whole-time Director	NIL	NIL
3	Surinder Rametra Whole-time Director	NIL	NIL
4	Sriram Iyengar Chief Financial Officer	6%	NA
5	Bhuvanesh Sharma VP-Corporate Affairs, Company Secretary & Compliance Officer	6.5%	NA

- ii) The percentage increase in the median remuneration of employees in the financial year- 3%.
- iii) As on March 31, 2016 the total numbers of employees on the rolls of the Company were 255. Explanation on the relationship between average increase in remuneration and company performance:- During the year, the Company had given increments to employees keeping in view future prospects and to retain the talent.
- iv) The comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company:- During the year, the Company had given increments to the KMPs keeping in view future prospects and to retain the talent.
- v) Market Capitalisation and Price Earnings Ratio:-

Sr. No	Particulars	March 31, 2016	March 31, 2015
1	Market Capitalisation (In Crore)	98	177
2	Price Earnings Ratio	70.27	-611.30

- vi) Percent increase over/ decrease in the market quotations of the shares of the company as compared to the rate at which the company came out with the last public offer in the year- The Company had come out with initial public offer (IPO) in 2006 at a price of Rs. 200 per equity share. The closing price of the Company's equity shares on the NSE and BSE as of March 31, 2016 was 77.80 and 78.00 respectively, representing a 61% decrease over the IPO price.
- vii) Average percentile increase in the salaries of the employees was 3% and there was no change in remuneration of Whole time director.
- viii) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but received remuneration in excess of the highest paid director during the year:- None of the employee received remuneration in excess of highest paid director of the Company.
- ix) The Company has paid remuneration as per the policy.

**Annexure- D to the Director's Report****Directors' Responsibility Statement**

In compliance with Section 134 (5) of the Companies Act, 2013, your Directors confirmed and state as follows:

- a) That in preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures; and
- b) That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss account of the Company for that period; and
- c) That the directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) That the directors have prepared the annual accounts on a going concern basis; and
- e) That the directors had laid down internal financial controls to be followed by the Company and that such system were adequate and were operating effectively; and
- f) That the directors had devised proper systems to ensure compliance with the provisions of all applicable laws that such systems were adequate and operating effectively.

**Annexure- E to the Director's Report**
**FORM NO. AOC- 2**

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangement or transactions not at arm's length basis:- Not Applicable
2. Details of material contracts or arrangement or transactions at arm's length basis:-

(a)	Name(s) of the related party	HOVS LLC	SourceHOV LLC	HOVG LLC (dba Bay Area Credit Services LLC)	BancTec TPS India Private Limited
	Nature of relationship:	Wholly Owned Subsidiary	Associate-Wholly Owned Subsidiary of SourceHOV Holdings Inc.*	SourceHOV Holdings Inc. * entity	SourceHOV Holdings Inc. * entity
(b)	Nature of contracts/ arrangements/ transactions:	Sale of Services	Sale of Services	Sale of Services	Lease of Property
(c)	Duration of the contracts / arrangements / transactions:	12 Months (Ongoing Basis)	12 Months (Ongoing Basis)	12 Months (Ongoing Basis)	Lease period ending on October 26, 2020
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any :	Software and IT enabled services	Software and IT enabled services	Software and IT enabled services	Lease rent of Rs. 9,13,815/- p m
(e)	Date(s) of approval by the Board, if any:	NA (Approved by Audit Committee on March 21,2016)	NA (Approved by Audit Committee on March 21,2016)	NA (Approved by Audit Committee on March 21,2016)	NA
(f)	Amount paid as advances, if any:	Nil	Nil	Nil	Refundable Security Deposit of Rs. 9,960,501/-

\* HOVS LLC has 44.8% stake holding in SourceHOV Holdings Inc.

For and on behalf of the Board

**Sunil Rajadhyaksha**  
Chairman & Executive Director  
(DIN- 00011683)

**Annexure- F to the Board's Report**

**FORM NO. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH 2016**

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

To,  
The Members  
**M/S. HOV SERVICES LIMITED**  
Sharada Arcade, 3<sup>rd</sup> Floor,  
Pune-Satara Road, Bibwewadi,  
Pune 411037

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HOV SERVICES LIMITED. (Hereinafter called "the Company").

Secretarial Audit was conducted for the year from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016, in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances of the Company and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March 2016 ("Audit Period"), complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and legal compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March 2016 according to the provisions of the following list of laws and regulations:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

- b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and Securities And Exchange Board Of India (Share Based Employee Benefits) Regulations, 2014;
  - e) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **[Not applicable during the Audit Period]**
  - f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **[Not applicable during the Audit Period]**
  - g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **[Not applicable during the Audit Period]**
- (vi) OTHER APPLICABLE LAWS:
- a) The Minimum Wages Act, 1948,
  - b) Employees' State Insurance Act, 1948,
  - c) Provident Fund Act 1952 & Employees' Pension Scheme 1995,
  - d) The Payment of Bonus Act, 1965,
  - e) Payment of Gratuity Act, 1972,
  - f) The Bombay Shops and Establishments Act, 1948,
  - g) The Maternity Benefit Act, 1961,
  - h) The Information Technology Act, 2000,
  - i) Policy relating to Software Technology Parks of India [STPI] and its regulations,
  - j) Sexual Harassment of Women at Workplace (Prohibition, Prevention and Redressal) Act, 2013.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreement entered into by the Company with National Stock Exchange of India Limited and Bombay Stock Exchange Limited and SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:-

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda are sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

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

We further report that during the audit period -

- (i) The Company has allotted 10,500 equity shares of face value of Rs. 10 each at premium on 20<sup>th</sup> April 2015 under ESOP Plan 2007 of the Company and 8,000 equity shares of face value of Rs. 10 each at premium on 21<sup>st</sup> March 2016 under ESOP Plan 2007 of the Company.
- (ii) The Company has obtained Shareholders' approval in the Annual General Meeting held on 22<sup>nd</sup> July 2015 and made application(s) to Central Government in respect of re-appointment and / or payment of managerial remuneration pursuant to Section 196, 197 and Schedule V of the Companies Act, 2013 as per the details given below: -
  - a) Reappointment of Mr. Sunil Rajadhyaksha - Whole Time Director for the further term of five years from 1 April 2016 to 31 March 2021, with remuneration pursuant to Shareholders' approval.
  - b) Reappointment of Mr. Parvinder Chadha - Whole Time Director for the further term of five years from 1 April 2016 to 31 March 2021, without remuneration pursuant to Shareholders' approval.
  - c) Reappointment of Mr. Surinder Rametra - Whole Time Director for the further term of five years from 1 April 2016 to 31 March 2021, without remuneration pursuant to Shareholders' approval.

**FOR J B BHAVE & CO.  
COMPANY SECRETARIES**

**JAYAVANT BHAVE  
PROPRIETOR  
FCS No. 4266  
CP No. 3068**

**Place:Pune  
Date: May 4, 2016**

Note: This report is to be read with our letter of even date which is annexed as 'ANNEXURE A' and forms an integral part of this report.



**ANNEXURE A**

To,  
The Members  
HOV Services Limited  
Sharada Arcade, 3<sup>rd</sup> Floor,  
Pune-Satara Road, Bibwewadi,  
Pune 411037

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**FOR J B BHAVE & CO.  
COMPANY SECRETARIES**

**JAYAVANT BHAVE  
PROPRIETOR  
FCS No. 4266  
CP No. 3068**

**Place:Pune  
Date: May 4, 2016**

**Annexure- G to the Director's Report**
**Form No. MGT-9**
**EXTRACT OF ANNUAL RETURN**
**as on the financial year ended on March 31, 2016**

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

**I. REGISTRATION AND OTHER DETAILS:**

i)	CIN	L72200PN1989PLC014448
ii)	Registration Date	January 10, 1989
iii)	Name of the Company	HOV Services Limited
iv)	Category / Sub-Category of the Company	Company Limited by shares
v)	Address of the Registered office and contact details	3 <sup>rd</sup> Floor Sharda Arcade, Pune Satara Road, Bibwewadi, Pune - 411 037, Maharashtra
vi)	Whether listed company Yes / No	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Computershare Pvt Ltd Karvy Selenium Tower B, Plot No. 31 & 32, Financial District, Gachibowli, Hyderabad - 500 032, Telangana

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

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

Sr. No	Name and Description of main products /services	NIC Code of the Product/service	% to total turnover of the Company
1	Software Development and Support Services, BPO business and Data Entry Services	722 / 723 / 724	100%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -**

Sr. No	Name and Address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1	HOVS LLC 8550 West Desert Inn Rd, Suite 102-452, Las Vegas, NV 89117	US based	Subsidiary	100%	2(87)
2	HOVS Holdings Limited Room 2, Block 1/F, Sea View Estate, 2-8 Waston Road, North Point, Hong Kong	HK based	Subsidiary	100%	2(87)

Sr. No	Name and Address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
3	HOV Environment LLC 8550 West Desert Inn Rd, Suite 102-452, Las Vegas, NV 89117	US based	Subsidiary	61.10%	2(87)
4	HOV Environment Solutions Private Limited 3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune- 411037	U93000PN 2010PT C142608	Subsidiary	100% (by HOV Environ- ment LLC)	2(87)
5	SourceHOV Holdings Inc. 615 Freeport Parkway, Coppell, Texas-75019	US based	Associate	44.8%	2(6)

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
**i) Category-wise Share Holding**

Cat. Code	Category of Shareholders	No. of Shares held at the beginning of the year 31/03/2015				No. of Shares held at the end of the year 31/03/2016				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
<b>A.</b>	<b>Promoter s and Promoter Group</b>									
(1)	Indian									
a)	Individual/ HUF	25,422	0	25,422	0.20	25,422	0	25,422	0.20	0
b)	Central Govern-ment/State Government(s)	0	0	0	0	0	0	0	0	0
c)	Bodies Corporate	0	0	0	0	0	0	0	0	0
d)	Financial Insti-tutions/Banks	0	0	0	0	0	0	0	0	0
e)	Others		0	0	0	0	0	0	0	0
	<b>Subtotal A(1)</b>	<b>25,422</b>	<b>0</b>	<b>25,422</b>	<b>0.20</b>	<b>25,422</b>	<b>0</b>	<b>25,422</b>	<b>0.20</b>	<b>0</b>

Cat. Code	Category of Shareholders	No. of Shares held at the beginning of the year 31/03/2015				No. of Shares held at the end of the year 31/03/2016				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(2)	FOREIGN									
a)	Individuals (NRIs/Foreign Individuals)	7,38,020	0	7,38,020	5.90	7,46,970	0	7,46,970	5.96	-0.06
b)	Bodies Corporate	54,54,937	0	54,54,937	43.59	54,54,937	0	54,54,937	43.53	0.06
c)	Institutions		0							
d)	Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
e)	Others	0	0	0	0	0	0	0	0	0
	<b>Sub-Total A(2):</b>	<b>61,92,957</b>	<b>0</b>	<b>61,92,957</b>	<b>49.49</b>	<b>62,01,907</b>	<b>0</b>	<b>62,01,907</b>	<b>49.49</b>	<b>0</b>
	<b>Total A=A(1)+A(2)</b>	<b>62,18,379</b>	<b>0</b>	<b>62,18,379</b>	<b>49.69</b>	<b>62,27,329</b>	<b>0</b>	<b>62,27,329</b>	<b>49.69</b>	<b>0</b>
(B)	Public Shareholding									
1.	Institutions									
a)	Mutual Funds/UTI	0	0	0	0	0	0	0	0	0
b)	Financial Institutions/Banks	4,083	0	4,083	0.03	0	0	0	0	0.03
c)	Central Government/State Government	0	0	0	0	0	0	0	0	0
d)	Venture Capital Funds	0	0	0	0	0	0	0	0	0
e)	Insurance Companies	0	0	0	0	0	0	0	0	0
f)	Foreign Institutional Investors	11,800	0	11,800	0.09	11,800	0	11,800	0.09	0
g)	Foreign Venture Capital Investors	0	0	0	0	0	0	0	0	0
h)	Qualified Foreign Investors	0	0	0	0	0	0	0	0	0
i)	Others	0	0	0	0	0	0	0	0	0
	<b>Sub-total B(1):-</b>	<b>15,883</b>	<b>0</b>	<b>15,883</b>	<b>0.13</b>	<b>11,800</b>	<b>0</b>	<b>11,800</b>	<b>0.09</b>	<b>0.03</b>

Cat. Code	Category of Shareholders	No. of Shares held at the beginning of the year 31/03/2015				No. of Shares held at the end of the year 31/03/2016				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
2.	Non-Institutions									
a)	Bodies Corporate	13,09,622	0	13,09,622	10.47	10,94,998	0	10,94,998	8.74	1.73
b)	Individuals									
	i) Individuals holding nominal share capital upto Rs.1 lakh	21,54,293	4	21,54,297	17.22	21,02,690	8004	21,10,694	16.84	0.37
	ii) Individuals holding nominal share capital in excess of Rs. 1 lakh	10,94,661	0	10,94,661	8.75	13,65,763	0	13,65,763	10.9	-2.15
c)	Others									
	Clearing Members	20,342	0	20,342	0.16	7,635	0	7,635	0.06	0.10
	Foreign Nations	1,53,466	3,72,767	5,26,233	4.21	1,53,466	2,23,950	3,77,416	3.01	1.19
	Bodies Corporate	9,04,274	0	9,04,274	7.23	9,04,274	0	9,04,274	7.22	0.01
	Non Resident Indians	2,02,743	67,588	2,70,331	2.16	3,65,025	67,588	4,32,613	3.45	-1.29
d)	Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
	Sub-Total B(2):	58,39,401	4,40,359	62,79,760	50.18	59,93,851	2,99,542	62,93,393	50.22	-0.03
	Total B=B(1)+B(2)	58,55,284	4,40,359	62,95,643	50.31	60,05,651	2,99,542	63,05,193	50.31	0
	Total (A+B)	1,20,73,663	4,40,359	1,25,14,022	100	1,22,32,980	2,99,542	1,25,32,522	100	0
(C)	Shares held by custodians against which	0	0	0	0	0	0	0	0	0
	<b>Grand Total (A+B+C)</b>	<b>1,20,73,663</b>	<b>4,40,359</b>	<b>1,25,14,022</b>	<b>100</b>	<b>1,22,32,980</b>	<b>2,99,542</b>	<b>1,25,32,522</b>	<b>100</b>	

**(iii) Shareholding of Promoters**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares of the company	% of total Shares Pledged / encumbered to total shares	% of Shares	
1	PARVINDER S CHADHA	29,300	0.23		38,250	0.31	0	0.07
2	SURINDER RAMETRA	1,20,000	0.96	0	1,20,000	0.96	0	0
3	RAJADHYAKSHA ANIL VASANT	25,422	0.20	0	25,422	0.20	0	0
4	SUN INVESTMENT PARTNERS LLC	91,773	0.73	0	91,773	0.73	0	0
5	STERN CAPITAL PARTNERS LLC	6,94,246	5.55	0	6,94,246	5.54	0	-0.01
6	HOF2 LLC	16,67,933	13.33	0	16,67,933	13.31	0	-0.02
7	ADESI 234 LLC	30,00,985	23.98	0	30,00,985	23.95	0	-0.03
8	SUNIL VASANT RAJADHYAKSHA	5,88,720	4.70	0	5,88,720	4.70	0	0

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

Sr. No.	Name of Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	29,300	0.23	29,300	0.23
1	April 10, 2015	8,950	0.07		
	<b>Total</b>		0.31	38,250	0.31

(v) **Shareholding Pattern of top ten Shareholders: (other than Directors, Promoters and Holders of GDRs and ADRs):**

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Shareholding at the end the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
1	Chitale LLC	9,04,274	7.23	9,04,274	7.22
2	E India Venture Fund Limited	4,76,506	3.81	4,08,009	3.26
3	Globe Capital Market Ltd	3,52,526	2.82	2,36,569	1.89
4	Dr. Xin Cheng	2,23,950	1.79	2,23,950	1.79
5	Karan Negi	0.00	0.00	1,48,817	1.19
6	Ronald Cogburn	88,978	0.71	88,978	0.71
7	Nilesh Chandra Shah	80,888	0.65	80,888	0.65
8	Kaushal Jain	33,271	0.27	79,117	0.63
9	Sharekhan Limited	20,837	0.17	78,997	0.63
10	N Sucil Kumar	73,800	0.59	73,800	0.59

(v) **Shareholding of Directors and Key Managerial Personnel:**

SN	Shareholding of each Directors	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	SUNIL VASANT RAJADHYAKSHA				
	At the beginning of the year Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	5,88,720	4.70	-	-
	At the end of the year	-		-	-
2	SURINDER RAMETRA				
	At the beginning of the year Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	1,20,000	0.96	-	-
	At the end of the year	-		-	-
				1,20,000	0.96

S N	Shareholding of each Directors	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
3	PARVINDER S CHADHA *				
	At the beginning of the year	-	-		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	29,300	0.23		
	April 10, 2015	8950	0.07		
	At the end of the year			38,250	0.31
4	BALDEV RAJ GUPTA				
	At the beginning of the year	500	0.00	-	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):			-	-
	April 20, 2015	5000	0.04		
	March 21, 2016	2500	0.02		
	At the end of the year		-	8,000	0.06
5	HARISH PESHORILAL BHASIN				
	At the beginning of the year	5500	0.04	-	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	April 3, 2015	-1,740			
	April 10, 2015	-760			
	April 20, 2015	2,500	0.02		
	March 21, 2016	2,500	0.02		
	At the end of the year			8,000	0.06
6	LAKSHMI KUMAR				
	At the beginning of the year	0	-	-	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):			-	-
	At the end of the year	0	-	0	-



SN	Shareholding of each Directors	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
7	SRIRAM GOPALAN IYENGAR				
	At the beginning of the year	0	-	0	0
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):			0	0
	At the end of the year	0	-	0	0
8	BHUVANESH SHARMA				
	At the beginning of the year	500	-		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	At the end of the year		-	500	0

#### V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment  
(Amount in Rs.)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year as at April 1, 2015</b>				
i) Principal Amount*	73,730,943	-	-	73,730,943
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	522,261	-	-	522,261
<b>Total (i+ii+iii)</b>	<b>74,253,204</b>	<b>-</b>	<b>-</b>	<b>74,253,204</b>
<b>Change in Indebtedness during the financial year</b>				
* Addition			-	
* Reduction	6,206,163	-	-	6,206,163
<b>Net Change</b>	<b>6,206,163</b>	<b>-</b>	<b>-</b>	<b>6,206,163</b>
<b>Indebtedness at the end of the financial year as at March 31, 2016</b>				
i) Principal Amount*	67,593,659	-	-	67,593,659
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	453,382	-	-	453,382
<b>Total (i+ii+iii)</b>	<b>68,047,041</b>	<b>-</b>	<b>-</b>	<b>68,047,041</b>

\* Secured loans against property lease.

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**
**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(Amount in Rs.)

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
		Mr. Sunil Rajadhyaksha WTD	Mr. Parvinder Chadha WTD	Mr. Surinder Rametra WTD	
1	Gross salary	4,800,000	-	-	4,800,000
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission-as % of profit-others, specify...	-	-	-	-
5	Others, please specify	-	-	-	-
	Total (A)	4,800,000	-	-	4,800,000
	Ceiling as per the Act				4,800,000

**B. Remuneration to other directors**

(Amount in Rs.)

SN.	Particulars of Remuneration	Name of Directors			Total Amount
		Baldev Raj Gupta	Harish Bhasin	Lakshmi Kumar	
1	Independent Directors				
	Fee for attending board committee meetings	320,000	320,000	60,000	700,000
	Commission				
	Others, please specify				
	Total (1)	320,000	320,000	60,000	700,000
2	Other Non-Executive Directors	NA	NA	NA	NA
	Fee for attending board committee meetings				
	Commission				
	Others, please specify				
	Total (2)				
	Total (B)=(1+2)	320,000	320,000	60,000	700,000
	Total Managerial Remuneration	NIL	NIL	NIL	NIL
	Overall Ceiling as per the Act				NA

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD**  
 (Amount in Rs.)

SN	Particulars of Remuneration	Key Managerial Personnel		Total
		Mr. Bhuvanesh Sharma CS	Mr. Sriram Iyengar CFO	
1	Gross salary	2,707,716	4,430,304	7,170,420
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	32,400	32,400	64,800
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961			
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961			
2	Stock Option			
3	Sweat Equity			
4	Commission			
	- as % of profit			
	Others, specify...			
5	Others, please specify			
	Total	2,740,116	4,462,704	7,235,220

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)

**A. Company, B. Directors, C. Other Officers in Default**

Penalty	None
Punishment	
Compounding	

**INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

**To The Members of  
HOV Services Limited**

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of **HOV Services Limited** ("the Parent Company"), its subsidiaries and an associate (collectively referred to as 'the Group'), which comprise the Consolidated Balance Sheet as at 31st March, 2016, the Consolidated Statement of Profit and Loss, the Consolidated 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 Consolidated Financial Statements**

The Parent Company's Board of Directors is responsible with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with 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. The respective Board of Directors of the Companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Parent Company, as aforesaid.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Parent 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 consolidated financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 Group as at 31st March, 2016, and its loss and its cash flows for the year ended on that date.

### **Other Matters:**

We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of Rs. 84,493,777 as at March 31, 2016 (as at March 31, 2015 Rs. 101,560,124) and total revenues of Rs. 17,897,786 and net cash outflow of Rs. 213,656 for the year ended March 31, 2016 (total revenues of Rs. 38,615,412 and net cash out flow of Rs.90,318 for the year ended March 31, 2015), as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss of Rs. 2,750,187,344 for the period from January 1, 2015 to December 31, 2015 (net loss of Rs. 1,533,120,448 for the period from January 1, 2014 to December 31, 2014 included in the year ended March 31, 2015) in respect of an associate. These financial statements / financial information of subsidiaries and an associate have not been audited by us. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and an associate, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and an associate, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

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

1. As required by Section 143 (3) of the Act with respect to the adequacy of the internal financial controls over financial reporting of the Parent Company and a subsidiary incorporated in India and the operating effectiveness of such controls, we give in 'Annexure A' a separate report on the same.
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 Group so far as it appears from our examination of those books.

- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account.
- (d) In our opinion, the aforesaid consolidated 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 of the Parent Company and a subsidiary incorporated in India 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 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 Group has disclosed the impact of pending litigations on its consolidated financial position in the aforesaid consolidated financial statements. (Refer Note no. 22.2 (a) to the consolidated financial statements for the year ended March 31, 2016).
  - (ii) The Group 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 Parent Company and a subsidiary incorporated in India.

For **LODHA & COMPANY**  
Chartered Accountants  
Firm Registration No. - 301051E

**R. P. BARADIYA**  
**Partner**  
Membership No. 44101

**Place:** Mumbai  
**Date:** 13<sup>th</sup> May, 2016

**'Annexure A'****Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act**

1. We have audited the internal financial controls over financial reporting of **HOV Services Limited** ("the Parent Company") and a subsidiary incorporated in India (collectively referred to as 'the Group') as of March 31, 2016 in conjunction with our audit for the year ended on that date.

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

2. The Parent Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group 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 Act.

**Auditors' Responsibility**

3. Our responsibility is to express an opinion on the Group'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 deemed to be prescribed under section 143(10) of the Act 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 ICAI. 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.
4. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. 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**

6. 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**

7. 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.

**Other Matter**

8. Our opinion in respect of adequate internal financial controls system over financial reporting of a subsidiary incorporated in India audited by other auditor is based solely on the reports of the other auditor.

**Opinion**

9. In our opinion, the Group 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 Group 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 & COMPANY**  
Chartered Accountants  
Firm Registration No. – 301051E

**R. P. BARADIYA**  
**Partner**  
Membership No. 44101

**Place:** Mumbai  
**Date:** 13<sup>th</sup> May, 2016



## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2016

Amount in Rs.

	Note No.	As at March 31, 2016	As at March 31, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
Share capital	1	125,325,220	125,140,220
Reserves and surplus	2	3,249,179,742	5,655,797,595
<b>2 Share Application Money pending allotment under ESOP</b>		-	432,075
<b>3 Non-current liabilities</b>			
Long-term borrowings	3	60,580,598	68,141,601
<b>4 Current liabilities</b>			
Short term borrowings	4	65,770,697	51,791,719
Trade payables		11,366,679	12,723,310
Other current liabilities	5	59,939,759	59,285,247
Short-term provisions	6	5,144,034	8,157,118
<b>TOTAL</b>		<b>3,577,306,729</b>	<b>5,981,468,885</b>
<b>II. ASSETS</b>			
<b>1 Non Current Assets</b>			
<b>Fixed Assets</b>			
Tangible Assets	7	21,715,274	25,793,571
Intangible Assets		9,224,001	12,062,183
Goodwill on consolidation		38,000	38,000
Deferred Tax Assets (net)	8	3,143,656	1,844,638
Non-Current investments	9	3,325,101,812	5,727,786,300
Long-term Loans and Advances	10	1,280,700	1,280,700
Other Non-Current Assets	11	21,408,465	34,437,807
<b>2 Current Assets</b>			
Trade Receivables	12	52,396,025	42,794,863
Cash and Bank Balances	13	99,405,935	93,634,599
Short Term Loans and Advances	14	20,451,612	12,748,736
Other Current Assets	15	23,141,249	29,047,488
<b>TOTAL</b>		<b>3,577,306,729</b>	<b>5,981,468,885</b>
<b>Significant accounting policies and Notes form an integral part of consolidated financial statements</b>	21 & 22		

As per our attached report of even date

**For LODHA & CO.**

 Chartered Accountants  
 (Firm Regn. No:301051E)

For and on behalf of the Board

**R.P.Baradiya**  
 Partner

**Surinder Rametra**  
 Executive Director  
 (DIN: 00019714)

**Baldev Raj Gupta**  
 Director  
 (DIN:00020066)

 Place: Mumbai  
 Date: May 13, 2016

**Bhuvanesh Sharma**  
 VP-Corporate Affairs &  
 Company Secretary

**Sriram Iyengar**  
 Chief Financial Officer

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

Amount in Rs.

Particulars	Note No.	For the year ended March 31, 2016	For the year ended March 31, 2015
I Revenue from operations	16	151,506,313	164,043,595
II Other income	17	11,162,253	5,708,154
<b>III Total Revenue (I + II)</b>		162,668,566	169,751,749
<b>IV Expenses</b>			
Employee Benefits Expense	18	104,448,515	104,208,644
Finance Costs	19	6,066,335	4,107,194
Depreciation and Amortization Expense	7	9,749,189	10,129,154
Other Expenses	20	44,190,422	77,900,467
<b>V Total Expenses</b>		164,454,461	196,345,459
<b>VI Profit/(Loss) before tax (III- V)</b>		(1,785,895)	(26,593,710)
<b>VII Tax Expense</b>			
Current Tax		5,690,000	-
Deferred Tax		(1,299,018)	(1,787,231)
<b>VIII Loss for the year</b>		(6,176,877)	(24,806,479)
<b>IX Minority Interest</b>		-	(4,703,931)
<b>X Loss for the year after Tax and minority interest (VIII-IX)</b>		(6,176,877)	(20,102,548)
<b>XI Share of Profit/(Loss) from an associate (Refer note no.22.1)</b>		(2,750,187,344)	(1,533,120,448)
<b>XII Profit/(Loss) for the year (X + XI)</b>		(2,756,364,221)	(1,553,222,996)
<b>XIII Earnings per equity share of the face value of Rs.10 each :</b>	22.5		
Basic and Diluted Earning Per Share		(220.08)	(124.20)
<b>Significant accounting policies and Accompanying Notes form an integral part of consolidated financial statements</b>	21 & 22		

As per our attached report of even date

**For LODHA & CO.**

 Chartered Accountants  
 (Firm Regn. No:301051E)

For and on behalf of the Board

**R.P.Baradiya**  
 Partner

**Surinder Rametra**  
 Executive Director  
 (DIN: 00019714)

**Baldev Raj Gupta**  
 Director  
 (DIN:00020066)

 Place: Mumbai  
 Date: May 13, 2016

**Bhuvanesh Sharma**  
 VP-Corporate Affairs &  
 Company Secretary

**Sriram Iyengar**  
 Chief Financial Officer

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016**

Amount in Rs.

	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>A Cash flow from Operating Activities:</b>		
Net Profit/ (Loss) before Tax after Minority Interest	(1,785,895)	(21,889,779)
<b>Add Adjustments for:</b>		
Depreciation & amortisation	11,630,393	12,010,358
Interest Income	(8,015,171)	(6,791,615)
Rent Income	(10,784,637)	(10,647,924)
Finance Cost	14,917,946	14,052,248
Provision no longer required written back	(3,095,261)	-
Foreign Exchange Variation (Gain)/Loss	708,208	170,215
<b>Operating Profit before Working Capital changes</b>	<b>3,575,583</b>	<b>(13,096,497)</b>
<b>Adjustments for changes in Working Capital :</b>		
(Increase)/Decrease in Trade Receivables	(21,971,660)	(13,792,212)
(Increase)/Decrease in Other Receivables	10,677,187	(1,172,124)
Increase/(Decrease) in Trade and Other Payables	(2,315,967)	(6,145,312)
<b>Cash generated from Operations</b>	<b>(10,034,857)</b>	<b>(34,206,145)</b>
Taxes Paid	(2,494,996)	(2,232,925)
<b>Net cash from/(used in) Operating Activities - A</b>	<b>(12,529,853)</b>	<b>(36,439,070)</b>
<b>B Cash flow from Investing Activities:</b>		
Purchase of Fixed Assets	(1,932,187)	(474,348)
Rent Income from property investment	10,784,637	10,647,924
Repayment of Minority Interest	-	(4,703,931)
Interest Income	8,015,170	6,791,615
<b>Net Cash from/(used in) Investing Activities - B</b>	<b>16,867,620</b>	<b>12,261,260</b>
<b>C Cash flow from Financing Activities:</b>		
Finance Cost	(14,917,946)	(14,052,248)
Proceeds from issue of equity shares	203,200	1,489,800
Proceeds/(Repayments) of Borrowings (Net)	7,692,277	23,582,191
<b>Net cash from/(used in) Financing Activities - C</b>	<b>(7,022,469)</b>	<b>11,019,743</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(2,684,702)</b>	<b>(13,158,067)</b>
Opening Cash and Cash Equivalents	12,390,110	25,548,177
<b>Closing Cash and Cash Equivalents</b>	<b>9,705,408</b>	<b>12,390,110</b>

As per our attached report of even date

**For LODHA & CO.**

 Chartered Accountants  
 (Firm Regn. No:301051E)

For and on behalf of the Board

**R.P.Baradiya**  
 Partner

**Surinder Rametra**  
 Executive Director  
 (DIN: 00019714)

**Baldev Raj Gupta**  
 Director  
 (DIN:00020066)

 Place: Mumbai  
 Date: May 13, 2016

**Bhuvanesh Sharma**  
 VP-Corporate Affairs &  
 Company Secretary

**Sriram Iyengar**  
 Chief Financial Officer

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2016

## Note 1- Share Capital

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Amount in Rs.	Number	Amount in Rs.
<b>Authorised</b>				
Equity Shares of Rs. 10 each	30,000,000	300,000,000	30,000,000	300,000,000
<b>Issued, Subscribed &amp; Paid up</b>				
Equity Shares of Rs. 10 each, fully paid up	12,532,522	125,325,220	12,514,022	125,140,220
<b>Total</b>	<b>12,532,522</b>	<b>125,325,220</b>	<b>12,514,022</b>	<b>125,140,220</b>

## Note 2 - Reserves and Surplus

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Capital Redemption Reserve		
Balance as per last Balance sheet	630,230	630,230
Securities Premium Account		
Opening Balance	623,888,645	622,975,920
Add: On allotment of equity shares under ESOP Plan 2007	450,275	912,725
Closing Balance	624,338,920	623,888,645
General Reserve		
Balance as per last Balance sheet	19,541,409	19,541,409
Foreign Exchange Translation Reserve		
Opening Balance	(23,466,417)	(994,396)
Add/(less) :Addition/ (deletion) during the year	(107,417,436)	(22,472,021)
Closing Balance	(130,883,853)	(23,466,417)
Capital Reserve arising on consolidation		
Opening Balance	6,811,451,485	1,138,106,943
Add : Fair value of investment in associate (Refer Note no. 22.1)	-	5,824,025,710
Add/(Less): Equity adjustment in respect of actuarial gain/(losses) etc.	48,828,744	(284,781,130)
Add/(Less): Foreign Exchange variations	407,884,785	134,099,962
Closing Balance	7,268,165,014	6,811,451,485
Surplus/(Deficit) : Statement of Profit & Loss		
Opening Balance	(1,776,247,757)	(222,160,841)
Add/(Less): Transitional Depreciation (Refer note no. 22.8)	-	(863,920)
Profit/(Loss) for the year as per Statement of Profit & Loss	(2,756,364,221)	(1,553,222,996)
Closing Balance	(4,532,611,978)	(1,776,247,757)
<b>Total</b>	<b>3,249,179,742</b>	<b>5,655,797,595</b>

**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2016**
**Note 3 - Long Term Borrowings**
**Amount in Rs.**

Particulars	As at March 31, 2016	As at March 31, 2015
Secured : Term loans : from banks Against Property (Equated Monthly Installment of Rs. 1,244,197 each payable in 94 months @ 12.10 to 12.75% (Previous year 12.75%) floating rate of interest) (Secured by way of deposit of title deeds of property situated at Navi Mumbai)	60,454,824	67,866,410
Against Vehicle (Equated Monthly Installment of Rs. 13,191 each payable in 22 months)	125,774	275,191
<b>Total</b>	<b>60,580,598</b>	<b>68,141,601</b>

**Note 4 - Short Term Borrowings**
**Amount in Rs.**

Particulars	As at March 31, 2016	As at March 31, 2015
Secured : Cash Credit facility from a bank (Secured by way of pledge of Fixed deposit)	65,770,697	51,791,719
<b>Total</b>	<b>65,770,697</b>	<b>51,791,719</b>

**Note 5 - Other Current Liabilities**
**Amount in Rs.**

Particulars	As at March 31, 2016	As at March 31, 2015
Unclaimed Dividend	318,436	318,436
Current Maturities of long term borrowings	7,275,984	5,975,793
Advances from a customer towards services to be rendered	5,525,734	12,374,791
Statutory Dues Payable	2,226,082	2,949,423
Interest Accrued but not due on borrowings	453,382	522,261
Security Deposit towards office premises	9,960,501	2,649,981
Other Liabilities	23,605	416,834
Advances received towards reimbursement of expenses	34,156,035	34,077,728
<b>Total</b>	<b>59,939,759</b>	<b>59,285,247</b>

**Note 6 - Short-term Provisions**
**Amount in Rs.**

Particulars	As at March 31, 2016	As at March 31, 2015
Provision for employee benefits	5,144,034	3,889,555
Provision for Income Tax (Net of Tax paid Rs. Nil; previous year Rs. 4,267,563)	-	4,267,563
<b>Total</b>	<b>5,144,034</b>	<b>8,157,118</b>

**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2016**
**Note 7 - Fixed Assets**

Amount in Rs.

Sr. No.	Particulars	Gross Block			Accumulated Depreciation/Amortisation			Net Block Balance as at March 31, 2016
		Balance as at April 1, 2015	Additions	Disposals / Adjustments	Balance as at March 31, 2016	On Disposals / Adjustments	Depreciation for the year	
a	<b>Tangible Assets</b>							
	Plant & Equipment	30,784,157	-	187,105	30,971,262	4,138,957	(189,188)	18,288,549
	Computers	7,865,789	836,561	(174,437)	8,527,913	796,339	(174,437)	1,271,545
	Office Equipments	2,757,590	117,901	-	2,875,491	147,356	-	323,244
	Furniture & Fixtures	218,000	-	-	218,000	22,860	-	153,359
	Vehicle	2,507,052	-	-	2,507,052	303,540	-	1,678,577
	<b>Total (a)</b>	<b>44,132,588</b>	<b>954,462</b>	<b>12,668</b>	<b>45,099,718</b>	<b>5,409,052</b>	<b>(363,625)</b>	<b>21,715,274</b>
b	<b>Intangible Assets</b>							
	Software Product*	17,451,289	-	-	17,451,289	1,918,632	-	399,717
	Other Softwares	4,022,280	977,725	-	5,000,006	497,734	-	1,026,984
	Goodwill	14,715,097	-	879,768	15,594,865	1,923,771	355,539	7,797,300
	<b>Total (b)</b>	<b>36,188,666</b>	<b>977,725</b>	<b>879,768</b>	<b>38,046,160</b>	<b>4,340,137</b>	<b>355,539</b>	<b>9,224,001</b>
	<b>Total (a+b)</b>	<b>80,321,254</b>	<b>1,932,187</b>	<b>892,436</b>	<b>83,145,878</b>	<b>9,749,189</b>	<b>(8,086)</b>	<b>30,939,275</b>

\* Meant for License sale or otherwise

**As at March 31, 2015**

Amount in Rs.

Sr. No.	Particulars	Gross Block			Accumulated Depreciation/Amortisation			Net Block Balance as at March 31, 2015
		Balance as at April 1, 2014	Additions	Disposals / Adjustments	Balance as at March 31, 2015	On Disposals / Adjustments	Depreciation for the Period	
a	<b>Tangible Assets</b>							
	Plant & Equipment	30,659,607	-	124,550	30,784,157	3,827,049	55,808	22,051,213
	Computers	7,910,391	405,500	(450,102)	7,865,789	1,565,237	(323,459)	1,231,323
	Office Equipments	2,706,241	51,349	-	2,757,590	179,075	737,277	352,699
	Furniture & Fixtures	218,000	-	-	218,000	22,860	-	176,219
	Vehicle	2,507,052	-	-	2,507,052	303,540	-	1,982,117
	<b>Total (a)</b>	<b>44,001,291</b>	<b>456,849</b>	<b>(325,552)</b>	<b>44,132,588</b>	<b>5,897,761</b>	<b>469,626</b>	<b>25,793,571</b>
b	<b>Intangible Assets</b>							
	Software Product*	17,451,289	-	-	17,451,289	2,051,917	-	2,318,349
	Other Softwares	4,004,781	17,499	-	4,022,280	382,485	-	546,992
	Goodwill	14,129,463	-	585,634	14,715,097	1,796,991	188,838	9,196,842
	<b>Total (b)</b>	<b>35,585,533</b>	<b>17,499</b>	<b>585,634</b>	<b>36,188,666</b>	<b>4,231,393</b>	<b>188,838</b>	<b>12,062,183</b>
	<b>Total (a+b)</b>	<b>79,586,824</b>	<b>474,348</b>	<b>260,082</b>	<b>80,321,254</b>	<b>10,129,154</b>	<b>658,464</b>	<b>37,855,754</b>

\* Meant for License sale or otherwise

**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2016**
**Note 8 - Deferred Tax Asset (Net)**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Deferred Tax Liability on account of : Depreciation	(720,832)	(1,231,940)
Deferred Tax Asset on account of Provision for Employee Benefits	2,215,734	1,427,824
Unabsorbed business loss	1,648,754	1,648,754
<b>Net Deferred Tax (Liability)/ Asset</b>	<b>3,143,656</b>	<b>1,844,638</b>

Note : As a matter of prudence, deferred tax asset of Rs.Nil (Previous year Rs. 921,901) has not been recognised.

**Note 9 - Non Current Investments (Long Term)**

Amount in Rs.

Sr.	Name of the Body Corporate	No. of Shares / Units		Extent of Holding (%)		Amount	
		As at March 31,		As at March 31,		As at March 31,	
		2016	2015	2016	2015	2016	2015
1	<b>Investment property (at cost)</b> Leasehold office premises* Less: Accumulated Amortisation	NA	NA	NA	NA	103,466,540 (6,427,447)	103,466,540 (4,546,243)
	<b>Investments in Equity Shares (Common/Preferred stock) - Trade (Unquoted, fully paid up)</b>					97,039,093	98,920,297
2	Total Value of Investment in associate on the date of Investment (Refer note no. 22.1)						
	Total Value of Investment in associate on the date of Investment	64,715	64,715	44.8%	44.8%	5,833,760,014	5,833,760,014
	Add/(Less):Share of Profit/(Loss) from an associate					(2,781,917,063)	(31,729,719)
	Add/(Less): Equity adjustment in respect of actuarial losses etc					(235,952,386)	(284,781,130)
	Add/(Less):Foreign exchange variation					412,172,154	111,616,838
						3,228,062,719	5,628,866,003
	<b>Total</b>					<b>3,325,101,812</b>	<b>5,727,786,300</b>

\*Lease period is 60 years beginning from November 22, 2007

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2016

Note 10 - Long term loans and advances

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Unsecured, considered good Deposits for premises and others	1,280,700	1,280,700
<b>Total</b>	<b>1,280,700</b>	<b>1,280,700</b>

Note 11 - Other Non -Current Assets

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
MAT credit Receivable	17,784,825	33,089,455
Fixed deposits with original maturity of more than twelve months	2,500,000	-
Prepaid Expense	1,123,640	1,348,352
<b>Total</b>	<b>21,408,465</b>	<b>34,437,807</b>

Note 12 - Trade Receivables

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Unsecured Trade receivables outstanding for a period more than six months from the date they are due for payment, considered doubtful	1,498,617	1,498,617
Others - Considered good	52,396,025	42,794,863
	53,894,642	44,293,480
Less: Provision for doubtful debt	(1,498,617)	(1,498,617)
<b>Total</b>	<b>52,396,025</b>	<b>42,794,863</b>



**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2016**
**Note 13 - Cash and Bank Balances**

Amount in Rs.

Particulars	As at March 31, 2016		As at March 31, 2015	
<b>(I) Cash and Cash Equivalents :</b>				
a. Balances with banks				
i) In Current Accounts	9,644,410		4,368,395	
ii) Fixed Deposits with maturities less than 3 months	-		8,000,000	
b. Cash on hand	60,998	9,705,408	21,715	12,390,110
<b>(II) Other Bank balances :</b>				
Fixed Deposits with maturities more than 3 months and upto twelve months	2,500,000		7,500,000	
Other Fixed deposits having maturities more than twelve months (pledged with bank against guarantees issued/loan taken by a step down subsidiary)	86,869,813		73,362,886	
Unpaid Dividend Account	318,436		318,436	
In Trust Account	12,277	89,700,527	63,167	81,244,489
<b>Total</b>		<b>99,405,935</b>		<b>93,634,599</b>

**Note 14 - Short term loans and advances**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Unsecured, considered good :</b>		
Service Tax Receivable	7,084,174	10,396,329
Deposits	1,038,200	485,250
Advance Income Tax (Net of provision Rs. 5,690,000; previous year Rs. Nil)	4,681,757	-
MAT Credit Receivable	2,425,000	-
Expenses recoverable from associates	5,095,385	1,274,391
Other Loans & Advances recoverable in cash or in kind or for value to be received	127,096	592,766
<b>Total</b>	<b>20,451,612</b>	<b>12,748,736</b>

**Note 15 - Other Current Assets**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Prepaid Expenses	543,882	1,022,760
Interest accrued but not due on Fixed Deposits	3,559,051	3,450,873
Work in Progress	17,307,935	15,856,416
Retention Money	-	6,975,600
Unbilled Revenue	1,730,381	1,741,839
<b>Total</b>	<b>23,141,249</b>	<b>29,047,488</b>

**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**
**Note 16 - Revenue from operations**
**Amount in Rs.**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Software and IT enabled services	134,980,847	125,428,183
Environmental Solution Services	16,525,466	38,615,412
<b>Total</b>	<b>151,506,313</b>	<b>164,043,595</b>

**Note 17 - Other Income**
**Amount in Rs.**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest Income	8,015,171	6,791,615
Gain on Variation in Foreign Exchange Rates (Net)	-	67,428
Provision no longer required written back	3,095,261	-
Rent Received	10,784,637	10,647,924
Less: Expenses attributed to rent income		
Finance Cost	(8,851,611)	(9,945,054)
Amortisation Expenses	(1,881,204)	(1,881,204)
	51,822	(1,178,334)
Miscellaneous Income	-	27,446
<b>Total</b>	<b>11,162,253</b>	<b>5,708,154</b>

**Note 18 - Employee Benefits Expense**
**Amount in Rs.**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Salaries and wages	96,962,212	97,293,739
Contributions to provident and other funds	5,602,148	5,095,843
Staff welfare expenses	1,884,155	1,819,062
<b>Total</b>	<b>104,448,515</b>	<b>104,208,644</b>

**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**
**Note 19 - Finance Costs**
**Amount in Rs.**

<b>Particulars</b>	<b>For the year ended March 31, 2016</b>	<b>For the year ended March 31, 2015</b>
Interest Expenses :		
Term Loan	34,764	42,674
Cash Credit	6,031,571	4,064,520
<b>Total</b>	<b>6,066,335</b>	<b>4,107,194</b>

**Note 20 - Other Expenses**
**Amount in Rs.**

<b>Particulars</b>	<b>For the year ended March 31, 2016</b>	<b>For the year ended March 31, 2015</b>
Rent	8,739,128	12,442,819
Project Expenses	8,979,413	28,562,611
Repairs & Maintenance - Building	780,672	1,093,446
Repairs & Maintenance-Computer	325,555	1,188,018
Repairs & Maintenance - Others	325,237	706,408
Insurance	380,623	584,797
Rates and taxes	582,064	827,974
Power & Fuel Expenses	2,495,623	6,418,600
Membership & Subscription Fees	476,622	485,012
Travelling & Conveyance Expenses	3,317,507	3,753,819
Communication Cost	1,642,723	1,920,994
Advertising & Publicity Expenses	341,960	417,740
Office upkeep & Maintenance Expenses	3,000,756	3,147,394
Legal & Professional charges	10,147,194	12,245,032
Director's sitting Fees	700,000	520,000
Loss on Variation in Foreign Exchange (Net)	475,992	-
Provision for doubtful debt	-	1,498,617
Office, Administrative & Other Expenses	1,479,353	2,087,186
<b>Total</b>	<b>44,190,422</b>	<b>77,900,467</b>

**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2016****NOTE - 21:****SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES****1. Overview of the Group**

HOV Services Limited ("Parent"), its subsidiaries and an associate collectively referred to as "the Group" is headquartered in Pune, India and operate as a hybrid between various investment portfolios and a diversified services corporation including data entry services, software development, support services and environmental solutions. The Parent organize its portfolio companies by industry by sector with forward-looking goals for combination based on the ultimate benefit to the target customer base and to us as the owners.

**2. Basis of Preparation of Consolidated Financial Statements**

The consolidated financial statements are prepared and presented under historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ('GAAP') and in compliance with the Accounting Standards ('AS') prescribed by the Companies Act, 2013 and guidelines issued by the Securities and Exchange Board of India to the extent applicable.

**3. Use of Estimates**

The preparation of consolidated financial statements in conformity with AS and GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual result could differ from these estimates. Any revision to accounting estimates is recognized prospectively.

**4. Principles of consolidation**

The consolidated financial statements include the financial statements of HOV Services Ltd and all its subsidiaries, which are more than 50% owned or controlled have been prepared in accordance with the consolidation procedures under AS 21 - 'Consolidated Financial Statements and an associate consolidated as per AS 23 - 'Accounting for Investments in associates in consolidated financial statement' prescribed by the Companies Act, 2013.

**The consolidated financial statements have been prepared on the following basis:**

- The financial statements of the parent and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting profits in full.
- The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for its separate financial statements.
- The consolidated financial statements are prepared using uniform accounting policies across the Group.
- Goodwill arising on consolidation.

The excess of cost to the parent of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in subsidiaries was made is recognized in the financial statements as goodwill. The parent's portion of equity in the subsidiaries is determined on the basis of the value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

## 5. Accounting Treatment for Investment in Associates

Equity accounted associate are entities in respect of which, the group has significant influence, but not control, over the financial and operating policies. Investments in such entities are accounted for using the equity method (equity accounted associate) and are initially recognized at cost. The excess of the parent's portion of equity of the associate over its cost its investment in the associate, at the date on which investment in the associate is made, is recognized in the consolidated financial statements as a capital reserve and the excess of cost to the parent of its investment in associate over its portion of equity in the associate is recognized in the consolidated financial statements as a Goodwill.

## 6. Members of the Group

HOV Service Ltd's subsidiaries, step down subsidiaries and associates are listed below:

Name	Country of incorporation	Percentage of ownership Interest	
		As at March 31, 2016	As at March 31, 2015
<b>Subsidiaries :</b>			
HOVS Holdings Limited	Hong Kong	100	100
HOVS, LLC	USA	100	100
HOV Environment LLC (Subsidiary of HOVS LLC)	USA	61.10	61.10
HOV Environment Solutions Private Limited (Wholly owned Subsidiary of HOV Environment LLC w.e.f September 1, 2013) (Wholly owned Subsidiary of HOVS Holdings upto August 31, 2013)	India	61.10	61.10
<b>Associate :</b>			
SourceHOV Holdings Inc.	USA	44.8	44.8

## 7. Revenue Recognition

- a) Revenue from Software & IT enabled services are recognized as per the work orders/ agreements entered with the customers.
- b) Rental and Interest income is recognized on time proportion basis and is disclosed under Other Income.

- c) The revenue from supply of material is recognized on delivery and/or as per the agreements entered with the parties. In respect of revenue from installation and commissioning of Environmental projects are recognized on the basis of running/final invoices for the work completed. And in respect of consultancy services the income is recognized as and when the services are rendered or the invoices are raised.

#### **8. Unbilled Revenue/Work In Progress**

Revenue recognized over and above the billings is classified as Unbilled Revenue.

Work in Progress (Environment Segment) comprise of work done and will be billed to the customers as per the agreement and valued at cost.

#### **9. Fixed Assets**

**Tangible:** Fixed assets are stated at historical cost, which comprises of purchase consideration and other directly attributable cost of bringing an asset to its working condition for the intended use, less accumulated depreciation.

**Intangible:** Costs that are directly associated with identifiable and unique software products controlled by the group, developed in-house or acquired, and have probable economic benefits exceeding the cost beyond one year are recognized as software products. Other acquired softwares meant for in-house consumption are capitalized at the acquisition price.

#### **10. Impairment of Assets**

In accordance with AS 28 on 'Impairment of Assets' prescribed by the Companies Act, 2013 where there is an indication of impairment of the Group'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 whenever the carrying amount of such assets exceeds its recoverable amount. Impairment loss is recognized in the Statement of Profit and Loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to extent of the carrying value of the asset that would have been determined (net of amortization / depreciation) had no impairment loss been recognized.

#### **11. Method of Depreciation / Amortization:**

##### **I) Parent and Indian Subsidiaries**

- a) **Tangible Assets** - Depreciation on fixed assets is provided based on useful life and in the manner prescribed in part C of Schedule II of the Companies Act, 2013 or on Management's estimate of useful life of the assets.

Investment in property is amortized over the period of lease.

- b) **Intangible Assets** - Software product (meant for sale) are amortized over its estimated useful life of 8 years. Other Software products are amortised over its period of license.

**II) Foreign Subsidiaries**

Depreciation is provided based on Management's estimate of useful life of the asset which is as under.

Fixed Asset	Useful life in years
Computers	2 - 5
Plant & Equipment	8 -10
Furniture and fixture	12-16
Software Product	3 - 8
Goodwill	8

**12. Investments**

Investments are classified into long-term investments and current investments. Long-term investments are carried at cost and provision is made to recognize any decline, other than temporary, in the value of such investments. Current investments are carried at the lower of the cost and fair value and provision is made to recognize any decline in the value of investment.

**13. Accounting of Employee Benefits****Employee Benefits to employees in India****a) Gratuity:**

The parent Company provides for gratuity, a defined benefit retirement plan, covering eligible employees. Liability under gratuity plan is determined on actuarial valuation done by the Life Insurance Corporation of India (LIC) at the beginning of the year, based upon which, the parent Company contributes to the Scheme with LIC. The parent Company also provides for the additional liability over the amount contributed to LIC based on the actuarial valuation done by an independent valuer using the Projected Unit Credit Method.

**b) Provident Fund:**

Retirement benefits in the form of Provident Fund / Pension Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the year when the contributions to the respective funds are due.

**c) Leave Entitlement:**

Liability for Leave entitlement for employees is provided on the basis of Actuarial Valuation done during the year.

**14. Accounting for Taxes on Income**

Provision for current income tax is made on the basis of the estimated taxable income for the year in accordance with the specific applicable laws.

MAT credit asset pertaining to the Parent and its Indian subsidiary company is recognized and carried forward only if there is a reasonable certainty of it being set off against regular tax payable within the stipulated statutory year.

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

The deferred Tax Assets /Liabilities and tax expenses are determined separately for parent and each subsidiary company, as per their applicable laws and then aggregated.

## **15. Translation of Foreign Currency Items**

### **(i) Initial Recognition**

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

### **(ii) Conversion**

All the activities of the foreign subsidiaries are carried out with a significant degree of autonomy from those of the Parent. Accordingly, as per the provisions of AS - 11 "Effects of changes in foreign exchange rates", these operations have been classified as 'Non integral operations' and therefore, all assets and liabilities, both monetary and non-monetary, are translated at the closing rate while the income and expenses are translated at the average rate for the year. The resulting exchange differences are accumulated in the foreign currency translation reserve until the disposal of net investment.

## **16. Borrowing Costs**

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

## **17. Lease**

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

Where significant portion of risks and reward of ownership of assets acquired under lease are retained by lessor, leases are classified as Operating Lease. Lease rentals for such leases are charged to Statement of Profit & Loss.

## **18. Provisions, Contingent Liabilities and Contingent Assets**

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



**NOTE - 22: NOTES TO THE FINANCIAL STATEMENTS**

**22.1** Pursuant to shareholders' approval on November 4, 2014, SourceHOV Holdings Inc. ("SourceHOV"), a company in which HOVS LLC, wholly owned US subsidiary of HOV Services Limited, holds an investment, completed the merger with BancTec Group LLC. Post-merger the equity ownership of HOVS LLC in SourceHOV increased from 26.1% to 44.8%. The fair value of HOVS LLC investment on November 4, 2014 in SourceHOV has been valued at US\$ 95 million (Rs. 58,337.60 lakhs) at the time of aforesaid merger. Accordingly, additional Capital Reserve of Rs 58,240.26 lakhs was recognized being the fair value of investment in the associate over the carrying value of investment. The Company has done the impairment test during the financial year 2015-16 under Accounting Standard 28 "Impairment of Assets" for the investment and there is no impairment to the Investment Value.

HOVS LLC's share of loss before merger for the period from January 1, 2014 till October 31, 2014 is Rs. 15,013.91 lakhs and the loss post-merger from November 1, 2014 till December 31, 2014 is Rs 317.30 lakhs aggregating to the loss of Rs. 15,331.20 lakhs which has been consolidated as loss of associates in the previous year. For current year's consolidation, audited financial statements of SourceHOV covering calendar year ended December 31, 2015 have been used. As per Equity method of Accounting as prescribed by Accounting Standard 23 "Accounting for Investments in Associates" share of loss of the associate of Rs 27,501.87 lakhs have been consolidated in the financial statements. The said loss of the associate is mainly on account of amortization of Goodwill and intangible asset recorded at the time of merger. Due to adjustment of aforesaid loss the Carrying value of the investment accordingly is reduced from Rs. 56,288.66 lakhs to Rs. 32,280.62 lakhs.

**22.2 Commitment and Contingent liabilities:**
**a) Contingent Liabilities not provided for in respect of:**

(i) Pending Litigations: (other than court of law)		(Amount in Rs)	
Sr. No.	Particulars	As at March 31, 2016	As at March 31, 2015
(i)	Disputed Income Tax Matters is in relation to the A.Y. 2007-08 and 2009-10 and Group has paid Rs. 2,446,738 (Previous Year Rs.2,446,738) under protest(including interest upto the date of demand)	5,352,170	10,259,390

The Group 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 Group does not expect the outcome of these proceedings to have a material impact on its financial statements.

(ii) Other contingent liabilities: (Amount in Rs.)

Sr. No.	Particulars	As at March 31, 2016	As at March 31, 2015
(i)	Fixed Deposit pledged for issue of bank guarantee/ loan on behalf of a step down subsidiary	85,820,439	72,436,320
(ii)	Other bank guarantee	216,000	216,000

**b) Other Commitment:**

(i) **Operating Lease:** The Group has acquired certain premises under lease arrangements which are renewable /cancellable at the Company's and/or lessors' option as mutually agreed. The future lease rental payments that the Group is committed to make in respect of these are as follows:

(Amount in Rs.)

Particulars	As at March 31, 2016	As at March 31, 2015
- within one year	7,121,288	6,735,493
- later than one year and not later than five years	1,708,036	8,860,680

(ii) **Rental Income:**

The Parent Company has given leasehold building on rent. The future rental income receivables as per the terms of the agreement are as follows:

(Amount in Rs.)

Particulars	As at March 31, 2016	As at March 31, 2015
- within one year	10,965,780	6,010,925
- later than one year and not later than five years	39,929,733	NIL

**22.3 Employee Benefits:**

## Defined Benefit Plans (Gratuity)

(Amount in Rs.)

Particulars	As at March 31 , 2016	As at March 31 , 2015
<b>I Assumptions</b>		
Discount Rate	8.00%	8.00%
Expected Rate of Return on plan asset	8.50%	8.50%
Salary Escalation	5.00%	5.00%
<b>II Table showing changes in present value of obligations</b>		
Present value of obligations as at beginning of year	4,691,250	3,738,310
Interest cost	375,300	281,454
Current Service Cost	953,427	728,038
Benefits Paid	(462,655)	(740,431)
Actuarial (gain)/Loss on obligations	379,512	683,879
Present value of obligations as at end of year	5,936,834	4,691,250
<b>III Table showing changes in the fair value of plan assets</b>		
Fair value of plan assets at beginning of year	2,651,726	2,356,467
Expected return on plan assets	224,428	197,124
Contributions	99,580	838,565
Benefits paid	(462,655)	(740,431)
Actuarial Gain / (Loss) on Plan assets	Nil	904,016
Fair value of plan assets at the end of year	2,513,078	2,651,726
<b>IV Table showing fair value of plan assets</b>		
Fair value of plan assets at beginning of year	2,651,726	2,356,467
Actual return on plan assets	224,428	197,124
Contributions	99,580	838,565
Benefits Paid	(462,655)	(740,431)
Fair value of plan assets at the end of year	2,513,078	2,651,726
Funding Status - Surplus/(deficit)	(3,423,756)	(2,039,524)
Excess of Actual over estimated return on plan assets	Nil	Nil
<b>V Actuarial Gain/Loss recognized</b>		
Actuarial gain/(Loss) for the year -Obligation	379,512	904,016
Actuarial (gain)/Loss for the year - plan assets	Nil	Nil
Total (gain)/Loss for the year	379,512	904,016
Actuarial (gain)/Loss recognized in the year	379,512	904,016
<b>VI The amounts to be recognized in the Balance Sheet and Statements of Profit and Loss</b>		
Present value of obligations as at the end of year	5,936,834	4,691,250
Fair value of plan assets as at the end of the year	2,513,078	2,651,726
Funded status	(3,423,756)	(2,039,524)
Net Asset/(liability) recognized in balance sheet	(3,423,756)	(2,039,524)
<b>VII Expenses Recognised in Statement of Profit &amp; Loss</b>		
Current Service cost	953,427	728,038
Interest Cost	375,300	281,484
Expected return on plan assets	(224,427)	197,124
Net Actuarial (gain)/Loss recognised during the year	379,512	904,016
Expenses recognised in statement of Profit & Loss	1,483,811	1,716,384

- 22.4 a) In the opinion of the management, assets other than fixed assets and non-current investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
- b) The accounts of certain Trade Receivables, Trade Payables, Loans & Advances and Banks are however, subject to formal confirmations/reconciliations and consequent adjustments, if any. The management does not expect any material difference affecting the current year's financial statements on such reconciliation/adjustments.

**22.5 Earnings per Share (EPS):**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Net Profit/(Loss) as per Statement of Profit and Loss (Rs.)	(2,756,364,221)	(1,553,222,996)
Weighted average number of equity shares	12,524,217	12,505,356
Add: Effect of dilutive issue of options (Nos.)	40,208*	NIL
Diluted Weighted Average Number of Equity Shares (Nos.)	12,564,425	12,505,356
Basic and Diluted Earnings per Share	(220.08)	(124.20)
Nominal value per Equity Share (Rs.)	10	10

\*Not considered in view of loss.

**22.6 Related Party Transactions**

- a) Name of the related parties with whom transactions have been entered in the ordinary course of business:
- i) **Associates with whom transactions have been entered during the year:**

Sr. No.	Name
1	HGM Fund
2	BancTec TPS India Private Limited (Formerly known as Tracmail India Private Limited)
3	HOVG, LLC dba Bay Area Credit Service, LLC
4	Rule 14, LLC
5	SourceHOV, LLC

- ii) **Directors/Key Managerial Personnel (KMP) and their relatives:**

Sr. No.	Name
1	Mr. Sunil Rajadhyaksha (Chairman and Executive Director)
2	Mr. Parvinder S Chadha (Executive Director)
3	Mr. Surinder Rametra (Executive Director)
4	Mr. James Reynolds (Chief Financial Officer, Global)
5	Mr. Sriram Iyengar (Chief Financial Officer)
6	Mr. Bhuvanesh Sharma (V.P Corporate Affairs and Company Secretary)
7	Mrs. Rekha Sharma (Relative of KMP)
8	Mrs. Latha Sriram (Relative of KMP)

b) Following transactions carried out with related parties referred to in “i” and “ii”, above:

(Amount in Rs.)

Sr. No.	Name	Nature	For the year ended March 31, 2016	For the year ended March 31, 2015
1	Rule 14, LLC	Services rendered	23,565,996	14,675,304
2	HOVG, LLC dba Bay Area Credit Service, LLC	Services rendered	14,190,067	27,916,725
3	BancTec TPS India Private Limited	Advance given Repayment of advances Rent Income Rent Deposit Received	NIL NIL 10,784,637 7,310,520	8,586 8,586 10,647,924 NIL
4	SourceHOV, LLC	Services rendered Reimbursement of expenses	97,224,784 NIL	82,836,154 6,103,985
5	HGM Fund	Reimbursement of expenses Received for corporate expenses	2,813,186 NIL	7,391,495 32,733,007
6	Mr. Sunil Rajadhyaksha	Managerial Remuneration	4,800,000	4,800,000
7	Mr. Parvinder S Chadha	Managerial Remuneration	NIL	2,400,000
8	Mr. Surinder Rametra	Managerial Remuneration	NIL	2,400,000
9	Mr. James Reynolds **	Management Fees	NIL	5,122,828
10	Mr. Sriram Iyengar	Salary	4,462,704	4,160,800
11	Mr. Bhuvanesh Sharma Salary (*April 1, 2014 to July 30, 2014; January 1, 2015 to March 31, 2015)	Salary	2,740,116	1,593,110(*)
12	Mrs. Latha Sriram Relative of KMP	Car Rental	180,000	120,000
13	Mrs. Rekha Sharma Relative of KMP	Car Rental	120,000	70,000

\*\* Total management fees paid were reimbursed by an associate.

c) Balances with the related parties referred in (a) and (b) above are as under:

(Amount in Rs.)

Name of the Related party	Nature	Balances As at	
		March 31, 2016	March 31, 2015
HOVG, LLC dba Bay Area Credit Service, LLC	Receivable	4,775,969	9,513,802
BancTec TPS India Private Limited (Formerly known as Tracmail India Private Limited)	Deposit payable Receivable	9,960,501 954,936	2,649,981 NIL
SourceHOV, LLC	Receivable Unbilled Revenue	31,997,068 1,730,381	14,193,528 1,741,839
HGM Fund	Receivable	4,087,577	1,274,391
Rule 14, LLC	Receivable	11,939,922	2,503,632
Mr. Parvinder Chadha	Payable	83,590	2,485,371
Mr. Sunil Rajadhyaksha	Payable	595,677	930,293
Mr. Surinder Rametra	Payable	NIL	2,400,000
Mr. Bhuvanesh Sharma	Salary Payable	NIL	22,665
Mrs. Latha Sriram	Car Rental Payable	15,000	15,000
Mrs. Rekha Sharma	Car Rental Payable	10,000	10,000

**Note:-**

- Related party relationship is as identified by management relied upon by the auditors
- No balance in respect of related parties has been provided for/ written back / written off during the year, nor has any provision been made for doubtful debts / receivables except Rs. 4,800,000 (Previous year Rs Nil) written back in respect of managerial remuneration.

**22.7 Segment Reporting:**

a) Disclosures under Accounting Standards -17 "Segment Reporting" are as under :

(Amount in Rs.)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>Segment Revenue :</b>		
Software and IT Enabled Services	134,980,847	125,428,183
Environment Solutions Services	16,525,466	38,615,412
<b>Net Sales/ income from operations</b>	<b>151,506,313</b>	<b>164,043,595</b>
Add : Un-allocable Income	11,162,253	5,708,154
<b>Total</b>	<b>162,668,566</b>	<b>169,751,749</b>
<b>Segment Results Profit/(Loss) before tax and interest from segment</b>		
Software and IT Enabled Services	(2,744,486,114)	(1,545,623,871)
Environment Solutions Services	(12,583,043)	(10,987,316)
Un-allocable	11,162,253	5,708,154
<b>Profit/(Loss) before tax after minority interest and share of profit/(loss) from an associate</b>	<b>(2,745,906,904)</b>	<b>(1,550,903,033)</b>
Finance Cost	(6,066,335)	(4,107,194)
Provision for Taxation	(4,390,982)	1,787,231
<b>Profit/ (Loss) after taxation for the year</b>	<b>(2,756,364,221)</b>	<b>(1,553,222,996)</b>
<b>Segment Assets :</b>		
Software and IT Enabled Services	3,419,111,469	5,804,193,717
Environment Solutions Services	61,156,167	78,354,871
Un-allocable	97,039,093	98,920,297
<b>Total Assets</b>	<b>3,577,306,729</b>	<b>5,981,468,885</b>
<b>Segment Liabilities :</b>		
Software and IT Enabled Services	61,693,794	63,852,852
Environment Solutions Services	73,514,314	62,515,201
Un-allocable	67,593,659	73,730,942
<b>Total Liabilities</b>	<b>202,801,767</b>	<b>200,098,995</b>
<b>Capital Employed</b>		
Software and IT Enabled Services	3,357,417,675	5,740,340,865
Environment Solutions Services	(12,358,147)	15,839,670
Unallocable	29,445,434	25,189,355
<b>Total Capital Employed</b>	<b>3,374,504,962</b>	<b>5,781,369,890</b>
<b>Capital Expenditure :</b>		
Software and IT Enabled Services	1,932,187	474,348
Environment Solutions Services	NIL	NIL
<b>Total Capital Expenditure</b>	<b>1,932,187</b>	<b>474,348</b>
<b>Depreciation/Amortisation :</b>		
Software and IT Enabled Services	3,550,033	4,368,686
Environment Solutions Services	6,199,156	5,760,468
<b>Total Depreciation/Amortisation</b>	<b>9,749,189</b>	<b>10,129,154</b>

b) The Group has its major operating activities mainly in India and most of its assets are located in India.

- 22.8** Pursuant to provision Companies Act, 2013 (“the Act”) coming in to the effect from April 1, 2014, the Group has realigned the remaining useful life of its fixed assets in accordance with the provisions prescribed under Schedule II to the Act, Consequently in case of assets which have completed their useful life, the carrying value (net of residual value) as at April 1, 2014 is NIL. Also, carrying value of the other assets(net residual value) is being depreciated over the revised remaining useful lives and assets which have written down value as at April 1, 2014 (net residual value) is being depreciated over the revised remaining useful lives.
- 22.9** Figures of the previous year’s have been regrouped / rearranged, wherever considered necessary to conform to the current year’s presentation.

**Signatures to Notes 1 to 22  
For and on the behalf of the  
Board of Directors of HOV Services Limited**

**Surinder Rametra**  
Executive Director  
(DIN:00019714)

**Baldev Raj Gupta**  
Director  
(DIN: 00020066)

Place: Mumbai  
Date : May 13, 2016

**Bhuvanesh Sharma**  
VP-Corporate Affairs &  
Company Secretary

**Sriram Iyengar**  
Chief Financial Officer



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016.**

Name of the entity	Net Assets, <i>i.e.</i> , total assets minus total Liabilities		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
<b>Parent:</b> HOV Services Limited	(25.86)%	(8728.58)	(0.51)%	139.17
<b>Indian Subsidiaries</b> HOV Environment Solutions Private Limited	(1.68)%	(565.92)	0.63%	(174.11)
<b>Foreign Subsidiaries:</b> HOVS LLC HOVS Holdings Limited HOV Environment LLC	28.27% 3.03% 0.58%	9,538.47 1,023.81 196.64	- - 0.10%	- - (26.83)
<b>Associates (Investments as per the equity method):</b> <b>Foreign</b> SourceHOV Holdings Inc	95.66%	32,280.63	99.78%	(27,501.87)

**INDEPENDENT AUDITOR'S REPORT**

**To The Members of  
HOV Services Limited**

**Report on the Standalone Financial Statements**

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

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

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

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the 'Annexure A' a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, we give in 'Annexure B' a separate report on the same.
3. 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 standalone 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 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 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 does not have pending litigations which would impact its financial position (Refer Note no. 20.1 (a) to the financial statements for the year ended March 31, 2016);
    - (ii) The Company did not have any long-term contracts including derivative contracts for which there are 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 during the year ended March 31, 2016.

For **LODHA & COMPANY**  
Chartered Accountants  
Firm Registration No. - 301051E

**R. P. BARADIYA**  
Partner  
Membership No. 44101

**Place:** Mumbai  
**Date:** 13<sup>th</sup> May, 2016

**“Annexure A”**

**(Referred to in paragraph 1 under “Report on Other Legal and Regulatory Requirements” section of our report of even date)**

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we state that:

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The Company has carried out physical verification of all its fixed assets during the year. In our opinion, the frequency of verification is reasonable considering the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) Based on the verification and examination of records, there are no immovable properties owned by the Company under Fixed Assets.
2. The Company does not have any inventory. Therefore, Para 3 (ii) of the Order is not applicable to the Company.
3. During the year, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnership or other parties covered in the register maintained under section 189 of the Act. Therefore, Para 3 (iii) of the Order is not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act with respect to the loans given and investments made and security provided.
5. No deposits within the meaning of directives issued by RBI (Reserve Bank of India) and Sections 73 to 76 or any other relevant provisions of the Act and rules framed thereunder have been accepted by the Company.
6. According to the information and explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under Section 148 (1) of the Act for any of the activities of the Company.
7. a) The Company is regular in depositing undisputed statutory dues including provident fund, employees’ state insurance, income tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other material statutory dues applicable to the Company with the appropriate authorities. No undisputed amounts payable in respect of the aforesaid statutory dues were outstanding as at the last day of the financial year for a year of more than six months from the date they became payable.
- b) According to the records of the Company, there are no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited on account of any dispute except the following :

<b>Name of the Statute</b>	<b>Nature of Dues</b>	<b>Period to which it relates</b>	<b>Amount in Rs.</b>	<b>Forum where dispute is pending</b>
Income Tax Act, 1961	Income Tax	Assessment Year 2009-10	2,905,432	Income Tax Appellate Tribunal

8. During the year, the Company has not defaulted in repayment of dues to Banks. Further the Company has not taken any loan or borrowing from a financial institution, government or debenture holders.
9. The Company has utilised the term loan taken from a bank for the purposes for which it was raised. Further the Company has not raised any money by way of initial public offer or further public offer in the recent past.
10. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing standards in India and according to the information and explanations given to us, we have neither come across any instance of fraud by officers or employees of the Company, noticed or reported during the year, nor have we been informed of such case by the management.
11. The Company has paid or provided managerial remuneration in accordance with the provisions of Section 197 read with Schedule V to the Act.
12. In our opinion, the Company is not Nidhi Company. Therefore, Para 3 (xii) of the Order is not applicable to the Company.
13. All transactions with the related parties are in compliance with section 177 and 188 of Act and the details have been disclosed in the Financial Statements (Refer note No.20.6 to the financial statements for the year ended March 31, 2016) as required by the applicable accounting standards.
14. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures. Therefore, Para 3 (xiv) of the Order is not applicable to the Company.
15. The Company has not entered into any non-cash transactions with directors or persons connected with him under section 192 of the Act. Therefore, Para 3 (xv) of the Order is not applicable to the Company.
16. The Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934.

For **LODHA & COMPANY**  
Chartered Accountants  
Firm Registration No. - 301051E

**R. P. BARADIYA**  
Partner  
Membership No. 44101

**Place:** Mumbai  
**Date:** 13<sup>th</sup> May, 2016

**“Annexure B”****Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act**

1. We have audited the internal financial controls over financial reporting of **HOV Services Limited** (“the Company”) as of March 31, 2016 in conjunction with our audit of Company for the year ended on that date

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

2. 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 Act.

**Auditors’ Responsibility**

3. 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 deemed to be prescribed under section 143(10) of the Act 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 ICAI. 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.
4. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. 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**

6. 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**

7. 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**

8. 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 & COMPANY**  
Chartered Accountants  
Firm Registration No. - 301051E

**R. P. BARADIYA**  
**Partner**  
Membership No. 44101

**Place:** Mumbai  
**Date:** 13<sup>th</sup> May, 2016

**BALANCE SHEET AS AT MARCH 31, 2016**

Amount in Rs.

	Note No.	As at March 31, 2016	As at March 31, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
Share capital	1	125,325,220	125,140,220
Reserves and surplus	2	742,091,432	727,724,430
2 Share Application Money pending allotment under ESOP		-	432,075
<b>3 Non-current liabilities</b>			
Long-term borrowings	3	60,454,824	67,866,410
<b>4 Current liabilities</b>			
Trade payables		9,719,153	10,791,639
Other current liabilities	4	19,813,407	11,881,694
Short-term provisions	5	5,144,034	8,157,118
<b>TOTAL</b>		<b>962,548,070</b>	<b>951,993,586</b>
<b>II. ASSETS</b>			
<b>1 Non Current Assets</b>			
<b>Fixed Assets</b>			
Tangible Assets	6	2,687,234	2,866,439
Intangible Assets		1,426,701	2,865,342
Deferred Tax Asset	7	1,945,184	646,166
Non-Current investments	8	757,815,744	759,696,948
Long-term Loans and Advances	9	12,649,903	19,100,738
Other Non-Current Assets	10	21,408,465	34,437,807
<b>2 Current Assets</b>			
Trade Receivables	11	48,712,957	26,210,960
Cash and Bank Balances	12	93,533,758	90,477,222
Short Term Loans and Advances	13	16,683,624	9,774,416
Other Current Assets	14	5,684,500	5,917,548
<b>TOTAL</b>		<b>962,548,070</b>	<b>951,993,586</b>
<b>Significant accounting policies and accompanying notes form an integral part of financial statements</b>	19 & 20		

As per our attached report of even date

**For LODHA & CO.**

 Chartered Accountants  
 (Firm Regn. No:301051E)

For and on behalf of the Board

**R.P.Baradiya**  
 Partner

**Surinder Rametra**  
 Executive Director  
 (DIN: 00019714)

**Baldev Raj Gupta**  
 Director  
 (DIN:00020066)

 Place: Mumbai  
 Date: May 13, 2016

**Bhuvanesh Sharma**  
 VP-Corporate Affairs &  
 Company Secretary

**Sriram Iyengar**  
 Chief Financial Officer



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016**

Amount in Rs.

Particulars	Note No.	For the year ended March 31, 2016	For the year ended March 31, 2015
I Revenue from operations	15	135,064,958	125,445,889
II Other income	16	13,347,910	8,167,773
<b>III Total Revenue (I + II)</b>		<b>148,412,868</b>	<b>133,613,662</b>
IV Expenses			
Employee Benefits Expense	17	102,162,502	100,639,272
Depreciation and Amortization Expense	6 & 8	3,550,033	4,368,686
Other Expenses	18	24,392,624	33,325,466
<b>V Total Expenses</b>		<b>130,105,159</b>	<b>138,333,424</b>
VI Profit/(Loss) before tax (III-V)		18,307,709	(4,719,762)
VII Tax Expense			
Current Tax		5,690,000	-
Deferred Tax		(1,299,018)	(1,787,231)
VIII Profit/(Loss) for the year (VI-VII)		13,916,727	(2,932,531)
IX Earnings per equity share of the face value of Rs.10 each :	20.3		
Basic Earning Per Share		1.11	(0.23)
Diluted Earning Per Share		1.11	(0.23)
<b>Significant accounting policies and accompanying notes form an integral part of financial statements</b>	19 & 20		

As per our attached report of even date

**For LODHA & CO.**

 Chartered Accountants  
 (Firm Regn. No:301051E)

For and on behalf of the Board

**R.P.Baradiya**  
 Partner

**Surinder Rametra**  
 Executive Director  
 (DIN: 00019714)

**Baldev Raj Gupta**  
 Director  
 (DIN:00020066)

 Place: Mumbai  
 Date: May 13, 2016

**Bhuvanesh Sharma**  
 VP-Corporate Affairs &  
 Company Secretary

**Sriram Iyengar**  
 Chief Financial Officer

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

Amount in Rs.

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>A Cash flow from Operating Activities:</b>		
Net Profit/(Loss) before tax	18,307,709	(4,719,762)
<b>Add: Adjustments for :</b>		
Depreciation & amortisation	5,431,237	6,249,890
Interest Income	(9,459,396)	(8,367,633)
Rent Income	(10,784,637)	(10,647,924)
Finance Cost	8,851,611	9,945,054
Provision no longer required written back	(3,095,261)	-
Foreign Exchange (Gain)/Loss, net	(741,431)	(951,029)
<b>Operating Profit before Working Capital changes</b>	<b>8,509,832</b>	<b>(8,491,404)</b>
<b>Adjustments for changes in Working Capital :</b>		
(Increase)/Decrease in Trade Receivable	(21,760,565)	3,322,272
(Increase)/Decrease in Other Receivables	4,470,784	2,869,970
Increase/(Decrease) in Trade and Other Payable	1,882,693	1,808,409
Cash generated from Operations	(6,897,256)	(490,753)
Taxes Paid	(1,905,590)	(1,753,658)
<b>Net cash from/(used in) Operating Activities - A</b>	<b>(8,802,846)</b>	<b>(2,244,411)</b>
<b>B Cash flow from Investing Activities:</b>		
Purchase of Fixed Assets	(1,932,187)	(474,348)
Rent Income received	10,784,637	10,647,924
Interest Income	9,459,396	8,367,633
<b>Net Cash from/(used in) Investing Activities - B</b>	<b>18,311,846</b>	<b>18,541,209</b>
<b>C Cash flow from Financing Activities:</b>		
Finance Cost	(8,851,611)	(9,945,054)
Proceeds from issue of equity shares/share application money	203,200	1,489,800
Proceeds/ (Repayments) of Borrowings- net	(6,137,284)	(5,165,983)
<b>Net cash from/(used in) Financing Activities - C</b>	<b>(14,785,695)</b>	<b>(13,621,237)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(5,276,695)	2,675,561
Opening Cash and Cash Equivalents	9,943,300	7,267,739
<b>Closing Cash and Cash Equivalents</b>	<b>4,666,605</b>	<b>9,943,300</b>

As per our attached report of even date

**For LODHA & CO.**

 Chartered Accountants  
 (Firm Regn. No:301051E)

For and on behalf of the Board

**R.P.Baradiya**  
 Partner

**Surinder Rametra**  
 Executive Director  
 (DIN: 00019714)

**Baldev Raj Gupta**  
 Director  
 (DIN:00020066)

 Place: Mumbai  
 Date: May 13, 2016

**Bhuvanesh Sharma**  
 VP-Corporate Affairs &  
 Company Secretary

**Sriram Iyengar**  
 Chief Financial Officer

**NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT MARCH 31, 2016**
**Note 1- Share Capital**

a) Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Amount in Rs.	Number	Amount in Rs.
<b>Authorised</b>				
Equity Shares of Rs. 10 each	30,000,000	300,000,000	30,000,000	300,000,000
<b>Issued, Subscribed &amp; Paid up</b>				
Equity Shares of Rs. 10 each, fully paid up	12,532,522	125,325,220	12,514,022	125,140,220
<b>Total</b>	<b>12,532,522</b>	<b>125,325,220</b>	<b>12,514,022</b>	<b>125,140,220</b>

**b) Rights of Equity Shareholders**

The Company has only one class of equity shares having a par value of Rs. 10 each. 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 preferential amounts secured and unsecured creditors, if any, in proportion to their shareholding.

**c) Reconciliation of numbers of equity shares**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Amount in Rs.	Number	Amount in Rs.
Shares outstanding at the beginning of the year	12,514,022	125,140,220	12,499,522	124,995,220
Shares issued during the year	18,500	185,000	14,500	145,000
Shares bought back during the year	-	-	-	-
<b>Shares outstanding at the end of the year</b>	<b>12,532,522</b>	<b>125,325,220</b>	<b>12,514,022</b>	<b>125,140,220</b>

**d) Details of members holding equity shares more than 5%**

Name of Shareholder	As at March 31, 2016		As at March 31, 2015	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
ADESI 234, LLC	3,000,985	23.95%	3,000,985	24.03%
HOF 2 LLC	1,667,933	13.31%	1,667,933	13.35%
Chitale LLC	904,274	7.22%	904,274	7.24%
Stern Capital Partners LLC	694,246	5.54%	694,246	5.56%

**NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT MARCH 31, 2016**

- e) Aggregate number of shares bought back during the period of five years immediately preceding the reporting date

Particulars	As at March 31, 2016	As at March 31, 2015
	No. of Shares	No. of Shares
Equity shares bought back	63,023	63,023

- f) During the period of five years immediately preceding the date of Balance Sheet the Company has not issued any bonus shares and issued any shares pursuant to contract without payment being received in cash.

- g) Shares reserved for issue under options:

**a. Employees Stock Option Plan (Plan 2007):**

The shareholders in its Nineteenth Annual General meeting held on July 21, 2007 had approved to issue 1,100,000 equity shares of a face value of Rs.10 each with each such option conferring a right upon the employee to opt for one equity share of the company, in terms of HOVS ESOP Plan 2007. Under the plan, 400,000 options were reserved for employees of the Company and 700,000 for employees of subsidiary companies. Options were issued to employees at an exercise price not less than closing price of the stock exchange where there is highest trading volume, prior to the date of meeting of the Compensation & Remuneration Committee in which options are granted. The options will vest in a phased manner within five years as 10% in each first to four years and balance 60% at the end of fifth year.

The details of grant made and lapsed under Plan 2007 are as below: (In No.)

Particulars	As at March 31, 2016		As at March 31, 2015	
	Directors	Other than Directors	Directors	Other than Directors
Options outstanding at the beginning of the year	65,250	87,300	104,750	118,750
Add: Options Granted during the year	-	-	-	-
Less: Options Lapsed	250	4,950	30,000	26,450
Less: Shares allotted on option exercised during the year	12,500	6,000	9,500	5,000
<b>Options outstanding at the end of the year</b>	<b>52,500</b>	<b>76,350</b>	<b>65,250</b>	<b>87,300</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT MARCH 31, 2016**
**b. Employees Stock Option Plan (Plan 2008):**

The shareholders in its Twentieth Annual General meeting held on September 30, 2008 approved additional 750,000 equity shares of a face value of Rs.10 each and no ESOP have been vested and granted till date.

**Note 2 - Reserves and Surplus**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Capital Redemption Reserve</b>		
Balance as per last Balance Sheet	630,230	630,230
<b>Securities Premium Account</b>		
Opening Balance	623,888,645	622,975,920
Add: On allotment of equity shares under ESOP Plan 2007	450,275	912,725
Closing Balance	624,338,920	623,888,645
<b>General Reserve</b>		
Balance as per last Balance Sheet	19,541,409	19,541,409
<b>Surplus</b>		
Opening Balance	83,664,146	87,460,597
Less: Transitional Depreciation (Refer note no. 20.10)	-	(863,920)
(Loss)/Profit for the year	13,916,727	(2,932,531)
Closing Balance	97,580,873	83,664,146
<b>Total</b>	<b>742,091,432</b>	<b>727,724,430</b>

**Note 3 - Long Term Borrowings**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Secured :		
Term loan :		
from a bank	60,454,824	67,866,410
(Equated Monthly Installment of Rs. 1,244,197 each payable in 94 months @ 12.10 to 12.75% (Previous year 12.75%) floating rate of interest)		
(Secured by way of deposit of title deeds of property situated at Navi Mumbai)		
<b>Total</b>	<b>60,454,824</b>	<b>67,866,410</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT MARCH 31, 2016**
**Note 4 - Other Current Liabilities**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Unclaimed Dividend	318,436	318,436
Current Maturities of long term borrowings	7,138,835	5,864,533
Statutory Dues Payable	1,942,253	2,526,483
Interest accrued but not due on borrowings	453,382	522,261
Security Deposit towards office premises	9,960,501	2,649,981
<b>Total</b>	<b>19,813,407</b>	<b>11,881,694</b>

**Note 5- Short-term Provisions**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Provision for employee benefits	5,144,034	3,889,555
Provision for Income Tax (Net of Tax paid Rs. NIL; previous year Rs. 53,404,273)	-	4,267,563
<b>Total</b>	<b>5,144,034</b>	<b>8,157,118</b>

**Note 7 - Deferred Tax (Liabilities)/Assets (Net)**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Deferred Tax Liability on account of :		
Depreciation	(270,550)	(781,658)
Deferred Tax Asset on account of		
Provision for Employee Benefits	2,215,734	1,427,824
<b>Total</b>	<b>1,945,184</b>	<b>646,166</b>

Note : As a matter of prudence, deferred tax asset of Rs. NIL (Previous year Rs. 921,901) has not been recognised.

**Note 9 - Long term loans and advances**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Unsecured, considered good		
Deposits for premises and others	1,280,700	1,280,700
Due from HOV Environment Solutions Private Limited (step down subsidiary) (Refer note no. 20.11)	11,369,203	17,820,038
<b>Total</b>	<b>12,649,903</b>	<b>19,100,738</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR YEARENDED MARCH 31, 2016

## Note 6 - Fixed Assets

Amount in Rs.

Particulars	Gross Block			Accumulated Depreciation/Amortisation			Net Block Balance as at March 31, 2016
	Balance as at April 1, 2015	Additions	Disposals/ Adjustments	Balance as at March 31, 2016	Up to March 31, 2015	Depreciation for the year	
<b>a</b>							
Tangible Assets							
Computers	7,865,789	836,561	(174,437)	8,527,913	6,634,466	796,339	(174,437)
Office Equipment	2,735,740	117,901	-	2,853,641	2,397,683	142,520	-
Furniture & Fixtures	13,000	-	-	13,000	4,422	1,464	-
Vehicles	1,601,003	-	-	1,601,003	312,522	193,344	-
<b>Total (a)</b>	<b>12,215,532</b>	<b>954,462</b>	<b>(174,437)</b>	<b>12,995,557</b>	<b>9,349,093</b>	<b>1,133,667</b>	<b>(174,437)</b>
<b>b</b>							
Intangible Assets							
Software Product*	17,451,289	-	-	17,451,289	15,132,940	1,918,632	-
Other Softwares	4,022,281	977,725	-	5,000,006	3,475,288	497,734	-
<b>Total (b)</b>	<b>21,473,570</b>	<b>977,725</b>	<b>-</b>	<b>22,451,295</b>	<b>18,608,228</b>	<b>2,416,366</b>	<b>-</b>
<b>Total (a+b)</b>	<b>33,689,102</b>	<b>1,932,187</b>	<b>(174,437)</b>	<b>35,446,852</b>	<b>27,957,321</b>	<b>3,550,033</b>	<b>(174,437)</b>

## As at March 31, 2015

Particulars	Gross Block			Accumulated Depreciation/Amortisation			Net Block Balance as at March 31, 2015
	Balance as at April 1, 2014	Additions	Disposals/ Adjustments	Balance as at March 31, 2015	Balance as at March 31, 2014	Depreciation for the period	
<b>a</b>							
Tangible Assets							
Computers	7,910,391	405,500	(450,102)	7,865,789	5,392,688	1,565,237	(323,459)
Office Equipment	2,684,391	51,349	-	2,735,740	1,486,167	174,239	737,277
Furniture & Fixtures	13,000	-	-	13,000	2,958	1,464	-
Vehicles	1,601,003	-	-	1,601,003	119,178	193,344	-
<b>Total (a)</b>	<b>12,208,785</b>	<b>456,849</b>	<b>(450,102)</b>	<b>12,215,532</b>	<b>7,000,991</b>	<b>1,934,284</b>	<b>413,818</b>
<b>b</b>							
Intangible Assets							
Software Product*	17,451,289	-	-	17,451,289	13,081,023	2,051,917	-
Other Softwares	4,004,782	17,499	-	4,022,281	3,092,803	382,485	-
<b>Total (b)</b>	<b>21,456,071</b>	<b>17,499</b>	<b>-</b>	<b>21,473,570</b>	<b>16,173,826</b>	<b>2,434,402</b>	<b>-</b>
<b>Total (a+b)</b>	<b>33,664,856</b>	<b>474,348</b>	<b>(450,102)</b>	<b>33,689,102</b>	<b>23,174,817</b>	<b>4,368,686</b>	<b>413,818</b>

\* Meant for License sale or otherwise

**NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT MARCH 31, 2016**
**Note 8 - Non Current Investments (Long Term)**

Sr. No.	Particulars	No. of Shares / Units		Face Value	Extent of Holding (%)		Amount (Rs.)	
		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
A)	<b>Investment property</b> ( at cost) Leasehold Office premises* Less: Accumulated Amortisation	N.A.	N.A.	N.A.	NA	NA	103,466,540 6,427,447	103,466,540 4,546,243
	<b>Total</b>						<b>97,039,093</b>	<b>98,920,297</b>
B)	<b>Investments in Body Corporates</b> <b>Investments in Equity Shares/Units - Trade (Unquoted, fully paid up and valued at cost)</b> 1. HOVS LLC, USA - Subsidiary Company (Common Stock) Add: Net amount further invested as additional paid in capital	1000 N.A	1000 N.A	USD 1	100% 100%	100% 100%	45,180 660,725,014	45,180 660,725,014
	<b>Total</b>						<b>660,770,194</b>	<b>660,770,194</b>
	2. HOVS Holdings Limited, Hongkong - Subsidiary Company	1001	1001	Hong-kong Dollar 1	100%	100%	6,457	6,457
	<b>Aggregate amount of unquoted investments</b>						<b>757,815,744</b>	<b>759,696,948</b>

\* Lease period is 60 years beginning from November 22, 2007



**NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT MARCH 31, 2016**
**Note 10 - Other Non -Current Assets**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
MAT credit Receivable	17,784,825	33,089,455
Prepaid Expenses	1,123,640	1,348,352
Fixed deposits with original maturity of more than twelve months	2,500,000	-
<b>Total</b>	<b>21,408,465</b>	<b>34,437,807</b>

**Note 11 - Trade Receivables**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Unsecured, considered good *		
Trade receivables outstanding for a period more than six months from the date they are due for payment	-	-
Others	48,712,957	26,210,960
<b>Total</b>	<b>48,712,957</b>	<b>26,210,960</b>

\*Refer note no. 20.6

**Note 12 - Cash and Bank Balance**

Amount in Rs.

Particulars	As at March 31, 2016		As at March 31, 2015	
<b>(I) Cash and Cash Equivalents :</b>				
a. Balances with banks				
In Current Accounts	4,632,742		1,926,504	
b. Cash on hand	33,863	4,666,605	16,796	1,943,300
Fixed Deposits with maturities less than 3 months		-		8,000,000
		4,666,605		9,943,300
<b>(II) Other Bank balances :</b>				
Fixed Deposits with maturities more than 3 months and upto twelve months	2,500,000		7,500,000	
Other Fixed deposits having maturities upto twelve months (pledged with bank against guarantees issued/loan taken by a step down subsidiary)	86,036,439		72,652,320	
Unpaid Dividend Accounts	318,437		318,436	
In Trust Account	12,277	88,867,153	63,166	80,533,922
<b>Total</b>		<b>93,533,758</b>		<b>90,477,222</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT MARCH 31, 2016

**Note 13 - Short term loans and advances**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Unsecured, considered good		
Balances with Service Tax authorities	2,966,424	5,716,961
Advance Income Tax ( Net of provision Rs. 5,690,000; previous year Rs. NIL)	4,681,757	-
MAT Credit receivable	2,425,000	-
Expenses recoverable from subsidiaries and associates (Refer note no. 20.6)	5,528,411	3,513,723
Rent receivable from associate	954,936	-
Other Loans & Advances recoverable in cash or in kind or for value to be received	127,096	543,732
<b>Total</b>	<b>16,683,624</b>	<b>9,774,416</b>

**Note 14 - Other Current Assets**

Amount in Rs.

Particulars	As at March 31, 2016	As at March 31, 2015
Prepaid Expenses	400,085	782,482
Unbilled Revenue	1,730,381	1,741,839
Interest accrued but not due on Fixed Deposits	3,554,034	3,393,227
<b>Total</b>	<b>5,684,500</b>	<b>5,917,548</b>

**Note 15 - Revenue from operations**

Amount in Rs.

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Software and IT enabled services	135,064,958	125,445,889
<b>Total</b>	<b>135,064,958</b>	<b>125,445,889</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**
**Note 16 - Other Income**

Amount in Rs.

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest Income	9,459,396	8,367,633
Gain on Variation in Foreign Exchange Rates (Net)	741,431	951,029
Provision no longer required written back	3,095,261	-
Rent received	10,784,637	10,647,924
Less: Expenses attributed to rent income		
Finance Cost	(8,851,611)	(9,945,054)
Amortisation Expenses	(1,881,204)	(1,881,204)
	51,822	(1,178,334)
Miscellaneous Income	-	27,445
<b>Total</b>	<b>13,347,910</b>	<b>8,167,773</b>

**Note 17 - Employee Benefits Expense**

Amount in Rs.

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Salaries and wages	94,774,561	93,876,130
Contributions to provident and other funds	5,602,148	5,095,843
Staff welfare expenses	1,785,793	1,667,299
<b>Total</b>	<b>102,162,502</b>	<b>100,639,272</b>

**Note 18 - Other Expenses**

Amount in Rs.

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Rent	6,736,728	10,453,284
Repairs & Maintenance - Building	780,672	1,093,446
Repairs & Maintenance - Computer	284,570	1,144,071
Repairs & Maintenance - Others	325,237	706,408
Insurance	100,473	92,306
Rates and taxes	582,064	1,126,806
Power & Fuel Expenses	2,495,623	6,418,600
Membership & Subscription Fees	476,622	485,012
Travelling & Conveyance Expenses	2,053,722	1,641,877
Communication Cost	1,642,723	1,920,994
Advertising & Publicity Expenses	341,960	417,740
Office upkeep & Maintenance Expenses	3,000,756	3,147,394
Auditors Remuneration (Refer note 20.7)	1,724,320	1,881,450
Legal & Professional charges	1,877,181	1,293,417
Director's sitting Fees	700,000	520,000
Office, Administrative & Other Expenses	1,269,973	982,661
<b>Total</b>	<b>24,392,624</b>	<b>33,325,466</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2016****NOTE 19: SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES****1. Company Information:**

The Company was incorporated in 1989 under the Companies Act, 1956 as Codec Communication Pvt. Ltd with registration number 25-14448. The Company commenced its operations on January 10, 1989. In March, 2006 the Company changed its name to HOV Services Limited as a part of its plans to create brand recognition among its customers. The Company is engaged in providing IT and IT Enabled Services such as Data Entry Services, Software Development and Support Services.

**2. Basis for Preparation of Financial Statements:**

The Financial Statements are prepared in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India under the historical cost convention, on the accrual basis, in compliance with the Accounting Standards (AS) prescribed by the Companies Act, 2013 to the extent applicable and on the principles of a going concern.

**3. Use of Estimates:**

The preparation of financial statements in conformity with AS and GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual result could differ from these estimates. Any revision to accounting estimates is recognized prospectively.

**4. Revenue Recognition:**

Revenue from Software & IT enabled services are recognized as per the work orders/ agreements entered with the customers.

Rental and Interest income is recognized on time proportion basis and is disclosed under Other Income.

**5. Fixed Assets:**

**Tangible:** Fixed assets are stated at historical cost, which comprises of purchase consideration and other directly attributable cost of bringing an asset to its working condition for the intended use, less accumulated depreciation.

**Intangible:** Costs that are directly associated with identifiable and unique software products controlled by the Company, developed in-house or acquired, and have probable economic benefits exceeding the cost beyond one year are recognized as software products. Other acquired softwares meant for in-house consumption are capitalized at the acquisition price.

**6. Impairment of Assets:**

In accordance with AS 28 on 'Impairment of Assets' notified by the Companies Act, 2013 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 extent of the carrying value of the asset that would have been determined (net of amortization / depreciation), had no impairment loss been recognized.

**7. Depreciation / Amortization:**

- a) **Tangible Assets** - Depreciation on fixed assets is provided based on useful life and in the manner prescribed in part C of Schedule II of the Companies Act, 2013.

Investment property is amortized over the period of lease.

- b) **Intangible Assets** - Software product (meant for sale) are amortized over its estimated useful life of 8 years. Other Software products are amortized over its period of license.

**8. Investments:**

Investments are classified into long term and current investments. Long-term investments are carried at cost and provision is made to recognize any decline in the value other than temporary in the value of such investments. Current investments are carried at the lower of the cost or fair value/market value and provision is made to recognize any decline in the carrying value of the investments. Investment in property is recognized at cost less amortization.

**9. Employee Benefits:**

- a) **Gratuity:**

The Company provides for gratuity, a defined benefit retirement plan, covering eligible employees. Liability under gratuity plan is determined on actuarial valuation done by the Life Insurance Corporation of India (LIC) at the beginning of the year, based upon which, the Company contributes to the Scheme with LIC.

- b) **Provident Fund:**

Retirement benefits in the form of Provident Fund / Pension Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the year when the contributions to the respective funds are due.

- c) **Leave Entitlement:**

Liability for Leave entitlement for employees is provided on the basis of Actuarial Valuation done at the year end.

**10. Foreign Exchange Transactions:**

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

**11. Accounting for Taxes on Income:**

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

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

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

**12. Borrowing Costs:**

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

**13. Leases:**

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

Where significant portion of risks and reward of ownership of assets acquired under lease are retained by lessor, leases are classified as Operating Lease. Lease rentals for such leases are charged to Statement of Profit and Loss.

**14. Earnings Per Share:**

The earnings considered in ascertaining Earnings Per Share comprise the net profit after tax. The number of shares used in computing Basic EPS is weighted average number of shares outstanding during the year. The number of shares used in computing diluted EPS comprises of weighted average shares considered for deriving Basic EPS, and also weighted average number of equity shares which could have been issued on the conversion of all diluted potential equity shares. Diluted potential equity shares are deemed converted at the beginning of the year, unless they have been issued at later date.

**15. Provisions, Contingent Liability and Contingent Assets:**

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

**NOTE - 20: NOTES TO THE FINANCIAL STATEMENTS**
**20.1. Contingent Liabilities and Commitment:**
**a) Contingent Liabilities not provided for in respect of:**

(i) Pending Litigations: (Amount in Rs)

Sr. No.	Particulars	As at March 31, 2016	As at March 31, 2015
(i)	Disputed Income Tax Matters is in relation to the A.Y. 2009-10 and company has paid Rs. 2,446,738 (Previous Year Rs.2,446,738) under protest (including interest upto the date of demand)	5,352,170	10,259,390

The Company's pending litigation is in respect of proceedings pending with Tax 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 expect the outcome of these proceedings to have a material impact on its financial statements.

(ii) Other contingent liabilities: (Amount in Rs.)

Sr. No.	Particulars	As at March 31, 2016	As at March 31, 2015
(i)	Fixed Deposit pledged for issue of bank guarantee /loan on behalf of a step down subsidiary	85,820,439	72,436,320
(ii)	Other bank guarantee	216,000	216,000

**b) Other Commitment:**

(i) **Operating Lease:** The Company has acquired certain premises under lease arrangements which 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 in respect of these are as follows:

(Amount in Rs.)

Particulars	As at March 31, 2016	As at March 31, 2015
- within one year	7,121,288	6,735,493
- later than one year and not later than five years	1,708,036	8,860,680

**(ii) Rental Income:**

The Company has given leasehold building on rent. The future rental income receivables as per the terms of the agreement are as follows:

(Amount in Rs.)

Particulars	As at March 31, 2016	As at March 31, 2015
- within one year	10,965,780	6,010,925
- later than one year and not later than five years	39,929,733	NIL

- 20.2. a) In the opinion of the management assets other than fixed assets and non-current investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
- b) The accounts of certain Trade Receivables, Trade Payables and Loans & Advances are however, subject to formal confirmations/reconciliations and consequent adjustments, if any. The management does not expect any material difference affecting the current year's financial statements on such reconciliation/adjustments.

**20.3. Earnings Per Share (EPS):**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Net Profit/ (Loss) as per Statement of Profit and Loss (Rs.)	13,916,727	(2,932,531)
Weighted Average Number of Equity Shares (Nos.)	12,524,217	12,505,356
Add: Effect of dilutive issue of options (Nos.)	40,208	NIL
Diluted Weighted Average Number of Equity Shares (Nos.)	12,564,425	12,505,356
Basic Earning per Equity Share (Rs.)	1.11	(0.23)
Diluted Earning per Equity Share (Rs.)	1.11	(0.23)
Nominal value per Equity Share (Rs.)	10	10

**20.4. Foreign Currency Exposure:**

During the year, the Company has not entered into any derivative contract. Details of Foreign exchange currency exposure not covered by any derivative instruments are as under:

Particulars	As at March 31, 2016		As at March 31, 2015	
	Amount in Foreign Currency (USD)	Amount (In Rs.)	Amount in Foreign Currency (USD)	Amount (In Rs.)
Trade Receivables	734,371	48,712,957	418,767	26,210,960



**20.5. Employee Benefits:**

Defined Benefit Plans (Gratuity) - As per Actuarial Valuations: (Amount in Rs.)

S.No.	Particulars	As at March 31, 2016	As at March 31, 2015
<b>I</b>	<b>Assumptions</b>		
	Discount Rate	8.00%	8.00%
	Expected Rate of Return on plan asset	8.50%	8.50%
	Salary Escalation	5.00%	5.00%
<b>II</b>	<b>Table showing changes in present value of obligations</b>		
	Present value of obligations as at beginning of year	4,691,250	3,738,310
	Interest cost	375,300	281,454
	Current Service Cost	953,427	728,038
	Benefits Paid	(462,655)	(740,431)
	Actuarial (gain)/Loss on obligations	379,512	683,879
	Present value of obligations as at end of year	5,936,834	4,691,250
<b>III</b>	<b>Table showing changes in the fair value of plan assets</b>		
	Fair value of plan assets at beginning of year	2,651,726	2,356,467
	Expected return on plan assets	224,428	197,124
	Contributions	99,580	838,565
	Benefits paid	(462,655)	(740,431)
	Actuarial Gain / (Loss) on Plan assets	Nil	904,016
	Fair value of plan assets at the end of year	2,513,078	2,651,726
<b>IV</b>	<b>Table showing fair value of plan assets</b>		
	Fair value of plan assets at beginning of year	2,651,726	2,356,467
	Actual return on plan assets	224,428	197,124
	Contributions	99,580	838,565
	Benefits Paid	(462,655)	(740,431)
	Fair value of plan assets at the end of year	2,513,078	2,651,726
	Funding Status - Surplus/(deficit)	(3,423,756)	(2,039,524)
	Excess of Actual over estimated return on plan assets	Nil	Nil
<b>V</b>	<b>Actuarial Gain/Loss recognized</b>		
	Actuarial gain/(Loss) for the year -Obligation	379,512	904,016
	Actuarial (gain)/Loss for the year - plan assets	Nil	NIL
	Total (gain)/Loss for the year	379,512	904,016
	Actuarial (gain)/Loss recognized in the year	379,512	904,016
<b>VI</b>	<b>The amounts to be recognized in the Balance Sheet and Statements of Profit and Loss</b>		
	Present value of obligations as at the end of year	5,936,834	4,691,250
	Fair value of plan assets as at the end of the year	2,513,078	2,651,726
	Funded status	(3,423,756)	(2,039,524)
	Net Asset/(liability) recognized in balance sheet	(3,423,756)	(2,039,524)
<b>VII</b>	<b>Expenses Recognised in Statement of Profit &amp; Loss</b>		
	Current Service cost	953,427	728,038
	Interest Cost	375,300	281,484
	Expected return on plan assets	(224,427)	197,124
	Net Actuarial (gain)/Loss recognised during the year	379,512	904,016
	Expenses recognised in statement of Profit & Loss	1,483,811	1,716,384

## 20.6. Related Party Transactions

Related party disclosures as required by AS-18 "Related Party Disclosures" are given below:

### A) Name of the related parties:

#### a) The Parties where Control exists:

##### (i) Subsidiaries

Sr. No.	Name
1	HOVS Holdings Limited
2	HOVS, LLC

##### (ii) Step down Subsidiaries

Sr. No.	Name
1	HOV Environment Solutions Private Limited
2	HOV Environment, LLC

#### b) Associates /Key Managerial Personnel (KMP) and their relatives with whom transactions have been entered during the year in the ordinary course of Business:

##### Associates

Sr.	Name
1	HGM Fund
2	HOVG, LLC dba Bay Area Credit Service, LLC
3	BancTec TPS India Private Limited (Formerly known as Tracmail India Private Limited)
4	SourceHOV, LLC

##### Key Managerial Personnel (KMP) and their relatives

Sr.	Name
1	Mr. Sunil Rajadhyaksha (Chairman and Executive Director)
2	Mr. Parvinder S Chadha (Executive Director)
3	Mr. Surinder Rametra (Executive Director)
4	Mr. Sriram Iyengar (Chief Financial Officer)
5	Mr. Bhuvanesh Sharma (V.P. Corporate Affairs and Company Secretary)
6	Mrs. Rekha Sharma (Relative of KMP)
7	Mrs. Latha Sriram (Relative of KMP)

**B) During the year, following transactions were carried out with the related parties:**

(Amount in Rs.)

Name of the Party	Nature of Relationship	For the year ended March 31, 2016	For the year ended March 31, 2015
SourceHOV, LLC Services Provided	Associate	97,224,784	82,836,154
HOVG, LLC dba Bay Area Credit Service, LLC Services Provided	Associate	14,190,067	27,916,725
BancTec TPS India Private Limited Rent Income	Associate	10,784,637	10,647,924
Advances Given		NIL	8,586
Repayment of advances		NIL	8,586
Rent Deposit Received		7,310,520	NIL
HOV Environment Solutions Private Limited Advances Repaid	Subsidiary	7,820,037	NIL
Interest Received		1,521,136	1,634,866
Pledge of fixed deposits		13,384,119	15,100,000
HOVS, LLC Services Provided	Subsidiary	23,650,107	14,693,010
Reimbursement of Expenses		2,465,602	8,312,155
HGM Fund Reimbursement of Expenses	Associate	2,813,186	7,391,495
Mr. Surinder Rametra Managerial Remuneration	KMP	NIL	2,400,000
Mr. Parvinder S Chadha Managerial Remuneration	KMP	Nil	2,400,000
Mr. Sunil Rajadhyaksha Managerial Remuneration	KMP	4,800,000	4,800,000
Mr. Sriram Iyengar Salary	KMP	4,462,704	4,160,800
Mr. Bhuvanesh Sharma Salary (* April 1, 2014 to July 30, 2014; January 1, 2015 to March 31, 2015)	KMP	2,740,116	1,593,110(*)
Mrs. Latha Sriram Car Rental	Relative of KMP	180,000	120,000
Mrs. Rekha Sharma Car Rental	Relative of KMP	120,000	70,000

**Balances with the related parties as referred above:**

(Amount in Rs.)

Name of the Party	Nature of Relationship	Balance as at	
		March 31, 2016	March 31, 2015
HOVS ,LLC Investment Receivables	Subsidiary	660,770,194 13,380,754	660,770,194 4,742,962
HOVS Holdings Limited Investment in Shares	Subsidiary	6,457	6,457
SourceHOV, LLC Receivables Unbilled Revenue	Associate	31,997,068 1,730,381	14,193,528 1,741,839
HOV Environment Solutions Private Limited Receivable Guarantees outstanding	Subsidiary	11,369,203 85,820,439	17,820,038 72,436,320
HOVG, LLC dba Bay Area Credit Service, LLC Receivables	Associate	4,775,969	9,513,802
HGM Fund Receivable	Associate	4,087,577	1,274,391
BancTec TPS India Private Limited Deposit Payable Receivable	Associate	9,960,501 954,936	2,649,981 Nil
Mr. Surinder Rametra Remuneration payable	KMP	NIL	2,400,000
Mr. Parvinder S Chadha Remuneration payable	KMP	83,590	2,485,371
Mr. Sunil Rajadhyaksha Remuneration payable	KMP	595,677	930,293
Mr. Bhuvanesh Sharma Salary Payable	KMP	Nil	22,665
Mrs. Latha Sriram Car Rental Payable	Relative of KMP	15,000	15,000
Mrs. Rekha Sharma Car Rental Payable	Relative of KMP	10,000	10,000

- a) Related party relationship is as identified by the management and relied upon by the auditors.
- b) No amounts in respect of related parties have been written off/ written back during the year, nor has any provision been made for doubtful debts/ receivable except Rs. 4,800,000 (Previous year Rs Nil) written back in respect of managerial remuneration.

**20.7. Auditors' Remuneration:**

(Amount in Rs.)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Payment to Statutory Auditors:		
Audit Fees	1,175,000	1,468,750
Limited Review Fees	225,000	225,000
Certification Fees	262,500	130,000
Reimbursement of Out of Pocket Expenses (Including service tax of Rs.246,041; previous year Rs. 232,491)	307,861	289,741
<b>Total</b>	<b>1,970,361</b>	<b>2,113,491</b>

20.8. There are no Micro, Small and Medium Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 to whom the Company owes dues on account of principal amount together with interest and accordingly, no additional disclosures have been made.

20.9. As per Accounting Standard (AS) 17 "Segment Reporting", segment information has been provided in the notes to Consolidated Financial Statements.

20.10 Pursuant to the Companies Act, 2013 ("the Act") coming in to effect from 1st April, 2014, the Company had realigned the remaining useful life of its fixed assets in accordance with the provisions prescribed under Schedule II to the Act. , Consequently in case of assets which had completed their useful life the carrying value (net of residual value) as at April 1, 2014 amounting to Rs. 863,920 had been adjusted to Reserves. Also, carrying value of the other assets (net of residual value) is being depreciated over the revised remaining useful lives.

20.11 a) The Company has given an advance of Rs. 11,369,203 (Previous Year Rs. 17,820,038) to and pledged Fixed Deposit of Rs. 85,820,439 (Previous Year Rs. 72,436,320) for issue of bank guarantee/ loan taken by HOV Environment Solutions Private Limited (a step down subsidiary) , which has accumulated losses far in excess of its paid up capital and reserves & surplus. As explained, the management is hopeful of recovering the advance in due course of time in view of positive developments/restructuring in the said subsidiary and therefore, no provision has been made.

b) Loans given to and pledged fixed deposits as guarantee for loan taken by the subsidiary have been given/ utilized for business purposes.

**20.12 Earnings / Expenditure in foreign Currency:**

(Amount in Rs.)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Earnings in Foreign Exchange : Income from Operations	135,064,958	125,445,889

20.13 Figures of the previous year have been regrouped / rearranged, wherever considered necessary to conform to the current year's presentation.

**Signatures to Notes 1 to 20**
**For and on the behalf of the**
**Board of Directors of HOV Services Limited**

**Surinder Rametra**  
Executive Director  
(DIN:00019714)

**Baldev Raj Gupta**  
Director  
(DIN: 0002006)

Place: Mumbai  
Date: May 13 , 2016

**Bhuvanesh Sharma**  
VP- Corporate Affairs &  
Company Secretary

**Sriram Iyengar**  
Chief Financial Officer

**FORM AOC-1**

**(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)**

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

**Part "A": Subsidiaries**

*Note : This form is to be certified in the manner in which the Balance Sheet is to be certified.*

(Information in respect of each subsidiary to be presented with amounts in Rs. Lakhs)

(Rs. In Lacs)

Sr.No.	Name of the subsidiary company	HOVSLLC	HOV Environment LLC	HOVS Holdings Limited	HOV Environment Solutions Private Limited
		<b>Amounts in Lacs</b>			
	<b>Financial year ending on Currency</b>	<b>March 31, 2016 US\$</b>	<b>March 31, 2016 US\$</b>	<b>March 31, 2016 US\$</b>	<b>March 31, 2016 INR</b>
	Exchange rate as on last day of financial year	66.3329	66.3329	66.3329	N.A.
1	Share Capital	9,766.72	597.00	0.09	1.00
2	Reserves & Surplus	(228.25)	(400.36)	1,023.72	(566.92)
3	Total Assets	10,900.98	329.85	1,023.81	515.08
4	Total Liabilities	10,900.98	329.85	1,023.81	515.08
5	Investment (*Except Investment in subsidiary)	10,429.39	-	-	-
6	Turnover	235.66	15.06	-	163.92
7	Profit before taxation	-	(26.82)	-	(174.11)
8	Provision for taxation	-	-	-	-
9	Profit after taxation	-	(26.82)	-	(174.11)
10	Proposed dividend	-	-	-	-
11	Percentage of share holding	100%	61.10%	100%	100% (By HOV Environment LLC)

*Note : The following information shall be furnished at the end of the statement*

1. Names of subsidiaries which are yet to commence operations
2. Names of subsidiaries which have been liquidated or sold during the year

**Part "B": Associates and Joint Ventures**
**Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures**

Name of Associates / Joint Ventures		SourceHOV Holdings Inc.
1.	Latest audited Balance Sheet Date	March 31, 2016
2.	Shares of Associate/Joint Ventures held by the Company on the year end No. Amount of investment in Associates/Joint Ventures Extend of Holding%	64,715 Rs.322.81 Crores 44.8%
3.	Description of how there is significant influence	As the stake holding is more than 20% hence the influence is considered as significant
4.	Reason why the associate/Joint venture is not consolidated	N.A.
5.	Net worth attributable to shareholding as per latest audited Balance sheet	Negative net worth
6.	Profit/Loss for the year i) Considered in Consolidation ii) Not considered in Consolidation	Rs.(275.02) Crores N.A.

- Names of Associates or joint ventures which yet to commence operations.
- Name of associates or joint ventures which have been liquidated or sold during the year

**For and on behalf of the Board**

**Surinder Rametra**  
Executive Director  
(DIN:00019714)

**Baldev Raj Gupta**  
Executive Director

Place: Mumbai  
Date: May 13, 2016

**Bhuvanesh Sharma**  
VP-Corporate Affairs &  
Company Secretary

**Sriram Iyengar**  
Chief Financial  
Officer

### **Notice of 28<sup>th</sup> Annual General Meeting**

NOTICE is hereby given that the Twenty-Eighth Annual General Meeting (the "AGM") of the members of HOV Services Limited will be held on Thursday, June 30, 2016 at 10.30 A.M. at Le Meridien, Raja Bahadur Mill Road, Pune- 411001, Maharashtra to transact the following business:

#### **ORDINARY BUSINESS:**

**1. To consider and adopt:**

- a) the audited financial statements of the Company for the financial year ended March 31, 2016 and the Reports of the Directors' and the Auditors' thereon; and
- b) the audited consolidated financial statements of the Company for the financial year ended March 31, 2016.

**2. Appointment of Director**

To re-appoint Mr. Surinder Rametra (DIN: 000191714), who retires by rotation and, being eligible, seeks re-appointment.

**3. Ratification for appointment of Statutory Auditors**

To consider and if thought fit to pass the following resolution as an ordinary resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed there under, pursuant to the recommendations of the Audit Committee of the Board of Directors, M/s Lodha & Company, Chartered Accountants (Registration No. 301051E) (who were appointed by the Shareholders up to the conclusion of 29<sup>th</sup> AGM which is to be held in the year 2017 as a Statutory Auditor of the Company), be and is hereby ratified until the conclusion of the next AGM of the Company, on such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors."

#### **SPECIAL BUSINESS:**

**4. Re-appointment of Mr. Baldev Raj Gupta (DIN- 00020066), as an Independent Director of the Company**

To consider if thought fit to pass the following resolution as a special resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, and rules framed there under, read with Schedule IV to the Companies Act, 2013, Mr. Baldev Raj Gupta (DIN-00020066), who was appointed by the shareholders in 26<sup>th</sup> Annual General Meeting held on July 26, 2014 as an independent director of the Company for two years term ending on July 25, 2016, be and is hereby re-appointed as an independent director of the Company for 2<sup>nd</sup> term of five years period from July 26, 2016 to July 25, 2021 as an Independent Director of the Company."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to delegate all or any powers conferred herein to any executives / officers of the Company to do all such acts, deeds, matters and things and also to execute such documents, writings, etc., as may be necessary in this regard."



**5. Re-appointment of Mr. Harish Bhasin (DIN- 01682548), as an Independent Director of the Company**

To consider if thought fit to pass the following resolution as a special resolution:

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, and rules framed there under, read with Schedule IV to the Companies Act, 2013, Mr. Harish Bhasin (DIN-01682548), who was appointed by the shareholders in 26<sup>th</sup> Annual General Meeting held on July 26, 2014 as an independent director of the Company for two years term ending on July 25, 2016, be and is hereby re-appointed as an independent director of the Company for 2<sup>nd</sup> term of five years period from July 26, 2016 to July 25, 2021 as an Independent Director of the Company.”

**“RESOLVED FURTHER THAT** the Board be and is hereby authorized to delegate all or any powers conferred herein to any executives / officers of the Company to do all such acts, deeds, matters and things and also to execute such documents, writings, etc., as may be necessary in this regard.”

**6. Contract of services for revenue in ordinary course of business of the Company with SourceHOV LLC**

To consider and if thought fit to pass the following resolution as an ordinary resolution:

**“RESOLVED THAT** pursuant to the Section 188 of the Companies Act, 2013 and rules framed there under and in terms the Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the approval of the Company be and is hereby accorded for service contracts of the Company with SourceHOV LLC for rendering the services by the Company for FY 2016-17 on such terms and conditions as may be mutually agreed upon between the Board of Directors of the Company and SourceHOV LLC.”

**“RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to deal in respect of service contracts for further periods as deemed fit by the Board and to perform all such acts, matters, deeds and things, as may be necessary, to amend the terms and conditions of service contracts, if necessary and to act as may be necessary or expedient in its own discretion, without further referring to the Shareholders’ of the Company, including the power to delegate, to give effect to this Resolution.”

By Order of the Board  
For **HOV Services Limited**

Bhuvanesh Sharma  
VP-Corporate Affairs &  
Company Secretary &  
Compliance Officer

Place: Mumbai  
Date: May 13, 2016

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.** A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
2. The relevant Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of the business under Item Nos. 4 to 6 of the Notice, is annexed hereto. The profile of the Directors seeking appointment/re-appointment, as required in terms of Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed.
3. Corporate Members intending to send their authorized representatives to attend the AGM are requested to send a duly certified copy of their Board Resolution authorizing their representatives to attend and vote at the AGM.
4. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. The Register of Members and Transfer Books of the Company will be closed from June 27, 2016 to June 30, 2016 both days inclusive.
6. Members holding shares in physical form are requested to quote their folio number in all correspondence with the Company and to intimate the following directly to the Company's Registrar and Share Transfer Agent- Karvy Computershare Private Limited, Karvy Selenium, Tower B, Plot number 31 & 32, Financial District, Gachibowli, Hyderabad 500 032:
  - a. Change, if any in their address;
  - b. Request for nominations form as per the provisions of the Companies Act, 2013.
7. Members holding share in dematerlized form are requested to contact their Depository Participant for any change in their particulars.
8. The Notice of the AGM along with the Annual Report of FY 2015-16 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with KARVY/Depositories.
9. Members are requested to send their queries, if any, at least 10 days in advance address to Company Secretary at the email address [investor.relations@hovsltd.com](mailto:investor.relations@hovsltd.com) of Company to facilitate the reply in the Meeting.

10. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
11. The certificate from the Auditors of the Company certifying that the Company's HOVS ESOP Plan 2007 & HOVS ESOP Plan 2008 is being implemented in accordance with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 will be available for inspection by members at the AGM.
12. Pursuant to the provisions of Section 108 of the Companies Act, 2013 and the Companies (Management and Administrations) Rules, 2014, as amended and Regulation 44 of the SEBI (Listing Obligations & Disclosure Requirements), 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by **Karvy Computershare Private Limited ("KCPL")**, on all the resolutions set forth in this Notice.
13. Information and other instructions relating to e-voting are as under:-
  - a. The facility for voting through, postal ballot will also be made available at the AGM and the members attending the AGM who have not cast their votes by remote e-voting shall be able to exercise their rights at AGM through ballot paper.
  - b. Members can also exercise their voting rights through ballot form annexed with the Notice and the duly filled and signed ballot form be sent to the scrutinizer, Mr. Prajot Tungare, Practicing Company Secretary, Pune at the registered office of the Company or to his email id prajot@prajottungarecs.com, so as to reach by 5.00 p.m. on June 29, 2016.
  - c. Members who have cast their votes through remote e-voting prior to the AGM may attend the AGM but shall not entitled to cast their votes again. The instructions for e-voting are annexed to the Notice.
14. Route Map showing directions to reach to the venue of the 28<sup>th</sup> AGM is given at the end of this Notice as per the requirement of the Secretarial Standards-2 on "General Meeting."

By Order of the Board  
**HOV Services Limited**

Place: Mumbai  
Date: May 13, 2016

Bhuvanesh Sharma  
VP-Corporate Affairs &  
Company Secretary &  
Compliance Officer

**EXPLANATORY STATEMENT  
(Pursuant to Section 102 of the Companies Act, 2013)**

As required under provisions of Section 102 of the Companies Act, 2013 the following explanatory statement sets out all material facts relating to the business mentioned under Item Nos. 4 to 6 of the accompanying Notice:

**Item No. 4 and 5**

The Shareholders' in their 26<sup>th</sup> Annual General Meeting held on July 26, 2014 had appointed Mr. Baldev Raj Gupta and Mr. Harish Bhasin, as Independent Directors for two years term starting from July 26, 2014 to July 25, 2016. Their term will get over on July 25, 2016. Based on the experience, skills and performance evaluation it is proposed that Mr. Baldev Raj Gupta and Mr. Harish Bhasin be re-appointed as Independent Directors for their 2<sup>nd</sup> term of five years from July 26, 2016 to July 25, 2021. In terms of Section 160 of the Companies Act, 2013 the Company has received notices of candidatures of Mr. Baldev Raj Gupta and Mr. Harish Bhasin for the office of director of the Company.

In accordance with Section 149 (10) of the Companies Act, 2013 an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for re-appointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report. Mr. Baldev Raj Gupta and Mr. Harish Bhasin being non-executive directors of the Company, have given a declaration to the Board that they meet the criteria of independence as provided under Section 149(6) of the Act.

In compliance with the provisions of Section 149 read with Schedule IV of the Act, the re-appointment of Mr. Baldev Raj Gupta and Mr. Harish Bhasin as Independent Directors been placed before the Members for their approval.

The terms and conditions of appointment of the above Directors shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

Mr. Baldev Raj Gupta and Mr. Harish Bhasin, respectively, are concerned or interested in the Resolutions of the accompanying Notice with regards to their re-appointment.

No director, key managerial personnel or their relatives, is interested in the aforesaid resolutions.

The Board recommends the resolution set forth in Item No. 4 and 5 for approval of the members.

**Item No. 6**

The Company in the ordinary course of business has been providing services of IT support & maintenance and data entry services to the SourceHOV LLC.

SourceHOV LLC, is a "related party" pursuant to the applicable provisions of Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and therefore the contract for providing services to SourceHOV LLC require approval of Shareholders'.

The particulars required pursuant to the Explanation (3) of Rule 15(1) of the Companies (Meetings of Board and its Powers) Rules, 2014 are as detailed below:

a) Name of the related party:-	SourceHOV LLC
b) Name of Director & KMP who is related, if any:-	Parvinder S Chadha; Sunil Rajadhyaksha; Surinder Rametra (Promoter Directors of the Company)
c) Nature of relationship:-	A company of Associate- SourceHOV Holdings, Inc.
d) Nature, material terms, monetary value and particulars of the contract or arrangements:-	IT support & Maintenance services and Data entry services are billable services for revenue of approximately Rs. 9.5 Crore per annum.
e) Any other information relevant or important for the members to take a decision on the proposed resolution:	The service have been provided before coming in force the Companies Act, 2013 and the contracts generates revenue for the Company receivables in US\$ every year.

None of the Directors, except as stated above and Key Managerial Personnel or their relatives are directly or indirectly, concerned or interested, financial or otherwise in the proposed resolution.

The Promoter Directors of the Company will abstain from voting on the resolution as it is a 'related party transaction' as per Companies Act, 2013 and the SEBI (LODR), 2015.

The Board recommends the resolution set forth in Item No. 6 for approval of the Shareholders' in the best interest of the Company.

Additional information on directors seeking appointment/ re-appointment as required under Regulation 36 (3) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015:-

### **Profile of directors getting re-appointed**

#### **1. Mr. Surinder Rametra**

##### **A. Brief Resume of the Director**

In 1983, Mr. Rametra founded Sun Computers and Software, Inc. and took the company public in 1994 under the name ATEC. He served as ATEC's Chairman and CEO until 2003. Mr. Rametra currently serves as an Executive Director of the HOV Services Limited, a HandsOn3 portfolio company.

Mr. Rametra's career encompasses leadership of private and public enterprises. He is also a founding member of Silver Oak Hospital in Chandigarh, India and Shanti Foundation, a charitable organizations devoted to health care and educational activities.

Mr. Rametra has a degree in Mechanical Engineering from Punjab Engineering College, India, a Master's degree in Industrial Engineering from the Indian Institute of Technology, India and an MBA in Finance from New York University.

Mr. Rametra is married, has three children and is blessed with five grand children.

##### **B. Nature of his expertise in specific functional areas:**

Finance, Governance and business ethics.

##### **C. Disclosure of relationships between directors inter-se: Nil**

##### **D. Name of Listed entities (other than HOVS) in which Mr. Surinder Rametra also holds the directorship and the membership/chairmanship of committees of the board: Nil**

##### **E. Shareholding in the Company: 1,20,000 shares.**

#### **2. Mr. Baldev Raj Gupta**

##### **A. Brief Resume of the Director**

Mr. Baldev Raj Gupta is a Fellow of Insurance Institute of India, Law Graduate & Post Graduate. He is the former Executive Director (Investments) of Life Insurance Corporation of India. After superannuation he was reappointed as Investment Advisor by LIC of India & Investment Consultant by General Insurance Corporation of India. He has experience of around 5 decades in Insurance, Investment and Financial Services Sector. Mr. Gupta has been a Director on the boards of ICICI Prudential Asset Management Company Ltd, National Stock Exchange, IDBI Capital Market Services Ltd, Mahindra and Mahindra Limited, Greaves Cotton Limited.

He has been a member of Secondary Market Committee of Security Exchange Board of India, Debt Market Committee of National Stock Exchange & Governing Board of National Insurance Academy.

Presently, he holds the position of Director in Aditya Birla Nuvo Ltd, J. B. F. Industries Ltd, JBF Petrochemicals Ltd, Sagacious Financial Services Pvt. Ltd, Aditya Birla Telecom Ltd, Idea Cellular Services Ltd, Idea Cellular Infrastructure Services Ltd, Idea Mobile Commerce Services Ltd and Idea Telesystems Ltd besides being Chairman / member of several Board Committees. He has been an Advisor to IL&FS Academy for Insurance

and Finance Ltd., (an initiative of IL&FS Group) for nearly a decade. He also worked with Trinity Global Education Private Limited as an Advisor in the Financial Services Division. Currently he is associated as an Advisor with an Insurance Broking firm.

**B. Nature of his expertise in specific functional areas:**

Finance; Insurance Investment and Corporate Governance

**C. Disclosure of relationships between directors inter-se: There is no relationship exist between Mr. Baldev Raj Gupta and all other directors inter-se of the Company.**

**D. Name of Listed entities (other than HOVS) in which Mr. Baldev Raj Gupta holds the directorship and the membership/chairmanship of committees of the board:**

Directorship	Committee Membership	Committee Chairmanship
Aditya Birla Nuvo Limited	Audit Committee Nomination & Remuneration Committee	Nil
JBF Industries Limited	CSR Committee Risk Management Committee	Audit Committee Stake Holder Redressal Committee Nomination & Remuneration Committee

**E. Shareholding in the Company: 8,000 shares.**

**3. Mr. Harish Bhasin**

**A. Brief Resume of the Director**

Mr. Harish P. Bhasin, 72, is a Director of the Company and one of the Founder Member of Klassic Construction (P) Ltd. (KCPL), a privately held Company registered in Mumbai, Maharashtra, providing construction and engineering services for Government sector, commercial and residential buildings since 1993. KCPL is a member of "Builders Association of India" and is in good standings.

Mr. Bhasin is a visionary and goal oriented senior executive with over 40 years of experience in the United States and India in various industries including information technologies, construction and pharmaceuticals. He managed multiple organizational initiatives at the strategic, tactical and operational levels. He has a Master's degree in Engineering Sciences from University of Mississippi, in 1968. He earned a United States Patent (# 3762466) "Static Stirrer Apparatus and Process" dated Oct 2, 1973 in his name.

**B. Nature of his expertise in specific functional areas:**

He has immense experience in construction business and in possession of ability of strategic execution.

**C. Disclosure of relationships between directors inter-se: Nil**

**D. Name of Listed entities (other than HOVS) in which Mr. Harish Bhasin also holds the directorship and the membership/chairmanship of committees of the board: Nil**

**E. Shareholding in the Company: 8,000 shares.**

**HOVS**  
**HOV Services Limited**

**PROXY FORM**

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

**HOV SERVICES LIMITED**

CIN: L72200PN1989PLC014448

3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune-411 037, India ,

Tel:91 20 24231623, Fax: 91 20 24221470

investor.relations@hovsltd.com | www.hovsltd.com

28<sup>th</sup> Annual General Meeting - June 30, 2016

Name of the member(s)	<input type="text"/>																				
Registered address	<input type="text"/>																				
Email	<input type="text"/>																				
Folio no. / Client ID	<table border="1" style="width:100%; height:20px;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>																				
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I / We, being the member(s) of ..... shares of the above named company, hereby appoint:

- Name \_\_\_\_\_ Address \_\_\_\_\_  
 E-mail Id \_\_\_\_\_ Signature \_\_\_\_\_, or failing him;
- Name \_\_\_\_\_ Address \_\_\_\_\_  
 E-mail Id \_\_\_\_\_ Signature \_\_\_\_\_, or failing him
- Name \_\_\_\_\_ Address \_\_\_\_\_  
 E-mail Id \_\_\_\_\_ Signature \_\_\_\_\_, or failing him

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 28<sup>th</sup> Annual General Meeting of the members of HOV Services Limited to be held on Thursday, the June 30, 2016 at 10.30 A.M. at Le Meridien, Raja Bahadur Mill Road, Pune- 411001 and at any adjournment thereof in respect of such resolutions as are indicated below in respect of such resolutions as are indicated below:



Resolution number	Resolution	Vote (Optional see Note 2) (Please mention no. of shares)		
		For	Against	Abstain
<b>Ordinary Business</b>				
1	To consider and adopt:			
	a) the audited financial statements for the financial year ended March 31, 2016 and the Reports of the Directors' the Auditors' thereon; and b) the audited consolidated financial statements of the Company for the financial year ended March 31, 2016.			
2	To re-appoint Mr. Surinder Rametra (DIN: 00019714), who retires by rotation and, being eligible, seeks re-appointment.			
3	Ratification for appointment of M/s. Lodha & Co. as the Statutory Auditors of the Company.			
<b>Special Business</b>				
4	Re-appointment of Mr. Baldev Raj Gupta (DIN-00020066) as an Independent Director of the Company.			
5	Re-appointment of Mr. Harish Bhasin (DIN: 01682548), as an Independent Director of the Company.			
6	Contact of services for revenue in ordinary course of business of the Company with SourceHOV LLC.			

Signed this ..... day of ..... 2016.

.....  
Signature of the member

.....  
Signature of the proxy holder(s)

Affix revenue stamp of not less than ₹0.15
--

**Notes:**

1. This form, in order to be effective, should be duly stamped, completed, signed and deposited at the registered office of the Company, not less than 48 hours before the meeting.
2. It is optional to indicate your preference. If you leave the for, against or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she may deem appropriate.



**1. The instructions for e-voting are as under:**

- A.** In case a Member receiving an email from Karvy [for Members whose email IDs are registered with the Company/Depository Participant(s)]:
- a) Launch internet browser by typing the URL: <https://evoting.karvy.com>.
  - b) Enter the login credentials (i.e., **User ID and password mentioned overleaf**). The e-voting EVENT No. + Folio No. or DP ID Client ID will be your User ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote. If required, please visit <https://evoting.karvy.com> or contact toll free number 1-800-3454-001 for your existing password.
  - c) After entering these details appropriately, Click on “LOGIN”.
  - d) You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. **It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.**
  - e) You need to login again with the new credentials.
  - f) On successful login, the system will prompt you to select the “EVENT” i.e., HOV Services Limited
  - g) On the voting page, enter the number of shares (which represents the number of votes) as on the Cut Off Date under “FOR/AGAINST” or alternatively, you may partially enter any number in “FOR” and partially in “AGAINST” but the total number in “FOR/AGAINST” taken together should not exceed your total shareholding as on the cut off date. You may also choose the option ABSTAIN. If the shareholder does not indicate either “FOR” or “AGAINST” it will be treated as “ABSTAIN” and the shares held will not be counted under either head.
  - h) Shareholders holding multiple folios/demat accounts shall choose the voting process separately for each folios/demat accounts.
  - i) Voting has to be done for each resolution of the Notice separately. In case you do not desire to cast your vote on any specific resolution it will be treated as abstained.
  - j) You may then cast your vote by selecting an appropriate option and click on “Submit”.
  - k) A confirmation box will be displayed. Click “OK” to confirm else “CANCEL” to modify. Once you confirm, you will not be allowed to modify your vote. **During the voting period, Members can login any numbers of times till they have voted on the Resolution(s).**
  - l) Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/ Power of Attorney/ Authority Letter, etc. together with attested

specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at **e-mail ID: [prajot@prajottungarecs.com](mailto:prajot@prajottungarecs.com)** with a copy marked to **[evoting@karvy.com](mailto:evoting@karvy.com)** and may also upload the same in the e-voting module in their login. The scanned image of the above mentioned documents should be in the naming format "Corporate Name\_ EVENT NO."

- B.** In case a Member receiving physical copy of the Notice by Post [for Member whose email IDs are not registered with the Company/Depository Participant(s)]:
- a) **User ID and initial password-** as provided overleaf.
  - b) Please follow all steps from Sr. No. (a) to (l) as mentioned in (A) above, to cast your vote.
2. **Once the vote on a resolution is cast by a member, the member shall not be allowed to change it subsequently or cast the vote again.**
  3. The facility for voting through ballot will also be made available in the AGM and the members attending the AGM but who have not cast their vote by e-voting will be able to exercise their right in the AGM. Those shareholders, who have not cast their vote electronically, may only cast their vote in the AGM through ballot paper.
  4. The members who have cast their votes by e-voting may also attend the Meeting but shall not be entitled to cast their votes again.
  5. The Board of Directors has appointed **Mr. Prajot Tungare, Practicing Company Secretary, Pune as a Scrutinizer** to scrutinize the e-voting and ballot process in a fair and transparent manner and he has communicated his willingness to be appointed and will be available for the said purpose.
  6. **The voting rights of the Members shall be reckoned in proportion to their shares holding either in physical form or in dematerialized form as on the cut-off date i.e. June 23, 2016.**
  7. Any person who becomes member after the dispatch of the Notice of the Meeting and holding share as on the cut-off date i.e. June 23, 2016 may obtain the User ID and password as mentioned below:
    - a. If the mobile number of the member is registered against Folio No. / DP ID Client ID, the member may send SMS : MYEPWD <space> Event number+ Folio No. or DP ID Client ID to 9212993399  
Example for NSDL : MYEPWD <SPACE> IN12345612345678  
Example for CDSL : MYEPWD <SPACE> 1402345612345678  
Example for Physical : MYEPWD <SPACE> XXX1234567
    - b. If e-mail or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the member may click "forgot password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
    - c. In case of any queries, members may visit Help & FAQ's section available at Karvy's website download section on <https://evoting.karvy.com> or contact Mr. Sridhar Balamurli, Deputy Manager, Karvy Computershare Private Limited at Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad 500 032 or send an email to [evoting@karvy.com](mailto:evoting@karvy.com) or call him on +91-40-6716 1563 or at Toll Free No. 1-800-34-54-001.

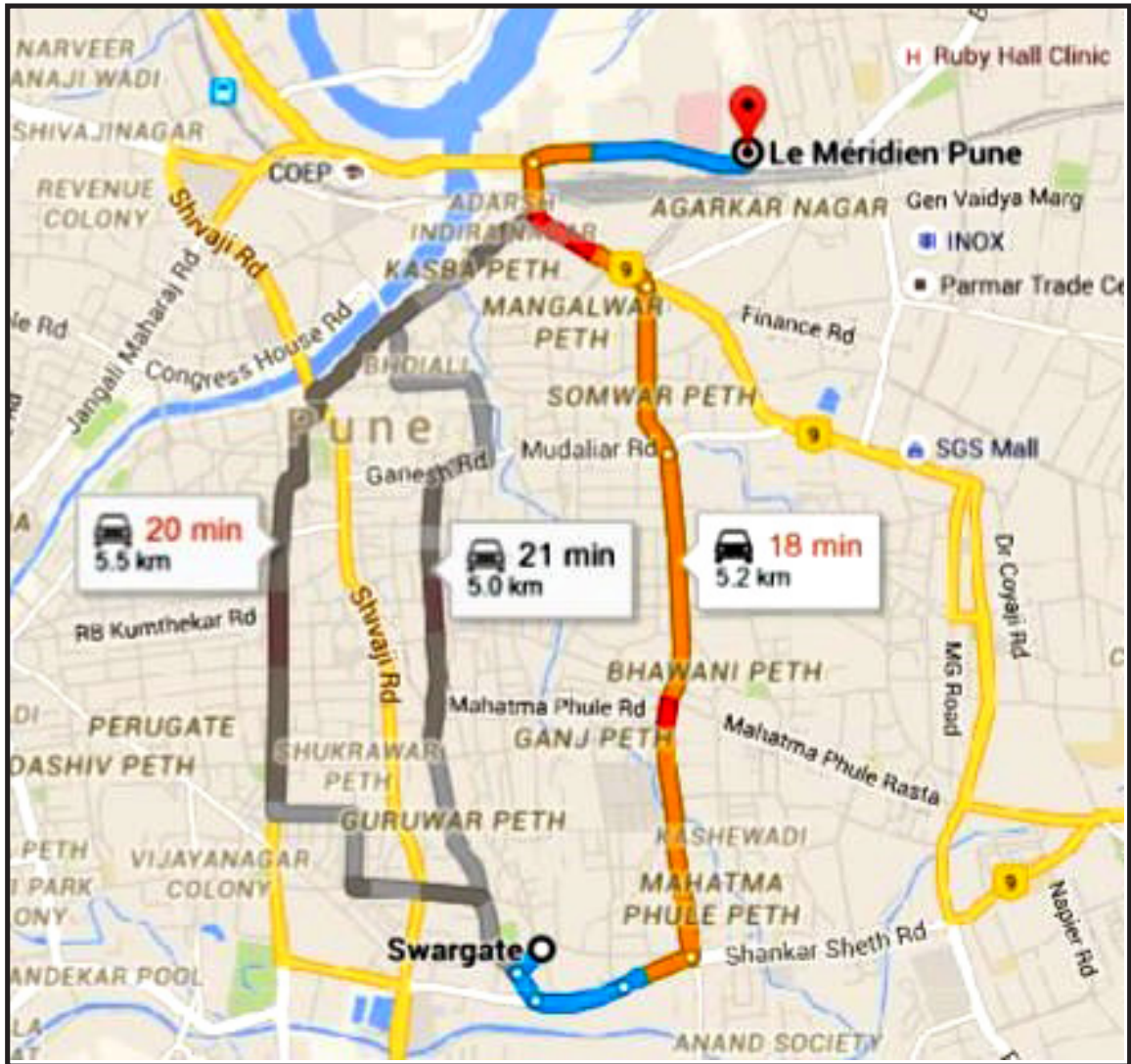
d. Member may send an e-mail request to [evoting@karvy.com](mailto:evoting@karvy.com).

If the member is already registered with Karvy e-voting platform then he can use his existing User ID and password for casting the vote through e-voting.

- |    |  |   |
|----|--|---|
| 8. | <b>Date and time of commencement of voting by electronic means</b> | Monday, June 27, 2016 at 9.00 AM IST    |
|    | <b>Date and time of end of voting by electronic means</b>          | Wednesday, June 29, 2016 at 5.00 PM IST |
9. At the AGM at the end of the discussion on the resolutions on which voting is to be held, the Chairman shall, with the assistance of the Scrutinizer, arrange voting through ballot paper for all those members who are present but have not cast their votes electronically using the e-voting facility.
  10. The scrutinizer shall immediately after the conclusion of voting at the AGM, count the votes cast at the AGM and thereafter unblock the votes cast through e-voting in the presence of at least two witnesses not in employment of the Company. The Scrutinizer shall submit a consolidated Scrutinizer's Report of the total votes cast in favor or against, if any, not later than three days after the conclusion of the AGM to the Chairman of the Company or a person authorized by the Chairman. The Chairman or the person authorized by the Chairman, shall declare the result of the voting forthwith.
  11. The Results on resolutions shall be declared after the AGM of the Company and subject to the requisite number of votes in favor the resolutions shall be deemed to be passed on the date of the Meeting i.e. June 30, 2016.
  12. The Results declared along with the Scrutinizer's Report will be placed on the website of the Company ([www.hovsltd.com](http://www.hovsltd.com)) and Karvy's website (<https://evoting.karvy.com>) and shall be communicated to the BSE Limited and the National Stock Exchange of India Limited.
  13. In case of any query pertaining to e-voting, please visit Help & FAQ's section of <https://evoting.karvy.com> (Karvy's website).



### ROUTE MAP





**HOV Services Limited**

**Registered Office:**

**3<sup>rd</sup> Floor, Sharda Arcade,**

**Pune Satara Road,**

**Bibwewadi, Pune -411 037, Maharashtra**

**Day and Date : Thursday, June 30, 2016**

**Time : 10:30 A.M.**

**Venue : Le Meridien, Raja Bahadur Mill Road,  
Pune - 411001, Maharashtra**

*If undelivered, please return to :*



**Computershare**

**Karvy Computershare Private Limited  
(Unit : HOV Services Limited)**

**Karvy Selenium Tower B,**

**Plot number 31 & 32, Financial District,**

**Gachibowli, Hyderabad – 500 032,**

**Telangana**

**Tel : (91 40) - 67162222**

**Fax: (91 40) - 23001153**

**Email : einward.ris@karvy.com**