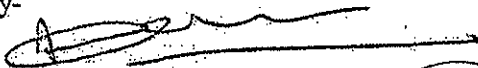

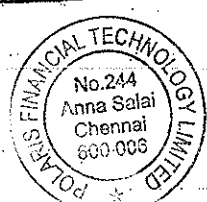





POLARIS FINANCIAL TECHNOLOGY LIMITED  
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 #244, Anna Salai, Mount Road  
 Chennai - 600 006.  
 Ph: 044 3984 3400

FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

1.	Name of the Company:	POLARIS FINANCIAL TECHNOLOGY LIMITED
2.	Annual financial statements for the year ended	31st March 2014
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable
5.	To be signed by- Arun Jain  Chairman & Managing Director  S. Swaminathan  Chief Financial Officer     Statutory Auditors  Partner N.S. BHARATH Membership No. : 210934 S.R. Baliboi & Associates LLP Chartered Accountants Firm Registration No. 101049W Statutory Auditors     Arvind Kumar Audit Committee Chairman	

# GOING DEEPER

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*In every block of marble I see a statue as plain as though it stood before me, shaped and perfect in attitude and action. I have only to hew away the rough walls that imprison the lovely apparition to reveal it to the other eyes as mine see it.*

*~ Michelangelo*

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A complete version of this report is available at the site [www.polarisFT.com](http://www.polarisFT.com)

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Front cover picture courtesy: Louis du Plessis from Pinterest

'The Veiled Virgin' reproduced on the cover is a Carrara marble statue carved in Rome by Italian sculptor Giovanni Strazza. This is a breath-taking instance of inspired design. The coming together of rare ability, insight, and deep understanding of the medium, brings alive cold stone. To paraphrase Michelangelo, it requires great clarity to cut through the many dimensions of complexity to arrive at the purest form of desired end state.



**REGISTERED OFFICE**

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168 /1 (Part) & 130 / 1 (Part ), SIPCOT IT Park,  
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Phone: 91-22-39815600 / 39815000

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**Corporate Heights**

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Silver Metropolis, Unit No. 801, 802,  
901, 902, 1001, 1002, 8th, 9th & 10th Floors,  
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POLARIS SOFTWARE LAB CANADA INC.  
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POLARIS SOFTWARE LAB LIMITED  
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#### **Headquarters**

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### **ASIA PACIFIC**

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### **Polaris presence through Partners**

Bahrain • Bhutan • Botswana • Burundi • Egypt • India • Israel • Jordan • Kenya • Kuwait • Lebanon  
Libya • Malawi • Mauritius • Morocco • Myanmar • Nepal • Nigeria • Saudi Arabia • Senegal  
South Africa • Sri Lanka • Turkey • Zambia

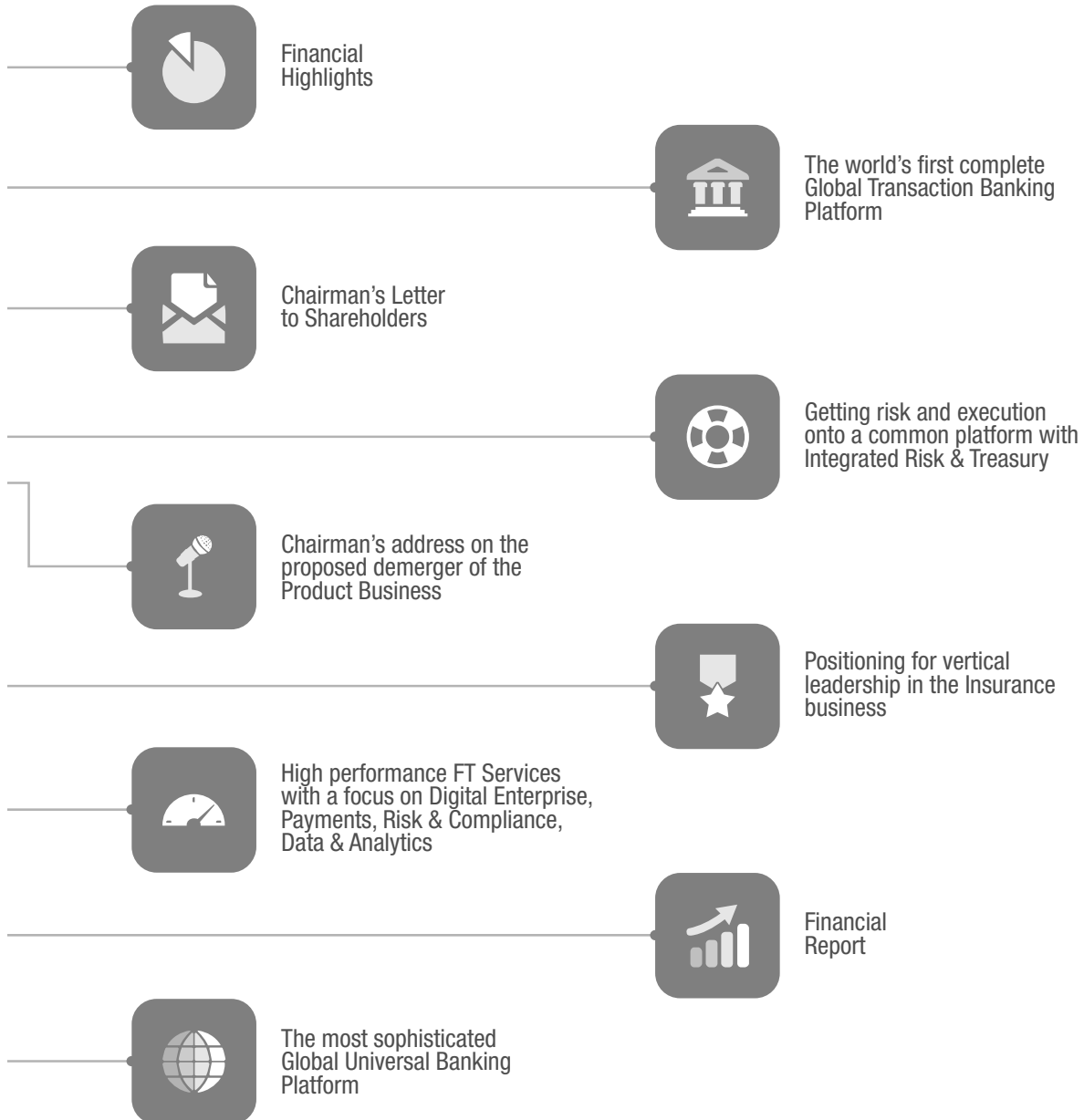




# GOING DEEPER

Deep is our mantra. As we have gone deeper into business exploration, deeper into customer relationships, delved deeper into products, and solutions we have discovered new ground, new opportunities and the immense satisfaction of demonstrating ahead-of-the-curve thinking and category leadership.

Polaris 4.0 is all about Customer Centricity



**NUMERIC SNAPSHOT**

---

Total Revenue

**2,424 Crores**

Services - 1,914 Crores

Products - 510 Crores

Net Worth of the Company

**1,547 Crores**

Cash & Cash Equivalents

**691 Crores**

Earnings Per Share (EPS)

**20.01**

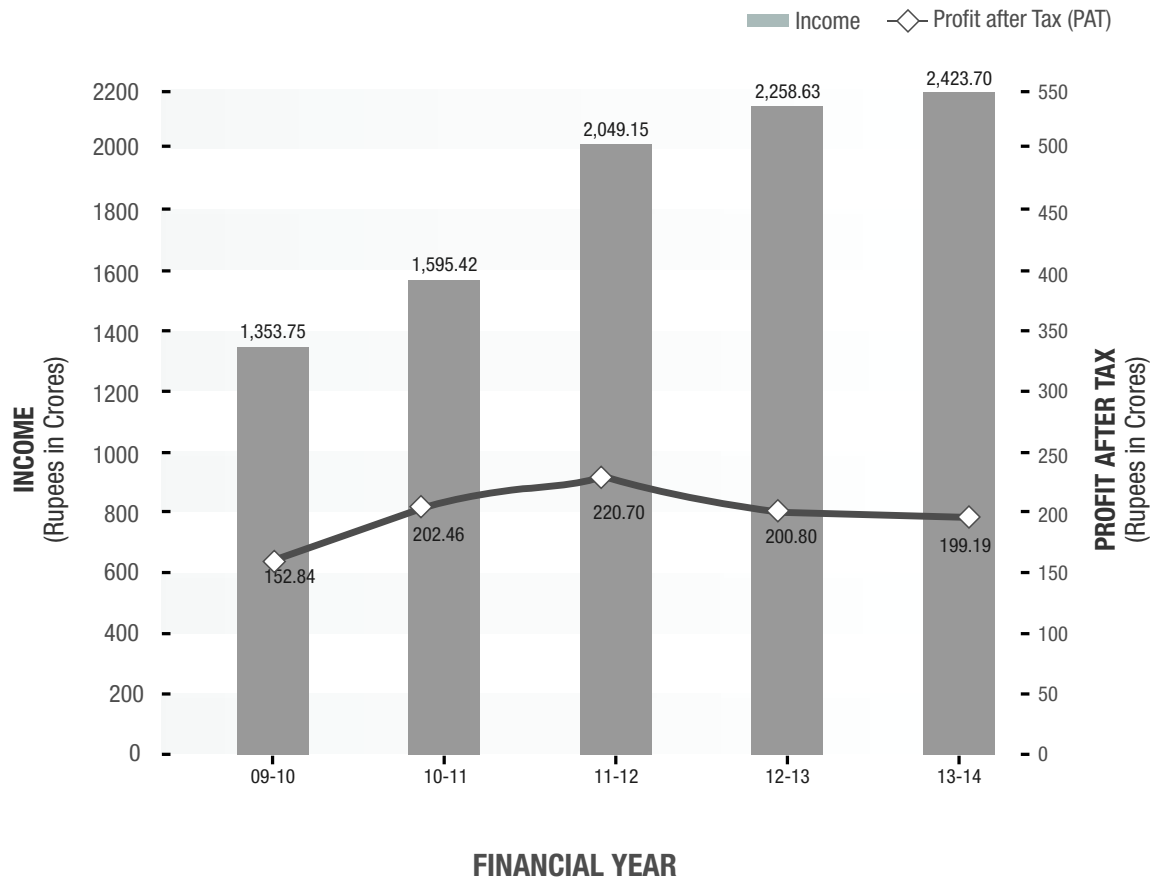
Total Employee Strength

**11,820**



# FINANCIAL HIGHLIGHTS

as on March 31, 2014



Rupees in crores except per share data

Financial year	2009-10	2010-11	2011-12	2012-13	2013-14
Income (Excluding other income)	1,353.75	1,595.42	2,049.15	2,258.63	2,423.70
Profit after Tax (PAT)	152.84	202.46	220.70	200.80	199.19
<b>At the Year end</b>					
Fixed Assets	227.14	278.85	383.13	400.69	378.73
Cash and cash equivalents	504.22	514.06	390.23	489.76	691.24
Shareholders' Equity (Net worth)	872.46	1,032.54	1,219.82	1,342.72	1,547.41
Earnings Per Share - Basic	15.42	20.43	22.22	20.19	20.01
Dividend paid (%)	70%	90%	100%	100%	125%



# CHAIRMAN'S LETTER TO SHAREHOLDERS

"I saw the angel in the marble and carved until I set him free."  
Michelangelo

Design enables financial technology to connect the dots between business, technology and operations. This is only possible with deep domain and specialist knowledge. 'Going Deeper' is all about driving efficiency in money flows, navigating every nuance that underlies each transaction.

Visionaries like Michelangelo could see what others could not. An inanimate block of marble to the lay person was to him a masterpiece waiting to be unveiled. So it is in the world of specialist financial technology, where new age answers to complex problems can only be created with a passion for design and ability to keep carving till a truly spectacular solution is revealed – exquisite in its detail, simplicity and its ability to drive desired outcomes.

**Arun Jain**  
Chairman &  
Managing Director  
**Polaris Financial  
Technology**



Dear Shareholders

## **WE ARE IN THE FOURTH STAGE OF OUR ENTERPRISE EVOLUTIONARY JOURNEY.**

**Polaris 1.0** (1985 – 2001) was our formative period focussed on FT Sourcing. We chose a singular BFSI path and adopted Services with a strong vertical approach. (Revenue for the year ended 31.03.2001 Rs. 269.6 crores)

**Polaris 2.0** (2002 – 2008) was a conscious period of IP build, which we leveraged to deliver unprecedented operational productivity. The milestone OrbiTech acquisition, progressive governance and customer engagement models while ramping up people-processes–infrastructure, were part of this phase. (Revenue for the year ended 31.03.2008 Rs. 1,099 crores)

**Polaris 3.0** (2009 – 2011) saw us focus on complexity reduction in financial institutions, leveraging high performance financial technology. By now we were working with leading banks and insurance companies around the world and our Run The Business Change The Business (RTB CTB) successes were leading industry transformation initiatives. (Revenue for the year ended 31.03.2011 Rs. 1,595 crores)

**Polaris 4.0** (2012 onwards) is a period where Design becomes integral to the way we work. Design was used to drive deep differentiation. The COPARIS framework attacked the seven dimensions of complexity. The BOTIS framework ensured fail-safe design, accelerating the progress of innovation to industrialisation. This has been a period of acceleration, rationalisation, and transformation. (Revenue at this stage of the Polaris 4.0 journey and for the year ended 31.03.2014 Rs. 2,424 crores)

**Into the second chapter of Polaris 4.0** (an evolution cycle I reckon will extend into 2016), we have entered a tremendously exciting and stimulating stage of our journey. In my letter to shareholders in the 2012 – 13 Annual Report, I signed off saying in the year ahead we would unlock value and unleash the potential of Polaris. We have done just that. Significant steps were taken by your company this year to make this possible. Through the course of this letter I will try to convey some of the milestones achieved and

**We restructured the company into independent Services and Products businesses with the clear objective of moving to a customer centric organisation, and to accelerate the next level of growth and value creation.**

a sense of the high energy levels and infectious enthusiasm prevailing across the enterprise.

### **A SPIRIT OF RESURGENCE. THE SOUL OF A START UP**

The recently announced de-merger of the Products business was a culmination of a series of carefully planned events that ensured the organisation was completely ready to hit the ground running in both Services and Products businesses.

The resurgent spirit of entrepreneurship is clearly evident in the leadership teams across independent and empowered lines of



business. Watching the business leaders take charge and engage deeply with their teams and customers fills me with great personal satisfaction and pride.

As financial technology specialists across our several lines of business, we compete against the world's largest brands (often with business interests limited to their

**Incubating a product company from within a running services organisation. No other Indian IT Services company comes to mind that has successfully incubated a Product company with revenues in excess of Rs.500 crores.**

particular chosen niche). Irrespective of the width and depth of our expertise, it is a strategic necessity that we have the agility to challenge and win against these niche behemoths.

Your business leaders have risen magnificently to this challenge, taking the fight right to the door of the competition. Across specialist products and services within each line of business, our experts are engaged in high level problem-solution dialogues with customers and prospects, focussed on design, diagnostics and assured delivery.

Going forward, I will provide them the support required to grow these businesses

at an individual product and service level, for each of these has the potential to grow into a powerful enterprise in its own right.

### **PREDICTABLE AND GROWING SERVICES BUSINESS DELIVERS. POWERFUL PRODUCTS BUSINESS GEARS UP FOR LEADERSHIP FROM STRONG FOUNDATION**

Your company has performed creditably in 2013–14, during a period of significant restructuring. Consolidated revenue registered a 7% growth and clocked Rs.2,424 crores. Profit after Tax (PAT) for the year was Rs.199 crores. Cash reserves grew from Rs.490 crores in the previous year to Rs.691 crores. EPS stood at Rs.20.01. A final dividend of 125% (Rs.6.25 / equity share) was proposed.

Given our long stated belief that stakeholders need to appreciate the inherent differences in the Services and Products business models, we spelt out financial highlights for both businesses separately apart from the usual consolidated figures in the annual financial results ended March, 2014.

Services contributed Rs.1,914 crores (79%) and Products Rs.510 crores (21%) revenue. These financial achievements during a phase of intense enterprise change in structure and processes, speaks well of the maturity of the organisation.

### **SPECIALIST SERVICES BUSINESS UNLEASHES HIGHLY DIFFERENTIATED DELIVERY MODEL**

Polaris is recognised as a specialist FT Services major and this is reflected in the quality of deals closed during the year, as well as those in the pipeline. Global revenue contributions come from Americas 55%; Europe 20%; India 6%; Rest of the World 19%.

Industry analysts rate Polaris Services Business highly on capabilities in terms of scale, scope, technology / domain investment, delivery footprint, buyer satisfaction and resultant market success in the context of a given outsourcing function.

Going forward, the Services Business will focus on three strategic areas: Digital Enterprise, Payments, Risk & Compliance. Early response to the High Performance Outsourcing (HPO) model has been very positive. Customers recognise deep competency backed with a radically different engagement model that guarantees agreed performance outcomes.

Recent wins include the upgrade of the third-party Corporate Banking platform for a leading US-based bank and mobile banking services for one of the largest full-service universal banks in the APAC region.

Our long standing, strong and strategic relationship with Citi, evident in the extent of mission critical engagements we have maintained and extended over many years, is what the Services business headed by Jitin Goyal will seek to emulate across other customers in the year ahead. Going deeper in its relationships with an active roster of 150 customers is the start point.

#### **INTELLECT DRIVES CUSTOMER CHOICE ACROSS GUB, RTM, GTB AND INSURANCE**

The Intellect brand represents the Products business that covers four distinct lines of business (Global Universal Banking, Risk & Treasury Management, Global Transaction Banking, Insurance), each comprising specialised products, integrated solutions and platforms.

Revenue contributions are distributed across the Americas 18%; Europe 29%; India 13%; Rest of the World 40%. With a significant 47% contribution from developed markets reflecting global competitiveness.

#### **Recent wins include :**

- A leading Central Bank in Europe that formulates monetary policy to maintain price stability chose Intellect® Quantum Collateral Management System (QCMS) to manage its initiatives to provide liquidity against a wide range of cross-currency collaterals spread across countries.
- The Trade division of a UK-based global financial services provider with a rich banking history of over 300 years chose to leverage the Payment product from the iGTB suite to accelerate its growth.
- One of the leading banks in the UAE with a wide network of branches across the Emirates upgraded its existing system with Intellect Debt Management Platform.
- A leading Saudi Arabian bank chose Intellect Corporate Business Exchange (CBX), a leading product in the Digital Banking space, to power its product offerings across Desktop and Mobile applications.
- A leading scheduled commercial bank in India, which provides a wide range of banking services, chose the Intellect Cash Management product from the iGTB suite to launch its cash management operations across the country.
- A leading Canada-based financial institution that provides a complete range of financial products and services globally revamped its central research





portal using the Canvas Technology framework

- A leading Payment provider in the US, rated among the top five global payment providers, chose Intellect to streamline its core business processes for merchant onboarding, credit card acceptance, vouchers and charge back processing. The solution will enable the client to provide world-class services for over one million merchant customers through the HUB Technology framework.

**Recent analyst recognition includes :**

- Intellect CBS won XCelent Customer Base Award for Eastern Europe, Middle East and Africa (EEMEA)
- Intellect FABX recognised as Leading Vendor & All-Rounder by My Private Banking report : Mobile Apps for Financial Advisors 2014

**Our continued investments in transformative technology design are industry game-changers.**

**Hub Technology:** Extreme operational efficiency with highest STP. Digital IN

**Canvas Technology:** Single instance omnichannel digital transformation. Digital OUT

**MPX Technology:** Connect Business Knowledge to Systems, Processes and Users

**Octopus Technology:** Collaborative open kitchen workspace for multiple stakeholder groups

- Intellect RISK HUB profiled amongst Global Vendors in Forrester Report
- iGTB products rated among Global Best in Commercial Banking orchestration layer solutioning in Tower Report
- Intellect CLAIMS (Life & Disability) featured among Global Best Insurance Claims BPM Solution Providers by Aite Group

**Global Universal Banking (GUB)**

The Global Universal Banking (GUB) business will focus on Core Banking, Lending, Wealth, Cards, Active Branch and Quantum Core for Central Banks. Intellect GUB M180 is the most sophisticated Universal Banking Platform built on advanced technologies. Seamless omnichannel banking with lifecycle assurance optimises first time cost of ownership and technology running costs.

Intellect Quantum CBS is the specialist Core Banking Solution specifically engineered for the unique requirements of Central Banks. Trusted by Central Banks of India, Seychelles, Ethiopia and now in Europe, the solution deploys a formidable array of advanced technology frameworks. Running active balance sheets for nations on real-time enterprise GLs, the solution enables a single source of truth, and has a proven track record for the fastest and most cost efficient implementation.

The GUB business led by Jaideep Billa, is looking at an aggressive revenue growth in the coming year, and occupying 'first choice' position in the minds of financial institutions.

**Risk & Treasury Management (RTM)**

Shifting gears from managing risk to leveraging risk for business advantage, banks turn to the Intellect Integrated Risk & Treasury Management Platform. The largest Treasury operations in the world run on Intellect. In a highly regulated and controlled

environment, business viability requires getting risk and execution onto a common platform, providing central enterprise-level global systems for informed decision making. The Intellect Basel III – LRM Platform Solution with Zf Visualisation, addresses the most arduous LRM challenges.

Led by Venkatesh Srinivasan, the RTM business registered 24 deals during the financial year, and is steadily gaining ground in the replacement market over legacy monoliths. Looking ahead, the RTM business will be an essential part of the trading environment of global treasuries..

### **Global Transaction Banking (GTB)**

iGTB is the world's first complete Global Transaction Banking Platform. With around 60% of global transaction banking running on Polaris designed systems, we are the authority on integrated and vertical solutions that enable banks meet their ambition to be the principal banker to their corporate customers.

The GTB business extended reach into 20 new deals and signed on 9 new clients. With an active Advisory Board, a strong leadership team led by Manish Maakan, and a particular focus on CBX, Payments, Customer OnBoarding and Liquidity, the GTB business is looking at a significant revenue growth this year..

### **Insurance**

With strong vertical specialisation, the Insurance business is providing differentiated solutions in Claims, Life Claims, Distributed Solutions, Underwriting Workstation, Business apps and components. Strong customer relationships are reflected in over 90% cross-sell revenues. The Insurance business headed by Pranav Pasricha has a clear focus on

becoming the leading Insurance financial technology company in the North Atlantic within 3 years.

### **Transformative Technology**

Design for Digital Transformation enables financial institutions to move from exciting but disjointed piecemeal change initiatives to seamless full landscape digital transformation, with staged transitioning based on customer lifecycle maturity. Polaris is uniquely able to leverage process, technology and business model expertise to enable Digital 360 with powerful Digital IN and Digital OUT technologies. Helping customers navigate through the four classical stages of digital transformation, Polaris uses the proprietary COPARIS framework to focus on seven critical dimensions required to work in harmony for impactful design, and the SEPIA and DECAF models for sustainable change management.

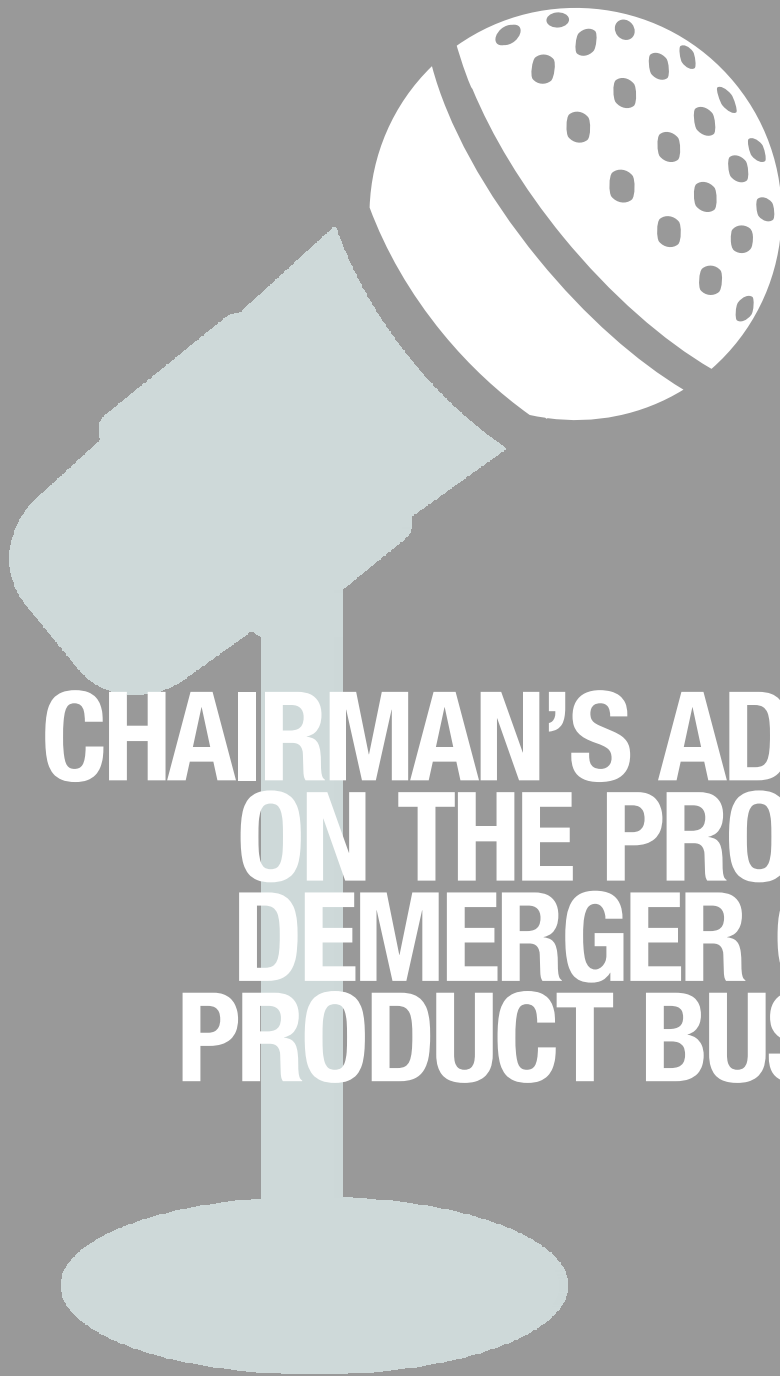
### **A POINT OF REFERENCE FOR REVIEW NEXT YEAR**

The leadership team is approaching each line of business with renewed vigour and the intent to grow them into independent business state maturity. Within each line of business are several specialist offerings, with the individual potential to be jewels in their own right. In the story of evolution sometimes generational leaps are observed. This could well be such a pivotal year in our journey. Thank you for your support and encouragement.

### **Arun Jain**

Chairman & Managing Director

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# CHAIRMAN'S ADDRESS ON THE PROPOSED DEMERGER OF THE PRODUCT BUSINESS



## UNLOCKING VALUE BEGINS WITH ACKNOWLEDGING REALITY AND THEN SHAPING IT

The Services and Products businesses demand inherently distinct strategies for acceleration. Fundamental differences in these two businesses are apparent across the dimensions of investments, sales cycle, delivery models, revenue models and margins. Going forward, the Services business will aggressively focus on key account management, operational efficiency and new business acquisition in a product-agnostic environment. The Products business will build out from a highly specialised design engineering core driven by innovation and aggressive marketing and sales (own go-to-market teams and energised partnership ecosystem).

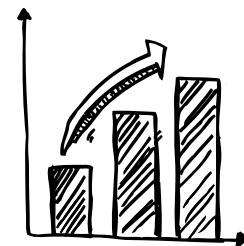
Strategic, Management and Financial Direction were shaped in collaborative dialogue with the Polaris Board, senior leadership team and Boston Consulting Group. Across the Services and Products businesses, leadership capacity expansion will be a continued agenda. In recent months we have had valuable resources coming on board from reputed brands. We look forward to their playing an active part in our aggressive growth plans.



## MONETISATION MATRIX SIGNAL MEGA OPPORTUNITIES

The Products business features 20 products grouped across various revenue buckets representing varied stages in the product lifecycle and maturity with deployments across the world.

The Services business has aggregated rich Customer Capital into 6 Strategic Business Units, each catering to between 1 and 15 customers based on business volume. SBUs are fully empowered for decision making, investments, delivery and customer satisfaction. Strategic Practice Units (SPUs) across Testing, Infrastructure Management, Business Efficiency, Business Transformation, Data & Analytics, Mobility & Channels, and Risk & Compliance are among 11 practices areas that will drive enhanced customer value.



## GOING DEEPER

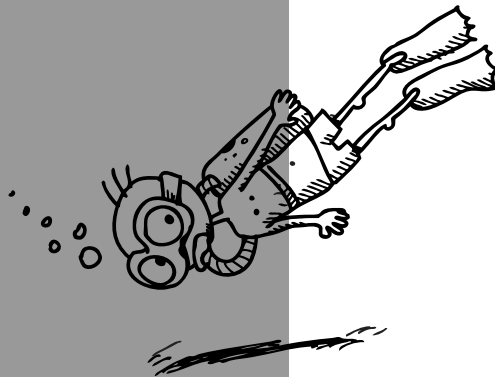
### IMMENSE POSSIBILITIES ARISE FROM DEEP EXPLORATION

Much like the richest reserves in the deepest oceans. Or like invaluable diamonds formed under extreme conditions of pressure and temperature, there is much to be gained from going for depth and that extra mile. In everyday life we are taught to value depth over superficiality. At Polaris, 'Going Deep' has defined our journey of discovery. As we went deeper into the Products we discovered greater opportunity which in turn spurred innovation and niche solutions. As we delved deeper into customer relationships we developed new engagement models and increased our presence across the opportunity canvas. It takes a spirit of entrepreneurship to venture deeper into the unknown, and the power of collaborative design thought to connect the dots between opportunity, feasibility and viability.

Deep is our mantra. As we have gone deeper into business exploration, deeper into customer relationships, delved deeper into products and solutions we have discovered new ground, new opportunities and the immense satisfaction of demonstrating ahead-of-the-curve thinking and category leadership.

For over 25 years we have committed ourselves to driving greater efficiency for financial institutions by leveraging high performance financial technology designed for complexity reduction, and to join the dots between business, technology and operations to deliver unprecedented value. Through this period we have continually invested in R&D and this will continue going forward. We are financial technology specialists and in Polaris 4.0 will continue to stake our claim for leadership across Services and Products businesses.

Our commitment to design as a business philosophy and key differentiator is backed with superior technology, smarter applications and simpler functionality. Polaris will be a significant and globally respected brand across chosen business lines.





# THE NUTS & BOLTS OF THE DE-MERGER PROCESS

Subject to regulatory approval, as a consideration for the de-merger (technically called a vertical split), every shareholder of Polaris Financial Technology Limited, will receive one share of Intellect. Given the high risk-high reward nature of the Product business, the Polaris Board taking into consideration the recommendations made by the Special Committee comprising Independent Directors of the Board as well as the Audit Committee, has decided to offer

a special option to shareholders of Intellect to exchange the shares (should they want to) allotted pursuant to the demerger against fully convertible non-convertible debentures (NCDs). These NCDs will have a face value of Rs.42 with a coupon rate of 7.75% redeemable at par after 90 days.

The regulatory process is expected to be completed in Oct-Dec 2014, but for all intents and purposes, the organisation restructuring already put into gear will continue operations, freed from ambiguity caused by market rumours regarding enterprise intentions to stay committed to the business.

## A WIN-WIN SITUATION IS WHERE EVERYBODY WINS

Ever since the corporate restructuring news first broke there has been much discussion on where we were headed and how each of the stakeholder segments might gain (if at all) from the developments. A de-merger is interpreted in many different ways.

Customers might be concerned about disruption, lack of continuity, operational hiccups, long-term enterprise commitment. Note that the de-merger means more customer centricity, better alignment of competencies, decision making and processes, all centred on the customer and design for greater value creation.

Employee (Associate) concerns triggered by media speculation were a distraction and resulted in some degree of uncertainty regarding enterprise direction. Over the last few months as the reorganised structure was implemented, there was clarity on how the Services and Products business will run as separate entities. By the time of the de-merger announcement, internal teams had already demonstrated their ability to run the business as we changed the business, and day-to-day operations as two distinct businesses are already on track. There is enormous opportunity for internal talent to align their passion with a desired business. During this change run-in period we had attracted senior talent, took them on board and now look forward to them contributing strongly to our business ambitions.



Investors have grappled with understanding a unified Polaris that comprises two very different constituents – Services and Products. With the de-merger, investors will have total clarity on the risk-reward profile of their investment. The NCD conversion option is an open invitation to those investors who do not understand the potential of the Polaris Product business to exit the space.

We are committed to letting each of our businesses realise their potential. While the external world might see ours as two businesses – Services and Products, in reality, and as we know, this breaks up into a large number of businesses, each promising significant opportunity in their own right. The future is exciting, and stakeholders making this journey with us, will gain richly from the experience.





# STRONG LEADERSHIP & A SOLID FOUNDATION

Jitin Goyal, CEO, leads the Services business, and will build on strong foundations of Design, Diagnostics and D-30TIF frameworks for solution-based delivery.

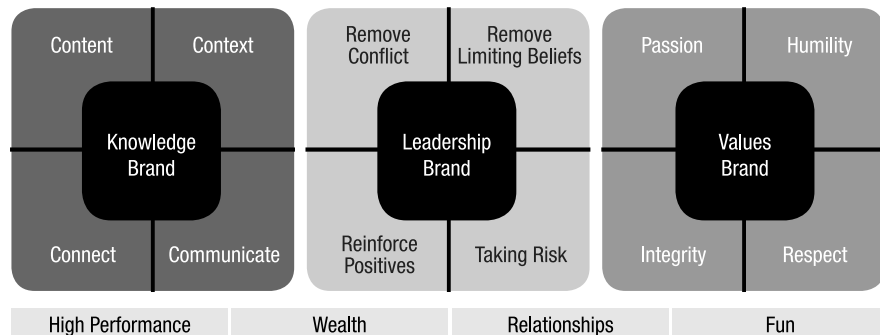
The Products business housed with Intellect Design Arena, will be led by Manish Maakan, CEO, Global Transaction Banking; Jaideep Billa, CEO, Global Universal Banking; Venkatesh Srinivasan, CEO, Risk & Treasury Management; and Pranav Pasricha, CEO, Insurance Products.

The singular BFSI focus for over 25 years and a continued investment in building products and technologies has resulted in globally recognised offerings in Insurance (Intellect SEEC), Global Transaction Banking (iGTB), sophisticated omnichannel Core Banking (GUB M180), advanced Central Banking (Quantum), Wealth, Treasury, Brokerage and Asset Management. Three recently built and rolled out revolutionary Polaris technologies that are high performance Financial Technology enablers, include CANVAS TECHNOLOGY for business apps development in a role-based omni-channel environment ; HUB TECHNOLOGY

for accelerated process intensive solutions ; and OCTOPUS TECHNOLOGY for collaborative workplace integration. The 8012 FT DESIGN CENTER has hosted financial institutions from around the world in the last year, and has proven to be a unique and stimulating platform for dialogues on future technologies, transformation and unleashing value by connecting the dots between business, technology and operations.

## INSTITUTION BUILDING

Our singular focus on financial services and our commitment to leveraging high performance financial technology to deliver unprecedented value have honed our capabilities. With leading financial institutions for customers, and a leadership presence in several of our offerings spectrum, we have built a formidable reputation. Institution Building is a continuous process. This demerger is an important building block. Going forward Polaris Banyan will nurture the development of two proud businesses drawing on the financial stability of the combined enterprise.



# OUR ENTERPRISE COMPASS MUST BE TRUE TO OUR PURPOSE AND OUR CORE VALUES

The buzz during Lakshya (the Polaris Visioning initiative) Dec 2013 confirmed our direction heading. Business opportunities mapped with Polaris specialist preparedness and continued investments. By end Feb 2014 Business Plans anchored strategy in market reality. The Board de-merger decision within 65 days of Lakshya, heralds Polaris 4.0.

Polaris Banyan is the promoter of both Polaris Financial Technology (Services business) and Intellect Design Arena (Products business). Our purpose and values are enshrined in Polaris Banyan. Guiding, Supportive, and Nurturing. Polaris Banyan will respect the needs of the de-merged businesses to find their own path. As the Services and Products strike out with new resolve, it is important to restate values we hold dear and will expect all associates to live by :

**SELF BELIEF.** If you can dream it, you can do it!

**CURIOSITY TO LEARN.** Child-like wonder.

Rooted in humility

**INNOVATIVE MINDSET.** The courage to have a point of view and express it. Embrace risk when relevant

**FAIRNESS.** Create an environment of mutual respect and trust

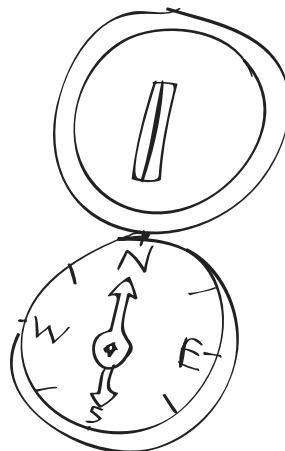
**INTEGRITY.** Align thoughts, words and deeds

**TRUSTED RELATIONSHIPS.** You can rely on me!

On my part, I will continue to steward the Polaris Services and Products businesses towards realising their potential and provide the support required by the CEOs and the leadership team.

## KNOWLEDGE, LEADERSHIP AND VALUES CONSTRUCT

The Polaris DNA has gradually evolved. Associates who have been with us longer remember a smaller and more tightly knit era when getting everybody onto the same page happened in a group session in the conference room. 25 years later, with over 11,500 associates and operating in 40 countries, it is inevitable that singing off the same page is not easy and not always harmonious. Corporate culture has always been a tricky business. Polaris stands for a set of beliefs that cannot easily be taught. Either associates feel this way about work-life or they do not. It is our responsibility to run a sanity check for values fitment before we onboard newcomers. For no matter how brilliant they are in their individual areas of strength, if we are not aligned as a team in our values, we will waver as an enterprise.





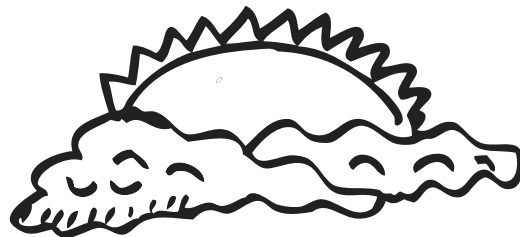
# WELCOME TO POLARIS 4.0. WELCOME TO THE FUTURE OF FINANCIAL TECHNOLOGY


The market landscape is very dynamic. Across the world, financial institutions adopted financial technology at different times and are in different stages of their replacement, adoption or integration needs journey.

We are a respected brand with established leadership in some of our business spaces. We have set into motion a significant twin business strategy that will provide the required room for Services and Products to thrive. This is Polaris 4.0. I'm excited about where we are, and where we are headed.

Let's provide financial technology leadership!

**Arun Jain**  
Chairman & Managing Director





**HIGH PERFORMANCE  
FT SERVICES WITH A FOCUS ON  
DIGITAL BANKING, PAYMENTS,  
RISK & COMPLIANCE**



# HIGH PERFORMANCE OUTSOURCING (HPO) MODEL DRIVES ASSURED PRODUCTIVITY GAINS

## RISK & COMPLIANCE

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Market | Credit | Operational | Risk Data  
Aggregation

As banks strive to improve their governance and comply with regulatory requirements, our expert teams help them drive their programs.

## DATA & ANALYTICS

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Big Data | Social | Data Visualisation

Critical across multiple areas. As customers strive to get their arms around the issue of data quality and handling risk data, our experts work with them bringing in our best practices, tools and industry standard platforms.

## INDUSTRY

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Banking | Insurance | Enterprise Solutions

Delivering high quality services to 200+ customers across Banking, Insurance and other verticals. Our focus on financial services is driven by deep domain competency and specialised offerings in this space.

## DIGITAL ENTERPRISE

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User experience | Self Service | Omnichannel |  
Mobility | Social

Our customers are innovating rapidly in this space and we are right up there with them across domain and technology.

## PAYMENTS

.....

Real-time Payments | Standardisation

Another vital area being worked on by banks. Our experience on products, thought leadership on payments transformation are appreciated by customers.

## PRACTICES

.....

Retail | Corporate | Capital Markets | Insurance |  
Risk & Compliance

Functional and horizontal practices drive differentiation. Deep domain expertise and specialised knowledge of products used in financial services are leveraged to drive solutions for our customers.

## BUSINESS UNITS

.....

Client Centric SBUs

We are structured in to client-centric Strategic Business Units that have highly empowered teams allowing us to be incredibly agile in solutioning complex customer requirements.

**THE WORLD'S MOST MISSION-CRITICAL FINANCIAL  
TECHNOLOGY OPERATIONS ARE SUPPORTED BY  
POLARIS FT SERVICES**



# FINANCIAL TECHNOLOGY SERVICES

The Polaris Consulting and Services business is focused on providing cutting-edge solutions primarily to Banks, Insurance companies, and other Financial Services entities such as Clearing Houses and Exchanges. It also provides 'digital enterprise' solutions to select companies in the retail, logistics and manufacturing sectors. In the past 12 months we have made significant changes in our business, partly in response to changing market conditions, and partly to unlock value within the firm. I would like to share with you my assessment of the external and internal drivers for change and outline the specific steps we are taking in order to maximise shareholder value.

## **FINANCIAL SERVICES INDUSTRY – BACK TO THE BASICS**

The Financial Services industry has gone through a seismic shift in the past few years. The sub-prime crisis in 2008 fundamentally altered the landscape of international banking. Blue chip names such as Lehman Brothers went out of business altogether. Those who survived have had to make deep-rooted changes in their business models, driven by regulatory changes as well as other factors. New regulations such as Dodd Frank and the Volcker Rule have dramatically changed the Capital Markets business, reducing the global annual revenues in this sector from \$150bn to \$75bn during this period. The days of so-called 'Casino Banking' are over, and banks have had to re-focus on good old fashioned banking activities such as deposits, lending and raising capital through debt and equity issuances. Regulators are forcing banks to strengthen their AML, KYC and other client on-boarding processes. Banks have faced

huge fines and have had to resort to severe cost cutting including big layoffs.

There are several implications for the IT Services industry. Firstly, IT budgets in the Financial Services sector have faced the chop given the intense cost pressure that banks are facing. With discretionary spending going down, many Change-The-Bank initiatives that would have otherwise been kicked off, have been put on ice. Rates have remained flat or declined. Procurement teams have launched vendor consolidation measures to reduce costs and drive up productivity.

At the same time, spending on risk and regulatory compliance has gone up sharply, as banks try to comply with the myriad rules that have been imposed on them by authorities around the globe.

These changes in the Financial Services sector can be a threat for our industry, but they can also be an opportunity. I will talk about how we are responding to these market conditions, but before that let us look at the other trends impacting our business.

## **TECHNOLOGY BUSINESS – GETTING 'SMAC'KED**

While the business of banking has been transformed by these changes, the technology world has seen some tectonic shifts as well. Social, Mobility, Analytics and Cloud (together referred to as SMAC) have caught everyone's imagination. Investment trends in all these areas suggest that this is not merely a hype cycle. Companies across sectors – financial services included – believe that these new technologies can help them to not just streamline processes and improve operational efficiency, but also enhance user experience and improve revenue productivity.

Many banks and companies are looking at building 'Enterprise Social Networks' to facilitate collaboration and knowledge sharing within their organisations. ESN is the new CRM. ESN could also be the new e-mail, and a few other things too.

**We are evangelising our flagship High Productivity Outsourcing (HPO) Model, predicated on three pillars – a client-specific academy, a client-specific innovation lab and a performance guarantee. The model is designed to root out the underlying causes of low productivity in typical offshore outsourcing – a rookie workforce, an order-taking mindset, and absence of skin in the game.**

Mobile banking is becoming increasingly sophisticated with banks offering a plethora of apps that users can download on their mobile devices. Why bother to go to a branch (or even boot up your computer) when you can make payments, buy and sell securities, get account information and market analysis, all on your phone or your tablet? The latest buzzword is 'Omnichannel Banking', which essentially means providing clients with a seamless user experience across all channels including branch, online and mobile. This is the age of Digital Banking, and it is here to stay.

Analytics is an area that banks have heavily invested in the past, building huge data warehouses and datamarts, with a plethora of analytical tools sitting on top. The advent of Big Data technology, which enables identification of patterns across even larger swathes of structured as well as unstructured data, has given a fresh impetus to this space. Sophisticated data

visualisation tools are also attracting a lot of attention.

'Cloud-computing' – the hosting of a firm's IT applications in a virtual data centre (the Cloud) as opposed to the traditional way where these apps would sit in proprietary data centres with huge upfront investment in infrastructure – is one area that has not yet quite taken off in the financial sector, perhaps due to data privacy laws and related concerns. However, the idea of horizontal utilities for specific activities (such as settlement or reconciliation) sitting in the Cloud and being shared by multiple banks is gaining a lot of traction.

These new technologies are fundamentally altering IT spending patterns in the Financial Services industry as well as in other areas such as retail, logistics and manufacturing.

#### **OFFSHORE SOURCING BUSINESS – GROWING UP**

Apart from the changing business and technology landscape as described above, another factor that affects us is the maturation of the sourcing function in our client organisations. The days of large, single-vendor, lock, stock and barrel outsourcing deals led by deal advisory firms are coming to an end. Sourcing functions in most large firms now have the maturity to be able to adopt a best-of-breed vendor strategy. Two factors have made this possible - Governance models enabling firms to manage multiple vendors and the many-to-many interactions that result, and the need for highly specialised functional and technical skills in today's environment that no single vendor can provide.

This trend plays to our advantage, as we are seen in the market as a specialist player with a strong pedigree in financial technology.

#### **OUR STRATEGY – DRINK DEEP**

We have made several changes in the last 12 months in order to unlock value and position ourselves in the market in a way





that maximises our ability to leverage the trends described above.

To begin with we separated the Consulting and Services Business from the Products Business so that each business could develop its own eco-system and chart its own course, while adhering to the core values that have stood us in good stead for so long. The operational separation of the two businesses is a massive project in itself, and I am pleased to say that it has been executed very smoothly with no disruption in business or attrition amongst key executives.

We organised the Services entity into six client-centric units (SBUs), and multiple solution-centric units (Practices). Each SBU is a P&L centre, owning the relationship as well as delivery for its clients. Each client is treated as a global client and is managed by one of the six SBUs on a global basis. This ensures that there are no silos, and full accountability for delivery excellence and client relationship management lies with the SBU leadership.

The Practices are responsible for building specialised capability and solutions in various verticals and horizontals that we operate in. Vertical practices (Retail Banking, Corporate Banking, Capital Markets, and Insurance) are adopting the strategy of 'practices as mini-banks', replicating within themselves all the core functions and roles that a bank would itself have. Horizontal practices (data, risk, mobility, testing, infrastructure) as well as vertical practices are following the 'Exotic SI' model, building expertise around a set of specialised third-party products that would enable us to act as an unbiased adviser and a platform neutral system integrator for our clients. We are deepening our expertise in line with the market trend of selecting best-of-breed partners for each area.

We have also created a 'Solution Sales Group' (SSG), teams of vertical and horizontal specialists located in the markets we operate in. The SSG team works closely with the SBU account teams and injects real expertise into client interactions.

From a strategic perspective, we have zeroed in on three 'big bets', areas where we are making substantial investments and positioning ourselves as the 'partner of choice' for our clients. The three areas we have picked are Digital Banking, Risk and Compliance, and Payments Transformation – these are areas that we already have solid expertise in, and are also in line with the industry trends described above. Our Data & Analytics practice will also see major investments and will act as a bulwark across all these three areas.

### **A NEW PARADIGM – HIGH PERFORMANCE OUTSOURCING**

Apart from demanding greater specialisation, clients are also looking for higher productivity from outsourcing partners. We are evangelising our flagship High Productivity Outsourcing (HPO) Model, predicated on three pillars – a client-specific academy, a client-specific innovation lab and a performance guarantee. The model is designed to root out the underlying causes of low productivity in typical offshore outsourcing – a rookie workforce, an order-taking mindset, and absence of skin in the game.

The HPO model makes us true partners for our clients - expert teams with an innovation mindset working collaboratively with clients, incentivised to deliver business outcomes.

All in all, Polaris Consulting & Services is strategically and operationally well positioned to leverage the rapidly evolving business and technology landscape, and become a partner of choice for our clients. I am very excited about how our business is shaping up, and I believe that our best days are ahead of us.



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**Jitin Goyal**  
Chief Executive Officer  
FT Services

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**THE MOST SOPHISTICATED  
GLOBAL UNIVERSAL  
BANKING PLATFORM**



**intellect**<sup>®</sup>  
enterprise banking platform

# GLOBAL UNIVERSAL BANKING

## MODEL UNIVERSAL BANK (CORE BANKING)

.....

Revolutionary customer-centric Core Banking Solution enabling faster launch of products across channels, flexible pricing model and increased cross-selling opportunities.

## LOAN ORIGINATION

.....

Enabling banks across Retail, SME & Corporate segments to process various loans with multiple options providing rich functionalities at every stage.

## WEALTH MANAGEMENT

.....

A comprehensive solution for managing the complete Wealth Management life cycle, enabling banks to make informed decisions through meaningful conversations with their clients.

## CREDIT CARDS

.....

A highly flexible and parameterised Cards system capable of defining and managing multiple Payment methods on a single credit card that supports multiple business models, time zones, currencies and languages.

### **FINANCIAL ADVISORY BUSINESS EXCHANGE (FABX)**

State-of-the-art solution that empowers the Advisor with instant access to all information needed for customer interaction, relationship building, performance monitoring, analytics and decision making.

### **BRANCH SALES AND SERVICE**

Unique branch modernisation solution ensuring smaller, smarter and active branches through cross-functional utilisation of employees and providing a distinctive 'user experience' derived through a single window view.

### **RETAIL BANKING EXCHANGE**

Comprehensive omnichannel Consumer Banking solution that enables banks to rapidly offer a range of banking services from enquiries to transactions.

### **BRANCH TELLER PLATFORM**

Transformative Teller Management Solution ensuring improved customer service through 'single window' servicing and boosting frontline operational efficiency of banks by providing a unified front end.

### **CENTRAL BANKING (QUANTUM)**

Flexible and integrated solution with robust Collateral Management enabling Central Banks implement monetary policies and intraday liquidity in RTGS, while seamlessly connecting Cash, Securities, Banks & FIs, Depositories and Government functions.

**THE MOST SOPHISTICATED GLOBAL UNIVERSAL BANKING  
PLATFORM BUILT ON ADVANCED TECHNOLOGIES**



# GLOBAL UNIVERSAL BANKING

At the beginning of this year your company announced the separation of its Services and Product businesses. Within the Product business, it pushed verticalisation deeper and created independent business units – one each for Global Universal Banking, Global Transaction Banking, Risk and Treasury Management and Insurance. The Global Universal Banking (GUB) business unit provides solutions to banks whose primary business is Retail.

The intent of this verticalisation has been to create structures that will allow each business to go deeper, thereby allowing them to position themselves as the ‘First Choice’ for banks and financial institutions.

Polaris is already a preferred partner for Retail Banking platform for many leading banks. Its position as a ‘Player to Contend with’ is also borne out by evaluation of analysts such as Gartner that recognise Polaris as a ‘Leader’ in Retail banking along with others such as Temenos, SAP, FIS, Infosys and TCS.

## **TO BE OR NOT TO BE THE ‘FIRST CHOICE’**

As the market is large – estimates place the value between \$5–10 billion dollars – it may not be necessary for the Polaris Retail Product business to be the ‘First Choice’ to do well.

However, the GUB business unit believes that the conditions are just right for it to go further and pitch for the ‘First Choice’ position. The unit has a clear game plan to achieve this.

This game plan cannot be built just on a deeper understanding of the customer. It is a

reality that each of the ‘Gartner leaders’, be it Polaris, Temenos, Infosys or TCS, understand the needs of the customers as well as each other does.

## **THE BANKING THREATS**

Every leader understands that the Banking sector faces a significant threat from the following five forces:

1. Increasing regulations that make banks less nimble
2. Better informed, less loyal customers who are able to shop around
3. Demand for more rigorous risk management leading to increased costs

**As the market is large (estimates place the value between \$5–10 billion dollars) it may not be necessary for Polaris Retail Product business to be the ‘First Choice’ to do well. However, the GUB business unit believes that the conditions are just right for it to go further and pitch for the ‘First Choice’ position. The unit has a clear game plan to achieve this.**

4. Continual globalisation leading to more intense competition amongst banks
5. Technology changes allowing non-banks to provide financial services (for example, peer-to-peer lending).

Deal after deal, your company has found that when functionality is compared, despite elaborate scoring mechanisms created by customers, there is very little to choose between one leader and the other, with Polaris sometimes outranking its competitors and at times the other way around, but never by more than a few points.

### **POLARIS AGENDA FOR THE NEXT THREE YEARS**

First, in a situation where everyone is perceived as having an equal product, what matters most is ‘Customer Connect’. Customers need to feel that the partner is committed to their success. In keeping with that your company is investing significantly in customer facing resources who would not only be able to communicate the Polaris story, but will also be able to provide customers an easy way to interact with Polaris. The fact that successful bankers from leading banks and our competitors have been joining us in a steady stream for these roles is validation that they believe in the business prospect to achieve its stated goal. While Polaris spends 25% on SG&A, in contrast, our most visible competitor in the retail space – Temenos spends over 40% on the same. This gives us significant headroom to improve our performance.

Second, customers also need reassurance that the systems they buy will be implemented reliably and quickly. There are many stories of failed implementations in the market place. ‘Reliable Implementation’ is at the center of every decision we make. It will be our quest to make Polaris GUB a synonym for reliability. The most recent visible expression of this commitment is the

multi-million dollar investment that we have made in our Agile Engineering Center. Specific initiatives have been laid out to continue improvement upon this.

Third, to be the ‘First Choice’ it is important to realise that customers buy banking solutions to gain a competitive edge over their competitors – not just in the immediate future, but for as long as 15 years. Once bought, these systems continue to function for decades. It is important for customers that they choose vendors who are committed to Financial Technology because they need assurance that their vendors will continue to invest in innovation not just now, but for the next decade or two. The fact that Polaris is focused only on Financial Technology sets us apart from our Indian competitors and provides assurance to our customers that our innovation dollars will not be under threat from other business lines within the company. The GUB unit realises that the ability to innovate is only half the story. Even more important is to build a resilient architecture that can continue to absorb 15 years of innovation without performance degradation. From an architectural perspective, specific innovation initiatives for this year include investment in Integration Hub and Product Tailoring layer.

Fourth, innovation requires one to make a choice on the area of innovation. That in turn, requires a vision of what would be the most appropriate response successful banks would make for the challenges they face. Some banks are likely to focus on their roles as intermediaries and will spend aggressively on technologies such as Payment processing. Others are likely to see their role as Consumer Services and would focus more on the end customer. The GUB unit has chosen to focus on the latter. It already has a suite of formidable offerings in the Financial Advisory, Wealth Management, Branch Banking and Internet Banking space. It will continue to invest heavily in this space



to break out from the crowd. Product specific initiatives have been identified for each.

Fifth, GUB does not believe that low price is a dirty word. We will strive to give the best quality at the lowest price. Banks have been charged a hefty premium for inadequate quality for a long time. Ultimately, the larger market share that GUB will acquire will more than offset the higher pricing model. Quality and Economic Price can co-exist as Toyota and Honda have shown. Samsung has shown that Apple's quality and innovation can still be provided at an economic price.

This is our three-year agenda and while the specific constraint may shift on a year-on-year basis, we do not see ourselves

deviating significantly from this path during the period. For the next three years, every year, I hope to report significant progress on each of these five elements that would help us establish GUB as the 'First Choice'.

1. Deeper and frictionless and customer connect
2. Reliability in implementation
3. Resilience in architecture
4. Innovation in consumer services – Financial Advisory, Wealth Management, Branch Banking, Mobile and e-Wallets
5. Price leader



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**Jaideep Billa**

Chief Executive Officer  
Global Universal Banking

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**THE WORLD'S  
FIRST COMPLETE  
GLOBAL TRANSACTION  
BANKING PLATFORM**





**intellect**<sup>®</sup>  
enterprise banking platform

# GLOBAL TRANSACTION BANKING

## CORPORATE BANKING EXCHANGE (CBX)

.....

Better experience for all businesses through a complete set of omnichannel apps providing one-click capabilities tailorable to individual users.

## CUSTOMER ONBOARDING

.....

Compliance and positive customer experience together - while reducing cost.

## PAYMENTS SERVICES HUB

.....

A channel-agnostic real-time solution for > 95% STP and better operational productivity.

## FUNDS CONTROL

.....

A solution to global corporate limits that both reduces risk and cost, while improving customer service.

### **LIQUIDITY MANAGEMENT**

Best-in-class algorithmic Liquidity Management solution that can attract and retain Corporate clients.

### **RECEIVABLES MANAGEMENT**

Automating entire receivables life cycle for improved cash flow.

### **CASH MANAGEMENT**

Collect money faster and at lower cost.

### **TRADE FINANCE**

Responsive financial supply chain management.

### **SUPPLY CHAIN FINANCE**

Mobilising the combined strength of buyers and suppliers.

### **TREASURY**

Worldwide proven approach to cross-border trade.

### **CANVAS TECHNOLOGY**

Rapidly assemble omnichannel solutions that dramatically enhance role-based efficiency.

### **HUB TECHNOLOGY**

A conversational workflow technology for agile application building with unparalleled configuration capability.

## **THE WORLD'S FIRST COMPLETE GLOBAL TRANSACTION BANKING PLATFORM**



# GLOBAL TRANSACTION BANKING

## LARGE, GROWING AND PROFITABLE REVENUE

The Global Transaction Banking (GTB) market is large, growing and profitable. Revenue from Transaction Banking is forecast to grow from \$189 billion to \$509 billion worldwide by 2021,<sup>1</sup> which is 10.4% CAGR over 10 years. Described as superb economics, by 2010 revenue was estimated as having an EBITDA margin of 38%, typically 5–10% higher than the total bank margin.<sup>2</sup>

However, customers are not all happy with Transaction Banking. Surveys show customer satisfaction well down and STP rates not as high as they should ideally be.

High revenue, high growth and high profit combined with customer dissatisfaction and suboptimal STP is a perfect stimulus for investment in better systems. This is evidenced by the over \$20 billion investment in Transaction Banking IT worldwide with some Western banks individually spending up to \$1 billion. Banks around the world are fighting for their rightful share of the \$509 billion.

## TRANSACTION BANKING CLIENTS ARE UNIQUE

Every conversation starts with our customers' customer. A Transaction Banking customer might make steel, offer legal advice, collect waste, provide hotel beds, fix water pipes, distribute charity, insure against risk, sell clothes or run a country. Each unique. Each with its individual value chain. Each reliant on day-to-day financial services.

To become or remain these organisations' principal bankers means providing:

**Customer intimacy:** Solutions unique to the bank, unique to the sector, to the internal structure and to the organisation itself – unique even to a specific subsidiary.

**Operational excellence:** Superb STP for rapid execution simply initiated with strong risk management, each time, every time.

**Actionable intelligence:** Rich information and analytics in real time for better decisions to execute the next transactions: making the FD smarter in the boardroom.

**Product leadership:** Demonstrating the ability to improve the potential for the organisation to achieve its aims, often by combining traditional products.

Currently most banks provide stovepipe generic products, but Transaction Banking customers now demand solutions across the whole transaction space and tailored to their circumstances, yet fast, efficient, robust and secure, accessible through an integrated, omnichannel, real-time and consistent interface.

## THE UNIQUE iGTB HERITAGE CREATING UNRIVALLED SOLUTIONS

The strength of iGTB's solutions comes from our heritage: starting with Citigroup Overseas Software Limited (the power then behind Citi's world-leading international transaction banking) later renamed Orbitech and acquired by Polaris. The backbone of iGTB's intellectual property comes from its partnership with this and many other

leading banks, culminating in over 52 customers live in 82 countries and powering the world's first complete Global Transaction Banking platform.

This unique capability addresses all today's market challenges:

**Customer intimacy:** Because the Corporate Banking Exchange omnichannel

**Banks around the world are fighting for their rightful share of the \$509 billion Transaction Banking market.** This focus and the significant investment it needs is already reaping early results as iGTB is being welcomed more and more into leading Transaction Banks' boardrooms, with active discussions on higher deal sizes underway.

tablet/smartphone interface can create unique solutions from product silos based on the powerful Canvas Technology and because of the important capability for rapid Customer Onboarding.

**Operational excellence:** Because of the sophisticated workflow provided by Hub Technology and the integration and consistency from all elements being owned by a single team rather than an acquisition soup.

**Actionable intelligence:** Because of the 'IADT' model (Information – which is of no use without the insight given by Analysis – again impotent until it inspires better Decision – whose value is only realised through new Transactions). Providing all four together is at the heart of all the solutions.

**Product leadership:** Because the solutions cover all of transaction banking – payments, funds, cash, receivables, liquidity, trade, supply chain and treasury – not just a particular banking product.

### **The promise of iGTB**

Polaris has proactively foreseen the next decade's Transaction Banking "gold rush" – worth more than six times the investment banking M&A market<sup>3</sup> – and consolidated its product, assets, expertise and reach into a newly branded division, iGTB. This division promises excellent engagement through investment in three key areas:

### **Industry Insight**

- Powerful thought leadership and joint working with customers through the active Advisory Board program and the 'turn strangers into friends before turning friends into customers' mantra.
- Recruitment from our customers' customers (treasurers from major multinational corporations) as well as from the world's leading Transaction Banks plus attracting executive talent from key competitors.
- Creation of a Transaction Banking consultancy service offering interventions to maximise the value of customers' assets through a variety of packaged services.
- Creation of industry-leading, thought-provoking new content, focusing on clear benefits and return on investment calculation for both banks and their customers.



- State-of-the-art business ideas as well as product information delivered in a brand new Web 2.0 web site alongside other social media, including exclusively hosting the regular roundup of Transaction Banking news by David Bannister, Editor of Banking Technology.

### Global Effectiveness

- Clients in all regions of the world supported by talent operating from 40 offices worldwide.
- Leadership in Payments, Liquidity, Trade as well as the disruptive CBX channel and the unique integrated iGTB suite.
- Focus on value creation – Value for Transaction Banking clients and so for our customers, for iGTB, for Polaris and for our shareholders.
- Enhanced go-to-market including promotional products tailored to specific gaps in the market and introduction of a new, powerful incentive program to strengthen worldwide alignment and true value creation.
- Creation and launch of the new iGTB brand successfully bringing the image up to date as a confident, global-but-local, knowledgeable product provider with passion and creative solutions.

### Local Engagement

- Headquartered in the UK with senior leaders in London, New York, Toronto, Paris, Dubai, Johannesburg, India, Singapore and Sydney to be close to the biggest transaction banking markets.
- Better local provision by increasing numbers of on-site operational staff intimate to the customer.
- Establishment of deep subject matter expert teams in key locations worldwide close to customers.
- New staff with local expertise, language, networks and credibility across all four

regions: Americas, Europe, IMEA and APAC.

### THE OPPORTUNITY DECADE

This new focus and the significant investment it needs is already reaping early results as iGTB is being welcomed more and more into leading Transaction Banks' boardrooms, with active discussions on higher deal sizes under way.

Shifts in business happen stronger and faster than most participants realise. Even when they foresee the change.<sup>4</sup> The creation of iGTB, the significant investment in new, knowledgeable staff and localisation, the boldness of the engagement approach and the leverage of the excellent catalogue of IP, show that Polaris is not falling into this trap.

This is the decade of Transaction Banking. This is the decade of iGTB.

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### References

1. The Transaction Banking Advantage: The Path to Profitable Growth', The Boston Consulting Group, October 2012, p2
2. Riding the Wave of Global Transaction Services and Payments Systems', IPFA, November 2011, p12. Citing the source as Companies Annual Report 2010 with Value Partners analysis.
3. BAFT Conference session, 6 May 2014
4. The Innovator's Dilemma', Harvard Business Press Books




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**Manish Maakan**  
Chief Executive Officer  
Global Transaction Banking

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**GETTING RISK AND EXECUTION  
ONTO A COMMON PLATFORM  
WITH INTEGRATED RISK &  
TREASURY**



**intellect**<sup>®</sup>  
enterprise banking platform

# RISK & TREASURY MANAGEMENT

## BASEL III LRM WITH Zf RISK VISUALIZATION

Enables financial institutions to meet all their Liquidity Management and Liquidity Risk Management needs, incorporating two major modules: Zf Risk Visualization and Active Risk Management.

## SHARED MF INFRASTRUCTURE

Zf Risk Visualization multiplies productivity, empowers treasurers and operations teams; Liquidity Risk Management leverages risk information for better capital allocation and trading decisions.

## **INTEGRATED RISK AND TREASURY**

Leverage risk data for superior decision making; comprehensive real-time visibility across asset classes, organisational divisions and geographies and improved operational efficiency through automation and integration across multiple channels of trading access.

## **BROKERAGE**

Single integrated offering which financial institutions and brokerage houses can use to offer institutional investors broking and investment services.

## **CUSTODY**

Comprehensive Straight Through Processing (STP) Custody platform that caters to the needs of custodians and fund houses.

**INTEGRATED RISK & TREASURY MANAGEMENT  
PLATFORM RUNNING THE LARGEST TREASURY  
OPERATIONS IN THE WORLD**





# RISK & TREASURY MANAGEMENT

The world is changing. Since the recession of 2008, the ethos driven by the West has been dented. The Wealth and Funding Centers based in Europe and the US, which formerly drove the global economy, have stuttered and other regions have risen to fill the gaps left by the demise of these AAA conglomerates. Today's global picture is now more robust with funding being driven from former backwaters within the world's economy and new economic powers have come to the fore to drive the world's supply of goods and materials. The phrase 'Glocalisation' is now a buzz word in financial markets. This is the process of local economies – driving the global need for banking and finance solutions. Countries that were content in the past to sit in the shadows and cover the standard needs of customers within the nation have been left behind. The failure of funding banks in the 'West' has forced local banks in Africa, Asia Pacific and the Middle East to seek a greater merit in the management of their country's business. Also, there has been a rush of trained and financially educated and astute individuals returning to their homelands. This has led to a glut of emerging market countries needing banking support. These countries are awash with funds, a burgeoning middle class with excess funds and are now at the forefront of emerging technologies with the mobile banking sector.

This in turn has created a need. Treasury funding is in demand in regions where formerly there were no markets. This rise in sophisticated transactions means banks in these areas need sophisticated solutions to manage their products growth, both for trading and settlement. With this increase in business comes the need to manage the risk inherent in transactions – cross border,

fraudulent actions, and customer mitigation. All these generate issues in settlement, credit, market, operational and enterprise risk.

## **CHALLENGES CUSTOMERS FACE**

The changing landscape has forced financial institutions to adapt and extend the boundaries of the way they perform their business. Access to new technologies in regions of the world formerly too remote to offer sophisticated treasury products is making banks seek better channels of delivery and supply more complex products to manage their customers' business drivers. The geography and spread of wealth locations has diversified, and with it the need for regional banks to supply better product offerings. In conjunction with the reallocation of funding sources for banks' balance sheets comes the need to control and monitor as Central Banks and global regulators look to overlay limits, rules, measures and metrics to what banks are allowed to do, and apply a monetary buffer so that adequate cash funds are available to alleviate a potential 'run on a bank' and avert a future global melt down.

While this might sound like scare mongering, this is the financial tightrope banks must now walk. Banks' C-level management is dedicated to maximise bank liquidity and mitigate operational, financial and reputational risk. To do this the bank needs more robust information frameworks that enable greater visibility of consolidated cash flows and real-time risk figures across assets and portfolios. Banks need to simplify and personalise the capture, management, and processing of sales trades and their associated life cycle events so that Single Step Position Transfer (SSPT) for Specialist Position

Management is achieved. Above all, the information they assess needs to be intuitive with effective workflows so that the decision made on investments and risk mitigation is consistent and based on solid real-time information providing the best performance on capital, but with minimum risk potential.

### **WHY WE ARE BEST EQUIPPED TO DEAL WITH THESE CHALLENGES**

The Intellect Risk and Treasury Management (RTM) business has one of the most comprehensive suites of Treasury and Risk products of any vendor, with one driving factor extending a bank's performance on the back of controlled Risk mitigation, that being integration. The Intellect suite is a complete front-to-back, cross-asset solution with embedded Straight Through Processing (STP). It gives the trader a full complement of decision making tools to assess the trading position and evaluate the best returns on capital. This is linked to a settlement and Nostro Management process that provides clear overviews of both the settlement of the bank and the customers for whom the bank is providing a service. However, this framework does not stand alone. Interwoven across the trading book is a linked contingent of Risk Monitoring applications that control and advise what adverse processes are impacting on the Banks' positions. These issues are visible on real-time basis via dashboard pop-up messages and e-mail, so that banks staff are constantly made aware of risk potential across settlement, credit, market, operational, liquidity and enterprise risk, so that there are no surprises to the management team of the bank.

An example of our commitment to intuitive design and management is our Zf Risk Visualization solution that provides pro-active liquidity risk management of a bank's balance sheet – in particular the principles of Basel III, the key regulatory control tool to avert a bank having a liquidity crisis. It monitors the bank's liquidity against the principles laid down within the Basel accord, but more importantly it delivers information on issues and sensitivity

within the balance sheet in real time, visibly shown in dashboards where the drivers of risk are easy for a manager to read, address and formulate decisions to mitigate.

### **OUR DESIGN FOCUS BETTER EQUIPS US FOR TOMORROW**

Our solutions are built on the latest technology with state-of-the-art user interfaces and the most up-to-date programming. This means that our solutions are scalable and are 'future proof'. With the most comprehensive Treasury and Risk suites, we are well placed globally to meet the challenges for which our customers are seeking robust solutions. We can adapt quickly to the demands of an evolving Treasury market. New product types developed by banks for their customers, which are complex with algorithms and intricate pricing methodologies, no longer take months to build and introduce to the market. Our teams in the product centres can accommodate and deliver these updates with speed. Canvas Technology provides a robust construction palate for delivery of e-services direct to banks' customers via 'Smart' applications (iPhone, iPad or tablets) deployment. This translates into a Treasury that is really mobile, with customers able to transact complex structured products on the move.

Our versatile technology build also allows RTM to introduce dedicated cover to the market quickly. At present we are developing an Islamic Treasury solution and a Rapid Deployment solution through which we can make sales inroads into specific regions formerly unavailable to us. There are over 450 Islamic banks worldwide. Small banks in Asia and Africa are also demanding the same treasury functionality, but at a sensitive price point.

Dynamic solutions developed and delivered with smart methodologies result in implementation schedules which are a fraction of what competition offers. The Bank of Jordan custody project for example, was delivered in just eight weeks!



## OUR DESIGN FOCUS ENABLES TREASURIES VISUALISE THE FUTURE

Banks no longer want 'off-the-shelf' products. They demand greater versatility within their solution as their customers demand a better and more robust service. Any solution now has to be scalable as the business grows, and the solution must evolve with the customers' requirements. The customer demands better service, better communication and a more extensive supply of products. If their bank does not measure up, they will move to another bank that will.

This means that a bank has to provide the most compelling offering to the end user, in the quickest, cheapest, and most functionally rich environment possible. A bank cannot provide this without planning. It cannot offer products on a remote basis. Solutions must talk to each other and must be open. The Intellect RTM business group makes this possible.

At the 8012 FT Design Center specialist engineering teams and visiting clients look at the entire orchestration of their solution, design them from the bottom up, and also collaborate in the solutioning process. Being able to connect the dots and physically link processes, prior to implementing the system is recognised as visionary by the Treasury banks who have visited the centre. The ability to map, plan and visualise a bank's deployment strategy is a value addition, which has been proven universally as no one financial institution has the same build, but potentially all of them have the same inherent issues. How do they integrate, get the best performance and deliver all the information from an evolving solution? The answer has been by designing the process visibly. If the user can see the potential build, they can design it to provide better end result for the customer.

## STRONG CUSTOMER RELATIONSHIPS

Because RTM is laying down a strong functionally rich suite of products, delivering projects within a controlled process, we are earning the respect of our customers, becoming a trusted provider.

Powering the world's largest Treasury operations requires supporting high daily volumes processing with transaction values in excess of \$80 trillion.

- RTM had 24 deals the last Financial Year, 6 of these were new name businesses
- 18 banks have extended their Polaris product suite underlying clients' trust in their solution choice
- New wins have extended our customer footprint outside of our traditional regions to Europe, Africa and Asia
- 2013 saw our first Risk Visualisation win, hopefully the first of many for this market changing product

## THE YEAR AHEAD

We eagerly look forward to the year ahead. The foundations we are building in our product suite and the comprehensive delivery process will result in an expanded customer base and order book. The Intellect RTM business will gain further recognition and be acknowledged as an essential part of any global Treasury institution's trading environment.



**Venkatesh Srinivasan**  
Chief Executive Officer  
Risk & Treasury Management



# **POSITIONING FOR VERTICAL LEADERSHIP IN THE INSURANCE BUSINESS**



**intellect**  
**ISEC™**

# ENTERPRISE INSURANCE PLATFORM

## DISTRIBUTION SOLUTIONS

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State-of-the-art solution to enhance distribution efficiencies, boost sales and strengthen brand equity by delighting customers at every touch point. Our solution guarantees increased agent productivity (via AWX), improved service center effectiveness (via SDX) and high customer engagement (via CDX) by providing a continuous experience across channels as well as across mobile and web.

## INTELLECT BUSINESS COMPONENTS

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Insurers can quickly achieve competitiveness and business agility while leveraging high value IT assets in a continuously changing business and technology environment with lower ongoing total cost of ownership.

### INTELLECT CLAIMS

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Intellect Claims is an end-to-end solution that delivers smarter, proactive Case management with accurate rule-based payouts to increase Claims personnel productivity and reduce Claims leakage while elevating the customer experience.

### LIFE CLAIMS IN THE CLOUD

---

Life Claims in the Cloud leverages rich case and claim functionality of Intellect Claims packaged in a multi-tenant environment for as low as \$10,000 per month to ensure the business case for Life Claims is no longer a barrier.

### UNDERWRITING WORKSTATION (UWX)

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A comprehensive solution that enables underwriters accelerate smart decisions across Commercial lines. UWX provides flexible workflows and collaboration across underwriting processes combined with advanced data and analytics to not only increase underwriter efficiency, but also their effectiveness.

### INTELLECT BUSINESS APPS

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This set of Business Apps enable Insurers to quickly plug in smaller, but highly desired business capabilities, into their current environment while leveraging existing high value assets allowing higher productivity and revenue generation capabilities.

## VERTICAL FOCUSED INSURANCE SPECIALISATION



# ENTERPRISE INSURANCE PLATFORM

Slow growing economies coupled with persistent low interest rates are posing a significant challenge for Insurers to improve their returns. Stringent regulatory requirements are causing Insurers to re-evaluate existing operating models and growth strategies. With the generational shift in the market, Insurers are necessarily considering ways to manage their increasingly complex product portfolio, introduce new distribution channels, leverage newer technologies and create an omnichannel sales and service experience to all those involved. As the role of the agent morphs into that of a financial advisor, retention of these relationship managers is critical to sustenance and growth causing Insurers to innovate in advisor management capabilities and prioritise ease of doing business.

While ensuring profitable growth, lowering operating costs and improving operational efficiencies remain on the top of CXOs' minds, they are burdened with acquired as well as home grown legacy environments that impede the pace of such business imperatives.

## **CHALLENGES CUSTOMERS FACE**

Given the shift in consumer economics and buying patterns, Insurers are not able to quickly respond to new channel and product introductions due to existing inflexible systems, interoperability constraints and architecture limitations. The underserved middle markets and growing orphaned client

communities are nudging Insurers to introduce direct channels for sales and servicing capabilities in order to stay profitable and retain or grow their customer share.

Although Insurers want to compete and provide the most suitable generational products with the highest degree of Customer Centric sales and service capabilities, they are impeded by existing technologies, under-utilised data and conservative management outlooks. Although 3-4% of Insurers are considered innovators and front runners, the risk averse culture of most Insurers worldwide recesses them from quickly benefitting from newer technologies such as cloud, social media, and mobile. Smart consumption of big data whether unstructured or structured to provide real-time or predictive analytics and improve underwriting margins and loss ratios still baffles many Insurers.

Quickly tackling the move from policy-centric to a customer-centric model requires IT organisations to embrace newer integration technologies and agile architectures available in the marketplace. The historically humdrum activity of policy servicing and claims management now surfaces as critical touch points in a customer's engagement life cycle where ensuring the highest level of experience and utmost care with service accuracy is necessary for retention and growth. Smart solutions utilising newer technologies and

predictive analytics capabilities prove to improve staff productivity to directly improve operating ratios.

### **WHY WE ARE BEST EQUIPPED TO DEAL WITH THESE CHALLENGES**

The absence of economically viable solutions that simplify implementation and accelerate integration creates the right market opportunity for Polaris. Our Insurance products offer the right mix for Life and Non-Life Insurers to focus on their strategic imperatives while reducing time to market of technology initiatives by up to 60%. Our strong customer relationships are indicative by over 90% of cross-sell revenue within existing customers.

From a technology perspective, Intellect Insurance is built on a core software platform that allows companies to deal with constant market change. The core platform incorporates Service Oriented Architecture (SOA) and industry standards such as ACORD and leverages user interface frameworks such as Portal, Java scripting and mobile. The workflow conforms to the BPMN standard and interoperability is achieved through a business service layer realised through fine grained business components that are pre-built and reused across channels and systems. The Insurance solutions built using this platform are in production in large Insurers around the globe and has proven to be scalable, flexible and extendable. The platform allows us to deploy applications on premise or in the cloud and makes our solutions affordable to Insurers of all sizes.

### **OUR DESIGN FOCUS BETTER EQUIPS US FOR TOMORROW**

To enable Life and Non-Life Insurers worldwide in their drive toward profitable growth, increased operational efficiency and reduced total cost of doing business, while

bleeding existing high value assets, we have balanced our product portfolio for 2013/2014 to ensure Polaris' Insurance products are well placed for the near, medium and long term in these markets.

In the near term we have focused our core Intellect Business Component Software (BCS) to penetrate customers with system interoperability issues and deliver the desired customer-centric business capabilities across channels in a quick and flexible manner. We have begun introducing targeted improvements to both the integration capabilities with RESTful services and enhance the user experience across mobile and web.

We continue to build on BCS with the introduction of Business Apps to solve specific hurdles of Product Configuration, Life New Business and Needs Analysis with richer functionality inclusive of workflow, user preference management and rich UI.

To revolutionise Claims Management for mid-sized to small Insurers, we have introduced Life Claims in the Cloud, which leverages the workflow, and rich case and claim functionality of our end-to-end Intellect Claims product, but packaged in a multi-tenant environment starting as low as \$10,000 per month.

In the medium term we continue to build on our Distribution Solutions with Intellect Agent Workspace (AWX) to radically increase Advisor Revenue Productivity from Leads to Quote to Policy Issuance, and Intellect Service & Distribution Exchange (SDX) for call centre effectiveness and efficiency while Intellect Customer Distribution Exchange (CDX) increases customer engagement and experience with targeted self-serve capabilities. We underpin our distribution





solutions to enable continuous experience across channels (Advisor, Call Centre and Customer) as well as across Mobile and Web. The releases for this functionally rich solution set will roll out from June 2014.

With our near- and medium-term products focused on Life, we have started work on our long-term P&C product in Underwriting Workstation (UWX) to enable an underwriter to make smarter decisions more often. We combine everything an underwriter needs from Quote to Issuance as well as Endorsements and Renewals in a powerful package that combines Workflow, Collaboration, Data and Analytics (both structured and unstructured). The first release of this product will be towards the latter half of 2014.

#### **LOOKING AHEAD. OUR FIVE-YEAR VIEW**

Currently Insurance products fall roughly into two broad categories. Vertical products which are highly specialised to insurance carriers that do not have the flexibility to take advantage of emerging functionality in terms of data, outside analytics, mobility and user experience, and horizontal products that are typically 'born in the Cloud' and 'mobile first' that leverage outside analytics and data, but struggle to provide insurance-specific functionality and hygiene factors such as compliance to regulations and insurance standards.

To be successful in Insurance products over the next five years there needs to be harmony between the vertical processes with new world paradigms of mobility, cloud, data and analytics. Examples of this include combining pipeline management with needs and quote such that a Life Advisor never has to type in notes or perform basic non-productive activities, but simply focus on driving premium and prospect conversion

**Our Insurance Products offer the right mix for Life and Non-Life Insurers to focus on their strategic imperatives while reducing time to market of technology initiatives by up to 60%. Our strong customer relationships are reflected in over 90% of cross-sell revenue within existing customers.**

rates. Extending this to P&C we would let an underwriter know that underwriting a particular location would mean writing at a loss, because our system has picked up the possibility of exposure to water damage.

From an Intellect portfolio perspective we see our focus being solely on the package products within the next five years, noting the fact that as they are built on the solid foundation of BCS where we retain the flexibility to decouple. However, the focus will be less on the integration value we bring but more on what incremental value we can bring through richer and relevant functionality to our customers.



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**Pranav Pasricha**  
Chief Executive Officer  
Insurance Products

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# BOARD OF DIRECTORS



**Arun Jain**  
Chairman &  
Managing Director



**R C Bhargava**  
Chairman  
Maruti Suzuki India Ltd



**Dr. Ashok Jhunjunwala**  
Professor  
Dept. of Electrical  
Engineering, IIT Chennai



**Abhay Agarwal**  
Practising Chartered  
Accountant



**Arvind Kumar**  
Senior Lawyer  
Supreme Court of India



**Raju Venkatraman**  
Managing Director & CEO  
MEDALL Healthcare (Pvt.) Ltd



**V. Balaraman**  
Corporate Director /  
Consultant / Mentor



**Rajesh Mehta**  
Treasury & Trade Solutions Head,  
Europe Middle East & Africa (EMEA)  
Citi Global Transaction Services

# GROUP EXECUTIVE COUNCIL



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Chairman &  
Managing Director



**Jitin Goyal**  
Chief Executive Officer  
FT Services



**Manish Maakan**  
Chief Executive Officer  
Global Transaction Banking



**Jaideep Billa**  
Chief Executive Officer  
Global Universal Banking



**Venkatesh Srinivasan**  
Chief Executive Officer  
Risk & Treasury Management



**Pranav Pasricha**  
Chief Executive Officer  
Insurance Products Business



**S Swaminathan**  
Chief Financial Officer

# GROUP EXECUTIVE COUNCIL



**Govind Singhal**  
Group Business  
Enablement Officer



**K Srinivasan**  
Head-Growth Markets,  
Indian Subcontinent,  
Middle East & Africa



**Rajesh Saxena**  
Chief Strategy Officer



**Padmini Sharathkumar**  
Chief Marketing Officer



**Vinodh Chelambathodi**  
Chief Human Resources Officer



**Anil Verma**  
Leadership Coach

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# **POLARIS FINANCIAL TECHNOLOGY LIMITED**

(formerly known as Polaris Software Lab Limited)

Annual Report for the year ended March 31, 2014

Regd. Office: 'Polaris House', No.244, Anna Salai, Chennai - 600 006. INDIA.

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## FINANCIAL REPORT

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### Bankers

Citibank N.A  
HSBC Ltd.  
HDFC Bank Ltd.  
JP Morgan Chase Bank, N.A.  
ICICI Bank Ltd.  
Bank of America, N.A. New Jersey

### Auditors

M/s. S.R.Batliboi & Associates LLP  
6<sup>th</sup> & 7<sup>th</sup> Floor, A Block  
(Module 601, 701 – 702), Tidel Park,  
No.4, Rajiv Gandhi Salai, Taramani,  
Chennai – 600 113. India.



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**DIRECTORS' REPORT**

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## DIRECTORS' REPORT

To the members,

We are pleased to present the Twenty-first Annual Report on our business and operations for the year ended 31st March 2014.

### 1. Results of operations

(Rs. in Lakhs, except EPS data)

Description	Standalone		Consolidated	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Income (Including Other income)	203,531.47	189,052.02	245,604.89	229,277.02
Expenses	187,582.70	163,852.24	216,086.71	199,349.90
Profit before Interest, Depreciation & Tax (PBITDA)	15,948.77	25,199.78	29,518.18	29,927.12
Finance Charges	104.10	190.50	197.72	249.08
Depreciation & amortization	4,797.99	4,634.35	5,444.03	5,369.09
Net Profit Before Tax	11,046.68	20,374.93	23,876.43	24,308.95
Provision for tax including Deferred Tax	2,650.09	3,669.23	3,968.78	4,903.67
Net Profit after tax	8,396.59	16,705.70	19,907.65	19,405.28
Add/(Less): Share of Profit/(Loss) on Associate Companies	-	-	11.55	452.01
Add/(Less): Minority Interest – Share of Loss / (Profit)	-	-	-	223.03
Net Profit	8,396.59	16,705.70	19,919.20	20,080.32
<b>EPS</b>				
Basic Rs.	8.44	16.79	20.01	20.19
Diluted Rs.	8.42	16.76	19.97	20.15

### 2. Business Performances

The consolidated revenue of Polaris Financial Technology Limited from Software Development services and Products for the year ended March 31, 2014 stood at Rs.242,369.65 lakhs as against the previous year's revenue of Rs.225,863.10 lakhs. The consolidated Net Profit for the fiscal year ended March 31, 2014 stood at Rs 19,919.20 lakhs as against the previous year's consolidated Net Profit of Rs.20,080.32 lakhs. The reserves and surplus increased to Rs.149,763.58 lakhs (2013-14) from Rs.129,297.15 lakhs (2012-13).

### 3. A Snapshot of the Segment wise Performance for the year 2013-14 is as under

Rs. Crores

Consolidated Segmental Profit and Loss Account			
Particulars	Services	Products	Total
<b>Revenue</b>	<b>1,966.54</b>	<b>532.53</b>	<b>2,499.07</b>
<b>Expenditure</b>			
Software development expenses	1,340.82	250.06	1,590.89
Selling & Marketing and General & Administrative expenses	261.80	192.41	454.21
<b>Total Expenditure</b>	<b>1,602.63</b>	<b>442.47</b>	<b>2,045.10</b>
<b>Profit before interest, depreciation &amp; amortisation</b>	<b>363.91</b>	<b>90.06</b>	<b>453.97</b>
R&D Costs	17.21	87.03	104.24
Depreciation & Finance charges	34.04	20.12	54.16
<b>Profits</b>	<b>312.66</b>	<b>(17.09)</b>	<b>295.57</b>
<b>Other Income/expenses Unallocated:</b>			
Forex impact on Hedge Accounting (AS 30)			(104.40)
Other Income including exceptional items ***			47.59
Minority Interest / Share of Profit / (Loss) of associate companies			0.12
<b>PBT</b>			<b>238.88</b>
Provision for Tax - Current year, Deferred tax and adjustment of tax relating to earlier periods			39.69
<b>PAT</b>			<b>199.19</b>

\*\*\* Instead of line wise consolidation of the financial results of IdenTrust Inc. up to the date of divestment, the net impact on the divestment has been considered in 'Other Income including exceptional items.

The revenue reported under the above Consolidated Segmental Profit & Loss account is arrived after reclassifying foreign exchange impact on hedge accounting (AS-30) and constructed other income below the segmented financials.

#### **4. Subsidiaries**

The Ministry of Corporate Affairs (MCA), Government of India vide its Circular No.2/2011 dated February 8, 2011 has granted general exemption under Section 212(8) of the Companies Act, 1956 subject to certain conditions being fulfilled by the Company. As required in the circular, the Board of Directors of the Company at its meeting held on April 30, 2014 passed a resolution giving consent for not attaching the Balance Sheet of subsidiary company(s).

The requisite information about subsidiaries is furnished elsewhere in this Annual Report. Shareholders who wish to have a copy of the full report and accounts of the subsidiary(s) would be provided the same on receipt of a written request and those documents will be made available for inspection at the Registered Office on any working day at the business hours during the notice tenure of Annual General Meeting.

#### **5. Cash & Cash Equivalents**

Polaris liquidity remains healthy with a cash reserve of Rs.691.24 crores. The DSO is at an impressive 48 days.

#### **6. Share Capital**

During the year, under ASOP 2003 Scheme, the Company has allotted 43,900 equity shares of Rs.5 each to 17 employees and under ASOP 2011 Scheme, allotted 300 equity shares to 1 employee. Further your company during this year, under ASOP 2004 Scheme transferred 25,600 equity shares of Rs.5 each to 7 associates of Orbitech Employees Welfare Trust, on exercise of the options granted under the said scheme.

No options were exercised during the year under Scheme ASOPT 2011. As a result of the above allotments the issued, subscribed and paid-up equity share capital of the company was increased from Rs.497,530,370 comprising of 99,506,074 equity shares of Rs.5 each as on 31st March 2013 to Rs.497,751,370 comprising of 99,550,274 numbers of equity shares of Rs.5 each as on March 31, 2014.

#### **7. Research and Development Design Centre**

Research and Development Design Centres at Navalur and Siruseri have been recognised and approved by the Department of Scientific and Industrial Research, Government of India.

Applying Design Thinking across Business, Technology and Operations aspects while developing world-class financial technology solutions for our customers has become an integral part of our work culture. This has also widened our world to create innovative solutions which are ahead of our times and are bound to change the way the world of finance works.

During the financial year, we achieved a major mile stone by developing solutions that have made us an "End-to-End Financial Technology" service provider.

Among the innovations we created, the most significant was "ROBIN", the world's first financial technology robot that can do all cashless, paperless financial transactions across all banking and insurance verticals. We are proud to state that the entire project, from conceptualisation to operations, has been an in-house effort. This is significant because we are basically a software

company and the Robin project involved integration of different types of hardware. A lot of academic research went in.

It has more than 100 metres of wiring which enables to run 17 devices seamlessly. The devices were selected based on how in future the banking and insurance customers would like to do their financial needs. The devices include NFC reader & writer, instant card issuer and others.

We developed such key solutions by applying the concept of Design Thinking across Business Technology and Operations aspects.

#### **BUSINESS**

Z7 - An online front-end interactive banking solution for bankers

#### **TECHNOLOGY**

Performance Engineering Automated tool to optimise resource utilisation

#### **OPERATIONS**

Hardware Sizing - A sales enabler solution

Integrator facilitates seamless and transparent integration of business applications

Configuration Management - A tool to standardise all financial technology products

### **8. Dividend**

We propose a final dividend of Rs.6.25/- per share upon approval of the shareholders at the 21<sup>st</sup> Annual General Meeting. This dividend will be paid out of the profits of the Company.

The Register of Members and Share Transfer books of the company will be closed w.e.f 14<sup>th</sup> July, 2014 to 23<sup>rd</sup> July, 2014 (both days inclusive).

### **9. Corporate Governance**

Your Company has been complying with the provisions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement. A separate report on Corporate Governance along with the Auditors' certificate on compliance of the Corporate Governance norms as stipulated in Clause 49 of the Listing Agreement and Management Discussion & Analysis forming part of this report are provided elsewhere in this Annual Report.

### **10. Scheme of Arrangement (Demerger) between Polaris Financial Technology Limited and Intellect Design Arena Limited**

The Board of Directors of the Company at its meeting held on 18<sup>th</sup> March, 2014 have given its in-principle approval for demerging the Product Business Undertaking of the Company into a separate Listed Company. The Company has filed applications under Clause 24(f) of the Listing Agreement with the Stock Exchanges and the scheme/structure is subject to the approval by the various Regulatory Authorities.

### **11. Conservation of energy, technology absorption, foreign exchange earnings and outgo**

The particulars, as prescribed under Clause (e) of Sub-section (1) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the Annexure to the Directors' report section.

### **12. Particulars of employees**

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are set out in the Annexure to the Directors' Report section. However, as per the provisions of

Section 219(1)(b)(iv) of the Companies Act, 1956 the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

### **13. Directors' responsibility statement as required under Section 217(2AA) of the Companies Act, 1956**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors of your company confirm that:

- i) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) The Directors had prepared the Annual Accounts on a "going concern basis".

### **14. Directors**

Mr.Abhay Agarwal, Director of the Company is retiring by rotation at the forthcoming Annual General Meeting of the Company, being eligible offers himself for reappointment.

As per Companies Act, 2013, an independent director shall hold office for a term up to five consecutive years on the Board of a company and shall be eligible for reappointment for another term of upto five consecutive years.

A person who has already served as an independent director for five years or more in a company as on October 1, 2014 shall be eligible for appointment, on completion of his present term, for one more term of up to five years only.

A person shall not serve as an independent director in more than seven listed companies.

The following independent directors of the Company have completed more than 5 years on the Board:

Mr.R.C.Bhargava  
Dr.Ashok Jhunjunwala  
Mr.Arvind Kumar  
Mr.Raju Venkatraman

Mr.V.Balaraman, Independent Director was appointed on 27<sup>th</sup> April 2013 and has completed one year in the Board.

Considering the experience and professional expertise of the independent directors, it is hereby proposed to the members that the following independent directors be appointed for a period of 3 (THREE) years from the conclusion of 21st Annual General Meeting till the conclusion of 24th Annual General Meeting.

Mr.R.C.Bhargava  
Dr. Ashok Jhunjunwala  
Mr.Arvind Kumar  
Mr.Raju Venkatraman  
Mr.V.Balaraman

Notices under Section 160 of the Companies Act, 2013 have been received by the Company from the members for the appointment of the above directors as Independent Directors of the Company.

This is included as a separate agenda in the Notice of Annual General Meeting of the Company to be held on 23rd July 2014 for approval of the members.

### **15. Chief Financial Officer**

Mr.S.Swaminathan has been appointed as Chief Financial Officer of the Company w.e.f. 16<sup>th</sup> December 2013 in place of Mr.Natarajan Narayanasamy who has taken on the responsibility of heading the Strategic Business Unit for Polaris Europe. Prior to this, Mr.Swaminathan was the Company's Deputy Chief Financial Officer.

### **16. Auditors**

M/s S.R.Batliboi & Associates LLP, Chennai, Chartered Accountants who are the Statutory Auditors of the Company retire at the forthcoming Annual General Meeting and are eligible for reappointment. The retiring auditors have furnished a certificate of their eligibility for reappointment pursuant to the provisions of Sec. 139 of the Companies Act 2013 and have indicated their willingness to be reappointed.

### **17. Fixed Deposits**

Your Company has not accepted any deposits during the financial year and as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

### **18. Social Connect**

#### **Ullas Trust**

A humble initiative which started in 1997 with just 32 children has today turned into a silent movement exemplifying the power of inclusive CSR. So far, Ullas Trust has awarded more than 30,000 scholarships to students in schools across Chennai, Hyderabad, Mumbai and Delhi. More than merit based scholarships, there has been active support from the associate community in the mentoring programs called SUMMIT, packaged in modules of five interventions per year over the four year period of a child's association with Ullas. Over six thousand children studying in Corporation and Government schools in the four metros attended these life skills program. This year under the rural re-connect "Touch the Soil" program, we ignited more than 1 lakh young minds with the support of 354 volunteers across 4 states and 77 districts in rural India.

#### **Ullas – Chennai**

Ullas Trust celebrated its 16th Annual workshop on Aug 31st, 2013 in Sri Mutha Venkata Subha Rao Concert Hall, Lady Andal School premises where over 1000 Ullas achievers from class IX participated in the "Can Do" workshop and were awarded Ullas Young Achievers Scholarships. Continuing its unrelenting endeavor of recognising academic excellence in students from Corporation, Government and Government aided schools, the Ullas Trust awarded scholarships to students from 240 schools in Chennai. As part of the Touch the Soil initiative, volunteer teams went to 145 schools from all 32 districts headquarters of Tamil Nadu to conduct the 'Can Do' workshops in these schools thus covering 82,730 children. In addition to that, 172 students were awarded Higher Education Scholarships for pursuing professional courses in colleges. Ullas also sponsored Easy Learning of English (ELE) classes for the 6th to 8th Standard children in 20 schools of six districts in Tamil Nadu covering 2490 students through collaboration with a local NGO-Vidyarambam. These classes were also conducted at our Social Engineering hub at Killai, in the Government school premises.

### **Ullas – Mumbai**

Around 500 students from 12 municipal and 11 Government-aided schools were awarded scholarships in the Mumbai workshop held in Rangsharda Natyamandir on 30<sup>th</sup> November, 2013. The Diary of Dreams session was very interactive making the students participate by penning down their dreams. 48 associates volunteered to travel to different zones in Mumbai to participate as Mentors in the SUMMIT classes in local schools and conducted the classes there during the weekends. As part of the Touch the Soil initiative, volunteer teams went to 39 schools in 16 rural districts of Maharashtra to conduct the 'Can Do' workshops in these schools thus covering approximately 8843 children.

### **Ullas – Hyderabad**

In Hyderabad, 250 students eagerly participated in the Hyderabad Annual Workshop on April 26th, 2013 which was held at "The Capital", Polaris Hyderabad office premises. The Young Achievers entertained everyone with a few cultural performances. The Diary of Dreams workshop was very interactive and enabled students to share their dreams. SUMMIT classes were a great hit at Hyderabad which saw the participation of not only the Ullas children but also their friends who attended the classes in order to improve their communication skills. As part of the Touch the Soil initiative, volunteer teams went to 94 schools from 20 districts headquarters of Andhra Pradesh to conduct the 'Can Do' workshops in these schools thus covering approximately 8604 children.

### **Ullas – Delhi**

The Delhi Chapter of Ullas conducted their Annual Workshop on November 16th, 2013 where 250 Young Achievers participated from NCR. The Diary of Dreams Workshop conducted went down very well with children interacting cheerfully with the Ullas Volunteers. In Delhi the volunteers also travelled to schools to take the SUMMIT classes in the school premises. As part of the Touch the Soil initiative, volunteer teams went to 48 schools from all 9 districts of NCR to conduct the 'Can Do' workshops covering approximately 6425 children.

### **SAMPADA**

Special Appreciation and Mentoring Program Acknowledging Differently Abled (SAMPADA) is an inclusion program at Polaris where our SAMPADA colleagues are referred to as "Distinctly abled" rather than differently abled. Around 18% of associates at the Intellect Products Group business solution centre are SAMPADA colleagues. This unit designs and implements high performance banking solutions to over 50 banks across globe and offers the best Price to performance ratio for the solutions. As part of the rural out-reach program, around 286 beneficiaries in 3 districts of Tamil Nadu received orthotic supports under a collaboration model with a local NGO - Freedom Trust.

## **19. Acknowledgement**

Your Directors take this opportunity to express the gratitude to all investors, clients, vendors, bankers, Regulatory and Government authorities, Stock Exchanges and business associates for their cooperation, encouragement and continued support extended to the Company. Your Directors also wish to place on record their appreciation to the Associates for their continuing support and unstinting efforts in ensuring an excellent all round operational performances at all levels.

By Order of the Board  
For **Polaris Financial Technology Limited**

Place: Chennai  
Date : April 30, 2014

**Arun Jain**  
Chairman & Managing Director



## Annexure to the Directors' Report

The Particulars as prescribed under Sub-section (1) (a) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

### 1. Details of the Conservation of Energy

a) Measures taken to reduce energy consumption:

The year has seen a widening gap between electricity production and demand right across the country. However, your Company is ever mindful of the need for energy conservation, not only as a method of cost reduction, but also because it is a global imperative. We have ensured that the following measures are institutionalised across all our facilities:

- i) Optimal cooling of work areas and data centres.
- ii) Switching off computers when not in use.
- iii) Utilisation of lights and stand-alone air-conditioners only when required.

b) Additional investments and proposals for reduction of energy consumption:

Newer technologies have become available that have enabled your Company to invest in them and enjoy their benefits vis-à-vis energy conservation. Although some of these technologies are still in the pre-dawn stage and therefore, expensive to deploy, a number of them have graduated into the sunrise phase with resultant costs dropping down to more manageable levels. This year, your Company has taken steps in the following areas:

- i) Installation of the radiant cooling system in our facility in Siruseri, Chennai.
- ii) Installation of motion sensors to control lighting in rest rooms in the facility ("The Capital") in Hyderabad.
- ii) Installation of waterless urinals in all our facilities, which has reduced the power consumption for water pumping and sewage treatment.

c) Impact of these measures on cost incurred:

- i) The radiant cooling system is being installed in three floors of our facility in Siruseri, Chennai. We expect an energy saving of around 20%, as compared to conventional HVAC systems.
- ii) The installation of motion sensors has brought about a saving of around 300 units per day in the facility ("The Capital") in Hyderabad.
- iii) Across the country, through the introduction of waterless urinals, your Company has saved around 4% of its total power requirement. Further, especially in areas of water scarcity like Hyderabad, this has eased the requirement for fresh water.

### 2. Research & Development

Collaboratively co-create solutions with our customers by aligning Business, Technology and Operations aspects against the principles of Design Thinking is the approach the Chief Design Officer Office (CDOO) adopted during the financial year. Besides developing solutions for our customers by applying design thinking, the CDOO also took the lead in spreading awareness on "What is Design Thinking and how it can applied in the work we do" to both our internal and external stakeholders.

#### Awareness on Design Thinking

During the financial year, the CDOO conducted awareness sessions on "Design Thinking", covering around 1000 associates. Also it hosted external stakeholder visits to 8012 FT Design Center. This year we had more than 200 visits covering customers, students, media and other stakeholders

visiting the Design Centre. The role of the CDOO extended from deciding the message to be communicated to the visitor to showcasing products / solutions which we have developed by applying Design Thinking. Every visitor has acknowledged the work we have done and has left with a sense of enlightenment.

During the year, we not only developed products / solutions by applying Design Thinking, but went a step further by serving customers too. With more and more products being developed a need for an automated patent filing system has come. We have started working on to create one by integrating it in Octopus, our collaborative workspace solution. During the financial year, we filed 20 patents including for Robin.

The outcome of developing financial technology solutions had a significant impact on business. The key impact being

- Reduced dependence on external vendors
- Increased cost savings
- Enabling Polaris to become an “End-to-End” Financial Technology service provider

We developed key solutions by applying Design Thinking across Business, Technology and Operations.

## **BUSINESS**

### **Robin**

The world's first robot that can do all cashless and paperless financial transactions covering banking and insurance verticals. Senior bankers across geographies from the customer facing arm of their respective banks have shown keen interest to have Robin in branches with high foot fall to give their customers the 'wow' experience, which they feel is much needed in a highly competitive banking environment where every bank wants to outdo others in giving the desired customer experience to its customers.

### **Z7**

An interactive banking solution where all the activities of the front-end of the bank, from Teller to Branch Head can be done on a touch screen. In countries where branch banking is part of the socio-economic culture, Z7 has emerged as solution that would help to reduce the operational costs and speed up banking transaction. This product has been showcased in leading banking forums globally and has received appreciation from the banking community.

## **TECHNOLOGY**

### **Performance Engineering**

An automated tool (script) that captures the resource utilisation across all database servers. Application of this tool played a critical role in successful running of solutions for mutual fund offerings of India's largest public sector bank.

## **OPERATIONS**

### **Intellect® ARX**

ARX provides banks and financial institutions with a facility to access various business applications through a common user interface either by using in-built user provisioning or interfacing with banks' existing User Provisioning systems or via LDAP or other industry standard common authentication systems. It has the ability to provide additional security to its user by providing Two-Factor Authenticator with inbuilt capabilities such as OTP and Security Questions. It can also interface via hard and soft tokens with other industry standard providers. It also has a strong

entitlement engine that can provide requisite access to users (business or admin) via Roles to access their business functions.

During the financial year, 103 installations of ARX were part of our solutions to our customers. In the upcoming financial year 2014 – 15, we will be rolling out an upgraded version of ARX. The key functional features include support for SAML, 100-plus requirement for ARX 14.5 and ARX 15 and Adaptive Authentication. In case of technical features - Certification of ARX with SQL Server and hibernate for Cross Database Support.

### Hardware Sizing

The process of translating business requirements into hardware requirements and determining the optimal hardware resources required to run the application without any performance degradation is Hardware Sizing. During the financial year more than 275 proposals were addressed. In the upcoming financial year (2014 – 15), we will be rolling out an online version of Capacity planning tool for fast moving Intellect products to create self sufficiency of Sales/ Pre-sales team and reduce the Turn Around Time (TAT) while responding to proposals.

### Configuration Management

With this solution, we have developed an in-house code management model “K1 – K4 model”. Also through this solution, we have been able to significantly reduce test costs. This will enable consolidation of product code to a single version. During the financial year, usage of this solution helped in seamless migration and automation of 40 Intellect products and its implementations.

### FT Message Hub (MH)

MH is a configurable middle-ware solution based on SOA to allow banks to interface Intellect Product with legacy, core and third-party systems. During the financial year as part of the MH, Integration Packs for i26, i27, i31, i28 & i30 were launched. These packs facilitate integration of Intellect CBX, Payments, Cash Core, Collection & Receivables, Liquidity and Portal with Core Banking systems of Finacle, Flexcube, Silverlake, Temenos and Phoenix. Integration packs are standard, pre-configured, reusable Messaging Hub (Integrator) configurations for third-party product processors integration in Intellect Implementations. During the financial year we rolled out eight solutions. During the next financial year (2014 – 15), we plan to develop new Integration packs for MiSYS, Nucleus, BaNCS, Systematics and others.

Expenditure incurred on R & D during the year 2013-14 as per Standalone financials:

	Rs. in lakhs
a. Capital	460.27
b. Recurring	8,135.85
c. Total	8,596.12
d. Total R &D expenditure as a % of total turnover	4.55%

## 3. Technology innovation, adoption and absorption

### A. Technology innovation

#### i) Octopus

Octopus has evolved to be a full-fledged Enterprise Social Network (ESN) technology built by Polaris and successfully implemented within the organisation.

It has evolved to be a change agent with Social Rooms, Social Knowledge Management and Social driven employee engagement. Polaris bi-annual global event Lakshya was conducted on Octopus by participation from all employees as part of various ideation theatres. Such a

large workshop being conducted online is unique to the industry. With Octopus being used for all Internal Communication for Intellect, it is mid-way in its journey of replacing e-mails for all internal communication for the Polaris Banyan. Effective Aug 2014, Octopus will completely replace e-mails for all internal communication for Polaris FT Services. This essentially means all communication, collaboration and information storage happening in a central online platform eliminating side effects of information scattering and duplication caused by e-mails. Such mega adoption ensured a thorough and successful absorption of Octopus technology that was innovated 2 years back.

Last year was eventful for Octopus in terms of accolades and recognition. Octopus Work place technology won the CIO100 Innovation Award. It won the Chairman's Excellence Award for Design. Octopus 5-min Audio Video got it to be shortlisted to be presented for App Throw down at the Global IBM Connect 2014 event in Orlando, USA. Octopus got the Social Ready logo from IBM. Besides, a joint global Press Release with IBM on Social Adoption by Polaris, placed Octopus on an international recognition platform.

Success of Octopus implementation in Polaris, traction in external forums, partners and customers and shaping of Octopus as a product has paved the way for a Go To Market as a serious contender in the Enterprise Social Networks (ESN) space. Octopus is now a transformative work place technology described on Polaris web site and in process of filing for 4 patents.

Multiple Features were added to Octopus in an agile manner strengthening Social Rooms, knowledge management and employee engagement.

To highlight the key ones, **Octopus was made available on mobile – web app and native app (for iOS and Android)**

**My Private Wall** – Provided private Collaboration space for employees

Addition of Social Flows and Private Conversations with Rooms has led to the ability to replace un-necessarily rigid workflows with conversational social flows. For e.g., Visitor Management happens as a Social Flow in Polaris, so are various support services with functions like Admin, IT, HR, etc.

Spot appreciation program – **FT Credits and FT Redeem** – has become instrumental in employee motivation and recognition

Addition of Social and MIS Analytics was the foundation for a centralised mini-BI view for all hierarchical levels in Polaris.

Multiple UI and usability features in rooms, notifications, circles were added to ensure quick adoption and so were mass engagement applications launched – Car Pool, Classifieds, Robin, and MOOC.

Finally, Octopus is on its journey to become multi-tenant as the first step towards Cloud offering for external prospects.

## ii) **Improvised Network Security – DLP (Data Loss Prevention)**

As next step of blue coat implementation, we implemented DLP to track data leakage even when the user is not in corporate network.

This enables the discovery, monitoring, protection and management of confidential data wherever it's stored and used – across endpoints, network and storage.

- **Discovery** of data stored across endpoints and servers; identification of true data owners and alerts to unusual activity.

- **Monitoring** of data usage when users are on and off the corporate network.
- **Protection** of data by notifying users about policy violations, securing exposed files and folders, and stopping outbound communications.
- **Management** of data loss policies, workflow and remediation, reporting and administration from a powerful web-based management console.

#### **Cost savings on optimisation of IT infrastructure and reduction of operation costs**

- Telecom voice services consolidation, including Voice Bridge yielded cost reduction of Rs.1.2 Cr. per annum.
- Hardware AMC and Firewall consolidation reduce maintenance cost by Rs.0.8Cr
- Software AMC reduction of Rs.2.97 Cr. by renewal of very selective software, where support is required.
- E-mail retention policy implemented and reclamation of 4TB SAN. as part of storage optimization on Production systems, cost saving is Rs.0.11 Cr.
- Effective use of available desktops and laptops contributed cost saving of Rs.3.37Cr.
- Power saving & increase in desktop lifetime through sleep mode enablement contributed cost saving of Rs.3 Cr.

### **B. Technology Adoption**

#### **MIS Streamlining**

As part of streamlining adoption of existing systems, certain key initiatives were implemented:

1. On Demand "Role based QCRs" – All daily, weekly, monthly QCRs (reports) now moved online for any time access. Data can be pulled based on role / eligibility. No QCRs on file cabs resulting in better security and control of data.
2. MIS Analytics – This is a multi-phase program which enables bringing all analytical needs of role players in a central place – My Analytics in Octopus – Web and mobile. The analytics is in form of Summary dashboards and drill-downs for projects (delivery), accounts and opportunities (sales), people (HR), other functions (Finance, Admin), etc. First version was rolled out. This included build up of Enterprise Masters and Enterprise Analytics data store, a summary dashboard and project drill down dashboard. Account dashboard designed. This analytics can be at cluster-level, SBU level or company level and can be drilled-down based on role and entitlements.
3. Simplified Resource Release & Assignment process in Services Division - This process was earlier spread across RMS system, PCS and some manual steps. To bring in a homogenous experience for the users, this process is now completely implemented in PCS i.e. RMS module for the same is decommissioned and PCS would be used for release and assignment of associates. The new process eliminates the waiting time (minimum of 12 hours) between assignment activity in RMS and updating of billing information in PCS. This module has automated the hitherto manual process (mail interactions) followed between release initiation of an associate from the project till the associate is assigned to a new project by a new PM.
4. The systems (PCS, EWMS, Finance, Jaguar) aligned to the re-org reflecting the changed business processes and rules.

**Enhancement of IT monitoring capabilities:** HP EMS implemented for effective monitoring and reporting of network, servers, applications, assets, etc. This has improved visibility, increased availability and performance of IT Infrastructure, and ensures 100% correct and automated IT Asset tracking.

### C. Technology Absorption

- i. **Spam filter capacity enhancement at DR site:** Capacity of filter was not able to handle the load on SPAM filter on failure at primary site. Quarantine mails at Spam filter are now notified to associates, so that the user is able to release "Not spam mails" by themselves. In addition, Dictionary filter implementation helped to increase effectiveness in spam filtering by 20%.
- ii. **Server consolidation** post merger - IndigoTx, PYXIS: 22 Physical servers used earlier got consolidated into 3 Physical servers. This has led to significant reduction in IT power consumption. (Go Green).
- iii. **Data Centre consolidation:** Development and testing environments were migrated to Chennai and Hyderabad servers from 14 old servers at Mumbai DC. This led to closure of Mumbai DC. Running the projects test and development environment on these old servers was a big risk for Polaris, as vendor support was on best-effort basis. By retiring these old servers, in addition to mitigating risk, there was a significant power reduction. Going forward, Polaris has Data Centres only at Chennai and Hyderabad.

### (D) Infrastructure

- i. **Wireless Infrastructure:** Next Level Ground Floor is built with completely wireless IT infrastructure. Complete wireless architecture included laptops, all in one PCs, Phones, Printers and Projectors.
- ii. **R&D Island:** R&D Islands are created across India locations for associates to access free internet with download for their R&D requirements. This enables the development, engineering and research teams to come up with new innovations.
- iii. **IT Assets rationalisation & Cost Savings:**
  1. Software rationalisation (effective usage by metering and optimised usage) and reduction in software AMC resulted in significant cost saving.
  2. Server consolidation is continuous process, helped to reduce number of physical servers (Unix and Wintel servers) by virtualisation. This leads to reduction in rack space power and cooling at Data Centre.
  3. Data Centre consolidation: Closed Mumbai Data Centre by consolidating at Chennai and Hyderabad Data centres.
  4. Telecommunication voices services optimisation and outsourcing Voice Bridge yielded significant cost savings.

### Go-Green Initiatives

1. Data Center closure at Mumbai and consolidation at Chennai and Hyderabad Data centres reduced Co2 foot print.
2. Retiring old RISC based servers by consolidation on virtual servers reduced power consumption and cooling at data centres.
3. Implementation of Sleep Mode on desktops reduced power consumption during breaks, night and weekend.
4. Power shutdown of servers during weekends increases performance of servers, in addition to reduction of power usage and cooling requirements of the data centre.

**Foreign Exchange Earnings and outgo****Export initiatives**

Your Company is registered as an export oriented unit with Software Technology Park of India and has a network of international offices across globe. In the year 2013-14, the revenue derived out of Software Exports stood at Rs.185,491.17 lakhs.

**Foreign Exchange Earned and Used**

(Rs. in lakhs)

<b>For the year ended</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Foreign Exchange earnings	185,491.17	160,701.20
Foreign Exchange outgo (including capital goods)	114,587.99	76,834.78

By Order of the Board  
For **Polaris Financial Technology Limited**

Place: Chennai  
Date: April 30, 2014

**Arun Jain**  
Chairman & Managing Director

**REPORT ON CORPORATE GOVERNANCE**

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## Report on Corporate Governance

### 1. Company's Philosophy

Polaris focuses Corporate Governance as a key driver of sustainable corporate growth and a powerful medium to achieve the company's goal of maximizing value for all its stakeholders. A sound corporate governance strengthens investors' trust and enables the company to fulfill its commitment towards the customers, employees and the society in general. Polaris believes that the primary objective is to create and adhere to a corporate culture of conscience and consciousness, empowerment, accountability and independent monitoring. The company's philosophy is based on the key elements in corporate governance viz., transparency, disclosure, supervision and internal controls, risk management, internal and external communications, accounting fidelity, product and service quality. The company has a strong legacy of fair and ethical governance practices.

### 2. Board of Directors

The Board of Directors of the Company possess highest personal and professional ethics, integrity and values, and provide leadership, strategic guidance and objective judgement on the affairs of the company. The Board is fully aware of its fiduciary responsibilities and is committed to represent the long-term interest of the Stakeholders. The Board adopted the principles of corporate governance and remains informed, participative, and independent to implement its broad policies and guidelines and has set up adequate review procedures.

- **Composition of the Board of Directors as on March 31, 2014**

The Key to good corporate governance is the optimum combination of the executive and non-executive directors on the board and the extent of their independence. The Board consists of eight members with knowledge and experience in diverse fields and professionally acclaimed to understand their role in addressing the issues raised by the management. The day-to-day affairs of the company are managed by the Chairman & Managing Director under the supervision of the Board.

As a policy, the Company has an optimal combination of Executive, Non-executive and Independent Directors to maintain the independence of the Board.

- **Boards' Composition**

The Board consists of eight members; comprising of an Executive Director, two non – executive non independent Directors and five non executive independent Directors. To maintain the independence of the Board and to separate its functions of governance and management, there is an appropriate mix of executive and independent Directors.

#### Composition of the Board and directorships held as on March 31, 2014

Name of the Director	Age	India Listed Companies (1)	All Companies around the world (2)	Committee memberships (3)	Chair person of Committees (3)
Chairman & Managing Director					
Arun Jain	54	0	4	0	0
Non-Executive Director					
Abhay Agarwal	53	0	30	2	0
Non-Executive and Non Independent Director					
Rajesh Mehta	53	0	3	0	0
Non-Executive and Independent Directors					
Arvind Kumar	72	0	5	0	1

Name of the Director	Age	India Listed Companies (1)	All Companies around the world (2)	Committee memberships (3)	Chair person of Committees (3)
R.C.Bhargava	79	5	10	4	4
Dr.Ashok Jhunjunwala	60	4	8	9	2
V.Balaraman	67	0	9	8	0
Raju Venkatraman	55	0	9	1	0

Notes: Interse relationship between Mr.Arun Jain and Mr.Abhay Agarwal

- (1) Excluding directorship in Polaris Financial Technology Limited and its subsidiaries
- (2) Directorship in Companies around the world (listed, unlisted and private limited companies), including Polaris Financial Technology Limited and its subsidiaries
- (3) As required by Clause 49 of the Listing Agreement, the disclosure includes membership / chairpersonship of the audit committee and Shareholders' Committee in Indian public companies (listed and unlisted)

• **During the financial year 2013-14, Board of Directors met 10 times on the following dates**

April 27,2013	October 22, 2013
July 02, 2013	November 14, 2013
July 30, 2013	January 29, 2014
August 08, 2013	March 07, 2014
September 05, 2013	March 18, 2014

The maximum gap between two Board meetings was 65 days. (between April 2013 and July 2013)

Board of Directors' attendance at the 20th Annual General Meeting held on August 08, 2013

Sl. No.	Name	Director Identification Number (DIN)	Designation / Category	Attended
1.	Arun Jain	00580919	Chairman and Managing Director	Y
2.	Abhay Agarwal	00042882	Non Executive Director	N
3.	Arvind Kumar	00636869	Non Executive/Independent Director	Y
4.	Dr. Ashok Jhunjunwala	00417944	Non Executive/Independent Director	N
5.	Raju Venkatraman	00632071	Non Executive/Independent Director	Y
6.	R C Bhargava	00007620	Non Executive/Independent Director	N
7.	Satya Pal	00287845	Non Executive/Independent Director	Y
8	Rajesh Mehta	06410765	Non Executive/Non Independent Director	N
9	V.Balaraman	00267829	Non Executive/Independent Director	Y

Board of Directors' attendance for the Board & Committee Meetings held during the year 2013-14

[Y= Attended, N= Not attended, (\*) attended through Video Conference, (+) attended through Audio Conference; BM : Board Meeting, RCC = Remuneration & Compensation Committee Meeting, AC : Audit Committee Meeting, SM : Shareholders' Committee Meeting, SCM: Special Committee Meeting ]

Note: Details about Non-mandatory Committee are given elsewhere in this report.

Sl. No.	Name	Meetings held on																																			
		27-04-13				2-7-13				30-07-13				8-8-13		5-9-13		22-10-13				14-11-13		22-11-13		29-11-13		29-01-14				28-02-14		7-3-2014		18-03-14	
		BM	AC	RCC	SM	BM	BM	AC	RCC	SM	BM	BM	BM	AC	RCC	SM	BM	SCM	SCM	BM	AC	RCC	SM	SCM	BM	BM	AC	RCC	SM	SCM	BM	BM	AC				
1	Arun Jain	Y	-	-	-	Y	Y	-	-	-	Y	Y	Y	-	-	-	Y	-	-	Y	-	-	-	-	-	-	-	-	-	-	-	Y	Y	-			
2	Abhay Agarwal	Y	Y	-	Y	Y	Y	Y	-	Y	N	Y+	Y	Y	-	Y	Y*	-	-	Y	Y	-	Y	-	-	-	-	-	-	-	Y*	Y*	Y*				
3	Arvind Kumar	Y	Y	-	-	Y	Y	Y	-	-	Y	N	Y	Y	-	-	Y*	Y*	Y*	Y	Y	-	-	-	-	-	-	-	-	Y*	Y*	Y*	Y*				
4	Dr.Ashok Jhunjhunwala	N	N	N	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	-	-	Y	Y	Y	Y	-	-	-	-	-	-	Y+	Y	Y	Y				
5	Raju Venkatraman	Y	-	-	Y	Y	Y	-	-	Y	Y	Y	Y	-	-	Y	Y	Y	Y	Y	-	-	Y	Y	-	-	Y	Y	-	-	Y	Y	Y	-			
6	R.C.Bhargava	Y*	Y*	Y*	-	N	Y*	Y*	Y*	-	Y*	Y+	Y*	Y*	Y*	-	N	Y*	Y*	Y	Y	Y	-	-	-	-	-	-	-	-	Y*	Y*	Y*	Y*			
7	Satya Pal	Y	-	Y	Y	Y	Y	-	Y	Y	Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
8	Rajesh Mehta	Y	-	-	-	Y+	N	-	-	-	Y+	N	Y	-	-	-	N	-	-	N	-	-	-	-	-	-	-	-	-	Y+	Y+	-	-				
9	V.Balaraman	Y	-	-	-	Y	Y	-	-	-	Y	Y	Y	-	Y	Y	Y	-	-	Y	-	Y	Y	-	-	-	-	-	-	Y	Y	Y	-	-			

**Profile of the Directors of the Company are given below:**

#### **Mr. Arun Jain, Chairman & Managing Director**

Founded in 1993 with Rs.10,000 to create a globally respected institution out of India, focusing on high performance and long term relationships. Today, Polaris is a Global Leader in the Financial Technology space and is privileged to have won the trust of leading banks and financial institutions in the global arena, including 9 out of the Top 10 Global Banks and 7 out of the top 10 Global Insurance majors.

Arun's core agenda has been towards three specific outcomes to drive a positive and powerful impact.

- Create globally competitive financial technology products out of India
- To drive a High-Performance culture in Polaris to exceed the expectations of Polaris' customers.
- To integrate Polaris with a larger community and build sustainable models for inclusive growth in the weaker sections of our society.

As the Chief Architect, Arun's unwavering focus has been towards simplifying the complex world of Financial Technology by connecting technology seamlessly to business. He believes Design Thinking is the most powerful bridge to balance the financial institution's Acceleration agenda, Rationalization agenda and Transformational agenda. He is the brain behind creating the World's First Design Center for Financial Technology 'FT 8012 Design Center' in Chennai, India, which has been thoughtfully created to connect Business, Technology & Operations and engineer solutions that drive unprecedented value.

Arun is a passionate advocate of ordinary people coming together to do extraordinary things, with a subconscious alignment to a larger purpose. He founded the Ullas Trust to integrate Polaris employees with the larger community. The Trust has awarded over 36,000 scholarships to students in Government & Corporation Schools in India.

Polaris was rated Forbes' 'Best Under a Billion Company' and is uniquely positioned as a pioneer in financial technology. In recognition of Arun's achievements, he is the recipient of many special awards including the 'Indo-ASEAN Business Initiative Award', 'ICICI Venture – CII Connect Entrepreneur Award'. His contribution was recognized by the Times Group, with an award and a feature in a book titled 'Pathfinders' that lauds the achievements of extraordinary personalities in the IT & ITES industry.

Arun is a Member of the Advisory Council of the Software Technology Parks of India (STPI) and a Member of the Governing Council of the National Institute of Electronics and Information Technology (NIELIT), Department of Electronics and Information Technology, Govt. of India.

Arun holds a bachelor's degree in Electrical Engineering from the Delhi College of Engineering (1983).

**Mr. Abhay Agarwal, Practising Chartered Accountant**

Mr. Abhay Agarwal is a practising Chartered Accountant based at Delhi. He is well experienced in the areas of accounting, finance, management and corporate advisory services. His proficiency and competency in the above said areas are asset to the Company.

Mr. Abhay Agarwal was invited to join the Board of Polaris in May 1995. He is a member of Audit Committee and Shareholders' Committee of the Company. He is also a Director in Sunshine India (P) Ltd., Dabur Securities (P) Ltd., British Health Products (India) Ltd., Sahiwal Investment & Trading Company, Upvan Farms & Services (P) Ltd., Welltime Investments (P) Ltd., Param Investments (P) Ltd., Northern Herbals (P) Ltd., Burman Resorts (P) Ltd., Newage Capital Services (P) Ltd., Elephant India Advisors (P) Ltd., Green Valley Products (P) Ltd., Natures Bounty Wines & Allied Products (P) Ltd., Vansh Holdings (P) Ltd., Maneswari Trading Company, H&B Stores Ltd., Dr. Fresh Property Development (P) Ltd., Dr. Fresh Health Care (P) Ltd., Lite Eat Out Foods (P) Ltd., Super Hoze Industries (P) Ltd., Dr. Fresh Buildcon (P) Ltd., IMB Infrastructures (P) Ltd., KBC India (P) Ltd., Shree Investment (P) Ltd., Elephant India Finance (P) Ltd., and Dr. Fresh SEZ Phase I (P) Ltd., Young Mumbai Hockey Ltd., AAUM Holdings (India) Pvt. Ltd., Touchstone Fund Advisors Pvt Ltd., Caterham Cars India Pvt. Ltd., Lite Bite Foods Pvt. Ltd. and Milky Investment & Trading Co.

**Mr. Arvind Kumar, Senior Lawyer - Supreme Court**

Mr. Arvind Kumar, who is a M.A. L.L.B., enrolled as an Advocate on 12th November 1963 at Kanpur from the U.P. Bar Council at Allahabad and practiced in the High Court of Judicature at Allahabad from 1966 to 1972 and later in the year 1972, he shifted to the Supreme Court of India at New Delhi and started practicing there. He is a Senior Lawyer having 50 years of professional standing at Bar and has gained enough global experience by participating in civil and corporate cases around the world.

Mr. Arvind Kumar is a Life Member of the Supreme Court Bar Association and Bar Association of India. Presently practising as a Senior Advocate in the Supreme Court, he is a reputed corporate legal expert and advises Polaris on issues relating to Corporate Governance, Legal and other Statutory compliance issues.

Mr. Arvind Kumar joined the Board of Polaris in May 1995 and Chairs the Audit Committee of the Company. He is also a Director in Nucsoft Limited, Associated Legal Advisors (P) Limited, Second Innings India (P) Ltd and Inckah Infrastructure Technologies (P) Ltd.

**Dr. Ashok Jhunjunwala, Professor - Department of Electrical Engineering, IIT Madras**

Dr. Jhunjunwala received his B.Tech degree from IIT, Kanpur, and his MS and Ph.D degrees from the University of Maine. From 1979 to 1981, he was with Washington State University and has been at IIT Madras ever-since, where he leads the Telecommunications and Computer Networks group (TeNeT). The group works with industry in the development of telecom, banking, IT and Power Systems (including solar) technologies relevant to India, and has a special focus on rural technologies. It has incubated more than fifty companies in the last twenty years. He chairs IITM Incubation cell, Health Technology Innovation Center (HTIC), co-chairs Rural Technology and Business Incubator (RTBI) at IIT Madras and is professor in-charge of IITM Research Park. He also chairs a MHRD committee called "Quality Enhancement of Engineering Education (QEEE)" focused on 500 Indian engineering colleges, other than IITs and NITs. He also chairs Mobile Payment Forum of India (MPFI).

Dr. Ashok Jhunjunwala has been awarded Padma Shri in the year 2002. He has been awarded Shanti Swarup Bhatnagar Award in 1998, Dr. Vikram Sarabhai Research Award for the year 1997, Millennium Medal at Indian Science Congress in the year 2000 and H. K. Firodia for "Excellence in Science & Technology" for the year 2002, Shri Om Prakash Bhasin Foundation Award for Science & Technology for the year 2004, Awarded Jawaharlal Nehru Birth Centenary Lecture Award by INSA for the year 2006, IBM Innovation and Leadership Forum

Award by IBM for the year 2006, awarded Bernard Low Humanitarian Award in 2009, awarded “Bharat Asmita Vigyaan –Tantrayyaan Shresththa Award” for the best use of Science & Technology through Innovation in 2010, and awarded Honorary Doctorates by the Institute of Blekinge Institute of Technology, Sweden in 2008 and University of Maine, USA in 2010. In 2010, he was also awarded JC Bose Fellowship in 2010 by DST, Government of India, awarded Dronacharya (2011) by TiE and recently awarded Top Innovator of Top 11 in 2011 Innovators Challenge. He is a Fellow of World Wireless Research forum, IEEE and Indian academies including INAE, IAS, INSA and NAS.

Dr. Jhunjunwala is a Director in the Board of Tata Teleservices (Maharashtra) Limited, Polaris Financial Technology Limited, 3I Infotech Limited, Sasken Communication Technologies Limited, Tejas Networks Limited, Tata Communications Limited, Exicom Tele-Systems Limited and Mahindra Reva Electrical Vehicles Pvt Ltd. He is also a board member of several educational institutes and section 25 companies including BIRAC. He is member of Prime Minister's Scientific Advisory Committee.

**Mr.R.C.Bhargava, Chairman, Maruti Suzuki India Ltd.**

Mr.R. C. Bhargava is a post graduate in Mathematics from Allahabad University (1954) and Development Economics from Williams College, Mass USA (1963), India joined the Indian Administrative Service in 1956, on the basis of an All-India competitive examination and secured the number one position in India.

Between 1968 and 1973 he worked in the State of Jammu & Kashmir and was the Secretary to Government in the Departments of Agriculture, Horticulture, Animal Husbandry, Forests and Sheep Breeding.

Between 1973 and 1978 he worked in Delhi in the Central Government. His rank was of Joint Secretary. For 4 years he was in the Ministry of Energy, and for a little over one year in the Cabinet Secretariat.

Between 1979 and 1981 Mr. Bhargava worked as the Commercial Director of Bharat Heavy Electricals Limited, the leading manufacturer of all power generating and transmission equipment in India.

Mr. Bhargava joined Maruti Udyog Limited, as Director Marketing, soon after its incorporation in 1981. Mr. Bhargava was appointed as the Managing Director (CEO) in 1985. He became the Chairman & Managing Director in 1990. In 1992 Suzuki continued him as its nominee for the post of Managing Director. Mr. Bhargava retired in 1997. He was re-inducted to the Board in 2003 after Suzuki acquired control of the Company and it was listed. He was appointed as the non-executive Chairman on the 19th December 2007, a position he continues to hold to date.

Mr. Bhargava is on the Board of Directors of a number of leading companies in India. These include Grasim Industries Limited, UltraTech Cement Company Limited, Maruti Suzuki India Limited, Polaris Financial Technology Limited, Infrastructure Leasing and Financial Services Limited, Dabur India Limited, Idea Cellular Limited, Thomson Press Limited and Taj Asia Limited. He chairs the Board of Maruti Suzuki India Limited. He is also owner, President and CEO of RCB Consulting Private Limited.

Mr. Bhargava is also on the India Advisory Boards of BAE Systems Ltd, Rio Tinto (India), Huawei India Ltd and Hitachi India Ltd.

In his efforts towards helping the education system in India, he has previously been the Chairman of the board of governors of the Doon School, Dehradun; and on the Boards of IIM, Lucknow and IIM Calcutta. He is currently Chairman of the IIM, Ranchi. Mr. Bhargava has also chaired an IIM Review Committee constituted by the Ministry of Human Resources Development of the Government of India.

Mr. Bhargava has been undertaking consultancy assignments for a number of companies, both Indian and foreign. These include a number of Japanese companies.

Mr. Bhargava has recently written a book, 'The Maruti Story'. He has also authored a book in Japanese on Suzuki's strategy in India.

In November 2011, the Emperor of Japan conferred on Mr. Bhargava the "Order of the Rising Sun Gold and Silver Star". He has also been given the Lifetime Award for Management by the Economic Times and the All India Management Association.

**Mr.Raju Venkatraman, Managing Director & CEO of MEDALL Healthcare Pvt Ltd.**

Mr.Raju Venkatraman is a Serial Entrepreneur and has successfully started and sold businesses like Vetri Systems, Inc., Rev IT & Sherpa Business Solutions.

He has served as an executive in Companies like EDS, President Data Management Services of the Lason System Inc. and was responsible for over 10,000 employees.

Till recently, Mr.Raju was the Joint Managing Director of Firstsource where he helped to scale the business to over \$400 million and over 23,000 people.

Currently, Mr.Raju is the Managing Director & CEO of MEDALL Healthcare Pvt Limited launched in October 2009, with a vision to serve 10 Million people in India. Medall has over 48 centers in Tamil Nadu, Karnataka, Andhra Pradesh, Kerala & Maharashtra. Medall employs over 1900 people and 100 Radiologists and Pathologists.

In December 2005, Mr.Raju joined the Board of Polaris and Prodapt Business Solutions.

Mr.Raju is the Chairman of WPO (World President's Organisation) in Chennai. He is also the Senior Vice President of Madras Management Association.

Mr.Raju is also the recipient of Entrepreneur Award from TiECON from Tamil Nadu Government in 2008-09 and is a recognised expert and speaker in the field of business process outsourcing. He is a chemical engineer from IIT, Chennai and holds an executive MBA from IIM, Ahmedabad.

**Mr.V.Balaraman, Corporate Director/Consultant/Mentor**

Mr. V.Balaraman is a B.Tech Chemical Engineer from the University of Madras and a MBA from the Indian Institute of Management, Ahmedabad. He was the MD and CEO of Pond's India Ltd between 1991 and 1998 and was Director - Exports in Hindustan Lever Limited between 1998 and 2002; He became MD and CEO of Adrenalin eSystems Limited, a Polaris group company between 2002 and 2006 and Director of Mother Dairy Fruit & Vegetable Private Ltd., New Delhi in 2014.

Today he is a non executive director on the Boards of M/s India Nippon Electricals Limited, Mahindra World City Developers Limited, Parry Enterprises India Limited and Adrenalin eSystems Limited. He is also a Director of Computer Age Management Services Pvt. Ltd., Pond's Exports Ltd., and CAMS Repository Service Limited.

Outside the corporate world Mr.V.Balaraman also served as the President of the Madras Chamber of Commerce and Industry, Madras Management Association, Indian Shoe Federation, Federation of Indian Export Organizations Southern Region and as Chairman of the Footwear Design and Development Institute.

Mr.V.Balaraman is passionate about Brand Marketing and Human Development and in pursuit of these interests, provides consultancy to companies besides coaching / mentoring business leaders. Frequently he is a speaker at Management seminars and business events in India and abroad.

**Mr. Rajesh Mehta, Treasury and Trade Solutions Head, Europe Middle East & Africa (EMEA), Citi Global Transaction Services.**

Mr. Rajesh Mehta is the Treasury and Trade Solutions Head for Citi Global Transaction Services in Europe Middle East & Africa (EMEA). He is responsible for the provision of cash management and treasury and trade solutions to a broad range of customers including multinational corporations, top local companies, small and medium enterprises and financial institutions.

Mr. Rajesh Mehta has been with Citibank for 29 years and has held numerous roles across the globe throughout his career. He began working for Citi in India and then moved to Audit Risk Review in Singapore, Cash Management and Trade Head for Indonesia, Global Transaction Services Head for Mexico and Regional Cash Management and Trade Head for Latin America, based in Buenos Aires. In 2002, he was appointed Global Transaction Services Head for Sub Saharan Africa, based in Johannesburg. In January 2007, Mr. Rajesh Mehta moved to London to assume the role of Regional Payments Head for EMEA assuming responsibility for Cash Management in October 2007 and his current position in March 2008.

Mr. Mehta is a Director in Polaris Financial Technology Limited, Citibank Europe plc and Citibank, AS, Turkey.

Mr. Rajesh Mehta holds a bachelors degree in economics from St. Stephen's College, Delhi University and MBA from the Indian Institute of Management, Ahmedabad.

### **3. Audit Committee**

The Company has a qualified and independent Audit Committee comprising of Non-executive / Independent Directors. The Chairman of the Committee is an Independent Director. The Company Secretary acts as the Secretary to the Committee.

Members of the Audit Committee are as follows:

Name	Designation	No. of Meetings	
		Held	Attended
Arvind Kumar	Chairman	5	5
Abhay Agarwal	Member	5	5
Dr. Ashok Jhunjhunwala	Member	5	4
R.C. Bhargava	Member	5	5

The Audit Committee had met five times during the year 2013-14.

#### **Powers of the Committee**

- To investigate any activity within its terms of reference.
- To secure attendance of and seek information from any employee including representative of Prime Shareholders (subject to internal approvals).
- To obtain outside legal or other professional advice, if necessary.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.
- Compliance with the accounting standards.

#### **Role / Functions of the Committee**

- The Committee's responsibility is to monitor role of the independent auditors performing an independent audit of the company's financial statements in accordance with the generally accepted auditing standards and for issuing a report thereon. The Committee is also responsible for overseeing the process related to the financial reporting and information dissemination. This is to ensure that the financial statements are correct, sufficient and credible.

- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered.
- Reviewing with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility Statement and the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - 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.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, performance of statutory and internal auditors and the adequacy of internal control systems.
- 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.
- Discussion with internal auditors any significant findings and follow up there on.
- 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.
- Discussion with statutory auditors before the commencement of audit, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism.
- Carrying out any other function as may be referred to by the Board or the Chairman of the Board from time to time.

#### **Review of information**

- a. Management discussion and analysis of financial condition and results of operations;
- b. Statement of significant related party transactions, as defined by the Committee, submitted by the management;
- c. Management letters/letters of internal control weaknesses issued by the statutory auditors;
- d. Internal audit reports relating to internal control weaknesses; and
- e. the appointment, removal and terms of remuneration of the Chief Internal Auditor



#### 4. Remuneration & Compensation Committee

The Remuneration & Compensation Committee consisting of Non-executive Independent Directors, who evaluates and finalise among other things, compensation and benefits of Executive Directors and the procedures and modalities for giving effect to the Employee Stock Option Scheme which inter alia includes determination of eligibility criteria, maximum number of options / shares offered to each employee and the aggregate number of options / shares offered during the period covered under the Scheme, identification of classes of employees entitled to participate in the scheme, framing of a detailed pricing formula, mode or process of exercise of the option etc.

Members of the Remuneration & Compensation Committee are as follows:

Name	Designation	No. of meetings	
		Held	Attended
R.C. Bhargava	Chairman	4	4
Dr.Ashok Jhunjunwala	Member	4	3
V.Balaraman*	Member	4	2
Satya Pal*	Member	4	2

\*Mr.Satya Pal has resigned from the Board on 8<sup>th</sup> August 2013 and Mr.V.Balaraman has been appointed as member of the Committee in the Board Meeting held on October 22, 2013.

#### Remuneration policy

The remuneration policy of the Company has been so structured in order to match the market trends of the IT industry. The Board in consultation with the Remuneration & Compensation Committee decides the remuneration policy for directors. The Company has made adequate disclosures to the members on the remuneration paid to Directors from time to time. Remuneration/ Commission payable to Directors is determined by the contributions made by the respective directors for the growth of the Company.

Shares held and Stock Options granted/exercised and Cash Compensation payable / paid to directors in fiscal year 2014											
in Rs. Lacs except share and stock option data											
Name of the Directors	Fixed Salary				Bonus / incentives	Commission Payable	Sitting fees paid	Total	No. of equity shares held	Stock Options granted	Stock Options exercised
	Basic Salary	Perquisites/ Allowances	Retiral benefits	Total fixed salary							
<b>Chairman &amp; Managing Director</b>											
Arun Jain	-	-	-	-	-	-	-	-	43,32,364	-	-
<b>Non-Executive Director</b>											
Abhay Agarwal (1)	-	-	-	-	-	7.96	2.15	10.11	29,622	25,000	-
<b>Non-Executive and Non Independent Director</b>											
Rajesh Mehta	-	-	-	-	-	-	-	-	-	25,000	-
<b>Non-Executive and Independent Directors</b>											
Arvind Kumar (1)	-	-	-	-	-	8.40	2.25	10.65	21,000	25,000	-
R.C.Bhargava (1)	-	-	-	-	-	7.68	1.80	9.48	17,250	25,000	-
Dr.Ashok Jhunjunwala (1)	-	-	-	-	-	6.19	1.80	7.99	18,300	25,000	2000
V.Balaraman (3)	-	-	-	-	-	6.92	1.70	8.62	-	25,000	-
Raju Venkatraman (1)	-	-	-	-	-	8.90	1.85	10.75	500	25,000	-
Satya Pal (2)	-	-	-	-	-	3.95	0.80	4.75	-	-	-

(1) For the period 1st April 2013 to 31st March 2014

(2) For the period 1st April 2013 to 8th August 2013

(3) For the period 27th April 2013 to 31st March 2014

Note: During the year under review, Mr.Arun Jain, Chairman & Managing Director has received no remuneration.

## Stock Options

Details of stock options granted during the financial year 2013-14 under ASOP 2003, 2004, 2011 Schemes are detailed as below:-

Sl. No.	Date of Grant	Option Price (Rs.)	ASOP 2003		ASOP 2004		ASOP 2011	
			No. of Associates	No. of Options	No. of Associates	No. of Options	No. of Associates	No. of Options
1	April 27, 2013	114.70	-	-	-	-	66	4,89,000
2	July 30, 2013	109.00	-	-	-	-	14	69,000
3	October 22, 2013	141.25	-	-	-	-	9	31,000
4	March 7, 2014	153.40					7	175,000
5	March 10, 2014	143.70					43	2,133,000
							<b>139</b>	<b>2,897,000</b>

During the period under review no stock option(s) were granted under ASOPT 2011. The Company has obtained a certificate from the Auditors of the Company certifying that the Company's Associate Stock Option Plan(s) are being implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as applicable and in accordance with the resolution of the Members in the General Meeting.

## 5. Shareholders' Committee

The Shareholders' Committee consists of Non-executive Directors only. It focuses on Shareholders' grievances and strengthening of investor relations. This Committee specifically looks into the redressal of shareholders complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

The purpose of constituting this Committee is to uphold the basic rights of the shareholders including right to transfer and registration of shares, obtaining relevant information about the company on a timely and regular basis, participating and voting in shareholders meetings, electing members of the board and sharing in the residual profits of the Company. Further the Committee is empowered to act on behalf of the Board, in the matters connected with allotment of shares, issuance of duplicate share certificates, split and consolidation of shares into marketable lots etc.

The Shareholders' Committee had met four times during the year 2013-14.

Members of the Shareholders' Committee are as follows:

Name	Designation	No. of Meetings	
		Held	Attended
V.Balaraman*	Member	4	2
Abhay Agarwal	Member	4	4
Dr.Ashok Jhunjunwala	Member	4	3
Raju Venkatraman	Member	4	4
Satya Pal*	Member	4	2

\*Mr.Satya Pal has resigned from the Board on 8<sup>th</sup> August 2013 and Mr.V.Balaraman has been appointed as member of the Committee in the Board Meeting held on October 22, 2013.

During the year, under ASOP 2003 Scheme the company has allotted 43,900 equity shares of Rs.5/- each to 17 Associates / Directors and under ASOP 2004 Scheme company has transferred 25,600 equity shares of Rs.5/- each to 7 Associates and under ASOP 2011 Scheme company has allotted 300 equity shares of Rs.5/- each to 1 Associate pursuant to exercise of options granted as detailed hereunder:

Sl. No.	Date of Allotment	ASOP 2003		ASOP 2004		ASOP 2011	
		No. of Associates	No. of shares allotted	No. of Associates	No. of shares allotted	No. of Associates	No. of shares allotted
1	April 27, 2013	3	1,500	-	0	-	-
2	June 22, 2013	2	1,800	1	6,000	-	-
3	July 30, 2013	1	600	1	4,000	-	-
4	October 4, 2013	3	26,400	-	0	-	-
5	November 16, 2013	2	1,500	-	0	-	-
6	November 27, 2013	3	8,300	2	3,600	-	-
7	December 7, 2013	-	-	2	9,000	-	-
8	January 16, 2014	2	3,500	1	3,000	-	-
9	February 11, 2014	1	300	-	-	-	-
10	March 18, 2014	-	-	-	-	1	300
	Total	<b>17</b>	<b>43,900</b>	<b>7</b>	<b>25,600</b>	<b>1</b>	<b>300</b>

No options were exercised during the year under Scheme ASOPT 2011. As the result of the above allotments paid-up equity share capital of the company has increased from Rs.497,530,370/- comprising of 99,506,074 number of equity shares of Rs.5/- each as on March 31, 2013 to Rs.497,751,370/- comprising of 99,550,274 number of equity shares of Rs.5/- each as on March 31, 2014. The allotted equity shares are listed and traded in the Stock Exchanges.

#### 5.1 Associate Stock Option Scheme (ASOP)

##### Consolidated Scheme wise ASOP status for the year ended March 31, 2014

Sl. No.	Description	ASOP 2003	ASOP 2004	ASOP 2011
1	Outstanding at the beginning of the year	1,981,100	5,07,700	1,301,000
2	Granted during the year	--	-	2,897,000
3.	Exercised during the year	43,900	25,600	300
4.	Forfeited during the year	1,05,300	39,800	1,80,200
5.	Cancelled during the quarter	2,81,200	1,13,500	52,600
6	Outstanding at the end of the year	1,550,700	3,28,800	3,964,900
7.	Price formula	Market Price	Market Price	* Price
8.	Total Shares arised due to exercise of options	43,900	25,600	300
9.	Money realized by exercise of options( Rs.)	2,475,255	1,960,960	33,960

\* Discounted price as defined in the scheme or "Market Price" if it is lower than the fixed price of Rs.175/- per equity share as per scheme

Particulars / information of options granted under the ASOP schemes		31-Mar-14
Weighted average exercise price	2003	-
	2004	-
	2011	138.54
Weighted average fair value	2003	-
	2004	-
	2011	73.98
(i) Details of number of options granted to Senior Management Personnel:		
	ASOP 2003	Nil
	ASOP 2004	Nil
	ASOP 2011	21,20,000
	ASOPT 2011	Nil
(ii) Employee receiving 5% or more of the total number of Options granted during the year		Nil

(iii) Employees granted Option equal to or exceeding 1% of the issued capital	Nil		
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Options for the financial year 2013-14			
(i) Employee compensation cost using Intrinsic method of accounting.	Nil		
(ii) Employee compensation cost using Fair Value method of accounting.	1,177,814		
(iii) Difference between (i) & (ii)	1,177,814		
(iv) Impact for the accounting period had the fair value method been used on the following:			
Net results decreased by	1,177,814		
Basic EPS will reduce by	Rs.0.01 paise		
<b>Method and significant assumptions used to estimate the fair value of options granted during the year under Black &amp; Scholes methods</b>			
	<b>2003</b>	<b>2004</b>	<b>2011</b>
(a) Risk free rate of interest	-	-	8.86%
(b) Expected life (in years)	-	-	6.32
(c) Expected volatility	-	-	55.83%
(d) Expected dividend yield	-	-	2.19%
(e) Price of the underlying share in market at the time of option grant (Rs.)	-	-	138.54
<b>Details of options granted during the year (in Rs.)</b>			
<b>Date of grant</b>	<b>Market price</b>		<b>Exercise price</b>
Apr 27, 2013	114.70		114.70
Jul 30, 2013	109.00		109.00
Oct 22, 2013	141.25		141.25
Mar 7, 2014	153.40		153.40
Mar 10, 2014	143.70		143.70

Mr. B. Muthusubramanian has resigned from the services of the Company as Company Secretary on 30<sup>th</sup> August 2013 and Mr. V.V. Naresh has been appointed as Company Secretary with effect from October 7, 2013 by the Board in its meeting held on October 22, 2013.

Mr. V.V. Naresh has been appointed as Compliance Officer of the Company by the Board in its meeting held on 29<sup>th</sup> January 2014 in place of Mr. Natarajan Narayanasamy.

## 6. Corporate Social Responsibility Committee

As per Section 135 of the Companies Act, 2013 every Company having net worth of Rupees 500 crore or more, or turnover of Rupees 1000 crore or more or Net Profit of Rupees 5 crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board of Directors of the Company consisting of 3 or more directors, out of which at least 1 director shall be an independent director.

Accordingly, Corporate Social Responsibility Committee was constituted by the Board in its meeting held on March 18, 2014 with the following members:

Name	Designation
Dr.Ashok Jhunjhunwala	Chairman
Raju Venkatraman	Member
V.Balaraman	Member
Arun Jain	Member

The Terms of Reference of the Committee is as under:

- To formulate and recommend to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- To recommend the amount of expenditure to be incurred on the activities referred to above;
- To monitor the Corporate Social Responsibility Policy of the company from time to time
- To ensure that the company spends, in every financial year, at least two per cent of the average net profits for CSR. If the Company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount.
- Eradicating extreme hunger and poverty
- Promotion of education
- Promoting gender equality and empowering women
- Reducing child mortality and improving maternal health
- Combating human immunodeficiency virus, malaria and other diseases
- Ensuring environmental sustainability
- Employment enhancing vocational skills
- Social business projects
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

## 7. Details of the Sub-Committees constituted by the Board

### a) Share Transfer Committee

The Share Transfer Committee is empowered to consider and approve the physical transfer, transmission and transposition etc. of the shares of the Company. The Committee met Eleven times during the year 2013-14 on April 10,2013, May 13, 2013, July 15, 2013, July 31, 2013, August 06, 2013, August 28,2013, November 06, 2013, December 13, 2013, January 27, 2014, February 27, 2014 and March 28, 2014.

The brief details on the business transacted are as follows.

S.No.	Details	No. of Cases	No. of Shares
1	Transfer of Shares	22	7561
2	Consolidation of Unclaimed Shares	7	1700
3	Deletion of names	NIL	NIL
4	Rematerialisation requests	6	115
5	Transmission of Shares	NIL	NIL

Subsequent to the resignation of Mr. B. Muthusubramanian and relocation of Mr. Natarajan Narayanasamy, the Committee has been reconstituted with the following members in the Board Meeting held on January 29, 2014.

The present members of the Committee are:

Name	Designation
S.Swaminathan	Chief Financial Officer
A.V.Ravi Shankar	Senior Vice President - Legal
V.V.Naresh	Vice President & Company Secretary

### b) Lokhandwala Property Committee

The Lokhandwala Property Committee is empowered to negotiate, finalise and accept such terms and conditions including sale consideration for sale of 151 flats in the building “Whispering Palms” situated at No.4 Cooperative Housing Society Ltd., Lokhandwala Township, Akurli Road, Kandivili (East), Mumbai – 400 101.

Subsequent to the relocation of the member, Mr. Natarajan Narayanasamy, the Committee has been reconstituted with the following members in the Board Meeting held on January 29, 2014.

The present members of the Committee are:

Name	Designation
Govind Singhal	Group Business Enablement Officer
K.Govindarajan	Senior Vice President (Administration) & Global Head (Special Projects)
S.Swaminathan	Chief Financial Officer

### c) Investment Committee

The Investment Committee is empowered to invest the funds of the company on any single transaction, not exceeding USD 10Mn or in any other currency equivalent to USD 10Mn for acquiring shares of any company, bodies corporate, exclusively for technology or strategic or business purposes and to acquire any property(ies), (existing facilities, land & building) software products, Intellectual Property Rights thereof (related to business development).

Subsequent to the relocation of the member, Mr. Natarajan Narayanasamy, the Committee has been reconstituted with the following members in the Board Meeting held on January 29, 2014.

The present members of the Committee are:

Name	Designation
Arun Jain	Chairman and Managing Director
Govind Singhal	Group Business Enablement Officer
S.Swaminathan	Chief Financial Officer

### (d) Special Committee

A Special Committee was constituted by the Board on November 14, 2013, comprising of 3 (three) Independent Directors as given below for making recommendations to the Board on all aspects of possible structuring of the business and arrive at an optimal structure to unlock shareholder value.

The present members of the Committee are:

Name	Designation
R.C.Bhargava	Chairman
Raju Venkatraman	Member
Arvind Kumar	Member

## 8. General Meetings of the Company

Particulars of Annual General Meetings of the Company in the past three financial years.

Financial year ended	Date and Time	Venue	Special Resolutions Passed
March 31, 2011	July 20, 2011 at 2 30 PM	Chinmaya Heritage Centre, No.2, 13th Avenue, Harrington Road, Chetpet, Chennai-600 031.	Reappointment of Mr.Arun Jain, Chairman & Managing Director for further period of 5 years
March 31, 2012	November 19, 2012 at 10 30 AM	Russian Centre of Science and Culture, No.27 Kasturi Ranga Road, Alwarpet (Off Cathedral Road), Chennai-600 018.	None
March 31, 2013	August 8, 2013 at 3 00 PM	Chinmaya Heritage Centre, No.2, 13th Avenue, Harrington Road, Chetpet, Chennai-600 031	<ol style="list-style-type: none"> <li>1. Approval of extension of payment of the commission to the Non-Executive directors of the company for further period of 5 years from financial year 2013-14.</li> <li>2. Approval for appointment of Mr.Vinay Garg for a period of 3 years commencing from 20.02.2013 in Polaris Software Lab Inc., under section 314(1)(b) of Companies Act 1956.</li> <li>3. Approval for reappointment of Ms.Ruchira Gupta for a further period of 3 years commencing from 20.02.2013 under section 314(1)(b) of Companies Act 1956.</li> </ol>

## **9. Disclosures**

### **a. Related Party Transactions**

Related Party Transactions are defined as transactions of the Company of material nature, with Promoters, Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

Details on materially significant related party transactions are shown in the Note No.20 & 22 under Significant Policies and Notes to accounts to the Balance Sheet and Profit & Loss Account.

### **b. Statutory Compliance, Penalties & Strictures**

Details of non-compliance by the Company, penalties, strictures imposed on the Company by the stock Exchange or SEBI or any other statutory authority, on any matter related to capital markets during the last three years:- Nil.

### **c. Compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement**

The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement including CEO/CFO certification. As required under Clause 49, a certificate signed by CEO & CFO of the Company has been placed before the Board of Directors and the same has been provided elsewhere in this report. Further, a certificate from the Statutory Auditors, certifying the compliance of clause 49 of the Listing agreement was adhered/adopted has also been provided elsewhere in this report.

Clause 49 also requires disclosures of adoption by the Company of non-mandatory requirements specified in the said clause, the implementation of which is discretionary on the part of the Company. Accordingly, the adoption of non-mandatory requirements are given below:-

#### **(a) Remuneration & Compensation Committee**

The Company has constituted a Remuneration & Compensation Committee consisting of only Non-executive Directors. A detailed note on Remuneration & Compensation Committee is provided elsewhere in the report.

#### **(b) Whistle Blower Policy**

The Company has established a mechanism for employees to report concerns about unethical behaviors, actual or suspected fraud, and violation of Code of Conduct of the Company etc. The mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access by the Whistle Blower to the Audit Committee. We affirm that during the Financial Year 2013-14; no employee has been denied to access the Audit Committee.

#### **(c) Ombudsman**

Ombudsman is a Polaris initiative, to resolve workplace conflicts. Incidentally the first office of the Ombudsman in the IT industry in India was set up at Polaris. It is a forum for associates' and retirees to report discuss and resolve workplace issues.

The office of the ombudsman promises complete confidentiality in all the matters discussed with him. Ombudsman also assures "No Reprisal" to the complainant who brings to light a problem or blows the whistle against someone. It works as an early warning system to the organization.



**(d) Risk Management framework**

The Company continues to use the Risk Management framework adopted by the Board of Directors on January 21, 2005. The framework provides an integrated approach for managing the risks in various aspects of the business. A write-up on the above is provided in the management discussion and analysis report.

**(e) Insider Trading Policy**

As per the SEBI (Prohibition of Insider Trading) Regulations, 1992 an Insider Trading Policy of the company is in force. The policy guides a mechanism for regulating transactions of the shares of the company and enforces a code of conduct and internal procedures.

The details of Trading window for all during the year 2013-14

Sl. No.	Closed on	Opened on
1.	13th April 2013	6 <sup>th</sup> May 2013
2.	16th July 2013	1 <sup>st</sup> August 2013
3.	14th October 2013	24 <sup>th</sup> October 2013
4.	20th January 2014	31 <sup>st</sup> January 2014

**(f) Conflict of Interest Policy**

As a part of good corporate governance, the company has formulated a Conflict of Interest policy for the senior management and associates.

**10. Means of communication**

We have established procedures to disseminate pertinent information to our shareholders, employees and society at large.

**(a) Investor Information**

Investors are being provided with timely information on all Company related matters;

Media release: all our media releases are posted on the Company's website: [www.polarisFT.com](http://www.polarisFT.com).

Quarterly results: Our quarterly results are published in widely circulated national newspapers such as The Business Standard, the local daily Makkal Kural.

Annual Report: Annual Report containing audited standalone accounts, consolidated financial statements together with Directors' Report, Auditors' Report and other important information are circulated to members and others entitled thereto either in physical copy or through email.

Website: The Company's website contains a separate dedicated section "Investors" where information sought by shareholders is available. The Annual Report, Media release and financial reports of the company are available on the website in a user-friendly and downloadable form at [www.polarisFT.com](http://www.polarisFT.com).

**(b) The Management Discussion & Analysis report (MD&A)**

The MD&A gives an overview of the Industry, Company's business and its financials etc., and the same is provided elsewhere in this report, which forms a part of the Directors' Report.

<b>1 General Shareholder information</b>		
Date of incorporation	January 5, 1993	
Company Registration Number	18-24142	
Registered Office	Polaris House, No.244, Anna Salai, Chennai – 600 006.	
Date of Annual General Meeting	Wednesday, 23 <sup>rd</sup> July 2014	
Venue of Annual General Meeting	“The Music Academy”, Chennai	
<b>Financial Reporting: (tentative and subject to change) 01.04.2014 – 31.03.2015</b>		
First quarter ending June 30, 2014	Between 16 <sup>th</sup> and 31 <sup>st</sup> July 2014	
Second quarter ending September 30, 2014	Between 16 <sup>th</sup> and 31 <sup>st</sup> October 2014	
Third quarter ending December 31, 2014	Between 16 <sup>th</sup> and 31 <sup>st</sup> January 2015	
For the year ending March 31, 2015	Between 16 <sup>th</sup> and 30 <sup>th</sup> April 2015	
Book Closure	14th July, 2014 to 23 <sup>rd</sup> July,2014 (both days inclusive)	
Dividend for 2013-14	Final Dividend – 125% (Rs.6.25 per share)	
Listing of shares with Stock Exchanges / Polaris shares traded in		
National Stock Exchange of India Ltd. w.e.f November 24, 1999.	The Bombay Stock Exchange Ltd. w.e.f. September 29, 1999	Madras Stock Exchange Ltd. W.e.f. September 27, 1999.
NSE – Scrip Code	BSE – Scrip Code	Reuters code
POLARIS	532254	POLS.BO (BSE) , POLS.NS (NSE)
ISIN Code	INE763A01023	
<ul style="list-style-type: none"> <li>The Company hereby confirms that the Listing fee for the year 2014-15, payable to each of the Stock Exchange pursuant to clause 38 of the Listing Agreement in which the Company's shares are Listed have been paid.</li> <li>The Company's shares are traded in “<b>Group A</b>” category in the Bombay Stock Exchange, Mumbai since March 26, 2001.</li> <li>The Bombay Stock Exchange (BSE) has decided to include Polaris share in the “BSE mid-cap index” with effect from January 2011.</li> </ul>		
Registrar and Share Transfer Agent	<b>Karvy Computershare Private Ltd.</b> Unit: Polaris Financial Technology Limited Plot No. 17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad – 500 081. Tel: 040 – 2342 0818, Fax: 040 – 23420814 /23420857 E-mail: <a href="mailto:mailmanager@karvy.com">mailmanager@karvy.com</a> : URL: <a href="http://www.karvycomputershare.com">www.karvycomputershare.com</a>	
<b>Publication of Quarterly Results</b>		
Details of Quarterly financial results published during financial year 2013-14		
<b>Language</b>	<b>News paper</b>	<b>Date</b>
English Tamil	Business Standard Makkal Kural	April 28, 2013
		July 31, 2013
		October 23, 2013
		January 30, 2014
Website address of the Company in which reports/financial results have been posted	<a href="http://www.polarisft.com">www.polarisft.com</a>	
Website address of stock exchange(s) in which reports / financial results are posted		
The National Stock Exchange of India Ltd <a href="http://www.nseindia.com">www.nseindia.com</a>	The Bombay Stock Exchange Ltd <a href="http://www.bseindia.com">www.bseindia.com</a>	
Whether the Official News releases are displayed by the company	✓ Yes <del>No</del>	

## 11 Shareholders' complaints and requests

During the financial year 2013-14, 1495 numbers of requests / Complaints had been received and 1493 numbers of requests / Complaints were resolved by the Company and 2 requests were pending as on 31<sup>st</sup> March 2014 which were replied in the first week of April 2014 as detailed hereunder:

### STATUS OF REQUEST / COMPLAINTS DURING THE PERIOD 01/04/2013 TO 31/03/2014

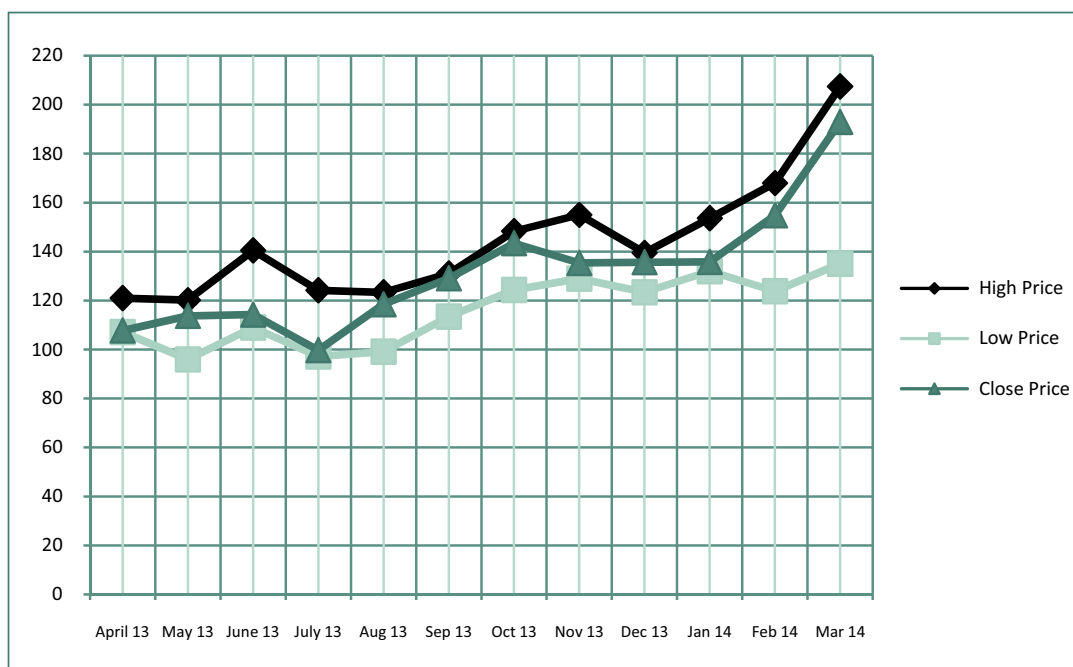
S. No.	SUBJECT	RECEIVED	REPLIED / RESOLVED
<b><u>A. REQUESTS</u></b>			
1	CHANGE/CORRECTION OF ADDRESS	25	24
2	RECEIPT OF DIVIDEND WARRANTS/REFUND ORDER FOR REVALIDATION	130	129
3	SPECIMEN SIGN CHANGE / NOT MENTIONED IN APPLICATION	15	15
4	CHANGE/CORRECTION OF BANK MANDATE	1	1
5	CHANGE/CORRECTION OF BANK MANDATE/NAME/DAMAGE ON DW	14	14
6	REQUEST FOR ISSUE OF DUPLICATE DIVIDEND WARRANT	0	0
7	RECEIPT OF IB FOR ISSUE OF DUPLICATE DW	13	13
8	QUERY REGARDING PAYMENT OF DIVIDEND WARRANT	5	5
9	RECEIPT OF DD(S) /AGAINST DW FROM COMPANY/BANK	8	8
10	REQUEST FOR ECS FACILITY ( ELECTRONIC CLEARANCE SERVICES)	10	10
11	LETTERS FROM CLIENTS REGARDING BILLS/PAYMENTS	2	2
12	POSTAL RETURN DOCUMENTS	1069	1069
13	LETTER FROM SEBI/STOCK EXCHANGE/CBI/ACKNOWLEDGE MENT	1	1
14	REGISTRATION OF POWER OF ATTORNEY	0	0
15	LOSS OF SECURITIES AND REQUEST FOR ISSUE OF DUPLICATE	8	8
16	RECEIPT OF IB AND AFFIDAVIT FOR ISSUE OF DUP SECURITIES	4	4
17	REQUEST FOR CONSOLIDATION/SPLIT OF SECURITIES	10	10
18	DELETION OF JOINT NAME DUE TO DEATH	3	3
19	REQUEST FOR TRANSFER/TRANSMISSION OF SECURITIES	30	30
20	REQUEST FOR DEMAT NSDL & CDSL /REMAT	54	54
21	DD RECEIVED FROM BANKS AGAINST ECS REJECTIONS	4	4
22	CHANGE / CORRECTION OF NAME ON SECURITIES	2	2
23	CLARIFICATION REGARDING SHARES	4	4
24	REQUEST FOR EXCHANGE OF CERTIFICATES	6	6
25	QUERY REGARDING UNDELIVERED DOCUMENTS	0	0
26	OTHERS(ACKNOWLEDGEMENT/NSDL OPERATION/ELECTRONIC DP REQ/PAN NO, REQ FOR COMMUNIC , EMAILS	43	43
<b>TOTAL (A)</b>		<b>1461</b>	<b>1459</b>
<b><u>B. COMPLAINTS</u></b>			
1	NON-RECEIPT OF ANNUAL REPORT	2	2
2	NON-RECEIPT OF DIVIDEND WARRANT	23	23
3	NON-RECEIPT OF SECURITIES	4	4
4	NON-RECEIPT OF SECURITIES SENT FOR NAME CORRECTION	0	0
5	NON-RECEIPT OF REFUND ORDER	0	0
6	SEBI/BSE/NSE Complaints	5	5
<b>TOTAL(B)</b>		<b>34</b>	<b>34</b>
<b>TOTAL (A) + (B)</b>		<b>1495</b>	<b>1493</b>

**12. Stock market data about the shares of the Company for the period April 2013 to March 2014 at National Stock Exchange Limited (NSE) and Bombay Stock Exchange of India Limited (BSE).**

Share market data and the graphical representation of closing market prices movement of the Company's shares quoted in the Bombay Stock Exchange (BSE) Mumbai and National Stock Exchange Ltd. (NSE) from April 2013 to March 2014.

Month 2013-14	NSE PRICE			
	High Price	Low Price	Close Price	Volume
April 13	121.00	107.15	107.75	3,585,685
May 13	120.20	96.00	113.75	12,184,578
June 13	140.45	109.00	114.30	30,807,105
July 13	124.20	97.20	99.75	12,745,336
Aug 13	123.35	99.15	118.50	12,026,601
Sep 13	131.00	113.50	129.10	9,885,689
Oct 13	148.30	124.35	143.40	11,760,353
Nov 13	155.00	129.00	135.35	6,220,407
Dec 13	139.50	123.40	135.65	9,794,297
Jan 14	153.60	132.00	135.80	12,963,849
Feb 14	168.00	123.85	154.80	30,327,201
Mar 14	207.40	135.10	192.95	58,610,716
<b>Total</b>				<b>210,911,817</b>

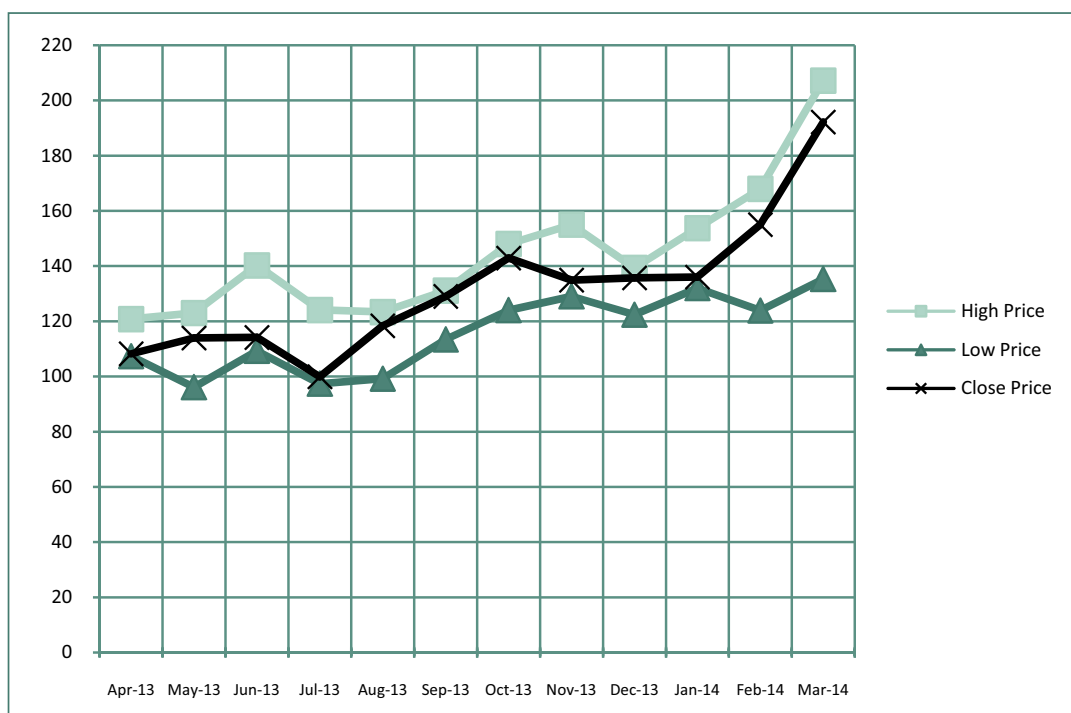
**Polaris @ NSE**



## Polaris Share Price Quoted In BSE - April 2013 to March 2014

Month 2013-14	BSE Price			
	High Price	Low Price	Close Price	Volume
Apr-13	120.80	107.35	108.20	1,226,087
May-13	123.00	96.10	113.95	2,680,529
Jun-13	140.25	109.25	114.15	8,471,480
Jul-13	124.10	97.35	99.90	2,704,636
Aug-13	123.35	99.20	118.35	2,731,689
Sep-13	131.10	113.40	129.00	1,938,807
Oct-13	148.00	124.00	142.90	3,051,550
Nov-13	155.00	129.00	134.90	1,360,635
Dec-13	139.35	122.40	135.70	2,270,952
Jan-14	153.75	132.00	136.00	3,064,191
Feb-14	168.00	123.90	155.00	7,905,400
Mar-14	207.20	135.30	192.20	15,730,652
<b>Total</b>				<b>53,136,608</b>

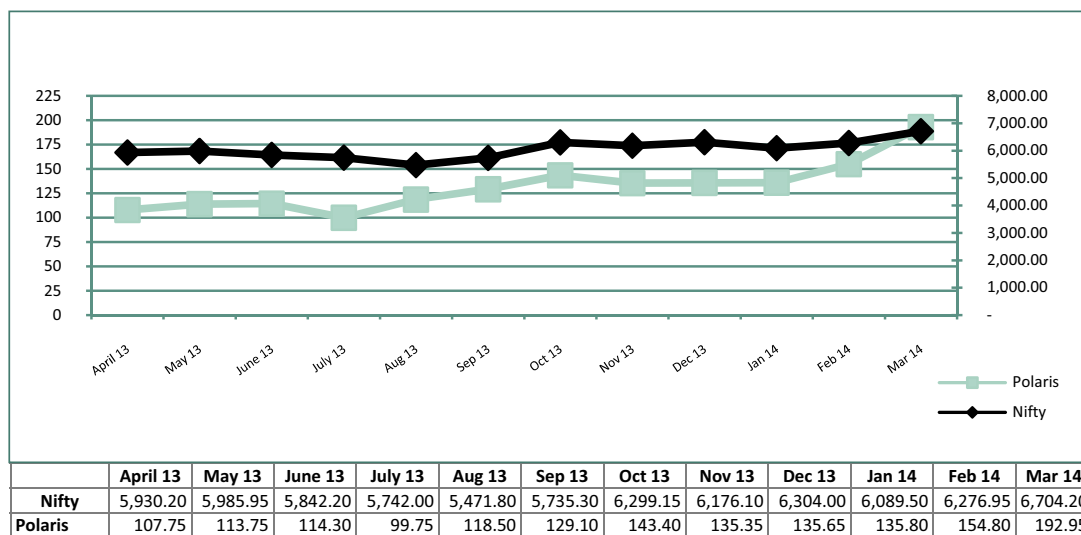
## POLARIS at BSE



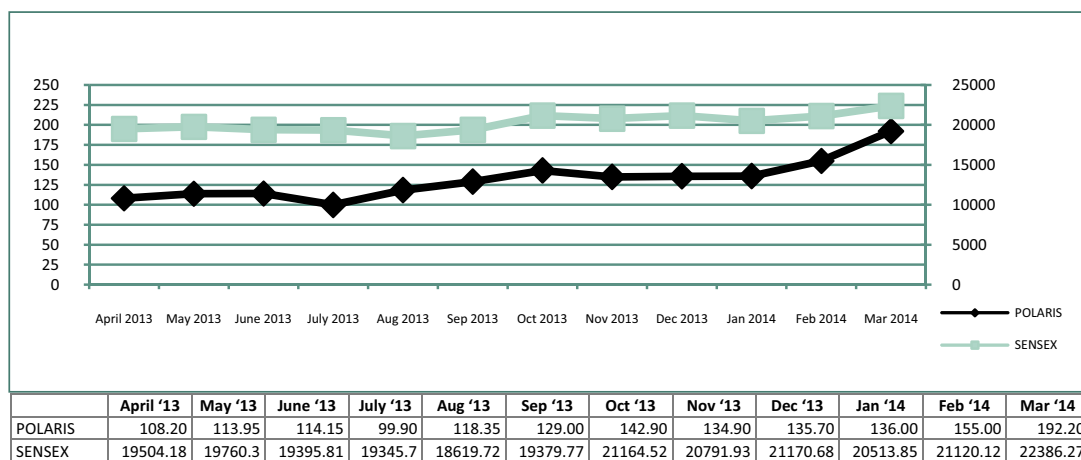
## Polaris share price (High / Low) during the financial year 2013-14

Stock Exchange	Yearly high price	Date	Yearly low price	Date
NSE	207.40	20 March 2014	96.00	15. May. 2013
BSE	207.20	20 March 2014	96.10	14. May. 2013

**NIFTY Vs POLARIS @ NSE**



**SENSEX Vs POLARIS @ BSE**



**13. Shareholding pattern of the Company as on March 31, 2014**

CATEGORY CODE	CATEGORY OF SHAREHOLDER	NO OF SHARE HOLDERS	TOTAL NUMBER OF SHARES	NO. OF SHARES HELD IN DEMAT FORM	TOTAL SHAREHOLDING AS A % OF TOTAL NO OF SHARES		SHARES PLEDGE OR OTHERWISE ENCUMBERED	
					AS a % of (A+B)	As a % of (A+B+C)	NO. OF SHARES	AS a %
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VII)/(IV)*100
<b>(A)</b>	<b>PROMOTER AND PROMOTER GROUP</b>							
(1)	INDIAN							
(a)	Individual /HUF	15	8,974,822	8,974,821	9.02	9.02	-	-
(b)	Central Government/State Government(s)	-	-	-	-	-	-	-
(c)	Bodies Corporate	1	20,020,938	20,020,938	20.11	20.11	-	-
(d)	Financial Institutions / Banks	-	-	-	-	-	-	-
(e)	Others	-	-	-	-	-	-	-
	<b>Sub-Total A(1) :</b>	<b>16</b>	<b>28,995,760</b>	<b>28,995,759</b>	<b>29.13</b>	<b>29.13</b>		

CATEGORY CODE	CATEGORY OF SHAREHOLDER	NO OF SHARE HOLDERS	TOTAL NUMBER OF SHARES	NO. OF SHARES HELD IN DEMAT FORM	TOTAL SHAREHOLDING AS A % OF TOTAL NO OF SHARES		SHARES PLEDGE OR OTHERWISE ENCUMBERED	
					AS a % of (A+B)	As a % of (A+B+C)	NO. OF SHARES	AS a %
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VII)/(IV)*100
(2)	FOREIGN						-	-
(a)	Individuals (NRIs/Foreign Individuals)	-	-	-	-	-	-	-
(b)	Bodies Corporate	-	-	-	-	-	-	-
(c)	Institutions	-	-	-	-	-	-	-
(d)	Qualified Foreign Investor	-	-	-	-	-	-	-
(e)	Others	-	-	-	-	-	-	-
	<b>Sub-Total A(2) :</b>	-	-	-	-	-	-	-
	<b>Total A=A(1)+A(2) :</b>	<b>16</b>	<b>28,995,760</b>	<b>28,995,759</b>	<b>29.13</b>	<b>29.13</b>		
(B)	PUBLIC SHAREHOLDING							
(1)	INSTITUTIONS						-	-
(a)	Mutual Funds /UTI	18	3,003,669	3,003,669	3.02	3.02	-	-
(b)	Financial Institutions /Banks	6	462,913	462,913	0.47	0.47	-	-
(c)	Central Government / State Government(s)	-	-	-	-	-	-	-
(d)	Venture Capital Funds	-	-	-	-	-	-	-
(e)	Insurance Companies	-	-	-	-	-	-	-
(f)	Foreign Institutional Investors	78	27,301,793	27,301,643	27.43	27.43	-	-
(g)	Foreign Venture Capital Investors	-	-	-	-	-	-	-
(h)	Qualified Foreign Investor	-	-	-	-	-	-	-
(i)	Others	-	-	-	-	-	-	-
	<b>Sub-Total B(1) :</b>	<b>102</b>	<b>30,768,375</b>	<b>30,768,225</b>	<b>30.91</b>	<b>30.91</b>	-	-
(2)	NON-INSTITUTIONS						-	-
(a)	Bodies Corporate	842	2,578,759	2,578,209	2.59	2.59	-	-
(b)	Individuals						-	-
	(i) Individuals holding nominal share capital upto Rs.1 lakh	40,444	8,007,845	7,811,578	8.04	8.04	-	-
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	49	5,357,098	5,357,098	5.38	5.38	-	-
(c)	Others						-	-
	BUSINESS ASSOCIATES	2	19,575,092	19,575,092	19.66	19.66		
	NON RESIDENT INDIANS	578	416,014	412,164	0.42	0.42	-	-
	OVERSEAS CORPORATE BODIES	2	300	250	0.00	0.00		
	CLEARING MEMBERS	259	653,279	653,279	0.66	0.66	-	-
	TRUSTS	7	3,197,752	3,177,652	3.21	3.21		
(d)	Qualified Foreign Investor	0	0	0	0.00	0.00	-	-
	<b>Sub-Total B(2) :</b>	<b>42,183</b>	<b>39,786,139</b>	<b>39,565,322</b>	<b>39.97</b>	<b>39.97</b>	-	-
	<b>Total B=B(1)+B(2) :</b>	<b>42,285</b>	<b>70,554,514</b>	<b>70,333,547</b>	<b>70.87</b>	<b>70.87</b>	-	-
	<b>Total (A+B) :</b>	<b>42,301</b>	<b>99,550,274</b>	<b>99,329,306</b>	<b>100.00</b>	<b>100.00</b>		
(C)	Shares held by custodians, against which							
	Depository Receipts have been issued							
(1)	Promoter and Promoter Group						-	-
(2)	Public	0	0	0	0.00	0.00	-	-
	<b>GRAND TOTAL (A+B+C) :</b>	<b>42,301</b>	<b>99,550,274</b>	<b>99,329,306</b>	<b>100.00</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>

\*No shares were pledged by the promoters as on March 31, 2014.

List of persons holding more than 1% of the total number of shares

S.No.	Name	Shares	% Equity
1	POLARIS BANYAN HOLDING PRIVATE LIMITED (Formerly Known as POLARIS HOLDINGS PRIVATE LIMITED)	20,020,938	20.11
2	ARUN JAIN	4,332,364	4.35
3	YOGESH ANDLAY	2,077,447	2.09
4	MANJU JAIN	1,052,460	1.06
5	ORBITECH LIMITED *	19,575,092	19.66
6	FRANKLIN MUTUAL SERIES FUNDS- MUTUAL BEACON FUND	7,108,509	7.14
7	HERMES INVESTMENT FUNDS PLC ON BEHALF OF HERMES EMERGING ASIA EQUITY FUND	3,242,327	3.26
8	GHI LTP LTD	2,374,961	2.39
9	POLARIS ASSOCIATE STOCK OPTION PLAN TRUST	1,536,000	1.54
10	ORBITECH EMPLOYEES WELFARE TRUST	1,152,329	1.16
11	LSV EMERGING MARKETS EQUITY FUND LP	1,127,800	1.13
12	GHI JBD LTD	1,000,045	1.00
<b>Total</b>		<b>64,600,272</b>	<b>64.89</b>

Shareholding of Directors / office bearers as on March 31, 2014.

Sl. No.	Name of the Director / Officer bearer	No. of shares	% of Share Capital
1.	Arun Jain, Chairman and Managing Director	43,32,364	4.35
2.	Abhay Agarwal, Director	29,622	0.03
3.	Arvind Kumar, Director	21,000	0.02
4.	Dr.Ashok Jhunjhunwala, Director	18,300	0.02
5.	RC Bhargava, Director	17,250	0.02
6.	Raju Venkatraman, Director	500	0.00
7.	V.Balaraman, Director	-	-
8.	Rajesh Mehta, Director	-	-
9	S.Swaminathan - Chief Financial Officer	-	-
10.	V.V. Naresh – Company Secretary	-	-

Distribution Schedule of Shareholding as on March 31, 2014

S.No	No. of Shares	Total		Demat-holdings		Physical Holdings	
		No. of Share holders	No. of Shares	No. of Share holders	No. of Shares	No. of Share holders	No. of Shares
1	1 - 5000	41,901	7,513,073	40,816	7,318,205	1,085	194,868
2	5001 - 10000	153	1,135,524	152	1,129,524	1	6,000
3	10001 - 20000	79	1,170,951	79	1,170,951	-	-
4	20001 - 30000	33	826,925	32	806,825	1	20,100
5	30001 - 40000	20	714,960	20	714,960	-	-
6	40001 - 50000	12	535,615	12	535,615	-	-
7	50001 - 100000	35	2,713,977	35	2,713,977	-	-
8	100001 and above	68	84,939,249	68	84,939,249	-	-
<b>TOTAL</b>		<b>42,301</b>	<b>99,550,274</b>	<b>41,214</b>	<b>99,329,306</b>	<b>1,087</b>	<b>220,968</b>



**Comparative distribution schedule as on March 31, 2014**

<b>Comparative distribution schedule as on March 31, 2014</b>						
Shares	Physical		Demat		Total	
	Nos.	%	Nos.	%	Nos.	%
31.03.2014	220,968	0.22	99,329,306	99.78	99,550,274	100
31.03.2013	233,604	0.23	99,272,470	99.77	99,506,074	100
<b>Shareholders</b>						
31.03.2014	1,087	2.57	41,214	97.43	42,301	100
31.03.2013	1,111	0.23	46,338	99.77	47,449	100

**14. Other Information to Shareholders****Share Transfer System**

The applications for transfers, transmission and transposition are received by the Company at its Registered Office address at Chennai or at Messrs.Karvy Computershare Private Ltd., Hyderabad, Registrar and Share Transfer Agents (RTA) of the Company. As the Company's shares are currently traded in demat form, the transfers are processed and approved by NSDL/CDSL in the electronic form through its Depository Participants. The RTA on a regular basis processes the physical transfers and the share certificates are sent to the respective transferees.

**Dividend Information**

Members who have not claimed the dividend for the below mentioned periods are requested to lodge their claim with the Company. No claim shall lie for the unclaimed dividends from IEPF by the members. The due dates for transfer of unclaimed dividends to IEPF, pertaining to different financial years are given below:

Financial Year ended	Dividend			Date of declaration of Dividend	Amount Lying Unpaid (in Rs.)	Last date for claiming unpaid Dividend
	Type	%	Per Share (in Rs.)			
31.03.2008	Final	30%	1.50	17.07.2008	825,890.00	16.08.2015
31.03.2009	Interim	30%	1.50	20.01.2009	883,175.00	19.02.2016
	Final	25%	1.25	16.07.2009	614,106.00	15.08.2016
31.03.2010	Interim	35%	1.75	20.01.2010	674,897.00	19.02.2017
	Final	35%	1.75	17.07.2010	597,148.00	16.08.2017
31.03.2011	Final	90%	4.50	20.07.2011	1,228,561.00	19.08.2018
31.03.2012	Interim	40%	2.00	16.02.2012	609,214.00	15.03.2019
	Final	60%	3.00	19.11.2012	1,106,601.00	18.12.2019
31.03.2013	Final	100%	5.00	08.08.2013	1,743,700.00	07.09.2020
<b>Total</b>					<b>8,283,292.00</b>	

During the year under review, the company has revalidated 239 dividend warrants amounting to Rs.2,37,436 and the same was issued to the shareholders.

Dividend remitted to IEPF during the previous three years.

Sl. No.	Pertaining to FY	Date of payment	Amount (in Rs.)
1	2006-07 - Final	12.05.2014	5,92,968
2	2006-07 - Interim	27.02.2014	3,27,251
3	2005-06	07.10.2013	5,18,444
4	2004-05	11.09.2012	6,25,619

**Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity** - Not applicable -

Share Transaction Regulatory System in place for controlling insider trading policy on Insider Trading

A Policy on Insider Trading has been implemented and continues to be in force since December 1999, as amended pursuant to the guidelines issued by SEBI from time to time. This Policy deals with the rules, regulations and process for transactions in the shares of the Company and shall apply to all transactions and for all associates in whatever capacity they may be, including Directors. This code forms part and parcel of the service conditions of the employees of the Company.

**Demat account opened for unclaimed shares**

In compliance with the amendment to Clause 5A of the Listing Agreement issued by SEBI vide its circular CIR/CFD/DIL/10/2010 dated December 16, 2010; the company has opened a Demat account in the name of “**Polaris Financial Technology Limited Unclaimed Suspense Account**” with ICICI Bank Limited, DP IN302679, Client ID No.38718320 Chennai for the purpose of transferring the unclaimed shares lying with RTA, Karvy Computershare (P) Ltd.

The RTA has not received any response for the three reminders sent to the shareholders [at the address given in the application form as well as captured from depository’s database] asking for correct particulars to dispatch the shares lying unclaimed with RTA. Hence as per the directions of the above said circular; the shares held by those shareholders were dematerialized and transferred to the above said demat account. The Company has transferred 90,800 equity shares to the said account as of 31<sup>st</sup> March 2014.

As and when any shareholder approaches the Company or RTA to claim the above said shares, the company or RTA as applicable after proper verification either credit the shares lying in the Unclaimed suspense account to the demat account of the shareholder to the extent of the shareholders’ entitlement or deliver the physical certificates after re-materialising the same, depending on what has been opted by the shareholder.

Outstanding at the beginning of the year		No. of shareholders claimed during the year	No. of shareholders’ claim transferred during the year	Outstanding at the end of the year	
Shareholders	Shares			Shareholders	Shares
621	92500	10	7	614	90800

**Locations**

Headquartered in Chennai; the other branch offices addresses / locations are furnished elsewhere in the Annual Report. Polaris also has seven subsidiaries in India namely

- (I) Polaris Enterprise Solutions Limited,
- (II) Optimus Global Services Limited,
- (III) SEEC Technologies Asia Private Limited,
- (IV) Laser Soft Infosystems Limited,
- (V) Indigo Tx Software Private Limited,
- (VI) SFL Properties Private Limited
- (VII) Intellect Design Arena Limited

**Addresses for correspondence**

The Company Secretary & Compliance Officer  
POLARIS FINANCIAL TECHNOLOGY LIMITED  
Regd. Office: Polaris House,  
244, Anna Salai, Chennai - 600 006  
CIN: L65993TN1993PLC024142  
Phone: 044-3987 4000, Fax: 044-2852 3280  
E-mail: shareholder.query@polarisft.com  
company.secretary@polarisft.com  
www.polarisft.com

By the order of the Board  
for Polaris Financial Technology Limited.

Place: Chennai  
Date: April 30, 2014

**Arun Jain**  
Chairman and Managing Director

### CEO & CFO CERTIFICATION UNDER CLAUSE 49(V) OF THE LISTING AGREEMENT

To: The Board of Directors of Polaris Financial Technology Limited, Chennai

We, Arun Jain, Chairman & Managing Director and Mr.S.Swaminathan, Chief Financial Officer of Polaris Financial Technology Limited., ("Company") hereby certify that:-

- (a) We have reviewed financial statements and the cash flow statement of the company for the financial year ended March 31, 2014 and that to the best of our knowledge and belief:
  - (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) There are to the best of our knowledge and belief, 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
  - (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Place: Chennai

Date: April 30, 2014

**Arun Jain**  
Chairman and Managing Director

**S.Swaminathan**  
Chief Financial Officer

**Auditors' certificate on compliance with the conditions of corporate  
Governance under clause 49 of the listing agreement**

**AUDITORS' CERTIFICATE**

To  
The Members  
Polaris Financial Technology Limited.

We have examined the compliance of conditions of corporate governance by Polaris Financial Technology Limited, for the year ended on March 31, 2014, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S.R.Batliboi & Associates LLP  
Chartered Accountants  
Firm registration No. 101049W

per Subramanian Suresh  
Partner  
Membership No. 083673

Place: Chennai  
Date: April 30, 2014

.....  
To  
The Members  
Polaris Financial Technology Limited  
Chennai

**Sub: Declaration by the CEO under Clause 49 (I)(D)(ii) of the Listing Agreement**

I, Arun Jain, Chairman & Managing Director of Polaris Financial Technology Limited to the best of my knowledge and belief, declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company for the year ended March 31, 2014.

Place: Chennai  
Date: April 30, 2014

**Arun Jain**  
Chairman & Managing Director

**POLARIS FINANCIAL TECHNOLOGY LIMITED  
AUDITED STANDALONE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**(All amounts are denominated in INR and expressed in Lakhs, unless otherwise stated)**

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of Polaris Financial Technology Limited

**Report on the Financial Statements**

We have audited the accompanying financial statements of Polaris Financial Technology Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4<sup>th</sup> April 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date;  
and
- (c) in the case of the Cash Flow Statement, of the 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, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from branches not visited by us.
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4<sup>th</sup> April 2014 issued by the Ministry of Corporate Affairs;
  - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
Firm Registration Number: 101049W

**per Subramanian Suresh**  
Partner  
Membership No.: 083673

Place: Chennai  
Date: April 30, 2014



**Annexure referred to in our report of even date**

Re: Polaris Financial Technology Limited ('the Company')

- i)
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
  - c) There was no substantial disposal of fixed assets during the year.
- ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(ii) of the Order are not applicable to the Company.
- iii)
  - a) The Company has granted loan to a Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 100.00 Lakhs and the year-end balance of loans granted to such parties was nil.
  - b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
  - c) In respect of loans granted, repayment of the principal amount as stipulated and payment of interest has been regular.
  - d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
  - e) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the provisions of clause 4(iii) (e) to (g) of the Order are not applicable to Company and hence not commented upon.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas. The activities of the Company do not include purchase of inventory and sale of goods.
- v)
  - a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
  - b) In our opinion and according to the information and explanations given to us and the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five Lakhs have entered into during the financial year, at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

- viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- ix) a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in few cases of Provident fund & Employee State insurance*. The provisions relating to excise duty and customs duty are not applicable to the Company.
- b) According to the information and explanations given to us, there are no undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, cess and other statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable.
- c) According to the records of the Company, no dues outstanding of provident fund, wealth tax and cess on account of any dispute. Dues outstanding of income-tax, sales-tax, service tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs in Lakhs)*	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax	3,154.36	2001-06	High Court
Income Tax Act, 1961	Income tax	413.45	2007-08	High Court
Income Tax Act, 1961	Income tax	641.95	2006-07	Assessing Officer
Income Tax Act, 1961	Income Tax	3021.51	2008-09	High Court
Income Tax Act, 1961	Income Tax	136.47	2009-10	Commissioner of Income Tax Appeals
Tamil Nadu General Sales Tax Act, 1959	Sales tax	519.93	2004-05	High Court
Central Sales Tax Act, 1956	Central sales tax***	55.62	2008-09	Appellate Commissioner
Central Sales Tax Act, 1956	Central sales tax***	42.40	2006-08	High Court
Central Sales Tax Act, 1956	Central sales tax	9.16	2009-10	Appellate Commissioner
Finance Act, 1994	Service tax**	201.10	2004-05	CESTAT

\*Does not include interest

\*\*The Company has also deposited a sum of Rs 68.28 Lakhs under protest.

\*\*\* The Company has also deposited a sum of Rs.26.76 Lakhs under protest.

- x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a bank. The Company has no dues in respect of a financial institution and has not issued any debentures during the year.

- xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii), are not applicable to the Company.
- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv), are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) The Company did not have any term loans outstanding during the year.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) The Company did not have any outstanding debentures during the year.
- xx) During the year, the Company has not raised any money by way of public issue and accordingly the provisions of clause 4(xx) of the Order are not applicable to the Company
- xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
Firm Registration Number: 101049W

**per Subramanian Suresh**  
Partner  
Membership No.: 083673

Place: Chennai  
Date: April 30, 2014

**Polaris Financial Technology Limited**

**Balance Sheet as at March 31, 2014**

(All amounts are in Rupees in Lakhs unless otherwise stated)

Particulars	Notes	March 31, 2014	March 31, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	4	4,977.51	4,975.30
Reserves and surplus	5	112,582.81	103,789.14
		117,560.32	108,764.44
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities (Net)	6	1,043.80	771.36
Long-term provisions	7	403.62	794.08
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	8	-	10,858.00
Trade payables	9	21,305.04	18,733.23
Other current liabilities	10	14,830.86	12,787.45
Short-term provisions	11	10,904.18	14,560.59
<b>TOTAL</b>		<b>166,047.82</b>	<b>167,269.15</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	12		
-Tangible assets		28,917.51	29,689.22
- Intangible assets		669.11	1,116.66
- Capital work-in-progress		3,488.61	4,154.95
		33,075.23	34,960.83
Non-current investments	13	18,770.94	14,743.76
Long-term loans and advances	14	12,376.86	10,333.14
Other non-current assets	15	4,729.71	187.29
<b>CURRENT ASSETS</b>			
Current investments	16	36,541.98	35,351.51
Trade receivables	17	22,784.03	32,603.17
Cash and bank balances	18	10,427.72	3,966.04
Short-term loans and advances	19	5,912.63	12,152.66
Other current assets	20	21,428.72	22,970.75
<b>TOTAL</b>		<b>166,047.82</b>	<b>167,269.15</b>

Summary of significant accounting policies 3

The accompanying notes are an integral part of the financial statements

As per our report of even date.

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
ICAI Firm Registration number: 101049W

For and on behalf of the Board of Directors of  
**Polaris Financial Technology Limited**

**per Subramanian Suresh**  
Partner  
Membership No. 083673  
Chennai  
April 30, 2014

**Arun Jain**  
Chairman & Managing Director

**R.C. Bhargava**  
Director

**S.Swaminathan**  
Chief Financial Officer  
Chennai  
April 30, 2014

**V.V.Naresh**  
Vice President &  
Company Secretary

**Polaris Financial Technology Limited****Statement of profit and loss for the year ended March 31, 2014**

(All amounts are in Rupees in Lakhs unless otherwise stated)

<b>Particulars</b>	<b>Notes</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Revenue</b>			
Income from Software development, Support and BPO services		162,441.48	149,479.30
Income from Software Product licenses and related revenues		38,083.78	35,919.88
Other income	24	3,006.21	3,652.84
<b>Total Revenue</b>		<b>203,531.47</b>	<b>189,052.02</b>
<b>Expenses</b>			
Employee benefit expense	25	160,680.22	142,656.29
Finance costs	25	104.10	190.50
Depreciation and amortization expense	12	4,797.99	4,634.35
Other expenses	25	24,574.78	21,195.95
<b>Total expenses</b>		<b>190,157.09</b>	<b>168,677.09</b>
<b>Profit before exceptional items and tax</b>		<b>13,374.38</b>	<b>20,374.93</b>
Exceptional Items	34	(2,327.70)	-
<b>Profit before tax</b>		<b>11,046.68</b>	<b>20,374.93</b>
<b>TAX EXPENSE</b>			
Income taxes - Current tax		3,334.47	4,231.08
- Adjustment of tax relating to earlier periods		(949.72)	-
- Deferred tax		265.34	424.36
- MAT credit entitlement		-	(579.21)
- MAT credit entitlement (Earlier years)		-	(407.00)
<b>Profit for the year</b>		<b>8,396.59</b>	<b>16,705.70</b>
Earnings per share (In Rs.) (equity shares par value Rs 5 each)	36		
Basic		8.44	16.79
Diluted		8.42	16.76

Estimated pre-tax (Loss) for the year ended 31 March 2014 from ordinary activity attributable to Discontinuing Operations (Products division) included in the above results. (Related Income tax credit for the year ended 31 March 2014 - Rs. 138 lakhs.)

Summary of significant accounting policies 3

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
ICAI Firm Registration number: 101049W

For and on behalf of the Board of Directors of  
**Polaris Financial Technology Limited**

**per Subramanian Suresh**  
Partner  
Membership No. 083673  
Chennai  
April 30, 2014

**Arun Jain**  
Chairman & Managing Director

**R.C. Bhargava**  
Director

**S.Swaminathan**  
Chief Financial Officer  
Chennai  
April 30, 2014

**V.V.Naresh**  
Vice President &  
Company Secretary

**Polaris Financial Technology Limited**

**Statement of cash flow for the year ended March 31, 2014**

(All amounts are in Rupees in Lakhs unless otherwise stated)

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	11,046.68	20,374.93
Adjustments for:		
Depreciation / amortisation	4,797.99	4,634.35
Unrealised exchange (gains) / losses	509.71	940.54
Exchange difference on translation of foreign operations	3,334.81	911.12
Interest income	(872.95)	(398.54)
Dividend income	(1,659.94)	(1,001.19)
Provision for doubtful debts (net)	(771.40)	(366.90)
Bad debts / advances written off	1,119.24	678.09
(Profit) / Loss on sale of investments	1,882.70	(593.90)
Provision for diminution in value of investments	55.55	(415.00)
(Profit) / Loss on sale of fixed assets	(22.06)	(1,118.35)
Interest expenses	104.10	190.50
<b>Changes in assets and liabilities</b>		
Decrease / (Increase) in trade receivables	9,187.78	(5,207.76)
Decrease/(Increase) in loans and advances and other assets	4,841.73	(9,905.46)
Increase/(Decrease) in liabilities and provisions	3,598.00	7,226.96
<b>Cash generated from operations</b>	<b>37,151.94</b>	<b>15,949.39</b>
Taxes paid	(4,814.71)	(4,677.30)
<b>Net cash from operating activities</b>	<b>32,337.23</b>	<b>11,272.09</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets, changes in capital work in progress and capital advance	(3,196.65)	(4,646.32)
Proceeds from sale of fixed assets	188.59	1,321.50
(Acquisition) / disposal of subsidiary	6,959.49	(4.99)
Net decrease/(increase) in non-trade investments	(14,115.38)	(11,036.63)
Investment in long-term term deposits	(1,802.00)	1,500.00
Interest received	872.95	398.54
Dividend received on mutual fund units	1,659.94	1,001.19
<b>Net cash used in investing activities</b>	<b>(9,433.06)</b>	<b>(11,466.71)</b>
<b>Cash flows from financing activities</b>		
Proceeds from share capital issued on exercise of stock options	2.21	3.10
Proceeds from securities premium on exercise of stock options	22.88	32.59
Dividends paid during the year	(5,810.80)	(3,468.26)
(Repayment)/Proceeds of Loans	(10,858.00)	68.91
Interest paid	(104.10)	(190.50)
<b>Net cash used in financing activities</b>	<b>(16,747.81)</b>	<b>(3,554.16)</b>
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	<b>6,156.35</b>	<b>(3,748.78)</b>
Exchange differences on translation of foreign currency cash and cash equivalents	305.32	(129.46)
Cash and cash equivalents at the beginning of the year	3,966.04	7,844.28
<b>Cash and cash equivalents at the end of the year*</b>	<b>10,427.72</b>	<b>3,966.04</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	1.27	1.23
Balance with banks	10,426.45	3,964.81
<b>Total cash and cash equivalents</b>	<b>10,427.72</b>	<b>3,966.04</b>

\* The balance with banks include Rs 88.76 Lakhs (March 31, 2013: Rs 78.52 Lakhs) which are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

\* The balance with banks as of March 31, 2014 also include Rs. 1,889 Lakhs (March 31<sup>st</sup> 2013 – Rs.1,500 Lakhs) which has been pledged as a security by the company for availing non-fund based facilities .

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
ICAI Firm Registration number: 101049W  
**per Subramanian Suresh**  
Partner  
Membership No. 083673  
Chennai, April 30, 2014

For and on behalf of the Board of Directors of  
**Polaris Financial Technology Limited**

**Arun Jain**  
Chairman & Managing Director

**R.C. Bhargava**  
Director

**S.Swaminathan**  
Chief Financial Officer  
April 30, 2014  
Chennai

**V.V.Naresh**  
Vice President & Company  
Secretary

**Polaris Financial Technology Limited**

**Notes to Financial Statements for the year ended March 31, 2014**

(All amounts are in Rupees in Lakhs unless otherwise stated)

**1. Corporate Information**

Polaris Financial Technology Limited, a public limited company domiciled in India and incorporated under the provision of the Companies Act, 1956, was founded in 1993 and is headquartered in Chennai. The Company's shares are listed on Madras Stock Exchange, The National Stock Exchange and The Bombay Stock Exchange in India. The Company, with its comprehensive portfolio of products, smart legacy modernization services and consulting offers state-of-the-art solutions for Core Banking, Corporate Banking, Wealth & Asset Management and Insurance.

**2. Basis of preparation of financial statements**

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs and other accounting Principles generally accepted in India. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those used in the previous year.

**3. Significant Accounting Policies**

**a) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**b) Tangible fixed assets and capital work in progress**

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Capital work in progress comprises cost of tangible fixed assets not ready for intended use as at the balance sheet date.

**c) Depreciation on tangible fixed assets**

Depreciation on fixed assets is provided using the straight-line method based on rates specified in Schedule XIV of the Companies Act, 1956 or rates arrived at based on estimated useful lives of assets estimated by the management, whichever is higher. Individual assets costing less than Rs 5,000/- are depreciated at the rate of 100 %.

The estimated useful lives considered for depreciation of fixed assets are as follows:

Assets Category	Estimated useful life (years)
Buildings	29
Plant and Machinery	6-7
Computer Equipment's	3
Servers and Computer accessories	5
Electrical fittings, office equipment, furniture and fixtures	10
Vehicles	4-6
Leasehold improvements	Over the lease period or 10 years whichever is lower
Leasehold Land	Over the lease period (99 years)

#### **d) Intangible assets**

Intangible assets acquired are stated at cost, less accumulated amortization and impairment losses if any.

##### *Research and development costs*

Software product and intellectual property development costs are expensed as incurred until technological feasibility is established. Software development costs incurred subsequent to the achievement of technological feasibility are capitalized and amortised over estimated useful life of the products. This capitalisation is done only if the Company has the intention and ability to complete the product, the product is likely to generate future economic benefits, adequate resources to complete the product are available to the Company and the Company is able to accurately measure such expense.

Such software development costs comprise expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to the development of the product and intellectual property rights.

##### *Amortisation*

The amortisation of software development and intellectual property costs is allocated on a straight-line basis over the best estimate of its useful life after the product is ready for use. The factors considered for identifying the basis include obsolescence, product life cycle and actions of competitors. The amortization period and the method are reviewed at each year end. The expected useful life is reassessed at each year end and the amortization period is changed accordingly. The estimated useful life of company's intangible assets are stated below:

<b>Assets Category</b>	<b>Estimated useful life (years)</b>
Computer software	3
Customer contracts acquired on business purchase agreements	3
Intellectual property rights	3-5

#### **e) Operating leases**

Leases where the lessor effectively retains substantially all the risks and the benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

#### **f) Impairment of tangible and intangible fixed assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the pre-tax discount rate reflecting current market assessment of time value of money and risks specific to asset.

After impairment, depreciation/amortisation is provided on the revised carrying amount of the asset over its remaining useful life.

#### **g) Investments**

Investments are classified as long-term investments and current investments. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.



On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. Current investments are carried in the financial statements at the lower of cost or fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

#### **h) Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

##### *Software development and support services*

Revenue from software development and support services comprises income from time-and-material and fixed price contracts. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue from fixed-price contracts is recognized in accordance with the proportionate completion method. Provision for estimated losses on incomplete contract is recorded in the year in which such losses become probable based on the current contract estimates.

##### *Product licenses and related revenues*

Revenues from product licenses and related services includes income under multiple element arrangements recognized as follows:

- License fees and fees for customization/implementation services are recognized using proportionate completion method. Provision for estimated losses, if any, on incomplete contracts are recorded in the year in which such losses become probable based on current contract estimates.
- Product maintenance revenues are recognized over the period of the maintenance contract.

Revenue from sale of licenses which are not in the nature of multiple element arrangements are recognized upon delivery of these licenses which constitute transfer of all risks and rewards and has no further obligations under those arrangements.

Revenue in excess of billing represents earnings on ongoing fixed price and time and material contracts over amounts invoiced to customers. Billings in excess of revenue represent amounts billed in case of ongoing fixed price and time and material contracts wherein amounts have been billed in accordance with the billing cycle and efforts would be incurred subsequent to the balance sheet date.

##### *Business Process Outsourcing*

Revenue from call centre services comprises income from time and material contracts. Revenue is recognized in accordance with the terms of the contract with the customer, as related services are performed.

##### *Other Income*

Interest is recognized using the time-proportion basis taking into account the amount outstanding and the applicable interest rate.

Dividend income is recognized when the Company's right to receive dividend is established.

### **i) Foreign currency transactions and translations**

#### *Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### *Conversion*

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

#### *Exchange Differences*

Exchange differences arising on the settlement/reporting of monetary items, at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

#### *Translation of integral and non-integral foreign operations*

The company classifies all its foreign operations as either “integral foreign operations” or “non-integral foreign operations.”

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average weekly rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

### **j) Forward contracts entered into to hedge foreign currency risk**

The Company uses foreign exchange contracts to hedge its exposure to movements in foreign currency rates. The use of these foreign exchange forward contracts is aimed to reduce the risk/cost to the Company and the Company does not use the foreign exchange forward contracts for trading or speculative purposes.

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

The Company designates these hedging instruments as Cash flow hedges applying the recognition and measurement principles set out in Accounting standard 30 - Financial Instruments - Recognition and measurement.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders’ funds (hedge fluctuation

reserve) and the ineffective portion is recognised immediately in the statement of profit and loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of profit and loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholders' funds (hedge fluctuation reserve) is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the profit and loss.

#### **k) Retirement and other employee benefits**

##### *Provident Fund*

Employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to the Regional Provident Fund equal to a specified percentage of the covered employee's salary. The company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. The Company has no further obligations under the plan beyond its monthly contributions. The contributions are charged to the Statement of Profit and Loss of the year when the contributions to the respective funds are due and there are no other obligations other than the contribution payable.

##### *Gratuity*

The Company provides for gratuity in accordance with the Payment of Gratuity Act, 1972, a defined benefit retirement plan (the Plan) covering all employees. The plan, subject to the provisions of the above Act, provides a lump sum payment to eligible employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. A trust by name "Polaris Software Lab group gratuity trust" has been constituted to administer the gratuity fund. Gratuity liability is accrued and provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial period. Actuarial gains/losses are immediately taken to Statement of profit and loss and are not deferred.

##### *Superannuation*

The Company contributes a specified percentage of the eligible employees' basic salary towards superannuation (the Plan) to a fund. A trust has been created and approved by the Income-tax authorities for this purpose. This Plan provides for various options for payment of pension at retirement or termination of employment as per the trust rules. The Company has no further obligations under the Plan beyond its monthly contributions which are periodically contributed to a trust.

##### *Leave Benefits*

Provision for long-term compensated absences is accrued and provided for on the basis of actuarial valuation made at the end of each financial period. The actuarial valuation is done as per projected unit credit method. Short-term encashment of accumulated leave balances are accounted for in the year in which the leave balances are credited to employees on actual basis.

The company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

### **l) Income and Deferred Taxes**

Tax expense comprises of current and deferred tax. The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company. The current tax provision and advance income tax as at balance sheet date have been arrived at after setting off advance tax and current tax provision where the Company has legally enforceable right to set off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the taxable income and accounting income. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Company does not have legal right to do so.

Deferred tax assets are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised and are reassessed for the appropriateness of their respective carrying values at each balance sheet date. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain, that sufficient future taxable income will be available against which deferred tax asset can be realised.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

The Company enjoys tax holiday under Sec 10AA of the Income tax Act on some of its units set up in the Special Economic Zones (SEZ)

### **m) Stock based Compensation**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

### **n) Earnings per share**

The basic earnings per share are computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

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

#### **o) Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

#### **p) Cash and Cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risks of change in value.

### **4. Share Capital**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Authorised</b>		
120,000,000 equity shares of Rs 5 each. (March 31, 2013: 120,000,000 equity shares of Rs 5 each)	6,000.00	6,000.00
10,000,000 11 % preference shares of Rs 5 each. (March 31, 2013: 10,000,000 11% preference shares of Rs 5 each)	500.00	500.00
	<b>6,500.00</b>	<b>6,500.00</b>
<b>Issued, Subscribed and Paid up</b>		
99,550,274 equity shares of Rs 5 each (March 31, 2013: 99,506,074 equity shares of Rs 5 each) fully paid up	4,977.51	4,975.30
<b>Total Issued, Subscribed and Paid up Capital</b>	<b>4,977.51</b>	<b>4,975.30</b>

Of the total authorised capital of the company referred above, the company has issued only one class of equity shares having a face value of Rs.5 per share. Each holder of such equity share is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company. The distribution will be in proportion to the number of equity shares held by the shareholders.

During the year ended March 31, 2014, the final dividend per share recognized as distribution to equity shareholders was Rs 6.25/- (March 31, 2013 - Rs 5/-).The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

The company has allotted total of 277 equity shares of Rs. 5/- each fully paid-up for consideration other than cash pursuant to the Scheme of Arrangement (demerger) of the BPO division of Optimus Global Service Ltd into the Company during the year ended March 31, 2013.

<b>Reconciliation of the number of shares outstanding as at March 31, 2014</b>	<b>No of Shares</b>	
<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Shares outstanding at the beginning of the year	99,506,074	99,442,097
Add: Share issued under ESOP	44,200	63,700
Add: Shares issued for consideration other than cash	-	277
<b>Shares outstanding at the end of the year</b>	<b>99,550,274</b>	<b>99,506,074</b>

**Details of Shareholders holding more than 5 percent shares in the Company (based on legal ownership)**

Particulars	March 31, 2014		March 31, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Polaris Banyan Holding Private Limited (Formerly Known as Polaris Holdings (P) Limited)	20,020,938	20.11%	20,020,938	20.12%
Orbitech Limited	15,379,606	15.45%	15,379,606	15.46%
Franklin Mutual Series Funds - Mutual Beacon Fund	7,108,509	7.14%	6,942,715	6.98%

**Stock option plans**

The Company has four stock option plans that provide for the granting of stock options to employees including directors of the Company (not being promoter directors and not holding more than 10% of the equity shares of the Company). The objectives of these plans include attracting and retaining the best personnel, providing for additional performance incentives and promoting the success of the Company by providing employees the opportunity to acquire equity shares. The option plans are summarized below:

**Associate Stock Option Plan 2003**

The Shareholders of the Company at the EGM held on March 12, 2004 approved an Associate Stock Option Plan (the 2003 Plan). The 2003 Plan provides for issuance of 3,895,500 options, convertible to equivalent number of equity shares of Rs 5 each, to the employees including Directors. The options are granted at the market price on the date of the grant. The market price, in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as amended from time to time, shall be the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the Company are listed. If the Shares are listed on more than one stock exchange then the stock exchange where there is highest trading volume on the said date shall be considered. The option vests over a period of 5 years from the date of grant in a graded manner, with 20% of the options vesting each year. The exercise period shall commence from the date of vesting and expires within 36 months from the last vesting date.

No compensation cost has been recorded as the scheme terms are fixed and the exercise price equals the market price of the underlying stock on the grant date. A summary of the status of the options granted under 2003 plan at March 31, 2014 is presented below.

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the period	1,981,100	165.03	2,795,050	160.32
Granted during the period	-	-	-	-
Exercised during the period	(43,900)	56.38	(63,700)	58.88
Forfeited during the period	(112,600)	164.87	(140,900)	154.52
Expired during the period	(272,900)	161.91	(609,350)	156.96
Outstanding at the end of the period	1,551,700	168.66	1,981,100	165.03
Exercisable at the end of the period	1,306,700	167.43	1,586,500	161.82

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Range of exercise price	34.35-140.90	34.35-140.90
Weighted average remaining contractual life (in years)	3.48	4.50
Weighted average market price of shares on the date of exercise	127.94	134.50

#### Associate Stock Option Plan 2004

The Shareholders of the Company in the AGM held on July 22, 2005 approved an Associate Stock Option Plan (the 2004 plan). The 2004 plan provides for issuance of 1,084,745 options, convertible to equivalent number of equity shares of Rs 5 each, to the associates including Directors. The options are granted at the market price on the date of the grant. The market price, in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as amended from time to time, shall be the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the Company are listed. If the Shares are listed on more than one stock exchange then the stock exchange where there is highest trading volume on the said date shall be considered. The option vests over a period of 5 years from the date of grant in a graded manner, with 20% of the options vesting each year. The exercise period shall commence from the date of vesting and expires within 36 months from the last vesting date.

No compensation cost has been recorded as the scheme terms are fixed and the exercise price equals the market price of the underlying stock on the grant date. A summary of the status of the options granted under 2004 plan at March 31, 2013 is presented as below

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the period	507,700	184.27	557,500	176.62
Granted during the period	-	-	-	-
Exercised during the period	(25,600)	76.60	(34,800)	76.60
Forfeited during the period	(39,800)	180.05	(6,000)	185.95
Expired during the period	(113,500)	150.58	(9,000)	125.20
Outstanding at the end of the period	328,800	204.79	507,700	184.27
Exercisable at the end of the period	301,000	231.04	428,400	185.65

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Range of exercise price	76.60	76.60
Weighted average remaining contractual life (in years)	2.32	3.25
Weighted average market price of shares on the date of exercise	126.46	118.43

#### Associate Stock Option Plan 2011

The Shareholders of the Company in the Extraordinary General Meeting held on October 28, 2011 approved an Associate Stock Option Plan (the 2011 plan). The 2011 plan provides for issuance of

4,960,000 options convertible into equivalent number of equity shares of Rs 5 each. The plan shall be administered under 4 different schemes.

Particulars	Swarnam 11	Swarnam 21	Swarnam 31	Swarnam 41
Eligible employees	Senior and Key executives excluding non-executive directors	Members of Business leadership team or equivalent thereof excluding non-executive directors	Associates in the grade of Executive Vice president and above, excluding non executive directors	Non - Executive directors
Particulars	Swarnam 11	Swarnam 21	Swarnam 31	Swarnam 41
Maximum number of options grantable	3,720,000 Less: Number of Option granted under Swarnam 21	1,736,000	1,240,000 Less: Number of Option granted under Swarnam 41	200,000
<b>Grant price</b>				
Market price upto Rs. 175	Market price	Market price	Market price	Market price
Market price between Rs. 175 - Rs. 500	15% discount on market price. (Subject to being Not lower than Rs 175)	30% discount on market price. (Subject to being Not lower than Rs 175)	50% discount on market price. (Subject to being Not lower than Rs 175)	Market price
Market price greater than Rs.500	10% discount on market price	20% discount on market price	50% discount on market price	Market price

The market price, in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as amended from time to time, shall be the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the Company are listed. If the Shares are listed on more than one stock exchange then the stock exchange where there is highest trading volume on the said date shall be considered. The options shall be valued using the intrinsic value model.

The option vests over a period of 5 years from the date of grant in a graded manner, subject to fulfillment of vesting conditions as follows:

Particulars	Swarnam 11	Swarnam 21	Swarnam 31	Swarnam 41
Service conditions				
At the end of year 1	10%	0%	0%	20%
At the end of year 2	15%	0%	0%	20%
At the end of year 3	20%	33%	33%	20%
At the end of year 4	25%	33%	33%	20%
At the end of year 5	30%	34%	34%	20%



**Performance conditions**

Performance rating	20% of the options granted for each year shall be subject to meeting of minimum specified annual performance rating	20% of the options granted for each year shall be subject to meeting of minimum specified annual performance rating	20% of the options granted for each year shall be subject to meeting of minimum specified annual performance rating	20% of the options granted for each year shall be subject to meeting of minimum specified annual performance rating
Companies target EPS growth	Accelerated vesting of 5%/10% each year, based on Company achieving specified target EPS growth	Accelerated vesting of 5%/10% each year, based on Company achieving specified target EPS growth	NA	NA

The exercise period shall commence from the date of vesting and expires within 60 calendar months from the relevant vesting date.

During the current year since the market price did not exceed Rs 175 on the date of grant no compensation cost is recorded. Summary is provided below.

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the period	1,301,000	131.47	869,000	134.40
Granted during the period	2,897,000	138.54	528,000	126.77
Exercised during the period	(300)	113.20	-	-
Forfeited during the period	(216,800)	125.94	(95,700)	132.20
Expired during the period	(16,000)	132.75	(300)	134.40
Outstanding at the end of the period	3,964,900	136.93	1,301,000	131.47
Exercisable at the end of the period	265,400	130.41	249,650	132.87

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Weighted average remaining contractual life (in years)	8.05	7.54
Weighted average fair value of options granted	73.98	70.64

### Associate Stock Option Plan (Trust) 2011

The Shareholders of the Company in the Extraordinary General Meeting held on October 28, 2011 approved an Associate Stock Option Plan (TRUST) 2011 [the 2011(Trust) plan]. The 2011(Trust) plan provides for issuance of 1,984,000 options, convertible to equivalent number of equity shares of Rs 5 each. The options shall be granted at the market price if the market price is below Rs. 175 or at discount of 10% on market price if the market price is Rs. 175 or above. The market price, in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as amended from time to time, shall be the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the Company are listed. If the Shares are listed on more than one stock exchange then the stock exchange where there is highest trading volume on the said date shall be considered. The option vests over a period of 5 years from the date of grant in a graded manner, with 20% of the options vesting each year. The exercise period shall commence from the date of vesting and expires within 60 calendar months from the relevant vesting date. The Company has not granted any options under the plans as on March 31, 2014.

The Company had formulated an Associate Stock Option Plan Trust-2011, for the purpose of administering the above scheme. The Trust had purchased 1,536,000 shares of the Company from the secondary market during the year ended March 31, 2013. In accordance with the Stock Exchange Board of India (SEBI) circular dated January 17, 2013, listed companies have been prohibited from purchase of their own securities in the secondary market through such trusts, and companies have been provided time up to June 30, 2014 to dispose of such holdings. The Company is yet to dispose off such holding and the mark-to market loss (net of any pre-acquisition dividends received by the Trust) of Rs 246.98 Lakhs till March 31, 2013, was recognized directly in equity by adjusting the balance of surplus in the statement of profit and loss in the balance sheet. As the market value of the investment has increased during the current period the mark-to-market loss has been reversed in the books.

### Pro forma Disclosure

The Company follows the intrinsic value model for valuation of its options under the various plans. In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for associate stock option plans been recognized based on the fair value at the date of grant in accordance with Black-Scholes model, the pro forma amounts of the Company's net profit and earnings per share would have been as follows:

Particulars	March 31, 2014	March 31, 2013
Profit after tax		
- as reported	8,396.59	16,705.70
- proforma profit	8,384.83	16,407.28
<b>Earnings Per Share (in Rs.)</b>		
<b>Basic</b>		
- As reported	8.44	16.79
- Pro forma	8.42	16.49
<b>Diluted</b>		
- As reported	8.42	16.76
- Pro forma	8.41	16.46

The fair value of options was estimated at the date of grant using the Black Scholes Model with the following assumptions:

Particulars	March 31, 2014		
	ASOP 2011	ASOP 2011	ASOP 2011
<b>Scheme</b>			
<b>Grant date</b>	<b>27-Apr-13</b>	<b>30-Jul-13</b>	<b>22-Oct-13</b>
Risk-free interest rate	7.71%	8.47%	8.67%
Expected life (Years)	6	6	6
Expected volatility	56.12%	55.06%	54.53%
Expected dividend yield	1.83%	2.26%	2.26%

Particulars	March 31, 2014			
	ASOP 2011	ASOP 2011	ASOP 2011	ASOP 2011
<b>Scheme</b>				
<b>Grant date</b>	<b>Swarnam-41</b>	<b>Swarnam-11</b>	<b>Swarnam-21</b>	<b>Swarnam-31</b>
	<b>7-Mar-14</b>	<b>10-Mar-14</b>	<b>10-Mar-14</b>	<b>10-Mar-14</b>
Risk-free interest rate	8.92%	9.10%	9.13%	9.13%
Expected life (Years)	5.5	6	6.51	6.51
Expected volatility	51.63%	53.56%	56.23%	56.23%
Expected dividend yield	2.26%	2.26%	2.26%	2.26%

Particulars	March 31, 2013			
	ASOP 2011	ASOP 2011	ASOP 2011	ASOP 2011
<b>Scheme</b>				
<b>Grant date</b>	<b>24-Apr-12</b>	<b>24-Jul-12</b>	<b>22-Oct-12</b>	<b>22-Jan-13</b>
Risk-free interest rate	8.51%	8.11%	8.14%	7.91%
Expected life (Years)	6	6	6	6
Expected volatility	59.66%	58.44%	57.78%	56.65%
Expected dividend yield	1.54%	1.54%	1.54%	1.83%

The expected life of stock is based on historical data and current expectation and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome

## 5. Reserves and Surplus

Particulars	March 31, 2014	March 31, 2013
<b>Securities premium account</b>		
Opening balance	19,124.81	19,089.50
Add: Premium received on issue of shares under ESOP plans to employees	22.88	35.31
Closing balance	19,147.69	19,124.81
<b>General reserve account</b>		
Opening balance	16,415.30	22,016.56
Add : Transferred from surplus balance in the statement of profit and loss	840.00	1,675.00
Less : Impact of first time adoption of AS 30	-	(7,276.26)
Closing balance	17,255.30	16,415.30
<b>Foreign currency translation reserve account</b>		
Opening balance	1,850.00	1,038.17
Add : Adjustment for the year	547.33	811.83
Closing balance	2,397.33	1,850.00
<b>Hedging reserve account</b>		
Opening balance	1,660.92	-
Less: Adjustment for the year	(254.66)	1,660.92
Closing balance	1,406.26	1,660.92
<b>Surplus in the statement of profit and loss</b>		
Opening balance	64,738.11	55,775.32
Net Profit for the current period	8,396.59	16,705.70
Amount available for appropriation	73,134.70	72,481.02
Appropriations		
Dividend		
- Interim	-	-
- Final	6,222.06	4,975.37
Tax on dividend	1,057.44	845.56
Provision / (reversal) of unrealised mark-to-market losses	(7,361.03)	246.98
Amount transferred to General Reserve	840.00	1,675.00
Closing balance of surplus in the statement of profit and loss	72,376.23	64,738.11
<b>Total Reserves and Surplus</b>	<b>112,582.81</b>	<b>103,789.14</b>

## 6. Deferred Tax Liabilities / (Assets)

Particulars	March 31, 2014	March 31, 2013
<i>Deferred Tax Liability</i>		
Fixed assets	1,332.33	1,499.99
<i>Deferred Tax Asset</i>		
Provision for doubtful debts	(118.89)	(363.63)
Gratuity	(169.64)	(365.00)
<b>Total Deferred Tax Liabilities / (Assets)</b>	<b>1,043.80</b>	<b>771.36</b>

## 7. Long Term Provisions

Particulars	March 31, 2014	March 31, 2013
Provision for employee benefits		
- Provision for gratuity (Refer Note - 27)	403.62	794.08
<b>Total Long - Term Provisions</b>	<b>403.62</b>	<b>794.08</b>

## 8. Short -Term Borrowings

Particulars	March 31, 2014	March 31, 2013
<b>Unsecured</b>		
Loans repayable on demand		
- from Banks	-	10,858.00
<b>Total Short - Term Borrowings</b>	<b>-</b>	<b>10,858.00</b>

During the year Company has closed the Export Financing arrangement with its Bankers.

## 9. Trade Payables

Particulars	March 31, 2014	March 31, 2013
Creditors for expenses and goods	1,196.80	1,177.44
Provision for expenses	5,942.02	3,860.55
Accrued salaries and benefits	10,482.62	8,203.22
Others	3,683.60	5,492.02
<b>Total Trade Payables</b>	<b>21,305.04</b>	<b>18,733.23</b>

## 10. Other current liabilities

Particulars	March 31, 2014	March 31, 2013
Unclaimed dividends	88.76	78.52
Other payable		
Superannuation payable	880.60	786.11
Advances received from customers	15.37	37.59
Billings in excess of revenues	6,303.50	5,468.86
Payable to related parties #	6,733.82	5,347.56
Capital creditors	65.11	149.19
Dues under contractual obligation	1.78	49.20
Statutory dues	741.92	870.42
<b>Total Other current liabilities</b>	<b>14,830.86</b>	<b>12,787.45</b>

# Also Refer Note – 21. Related parties transactions

## 11. Short-term provisions

Particulars	March 31, 2014	March 31, 2013
Provision for employee benefits		
- Provision for gratuity (Refer Note - 27)	95.45	330.87
- Provision for leave benefits	1,845.77	2,238.45
Others Provisions		
- Proposed dividend	6,221.89	4,975.30
- Provision for tax on proposed dividend	1,057.41	845.55
- Provision for mark-to-market losses	1,683.66	6,170.42
<b>Total Short-term provisions</b>	<b>10,904.18</b>	<b>14,560.59</b>

Provision for mark-to-market losses includes:

- (i) As per the accounting policy specified in note 3(j), cumulative gain on remeasurement of hedging instruments as on 31st March 2014 amounting to Rs.1,244.05 lakhs has been segregated in to current and non-current as per Revised Schedule VI of the Companies Act, 1956. Consequent to this, the current portion loss of Rs.1,683.66 lakhs (March 31,2013-Rs.5,923.44 lakhs) has been recorded as provision for mark-to-market losses under short term provisions and non-current portion gain of Rs.2,927.71 lakhs has been recorded as forward cover receivables under other non-current assets (March 31,2013-Rs.187.29 lakhs).
- (ii) Provision for mark-to-market losses on shares of the Company held by Associate Stock Option Plan (Trust) 2011 amounting to Rs. 246.98 Lakhs as at March 31, 2013 has been reversed during the year due to increase in market value of the investment. Also refer section on Associate Stock Option Plan (Trust) 2011 in Note 4.

Notes to Financial Statements for the year ended March 31, 2014  
(All amounts are in Rupees in lakhs unless otherwise stated)

## 12. FIXED ASSETS

Sl No	Description	Cost				Depreciation and Amortisation				Net Book value		
		April 01, 2013	Additions	Deletions	Other adjustments *	March 31, 2014	April 01, 2013	For the year	Deletions	Other adjustments *	March 31, 2014	March 31, 2013
<b>A</b>	<b>TANGIBLE ASSETS</b>											
	Land	6,257.54	17.85	-	2.36	6,277.75	-	-	-	-	6,277.75	6,257.54
	Buildings	15,521.12	503.86	-	10.96	16,035.94	3,177.16	542.07	-	4.46	12,312.25	12,343.96
	Plant and machinery (including computer equipment & accessories)	21,237.86	858.64	40.81	43.64	22,099.33	16,465.66	1,842.71	40.54	33.04	3,798.46	4,772.20
	Electrical Equipments	2,017.59	442.04	8.14	-	2,451.49	1,071.57	252.07	8.14	-	1,315.50	946.02
	Furniture and Fittings	5,520.03	692.32	50.69	18.20	6,179.86	3,425.25	445.60	50.39	14.98	3,835.44	2,094.78
	Office equipment	3,311.93	244.69	5.38	16.73	3,567.97	1,857.59	284.29	5.38	15.58	1,415.89	1,454.34
	Vehicles	2,380.42	605.79	343.52	-	2,642.69	994.16	593.68	177.57	-	1,410.27	1,386.26
	<b>ASSETS UNDER LEASE</b>											
	Land	263.49	7.14	-	-	270.63	21.50	5.31	-	-	26.81	241.99
	Leasehold improvements	604.34	-	-	6.70	611.04	412.21	38.26	-	4.06	454.53	192.13
	<b>SUB TOTAL (A)</b>	<b>57,114.32</b>	<b>3,372.33</b>	<b>448.54</b>	<b>98.59</b>	<b>60,136.70</b>	<b>27,425.10</b>	<b>4,003.99</b>	<b>282.02</b>	<b>72.12</b>	<b>31,219.19</b>	<b>29,689.22</b>
<b>B</b>	<b>INTANGIBLE ASSETS</b>											
	Computer software	7,999.07	346.39	-	2.78	8,348.24	7,174.08	677.33	-	2.72	7,854.13	824.99
	Customer Contracts #	350.00	-	-	-	350.00	58.33	116.67	-	-	175.00	291.67
	Intellectual Property Rights	5,838.17	-	-	-	5,838.17	5,838.17	-	-	-	5,838.17	-
	<b>SUB TOTAL (B)</b>	<b>14,187.24</b>	<b>346.39</b>	<b>-</b>	<b>2.78</b>	<b>14,536.41</b>	<b>13,070.58</b>	<b>794.00</b>	<b>-</b>	<b>2.72</b>	<b>13,867.30</b>	<b>1,116.66</b>
	<b>TOTAL (A+B)</b>	<b>71,301.56</b>	<b>3,718.72</b>	<b>448.54</b>	<b>101.37</b>	<b>74,673.11</b>	<b>40,495.68</b>	<b>4,797.99</b>	<b>282.02</b>	<b>74.84</b>	<b>45,086.49</b>	<b>30,805.88</b>
	Previous year ended March 31, 2013	67,406.63	5,619.56	1,787.24	62.61	71,301.56	37,404.30	4,634.35	1,584.09	41.12	40,495.68	30,805.88

\* Other adjustments represents foreign exchange gain / loss on account of translation of foreign branches.

# This represents the customer contracts acquired by the Company from Pyxis Systems Private Limited through business purchase agreement dated October 9, 2012.

**13. Non-current investments**

Particulars	March 31, 2014	March 31, 2013
<b>I. Trade Investments - (Unquoted)</b>		
<b>Investments in Equity Instruments - Subsidiaries (At cost, unless stated otherwise)</b>		
Polaris Software Lab Pte Ltd	94.60	94.60
A wholly owned subsidiary company incorporated in Singapore 385,000 ordinary shares of SGD 1 each fully paid up (March 31, 2013: 385,000 ordinary shares of SGD 1 each fully paid up)		
Polaris Software Lab Limited	617.50	617.50
A wholly owned subsidiary company incorporated in UK 889,000 equity shares of GBP 1 each fully paid up (March 31, 2013: 889,000 ordinary shares of GBP 1 each fully paid up)		
Polaris Enterprise Solutions Limited	900.00	900.00
A wholly owned subsidiary company incorporated in India 9,000,000 equity shares of Rs 10 each fully paid up (March 31, 2013: 9,000,000 equity shares of Rs 10 each fully paid up)		
Polaris Software Lab GmbH	261.99	261.99
A wholly owned subsidiary company incorporated in Germany Common stock of 600,000 Euros fully paid up (March 31, 2013: Common stock of 600,000 Euros fully paid up)		
Polaris Software Lab SA	112.76	112.76
A wholly owned subsidiary company incorporated in Switzerland 35,000 equity shares of CHF 10 each fully paid up (March 31, 2013: 35,000 equity shares of CHF 10 each fully paid up)		
Polaris Software Lab Pty Ltd	8.11	8.11
A wholly owned subsidiary company incorporated in Australia 25,000 ordinary shares of AUD 1 each fully paid up (March 31, 2013: 25,000 ordinary shares of AUD 1 each fully paid up)		
Polaris Software Lab Ireland Ltd	88.96	88.96
A wholly owned subsidiary company incorporated in Ireland 176,186 ordinary shares of Euro 1 each fully paid up (March 31, 2013: 176,186 ordinary shares of Euro 1 each fully paid up)		
Polaris Software Lab Japan KK	79.04	79.04
A wholly owned subsidiary company incorporated in Japan 400 ordinary shares of 50,000 yen each fully paid up (March 31, 2013: 400 ordinary shares of 50,000 yen each fully paid up)		
Optimus Global Services Limited (Also Refer Note - 13. III. c)	-	-
A wholly owned subsidiary company incorporated in India 8,49,997 Equity shares of Rs 2 each fully paid up (March 31, 2013: 8,49,997 equity shares of Rs 2 each fully paid up)		
Polaris Software Lab Canada Inc	109.38	109.38
A wholly owned subsidiary company incorporated in Canada 296,350 ordinary shares of CAD 1 each fully paid up (March 31, 2013: 296,350 ordinary shares of CAD 1 each fully paid up )		

Particulars	March 31, 2014	March 31, 2013
Laser Soft Infosystems Limited A wholly owned subsidiary company incorporated in India 78,03,838 equity shares of Rs 10 each fully paid up (March 31, 2013: 78,03,838 equity shares of Rs 10 each fully paid up )	5,201.06	5,201.06
Indigo Tx Software Private Limited A wholly owned subsidiary company incorporated in India 1,985,200 equity shares of Rs 2 each fully paid up (March 31, 2013: 1,985,200 equity shares of Rs 2 each fully paid up)	1,702.97	1,702.97
Polaris Software Lab Vietnam Co. Ltd A wholly owned subsidiary company incorporated in Vietnam Charter capital of VND 900,000,000 (March 31, 2013: Charter capital of VND 900,000,000)	22.50	22.50
SFL Properties Private Limited A wholly owned subsidiary company incorporated in India 1,000,000 equity shares of Rs 10 each fully paid up (March 31, 2013: 1,000,000 equity shares of Rs 10 each fully paid up)	984.52	984.52
Polaris Software Lab FZ LLC A wholly owned subsidiary incorporated in Dubai 1500 Shares of AED 1000 each fully paid up (March 31, 2013: 1500 Shares of AED 1000 each fully paid up)	203.70	203.70
Sonali Polaris FT Limited A Subsidiary company incorporated in Bangladesh 38,25,000 share of BDT 10 each (March 31, 2013: 38,25,000 share of BDT 10 each)	238.76	238.76
Intellect Design Arena Limited ( Formerly Known as Fin Tech Grid Limited) A wholly owned subsidiary incorporated in India 49,940 equity shares of Rs. 10 each. (March 31, 2013: 49,940 equity shares of Rs. 10 each)	4.99	4.99
<b>Total - Investments in Equity Instruments - Subsidiaries (at cost)</b>	<b>10,630.84</b>	<b>10,630.84</b>
<b>Investments in Equity Instruments - Associates (At cost, less provision)</b>		
NMS Works Software Private Limited (Also Refer Note - 13. III. b) A company incorporated in India 726,256 equity shares of Rs.10 each fully paid up (March 31, 2013: 726,256 equity shares of Rs.10 each fully paid up)	415.26	415.26
Adrenalin eSystems Limited (Also Refer Note - 13. III. a) A company incorporated in India 13,078,080 equity shares of Rs 5 each fully paid up (March 31, 2013: 13,078,080 equity shares of Rs 5 each fully paid up)	833.88	833.88
<b>Total - Investments in Equity Instruments - Associates (at cost)</b>	<b>1,249.14</b>	<b>1,249.14</b>
<b>Investments in Preference shares - Subsidiaries (at cost)</b>		
Optimus Global Services Limited (Also Refer Note - 13. III. c) 1,492,030, Optionally convertible 0% Preference shares of Rs 2 each fully paid up (March 31, 2013: 1,492,030, Optionally convertible 0% Preference shares of Rs 2 each fully paid up)	-	-
<b>Total - Investments in Preference shares - Subsidiaries (at cost)</b>	<b>-</b>	<b>-</b>



Particulars	March 31, 2014	March 31, 2013
<b>Investments in Preference shares - Associates (at cost)</b>		
Adrenalin eSystems Limited 1,52,00,000 7% Cumulative Preference shares of Rs 5/- each (March 31, 2013: 1,52,00,000 7% cumulative preference shares of Rs 5/- each fully paid up)	760.00	760.00
NMS Works Software Private Limited 378,614 12 % optionally convertible cumulative preference shares of Rs. 10 each fully paid up (March 31, 2013 : 378,614 12 % Optionally Convertible Cumulative Preference shares of Rs. 10 each.)	233.04	233.04
<b>Total - Investments in Preference shares - Associates (at cost)</b>	<b>993.04</b>	<b>993.04</b>
<b>Total - Trade investments</b>	<b>12,873.02</b>	<b>12,873.02</b>
<b>II. Non - trade investment (Quoted)</b>		
<b>Investments in bonds (at cost)</b>		
Bonds		
Indian Railway Finance Corporation Ltd 6.3%- 500 Bonds (March 31, 2013: 500 bonds) Face value: Rs 1,00,000 each	500.00	500.00
State Bank of India 9.95%- 10,000 Bonds (March 31, 2013: 10,000 bonds) Face value: Rs. 10,000 each	1,047.12	1,047.12
National Highways Authority of India 8.25% - 12,362 bonds (March 31, 2013: 12,362 bonds) Face value: Rs. 1,000 each	123.62	123.62
Housing and Urban Development Corporation Limited 8.22% -Tax Free Bonds- 2012-13 20,000 bonds (March 31, 2013: 20,000 bonds) Face value: Rs. 1,000 each	200.00	200.00
India Infrastructure Finance Company Limited 8.01% - 1,50,000 bonds (March 31, 2013: Nil) Face value: Rs. 1,000 each	1,500.00	-
Power Finance Corporation Limited 8.18% - 32,389 bonds (March 31, 2013: Nil) Face value: Rs. 1000 each	323.89	-
National Thermal Power Corporation Limited 8.14% - 9,499 bonds (March 31, 2013: Nil) Face value: Rs. 1000 each	94.99	-
Housing and Urban Development Corporation Limited 8.14% - Tax Free Bonds- 2013-14 1,00,000 bonds (March 31, 2013: Nil) Face value: Rs. 1000 each	1,000.00	-
National Housing Bank 8.14% - 10,830 bonds (March 31, 2013: Nil) Face value: Rs. 1000 each	108.30	-

Particulars	March 31, 2014	March 31, 2013
Indian Railway Finance Corporation Ltd 8.23% - 50,000 bonds (March 31, 2013: Nil) Face value: Rs. 1000 each	500.00	-
National Highways Authority of India 8.27% - 50,000 bonds (March 31, 2013: Nil) Face value: Rs. 1000 each	500.00	-
<b>Total - Investments in bonds (at cost)</b>	<b>5,897.92</b>	<b>1,870.74</b>
<b>Total - Non-current investments</b>	<b>18,770.94</b>	<b>14,743.76</b>
Aggregate amount of unquoted investments	12,873.02	12,873.02
Aggregate amount of quoted investments	5,897.92	1,870.74
Market value of quoted investments	5,865.76	1,955.23

### III. Investments in subsidiaries and associates

- a. The Company's equity ownership interest in Adrenalin e-systems Limited is 40.25% as at March 31, 2014. Adrenalin e-Systems Limited ("ASL") is primarily engaged in the business of providing specific solutions relating to Human resource and payroll management. The Accumulated losses to the extent of Rs. 2,283.60 Lakhs as per audited financial statements of ASL on March 31, 2014 (March 31, 2013: Rs. 2,644.11 Lakhs) have partially eroded the Companies share of investment in the associate. The Company has started showing profits over the last two years. The management is positive about the future outlook, see growing acceptance of the product among top players in the market, and is confident of recouping its losses and breaking even in the coming years. Accordingly, the management believes that there is no other than temporary diminution in the value of its investments in ASL and hence, it is stated at cost.
- b. The Company's equity ownership interest in NMS Works Software Private Limited ("NMS") is 36.54 % as at March 31, 2014. NMS is primarily engaged in the business of designing network management in Telecommunication and Internet Services. During the current year, NMS had made a profit of Rs. 150.36 Lakhs. NMS had reported profits over the years resulting in to positive networth as at March 31, 2013 and the Company has reversed the provision for diminution in value of the investments of Rs. 415 Lakhs during the previous year. Accordingly the management believes that there is no other than temporary diminution in the value of its investments in NMS and hence, it is stated at cost.
- c. Pursuant to an approved scheme of arrangement with Optimus Global Services Limited ("Optimus"), a subsidiary of the Company (with 99.94% holding), the Company had merged the BPO division of Optimus into the Company with effect from October 1, 2011. The company holds 8,49,997 equity shares and 14,92,030 preference shares in the reorganised capital structure of the subsidiary.

**14. Long Term Loans and advances**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Unsecured, considered good</b>		
Capital Advances	200.10	55.83
Security Deposits	786.75	1,270.37
Loans and advances to related parties #		
Loans to Employees Welfare Trust	2,289.64	2,411.64
Other loans and advances		
Advances recoverable in cash or in kind or for value to be received	3.73	26.94
Loans to employees	734.33	636.01
Advance income tax (Net of provision for tax)	6,659.75	3,529.67
MAT credit entitlement	1,702.56	2,402.68
<b>Total Long Term Loans and advances</b>	<b>12,376.86</b>	<b>10,333.14</b>

# Refer Note – 21. Related parties transactions

**15. Other Non Current Assets**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Balance with Bank as Margin money or security against guarantees or other commitments#	1,802.00	-
Forward cover receivable, Net	2,927.71	187.29
<b>Total Other non Current Assets</b>	<b>4,729.71</b>	<b>187.29</b>

# Refer Note 18 - Cash and bank balances.

**16. Current investments**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Current investments</b>		
<b>Trade Investment (Unquoted)</b>		
<b>Current portion of long-term investments - (At cost)</b>		
IdenTrust Inc (Refer note: 29) A subsidiary company incorporated in USA (March 31, 2013: 10,066,952 shares of common stock, par value of USD 0.001 each)	-	8,812.50
<b>Total - Trade Investments (at Cost)</b>	<b>-</b>	<b>8,812.50</b>
<b>Non- Trade Investments (Unquoted)</b>		
<b>Investments in Mutual Funds (At Cost or Market price whichever is lower)</b>		
Birla Sun Life Floating Rate Fund - STP - Reg - Dly Dividend 12,32,924.09 units (March 31, 2013: Nil units) Face value: Rs 100.00 per unit	1,233.17	-
Birla Sun Life Dynamic Bond Fund - Ret - Monthly Dividend 1,31,95,504.09 units (March 31, 2013: 1,22,80,551.18 units) Face value: Rs 10.00 per unit	1,353.51	1,296.75

Particulars	March 31, 2014	March 31, 2013
Birla Sun Life Short Term Fund - Dividend 74,89,725.30 units ( March 31, 2013 : 7,082,856.68 units ) Face value Rs.10.00 each	875.44	827.83
Birla Sun Life Cash Manager - I P - Daily Dividend Nil units ( March 31, 2013 : 10,01,235.83 units ) Face value Rs. 100.00 each	-	1,002.40
Birla Sun Life Floating Rate Fund - LTP - IP - Dly Dividend 5,37,804.21 units (March 31, 2013: 502,291.54 units) Face value: Rs 100.00 per unit	538.76	503.11
Birla Sun Life Savings Fund - Dly Dividend Nil units ( March 31, 2013 : 11,22,042.00 units ) Face value Rs 100.00 each	-	1,123.11
DWS Insta Cash Plus Fund - Super IP - Dly Dividend 5,49,552.39 units ( March 31, 2013 : Nil Units ) Face value Rs 100.00 per unit	551.22	-
DWS Ultra Short-Term Fund- Dly Dividend 1,36,17,215.80 units (March 31, 2013 : 1,73,08,692.82 units) Face value Rs .10.00 each	1,364.16	1,733.97
DWS Banking & PSU Debt Fund - Reg - Mthly Dividend 51,17,482.96 units ( March 31,2013 : 50,29,726.31 units) Face value Rs 10.00 each	-	502.98
DWS FMP - Series 48 - Dir - Growth 5,000,000 units ( March 31, 2013 : Nil Units ) Face value Rs 10.00 each	500.00	-
DWS FMP Ser 51 Direct-Growth 5,000,000 units ( March 31, 2013 : Nil Units ) Face value Rs 10.00 each	500.00	-
HDFC FMP - 370D - July 2013 (26) - 2 - Reg - Growth 50,00,000 units ( March 31, 2013 : NIL units ) Face value Rs.10.00 each	500.00	-
HDFC Short Term Opportunities Fund - Dividend 86,79,636.11 units ( March 31, 2013 : 81,86,620.34 units ) Face value Rs 10.00 each	872.94	821.86
HDFC F R I F - STF - WP - Daily Dividend 15,991,367.77 units ( March 31 ,2013 :1,51,62,544.7 units ) Face value Rs 10.00 each	1,630.71	1,528.52
HDFC Cash Mgmt Fund - Savings Plan - Dly Dividend 2,922,939.85 units ( March 31, 2013 : Nil units ) Face value Rs 10.00 each	310.90	-
JPMorgan India Liquid Fund - Daily Dividend Nil units ( March 31, 2013 :57,34,106.62 units) Face value Rs 10.00 each	-	573.86
Templeton India Ultra Short Bond Fund - Super IP – Dividend 39,061,961.50 units ( March 31, 2013: 1,82,82,443.18 Units ) Face value Rs 10.00 each	3,916.22	1,831.39
Templeton India TMA - Super IP - Dly Div 125,777.81 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	1,258.62	-

Particulars	March 31, 2014	March 31, 2013
ICICI Prudential Flexible Income Plan - Reg - Dly Dividend 444,782.70 units ( March 31,2013 : 10,52,271.1 units) Face value Rs 100.00 each	470.29	1,112.62
ICICI Prudential FMP - S 67 - 371 Days - Plan E - Dir - Growth 90,00,000.00 units ( March 31,2013 : 90,00,000 units) Face value Rs 10.00 each	900.00	900.00
ICICI Prudential Banking & PSU Debt Fund - Dly Dividend 10,077,631.17 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	1,014.50	-
ICICI Prudential FMP - S 72 - 366 Days - Plan M - Growth 3,023,104 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	302.31	-
ICICI Pru FMP Series 73 391D Plan G Direct-G 5,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	500.00	-
IDFC Fixed Term Plan - Series 14 - Reg - Growth 34,82,294.84 units ( March 31,2013 : 3,482,294.84 units) Face value Rs 10.00 each	348.23	348.23
IDFC D B F - Reg - Qtly Dividend 5,089,546.22 units ( March 31, 2013 : 49,86,205.18 units) Face value Rs 10.00 each	522.69	507.83
IDFC Ultra Short Term Fund - Reg - Dly Dividend 6,886,623.10 units ( March 31,2013 : 64,42,214.46 units) Face value Rs 10.00 each	689.50	645.03
IDFC SSIF - Short Term - Plan A - Monthly Dividend 4,319,497.88 units ( March 31, 2013 : 4,077,026.76 units) Face value Rs 10.00 per unit	435.77	411.19
IDFC SSIF - Short Term - Plan B - Monthly Dividend 62,43,633.06 units (March 31, 2013: 62,43,633.06 units) Face value: Rs 10.00 per unit	638.82	638.52
IDFC Fixed Term Plan - Series 73 - Reg - Dividend 6,028,805 units ( March 31, 2013 : Nil units) Face value: Rs 10.00 per unit	602.88	-
IDFC Money Manager Treasury A-Dly Dividend 4,983,223.41 units ( March 31, 2013 : Nil units) Face value: Rs 10.00 per unit	501.81	-
JPMorgan India FMP - Series 18 - Reg - Growth 5,000,000.00 units ( March 31, 2013 : 50,00,000 units) Face value Rs 10.00 each	500.00	500.00
Kotak FMP - Series 102 (374 Days) - Reg – Growth 41,36,660 units ( March 31, 2013 : 4,136,660 units) Face value Rs 10.00 each	413.67	413.67
Kotak Floater - LT - Daily Dividend 11,945,447.43 units (March 31,2013: 11,188,315.14 units) Face value Rs.10.00 each	1,204.08	1,127.76
Kotak Bond Short Term Plan - Monthly Dividend 5,077,070.37 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	515.79	-

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Kotak Flexi Debt Scheme - Plan A - Dly Dividend 15,567,410.13 units ( March 31 , 2013 : 18,505,963.38 Units ) Face value Rs 10.00	1,564.14	1,859.39
UTI Treasury Advantage Fund - IP - Dly Dividend 225,269.86 units ( March 31, 2013 : 141,381.28 units) Face value Rs 1000.00 each	2,254.94	1,414.12
UTI FTIF - Series XIV - Plan 8 - Reg - Growth 20,00,000.00 units ( March 31, 2013 : 2,000,000 units ) Face value Rs 10.00 each	200.00	200.00
UTI Floating Rate Fund - STP - Daily Dividend 40,103.89 units ( March 31, 2013 : 37,396.13 units) Face value Rs 1000.00 each	431.87	402.71
UTI FTIF - Series XV - Plan 9 - Reg - Growth 30,00,000.00 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	300.00	-
UTI Money Market - IP - Dly Dividend 51,781.04 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	519.56	-
Reliance Money Manager Fund - Dly Dividend 30,512.17 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	305.55	-
Reliance FHF 25 - Series 18 - Growth 5,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	500.00	-
Reliance FHF XXV Series 34 Direct-G 3,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	300.00	-
Reliance Liquid Fund - TP - Dly Dividend 60,880.43 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	930.70	-
Reliance Short Term Fund - Dividend 4,821,522.64 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	514.11	-
Reliance Income Fund - Retail - G P - Growth Nil units ( March 31 2013 : 808,294.18 units ) Face value Rs 10.00 per unit	-	300.00
Reliance FHF 21 - Series 11 - Growth Nil units ( March 31, 2013 : 1,00,00,000.00 units ) Face value Rs 10.00 each	-	1,000.00
Reliance Income Fund - Retail - Quarterly 14,44,189.3 units ( March 31, 2013 : 14,44,189.3 units ) Face value Rs 10.00 each	187.78	195.76
Religare Invesco FMP - Series XVII - Plan B - Growth Nil units ( March 31, 2013: 30,00,000.00 units) Face value Rs 10.00 each	-	300.00
Religare Invesco FMP - Series XVIII - Plan E – Growth 33,60,720.00 units ( March 31, 2013 : 33,60,720 units) Face value Rs 10.00 each	336.07	336.07
Religare Invesco FMP - Series XVI - Plan D - Growth Nil units ( March 31, 2013 :32,91,120 units ) Face value Rs 10.00	-	329.11

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Religare Invesco Gilt Fund-Short Duration Plan-Dir-Wkly Dividend 908.04 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	9.57	-
Religare Invesco Ultra Short Term Fund - Dly Dividend 68,837.77 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	689.56	-
Religare Invesco FMP Series 22 Plan O (370D) Direct-G 3,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	300.00	-
Religare Invesco FMP Series 22 Plan K (367D) Direct-G 3,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	300.00	-
Religare Invesco FMP Series 23 Plan B (367D) Direct-G 2,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	200.00	-
Religare Invesco FMP Series 23 Plan E (382D) Direct-G 2,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	200.00	-
SBI Magnum Insta Cash Fund - Liquid Floater - Dly Dividend Nil units ( March 31, 2013 : 39,788.5 units). Face value Rs 1000.00 each	-	401.83
SBI Magnum Income - FRP - LT - Dly Dividend Nil units (March 31, 2013 : 60,05,156.78 units) Face value Rs 10.00 each	-	604.72
Tata Liquid Fund - Plan A - Dly Dividend Nil units ( March 31,2013 : 75,789.54 units) Face value Rs 1000.00 each	-	844.69
Sundaram Ultra ST Reg-DD Reinvestment 6,992,341.71 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	701.83	-
SBI Premier Liquid Fund - Reg - Dly Dividend 82,763.39 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	830.32	-
<b>Total - Non- trade Investments</b>	<b>36,541.98</b>	<b>26,539.01</b>
<b>Total Current Investments</b>	<b>36,541.98</b>	<b>35,351.51</b>
Aggregate amount of unquoted investments	36,541.98	35,351.51
Aggregate provision for diminution in value of investments	75.57	20.02

### 17. Trade receivables

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
- Unsecured considered good #	2,416.12	2,408.44
- Doubtful	349.77	1,121.17
Less: Allowance for bad and doubtful debts	(349.77)	(1,121.17)
	<u>2,416.12</u>	<u>2,408.44</u>
Other debts		
- Unsecured considered good	20,367.91	30,194.73
<b>Total Trade receivables</b>	<b>22,784.03</b>	<b>32,603.17</b>

# Also Refer Note – 21. Related parties transactions

## 18. Cash and bank balance

Particulars	March 31, 2014	March 31, 2013
<b>Cash and cash equivalents</b>		
Cash on hand	1.27	1.23
Balance with banks		
- On Current & Deposit accounts *	10,337.69	3,886.29
- Unpaid dividend accounts	88.76	78.52
<b>Total Cash and bank balance</b>	<b>10,427.72</b>	<b>3,966.04</b>

\* The balance on deposit accounts includes Rs.87 lakhs out of total of Rs. 1,889 lakhs (Rs.1,802 lakhs grouped under Non-current assets) (March 31,2013- Rs.1,500 lakhs) which has been pledged as a security by the company for availing non-fund based facilities.

## 19. Short Term Loans and Advances

Particulars	March 31, 2014	March 31, 2013
<b>Unsecured, considered good</b>		
Loans and advances to related parties#	3,298.41	8,746.98
Other loans and advances		
Advances recoverable in cash or in kind or for value to be received	1,801.69	2,206.54
Loans to employees	657.33	903.55
Salary advance	109.30	150.42
Input tax credit receivable	8.05	87.17
Security Deposits	37.85	58.00
<b>Total Short Term Loans and Advances</b>	<b>5,912.63</b>	<b>12,152.66</b>

# Loans and advances to related parties (Also Refer Note – 21. Related parties transactions)

## 20. Other Current Assets

Particulars	March 31, 2014	March 31, 2013
Revenues accrued and not billed #	21,219.79	22,848.54
Interest accrued on Fixed deposits & Securities	208.93	122.21
<b>Total Other Current Assets</b>	<b>21,428.72</b>	<b>22,970.75</b>

# Also Refer Note – 21. Related parties transactions



## 21. Related party transactions

### List of related parties

Subsidiaries
1. Polaris Software Lab Pte Limited, Singapore ('PSL Singapore')
2. Polaris Software Lab Canada Inc ('PSL Canada')
3. Polaris Software Lab Limited, UK ('PSL UK')
4. Polaris Software Lab GmbH, Germany ('PSL Germany')
5. Polaris Software Lab SA, Switzerland ('PSL Switzerland')
6. Polaris Software Lab FZ LLC, Dubai ('PSL Dubai')
7. Polaris Software Pty Ltd, Australia ('PSL Australia')
8. Polaris Software Lab Ireland Ltd., Ireland ('PSL Ireland')
9. Polaris Software Lab Japan KK ('PSL Japan')
10. Polaris Enterprise Solutions Limited, India ('PESL')
11. Optimus Global Services limited ('Optimus')
12. Polaris Software Lab B.V, Netherlands* ('PSL Netherlands')
13. Polaris Software Lab Chile Limitada, Chile* ('PSL Chile')
14. Polaris Software Lab Inc ('PSL Inc. – SEECUS')**
15. SEEC Technologies Asia Private Limited ('Seec Asia')***
16. Polaris Software Lab (Shanghai) Limited ('PSL China') **
17. Laser Soft Infosystems Limited, India ('Laser Soft')
18. Indigo TX Software Pvt Ltd India ('Indigo TX')
19. Polaris Software Lab Vietnam Co. Ltd, Vietnam ('PSL Vietnam')
20. Polaris Software Lab Sdn Bhd, Malaysia ('PSL Malaysia')**
21. SFL Properties Private Ltd, India ('SFL Properties')
22. Polaris Software Lab (Philippines) Company, Inc.(' PSL Philippines')**
23. Sonali Polaris FT Limited, Bangladesh ('Sonali Polaris FT')
24. Intellect Design Arena Limited, India ('Intellect') (Formerly known as Fin Tech Grid Limited)
25. FT Grid Pte Ltd, Singapore**
26. IdenTrust Inc, USA (Related Party upto September 13, 2013)

\* Subsidiaries of Polaris Software Lab Limited, UK

\*\* Subsidiaries of Polaris Software Lab Pte Limited, Singapore

\*\*\* Subsidiary of Polaris Software Lab Inc., USA

Associates
1. NMS Works Software Private Limited (NMS)
2. Adrenalin eSystems Limited (Adrenalin eSystems)
Others
(a) Enterprises that directly, or indirectly through one or more intermediaries, control the Company and enterprise of which the Company is an associate
1. Polaris Banyan Holding Private Ltd (Formerly known as Polaris Holdings Private Limited)
2. Orbitech Limited
3. Orbitech Employees Welfare Trust
4. Associate Stock Option Plan (Trust) 2011 ('ASOP Trust 2011')
(b) Key managerial person
Mr. Arun Jain, Chairman and Managing Director

**Polaris Financial Technology Limited**  
**Notes to the financial statements for the year ended Mar 31, 2014**  
(All amounts are in Rs. in Lakhs, unless otherwise stated)

Particulars	Subsidiaries		Associates		Others	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
<b>BALANCE DUE FROM RELATED PARTIES</b>						
<b>Trade receivables</b>						
PESL	-	474.56	-	-	-	-
PSL Australia	-	96.38	-	-	-	-
PSL China	264.00	-	-	-	-	-
PSL Japan	266.37	237.76	-	-	-	-
PSL Malaysia	17.33	-	-	-	-	-
Sonali Polaris FT	269.45	250.76	-	-	-	-
PSL Singapore	379.41	1,327.81	-	-	-	-
PSL Canada	271.35	-	-	-	-	-
PSL Dubai	1,096.97	4,283.68	-	-	-	-
PSL Germany	263.41	113.82	-	-	-	-
PSL Inc - SEECUS	371.50	488.61	-	-	-	-
PSL UK	-	2,012.64	-	-	-	-
	<b>3,199.79</b>	<b>9,286.02</b>	-	-	-	-
<b>Long term loans and advances</b>						
<b>Loans to employee welfare trusts</b>						
Orbitech Employee Welfare Trust	-	-	-	-	411.64	411.64
ASOP Trust 2011	-	-	-	-	1,878.00	2,000.00
	-	-	-	-	<b>2,289.64</b>	<b>2,411.64</b>
<b>Short term loans and advances</b>						
FinTech	0.97	0.06	-	-	-	-
Indigo TX	18.64	151.01	-	-	-	-
LaserSoft	60.46	3,002.69	-	-	-	-
Optimus	131.37	148.59	-	-	-	-
PESL	452.06	228.97	-	-	-	-
SFL	528.72	518.61	-	-	-	-
PSL Australia	146.72	131.90	-	-	-	-
PSL China	15.06	3.12	-	-	-	-
PSL Japan	99.47	46.71	-	-	-	-
PSL Malaysia	65.38	45.65	-	-	-	-
PSL Singapore	-	26.96	-	-	-	-
PSL Vietnam	6.34	5.90	-	-	-	-
PSL Canada	689.48	2,899.79	-	-	-	-
PSL Chile	9.23	10.07	-	-	-	-
PSL Dubai	208.07	45.35	-	-	-	-
IdenTrust	-	217.16	-	-	-	-
PSL Inc - SEECUS	484.57	251.91	-	-	-	-
Sec Asia	53.20	475.27	-	-	-	-

Particulars	Subsidiaries		Associates		Others	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
PSL Ireland	21.53	123.77	-	-	-	-
PSL Netherland	-	66.05	-	-	-	-
PSL Switzerland	-	25.01	-	-	-	-
Adrenalin eSystems	-	-	296.45	318.95	-	-
NMS	-	-	10.69	3.47	-	-
	<b>2,991.27</b>	<b>8,424.56</b>	<b>307.14</b>	<b>322.42</b>		-
<b>Maximum amount outstanding during the year</b>						
FinTech	0.97	0.06		-		-
Indigo TX	18.64	151.01		-		-
LaserSoft	60.46	3,002.69		-		-
Optimus	131.37	842.29		-		-
PESL	452.06	500.88		-		-
SFL	528.72	518.61		-		-
PSL Australia	150.36	131.90		-		-
PSL China	15.65	3.12		-		-
PSL Japan	103.57	46.71		-		-
PSL Malaysia	67.34	47.61		-		-
PSL Singapore	-	26.96		-		-
PSL Vietnam	6.34	5.90		-		-
PSL Canada	3,123.16	2,899.79		-		-
PSL Chile	9.23	10.07		-		-
PSL Dubai	215.24	47.56		-		-
IdenTrust	-	217.16		-		-
PSL Inc - SEECUS	484.57	251.91		-		-
Seec Asia	764.25	475.27		-		-
PSL Ireland	153.73	134.05		-		-
PSL Netherland	-	79.89		-		-
PSL Switzerland	-	65.18		-		-
PSL UK		-		-		-
Adrenalin eSystems		-	336.76	371.81		-
NMS		-	108.43	101.51		-
Orbitech Employee Welfare Trust		-		-	411.64	443.64
ASOP Trust 2011		-		-	1,878.00	2,000.00

Particulars	Subsidiaries		Associates		Others	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
<b>Other current assets</b>						
<b>Revenues accrued and not billed</b>						
PESL	56.76	53.71	-	-	-	-
Sonali Polaris FT	37.85	81.40	-	-	-	-
	<b>94.61</b>	<b>135.11</b>	-	-	-	-
<b>BALANCE DUE TO RELATED PARTIES</b>						
<b>Trade payables</b>						
Indigo TX	-	165.12	-	-	-	-
LaserSoft	290.00	2,926.06	-	-	-	-
PESL	-	37.65	-	-	-	-
PSL Malaysia	35.61	34.00	-	-	-	-
PSL Australia	16.06	-	-	-	-	-
PSL Singapore	1,112.15	928.38	-	-	-	-
PSL Vietnam	106.41	61.15	-	-	-	-
PSL Dubai	63.56	59.99	-	-	-	-
PSL Inc - SEECUS	0.72	0.65	-	-	-	-
Secc Asia	1,088.46	672.19	-	-	-	-
PSL Switzerland	487.00	89.35	-	-	-	-
PSL UK	1,301.87	-	-	-	-	-
	<b>4,501.84</b>	<b>4,974.55</b>	-	-	-	-
<b>Other current liabilities</b>						
PSL Singapore	307.90	136.72	-	-	-	-
PSL Germany	55.44	93.05	-	-	-	-
PSL Switzerland	23.81	-	-	-	-	-
PSL UK	6,301.49	4,996.01	-	-	-	-
PSL Philippines	0.67	-	-	-	-	-
Adrenalin eSystems	-	-	-	121.77	-	-
	<b>6,689.31</b>	<b>5,225.78</b>	-	<b>121.77</b>	-	-
<b>INVESTMENTS</b>						
FinTech	4.99	4.99	-	-	-	-
Indigo TX	1,702.97	1,702.97	-	-	-	-
LaserSoft	5,201.06	5,201.06	-	-	-	-
PESL	900.00	900.00	-	-	-	-
SFL	984.53	984.53	-	-	-	-
PSL Australia	8.11	8.11	-	-	-	-
PSL Japan	79.04	79.04	-	-	-	-
Sonali Polaris FT	238.76	238.76	-	-	-	-
PSL Singapore	94.60	94.60	-	-	-	-
PSL Vietnam	22.50	22.50	-	-	-	-
PSL Canada	109.38	109.38	-	-	-	-
PSL Dubai	203.70	203.70	-	-	-	-
PSL Germany	261.99	261.99	-	-	-	-
IdenTrust	-	8,812.50	-	-	-	-
PSL Ireland	88.96	88.96	-	-	-	-
PSL Switzerland	112.76	112.76	-	-	-	-
PSL UK	617.50	617.50	-	-	-	-
Adrenalin eSystems	-	-	1,593.88	1,593.88	-	-
NMS	-	-	648.30	648.30	-	-
	<b>10,630.85</b>	<b>19,443.35</b>	<b>2,242.18</b>	<b>2,242.18</b>	-	-

**Polaris Financial Technology Limited****Notes to the financial statements for the year ended Mar 31, 2014**

(All amounts are in Rs. in Lakhs, unless otherwise stated)

Particulars	Subsidiaries		Associates		Others	
	01-Apr-13 to 31-Mar-14	1-Apr-12 to 31-Mar-13	01-Apr-13 to 31-Mar-14	1-Apr-12 to 31-Mar-13	01-Apr-13 to 31-Mar-14	1-Apr-12 to 31-Mar-13
<b>TRANSACTIONS DURING THE PERIOD</b>						
<b>Advances/Loan given</b>						
PSL Australia	21.53	-	-	-	-	-
PSL Japan	20.65	-	-	-	-	-
PSL Malaysia	4.73	-	-	-	-	-
PSL Singapore	74.11	-	-	-	-	-
PSL Canada	58.25	-	-	-	-	-
PSL Dubai	10.20	-	-	-	-	-
PSL Germany	16.73	-	-	-	-	-
PSL Ireland	3.91	-	-	-	-	-
PSL Netherland	6.71	-	-	-	-	-
PSL UK	163.70	-	-	-	-	-
Adrenalin eSystems	-	-	-	75.00	-	-
NMS	-	-	100.00	100.00	-	-
	<b>380.52</b>	-	<b>100.00</b>	<b>175.00</b>	-	-
<b>Advances/Loan repaid</b>						
Adrenalin eSystems	-	-	-	75.00	-	-
NMS	-	-	100.00	100.00	-	-
IdenTrust Inc. ( up to 13.09.2013)	217.26	-	-	-	-	-
	<b>217.26</b>	-	<b>100.00</b>	<b>175.00</b>	-	-
<b>Software development service income</b>						
PESL	674.95	595.25	-	-	-	-
PSL Australia	5,957.21	6,068.52	-	-	-	-
PSL China	273.91	-	-	-	-	-
PSL Japan	6,618.19	4,809.49	-	-	-	-
PSL Malaysia	221.06	-	-	-	-	-
Sonali Polaris FT	-	340.51	-	-	-	-
PSL Singapore	1,755.92	2,896.72	-	-	-	-
PSL Dubai	5,121.87	5,320.94	-	-	-	-
PSL Canada	-	527.03	-	-	-	-
PSL Germany	1,492.88	987.09	-	-	-	-
IdenTrust	-	36.45	-	-	-	-
PSL Inc - SEECUS	2,186.84	490.50	-	-	-	-
PSL UK	27,246.74	19,517.32	-	-	-	-
Adrenalin eSystems	-	-	-	13.74	-	-
	<b>51,549.57</b>	<b>41,589.82</b>	-	<b>13.74</b>	-	-
<b>Software development expenses</b>						
LaserSoft	2,351.00	2,867.00	-	-	-	-
PESL	7.76	29.84	-	-	-	-
PSL Australia	4,959.82	4,900.42	-	-	-	-
PSL Japan	3,679.61	3,612.35	-	-	-	-
PSL Malaysia	-	7.33	-	-	-	-
PSL Singapore	2,644.82	2,458.54	-	-	-	-
PSL Vietnam	216.88	207.56	-	-	-	-

Particulars	Subsidiaries		Associates		Others	
	01-Apr-13 to 31-Mar-14	1-Apr-12 to 31-Mar-13	01-Apr-13 to 31-Mar-14	1-Apr-12 to 31-Mar-13	01-Apr-13 to 31-Mar-14	1-Apr-12 to 31-Mar-13
PSL Canada	-	187.98	-	-	-	-
PSL Dubai	339.60	521.34	-	-	-	-
PSL Germany	856.81	805.79	-	-	-	-
Seec Asia	508.96	665.94	-	-	-	-
PSL Switzerland	484.69	414.81	-	-	-	-
PSL UK	18,966.66	13,957.47	-	-	-	-
Adrenalin eSystems	-	-	-	59.49	-	-
	<b>35,016.61</b>	<b>30,636.37</b>	-	<b>59.49</b>	-	-
<b>Reimbursement of expenses to the Company</b>						
Indigo TX	-	16.60	-	-	-	-
LaserSoft	117.17	292.83	-	-	-	-
PESL	19.08	10.69	-	-	-	-
PSL Australia	4.37	-	-	-	-	-
PSL China	12.16	-	-	-	-	-
PSL Japan	16.90	28.27	-	-	-	-
PSL Singapore	391.38	217.85	-	-	-	-
PSL Canada	63.10	14.83	-	-	-	-
PSL Dubai	57.54	115.42	-	-	-	-
PSL Germany	18.52	12.05	-	-	-	-
Seec Asia	37.49	69.49	-	-	-	-
PSL UK	1,873.58	1,643.14	-	-	-	-
Adrenalin eSystems	-	-	154.66	15.83	-	-
	<b>2,611.29</b>	<b>2,421.18</b>	<b>154.66</b>	<b>15.83</b>	-	-
<b>Reimbursement of expenses by the Company</b>						
FinTech	-	0.06	-	-	-	-
Indigo TX	337.30	177.11	-	-	-	-
LaserSoft	885.34	1,012.86	-	-	-	-
PESL	242.17	169.91	-	-	-	-
PSL Australia	1.31	49.83	-	-	-	-
PSL Japan	53.11	57.64	-	-	-	-
PSL Malaysia	13.31	0.83	-	-	-	-
PSL Singapore	90.22	295.55	-	-	-	-
PSL Vietnam	-	5.86	-	-	-	-
PSL Canada	2,807.34	3,210.84	-	-	-	-
PSL Chile	-	0.07	-	-	-	-
PSL Inc - SEECUS	1,628.02	309.99	-	-	-	-
Seec Asia	365.65	770.09	-	-	-	-
PSL Ireland	122.16	194.17	-	-	-	-
PSL Netherland	-	2.57	-	-	-	-
PSL Switzerland	73.22	133.85	-	-	-	-
Adrenalin eSystems	-	-	177.17	131.45	-	-
	<b>6,619.15</b>	<b>6,391.23</b>	<b>177.17</b>	<b>131.45</b>	-	-
<b>Interest Income</b>						
NMS	-	-	10.69	3.41	-	-
Adrenalin eSystems	-	-	1.89	2.10	-	-
IdeaTrust Inc. (Up to 13.09.2013)	13.19	-	-	-	-	-
	<b>13.19</b>	-	<b>12.58</b>	<b>5.51</b>	-	-

## 22. Commitments and contingent liabilities

- (i) The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) as at March 31, 2014 is Rs. 592 Lakhs (March 31, 2013 : Rs 1,214 Lakhs)
- (ii) Claims against the Company, not acknowledged as debts includes:
1. Demand from Indian income tax authorities as at March 31, 2014 is Rs 7,537.45 Lakhs (March 31, 2013: Rs. 7,537.45 Lakhs).
  2. Sales Tax demand from Commercial Tax Officer Chennai as at March 31, 2014 is Rs. 520 Lakhs (March 31, 2013: Rs.520 Lakhs);
  3. Sales Tax demand from Commercial Tax Officer, Hyderabad as at March 31, 2014 is Rs 107 Lakhs (March 31, 2013: Rs 98 Lakhs). Against the said liability the Company has made a deposit of Rs 26.76 lakhs.
  4. Service tax demand from Commissioner of Central Excise, Chennai as at March 31, 2014 is Rs 201 Lakhs (March 31, 2013: Rs. 201 Lakhs). Against the said liability the Company has made a deposit of Rs 68.28 lakhs.
- The Company is contesting the demands raised by the respective tax authorities, and the management, including its tax advisers, believes that its position will likely be upheld in the appellate process and ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.
- (iii) There is a claim for damages by the vendor for an amount of Rs 90 lakhs towards alleged breach of intellectual property rights which the Company has not accepted and is defending itself appropriately.
- (iv) The Company is also involved in a law suit with and claims including suits filed by former employees, which arise in the ordinary course of business. However there are no such matters pending that the Company expects to be material in relation to its business.

## 23. Hedging of foreign currency exposures

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to forecasted transactions. The Company does not use forward contracts for speculative purposes.

The following are the outstanding Forward Exchange Contracts entered into by the Company as at March 31, 2014 including forward cover taken for forecasted revenue receivable transactions:

Particulars (USD and INR)	As at March 31, 2014	As at March 31, 2013
Number of contracts	126	92
US \$ Equivalent	2,000	1,600
INR Equivalent	131,567	86,233

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	Currency	As at March 31, 2014		As at March 31, 2013	
		Amount in Foreign currency	INR Equivalent	Amount in Foreign currency	INR Equivalent
Amounts receivable in foreign currency	USD	445.21	26,676.83	716.75	38,912.39
	GBP	0.80	79.32	17.92	1,473.36
	EUR	3.76	311.32	10.91	758.36
	AUD	2.36	130.66	4.03	228.45
	SGD	2.06	98.01	2.10	91.56
	CHF	3.04	206.43	4.90	279.24
	CAD	17.70	960.33	64.07	3,423.97
	CLP	84.75	9.23	86.87	10.07
	VND	98,931.41	286.90	200,512.88	541.38
	MYR	4.51	82.72	2.61	45.65
	CNY	28.72	279.06	0.36	3.12
	JPY	358.58	208.19	80.97	46.71
	HKD	3.80	29.35	13.06	91.31
	LKR	-	-	3.11	1.34
	NZD	-	-	0.25	11.52
AED	12.74	207.77	3.03	44.80	
Bank Balances	USD	11.64	697.47	18.33	995.02
	GBP	0.01	0.87	0.60	49.70
	EUR	1.19	98.11	3.40	236.03
	SGD	0.01	0.26	0.60	26.41
	HKD	-	-	10.27	71.76
	BHD	-	-	0.10	14.15
Amounts payable in foreign currency	USD	91.91	5,507.09	281.25	15,269.10
	GBP	59.69	5,955.20	52.88	4,348.61
	EUR	3.25	268.70	1.68	116.46
	SGD	32.33	1,538.25	3.13	136.72
	CHF	7.53	510.81	-	-
	VND	36,693.14	106.41	-	-
	PHP	0.50	0.67	-	-
MYR	1.94	35.61	-	-	



**24. Other Income**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<i>Interest Income</i>		
Interest received on deposits with banks	152.72	160.94
Interest on Non-current investments	255.86	157.66
Interest others	464.37	79.94
<i>Dividend Income</i>		
Dividends received on current investments - mutual funds	1,659.94	1,001.19
<i>Net gain/(Loss) from sale of investments</i>		
Profit on sale of current investments, net	176.52	599.84
Adjustments to the carrying amount of investments	-	(5.94)
Reversal of provision for diminution in value of investments	-	415.00
Provision for diminution in value of investments	(55.55)	-
<i>Other non-operating Income</i>		
Miscellaneous income, Net	216.11	125.86
Profit / (loss) on sale of Fixed assets, net	22.06	1,118.35
Foreign exchange fluctuation	114.18	-
<b>Total Other income</b>	<b>3,006.21</b>	<b>3,652.84</b>

**25. Details of expenses**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Employee benefits expenses</b>		
Salaries and incentive		
Salaries and bonus	135,121.89	125,272.65
Cost of technical sub-contractors	14,834.79	8,044.40
Contribution to -		
Provident fund	2,424.72	2,428.25
Superannuation fund	828.36	808.59
Other funds	2,807.01	1,881.07
Gratuity contribution scheme	238.37	581.17
Social security and other benefit plans for overseas employees	36.96	25.36
Staff welfare expenses	4,388.12	3,614.80
<b>Total Employee benefits expenses</b>	<b>160,680.22</b>	<b>142,656.29</b>

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Other expenses</b>		
Cost of software packages, hardware, consumable and maintenance	652.53	830.43
Travelling expenses	8,245.65	6,268.30
Communication expenses	1,438.48	1,598.76
Professional and Legal charges	3,417.81	2,269.85
Power and fuel	2,143.91	2,143.51
Rent	1,948.55	2,098.51
Repairs - Plant and machinery	1,132.39	1,282.33

Particulars	March 31, 2014	March 31, 2013
Repairs - Building	70.73	74.36
Repairs - Others	807.11	616.04
Business promotion	1,066.20	830.95
Office maintenance	849.44	777.00
Provision for doubtful debts	-	311.19
Bad debts / advances written off	1,119.24	678.09
Less: Out of provisions for earlier years	<u>(771.40)</u>	<u>(678.09)</u>
Insurance	245.71	215.94
Printing and stationery	179.87	161.84
Rates and taxes excluding Taxes on Income	305.18	244.49
Donations	204.86	226.15
Directors' sitting fees	12.35	11.05
Payment to the auditors		
- Statutory audit	52.00	51.00
- for other services	14.00	22.00
- for reimbursement of expenses	1.70	1.64
Bank charges and commission	63.36	52.48
Miscellaneous expenses	1,375.11	753.23
Net Loss on foreign currency transaction and translation (other than considered as finance cost)	-	354.90
<b>Total Other expenses</b>	<b>24,574.78</b>	<b>21,195.95</b>

Particulars	March 31, 2014	March 31, 2013
<b>Finance costs</b>		
Interest Expenses	104.10	190.50
<b>Total Finance costs</b>	<b>104.10</b>	<b>190.50</b>

## 26. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

As at March 31, 2014, the Company had no outstanding dues to Micro and Small enterprises (for March 31, 2013: Rs Nil). The list of Micro and Small enterprises was determined by the Company on the basis of information available with the Company. The Company also had no outstanding dues that require to be furnished under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006.

## 27. Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. A trust by name "Polaris Software Lab group gratuity trust" has been constituted to administer the gratuity fund.

The following tables summarise the components of net benefit expense recognised in the Statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Particulars	March 31, 2014	March 31, 2013
Obligations at the beginning of the year	2,551.60	2,153.09
Current service cost	233.27	493.02
Interest Cost	218.63	161.19
Actuarial (gain) / losses	(3.70)	(4.57)
Benefits paid	(308.63)	(251.13)
<b>Obligations at the end of the year</b>	<b>2,691.17</b>	<b>2,551.60</b>
Change in plan assets		
Plan assets at year beginning, at fair value	1,426.65	618.47
Expected return on plan assets	159.11	63.88
Actuarial gain / (loss)	50.72	4.59
Contributions	864.25	989.58
Benefits paid	(308.63)	(249.87)
<b>Plan assets at the end of the period, at fair value</b>	<b>2,192.10</b>	<b>1,426.65</b>
Fair Value of plan assets at the end of the period	2,192.10	1,426.65
Present value of defined benefit obligations at the end of the period	(2,691.17)	(2,551.60)
<b>Asset/(Liability) recognized in the balance sheet</b>	<b>(499.07)</b>	<b>(1,124.95)</b>
Gratuity cost for the period		
Current service cost	233.27	493.02
Interest cost	218.63	161.19
Expected return on plan assets	(159.11)	(63.88)
Actuarial (gain) / losses	(54.42)	(9.16)
<b>Net gratuity cost</b>	<b>238.37</b>	<b>581.17</b>
Experience adjustments on plan liabilities	(3.70)	(4.57)
Experience adjustments on plan assets	50.72	4.59
Actual return on plan assets	209.83	68.47
<b>Assumptions:</b>		
Discount rate	9.12%	7.95%
Estimated return on plan assets	9.12%	7.95%
Employee turnover	16.00%	16.00%

Particulars	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
The present value of defined benefit obligation	2,691.17	2,551.60	2,153.09	1,699.38	1,480.45
Fair value of plan assets	2,192.10	1,426.65	618.48	303.33	23.02
Surplus/(deficit)	(499.07)	(1,124.95)	(1,534.61)	(1,396.05)	(1,457.43)
The experience adjustment on plan assets	50.72	4.59	6.18	2.89	-
The experience adjustment on plan liabilities.	(3.70)	(4.57)	(4.60)	(38.34)	(64.29)

The amount expected to be contributed to the gratuity fund in the next financial year is Rs. 95.45 Lakhs

The funds are invested in the form of a prescribed insurance policy with ICICI prudential and Life Insurance Corporation of India ("LIC"). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

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

## 28. Lease payments

The Company has taken certain offices and residential premises for the employees under operating leases, which expires at various dates in future years. There are no restrictions imposed by the lease arrangements. The minimum lease rental payments to be made in respect of these leases are as follows.

Particulars	March 31, 2014	March 31, 2013
Lease payments for the period	1,428.08	1,559.37
Minimum Lease Payments :		
Not later than one year	825.73	942.42
Later than one year and not later than five years	1,407.39	1,876.29
Later than five years	1,012.30	740.70
<b>Total</b>	<b>3,245.42</b>	<b>3,559.41</b>

## 29. Segment reporting

With effect from this financial year, the Company restructured the business into Product and Services for effective monitoring and management. The Company's nature of operations predominantly relate to providing Software Product Licenses and related revenues and IT services including BPO Services to customers providing financial services globally. In view of this change, the Primary segment information is bifurcated between Products segment and Services segment as against the business vertical segmentation followed till previous financial year.

Accordingly, the nature of revenues of the Company comprises the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is based on the geographical location of customers.

The accounting policies consistently used in the preparation of the financial statements are also applied to record revenue and expenditure in individual segments.

Certain assets used in the Company's business or liabilities contracted have not been identified to any of the reportable segments, as the assets and services are used/contracted interchangeably between segments. Consequently, the Company has not provided segment disclosures relating to total assets and liabilities.

### Business (primary) segments of the Company are:

- a) Software Product licenses & related revenues; and
- b) Software development, support & BPO services.

Revenue and direct expenses in relation to segments are categorized based on items that are individually identifiable to that segment, while other costs, wherever allocable, are apportioned to the segments on an appropriate basis. Certain expenses are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company believes that it is not practicable to provide segment disclosures relating to such expenses, and accordingly such expenses are separately disclosed as 'unallocated' and directly charged against total income.

Customer relationships are driven based on the location of the respective client. The geographical segments comprise:

- a) United States of America;
- b) Europe;
- c) Asia Pacific; and
- d) India and Middle East

**Primary segment information**

<b>Particulars</b>	<b>March 31, 2014</b>
<b>Segment revenue (Gross Income from Operations)</b>	
Product licenses and related revenues	38,083.78
Software development, Support & BPO services	162,441.48
<b>Total Revenues</b>	<b>200,525.26</b>
<b>Segment profit before interest and tax</b>	
Product licenses and related revenues	(3,921.55)
Software development, Support & BPO services	14,393.84
<b>Total</b>	<b>10,472.29</b>
Finance Charges	104.10
Other unallocable expenditure net of unallocable (income)	(678.49)
<b>Profit before tax</b>	<b>11,046.68</b>
Income taxes including deferred tax	2,650.09
<b>Profit after tax</b>	<b>8,396.59</b>

The segregation of revenue between products and services is based on internal management reports and includes estimates / allocation as considered appropriate and certified / approved by the Company.

It is not practicable to segment the prior year results in line with current year segmentation as the Company has restructured the business into Product and Services for effective monitoring and management only during the current financial year. Considering that the product and services segmentation is provided during the current year, as against the business vertical segmentation followed till previous year, the segment disclosures for the current year are not comparable with the previous year.

<b>Particulars</b>	<b>March 31, 2013</b>
<b>Segment revenues</b>	
Banking, financial services & Insurance	174,648.23
Emerging verticals	10,750.95
	<b>185,399.18</b>
<b>Surplus</b>	
Banking, financial services & Insurance	46,692.56
Emerging verticals	1,278.31
	<b>47,970.87</b>
Finance charges	190.50
Other unallocable expenditure net of unallocable income	27,405.44
<b>Profit before tax</b>	<b>20,374.93</b>
Income taxes including deferred tax	3,669.23
<b>Profit after tax</b>	<b>16,705.70</b>

**Secondary segment information**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Segment revenues</b>		
United States of America	93,492.07	91,120.20
Europe	25,132.70	25,991.53
Asia Pacific	15,998.79	10,593.31
India and Middle East	65,901.70	57,694.14
<b>Total</b>	<b>200,525.26</b>	<b>185,399.18</b>

Revenues by geographic area are based on the geographic location of the customer.

### 30. Value of imports calculated on CIF basis

Particulars	March 31, 2014	March 31, 2013
Capital goods	210.67	746.83
<b>Total</b>	<b>210.67</b>	<b>746.83</b>

### 31. Expenditure in foreign currency (accrual basis) #

Particulars	March 31, 2014	March 31, 2013
Employee benefit expense	106,420.11	70,409.11
Travelling expense	3,912.51	2,294.82
Communication expense	344.47	412.29
Professional and legal charges	1,103.20	627.63
Business promotion	772.96	301.96
Rent	369.34	332.86
Repairs & maintenance	29.08	49.51
Others	1,425.65	1,659.76
<b>Total</b>	<b>114,377.32</b>	<b>76,087.94</b>

# includes the expenses of foreign branch operations

### 32. Earning in foreign currency (accrual basis) #

Particulars	March 31, 2014	March 31, 2013
Income from software development services and products	185,491.17	160,701.20
<b>Total</b>	<b>185,491.17</b>	<b>160,701.20</b>

# includes the earnings of foreign branch operations

### 33. Research and Development Expenditure

The company has incurred the following expenditure towards Research & Development (including expenditure incurred at centres recognized by Department of Scientific and Industrial Research):

Particulars	March 31, 2014	March 31, 2013
Capital	460.27	1,356.79
Revenue	8,135.85	8,643.08
<b>Total</b>	<b>8,596.12</b>	<b>9,999.87</b>

### 34. Exceptional Items

Particulars	March 31, 2014	March 31, 2013
(a) Loss on IdenTrust divestment *	2,059.22	-
(b) Re-structuring Expenses #	210.83	-
(c) De-merger Expenses #	57.65	-
<b>Total</b>	<b>2,327.70</b>	<b>-</b>

\* The Company on April 27, 2011 made an investment aggregating Rs. 8,812.50 Lakhs comprising of a 85.30% stake in IdenTrust Inc a company engaged in the business of trusted Identity solutions and digital identity authentication services based in the United States. Pursuant to an order received from the Committee of Foreign Investment in the United States (CFIUS), the Board of Directors have made a decision to sell its investment in IdenTrust Inc and subsequently completed the transaction on September 13, 2013. As a consequent of the event, the Company has recorded a loss of Rs 2,059.22 Lakhs for the year ended March 31, 2014 which has been disclosed as an exceptional item.

# The Company restructured the organization in terms of structure, people, processes and systems to orient around the customer with specific focus towards the Products and Services segments of its business. The expenditure incurred for the purpose of restructuring has been disclosed separately as exceptional item to explain the performance of the Company for the year.

### 35. Discontinuing Operations

(a) The Board of Directors of the Company at its meeting held on March 18, 2014 have approved a Scheme of Arrangement between Polaris Financial Technology Limited and Intellect Design Arena Limited ('Intellect') (formerly known as Fin Tech Grid Limited), a wholly owned subsidiary of the Company and their respective shareholders which inter alia envisages demerger of the Product business undertaking along with related assets and liabilities into Intellect with effect from April 1, 2014 in accordance with the provisions of the Companies Act, 1956 read with related provisions of the Companies Act, 2013. The Scheme of Arrangement which has been filed with the designated stock exchange for obtaining the No Objection Certificate will also require the approval of the respective shareholders' of both the companies and the High Court of Madras before it is given effect to. The proposed demerger of the product business undertaking into Intellect qualifies as an initial disclosure event as per AS -24 (Accounting for Discontinuing Operations). The following table shows the estimated revenue, expenses and the loss attributable to the Products division.

#### Revenue, expenses and loss attributable to discontinuing operations - Products Division

Particulars	March 31, 2014
Revenue	38,083.78
Expenses	42,514.78
<b>Loss before tax</b>	<b>(4,431.00)</b>
Tax credit	138.00
<b>Loss after tax</b>	<b>(4,293.00)</b>

Certain assets and liabilities of the Company continue to be used / contracted interchangeably between the product and services businesses. Consequently, the Company has not provided disclosures relating to total assets and liabilities and cashflows attributable to products business. Further, as the restructuring of the business into Product and Services for effective monitoring and management was implemented effective the current financial year, it is not practicable to provide comparative previous year information pertaining to the products division.

### 36. Earnings per Share ("EPS")

Reconciliation of basic and diluted shares used in computing EPS:

Particulars	March 31, 2014	March 31, 2013
(i) Weighted average number of equity shares outstanding during the year - For basic EPS	99,526,385	99,473,789
Add: Effect of dilutive shares - Stock options granted under ASOP.	220,869	196,164
(ii) Weighted average number of equity shares outstanding during the year - For diluted EPS	99,747,254	99,669,953
(iii) The net profit for the period attributable to equity shareholders - For basic and diluted EPS	8,396.59	16,705.70
Earnings per Share (in Rs.)		
Basic earnings per share (iii)/(i)	8.44	16.79
Diluted earnings per share (iii)/(ii)	8.42	16.76
(iv) The net profit for the period attributable to equity shareholders after excluding discontinuing operations	12,689.59	Refer Note 35
For basic and diluted EPS		
Basic earnings per share (iv)/(i)	12.75	
Diluted earnings per share (iv)/(ii)	12.72	

### **37. Prior period Comparatives**

Previous year figures have been regrouped / reclassified, wherever material and necessary to conform to current year presentation.

As per our report of even date

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
Firm Registration number: 101049W

**per Subramanian Suresh**  
Partner  
Membership No. 083673  
Chennai  
April 30, 2014

For and on behalf of the Board of Directors of  
**Polaris Financial Technology Limited**

**Arun Jain**  
Chairman & Managing Director

**R.C. Bhargava**  
Director

**S.Swaminathan**  
Chief Financial Officer  
Chennai  
April 30, 2014

**V.V.Naresh**  
Vice President &  
Company Secretary



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**POLARIS FINANCIAL TECHNOLOGY LIMITED  
AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**(All amounts are denominated in INR and expressed in Lakhs, unless otherwise stated)**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Polaris Financial Technology Limited

We have audited the accompanying consolidated financial statements of Polaris Financial Technology Limited ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for 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 Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**Other Matters**

We did not audit total assets of Rs. 24,513 Lakhs as at March 31, 2014, total revenues of Rs. 17,887 Lakhs and net cash inflows amounting to Rs.3,082 Lakhs for the year then ended, included in the accompanying consolidated financial statements in respect of certain subsidiaries, whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiaries is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

We did not audit the financial statements of certain associates whose share of profit included in the accompanying consolidated financial statements is Rs 11.55 Lakhs. The share of profit for the year ended March 31, 2014 is based on unaudited financial statements of such associates. Our opinion is not qualified in respect of this matter.

**For S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

Firm registration number: 101049W

**per Subramanian Suresh**

Partner

Membership No.: 083673

Place: Chennai

Date: April 30, 2014

**Polaris Financial Technology Limited**  
**Consolidated Balance Sheet as at March 31, 2014**

(All amounts are in Rupees in Lakhs unless otherwise stated)

Particulars	Notes	March 31, 2014	March 31, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share capital	4	4,977.51	4,975.30
Reserves and surplus	5	149,763.58	129,297.15
		<b>154,741.09</b>	<b>134,272.45</b>
<b>Non-Current Liabilities</b>			
Long - term borrowings	6	-	57.81
Deferred tax liabilities (Net)	7	1,070.99	793.01
Long - term provisions	8	544.24	915.63
<b>Current Liabilities</b>			
Short -term borrowings	9	403.15	11,554.24
Trade payables	10	24,208.47	20,627.56
Other current liabilities	11	14,042.22	18,423.91
Short-term provisions	12	12,181.66	15,499.80
<b>TOTAL</b>		<b>207,191.82</b>	<b>202,144.41</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed assets	13		
- Tangible assets		32,580.17	33,722.84
- Intangible assets		825.39	1,368.35
- Capital work-in-progress		3,493.50	4,187.52
- Intangible assets under development		973.93	790.12
		<b>37,872.99</b>	<b>40,068.83</b>
Goodwill on Consolidation	14 IV	7,530.02	21,247.89
Non-current investments	14	8,799.72	3,572.07
Deferred tax assets (Net)	15	649.45	599.87
Long-term loans and advances	16	15,215.48	12,384.79
Other non-current assets	17	4,729.71	187.29
<b>Current Assets</b>			
Current investments	18	37,102.45	26,539.01
Trade receivables	19	36,220.67	40,747.06
Cash and bank balance	20	23,132.93	20,566.10
Short-term loans and advances	21	4,374.33	5,390.18
Other current assets	22	31,564.07	30,841.32
<b>TOTAL</b>		<b>207,191.82</b>	<b>202,144.41</b>

Summary of significant accounting policies 3

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
ICAI Firm Registration number: 101049W

For and on behalf of the Board of Directors of  
**Polaris Financial Technology Limited**

**per Subramanian Suresh**  
Partner  
Membership No. 083673  
Chennai  
April 30, 2014

**Arun Jain**  
Chairman & Managing Director

**R.C. Bhargava**  
Director

**S.Swaminathan**  
Chief Financial Officer  
Chennai  
April 30, 2014

**V.V.Naresh**  
Vice President &  
Company Secretary

**Polaris Financial Technology Limited**

**Consolidated Statement of Profit and Loss for the year ended March 31, 2014**

(All amounts are in Rupees in Lakhs unless otherwise stated)

<b>Particulars</b>	<b>Notes</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Revenue</b>			
Income from Software development, Support and BPO services		191,410.56	173,066.71
Income from Software Product licenses and related revenues		50,959.09	52,796.39
Other income	26	3,235.24	3,413.92
<b>Total Revenue</b>		<b>245,604.89</b>	<b>229,277.02</b>
<b>Expenses</b>			
Employee benefit expenses	27	184,276.32	166,311.67
Finance costs	29	197.72	249.08
Depreciation and amortization expenses	13	5,444.03	5,369.09
Other expenses	28	33,947.41	33,038.23
<b>Total Expenses</b>		<b>223,865.48</b>	<b>204,968.07</b>
<b>Profit before exceptional items and tax</b>		<b>21,739.41</b>	<b>24,308.95</b>
Exceptional Items	34	2,137.02	-
<b>Profit before tax</b>		<b>23,876.43</b>	<b>24,308.95</b>
<b>TAX EXPENSES</b>			
Income taxes - Current tax		5,080.17	5,573.92
- Adjustment of tax relating to earlier periods		(1,328.30)	-
- Deferred tax		216.91	315.96
- MAT credit entitlement		-	(579.21)
- MAT credit entitlement (Earlier years)		-	(407.00)
<b>Profit/(Loss) for the period from Continuing Operations</b>		<b>19,907.65</b>	<b>19,405.28</b>
Add/(Less): Share of Profit/(loss) on Associate Companies		11.55	452.01
Add/(Less): Minority Interest - Share of loss/(Profit)		-	223.03
<b>Profit for the year</b>		<b>19,919.20</b>	<b>20,080.32</b>
<b>Earnings per share (In Rs.) - (equity shares par value Rs 5 each)</b>	35		
Basic		20.01	20.19
Diluted		19.97	20.15
Estimated pre-tax (Loss) for the year ended 31 March 2014 from ordinary activity attributable to Discontinuing Operations (Products division) included in the above results. (Related Income tax credit for the year ended 31 March 2014 - Rs. 67 lakhs.)	32	(978.00)	
Pre-tax (Loss) upto date of divestment, from ordinary activity attributable to Discontinuing Operations (IdeaTrust) included in the above results. Pre-tax (Loss) for the year ended March 31, 2013 - Rs (2,127.50) lakhs. (Related Income tax credit for the year ended 31 March 2014 - Rs Nil and for the year ended 31 March 2013 - Rs. Nil.)		(472.88)	
Pre-tax Profit on divestment of IdeaTrust (Related Income tax expense - Rs Nil) included in the above results.		2,438.14	
Summary of significant accounting policies	3		
The accompanying notes are an integral part of the financial statements			
As per our report of even date			
<b>For S.R. BATLIBOI &amp; ASSOCIATES LLP</b> Chartered Accountants ICAI Firm Registration number: 101049W		For and on behalf of the Board of Directors of <b>Polaris Financial Technology Limited</b>	
<b>per Subramanian Suresh</b> Partner Membership No. 083673 Chennai April 30, 2014		<b>Arun Jain</b> Chairman & Managing Director	<b>R.C. Bhargava</b> Director
		<b>S.Swaminathan</b> Chief Financial Officer Chennai April 30, 2014	<b>V.V.Naresh</b> Vice President & Company Secretary

**Polaris Financial Technology Limited**  
**Consolidated cash flow statement for the year ended March 31, 2014**  
 (All amounts are in Rupees in Lakhs unless otherwise stated)

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Cash flows from operating activities</b>		
Profit before tax	23,876.43	24,308.95
Adjustments for:		
Depreciation and amortisation	5,444.03	5,369.09
Interest income	(1,173.40)	(549.54)
Dividend income	(1,663.73)	(1,001.19)
Unrealised exchange (gain) / loss	817.83	949.02
Exchange difference on translation of foreign operations	16,595.67	1,090.86
( Profit) / Loss on sale of fixed assets	(18.81)	(1,117.55)
( Profit) / Loss on sale of Investments	(95.85)	(593.90)
Provision for doubtful debts	(1,007.07)	145.47
Bad debts written off	1,734.00	678.09
Interest expenses	197.72	249.08
<b>Changes in assets and liabilities</b>		
Decrease / (Increase) in trade receivable	3,529.86	(4,220.70)
Decrease / (Increase) in loans and advances and other assets	(2,637.74)	(4,552.07)
Increase / (Decrease) in liabilities and provisions	(1,715.41)	922.60
<b>Cash generated from operations</b>	<b>43,883.53</b>	<b>21,678.21</b>
Net Taxes paid	(6,740.25)	(6,512.21)
<b>Net cash from operating activities</b>	<b>37,143.28</b>	<b>15,166.00</b>
<b>Cash flows from Investing activities</b>		
Purchase of fixed assets, changes in capital work in progress and capital advance	(3,585.57)	(5,605.29)
Proceeds from sale of fixed assets	530.99	1,330.21
Acquisition / (Disposal) of subsidiary	6,959.49	(5.04)
Net decrease/(Increase) in non-trade investments	(22,643.16)	(11,036.63)
Investment in long-term term deposits	(1,802.00)	1,500.00
Interest received	1,173.40	549.54
Dividend received	1,663.73	1,001.19
<b>Net cash used in investing activities</b>	<b>(17,703.12)</b>	<b>(12,266.02)</b>
<b>Cash flows from financing activities</b>		
Proceeds from share capital issued on exercise of stock options	2.21	3.10
Proceeds from share premium on exercise of stock options	22.88	35.77
Proceeds / (Repayment) of loans	(11,208.90)	589.00
Interest paid	(197.72)	(249.08)
Dividends paid during the year	(4,965.22)	(2,984.15)
Dividend tax paid during the year	(845.58)	(484.11)
<b>Net cash (used in) / from financing activities</b>	<b>(17,192.33)</b>	<b>(3,089.47)</b>
<b>Net increase / (decrease) in cash and equivalents during the year</b>	<b>2,247.83</b>	<b>(189.49)</b>
Exchange differences on translation of foreign currency cash and cash equivalents	319.00	6.97
Cash balance of subsidiaries on acquisitions	-	5.04
Cash and cash equivalents at the beginning of the year / period	20,566.10	20,743.58
<b>Cash and cash equivalents at the end of the year</b>	<b>23,132.93</b>	<b>20,566.10</b>

Particulars	March 31, 2014	March 31, 2013
<b>Components of Cash and cash equivalents</b>		
(Refer Note - 20 cash and bank balance)		
Cash on hand	6.38	37.63
Balance with banks		
- On current account	15,850.03	12,034.35
- On deposit account *	7,187.76	8,415.60
- On unpaid dividend account **	88.76	78.52
	<b>23,132.93</b>	<b>20,566.10</b>

\* The balance on deposit accounts as of March 31, 2014 includes Rs. 1,889 Lakhs which has been pledged as a security by the company for availing non-fund based facilities.

\*\* The balance in unpaid dividend account was Rs 88.76 Lakhs (March 31, 2013: Rs 78.52 Lakhs) which are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

As per our report of even date

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
ICAI Firm Registration number: 101049W

For and on behalf of the Board of Directors of  
**Polaris Financial Technology Limited**

**per Subramanian Suresh**  
Partner  
Membership No. 083673  
Chennai  
April 30, 2014

**Arun Jain**  
Chairman & Managing Director

**R.C. Bhargava**  
Director

**S.Swaminathan**  
Chief Financial Officer  
Chennai  
April 30, 2014

**V.V.Naresh**  
Vice President &  
Company Secretary



**Polaris Financial Technology Limited****Notes to the Consolidated Financial Statements for the year ended March 31, 2014**

(All amounts are in Rupees in Lakhs unless otherwise stated)

**1. Description of the Group**

Polaris Financial Technology Limited (“Polaris” or “the Company”), its subsidiaries and its associates (collectively referred to as “the Polaris Group” or “the Group”) are primarily engaged in the business of IT services and IT-enabled services delivering customized software solutions and products in the domain of contemporary services which include banking and financial services.

Polaris is the flagship Company of the Group and is listed on the principal stock exchanges of India.

The list of subsidiaries with percentage holding is given below.

S.No	Subsidiaries	Country of incorporation	Proportion of ownership interest within the group	
			March 31, 2014	March 31, 2013
1	Polaris Software Lab Ltd	United Kingdom	100.00%	100.00%
2	Polaris Software Pty Ltd	Australia	100.00%	100.00%
3	Polaris Software Lab SA	Switzerland	100.00%	100.00%
4	Polaris Software Lab GmbH	Germany	100.00%	100.00%
5	Polaris Software Lab Pte Limited	Singapore	100.00%	100.00%
6	Polaris Software Lab Japan KK	Japan	100.00%	100.00%
7	Polaris Software Lab Ireland Ltd	Ireland	100.00%	100.00%
8	Polaris Software Lab Canada Inc	Canada	100.00%	100.00%
9	Polaris Enterprise Solutions Limited	India	100.00%	100.00%
10	Polaris Software Lab Chile Limitada *	Chile	100.00%	100.00%
11	Polaris Software Lab B.V *	Netherlands	100.00%	100.00%
12	Polaris Software Lab Inc. **	USA	100.00%	100.00%
13	Optimus Global Services Limited	India	100.00%	100.00%
14	SEEC Technologies Asia (P) Ltd ***	India	100.00%	100.00%
15	Laser Soft Infosystems Ltd	India	100.00%	100.00%
16	Polaris Software Lab (Shanghai) Ltd **	China	100.00%	100.00%
17	SFL Properties Private Limited	India	100.00%	100.00%
18	Polaris Software Lab Vietnam Co. Ltd	Vietnam	100.00%	100.00%
19	Polaris Software Lab Sdn Bhd **	Malaysia	100.00%	100.00%
20	Indigo TX Software Private Ltd	India	100.00%	100.00%
21	IdenTrust Inc	USA	-	85.30%
22	Polaris Software Lab (Philippines) Company, Inc **	Philippines	100.00%	100.00%
23	Polaris Software Lab FZ LLC	Dubai	100.00%	100.00%
24	Sonali Polaris FT Ltd	Bangladesh	51.00%	51.00%
25	Intellect Design Arena Limited (Formerly known as Fin Tech Grid Ltd)	India	100.00%	100.00%
26	FT Grid Pte Ltd**	Singapore	99.88%	99.88%

\* Subsidiaries of Polaris Software Lab Limited, United Kingdom.

\*\* Subsidiaries of Polaris Software Lab Pte Limited, Singapore.

\*\*\*Subsidiary of Polaris Software Lab Inc., USA

The list of associates with percentage holding of Polaris is given below.

S. No.	Associates	% of share held as of March 31, 2014	Original cost of investment	Share of accumulated profit/ (loss) as at March 31, 2014	Carrying amount of Investments as at March 31, 2014
1	NMS Works Software Private Limited	36.54%	415.26	48.57	463.83
2	Adrenalin eSystems Limited	40.25%	833.88	(833.88)	-

## 2 Basis of preparation of consolidated financial statements

The financial statements of the group have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The group has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with General Circular 08/2014 dated 4<sup>th</sup> April 2014, issued by the Ministry of Corporate Affairs and other accounting principles generally accepted in India. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those used in the previous year.

The consolidated financial statements include the financial statements of Polaris Financial Technology Limited and all its subsidiaries, which are more than 50%, owned or controlled. The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standard on Consolidated Financial Statements as specified in the Companies (Accounting Standard) Rules, 2006 (as amended).

The financial statements of the Company and its subsidiaries are consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. The excess of cost to the Company of its investment in subsidiary companies over its share of the equity of the subsidiary companies at the date on which the investments in the subsidiary companies are made, is recognized as goodwill being an asset in the consolidated financial statement. In respect of investments made in Associate Companies, the equity method prescribed under Accounting for Investments in Associates in Consolidated Financial Statements as specified in the Companies Accounting Standards Rules, 2006 (as amended), has been adopted in the preparation of these financial statements. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group. All material inter-Company transactions and balances are eliminated on consolidation.

## 3 Significant Accounting Policies

### a) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**b) Tangible fixed assets and capital work in progress**

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Capital work in progress comprises cost of tangible fixed assets not ready for intended use as at the balance sheet date.

**c) Depreciation on tangible fixed assets**

Depreciation on fixed assets is provided using the straight-line method based on rates specified in Schedule XIV of the Companies Act, 1956 or rates arrived at based on useful lives of assets estimated by the management, whichever is higher. Individual assets costing less than Rs 5,000/- are depreciated at the rate of 100 %.

The estimated useful lives considered for depreciation of fixed assets are as follows:

Assets Category	Estimated useful life (years)
Buildings	29
Plant and Machinery	6-7
Computer Equipments	3
Servers and Computer accessories	5
Electrical fittings, office equipment, furniture and fixtures	10
Vehicles	4-6
Leasehold improvements	Over the lease period or 10 years whichever is lower
Leasehold Land	Over the lease period (99 years)

**d) Intangible assets**

Intangible assets acquired are stated at cost, less accumulated amortization and impairment losses if any.

*Research and development costs*

Software product and intellectual property development costs are expensed as incurred until technological feasibility is established. Software development costs incurred subsequent to the achievement of technological feasibility are capitalized and amortised over estimated useful life of the products. This capitalisation is done only if the Group has the intention and ability to complete the product, the product is likely to generate future economic benefits, adequate resources to complete the product are available to the Group and the Group is able to accurately measure such expense.

Such software development costs comprise expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to the development of the product and intellectual property rights.

*Amortisation*

The amortisation of software development and intellectual property costs is allocated on a straight-line basis over the best estimate of its useful life after the product is ready for use. The factors considered for identifying the basis include obsolescence, product life cycle and actions of competitors. The amortization period and the method are reviewed at each year end. The expected useful life is reassessed at each year end and the amortization period is changed accordingly. The estimated useful life of company's intangible assets are stated below:

<b>Assets Category</b>	<b>Estimated useful life (years)</b>
Computer software	3
Customer contracts acquired on business purchase agreements	3
Intellectual property rights	3-5

**e) Operating leases**

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

Leases where the lessor effectively retains substantially all the risks and the benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Statement profit and loss on a straight-line basis over the lease term.

**f) Impairment of tangible and intangible fixed assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the pre-tax discount rate reflecting current market assessment of time value of money and risks specific to asset.

After impairment, depreciation / amortisation is provided on the revised carrying amount of the asset over its remaining useful life.

**g) Investments**

Investments are classified as long-term investments and current investments. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. Current investments are carried in the financial statements at the lower of cost or fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

**h) Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

*Software development and support services*

Revenue from software development and support services comprises income from time-and-material and fixed price contracts. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue from fixed-price contracts is recognized in accordance with the proportionate completion method. Provision for estimated losses on incomplete contract is recorded in the year in which such losses become probable based on the current contract estimates.

*Product licenses and related revenues*

Revenues from product licenses and related services includes income under multiple element arrangements recognized as follows:

- License fees and fees for customization/implementation services are recognized using proportionate completion method. Provision for estimated losses, if any, on incomplete contracts are recorded in the year in which such losses become probable based on current contract estimates.
- Product maintenance revenues are recognized over the period of the maintenance contract.

Revenue from sale of licenses which are not in the nature of multiple element arrangements are recognized upon delivery of these licenses which constitute transfer of all risks and rewards and has no further obligations under those arrangements.

Revenue in excess of billing represents earnings on ongoing fixed price and time and material contracts over amounts invoiced to customers. Billings in excess of revenue represent amounts billed in case of ongoing fixed price and time and material contracts wherein amounts have been billed in accordance with the billing cycle and efforts would be incurred subsequent to the balance sheet date.

*Business Process Outsourcing*

Revenue from call centre services comprises income from time and material contracts. Revenue is recognized in accordance with the terms of the contract with the customer, as related services are performed.

*Other Income*

Interest is recognized using the time-proportion basis taking into account the amount outstanding and the applicable interest rate.

Dividend income is recognized when the Group's right to receive dividend is established.

**i) Foreign currency transactions and translations***Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

*Conversion*

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

*Exchange Differences*

Exchange differences arising on the settlement/reporting of monetary items, at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

*Translation of integral and non-integral foreign operations*

The company classifies all its foreign operations as either "integral foreign operations" or "non-integral foreign operations."

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average weekly rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

**j) Forward contracts entered into to hedge foreign currency risk**

The Company uses foreign exchange contracts to hedge its exposure to movements in foreign currency rates. The use of these foreign exchange forward contracts aims to reduce the risk/cost to the Company and the Company does not use the foreign exchange forward contracts for trading or speculative purposes.

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

The Company designates these hedging instruments as Cash flow hedges applying the recognition and measurement principles set out in Accounting standard 30 - Financial Instruments - Recognition and measurement.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders' funds (hedge fluctuation reserve) and the ineffective portion is recognised immediately in the statement of profit and loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of profit and loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholders' funds (hedge fluctuation reserve) is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the profit and loss.

**k) Retirement and other employee benefits**

*Provident Fund*

Employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to the Regional Provident Fund equal to a specified percentage of the covered employee's salary. The company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. The Company has no further obligations under the plan beyond its monthly contributions. The contributions are charged to the Statement of

Profit and Loss of the year when the contributions to the respective funds are due and there are no other obligations other than the contribution payable.

#### *Gratuity*

The Company provides for gratuity in accordance with the Payment of Gratuity Act, 1972, a defined benefit retirement plan (the Plan) covering all employees. The plan, subject to the provisions of the above Act, provides a lump sum payment to eligible employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. A trust by name "Polaris Software Lab group gratuity trust" has been constituted to administer the gratuity fund. Gratuity liability is accrued and provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial period. Actuarial gains/losses are immediately taken to Statement of profit and loss and are not deferred.

#### *Superannuation*

The Company contributes a specified percentage of the eligible employees' basic salary towards superannuation (the Plan) to a fund. A trust has been created and approved by the Income-tax authorities for this purpose. This Plan provides for various options for payment of pension at retirement or termination of employment as per the trust rules. The Company has no further obligations under the Plan beyond its monthly contributions which are periodically contributed to a trust.

#### *Leave Benefits*

Provision for long-term compensated absences is accrued and provided for on the basis of actuarial valuation made at the end of each financial period. The actuarial valuation is done as per projected unit credit method. Short-term encashment of accumulated leave balances are accounted for in the year in which the leave balances are credited to employees on actual basis.

The company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

### **1) Income and Deferred Taxes**

Tax expense comprises of current, deferred tax. The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Group. The current tax provision and advance income tax as at balance sheet date have been arrived at after setting off advance tax and current tax provision where the Group has legally enforceable right to set off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the taxable income and accounting income. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the year that includes the enactment date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Group does not have legal right to do so.

Deferred tax assets are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised and are reassessed for the appropriateness of their respective carrying values at each balance sheet date. Unrecognised deferred tax assets of earlier years are re-assessed

and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain, that sufficient future taxable income will be available against which deferred tax asset can be realized.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

The Company enjoys tax holiday under Sec 10AA of the Income tax Act on some of its units set up in the Special Economic Zones (SEZ)

**m) Stock Based Compensation**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

**n) Earnings per share**

The basic earnings per share are computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

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

**o) Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**p) Cash and Cash Equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risks of change in value.



#### 4. Share Capital

Particulars	March 31, 2014	March 31, 2013
Authorised		
120,000,000 equity shares of Rs 5 each.	6,000.00	6,000.00
(March 31, 2013: 120,000,000 equity shares of Rs 5 each)		
10,000,000 11 % preference shares of Rs 5 each.	500.00	500.00
(March 31, 2013: 10,000,000 11% preference shares of Rs 5 each)		
	<b>6,500.00</b>	<b>6,500.00</b>
Issued, Subscribed and Paid up		
99,550,274 equity shares of Rs 5 each	4,977.51	4,975.30
(March 31, 2013: 99,506,074 equity shares of Rs 5 each)		
fully paid up		
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>4,977.51</b>	<b>4,975.30</b>

Of the total authorized capital of the company referred above, the company has issued only one class of equity shares having a face value of Rs.5 per share. Each holder of such equity share is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company. The distribution will be in proportion to the number of equity shares held by the shareholders.

During the year ended March 31, 2014, the final dividend per share recognized as distribution to equity shareholders was Rs 6.25/- (March 31, 2013 - Rs 5/-).The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

#### Equity Shares

Particulars	<i>In Numbers</i>	
	March 31, 2014	March 31, 2013
At the beginning of the period	99,506,074	99,442,097
Issued during the period -ASOP	44,200	63,700
Add: Shares issued for consideration other than cash *	-	277
<b>Outstanding at the end of the period</b>	<b>99,550,274</b>	<b>99,506,074</b>

\*The company has allotted total of 277 equity shares of Rs. 5/- each fully paid-up for consideration other than cash pursuant to the Scheme of Arrangement (demerger) of the BPO division of Optimus Global Service Ltd into the Company on October 12, 2012. During the previous year, the Company has completed the allotment and issued the share certificates with respect to these shares. (Also Refer Note - 14. III. c)

#### Details of Shareholders holding more than 5 percent shares in the Company (based on legal ownership)

Particulars	March 31, 2014		March 31, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Polaris Banyan Holding Private Limited (Formerly Known as Polaris Holdings (P) Limited)	20,020,938	20.11%	20,020,938	20.12%
Orbitech Limited	15,379,606	15.45%	15,379,606	15.46%
Franklin Mutual Series Funds - Mutual Beacon Fund	7,108,509	7.14%	6,942,715	6.98%

### Stock option plans

The Company has four stock option plans that provide for the granting of stock options to employees including directors of the Company (not being promoter directors and not holding more than 10% of the equity shares of the Company). The objectives of these plans include attracting and retaining the best personnel, providing for additional performance incentives and promoting the success of the Company by providing employees the opportunity to acquire equity shares. The option plans are summarized below:

#### Associate Stock Option Plan 2003

The Shareholders of the Company at the EGM held on March 12, 2004 approved an Associate Stock Option Plan (the 2003 Plan). The 2003 Plan provides for issuance of 3,895,500 options, convertible to equivalent number of equity shares of Rs 5 each, to the employees including Directors. The options are granted at the market price on the date of the grant. The market price, in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as amended from time to time, shall be the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the Company are listed. If the Shares are listed on more than one stock exchange then the stock exchange where there is highest trading volume on the said date shall be considered. The option vests over a period of 5 years from the date of grant in a graded manner, with 20% of the options vesting each year. The exercise period shall commence from the date of vesting and expires within 36 months from the last vesting date.

No compensation cost has been recorded as the scheme terms are fixed and the exercise price equals the market price of the underlying stock on the grant date. A summary of the status of the options granted under 2003 plan at March 31, 2014 is presented below.

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the period	1,981,100	165.03	2,795,050	160.32
Granted during the period	-	-	-	-
Exercised during the period	(43,900)	56.38	(63,700)	58.88
Forfeited during the period	(112,600)	164.87	(140,900)	154.52
Expired during the period	(272,900)	161.91	(609,350)	156.96
Outstanding at the end of the period	1,551,700	168.66	1,981,100	165.03
Exercisable at the end of the period	1,306,700	167.43	1,586,500	161.82

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Range of exercise price	34.35-140.90	34.35-140.90
Weighted average remaining contractual life (in years)	3.48	4.50
Weighted average market price of shares on the date of exercise	127.94	134.50

### Associate Stock Option Plan 2004

The Shareholders of the Company in the AGM held on July 22, 2005 approved an Associate Stock Option Plan (the 2004 plan). The 2004 plan provides for issuance of 1,084,745 options, convertible to equivalent number of equity shares of Rs 5 each, to the associates including Directors. The options are granted at the market price on the date of the grant. The market price, in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as amended from time to time, shall be the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the Company are listed. If the Shares are listed on more than one stock exchange then the stock exchange where there is highest trading volume on the said date shall be considered. The option vests over a period of 5 years from the date of grant in a graded manner, with 20% of the options vesting each year. The exercise period shall commence from the date of vesting and expires within 36 months from the last vesting date.

No compensation cost has been recorded as the scheme terms are fixed and the exercise price equals the market price of the underlying stock on the grant date. A summary of the status of the options granted under 2004 plan at March 31, 2014 is presented as below.

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the period	507,700	184.27	557,500	176.62
Granted during the period	-	-	-	-
Exercised during the period	(25,600)	76.60	(34,800)	76.60
Forfeited during the period	(39,800)	180.05	(6,000)	185.95
Expired during the period	(113,500)	150.58	(9,000)	125.20
Outstanding at the end of the period	328,800	204.79	507,700	184.27
Exercisable at the end of the period	301,000	231.04	428,400	185.65

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Range of exercise price	76.60	76.60
Weighted average remaining contractual life (in years)	2.32	3.25
Weighted average market price of shares on the date of exercise	126.46	118.43

### Associate Stock Option Plan 2011

The Shareholders of the Company in the Extraordinary General Meeting held on October 28, 2011 approved an Associate Stock Option Plan (the 2011 plan). The 2011 plan provides for issuance of 4,960,000 options convertible into equivalent number of equity shares of Rs 5 each. The plan shall be administered under 4 different schemes.

Particulars	Swarnam 11	Swarnam 21	Swarnam 31	Swarnam 41
Eligible employees	Senior and Key executives excluding non-executive directors	Members of Business leadership team or equivalent thereof excluding non-executive directors	Associates in the grade of Executive Vice president and above, excluding non executive directors	Non - Executive directors
Maximum number of options grantable	3,720,000 Less: Number of Option granted under Swarnam 21	1,736,000	1,240,000 Less: Number of Option granted under Swarnam 41	200,000

<b>Grant price</b>				
Market price up to Rs. 175	Market price	Market price	Market price	Market price
Market price between Rs. 175 - Rs. 500	15% discount on market price. (Subject to being Not lower than Rs 175)	30% discount on market price. (Subject to being Not lower than Rs 175)	50% discount on market price. (Subject to being Not lower than Rs 175)	Market price
Market price greater than Rs.500	10% discount on market price	20% discount on market price	50% discount on market price	Market price

The market price, in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as amended from time to time, shall be the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the Company are listed. If the Shares are listed on more than one stock exchange then the stock exchange where there is highest trading volume on the said date shall be considered. The options shall be valued using the intrinsic value model.

The option vests over a period of 5 years from the date of grant in a graded manner, subject to fulfillment of vesting conditions as follows:

<b>Particulars</b>	<b>Swarnam 11</b>	<b>Swarnam 21</b>	<b>Swarnam 31</b>	<b>Swarnam 41</b>
<b>Service conditions</b>				
At the end of year 1	10%	0%	0%	20%
At the end of year 2	15%	0%	0%	20%
At the end of year 3	20%	33%	33%	20%
At the end of year 4	25%	33%	33%	20%
At the end of year 5	30%	34%	34%	20%

<b>Performance conditions</b>				
Performance rating	20% of the options granted for each year shall be subject to meeting of minimum specified annual performance rating	20% of the options granted for each year shall be subject to meeting of minimum specified annual performance rating	20% of the options granted for each year shall be subject to meeting of minimum specified annual performance rating	20% of the options granted for each year shall be subject to meeting of minimum specified annual performance rating
Companies target EPS growth	Accelerated vesting of 5%/10% each year, based on Company achieving specified target EPS growth	Accelerated vesting of 5%/10% each year, based on Company achieving specified target EPS growth	NA	NA

The exercise period shall commence from the date of vesting and expires within 60 calendar months from the relevant vesting date.

During the current year since the market price did not exceed Rs 175 on the date of grant no compensation cost is recorded. Summary is provided below.

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the period	1,301,000	131.47	869,000	134.40
Granted during the period	2,897,000	138.54	528,000	126.77
Exercised during the period	(300)	113.20	-	-
Forfeited during the period	(216,800)	125.94	(95,700)	132.20
Expired during the period	(16,000)	132.75	(300)	134.40
Outstanding at the end of the period	3,964,900	136.93	1,301,000	131.47
Exercisable at the end of the period	265,400	130.41	249,650	132.87
Weighted average remaining contractual life (in years)			8.05	7.54
Weighted average fair value of options granted			73.98	70.64

#### Associate Stock Option Plan (Trust) 2011

The Shareholders of the Company in the Extraordinary General Meeting held on October 28, 2011 approved an Associate Stock Option Plan (TRUST) 2011 [the 2011(Trust) plan]. The 2011(Trust) plan provides for issuance of 1,984,000 options, convertible to equivalent number of equity shares of Rs 5 each. The options shall be granted at the market price if the market price is below Rs. 175 or at discount of 10% on market price if the market price is Rs. 175 or above. The market price, in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as amended from time to time, shall be the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the Company are listed. If the Shares are listed on more than one stock exchange then the stock exchange where there is highest trading volume on the said date shall be considered. The option vests over a period of 5 years from the date of grant in a graded manner, with 20% of the options vesting each year. The exercise period shall commence from the date of vesting and expires within 60 calendar months from the relevant vesting date. The Company has not granted any options under the plans as on March 31, 2014.

The Company had formulated an Associate Stock Option Plan Trust-2011, for the purpose of administering the above scheme. The Trust had purchased 1,536,000 shares of the Company from the secondary market during the year ended March 31, 2013. In accordance with the Stock Exchange Board of India (SEBI) circular dated January 17, 2013, listed companies have been prohibited from purchase of their own securities in the secondary market through such trusts, and companies have been provided time up to June 30, 2014 to dispose of such holdings. The Company is yet to dispose off such holding and the mark-to market loss (net of any pre-acquisition dividends received by the Trust) of Rs 246.98 Lakhs till March 31, 2013, was recognized directly in equity by adjusting the balance of surplus in the statement of profit and loss in the balance sheet. As the market value of the investment has increased during the current period the mark-to-market loss has been reversed in the books.

**Pro forma Disclosure**

The Company follows the intrinsic value model for valuation of its options under the various plans. In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for associate stock option plans been recognized based on the fair value at the date of grant in accordance with Black-Scholes model, the pro forma amounts of the Company's net profit and earnings per share would have been as follows:

Particulars	Year Ended March 31, 2014	Year Ended March 31, 2013
Profit after tax		
- as reported	19,919.20	20,080.35
- proforma profit	19,907.44	19,781.93
Earnings Per Share (in Rs.)		
Basic		
- As reported	20.01	20.19
- Pro forma	20.00	19.89
Diluted		
- As reported	19.97	20.15
- Pro forma	19.96	19.85

The fair value of options was estimated at the date of grant using the Black Scholes Model with the following assumptions:

Particulars	March 31, 2014		
Scheme	ASOP 2011	ASOP 2011	ASOP 2011
Grant date	27-Apr-13	30-Jul-13	22-Oct-13
Risk-free interest rate	7.71%	8.47%	8.67%
Expected life (Years)	6	6	6
Expected volatility	56.12%	55.06%	54.53%
Expected dividend yield	1.83%	2.26%	2.26%

Particulars	March 31, 2014			
Scheme	ASOP 2011	ASOP 2011	ASOP 2011	ASOP 2011
	Swarnam-41	Swarnam-11	Swarnam-21	Swarnam-31
Grant date	7-Mar-14	10-Mar-14	10-Mar-14	10-Mar-14
Risk-free interest rate	8.92%	9.10%	9.13%	9.13%
Expected life (Years)	5.5	6	6.51	6.51
Expected volatility	51.63%	53.56%	56.23%	56.23%
Expected dividend yield	2.26%	2.26%	2.26%	2.26%

Particulars	March 31, 2013			
Scheme	ASOP 2011	ASOP 2011	ASOP 2011	ASOP 2011
Grant date	24-Apr-12	24-Jul-12	22-Oct-12	22-Jan-13
Risk-free interest rate	8.51%	8.11%	8.14%	7.91%
Expected life (Years)	6	6	6	6
Expected volatility	59.66%	58.44%	57.78%	56.65%
Expected dividend yield	1.54%	1.54%	1.54%	1.83%

The expected life of stock is based on historical data and current expectation and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

## 5. Reserves and Surplus

Particulars	March 31, 2014	March 31, 2013
Securities premium account		
Opening balance	19,133.52	19,095.03
Add: Premium received on issue of shares under ASOP plans to employees & Others	22.88	38.49
<b>Closing balance</b>	<b>19,156.40</b>	<b>19,133.52</b>
General reserve account		
Opening balance	16,225.13	21,826.39
Add : Transferred from surplus balance in the statement of profit and loss	840.00	1,675.00
Less : Impact of first time adoption of AS 30	-	(7,276.26)
<b>Closing balance</b>	<b>17,065.13</b>	<b>16,225.13</b>
Foreign currency translation reserve account		
Opening balance	6,878.17	3,025.73
Add : Adjustment for the year	697.47	3,852.44
<b>Closing balance</b>	<b>7,575.64</b>	<b>6,878.17</b>
Hedging reserve account		
Opening balance	1,660.92	-
Less: Adjustment for the year	(254.66)	1,660.92
<b>Closing balance</b>	<b>1,406.26</b>	<b>1,660.92</b>
Surplus in the statement of profit and loss		
Opening balance	85,399.42	73,062.00
Net Profit for the current year	19,919.20	20,080.32
Amount available for appropriation	105,318.62	93,142.32
Appropriations		
Dividend		
- Interim	-	-
- Final	6,222.06	4,975.37
Tax on dividend	1,057.44	845.56
Provision / (reversal) of unrealised mark-to-market losses	(7,361.03)	246.98
Amount transferred to General Reserve	840.00	1,675.00
<b>Closing balance of surplus in the statement of profit and loss</b>	<b>104,560.15</b>	<b>85,399.41</b>
<b>Total reserve and surplus</b>	<b>149,763.58</b>	<b>129,297.15</b>

## 6. Long - term Borrowings

Particulars	March 31, 2014	March 31, 2013
<b>Secured</b>		
- Finance Lease Obligation (Secured against assets taken on finance lease by the Company)	-	57.81
<b>Total long - term borrowings</b>	<b>-</b>	<b>57.81</b>

## 7. Deferred Tax Liabilities (Net)

Particulars	March 31, 2014	March 31, 2013
Deferred Tax Liability		
Fixed assets	1,359.52	1,521.64
Deferred Tax Asset		
Provision for doubtful debts	(118.89)	(363.63)
Others	(169.64)	(364.99)
<b>Total Deferred tax liabilities</b>	<b>1,070.99</b>	<b>793.01</b>

## 8. Long - term provisions

Particulars	March 31, 2014	March 31, 2013
Provision for employee benefits		
- Provision for gratuity (Refer Note. 31)	544.24	915.63
<b>Total Long - term provisions</b>	<b>544.24</b>	<b>915.63</b>

## 9. Short -term Borrowings

Particulars	March 31, 2014	March 31, 2013
Unsecured		
Loans repayable on demand		
- from Banks*	403.15	10,858.00
- from other parties	-	696.24
<b>Total Short - term borrowings</b>	<b>403.15</b>	<b>11,554.24</b>

\*Sonali Polaris FT Limited, a Subsidiary of the Company has taken an Overdraft facility from Sonali Bank for BDT 5 Crores during the year, which is partly secured by Fixed assets, floating assets & future receivables from Sonali Bank Bangladesh, Sonali Bank UK & Bangladesh Commerce Bank, the rate of interest being 9% per annum, which is repayable on demand. Further, the Company has closed an Export Financing arrangement entered into with its bankers during the current year.

## 10. Trade Payables

Particulars	March 31, 2014	March 31, 2013
Creditors for expenses and goods	1,180.76	1,554.57
Provision for expenses	7,529.88	6,109.02
Accrued salaries and benefits	14,158.66	10,683.80
Others	1,339.17	2,280.16
<b>Total Trade Payables</b>	<b>24,208.47</b>	<b>20,627.56</b>

## 11. Other current liabilities

Particulars	March 31, 2014	March 31, 2013
Current maturities of finance lease obligations	-	524.28
Unclaimed dividends	88.76	78.52
<i>Other payable</i>		
Superannuation payable	915.58	870.85
Customer and other advance received	101.89	108.20
Billings in excess of revenues	10,857.47	14,864.58
Capital creditors	65.11	149.19
Dues under contractual obligations	1.78	49.20
Statutory payable	2,011.63	1,779.09
<b>Total Other current Liabilities</b>	<b>14,042.22</b>	<b>18,423.91</b>



**12. Short-term provisions**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Provision for employee benefits		
- Provision for gratuity (Refer Note. 31)	111.50	359.54
- Provision for leave benefits	2,257.85	2,571.32
Others Provisions		
- Provision for taxation (net of Advance Income tax)	849.35	577.67
- Proposed dividend	6,221.89	4,975.30
- Provision for tax on proposed dividend	1,057.41	845.55
- Provision for mark-to-market losses	1,683.66	6,170.42
<b>Total Short-term provisions</b>	<b>12,181.66</b>	<b>15,499.80</b>

Provision for mark-to-market losses includes:

- (i) As per the accounting policy specified in note 3(j), cumulative gain on remeasurement of hedging instruments as on 31st March 2014 amounting to Rs.1,244.05 lakhs has been segregated in to current and non-current as per Revised Schedule VI of the Companies Act, 1956. Consequent to this, the current portion loss of Rs.1,683.66 lakhs (March 31,2013-Rs.5,923.44 lakhs) has been recorded as provision for mark-to-market losses under short term provisions and non-current portion gain of Rs.2,927.71 lakhs has been recorded as forward cover receivables under other non-current assets (March 31,2013-Rs.187.29 lakhs).
- (ii) Provision for mark-to-market losses on shares of the Company held by Associate Stock Option Plan (Trust) 2011 amounting to Rs. 246.98 Lakhs as at March 31, 2013 has been reversed during the year due to increase in market value of the investment. Also refer section on Associate Stock Option Plan (Trust) 2011 in Note 4.

**13. FIXED ASSETS**

Sl. No.	Description	Cost					Depreciation and Amortisation					Net Book Value		
		April 01, 2013	Assets acquired on acquisition	Additions	Deletions**	Other adjustment*	March 31, 2014	April 01, 2013	Depreciation on assets acquired on acquisition	For the period	Deletions**	Other adjustment*	March 31, 2014	March 31, 2013
<b>A</b>	<b>TANGIBLE ASSETS</b>													
1	Land	8,445.37	-	17.85	-	164.17	8,627.39	-	-	-	-	-	8,627.39	8,445.37
2	Buildings	16,398.64	-	503.86	-	75.49	16,977.99	3,298.74	555.64	-	14.25	3,868.63	13,109.36	13,099.90
3	Plant & Machinery (including Computer Equipment and accessories)	25,020.54	-	961.14	2,241.78	136.94	23,876.84	19,693.09	2,163.48	1,972.76	104.53	19,988.34	3,888.50	5,327.45
4	Electrical fittings	2,109.34	-	444.12	8.14	0.90	2,546.22	1,133.86	261.30	8.14	0.03	1,387.05	1,159.17	975.48
5	Furniture and fixtures	6,254.99	-	743.36	128.58	54.70	6,924.47	3,870.93	503.14	60.13	40.81	4,354.75	2,569.72	2,384.06
6	Office Equipments	3,701.47	-	245.57	9.61	48.60	3,986.03	2,128.87	321.96	10.93	37.61	2,477.51	1,508.52	1,572.60
7	Vehicles	2,448.25	-	613.12	362.92	2.85	2,701.30	1,034.66	602.42	196.97	0.12	1,440.23	1,261.07	1,413.59
	<b>ASSETS UNDER LEASE</b>													
1	Land	302.23	-	7.14	-	-	309.37	21.50	5.31	-	-	26.81	282.56	280.73
2	Leasehold improvement	1,180.95	-	-	10.06	45.06	1,215.95	957.29	44.17	-	40.61	1,042.07	173.88	223.66
	<b>Subtotal - A</b>	<b>65,861.78</b>	<b>-</b>	<b>3,536.16</b>	<b>2,761.09</b>	<b>528.71</b>	<b>67,165.56</b>	<b>32,138.94</b>	<b>4,457.42</b>	<b>2,248.93</b>	<b>237.96</b>	<b>34,585.39</b>	<b>32,580.17</b>	<b>33,722.84</b>
<b>B</b>	<b>INTANGIBLE ASSETS</b>													
1	Computer Software	8,133.23	-	415.34	-	11.24	8,559.81	7,187.17	718.82	-	3.43	7,909.42	650.39	946.06
2	Customer Contracts #	350.00	-	-	-	-	350.00	58.33	116.67	-	-	175.00	175.00	291.67
3	Intellectual property rights													
	Intellectual Property Rights - Banking	6,636.62	-	-	-	-	6,636.62	6,636.62	-	-	-	6,636.62	-	-
	Intellectual Property Rights - Insurance	653.16	-	-	-	124.10	777.26	522.54	151.12	-	103.60	777.26	-	130.62
	Intellectual Property Rights - Retail	256.89	-	-	-	-	256.89	256.89	-	-	-	256.89	-	-
	Intellectual Property Rights - Stock Broking	603.05	-	-	-	-	603.05	603.05	-	-	-	603.05	-	-
	Intellectual Property Rights - Others	1,682.99	-	-	1,682.99	-	1,682.99	-	-	1,682.99	-	-	-	-
	<b>Subtotal - B</b>	<b>18,315.94</b>	<b>-</b>	<b>415.34</b>	<b>1,682.99</b>	<b>135.34</b>	<b>17,183.63</b>	<b>16,947.59</b>	<b>986.61</b>	<b>1,682.99</b>	<b>107.03</b>	<b>16,358.24</b>	<b>825.39</b>	<b>1,368.35</b>
	<b>Total (A + B)</b>	<b>84,177.72</b>	<b>-</b>	<b>3,951.50</b>	<b>4,444.08</b>	<b>664.05</b>	<b>84,349.19</b>	<b>49,086.53</b>	<b>5,444.03</b>	<b>3,931.92</b>	<b>344.99</b>	<b>50,943.63</b>	<b>33,405.56</b>	<b>35,091.19</b>
	Previous years	79,434.73	-	6,228.03	2,045.93	560.89	84,177.72	45,222.72	5,369.09	1,833.28	328.00	49,086.53	35,091.19	

\* Other adjustment represents foreign exchange gain / loss on account of translation of foreign operations.

\*\* Deletion includes the impact of divestment of Iden Trust Inc, a Subsidiary of the Company

# This represents the customer contracts acquired by the Company from Pyxis Systems Private Limited through business purchase agreement dated October 9, 2012.

**14. NON-CURRENT INVESTMENTS**

Particulars	March 31, 2014	March 31, 2013
<b>I. Trade Investments - (Unquoted)</b>		
<b>Investments in Equity Instruments - Associates (At cost, less provision)</b>		
<b>NMS Works Software Private Limited</b>	415.26	415.26
A company incorporated in India		
726,256 equity shares of Rs.10 each fully paid up		
(March 31, 2013: 726,256 equity shares of Rs.10 each fully paid up)		
Add/(Less): Share of Profit / (loss) on Associate Companies	48.57	37.01
	463.83	452.27
 <b>Adrenalin eSystems Limited</b>		
A company incorporated in India	833.88	833.88
13,078,080 equity shares of Rs 5 each fully paid up		
(March 31, 2013: 13,078,080 equity shares of Rs 5 each fully paid up)		
Less: Share of losses	(833.88)	(833.88)
	-	-
	463.83	452.27
 <b>Investments in Preference shares - Associates (At cost)</b>		
<b>Adrenalin eSystems Limited</b>	760.00	760.00
1,52,00,000 7% Cumulative Preference shares of Rs 5/- each		
(March 31, 2013: 1,52,00,000 7% cumulative preference shares of Rs 5/- each fully paid up)		
<b>NMS Works Software Private Limited</b>		
378,614 12 % optionally convertible cumulative preference shares of Rs. 10 each fully paid up	233.04	233.04
(March 31, 2013 : 378,614 12 % Optionally Convertible Cumulative Preference shares of Rs. 10 each. )		
	993.04	993.04
<b>Total Trade Investment</b>	<b>1,456.87</b>	<b>1,445.31</b>
<b>II. Non- Trade Investments</b>		
<b>Investments in Equity Instruments (At cost)</b>		
<b>Equity Shares - (Quoted)</b>		
<b>Andhra Bank</b>		
237 equity shares of Rs.10/- each (March 31, 2013: 237 equity shares of Rs.10/- each)	0.21	0.21
	0.21	0.21
 <b>Equity Shares - (Unquoted)</b>		
<b>Software Sidoun GmbH Germany</b>	4.96	4.96
175,990 Common stock of Euro 1 each (March 31, 2013: 175,990 Common stock of Euro 1 each)		
<b>Catholic Syrian Bank</b>		
100 equity shares of Rs.10/- each (March 31, 2013: 100 equity shares of Rs.10/- each)	0.24	0.24
	5.20	5.20

Particulars	March 31, 2014	March 31, 2013
<b>Investments in Preference shares - Others (At cost)</b>		
<b>Tyfone Inc</b>	250.61	250.61
481,232 Series B Preference Shares (March 31, 2013: 481,232 Series B Preference Shares)		
	250.61	250.61
<b>Investments in debentures or bonds (At cost)</b>		
<b>Bonds - (Quoted)</b>		
<b>Indian Railway Finance Corporation Ltd.</b>	500.00	500.00
6.3%- 500 Bonds (March 31, 2013: 500 bonds) Face value: Rs 1,00,000 each		
<b>State Bank of India</b>	1,047.12	1,047.12
9.95%- 10,000 Bonds (March 31, 2013: 10,000 bonds) Face value: Rs. 10,000 each		
<b>National Highways Authority of India</b>	123.62	123.62
8.25% - 12,362 bonds (March 31, 2013: 12,362 bonds) Face value: Rs. 1,000 each		
<b>Housing and Urban Development Corporation Limited</b>	200.00	200.00
8.22% -Tax Free Bonds- 2012-13 20,000 bonds (March 31, 2013: 20,000 bonds) Face value: Rs. 1,000 each		
<b>India Infrastructure Finance Company Limited</b>	1,500.00	-
8.01% - 1,50,000 bonds (March 31, 2013: Nil) Face value: Rs. 1,000 each		
<b>Power Finance Corporation Limited</b>	323.89	-
8.18% - 32,389 bonds (March 31, 2013: Nil) Face value: Rs. 1000 each		
<b>National Thermal Power Corporation Limited</b>	94.99	-
8.14% - 9,499 bonds (March 31, 2013: Nil) Face value: Rs. 1000 each		
<b>Housing and Urban Development Corporation Limited</b>	1,000.00	-
8.14% - Tax Free Bonds- 2013-14 1,00,000 bonds (March 31, 2013: Nil) Face value: Rs. 1000 each		
<b>National Housing Bank</b>	108.30	-
8.14% - 10,830 bonds (March 31, 2013: Nil) Face value: Rs. 1000 each		
<b>Indian Railway Finance Corporation Ltd</b>	500.00	-
8.23% - 50,000 bonds (March 31, 2013: Nil) Face value: Rs. 1000 each		
<b>National Highways Authority of India</b>	500.00	-
8.27% - 50,000 bonds (March 31, 2013: Nil) Face value: Rs. 1000 each		
<b>Bonds - (Unquoted)</b>		
<b>Bank of Baroda London Branch FRN EMTN 6 5/8%</b>	193.26	-
3,000 bonds (March 31, 2013: Nil) Face value: USD 100 each		
<b>Canara Bank FRN 6.365%</b>	188.22	-
3,000 bonds (March 31, 2013: Nil) Face value: USD 100 each		

Particulars	March 31, 2014	March 31, 2013
<b>Royal Bank of Scotland Group FRN EMTN 9 1/2%</b>	275.74	-
4,000 bonds (March 31, 2013: Nil)		
Face value: USD 100 each		
<b>CNP Assurance perpetual FRN 7 1/2%</b>	64.44	-
1,000 bonds (March 31, 2013: Nil)		
Face value: USD 100 each		
<b>Friends Life Group PLC FRN Perpetual 7 7/8%</b>	128.63	-
2,000 bonds (March 31, 2013: Nil)		
Face value: USD 100 each		
<b>IDBI Bank Ltd EMTN 4 3/8%</b>	121.68	-
2,000 bonds (March 31, 2013: Nil)		
Face value: USD 100 each		
<b>Lloyds TSB Bank PLC FRN EMTN 9 7/8%</b>	216.94	-
2,000 bonds (March 31, 2013: Nil)		
Face value: USD 100 each		
	<b>7,086.83</b>	<b>1,870.74</b>
<b>Total Non -Trade Investments</b>	<b>7,342.85</b>	<b>2,126.76</b>
<b>Total Non-Current Investments</b>	<b>8,799.72</b>	<b>3,572.07</b>
Aggregate amount of unquoted investments	2,901.59	1,701.12
Aggregate amount of quoted investments	5,898.13	1,870.95
Market value of quoted investments	5,865.76	1,955.44

### III. Investments in Associates and subsidiaries

- a. The Company's equity ownership interest in Adrenalin eSystems Limited is 40.25% as at March 31, 2014. Adrenalin eSystems Limited ("ASL") is primarily engaged in the business of providing specific solutions relating to Human resource and payroll management. The Accumulated losses to the extent of Rs. 2,283.60 Lakhs as per audited financial statements of ASL on March 31, 2014 (March 31, 2013: Rs. 2,644.11 Lakhs) have partially eroded the Companies share of investment in the associate. The Company has started showing profits over the last two years. The management is positive about the future outlook, see growing acceptance of the product among top players in the market, and is confident of recouping its losses and breaking even in the coming years. Accordingly, the management believes that there is no other than temporary diminution in the value of its investments in ASL and hence, it is stated at cost.

The Consolidated Financial Statements include Rs 833.88 Lakhs as share of accumulated losses which is accounted under equity method as per AS 23 – accounting for investment in associates. Even though ASL has started making profits during the last few years, the Company has not recognised its share of profits during the current year, as its share of profits are lesser than its share of losses that have not been recognised.

- b. The Company's equity ownership interest in NMS Works Software Private Limited ("NMS") is 36.54% as at March 31, 2014. NMS is primarily engaged in the business of designing network management in Telecommunication and Internet Services. During the current year, NMS had made a profit of Rs. 150.36 Lakhs. NMS had reported profits over the years resulting in to positive networth as at March 31, 2013 and the Company has reversed the provision for diminution in value of the investments of Rs. 415 Lakhs during the previous year. Accordingly the management believes that there is no other than temporary diminution in the value of its investments in NMS and hence, it is stated at cost.
- c. Pursuant to an approved scheme of arrangement with Optimus Global Services Limited ("Optimus"), a subsidiary of the Company (with 99.94% holding), the Company had merged the BPO division of Optimus into the Company with effect from October 1, 2011. The company holds 8,49,997 equity shares and 14,92,030 preference shares in the reorganised capital structure of the subsidiary.

#### IV. Goodwill on Consolidation

Goodwill on consolidation represents the excess purchase consideration paid over net asset value of acquired subsidiaries on the date of such acquisition. Such goodwill is tested for impairment annually or more frequently, if there are indications for impairment. The management does not foresee any risk of impairment on the carrying value of goodwill as at March 31, 2014.

Goodwill on consolidation as at March 31, 2014 stood at Rs. 7,530.02 Lakhs (Rs. 21,247.89 Lakhs as at March 31, 2013). Significant acquisitions over the years which resulted in goodwill were IdenTrust Inc., Laser Soft Infosystems Ltd, SFL Properties Limited, Indigo TX Software Private Ltd and Polaris Software Lab Inc and the details of the same are given below.

- a. The Company on April 27, 2011 acquired 85.30% equity stake in IdenTrust Inc, a company engaged in the business of trusted identity solutions and digital identity authentication services based in the United States. The total consideration for the acquisition was Rs. 8,812.50 Lakhs. The excess of purchase consideration over the net assets to the extent of Rs 13,948.14 Lakhs was recognized as goodwill. As more fully described in Note 32, Pursuant to an order received from the Committee of Foreign Investment in the United States (CFIUS), the Board of Directors had made a decision to divest its investment in IdenTrust Inc and subsequently completed the transaction on September 13, 2013. Consequent to the divestment, the goodwill recognised on acquisition has been reversed during the year.
- b. The company acquired 51% equity share stake in Indigo TX Software Private Limited ('Indigo TX'), a SAAS Software developer for Rs. 800.75 Lakhs on May 10, 2010. The balance 49% equity stake in Indigo TX Software Private Limited was acquired on November 22, 2011 for a consideration of Rs. 902.22 Lakhs. Consequently, Indigo TX became a 100% subsidiary of the Company. The excess purchase consideration paid over the net asset taken over to the extent of Rs.1,186.66 Lakhs is recognized as goodwill. The subsidiary has accumulated losses of Rs 592.68 Lakhs as at March 31, 2014 and the statement of profit and loss for the year includes revenue of Rs. 231.88 Lakhs and loss of Rs. 88.18 Lakhs.
- c. Laser Soft Infosystems Limited ('LaserSoft'), a leading banking software services company specializing in serving the unique needs of India & emerging markets, is a wholly owned subsidiary of the company with effect from November 16, 2009. The total consideration for the acquisition was Rs. 5,201.05 Lakhs. The excess purchase consideration paid over the net assets taken over to the extent of Rs. 3,069.83 Lakhs is recognised as goodwill. The subsidiary has accumulated profits of Rs 1,740.71 Lakhs as at March 31, 2014 and the statement of profit and loss for the year includes revenue of Rs. 3,092.26 Lakhs and profit of Rs. 24.69 Lakhs.
- d. The company acquired the entire interest of SFL Properties Pvt. Limited ('SFL Properties'), an Indian company engaged in the business of Real estate promotion and construction, on December 1, 2010. The total consideration for acquisition was Rs. 981.12 Lakhs. The excess of purchase consideration paid over the net assets of SFL properties to the extent of Rs 865.56 Lakhs is recognized as goodwill. The subsidiary has accumulated profits of Rs 20.42 Lakhs as at March 31, 2014.
- e. The company acquired the entire interest in Polaris Software Lab Inc, formerly known as Intellect SEEC Inc., a US based Insurance technology provider with effect from October 01, 2008. The excess of purchase consideration paid over the net assets of Polaris Software Lab Inc. to the extent of Rs. 2,407.98 Lakhs is recognised as goodwill. The subsidiary has accumulated profits of Rs 1,573.77 Lakhs and the statement of profit and loss for the year includes revenue of Rs. 8,425.99 Lakhs and profit of Rs. 783.77 Lakhs.

**15. Deferred tax assets (Net)**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Fixed assets	17.36	12.09
Provision for doubtful debts	226.38	186.95
Others	405.71	400.83
<b>Total Deferred tax assets</b>	<b>649.45</b>	<b>599.87</b>

**16. Long-term loans and advances**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Unsecured, considered good</b>		
Capital Advances	200.11	55.83
Security Deposits	1,087.81	1,627.57
Loans and advances to related parties (Refer Note - 23 for related parties transactions)	2,289.64	2,411.64
Advances recoverable in cash or in kind or for value to be received	6.21	26.94
Loans to employees	806.73	697.88
Advance income tax ( Net of provision for tax )	8,981.09	5,061.88
MAT credit entitlement	1,843.89	2,503.05
<b>Total Long term loans and advance</b>	<b>15,215.48</b>	<b>12,384.79</b>

**17. Other non-current assets**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Balance with Bank as Margin money or security against guarantees or other commitments#	1,802.00	-
Forward cover receivable, Net	2,927.71	187.29
<b>Total Other non-current assets</b>	<b>4,729.71</b>	<b>187.29</b>

# Refer Note 20 - Cash and bank balances.

**18. CURRENT INVESTMENTS**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Non - Trade Investments - Unquoted)</b>		
<b>Investments in Mutual Funds</b>		
Birla Sun Life Floating Rate Fund - STP - Reg - Dly Dividend 12,32,924.09 units (March 31, 2013: Nil units) Face value: Rs 100.00 per unit	1,233.17	-
Birla Sun Life Dynamic Bond Fund - Ret - Monthly Dividend 1,31,95,504.09 units (March 31, 2013: 1,22,80,551.18 units) Face value: Rs 10.00 per unit	1,353.51	1,296.75
Birla Sun Life Short Term Fund - Dividend 74,89,725.30 units ( March 31, 2013 : 7,082,856.68 units ) Face value Rs.10.00 each	875.44	827.83
Birla Sun Life Cash Manager - I P - Daily Dividend Nil units ( March 31, 2013 : 10,01,235.83 units ) Face value Rs. 100.00 each	-	1,002.40

Particulars	March 31, 2014	March 31, 2013
Birla Sun Life Floating Rate Fund - LTP - IP - Dly Dividend 5,37,804.21 units (March 31, 2013: 502,291.54 units) Face value: Rs 100.00 per unit	538.76	503.11
Birla Sun Life Savings Fund - Dly Dividend Nil units ( March 31, 2013 : 11,22,042.00 units ) Face value Rs 100.00 each	-	1,123.11
DWS Insta Cash Plus Fund - Super IP - Dly Dividend 5,49,552.39 units ( March 31, 2013 : Nil Units ) Face value Rs 100.00 per unit	551.22	-
DWS Ultra Short-Term Fund- Dly Dividend 1,36,17,215.80 units (March 31, 2013 : 1,73,08,692.82 units) Face value Rs .10.00 each	1,364.16	1,733.97
DWS Banking & PSU Debt Fund - Reg - Mthly Dividend 51,17,482.96 units ( March 31,2013 : 50,29,726.31 units) Face value Rs 10.00 each	-	502.98
DWS FMP - Series 48 - Dir - Growth 5,000,000 units ( March 31, 2013 : Nil Units ) Face value Rs 10.00 each	500.00	-
DWS FMP Ser 51 Direct-Growth 5,000,000 units ( March 31, 2013 : Nil Units ) Face value Rs 10.00 each	500.00	-
HDFC FMP - 370D - July 2013 (26) - 2 - Reg - Growth 50,00,000 units ( March 31, 2013 : NIL units ) Face value Rs.10.00 each	500.00	-
HDFC Short Term Opportunities Fund - Dividend 86,79,636.11 units ( March 31, 2013 : 81,86,620.34 units ) Face value Rs 10.00 each	872.94	821.86
HDFC F R I F - STF - WP - Daily Dividend 15,991,367.77 units ( March 31 ,2013 :1,51,62,544.7 units ) Face value Rs 10.00 each	1,630.71	1,528.52
HDFC Cash Mgmt Fund - Savings Plan - Dly Dividend 2,922,939.85 units ( March 31, 2013 : Nil units ) Face value Rs 10.00 each	310.90	-
JPMorgan India Liquid Fund - Daily Dividend Nil units ( March 31, 2013 :57,34,106.62 units) Face value Rs 10.00 each	-	573.86
Templeton India Ultra Short Bond Fund - Super IP - Dividend 39,061,961.50 units ( March 31, 2013 : 1,82,82,443.18 Units ) Face value Rs 10.00 each	3,916.22	1,831.39
Templeton India TMA - Super IP - Dly Div 125,777.81 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	1,258.62	-
ICICI Prudential Flexible Income Plan - Reg - Dly Dividend 444,782.70 units ( March 31,2013 : 10,52,271.1 units) Face value Rs 100.00 each	470.29	1,112.62
ICICI Prudential FMP - S 67 - 371 Days - Plan E - Dir - Growth 90,00,000.00 units ( March 31,2013 : 90,00,000 units) Face value Rs 10.00 each	900.00	900.00



<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
ICICI Prudential Banking & PSU Debt Fund - Dly Dividend 10,077,631.17 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	1,014.50	-
ICICI Prudential FMP - S 72 - 366 Days - Plan M - Growth 3,023,104 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	302.31	-
ICICI Pru FMP Series 73 391D Plan G Direct-G 5,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	500.00	-
IDFC Fixed Term Plan - Series 14 - Reg - Growth 34,82,294.84 units ( March 31,2013 : 3,482,294.84 units) Face value Rs 10.00 each	348.23	348.23
IDFC D B F - Reg - Qtly Dividend 5,089,546.22 units ( March 31, 2013 : 49,86,205.18 units) Face value Rs 10.00 each	522.69	507.83
IDFC Ultra Short Term Fund - Reg - Dly Dividend 6,886,623.10 units ( March 31,2013 : 64,42,214.46 units) Face value Rs 10.00 each	689.50	645.03
IDFC SSIF - Short Term - Plan A - Monthly Dividend 4,319,497.88 units ( March 31, 2013 : 4,077,026.76 units) Face value Rs 10.00 per unit	435.77	411.19
IDFC SSIF - Short Term - Plan B - Monthly Dividend 62,43,633.06 units (March 31, 2013: 62,43,633.06 units) Face value: Rs 10.00 per unit	638.82	638.52
IDFC Fixed Term Plan - Series 73 - Reg - Dividend 6,028,805 units ( March 31, 2013 : Nil units) Face value: Rs 10.00 per unit	602.88	-
IDFC Money Manager Treasury A-Dly Dividend 4,983,223.41 units ( March 31, 2013 : Nil units) Face value: Rs 10.00 per unit	501.81	-
JPMorgan India FMP - Series 18 - Reg - Growth 5,000,000.00 units ( March 31, 2013 : 50,00,000 units) Face value Rs 10.00 each	500.00	500.00
Kotak FMP - Series 102 (374 Days) - Reg - Growth 41,36,660 units ( March 31, 2013 : 4,136,660 units) Face value Rs 10.00 each	413.67	413.67
Kotak Floater - LT - Daily Dividend 11,945,447.43 units ( March 31, 2013 : 11,188,315.14 units) Face value Rs.10.00 each	1,204.08	1,127.76
Kotak Bond Short Term Plan - Monthly Dividend 5,077,070.37 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	515.79	-
Kotak Flexi Debt Scheme - Plan A - Dly Dividend 15,567,410.13 units (March 31 , 2013 : 18,505,963.38 Units) Face value Rs 10.00	1,564.14	1,859.39
UTI Treasury Advantage Fund - IP - Dly Dividend 225,269.86 units ( March 31, 2013 : 141,381.28 units) Face value Rs 1000.00 each	2,254.94	1,414.12

Particulars	March 31, 2014	March 31, 2013
UTI FTIF - Series XIV - Plan 8 - Reg – Growth 20,00,000.00 units ( March 31, 2013 : 20,00,000 units ) Face value Rs 10.00 each	200.00	200.00
UTI Floating Rate Fund - STP - Daily Dividend 40,103.89 units ( March 31, 2013 : 37,396.13 units) Face value Rs 1000.00 each	431.87	402.71
UTI FTIF - Series XV - Plan 9 - Reg - Growth 30,00,000.00 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	300.00	-
UTI Money Market - IP - Dly Dividend 51,781.04 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	519.56	-
Reliance Money Manager Fund - Dly Dividend 30,512.17 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	305.55	-
Reliance FHF 25 - Series 18 - Growth 5,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	500.00	-
Reliance FHF XXV Series 34 Direct-G 3,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	300.00	-
Reliance Liquid Fund - TP - Dly Dividend 60,880.43 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	930.70	-
Reliance Short Term Fund - Dividend 4,821,522.64 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	514.11	-
Reliance Income Fund - Retail - G P - Growth Nil units ( March 31 2013 : 808,294.18 units ) Face value Rs 10.00 per unit	-	300.00
Reliance FHF 21 - Series 11 - Growth Nil units ( March 31, 2013 : 1,00,00,000.00 units ) Face value Rs 10.00 each	-	1,000.00
Reliance Income Fund - Retail - Quarterly 14,44,189.3 units ( March 31, 2013 : 14,44,189.3 units ) Face value Rs 10.00 each	187.78	195.76
Religare Invesco FMP - Series XVII - Plan B - Growth Nil units ( March 31, 2013: 30,00,000.00 units) Face value Rs 10.00 each	-	300.00
Religare Invesco FMP - Series XVIII - Plan E - Growth 33,60,720.00 units ( March 31, 2013 : 33,60,720 units) Face value Rs 10.00 each	336.07	336.07
Religare Invesco FMP - Series XVI - Plan D - Growth Nil units ( March 31, 2013 :32,91,120 units ) Face value Rs 10.00	-	329.11

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Religare Invesco Gilt Fund - Short Duration Plan - Dir - Wkly Dividend 908.04 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	9.57	-
Religare Invesco Ultra Short Term Fund - Dly Dividend 68,837.77 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	689.56	-
Religare Invesco FMP Series 22 Plan O (370D) Direct-G 3,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	300.00	-
Religare Invesco FMP Series 22 Plan K (367D) Direct-G 3,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	300.00	-
Religare Invesco FMP Series 23 Plan B (367D) Direct-G 2,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	200.00	-
Religare Invesco FMP Series 23 Plan E (382D) Direct-G 2,000,000 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	200.00	-
SBI Magnum Insta Cash Fund - Liquid Floater - Dly Dividend Nil units ( March 31, 2013 : 39,788.5 units). Face value Rs 1000.00 each	-	401.83
SBI Magnum Income - FRP - LT - Dly Dividend Nil units (March 31, 2013 : 60,05,156.78 units) Face value Rs 10.00 each	-	604.72
Tata Liquid Fund - Plan A - Dly Dividend Nil units ( March 31,2013 : 75,789.54 units) Face value Rs 1000.00 each	-	844.69
Sundaram Ultra ST Reg-DD Reinvestment 6,992,341.71 units ( March 31, 2013 : Nil units) Face value Rs 10.00 each	701.82	-
SBI Premier Liquid Fund - Reg - Dly Dividend 82,763.39 units ( March 31, 2013 : Nil units) Face value Rs 1000.00 each	830.32	-
Sony ADR 18,415 ADRs of USD each (March 31, 2013: Nil)	212.31	-
Hewlett Packard 22,566 Equity shares of USD each (March 31, 2013: Nil)	348.16	-
<b>Total Current Investment</b>	<b>37,102.45</b>	<b>26,539.01</b>
Aggregate amount of unquoted investments	37,102.45	26,539.01

## 19. Trade receivables

Particulars	March 31, 2014	March 31, 2013
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
- Unsecured considered good	3,772.05	4,104.56
- Doubtful	1,182.19	2,189.26
Less: Allowance for bad and doubtful debts	(1,182.19)	(2,189.26)
	<b>3,772.05</b>	<b>4,104.56</b>
Other debts		
- Unsecured considered good	32,448.62	36,642.50
<b>Total Trade receivable</b>	<b>36,220.67</b>	<b>40,747.06</b>

## 20. Cash and bank balance

Particulars	March 31, 2014	March 31, 2013
<b>Cash and cash equivalent</b>		
Cash on hand	6.38	37.63
Balance with banks		
- On current accounts	15,850.03	12,034.35
- On deposit accounts *	7,187.76	8,415.60
- On unpaid dividend accounts	88.76	78.52
<b>Total Cash and bank balance</b>	<b>23,132.93</b>	<b>20,566.10</b>

\* The balance on deposit accounts includes Rs.87 lakhs out of total of Rs. 1,889 lakhs (Rs.1,802 lakhs grouped under Non-current assets) (March 31,2013- Rs.1,500 lakhs) which has been pledged as a security by the company for availing non-fund based facilities.

## 21. Short-term loans and advances

Particulars	March 31, 2014	March 31, 2013
<b>Unsecured, considered good</b>		
Loans and advances to related parties (Also Refer Note – 23. Related parties transactions)	307.14	198.01
Other loans and advances		
Advances recoverable in cash or in kind or for value to be received	2,800.04	3,537.90
Loans to employees	781.71	1,029.39
Salary advance	243.50	293.59
Input tax credit receivable	204.09	273.29
Security Deposits	37.85	58.00
<b>Total Short term loans and advance</b>	<b>4,374.33</b>	<b>5,390.18</b>

**22. Other current assets**

<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Revenues accrued and not billed	31,336.76	30,681.10
Other receivable	227.31	160.22
<b>Total Other current assets</b>	<b>31,564.07</b>	<b>30,841.32</b>

**23. Related party transactions**

<b>List of related parties:</b>
<b>Associates</b>
1 NMS Works Software Private Limited ('NMS')
2 Adrenalin eSystems Limited ('Adrenalin eSystems')
<b>Others</b>
Enterprises that directly, or indirectly through one or more intermediaries, control the Group and enterprise of which the Group is an associate.
1. Polaris Banyan Holding Private Limited (Formerly known as Polaris Holdings Private Limited)
2 Orbitech Employees welfare trust
3 Orbitech Limited
4. Associate Stock Option Plan (Trust) 2011 ('ASOP Trust 2011')
<b>Key management personnel</b>
Mr. Arun Jain, Chairman and Managing Director

Particulars	Associates		Others	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
<b>BALANCE DUE FROM RELATED PARTIES</b>				
<b>Long term loans and advances</b>				
<b>Loan to Group Companies</b>				
Orbitech Employee Welfare Trust			411.64	411.64
ASOP Trust 2011			1,878.00	2,000.00
	-	-	<b>2,289.64</b>	<b>2,411.64</b>
<b>Short term loans and advances</b>				
<b>Loans and advances to related parties</b>				
Adrenalin eSystems	296.44	194.54		
NMS	10.69	3.47		
	<b>307.13</b>	<b>198.01</b>	-	-
<b>INVESTMENTS</b>				
Adrenalin eSystems	1,593.88	1,593.88		
NMS	648.30	648.30		
	<b>2,242.18</b>	<b>2,242.18</b>		
<b>Provision for loss on investments</b>				
NMS	-	-		
<b>TRANSACTIONS DURING THE PERIOD</b>				
<b>Advances/Loan given</b>				
Adrenalin eSystems	-	75.00		
NMS	-	100.00		
	-	<b>175.00</b>		
<b>Advances/Loan repaid</b>				
Adrenalin eSystems	-	75.00		
NMS	100.00	100.00		
	<b>100.00</b>	<b>175.00</b>		
<b>Software development service income</b>				
Adrenalin eSystems	-	13.74		
	-	<b>13.74</b>		
<b>Software development expenses</b>				
Adrenalin eSystems	-	59.49		
	-	<b>59.49</b>		
<b>Reimbursement of expenses to the Company</b>				
Adrenalin eSystems	154.66	15.83		
	<b>154.66</b>	<b>15.83</b>		
<b>Reimbursement of expenses by the Company</b>				
Adrenalin eSystems	177.17	131.45		
	<b>177.17</b>	<b>131.45</b>		
<b>Interest income</b>				
Adrenalin eSystems	1.89	2.10		
NMS	10.69	3.41		
	<b>12.58</b>	<b>5.51</b>		

## 24. Capital commitments and contingent liabilities

- i) The estimated amount of contracts remaining to be executed on capital account, and not provided for (net of advances) as at March 31, 2014 is Rs 592 Lakhs (March 31, 2013: Rs 1,214 Lakhs)
- ii) Claims against the Group, not acknowledged as debts includes:
- Demand from Indian income tax authorities as at March 31, 2014 is Rs 8,307.67 lakhs (March 31, 2013: Rs. 8,433.95 lakhs).
  - Sales Tax demand from Commercial Tax Officer, Chennai is Rs . 599.02 lakhs as at March 31, 2014 (March 31, 2013: Rs 520 lakhs). Against the said liability the Company has made a deposit of Rs 7.90 lakhs.
  - Sales Tax demand from Commercial Tax Officer, Hyderabad is Rs 107.00 lakhs as at March 31, 2014 (March 31, 2013: Rs 98.00 lakhs).Against the said liability the Company has made a deposit of Rs 26.76 lakhs.
  - Service tax demand from Commissioner of Central excise, Chennai as at March 31, 2014 is Rs 325.21 lakhs (March 31, 2013: Rs. 227.26 lakhs). Against the said liability the Company had made a deposit of Rs 68.28 lakhs.

The Company is contesting the demands raised by the respective tax authorities, and the management, including its tax advisers, believes that its position will likely be upheld in the appellate process and ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

- (iii) There is a claim for damages by the vendor for an amount of Rs 90 lakhs towards alleged breach of intellectual property rights which the Company has not accepted and is defending itself appropriately.
- iv) The Company is also involved in other law suit and claims including suits filed by former employees, which arise in the ordinary course of business. However there are no such matters pending that the Company expects to be material in relation to its business.

## 25. Derivative instruments

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted revenue receivable transactions. The Group does not use forward contracts for speculative purposes.

The following are the outstanding Forward Exchange Contracts entered into by the Group.

Particulars	As at March 31, 2014	As at March 31, 2013
Number of contracts	126	92
USD Equivalent	2,000	1,600
INR Equivalent	131,567	86,233

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are estimated below:

Particulars	Currency	As at March 31, 2014		As at March 31, 2013	
		Amount in Foreign currency	INR Equivalent	Amount in Foreign currency	INR Equivalent
Amounts receivable in foreign currency	USD	421.69	25,267.85	573.47	31,133.53
	GBP	3.52	351.46	9.82	807.56
	EUR	1.82	150.62	2.71	188.49
	AUD	-	-	-	0.18
	SGD	2.06	98.01	2.09	91.56
	CHF	3.04	206.43	4.46	254.23
	CAD	-	-	0.23	12.39
	VND	96,746.24	280.56	198,327.71	535.48
	HKD	3.80	29.35	13.06	91.31
	LKR	-	-	3.11	1.34
NZD	-	-	0.25	11.52	
Bank Balances	USD	11.64	697.47	18.33	995.02
	GBP	0.01	0.87	0.60	49.70
	EUR	1.19	98.11	3.40	236.03
	SGD	0.01	0.26	0.60	26.41
	HKD	-	-	10.27	71.76
	BHD	-	-	0.10	14.15
Amounts payable in foreign currency	USD	90.83	5,442.81	281.25	15,269.10
	GBP	2.28	227.40	0.10	8.53
	EUR	0.34	27.90	0.34	23.41

## 26. Other Income

Particulars	March 31, 2014	Mar 31, 2013
<i>Interest Income</i>		
Interest received on deposits with banks	333.47	299.74
Interest on Non-current investments	354.98	157.66
Interest others	484.95	92.14
<i>Dividend Income</i>		
Dividends received on current investments - mutual funds	1,663.73	1,001.19
<i>Net gain/(Loss) from sale of investments</i>		
Profit on sale of current investments, net	176.52	599.84
Adjustments to the carrying amount of current investments	(80.67)	(5.94)
<i>Other non-operating Income</i>		
Miscellaneous Income, Net	283.45	151.74
Profit / (loss) on sale of Fixed assets, net	18.81	1,117.55
	<b>3,235.24</b>	<b>3,413.92</b>

## 27. Employee Benefit Expenses

Particulars	March 31, 2014	Mar 31, 2013
Salaries and incentive		
Salaries and bonus	151,711.56	141,316.76
Cost of technical sub-contractors	19,629.40	13,325.47
Contribution to		
Provident fund	2,897.91	2,983.80
Superannuation scheme	832.05	811.47
Other funds	2,953.54	1,881.07
Gratuity contribution scheme	252.62	616.77
Social security and other benefit plans for overseas employees	335.12	327.13
Staff welfare expenses	5,664.12	5,049.20
<b>Total Employee benefit Expenses</b>	<b>184,276.32</b>	<b>166,311.67</b>



**28. Other Expenses**

Particulars	March 31, 2014	Mar 31, 2013
Cost of software packages, consumable and maintenance	847.27	1,229.97
Travelling expenses	11,255.98	9,189.75
Communication expenses	2,225.70	2,756.13
Professional and Legal charges	5,035.17	5,396.89
Power and fuel	2,292.81	2,331.32
Rent	3,385.57	3,770.93
Repairs - Plant and machinery	1,178.28	1,319.41
Repairs - Building	73.50	79.50
Repairs - Others	955.61	932.98
Business promotion	1,697.78	1,796.13
Office maintenance	1,149.70	1,002.14
Provision for doubtful debts	119.93	823.56
Bad debts / advances written off	1,734.00	678.09
Less: Out of provisions for earlier years	<u>(1,127.00)</u>	<u>(678.09)</u>
Insurance	323.94	332.15
Printing and stationery	232.17	212.75
Rates and taxes excluding Taxes on Income	392.71	323.13
Donations	210.62	226.67
Directors' sitting fees	17.84	16.28
Payment to the auditors		
- audit fees	52.00	51.00
- for other services	14.00	22.00
- for reimbursement of expenses	1.70	1.64
Bank charges & commission	130.03	107.46
Miscellaneous expenses	1,612.60	952.79
Net Loss on foreign currency transaction and translation (other than considered as finance cost)	135.50	163.65
<b>Total other expenses</b>	<b>33,947.41</b>	<b>33,038.23</b>

**29. Finance Cost**

Particulars	March 31, 2014	Mar 31, 2013
Interest expenses	197.72	249.08
<b>Total finance cost</b>	<b>197.72</b>	<b>249.08</b>

**30. Segment Reporting**

With effect from this financial year, the Company restructured the business into Product and Services for effective monitoring and management. The Company's nature of operations predominantly relate to providing Software Product Licenses and related revenues and IT services including BPO Services to customers providing financial services globally. In view of this change,

the Primary segment information is bifurcated between Products segment and Services segment as against the business vertical segmentation followed till previous financial year.

Accordingly, the nature of revenues of the Company comprises the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is based on the geographical location of customers.

The accounting policies consistently used in the preparation of the financial statements are also applied to record revenue and expenditure in individual segments.

Certain assets used in the Company's business or liabilities contracted have not been identified to any of the reportable segments, as the assets and services are used / contracted interchangeably between segments. Consequently, the Company has not provided segment disclosures relating to total assets and liabilities.

Business (primary) segments of the Group are:

- a) Software Product licenses & related revenues; and
- b) Software development, support & BPO services.

Revenue and direct expenses in relation to segments are categorized based on items that are individually identifiable to that segment, while other costs, wherever allocable, are apportioned to the segments on an appropriate basis. Certain expenses are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company believes that it is not practicable to provide segment disclosures relating to such expenses, and accordingly such expenses are separately disclosed as 'unallocated' and directly charged against total income.

Customer relationships are driven based on the location of the respective client. The geographical segments comprise:

- a) United States of America
- b) Europe
- c) Asia Pacific
- d) India and Middle East.

**Primary segment information**

Particulars	March 31, 2014
<b>Segment revenue (Gross Income from Operations)*</b>	
Product licenses and related revenues	50,959.09
Software development, Support & BPO services	191,410.56
<b>Total Revenues</b>	<b>242,369.65</b>
<b>Segment profit before interest and tax</b>	
Product licenses and related revenues	(4,360.95)
Software development, Support & BPO services	26,097.03
<b>Total</b>	<b>21,736.08</b>
Finance Charges	(197.72)
Other unallocable expenditure net of unallocable (income)	2,338.07
<b>Profit before tax</b>	<b>23,876.43</b>
Income taxes including deferred tax	(3,968.78)
<b>Profit after tax</b>	<b>19,907.65</b>

\*The segregation of revenue between products and services is based on internal management reports and includes estimates / allocation as considered appropriate and certified / approved by the Company.

It is not practicable to segment the prior year results in line with current year segmentation as the Company has restructured the business into Product and Services for effective monitoring and management only during the current financial year. Considering that the product and services segmentation is provided during the current year, as against the business vertical segmentation followed till previous year, the segment disclosures for the current year are not comparable with the previous year.

<b>Particulars</b>	<b>Mar 31, 2013</b>
<b>Segment Revenues</b>	
Banking , financial services & Insurance	203,502.21
Emerging verticals	22,360.89
	<b>225,863.10</b>
<b>Segment Profit before finance charges, unallocable expenses and tax</b>	
Banking , financial services & Insurance	87,252.25
Emerging verticals	6,915.46
	<b>94,167.71</b>
Finance costs	(249.08)
Other unallocable expenditure net of unallocable income	(69,609.68)
<b>Profit before tax</b>	<b>24,308.95</b>
Income taxes including deferred tax	(4,903.67)
<b>Profit after tax</b>	<b>19,405.28</b>

#### Secondary Segment Information

<b>Particulars</b>	<b>Year Ended March 31, 2014</b>	<b>Year Ended March 31, 2013</b>
<b>Segment revenues</b>		
United States of America	116,942.42	109,854.94
Europe	55,625.74	52,387.69
Asia Pacific	40,933.83	33,495.27
India and Middle East	28,867.66	30,125.20
<b>Total Revenue</b>	<b>242,369.65</b>	<b>225,863.10</b>

Revenues by geographic area are based on the geographic location of the customer.

### 31. Gratuity

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. A trust by name "Polaris Software Lab group gratuity trust" has been constituted to administer the gratuity fund.

The following table's summaries the components of net benefit expense recognised in the Statement of profit and loss and the funded status and amounts recognised in the balance sheet for the respective plans.

<b>Particulars</b>	<b>Year Ended March 31, 2014</b>	<b>Year Ended March 31, 2013</b>
<b>Obligations at the beginning of the year</b>	<b>2,835.85</b>	<b>2,446.67</b>
Obligations at the beginning of the year for the subsidiary acquired during the year	-	-
Current service cost	262.62	536.76
Interest cost	243.01	182.04
Actuarial (gain) / losses	(27.54)	(15.93)
Benefits paid	(342.11)	(313.69)
<b>Obligations at the year end</b>	<b>2,971.83</b>	<b>2,835.85</b>

Particulars	Year Ended March 31, 2014	Year Ended March 31, 2013
<b>Change in plan assets</b>		
Plan assets at year beginning, at fair value	1,560.68	796.38
Expected Return on plan assets	171.08	79.66
Actuarial gain / (loss)	50.70	4.58
Contributions	865.38	989.58
Benefits paid	(331.75)	(309.52)
<b>Plan assets at year end, at fair value</b>	<b>2,316.09</b>	<b>1,560.68</b>
Fair Value of plan assets at the end of the year	2,316.09	1,560.68
Present value of defined benefit obligations at the end of the year	(2,971.83)	(2,835.85)
<b>Asset/(Liability) recognized in the balance sheet</b>	<b>(655.74)</b>	<b>(1,275.17)</b>
<b>Gratuity cost for the year</b>		
Current service cost	262.62	536.76
Interest cost	243.01	182.04
Expected return on plan assets	(170.33)	(75.87)
Actuarial (gain) / losses	(82.68)	(26.16)
<b>Net gratuity cost</b>	<b>252.62</b>	<b>616.77</b>
Experience adjustments on plan liabilities	(27.54)	(15.93)
Experience adjustments on plan assets	50.70	4.58
Actual return on plan assets	916.08	84.24
<b>Assumptions:</b>		
Discount rate	9.12%	7.95%
Estimated return on plan assets	16.00%	16.00%

Particulars	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
The present value of defined benefit obligation	2,971.83	2,835.85	2,446.67	1,978.78	1,714.78
Fair value of plan assets	2,316.09	1,560.68	796.38	466.72	194.46
Surplus/(deficit)	(655.74)	(1,275.17)	(1,650.29)	(1,512.06)	(1,520.32)
The experience adjustment on plan asset	50.70	4.58	4.41	2.89	-
The experience adjustment on plan liabilities.	(27.54)	(15.93)	(23.16)	(39.77)	(71.05)

The amount expected to be contributed to the gratuity fund in the next financial year is Rs. 111.50 Lakhs

The funds are invested in the form of a prescribed insurance policy with ICICI Prudential and Life Insurance Corporation of India ("LIC"). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

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

### 32. Discontinuing Operations

(a) The Company on April 27, 2011 made an investment aggregating Rs. 8,813 Lakhs comprising of a 85.30% stake in IdenTrust Inc a company engaged in the business of trusted Identity solutions and digital identity authentication services based in the United States. Pursuant to an order received from the Committee of Foreign Investment in the United States (CFIUS), the Board of

Directors had made a decision to divest its investment in IdenTrust Inc and subsequently completed the transaction on September 13, 2013. The impact of the divestment on the consolidated financial results aggregates to a profit of Rs 2,438.14 Lakhs which excludes current year operational results of IdenTrust Inc. till the date of divestment Rs 472.88 Lakhs.

**Revenue, profits and expenses attributable to discontinuing operations of IdenTrust**

<b>Particulars</b>	<b>Period ended September 13,2013 (Date of Divestment)</b>	<b>Year ended March 31, 2013</b>
Revenue including other income	2,911.02	6,207.16
Employee benefit expenses	(2,072.00)	(4,128.38)
Other expenses	(1,086.18)	(3,822.67)
<b>Loss from operating activities</b>	<b>(247.16)</b>	<b>(1,743.89)</b>
Finance costs	(73.87)	(63.19)
Depreciation and amortization expenses	(151.85)	(320.42)
<b>Loss before tax</b>	<b>(472.88)</b>	<b>(2,127.50)</b>
Income tax expense	-	-
<b>Loss after tax</b>	<b>(472.88)</b>	<b>(2,127.50)</b>

(b) The Board of Directors of the Company at its meeting held on March 18, 2014 have approved a Scheme of Arrangement between Polaris Financial Technology Limited and Intellect Design Arena Limited ('Intellect') (formerly known as Fin Tech Grid Limited), a wholly owned subsidiary of the Company and their respective shareholders which inter alia envisages demerger of the Product business undertaking along with related assets and liabilities into Intellect with effect from April 1, 2014 in accordance with the provisions of the Companies Act, 1956 read with related provisions of the Companies Act, 2013. The Scheme of Arrangement which has been filed with the designated stock exchange for obtaining the No Objection Certificate will also require the approval of the respective shareholders' of both the companies and the High Court of Madras before it is given effect to. The proposed demerger of the product business undertaking into Intellect qualifies as an initial disclosure event as per AS -24 (Accounting for Discontinuing Operations). The following table shows the estimated revenue, expenses and loss attributable to the Products division.

**Revenue, expenses and loss attributable to discontinuing operations - Products Division**

<b>Particulars</b>	<b>Year ended March 31, 2014</b>
Revenue for the year	50,959.09
Expenses for the year	51,937.09
<b>Loss before Tax</b>	<b>(978.00)</b>
Tax Credit	67.00
<b>Loss after tax</b>	<b>(911.00)</b>

Certain assets and liabilities of the Company continue to be used / contracted interchangeably between the product and services businesses. Consequently, the Company has not provided disclosures relating to total assets and liabilities and cashflows attributable to products business. Further, as the restructuring of the business into Product and Services for effective monitoring and management was implemented effective the current financial year, it is not practicable to provide comparative previous year information pertaining to the products division.

### 33. Leases

The Group has taken certain offices and residential premises for the employees under operating leases, which expires at various dates in future years and renewable for further periods at the option of the Group. There are no restrictions imposed by the lease arrangements. The minimum lease rental payments to be made in respect of these leases are as follows.

Particulars	Year Ended March 31, 2014	Year Ended March 31, 2013
Lease payments for the year	2,330.95	3,024.77
<b>Minimum Lease Payments :</b>		
Not later than one year	1,516.28	1,790.21
Later than one year and not later than five years	2,531.28	3,775.27
Later than five years	1,175.65	778.05
<b>Total</b>	<b>5,223.21</b>	<b>6,343.53</b>

### 34. Exceptional Items

Particulars	Year Ended March 31, 2014	Year Ended March 31, 2013
(a) Re-structuring Expenses *	(243.47)	-
(b) De-merger Expenses *	(57.65)	-
(c) Profit on divestment of IdenTrust #	2,438.14	-
<b>Total</b>	<b>2137.02</b>	-

\* The Company restructured the organization in terms of structure, people, processes and systems to orient around the customer with specific focus towards the Products and Services segments of its business. The expenditure incurred for the purpose of restructuring has been disclosed separately as exceptional item to explain the performance of the Company for the year.

# Refer Note 32(a) on Discontinuing Operations.

### 35. Earnings per Share ("EPS")

Reconciliation of basic and diluted shares used in computing EPS:

Particulars	Year Ended March 31, 2014	Year Ended March 31, 2013
(i) Weighted average number of equity shares outstanding during the year - For basic EPS	99,526,385	99,473,789
Add: Effect of dilutive shares - Stock options granted under ASOP.	220,869	196,164
(ii) Weighted average number of equity shares outstanding during the year - For diluted EPS	99,747,254	99,669,953
(iii) The net profit for the period attributable to equity shareholders - For basic and diluted EPS	19,919.20	20,080.32
Earnings per Share (in Rs.)		
Basic earnings per share (iii)/(i)	20.01	20.19
Diluted earnings per share (iii)/(ii)	19.97	20.15
(iv) The net profit for the period attributable to equity shareholders after excluding discontinuing operations For basic and diluted EPS	18,864.94	Refer Note 32
Basic earnings per share (iv)/(i)	18.95	
Diluted earnings per share (iv)/(ii)	18.91	

### 36. Prior year Comparatives

Previous year figures have been regrouped / reclassified, wherever material and necessary to conform to current year presentation.

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
Firm Registration number: 101049W

**per Subramanian Suresh**  
Partner  
Membership No. 083673  
Chennai  
April 30, 2014

For and on behalf of the Board of Directors of  
**Polaris Financial Technology Limited**

**Arun Jain**  
Chairman & Managing Director

**R.C. Bhargava**  
Director

**S.Swaminathan**  
Chief Financial Officer  
Chennai  
April 30, 2014

**V.V.Naresh**  
Vice President &  
Company Secretary

STATEMENT PURSUANT TO MINISTRY OF CORPORATE AFFAIRS EXEMPTION APPROVAL UNDER SECTION 212 (8) OF THE COMPANIES ACT, 1956													Rs in Lacs	
Sl. No.	Name of the Subsidiary	Country	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment other than Investment in Subsidiary	Turnover	Profit before Tax	Provision for Tax	Profit after Tax	Proposed Dividend
1	Polaris Software Lab Pte Limited	Singapore	SGD	47.58	183.18	10,831.14	6,599.26	(4,876.53)	(461.47)	(3,105.83)	(659.10)	278.45	(937.56)	Nil
2	Polaris Software Lab Limited	United Kingdom	GBP	99.77	886.96	9,508.85	16,178.33	5,782.53	-	27,514.06	1,895.82	66.46	1,829.36	Nil
3	Polaris Software Lab SA	Switzerland	CHF	67.83	237.41	2,122.08	1,714.46	(645.03)	-	527.90	426.68	52.03	374.65	Nil
4	Polaris Software Lab GmbH	Germany	EUR	82.69	496.14	533.97	768.51	(255.52)	6.08	568.82	7.75	23.06	(15.31)	Nil
5	Polaris Software Pty Limited	Australia	AUD	55.30	13.83	1,456.03	2,317.02	847.17	-	(2,944.67)	(538.16)	242.85	(781.01)	Nil
6	Polaris Software Lab Ireland Limited	Ireland	AUD	82.69	145.69	2,212.10	1,703.59	(327.25)	326.96	(712.09)	(121.83)	51.88	(173.71)	Nil
7	Polaris Software Lab Japan KK	Japan	JPY	0.58	116.12	1,156.29	529.49	(742.92)	-	(1,535.92)	(4.17)	139.50	(143.67)	Nil
8	Polaris Software Lab Canada Inc	Canada	CAD	54.27	266.36	(484.73)	1,209.94	1,428.31	-	305.03	(1,393.94)	315.34	(1,709.28)	Nil
9	Polaris Software Lab B.V.	Netherlands	EUR	82.69	16.54	77.81	466.60	372.25	-	14.39	4.09	5.72	(1.62)	Nil
10	Polaris Software Lab Chile Limitada	Chile	CLP	0.11	6.36	(36.27)	170.57	200.49	-	483.64	4.72	32.33	(27.61)	Nil
11	Polaris Software Lab (Shanghai) Ltd	China	CNY	9.72	64.43	(366.76)	286.77	589.10	-	233.39	(59.69)	-	(59.69)	Nil
12	Polaris Software Lab Inc	US	USD	15.98	1,119.40	(379.25)	1,255.98	515.84	-	396.98	54.45	20.90	33.55	Nil
13	Polaris Enterprise Solutions Limited	India	INR	1.00	900.00	(416.52)	1,744.52	1,261.05	-	1,327.86	52.52	1.12	51.40	Nil
14	Optimus Global Services Limited	India	INR	1.00	46.85	(126.37)	53.22	132.74	-	0.09	(16.57)	-	(16.57)	Nil
15	Laser Soft Infosystems Limited	India	INR	1.00	783.13	2,736.31	5,983.49	2,464.05	-	3,092.26	41.20	16.50	24.69	Nil
16	Polaris Software Lab Vietnam Co. Ltd.	Vietnam	VND	0.0029	26.10	(111.35)	175.52	260.77	-	214.88	20.65	-	20.65	Nil
17	Polaris Software Lab Sdn Bhd	Malaysia	MYR	18.35	0.01	0.03	0.07	0.03	-	(0.07)	(0.02)	-	(0.02)	Nil
18	SFL Properties Private Ltd.	India	INR	1.00	100.00	20.42	649.24	528.82	-	-	-	-	-	Nil
19	Indigo TX Software Pvt Ltd.	India	INR	1.00	39.70	306.08	449.99	104.21	-	229.28	(115.56)	(27.38)	(88.18)	Nil
20	Polaris Software Lab FZ LLC	Dubai	AED	16.31	244.65	1,025.34	549.68	(720.31)	-	5,022.54	192.73	-	192.73	Nil
21	Polaris Software Lab (Philippines) Company, INC	Philippines	PHP	1.34	114.09	(328.34)	198.75	413.00	-	0.00	(189.24)	(47.35)	(141.88)	Nil
22	Iden trust inc *	US	USD	59.92	-	-	-	-	-	-	-	-	-	Nil
23	Sonali Polaris FT Ltd.	Bangladesh	BDT	0.79	588.98	(806.23)	553.58	770.84	-	2,981.86	(458.46)	-	(458.46)	Nil
24	Intellect Design Arena Ltd. (Formerly Known as Fin Tech Grid Limited)	India	INR	1.00	5.00	-	6.00	1.00	-	-	-	-	-	Nil
25	FT Grid Pte Ltd.	Singapore	SGD	47.58	0.05	1.39	0.05	(1.39)	-	-	(1.39)	-	(1.39)	Nil

Notes: Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies, are based on the exchange rates as on 31.03.2014

\* Divested during the year



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**MANAGEMENT DISCUSSION & ANALYSIS**

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## SECTION A

### Management Discussion & Analysis

Let us start our Management Discussion around the major transformational decisions we took during the year - The first was the new organization design to enhance value through greater agility and customer centricity in May 2013. The next one was in March 2014, when we announced the demerger of our Products (Intellect) business into an independent entity. As both were significant decisions, we would like to dwell upon the events that preceded these decisions.

How did we go about this?

The company announced the next major phase of its growth journey, Polaris 4.0, as the culmination of its annual visioning exercise (Lakshya) in January 2012. The very first stage involved identifying major market opportunities for the businesses and the constraints in leveraging them. The management observed that inherently, the DNA of the two businesses - that is, products and services, were completely different. And thus, the sales and marketing processes, investment processes and customer decision cycles were different. The investor profiles based on risk appetite of the two businesses were also found to be significantly different.

< paddy comments – In January 2013, based on leadership deliberations and recommendations from Boston Consulting Group (BCG), the Board of Directors of the company authorised the management team to explore options that would provide an impetus for the next stage of its growth and maximise shareholder value. A Task Force was set up with senior leaders in the company, led by Jaideep Billa and comprising Natarajan Narayanasamy (Nat), Anil Verma, and Rajesh Saxena. The Board prescribed a 90 day mandate for a presentation of recommendations.

The recommendations of the Task Force included:

#### Services

- Front-to-back integration of client-facing and delivery organisation, led by a Chief Client Officer for strategic accounts.
- The Services division to have the ability to partner with any third-party solution provider and not be limited only to Polaris' product suite.
- Bring the business leadership closer to market.

#### Products:

- Focused R&D investments in each product line and increased Solution Architects footprint in markets.
- Enable clients to leverage the power of the Intellect suite of products through a network of third-party system integrators.
- Provide dedicated client research facilities at FT 8012, Polaris' unique Financial Technology Design Center for the acceleration of modernisation initiatives.

Further to the Task Force review with the Polaris Board, the company announced the restructuring of its businesses into separate Services and Products divisions in May 2013. Both divisions were designed with independent management teams and strategies aligned to their respective customers' needs. The company appointed five CEOs, for each distinct line of business across Services and Products for greater customer focus and agility.

On March 18, 2014 we announced the demerger of our Products (Intellect) business into an independent entity.

The company then filed the Scheme of Demerger with the Stock Exchanges, SEBI and High Court as per extant regulations. After demerger and subject to approval from regulatory authorities and shareholders, the Product Company will be known as Intellect Design Arena Ltd (Intellect) and comprise of four distinct businesses : Global Universal Banking; Risk and Treasury Management; Global Transaction Banking and Insurance. Polaris Financial Technology Ltd (Polaris) will continue to run the Services Business with a strong vertical and solution focus.

As consideration for the Demerger (technically called a Vertical Split), shareholders of Polaris Financial Technology Limited, will receive one share in Intellect, for every share held in Polaris. The Product business is significantly different from the Services stream, in terms of investments into product development, talent and sales & distribution. Given this, the Polaris Board, taking into consideration the recommendations made by the Special Committee comprising of independent directors of the Board as well as the Audit Committee, decided to offer a special option to the shareholders of Intellect to exchange the shares (should they wish to) allotted pursuant to the Demerger against fully secured non-convertible debentures (NCD). These NCDs shall have a face value of Rs.42/- , with a coupon of 7.75% p.a., redeemable at par after 90 days

The demerger of the Products business is a decisive step to unlock the potential of the company to respond to emerging opportunities in Financial Technologies in the coming decade. It is a win-win for customers, employees and investors alike. From a customer perspective, the new structure aligns investments, competencies, decision making and processes to drive the next level of value creation. Customers will be able to enjoy deeper focus for specific needs, say Services, while being able to accelerate the transformation agenda with next-gen Products.

From the employees perspective, alignment to individual talents and interests will become a lot sharper, opening up clear streams for career advancement. From an investor's perspective, shareholders will get an additional share of Intellect, a new horizon business. Expanded leadership capacity, greater customer centricity and sharper focus will drive higher value in both businesses.

The Services business is a predictable, growing business with revenues of around Rs. 2,000 Crores, and EBIDTA of Rs. 364 Crores (\$60 mn) annually, generating over Rs. 200 Crs in cash.

Intellect Design Arena will have over 22 products , generating revenues of over Rs. 500 Crs. annually and with reference sites in 30 countries with more than 200 customers. It is poised for growth and needs investments in Sales and Business leadership teams in the coming year. Intellect suite has industry defining products in the SMAC space

We are running our Businesses with over 11,500 Associates (Employees) and work with more than 250 customers. Any major decision such as this would cause disturbance in the organisation and may impact customer interaction and project delivery. In order to minimize disturbances in the organisation or with customer deliveries, we took measured steps by design and prepared for a reasonably smooth transition to the new business structures.

As we began moving to and staffing the new structures, an encouraging market validation came in the form of senior leadership from our global competition opting to join this new journey of Polaris, supplementing the existing leadership.

Let us now analyse the Services and Products businesses, from the perspective of financials, opportunities and challenges.

### **Services (Polaris) Business**

We are a domain-led specialist in consulting and services in financial technology, servicing the global BFSI industry. Years ago we took the call that we do not want to play in Cost arbitrage services, but emerge as a niche domain-led consulting and services player. So we continue to

invest on competency building both on the horizontal and vertical practices, and have been offering services and solutions in the financial technology area for Banking / Insurance customers. Quite a few of our Services engagements are in mission-critical applications. Most of the top 20 Global banks are our customers. Significant numbers of projects are Polaris managed or co-managed, using our reliable frameworks and tools in this area.

We have structured ourselves into Strategic Business Units (SBUs) that are Customer Centric structures; each SBU supports a set of defined Customers. Each SBU, directed by an SBU Head, consists of dedicated Delivery Teams, Sales / Account Management and Support. This is a major shift for us from the earlier structure of Business Solution Centre (BSC) owning delivery and Geography handling Sales. With a single minded focus of creating a customer centric organisation, each strategic customer has a dedicated structure at Polaris with a single point of connect for relationship, customer experience, impeccable delivery and engagement growth. We are already witnessing significantly improved Customer experiences due to this structure. SBUs are complete profit centres with their own empowered organisation. We have six SBUs now and the SBU leadership team together with all their Customer facing teams sits close to the Customers in the respective geographies.

The Service leadership team now led by its empowered CEO has identified clear strategies for supporting our growth goals and is already investing in building competencies in the relevant areas identified. The leadership team has been further strengthened with senior leaders in Delivery Assurance, Solutions & Pre-sales working with the CEO. A separate Sales & Solution team reporting directly to the CEO is also being built to work on acquiring new logos and winning strategic deals.

With Customer Centric SBUs, an empowered Leadership team, clearly defined and deployed strategies, and supported by appropriate staffing & processes, the team is gearing up to get back to growth mode in the current year.

The task ahead of us is to prepare the Services organization towards participating in the emerging opportunities in digital transformation programs, Payments and Risk Management. The business is actively working on strengthening our proposition for high performance outsourcing initiatives.

### **Products (Intellect) Business**

With a Rs.500 crore-plus revenue level, the Products business is becoming a separate company. It is now ready to stand on its own having reached the requisite maturity. The Products business got incubated under the Services business to ensure they enjoy the requisite funding to start with. The Services business was the source for financial technology knowledge access and customer understanding, and the same was critical during the product development and maturity journey. With over a decade of continuous and significant R&D and Product development investment, we are proud to state that our Product suite is by far the largest among the Industry in this space. To be successful in the Product business there are three key elements that we have understood to be critical. First, we need visible proof points that our product is globally competitive and thus, can aspire for a leadership position. Currently, it is heartening to note that almost 45% of our Product Revenues come from the most sophisticated markets in the world, Americas & Europe. Second, we must demonstrate delivery capabilities and have a reference-able installed base. As of now we have more than 200 installed bases of our Product offerings. Third, we must prove that we can deliver high margins on the product sale to support product maturity claim & pricing / cost controls. Over the last four quarters, we have been consistently delivering 50% plus Gross Margins in our Product business.

What is needed now is to scale up our Product business. We are working on expanding Leadership bandwidth to address our growth goals and are investing substantially on building dedicated Sales & Marketing teams. We now have CEOs for each of our four LOBs in the Product business duly supported by Geography / Country-specific Sales & Marketing teams. The LOB CEOs have moved

closer to the Market that they want to invest in and grow. Our four LOB CEOs are now based out of US, UK, Singapore and India.

With required Products on the table, dedicated Leadership and Sales & Marketing team backed by Country-specific Product strategy, the Product business is now gearing up to deliver the growth. Going forward, the imperative in this business is two fold a. Invest in the right sales and marketing initiatives and b. design the right distribution strategy and infrastructure.

#### **So where do we go from here?**

We see enough opportunities for us both in Services business and Products business. Major transformations like Restructuring , Demerger initiatives do carry its own challenges as we start implementing them and therefore it is natural they do take significant time & energy for realizing the intended potentials. We are doing all the right things in preparing us for this journey and are reasonably confident of meeting our growth expectations as we move forward

#### **Financials**

We have a very healthy balance sheet and financials. Why do we say that?

1. We are a debt-free company. Only a small debt exists in one of our Joint Ventures.
2. We have significant amount of Cash in our books to take care of financial needs of working Capital and Investment needs of both businesses.
3. The complete Product development costs incurred over the years have been fully written off. There is no amortisation pending in this area. We do not see any need for major cost increases for the Product development program as our stack is quite rich now and therefore expected to remain at current level (quantum) even at increased revenue levels.
4. All our Engineering centres in India are owned by us and are near sufficient for our requirements to deliver our goals. These facilities have both space and IT infrastructure.
5. We have been a consistently profit making and dividend paying company.
6. We have recently been rated as AA- by CRISIL. Only 5% of the companies rated by this agency in India carry AAA, AA ratings.
7. Taking into account the current currency behaviour and looking at the current hedging contracts, we expect the hedging loss of Rs.105 Cr sitting in our FY 13-14 books to move out, thereby expected to impact the EPS positively by Rs.6.70 net of tax in the current year.
8. Our Receivables are managed pretty well and demonstrate the Customer endorsement on our delivery and process efficiencies.

We will continue to focus holistically on the six Capitals namely, Customer, Intellectual Property, Human, Execution, Finance, and Brand to drive repeatable, predictable, and profitable growth.

## SECTION B

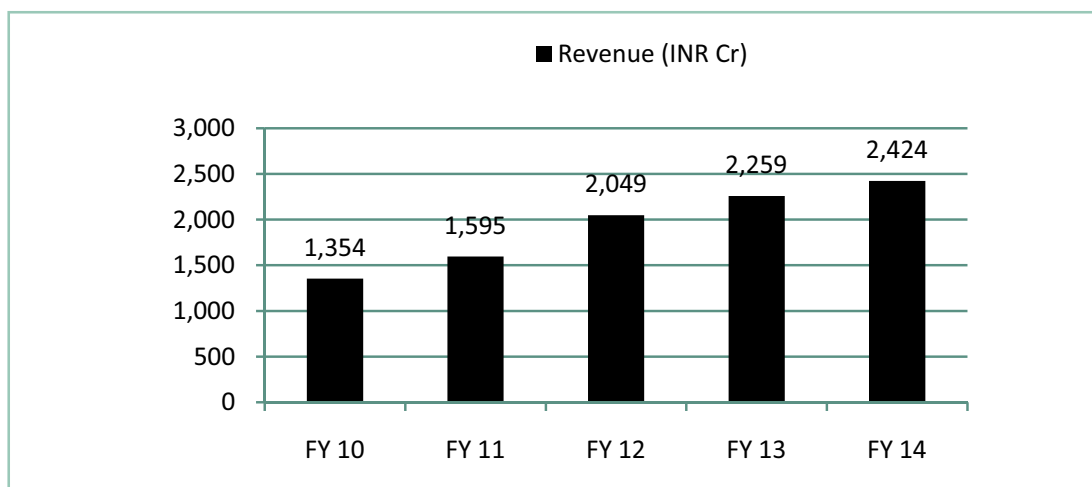
### Financial Position

#### Highlights

- FY14 revenue stood at Rs.2,424 Cr registering 7% YoY growth
  - Intellect Products revenue stood at Rs.510 Cr
  - Polaris Services revenue stood at Rs.1,914 Cr registering 11% growth
- Earnings per share stood at Rs.20.01
- The book value per share increased to Rs.155.47 in FY14 (Rs.134.98 in FY13)
- Based on the NSE prices, market capitalization grew by 73% to Rs.1,921 Cr as on March'31 2014. (Rs.1,108 Cr in FY13)
- Dividend recommended for the year stands at 125%, Rs.6.50 per share

#### Revenue - Value Addition since FY 2010

Revenue grew from Rs.1,354 Cr (FY10) to Rs.2,424 Cr (FY 14) recording 79% growth.



#### Sources of Funds

##### 1. Share Capital

As at March 31, 2014

- The Authorised share capital of the company was Rs.65 Cr.
  - Equity shares of Rs.60 Cr. (120,000,000 equity shares of Rs.5/- each)
  - 11% Preference shares of Rs.5 Cr. (10,000,000 Preference shares of Rs.5/- each)
- The issued, subscribed & paid-up capital was Rs.49.78 Cr (99,550,274 equity shares of Rs.5 each).
- Associates and Directors were allotted 44,200 equity shares under Associate Stock Option Plans. (for FY14)

(The details of the options granted, outstanding and vested are provided in the notes to the consolidated financial statements in this Annual Report.)

## 2. Reserves and Surplus

With an increase of Rs.204.67 Cr, the Reserves & Surplus stood at Rs.1,497.64 Cr in FY14. (Rs.1,292.97 Cr in FY13)

### 2.1 General Reserve

As on March 31, 2014, the Reserve stood at Rs. 170.65 Cr (Rs.162.25 Cr in FY13). The increase in the General Reserve of Rs.8.40 Cr is on account of internal accruals by way of transfer of profits in the current year.

### 2.2 Foreign currency translation reserve

The balance of foreign currency translation reserve increased by Rs.6.97 Cr and stood at Rs.75.76 Cr as on March 31, 2014. (Rs.68.78 Cr in FY13). The raise is on the account of translation of non-integral overseas subsidiaries and branches into reporting currency in line with Accounting Standard 11 of ICAI.

### 2.3 Securities premium account

With an increase of Rs.0.23 Cr, the Securities premium account stood at Rs.191.56 Cr as on March 31, 2014. (Rs.191.33 Cr in FY13). The raise is on account of premium on the issue of shares during the year 2013-14 under ASOP schemes.

### 2.4 Profit and Loss account

As of March 31, 2014

- The balance retained in the profit and loss account increased by Rs. 191.61 Cr and stood at Rs. 1,045.60 Cr. (Rs.853.99 Cr in FY13)
- Rs.191.67 Cr is recorded as the internal accrual after providing for
  - Proposed dividend of Rs.62.22 Cr
  - Dividend tax of Rs.10.57 Cr
- Dividend payout Increasing by Rs.14.58 Cr, the total amount of profits appropriated to dividend including dividend tax stood at Rs.72.79 Cr (Rs.58.21 Cr in FY13)

### 2.5 Shareholder funds

As of March 31, 2014

- The total shareholder funds increased by Rs. 204.66 Cr and stood at Rs.1,547.41 Cr (Rs.1,342.72 Cr in FY13)
- The book value per share increased by Rs.20.49 and stood at Rs.155.47 (Rs.134.98 in FY13)

## 3. Secured Loans

During the year Company has repaid in full the Export Financing Loan arrangement with its Bankers. Sonali Polaris Financial Technology Limited, a Subsidiary of the Company, has taken a working capital Overdraft facility for BDT 5 Cr during the year.



## **Application of Funds**

### **4. Fixed assets**

#### *4.1 Capital expenditure*

The capital expenditure for FY14 is Rs.35.86 Cr (Rs.56.05 Cr in FY13)

#### *4.2 Additions to fixed assets*

Gross additions of Rs.39.52 Cr to our gross block comprise the following:

- Rs.5.29 Cr for land & buildings
- Rs.23.94 Cr for plant, machinery, Office equipments, furniture & electrical fittings
- Rs.4.15 Cr for intangible assets
- Rs.6.13 Cr for vehicles
- Net decrease in Capital Work-in-progress and Capital Advances of Rs 3.66 Cr has been mainly due to capitalization of few floors at Siruseri centre (Next Level).

### **5. Goodwill on Consolidation**

The excess of consideration paid over the net asset value acquired has been recognized as goodwill in accordance with Accounting Standard (AS) 21 consolidated financial statements. Goodwill as at 31st March, 2014 stood at Rs.75.30 Cr (Rs.212.48 Cr in FY13). The reduction in the Goodwill was mainly on account of the divestment of Investments in IdenTrust Inc. during the year.

### **6. Strategic Business Acquisition**

While Company continues to Invest for Growth through Innovation, Capacity expansion in Infrastructure, Delivery & Sales Organisation, the Company continues to look forward to grow inorganically as well given the right M&A candidates that would either help us build depth, breadth and scale in our capabilities.

### **7. Sundry Debtors**

- Sundry debtors amount to Rs.362.21 Cr net of provision for doubtful debts amounting to Rs.11.82 Cr as at March 31,2014 (Rs.407.47 Cr in FY13 net of provision for doubtful debts amounting to Rs.21.89 Cr in FY13)
- For the year ended March 31, 2014 debtors represent 54 Days of DSO (the days of sales outstanding)

### **8. Cash & Cash Equivalents**

Cash and Cash equivalents includes the Bank balances, both rupee accounts and foreign currency accounts and mutual fund investments. Cash and cash equivalents stood at Rs.691.24 Cr as at March 31, 2014. Per its treasury investment policy the Company continues to invest in appropriate instruments (including mutual funds) and in banks for generating Treasuring Income.

#### **8.1 Liquidity and Capital**

The company continues to generate and maintain healthy cash reserves to meet its working capital needs, growth needs, capital expenditure requirements, investments in product portfolio and the funding needs of its Group Companies. The company does not foresee any requirement of any debt.

## 9. Loans & Advances

As on March 31, 2014, Loans and advances were Rs.195.90 Cr (Rs.177.75 Cr in FY13), recording an increase by Rs.18.15 Cr. Significant increase is due to increase in Advance Tax (Net of provisions) and MAT Credit entitlements.

## 10. Current Liabilities

Current liabilities have decreased by Rs.119.52 Cr in FY14 due to

- Decrease in PCFC loan amount on account of repayment of the Export Financing arrangement with the Bankers.
- Decrease in Other current liabilities by Rs.43.84 Cr
- Increase in Trade payables by Rs.35.83 Cr
- Increase in Short term borrowing of Sonali on account of availing of OD facility for Rs.4.03 Cr

## 11. Provisions

Provision at the year-end has decreased by Rs.35.02 Cr mainly due to reduction in provision for mark-to-market loss on forward contracts by Rs.42.99 Cr as they were no longer required and increase in provision towards Proposed Dividend and the tax on the dividend amounting to Rs.14.59 Cr for the year. The proposed final dividend represents the final dividend recommended and payable, upon approval by our shareholders. This will be paid after the Annual General Meeting.

## 12. Net Current Assets

As at March 31, 2014

- The net current assets were Rs.815.59 Cr. (Rs.581.65 Cr FY13)
- The current ratio was 2.60 (1.88 in FY13)

Increase in net current assets is mainly due to the increase in the current investments by Rs.105.63 Cr and reduction in short term borrowings on account of repayment of the Export Financing arrangement by Rs.108.58 Cr.

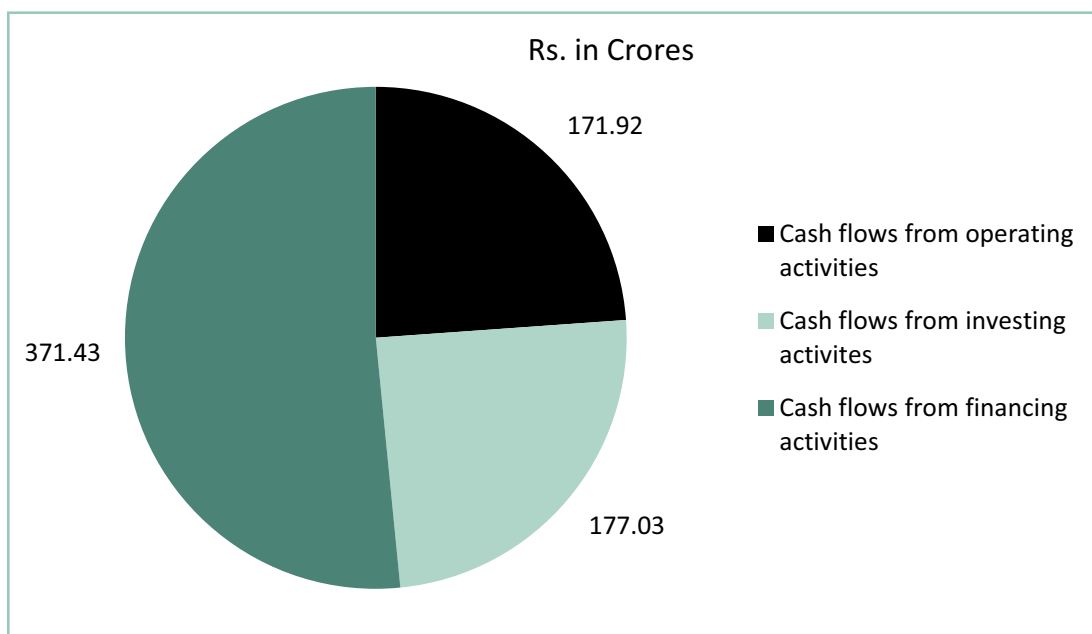
## 13. Deferred Tax Assets / Liability

As on March 31, 2014, the company recorded net Deferred Tax Liability aggregating Rs.4.22 Cr (Rs.1.93 Cr Net of Deferred Tax Asset in FY13). Deferred tax assets / liabilities represent timing differences between the financial and tax books arising out of depreciation on assets, carry forward losses and provisions for sundry debtors. The Company assesses the likelihood based on the continuous growth and improved profitability that the deferred tax liability will be adjusted from future taxable income.

## 14. Cash Flow Analysis

Cash flows are reported by adjusting net profit before tax for effect of non-cash transactions, changes in working capital, income taxes paid, cash transactions of capital nature and cash transactions relating to investing and financing activities. Cash flows from operating, investing and financing activities of the Company are identified and reported separately.

### Cash Flow Chart



#### Cash Flow from operating activities

Net Cash of Rs.371.43 Cr was generated from operating activities by the company in FY14. Net cash provided by operating activities was after utilisation of cash for tax and working capital requirements, driven by business needs in the current year.

#### Cash Flow from investing activities

In FY14, the company used Rs.177.03 Cr on investing activities. The significant items of cash flow from investing activities were purchase of fixed assets and investment in non trade securities net off the cash generated on disposal of the Subsidiary IdenTrust Inc.

#### Cash Flow from financing activities

In FY14, the Company used Rs.171.92 Cr in financing activities. The substantial items of cash used from financing activities are for the repayment of the Export Financing arrangement with the Bankers and payment of dividend and tax on dividend during the current year.

Cash equivalents of Rs.691.24 Cr are reported after considering the cash flow from operating activities, financing activities and investing activities and the short term investment balances as at the end of the year. The Cash equivalents remained positive compared to last year even with significant investment activities during the year.

## SECTION C

### Results of operations

#### 1. Revenue

With 90% revenue from Export business and 10% revenue from domestic market, the total revenue for the year ended March 31, 2014 stands at Rs.2,423.70 Cr. A revenue growth of 7.31% is achieved in FY14.

#### 2. Other income

The Company's other income amounts to Rs.32.35 Cr

This comprises of:

- Rs.11.73 Cr from interest on bank deposits and others
- Rs.17.60 Cr from dividend received on mutual funds
- Rs.2.83 Cr through miscellaneous income
- Rs.0.19 Cr from profit on sale of assets

#### 3. Expenditure

##### 3.1 Employee benefit expenses

Employee benefit expenses primarily consist of:

- Salaries & Bonus
- Software development expenses
- Consultancy charges
- Contribution to Provident Fund, Superannuation and other funds, Group Gratuity scheme.
- Social security and other benefit plans for overseas employees.
- Expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP)
- Staff welfare expenses

During the year our employee benefit expenses were Rs.1,842.76 Cr at 76.03% of revenue against Rs.1,663.12 Cr at 73.63% of revenue in the previous year.

##### 3.2 Other Expenses

Other expenses include Operating, General & Other Administrative expenses. General and administrative expense primarily consists of rent, power & fuel, repairs & maintenance, travelling & communication expenses, rates & taxes, professional & legal charges, communication expenses, and repairs and maintenance costs.

#### 4. Depreciation & Amortization

Depreciation on fixed assets is provided using the straight-line method based on rates specified in Schedule XIV of the Companies Act, 1956, or on estimated useful lives of assets, whichever is higher.

We have provided Rs.54.44 Cr for March 31, 2014 as against Rs.53.69 Cr for March 31, 2013 as depreciation for the respective years representing 2.25% and 2.38% of total revenues.

## 5. Research and Development

The Company is incurring expenses on various Research and Development activities consisting primarily of salaries and related expenses for our research and development staff, outsourcing cost and allocated overhead. We continue to focus our research and development efforts on adding new features and services, developing new delivery methodology and frameworks that would lead to delivery efficiencies, increasing product functionality and enhancing the ease of use of our products and services.

Research and Development expenditures came in at 4.55% of Revenue in FY2013-14 as compared with 5.37% of Revenue during FY2012-13.

The total R&D expenses incurred towards Product development amounted to 91.63 Cr during the year while the R&D expenses incurred on Services & Deliveries amounted to 17.21 Cr during the year.

## 6. Income Taxes

Income tax includes current tax and deferred tax. Details of the same are given below:

The company has calculated the tax liability after considering MAT in line with Section 115 JB of Income Tax Act, 1961.

Rs. in Cr

Particulars	March 31,2014	March 31, 2013
Tax	39.69	49.03
Profit before tax (PBT)	238.76	243.09
% of tax on PBT	16.62%	20.17%

## 7. Profit after tax

The Net Profit after tax for the year 2013-14 stood at Rs.199.19 Cr as against Rs.200.80 Cr for the year 2012-13.

## 8. Dividends

Our company continues with its track record of rewarding its Shareholders through dividends. The table below shows the trend on dividend payouts.

### *Dividend Payout*

	2013-14	2012-13	2011 -12	2010-11	2009-10
Dividend %	125	100	100	90	70
Dividend payout %	31	25	23	22	23

## 9. Capital Markets

The Capital Market Information relating to the company's shares such as stock exchanges in which they are listed/traded, trading volume, stock price movements etc., have been provided in the Report on Corporate Governance (under the heading "General Shareholder Information") which forms part of the Annual Report 2013-14.

## 10. Subsidiary Companies

For subsidiary details refer the Report on Subsidiaries under Section 212 of the Companies Act, 1956, mentioned elsewhere in the report.

## SECTION D

### Strengths

Polaris' consistent focus on disciplined execution and sustained innovation has been a hallmark in every Customer engagement. Our focused efforts in ensuring knowledge up-gradation at all levels ensure that we are fine tuned to current and future trends in the Financial Services industry. This continues to provide the edge to build future-proof solutions that deliver tangible business benefit to our customers.

We consider the following our strengths:

- A strong leadership team that has clear vision and direction to lead the company to its goals
- Scientific frameworks and methodologies that are built to ensure seamless delivery
- Demonstrated expertise and deep domain knowledge in Banking, Financial Services & Insurance verticals enhanced with the experience of working with world-class customers
- Strong technical know-how and quick adaptability to internalise technology changes and constantly working in research mode to ensure we are future-fit
- Our strength gets further fillip with the demerger which will allow the Products and the Services business to focus in their respective areas

### Competition

Polaris with its competitive capabilities of banking, financial services and insurance solution offerings is placed in a unique position among its competitors.

Polaris' best-in-class portfolio of business application solutions marketed under the brand of Intellect. Other than Intellect Core, Polaris' widespread solutions such as Liquidity, Wealth Management and Portals are best in class and are ranked among the global best. Unlike majority of the Indian competitors, Polaris' solution offerings span across Retail, Investment and Corporate Banking. Combined, Polaris owns the largest IP and application infrastructure in Banking and Insurance space.

This set of Products compete with global players such as Temenos, Oracle Financial Services, Misys, SAP, FIS and Indian competitors such as Infosys, TCS and Nucleus in the global arena along with few regionally available solutions providers in different geographies. The competition is spread across various sections based on the offerings.

The demerged Product entity will further focus its attention on the competitors in the sub-segments of GTB, GUB, RTM and Insurance.

In Services, Polaris has earned its stripes, as a specialised player in the financial services outsourcing space. With the singular focus on financial services, Polaris has built strong vertical-focused service capabilities across the LOBs in Banking namely, Consumer, Corporate, Risk Management and Treasury. Proven and reliable frameworks including, but not restricted to, Master Process Exchange (MPX) and COPARIS, Collaborative Project Management tools such as Octopus, and strong customer engagement models have enabled Polaris differentiate itself with superior service offerings, solutions and deliveries.

Polaris competes with global outsourcing vendors viz. IBM, CapGemini and Cognizant, and Indian outsourcing vendors such as TCS, Infosys, Wipro and HCL.

## Threat

The global financial industry continues to pass through uncertain times. The tighter regulation to combat this uncertainty has led to protectionist tendencies in some of our markets. It may pose the threat of visa issues in Onsite deployment. New projects continue to face budget constraints for IT investments as the focus is still on regulatory compliance. However, since our focus has been in getting work done offshore, the threat to our business due to fewer visas is mitigated. Also, our domain focus on BFSI enables us to provide outcome based solutions which help us win in the more competitive markets.

The operations and execution teams continuously watch for such developments and constraints to business strategy and plans. Strategy and operational plans are continuously recalibrated to minimise the impact of such threats to business objectives and goals.

## Risks & Concern

Risks are evaluated under the following four categories:

- a) Market risk
  - i) Vendor Consolidation risk
  - ii) Reduction in IT budget
- b) Cost increase
- c) Exchange risk
- d) Compliance risk

The uncertainties unleashed during the 2008 financial crisis are still settling down. The Governments in Western Countries reacted by bringing in more regulations and pumping in public money into private financial institutions. Thus the BFSI sector, our main market, is far more regulated today than it was earlier.

Risk	Impact	Mitigation
Market Risk	<ul style="list-style-type: none"> <li>• Consolidation of IT Vendors which put midsized companies like ours to risk</li> <li>• Smaller budget for IT</li> </ul>	<p>Polaris increasingly focuses on domain led solutions. This allows us to win projects in the face of competition from larger players. Domain led solutions space does not have vendor consolidation.</p> <p>Our improved productivity &amp; offshore leverage allows us to deliver more for less.</p>
Cost increase	High inflation in India leads to high salary	We use productivity tools and better program and project management techniques to improve productivity.
Exchange Risk	Fluctuation is exchange risk	<ol style="list-style-type: none"> <li>1. Quotations in local currencies have been highly controlled. A policy on Forex is being formulated.</li> <li>2. We have hedged a portion of our Forex earnings.</li> </ol>
Compliance Risk	<ul style="list-style-type: none"> <li>• IT Security requirements of our customers</li> <li>• Government regulations</li> </ul>	<p>We have strengthened our ISAG team which can pass the audit of the most stringent customers.</p> <p>We have strengthened our legal and Compliance team so that any unintended lapse is avoided.</p>

## Exchange Risk Policy

Under ongoing effort to improve our risk framework, the focus this year was Exchange risk policy which is under finalisation. The outline which currently guides us is a three-tier policy.

### **Internal Control Systems and their Adequacy**

The Company has disclosure controls and procedures in place that are designed to provide reasonable assurance that material information relating to Polaris is disclosed on a timely basis.

Management has reviewed the Company's disclosure controls and concluded that they were effective during the reporting period.

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) have evaluated the effectiveness of the Company's disclosure controls and procedures related to the preparation of Management's Discussion and Analysis and the consolidated financial statements. They have concluded that the Company's disclosure controls and procedures were effective, at a reasonable assurance level, to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which the management's discussion and analysis and the consolidated financial statements contained in this report were being prepared.

The Company's management, with the participation of its CEO and CFO, are also responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Indian GAAP. Under the supervision of the CEO and CFO, the Company's internal 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 the Indian GAAP.

There have been no changes in the Company's disclosure controls or internal controls over financial reporting during FY2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company's CEO and CFO expect to certify Polaris' annual filings with the Indian securities regulatory authorities.

In an effort to enhance the internal control, two specific initiatives were identified.

1. Foreign Exchange Risks. [covered under section on Risks & Concern – Exchange Risk Policy]
2. Statutory compliance by International Subsidiaries

Under this, a well defined automated framework has been instituted in Octopus, Company's proprietary Enterprise Social Network. This framework has well structured compliance reports suitably customised for each subsidiary.

The respective Operational Directors in the geographies ensure filing of these compliance reports on a quarterly basis. This new control is expected to further improve monitoring the statutory compliances in each jurisdiction.



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## Notice

Notice is hereby given that the Twenty-First Annual General Meeting of members of the Company will be held on Wednesday, 23<sup>rd</sup> July 2014 at 11:45 am at "The Music Academy", New No. 168, T.T.K Road, Royapettah, Chennai-600 014, Tamil Nadu, India to transact the following businesses:

### Ordinary Business

#### Item No.1. – Adoption of Financial Statements

To receive, consider and adopt:

- (i) the audited Financial Statements of the Company for the financial year ended 31<sup>st</sup> March, 2014 and the reports of the Board of Directors and Auditors thereon.
- (ii) the audited Consolidated Financial Statements of the Company for the financial year ended 31<sup>st</sup> March 2014.

#### Item No.2 – Declaration of Dividend

To declare a final dividend of Rs.6.25 per equity share for the financial year ended 2013-14, if any.

#### Item No.3 – Appointment of Director

To appoint a Director in place of Mr.Abhay Agarwal, (DIN No.00042882) who retires by rotation and being eligible, has offered himself for re-appointment.

#### Item No.4 – Appointment of Auditors

To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the 23<sup>rd</sup> Annual General Meeting of the Company to be held in the calendar year 2016 and to authorize the Board of Directors to fix their remuneration and to pass the following resolution thereof as an **Ordinary Resolution**.

"Resolved that, pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Rules made thereunder, and pursuant to the recommendations of the audit

committee of the Board of Directors, M/s.S.R.Batliboi & Associates LLP, Chartered Accountants (Registration No. 101049W), be and are hereby re-appointed as the auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the 23<sup>rd</sup> Annual General Meeting of the Company to be held in the calendar year 2016 (subject to ratification of the appointment by the members at the AGM held after this AGM) at such remuneration as shall be fixed by the Board of Directors of the Company.

### Special business

5. To appoint Mr.R.C.Bhargava (DIN:00007620) as an Independent Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED that pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the Listing Agreement, Mr.R.C.Bhargava (DIN 00007620), who was appointed as a Director of the Company liable to retire by rotation, and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company to hold office for 3 (three) consecutive years for a term upto the conclusion of 24<sup>th</sup> Annual General Meeting of the Company in the calendar year 2017, not liable to retire by rotation."

6. To appoint Dr.Ashok Jhunjunwala (DIN:00417944) as an Independent

Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED that pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the Listing Agreement, Dr.Ashok Jhunjunwala (DIN 00417944), who was appointed as a Director of the Company liable to retire by rotation, and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company to hold office for 3 (three) consecutive years for a term upto the conclusion of 24<sup>th</sup> Annual General Meeting of the Company in the calendar year 2017, not liable to retire by rotation.”

7. To appoint Mr.Arvind Kumar (DIN:00636869) as an Independent Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED that pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the Listing Agreement, Mr.Arvind Kumar (DIN 00636869), who was appointed as a Director of the Company liable to retire by rotation, and in

respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company to hold office for 3 (three) consecutive years for a term upto the conclusion of 24<sup>th</sup> Annual General Meeting of the Company in the calendar year 2017, not liable to retire by rotation.”

8. To appoint Mr.Raju Venkatraman (DIN:00632071) as an Independent Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED that pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the Listing Agreement, Mr.Raju Venkatraman (DIN 00632071), who was appointed as a Director of the Company liable to retire by rotation, and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company to hold office for 3 (three) consecutive years for a term upto the conclusion of 24<sup>th</sup> Annual General Meeting of the Company in the calendar year 2017, not liable to retire by rotation.”

9. To appoint Mr.V.Balaraman (DIN:00267829) as an Independent Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED that pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the Listing Agreement, Mr.V.Balaraman (holding DIN 00267829), who was appointed as a Director of the Company liable to retire by rotation, and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company to hold office for 3 (three) consecutive years for a term upto the conclusion of 24<sup>th</sup> Annual General Meeting of the Company in the calendar year 2017, not liable to retire by rotation.”

10. To approve the payment of remuneration to non-executive directors and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

“RESOLVED THAT in supersession of the resolutions previously passed by the shareholders in this regard and pursuant to the provisions of Sections 197, 198 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the non-executive directors of the Company (i.e. directors other than the Managing Director and / or the Whole-time Directors) be paid, remuneration, in addition to the sitting fee for attending the meetings of the Board of Directors or Committees thereof, as the Board of

Directors may from time to time determine, not exceeding in aggregate one percent of the net profits of the Company for each financial year, as computed in the manner laid down in Section 198 of the Companies Act, 2013, or any statutory modification(s) or re-enactment thereof;

RESOLVED FURTHER THAT the Board or Committee thereof (including the Nomination and Remuneration & Compensation Committee) be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution and to settle any question, difficulty or doubt that may arise in this regard, as the Board or a Committee in its absolute discretion may deem necessary or desirable and its decision shall be final and binding.”

By Order of the Board  
For **Polaris Financial Technology Ltd.**

**V.V.Naresh**  
Vice President, Company Secretary &  
Compliance Officer

Place: Chennai  
Date: April 30, 2014

## Notes

1. The Statement pursuant to Section 102(1) of the Companies Act 2013 with respect to the special business set out in the Notice is annexed.
2. **A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as a proxy to attend and vote on his behalf in the meeting and such person can act as a proxy on behalf of members of the company not exceeding fifty and holding in aggregate not more than ten percent of the total shares. A member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.**
3. The instrument appointing the Proxy, duly completed must be deposited at the Company's Registered Office not less than 48 hours before the commencement of the meeting. A Proxy form for the Annual General Meeting is enclosed.
4. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.
5. Members/Proxies should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.
6. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
7. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
8. The certificate from the Auditors of the Company certifying that the Company's Associate Stock Option Plan(s) are being implemented in accordance with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as applicable and in accordance with the resolution of the Members in the General Meeting is available for inspection by the Members at the Annual General Meeting.
9. The Register of Members and Share Transfer Books of the Company will remain closed from **14<sup>th</sup> July, 2014 to 23<sup>rd</sup> July, 2014** (both days inclusive) for the purpose of payment of the final dividend for the financial year ended March 31, 2014 and the Annual General Meeting.
10. Subject to the provisions of the Companies Act, 2013, dividend as recommended by the Board of Directors, if declared at the meeting, will be paid within a period of 30 days from the date of declaration, to those members whose names appear on the Register of Members of the Company as on 13<sup>th</sup> July, 2014.
11. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updates of savings bank account details to their respective Depository Participant(s). Members are encouraged to utilize the Electronic Clearing System (ECS) for receiving dividends.
12. Members are requested to quote their Registered Folio Number or Demat Account number & Depository Participant (DP) ID number on all correspondences with the Company. The transfer deeds, communication for change of address, bank details, ECS details, mandates (if any), should be lodged with Registrar & Share Transfer Agents (RTA) of the Company, M/s.Karvy Computershare Private Ltd. Hyderabad. Members whose

shares are held in the electronic mode are requested to intimate the same to their respective Depository Participants.

13. Pursuant to the provisions of Section 123 of the Companies Act, 2013 dividends which remain unclaimed after the prescribed period of 7 years shall be transferred to the Investor Education Protection Fund (IEPF) of the Central Government. Members who have not encashed their dividend warrants are requested to correspond with RTA. It is requested to note that once unclaimed dividend is transferred to IEPF pursuant to Section 205C of the Companies Act, 1956, no further claim shall be entertained. Information in respect of such unclaimed dividend when due for transfer to IEPF of Government of India including the unclaimed amount since 2007, are given in Corporate Governance Report.
14. The Company is concerned about the environment and utilises natural resources in a suitable way. We request you to update your email address with your Depository Participant to enable us to send you the quarterly reports and other communications via email.
15. Annual Report 2014 with Attendance Slip and Proxy form are being sent by electronic mode only to all the members whose email addresses are registered with the Company / Depository Participants(s) for communication purposes unless a member has requested for a hard copy of the same. For members who have not registered their email addresses, physical copies of the Annual Report for 2014 are being sent by the permitted mode.
16. Members may also note that the Notice of the 21st Annual General Meeting and the Annual Report 2014 will also be available on the Company's website [www.polarisft.com](http://www.polarisft.com). The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Chennai for inspection during normal business hours on working days. Members who require communication in physical form in addition to e-communication, or have any other queries, may write to us at [shareholder.query@polarisft.com](mailto:shareholder.query@polarisft.com) / [company.secretary@polarisft.com](mailto:company.secretary@polarisft.com).
17. Additional information pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges in respect of the Directors seeking appointment at the Annual General Meeting are furnished and forms part of the Notice. The Directors have furnished the requisite consents / declarations for their appointment / reappointment.
18. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.

### Statement pursuant to Section 102 (1) of the Companies Act, 2013

#### Item No.5

Mr.R.C.Bhargava is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in March 1999. Mr.R.C.Bhargava is also a member of the Audit Committee and Nomination and Remuneration & Compensation Committee of the Board of Directors of the Company.

Mr.R.C.Bhargava was appointed as an Independent Director of the Company liable to retire by rotation and his term expires at this Annual General Meeting under the provisions of erstwhile Companies Act, 1956.

In terms of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013, Mr.R.C.Bhargava (DIN:00007620) is proposed to be appointed as an Independent Director for a term of 3 (three) years.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of Rs.1,00,000/- (Rupees one Lakh only) proposing the candidature of Mr.R.C.Bhargava for the office of the Independent Director, to be appointed as such under the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013.

The Company has received from Mr.R.C.Bhargava (i) consent in writing to act as director in Form DIR 2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr.R.C.Bhargava as an Independent Director of the Company for a term of 3 (three) years upto the conclusion of 24<sup>th</sup> Annual General Meeting of the Company in the calendar year 2017 pursuant to Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr.R.C.Bhargava, the Independent Director proposed to be appointed, fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder and he is independent of the Management. A copy of the draft letter for appointment of Mr.R.C.Bhargava as an Independent Director setting out terms and conditions is available for inspection without any fee by the members at the Company's Registered Office during normal business hours on working days upto the date of the Annual General Meeting.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Mr.R.C.Bhargava as an Independent Director.

No Director, Key Managerial Personnel, or their relatives, except Mr.R.C.Bhargava, to whom the resolution relates, is interested or concerned in the resolution.

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

#### Item No.6

Dr.Ashok Jhunjhunwala is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in June 2001. Dr.Ashok Jhunjhunwala is also a member of the Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration & Compensation Committee and Corporate

Social Responsibility Committee of the Board of Directors of the Company.

Dr.Ashok Jhunjunwala was appointed as an Independent Director of the Company liable to retire by rotation and his term expires at this Annual General Meeting under the provisions of erstwhile Companies Act, 1956.

In terms of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013, Dr.Ashok Jhunjunwala (DIN:00417944) is proposed to be appointed as an Independent Director for a term of 3 (three) years.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of Rs.1,00,000/- (Rupees one Lakh only) proposing the candidature of Dr.Ashok Jhunjunwala for the office of the Independent Director, to be appointed as such under the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013.

The Company has received from Dr.Ashok Jhunjunwala (i) consent in writing to act as director in Form DIR 2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Dr.Ashok Jhunjunwala as an Independent Director of the Company for a term of 3 (three) years upto the conclusion of 24<sup>th</sup> Annual General Meeting in the calendar year 2017 pursuant to Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Dr.Ashok Jhunjunwala, the Independent Director proposed to be appointed, fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder and he is independent of the Management. A copy of the draft letter for appointment of Dr.Ashok Jhunjunwala as an Independent Director setting out terms and conditions is available for inspection without any fee by the members at the Company's Registered Office during normal business hours on working days upto the date of the Annual General Meeting.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Dr.Ashok Jhunjunwala as an Independent Director.

No Director, Key Managerial Personnel, or their relatives, except Dr.Ashok Jhunjunwala, to whom the resolution relates, is interested or concerned in the resolution.

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

#### **Item No.7**

Mr.Arvind Kumar is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in May 1995. Mr.Arvind Kumar is also a member of the Audit Committee of the Board of Directors of the Company.

In terms of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013, Mr.Arvind Kumar (DIN:00636869) is proposed to be appointed as an Independent Director for a term of 3 (three) years.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of Rs.1,00,000/- (Rupees one Lakh only) proposing the candidature of Mr.Arvind Kumar for the office of the Independent Director, to be appointed as



such under the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013.

The Company has received from Mr.Arvind Kumar (i) consent in writing to act as director in Form DIR 2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014 , (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr.Arvind Kumar as an Independent Director of the Company for a term of 3 (three) years upto the conclusion of 24<sup>th</sup> Annual General Meeting in the calendar year 2017 pursuant to Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr.Arvind Kumar, the Independent Director proposed to be appointed, fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder and he is independent of the Management. A copy of the draft letter for appointment of Mr.Arvind Kumar as an Independent Director setting out terms and conditions is available for inspection without any fee by the members at the Company's Registered Office during normal business hours on working days upto the date of the Annual General Meeting.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Mr.Arvind Kumar as an Independent Director.

No Director, Key Managerial Personnel, or their relatives, except Mr.Arvind Kumar, to

whom the resolution relates, is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item No.7 for the approval of the members.

#### **Item No.8**

Mr.Raju Venkatraman is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in December 2005. Mr.Raju Venkatraman is also a member of the Stakeholders Relationship Committee and Corporate Social Responsibility Committee of the Board of Directors of the Company.

In terms of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013, Mr.Raju Venkatraman (DIN: 00632071) is proposed to be appointed as an Independent Director for a term of 3 (three) years.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of Rs.1,00,000/- (Rupees one Lakh only) proposing the candidature of Mr.Raju Venkatraman for the office of the Independent Director, to be appointed as such under Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013.

The Company has received from Mr.Raju Venkatraman (i) consent in writing to act as director in Form DIR 2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr.Raju Venkatraman as an Independent Director of the Company for a term of 3 (three) years

upto the conclusion of 24<sup>th</sup> Annual General Meeting in the calendar year 2017 pursuant to Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr.Raju Venkatraman, the Independent Director proposed to be appointed, fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder and he is independent of the Management. A copy of the draft letter for appointment of Mr.Raju Venkatraman as an Independent Director setting out terms and conditions is available for inspection without any fee by the members at the Company's Registered Office during normal business hours on working days upto the date of the Annual General Meeting.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Mr.Raju Venkatraman as an Independent Director.

No Director, Key Managerial Personnel, or their relatives, except Mr.Raju Venkatraman, to whom the resolution relates, is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item No.8 for the approval of the members.

#### **Item No.9**

Mr.V.Balaraman is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in April 2013. Mr.Balaraman is also a member of the Nomination and Remuneration & Compensation Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee of the Board of Directors of the Company.

In terms of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013, Mr.V.Balaraman (DIN:00267829) is proposed

to be appointed as an Independent Director for a term of 3 (three) years.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of Rs.1,00,000/- (Rupees one Lakh only) proposing the candidature of Mr.Balaraman for the office of the Independent Director, to be appointed as such under Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013.

The Company has received from Mr.V.Balaraman (i) consent in writing to act as director in Form DIR 2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr.V.Balaraman as an Independent Director of the Company for a term of 3 (three) years upto the conclusion of 24<sup>th</sup> Annual General Meeting in the calendar year 2017 pursuant to Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr.V.Balaraman, the Independent Director proposed to be appointed, fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder and he is independent of the Management. A copy of the draft letter for appointment of Mr.V.Balaraman as an Independent Director setting out terms and conditions is available for inspection without any fee by the members at the Company's Registered Office during normal business hours on working

days upto the date of the Annual General Meeting.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Mr.V.Balaraman as an Independent Director.

No Director, Key Managerial Personnel, or their relatives, except Mr.V.Balaraman, to whom the resolution relates, is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item No.9 for the approval of the members.

**Item No.10**

Under the Companies Act, 2013, Non-Executive Directors have been entrusted with new responsibilities to make their role more objective and purposeful. Keeping in view the enhanced role, responsibilities and duties of Directors, it is considered appropriate that the remuneration payable to the Non-Executive Directors by the Company should be commensurate with their increased role, responsibilities and duties.

Section 197 of the Act provides for payment of remuneration to the directors as under:

Payment of remuneration to Directors who are neither Managing Directors nor Whole-Time Directors (that is Non-Executive Directors) shall not exceed 1% of the net profits of the Company.

The Board of Directors of the Company have, subject to the approval of members of the

Company, proposed to remunerate the Non-Executive Directors as under:

“The Non-Executive Directors (i.e. Directors other than the Managing Director and the Whole-time Directors) may be paid remuneration not exceeding in aggregate one percent of the net profits of the Company for each financial year, as computed in the manner laid down in Section 198 of the Act; and

The said remuneration to non-executive directors shall be in addition to the sitting fee payable to them for attending meetings of the Board and Committees thereof.”

Save and except all the Non-Executive Directors of the Company and their relatives, to the extent of their shareholding interest, if any, in the Company, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 10 of the Notice.

The Board recommends the Special Resolution set out at Item No.10 of the Notice for approval by the shareholders.

By Order of the Board  
For **Polaris Financial Technology Ltd.**

**V.V.Naresh**  
Vice President, Company Secretary &  
Compliance Officer

Place: Chennai

Date: April 30, 2014

### **Additional information on directors recommended for appointment as required Under Clause 49 of the Listing Agreement**



**Mr.R.C.Bhargava**

Mr.R.C.Bhargava is a post graduate in Mathematics from Allahabad University (1954) and Development Economics from Williams College, Mass USA (1963), India joined the Indian Administrative Service in 1956, on the basis of an All-India competitive examination and secured the number one position in India.

Between 1968 and 1973 he worked in the State of Jammu & Kashmir and was the Secretary to Government in the Departments of Agriculture, Horticulture, Animal Husbandry, Forests and Sheep Breeding.

Between 1973 and 1978 he worked in Delhi in the Central Government. His rank was of Joint Secretary. For 4 years he was in the Ministry of Energy, and for a little over one year in the Cabinet Secretariat.

Between 1979 and 1981 Mr.Bhargava worked as the Commercial Director of Bharat Heavy Electricals Ltd. the leading manufacturer of all power generating and transmission equipment in India.

Mr.Bhargava joined Maruti Udyog Ltd. as Director Marketing, soon after its incorporation in 1981. Mr. Bhargava was appointed as the Managing Director (CEO) in 1985. He became the Chairman and Managing Director in 1990. In 1992 Suzuki continued him as its nominee for the post of Managing Director. Mr. Bhargava retired in 1997. He was re-inducted to the Board in 2003 after Suzuki acquired control of the Company and it was listed. He was appointed as the Non-Executive Chairman on the 19th December 2007, a position he continues to hold to date.

He is also owner, President and CEO of RCB Consulting Private Ltd.

Mr.Bhargava is also on the India Advisory Boards of BAE Systems Ltd, Rio Tinto (India), Huawei India Ltd and Hitachi India Ltd.

In his efforts towards helping the education system in India, he has previously been the Chairman of the board of governors of the Doon School, Dehradun; and on the Boards of IIM, Lucknow and IIM Calcutta. He is currently Chairman of the IIM, Ranchi. Mr. Bhargava has also chaired an IIM Review Committee constituted by the Ministry of Human Resources Development of the Government of India.

Mr.Bhargava has been undertaking consultancy assignments for a number of companies, both Indian and foreign. These include a number of Japanese companies.

In November 2011, the Emperor of Japan conferred on Mr. Bhargava the "Order of the Rising Sun Gold and Silver Star". He has also been given the Lifetime Award for Management by the Economic Times and the All India Management Association.

Mr.Bhargava has recently written a book, 'The Maruti Story'. He has also authored a book in Japanese on Suzuki's strategy in India.

#### **Companies (other than Polaris Financial Technology Ltd.) in which Mr. R.C. Bhargava holds directorship and committee membership**

##### **Directorship**

Grasim Industries Ltd.  
UltraTech Cement Company Ltd.  
Maruti Suzuki India Ltd.  
Infrastructure Leasing &  
Financial Services Ltd.  
Dabur India Ltd.  
Idea Cellular Ltd.  
Thomson Press Ltd.  
Taj Asia Ltd.  
RCB Consulting Private Limited

##### **Chairman of the Board**

Maruti Suzuki India Ltd.

**Chairperson of Board Committee**

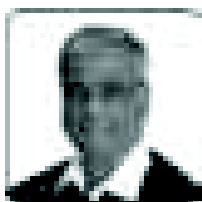
Maruti Suzuki India Ltd.  
 Infrastructure Leasing &  
 Financial Services Ltd.  
 Thomson Press Ltd.  
 UltraTech Cement Company Ltd.

**Member of Board Committees**

Grasim Industries Ltd.  
 UltraTech Cement Company Ltd.  
 Dabur India Ltd.

**Shareholding in the Company**

Mr.R.C.Bhargava holds 17,250 Equity shares of the Company.



**Dr.Ashok Jhunjunwala**

Dr. Ashok Jhunjunwala received his B.Tech degree from IIT, Kanpur, and his MS and Ph.D degrees from the University of Maine. From 1979 to 1981, he was with Washington State University and has been at IIT Madras ever-since, where he leads the Telecommunications and Computer Networks group (TeNeT). The group works with industry in the development of telecom, banking, IT and Power Systems (including solar) technologies relevant to India, and has a special focus on rural technologies. It has incubated more than fifty companies in the last twenty years. He chairs IITM Incubation cell, Health Technology Innovation Center (HTIC), co-chairs Rural Technology and Business Incubator (RTBI) at IIT Madras and is professor in-charge of IITM Research Park. He also chairs a MHRD committee called "Quality Enhancement of Engineering Education (QEEE)" focused on 500 Indian engineering colleges, other than IITs and NITs. He also chairs Mobile Payment Forum of India (MPFI).

Dr. Ashok Jhunjunwala has been awarded Padma Shri in the year 2002. He has been awarded Shanti Swarup Bhatnaga Award in 1998, Dr.Vikram Sarabhai Research Award for the year 1997, Millennium Medal at Indian Science Congress in the year 2000

and H. K. Firodia for "Excellence in Science & Technology" for the year 2002, Shri Om Prakash Bhasin Foundation Award for Science & Technology for the year 2004, Awarded Jawaharlal Nehru Birth Centenary Lecture Award by INSA for the year 2006, IBM Innovation and Leadership Forum Award by IBM for the year 2006, awarded Bernard Low Humanitarian Award in 2009, awarded "Bharat Asmita Vigyaan – Tantrayyaan Shresththa Award" for the best use of Science & Technology through Innovation in 2010, and awarded Honorary Doctorates by the Institute of Blekinge Institute of Technology, Sweden in 2008 and University of Maine, USA in 2010. In 2010, he was also awarded JC Bose Fellowship in 2010 by DST, Government of India, awarded Dronacharya (2011) by TiE and recently awarded Top Innovator of Top 11 in 2011 Innovators Challenge. He is a Fellow of World Wireless Research forum, IEEE and Indian academies including INAE, IAS, INSA and NAS.

**Companies (other than Polaris Financial Technology Ltd.) in which Dr. Ashok Jhunjunwala holds directorship and committee membership**

**Directorship**

Tata Teleservices (Maharashtra) Ltd.  
 3I Infotech Ltd.  
 Sasken Communication Technologies Ltd.  
 Tejas Networks Ltd.  
 Tata Communications Ltd.  
 Exicom Tele-Systems Ltd.  
 Mahindra Reva Electrical Vehicles Pvt Ltd.

**Chairman of the Board**

None

**Chairperson of Board Committee**

Tejas Networks Ltd.  
 Tata Teleservices (Maharashtra) Ltd.  
 Exicom Tele-Systems Ltd.

**Member of Board Committees**

Tata Teleservices (Maharashtra) Ltd.  
 Tejas Networks Ltd.  
 Sasken Communication Technologies Ltd.  
 3I Infotech Ltd.

**Other Memberships**

He is also a board member of several educational institutes and section 25

companies including BIRAC. He is member of Prime Minister's Scientific Advisory Committee.

#### **Shareholding in the Company**

Dr.Ashok Jhunjhunwala holds 18,300 equity shares of the Company.



**Mr.Arvind Kumar**

Mr.Arvind Kumar, who is a M.A. L.L.B., enrolled as an Advocate on 12th November 1963 at Kanpur from the U.P. Bar Council at Allahabad and practiced in the High Court of Judicature at Allahabad from 1966 to 1972 and later in the year 1972, he shifted to the Supreme Court of India at New Delhi and started practicing there. He is a Senior Lawyer having 50 years of professional standing at Bar and has gained enough global experience by participating in civil and corporate cases around the world.

Mr.Arvind Kumar is a Life Member of the Supreme Court Bar Association and Bar Association of India. Presently practising as a Senior Advocate in the Supreme Court, he is a reputed corporate legal expert and advises Polaris Financial Technology Ltd. on issues relating to Corporate Governance, Legal and other Statutory compliance issues.

He holds membership in M/s.Jamuna Janki Mathur Trust.

**Companies (other than Polaris Financial Technology Ltd.) in which Mr. Arvind Kumar holds directorship and committee membership**

#### **Directorship**

Nucsoft Ltd.

Inckah Infrastructure Technologies (P) Ltd.

Associated Legal Advisors (P) Ltd.

Second Innings India (P) Ltd.

#### **Chairman of the Board**

None

#### **Chairperson of Board Committee**

None

#### **Member of Board Committees**

None

#### **Shareholding in the Company**

Mr.Arvind Kumar holds 21,000 equity shares of the Company.



**Mr.Raju Venkatraman**

Mr.Raju Venkatraman is a serial Entrepreneur and has successfully started and sold businesses like Vetri Systems, Inc., Rev IT & Sherpa Business Solutions.

He has served as an executive in EDS, President, Data Management Services of the Lason System Inc. and was responsible for over 10,000 employees.

Till recently, Mr. Raju was the Joint Managing Director of Firstsource where he helped to scale the business to over \$400 million and over 23,000 people.

Currently, Mr. Raju is the MD & CEO of MEDALL Healthcare Pvt. Ltd. launched in October 2009, with a vision to serve 10 Million people in India. Medall has over 48 centers in Tamil Nadu, Karnataka, Andhra Pradesh, Kerala, and Maharashtra. Medall employs over 1900 people and 100 Radiologists and Pathologists.

In December 2005, Mr. Raju joined the Board of Polaris and Prodapt Business Solutions.

Mr. Raju is the Chairman of WPO Chennai Chapter (World President's Organisation) He is also the Sr.Vice President of Madras Management Association.

Mr. Raju is also the recipient of Entrepreneur Award from TieCON from Tamil Nadu Government in 2008-09 and is a recognized expert and speaker in the field of business process outsourcing. He is a chemical engineer from IIT Madras and holds an executive MBA from IIM, Ahmedabad.

**Companies (other than Polaris Financial Technology Ltd.) in which Mr. Raju Venkatraman holds directorship and committee membership**

**Directorship**

MEDALL Healthcare Pvt Ltd.  
 MEDALL Scans and Labs Private Ltd.  
 MEDALL Scans and Labs Mayiladuthurai Private Ltd.  
 MEDALL Scans and Labs Kumbakonam Private Ltd.  
 MEDALL Spark Diagnostics Nashik Private Ltd.  
 Vetri Info Data Pvt Ltd.  
 Prodapt Solutions Pvt Ltd.  
 Clumax Diagnostic and Research Centre Private Ltd.

**Chairman of the Board**

None

**Chairperson of Board Committee**

None

**Member of Board Committees**

None

**Other Memberships-**

IIT Madras Alumni Charitable Trust

Member in Private Companies:

Vetri Info Data Pvt. Ltd.  
 Printo Document Services Pvt Ltd.  
 Leo Primecomp Pvt Ltd.

**Shareholding in the Company**

Mr.Raju Venkatraman holds 500 equity shares of the Company.



**Mr.V.Balaraman**

Mr.V.Balaraman is a B.Tech Chemical Engineer from the University of Madras and a MBA from the Indian Institute of Management, Ahmedabad. He was the MD and CEO of Pond's India Ltd between 1991 and 1998 and was Director - Exports in Hindustan Lever Ltd. between 1998 and 2002; He became MD and CEO of Adrenalin eSystems Ltd. a Polaris group company between 2002 and 2006.

Outside the corporate world Mr.V.Balaraman also served as the President of the Madras Chamber of Commerce and Industry, Madras Management Association, Indian Shoe Federation, Federation of Indian Export Organizations Southern Region and as Chairman of the Footwear Design and Development Institute.

Mr.V.Balaraman is passionate about Brand Marketing and Human Development and in pursuit of these interests, provides consultancy to companies besides coaching / mentoring business leaders. Frequently he is a speaker at Management seminars and business events in India and abroad.

**Companies (other than Polaris Financial Technology Ltd.) in which Mr.V.Balaraman holds directorship and committee membership**

**Directorship**

Pond's Exports Ltd.  
 CAMS Repository Services Ltd.  
 India Nippon Electricals Ltd.  
 Mahindra World City Developers Ltd.  
 Parry Enterprises India Ltd.  
 Adrenalin eSystems Ltd.  
 Mother Dairy Fruit & Vegetable Private Ltd.  
 Computer Age Management Services Pvt. Ltd.

**Chairman of the Board**

Computer Age Management Services Pvt. Ltd.

**Chairperson of Board Committee**

Computer Age Management Services Pvt. Ltd.

**Member of Board Committees**

Computer Age Management Services Pvt. Ltd.  
 India Nippon Electricals Ltd.  
 Mahindra World City Developers Ltd.  
 Parry Enterprises India Ltd.  
 Mother Dairy Fruit & Vegetable Private Ltd.

**Shareholding in the Company**

Mr.V.Balaraman does not hold any shares in the Company.

**POLARIS FINANCIAL TECHNOLOGY LIMITED**

(Formerly known as Polaris Software Lab Limited)

CIN: L65993TN1993PLC024142

Registered Office: Polaris House, No.244, Anna Salai, Chennai-600 006.

Email: shareholder.query@polarisft.com, company.secretary@polarisft.com

Website: www.polarisFT.com Phone: 044-3987 4000 Fax: 044-2852 3280

**21st Annual General Meeting to be held on 23<sup>rd</sup> July 2014 at 11:45 AM  
at The Music Academy, New No. 168, T.T.K. Road, Royapettah, Chennai-600 014.**

**ATTENDANCE SLIP**

Registered Folio No : .....(or)

Demat Account No. ....D.P.ID.No.....

Name of Shareholder(s) .....

I / We certify that I am / we are Member(s) / Proxy of the Member(s) of the Company holding  
..... Shares.

.....  
Signature of Member(s) / Proxy

- A member or his duly appointed Proxy wishing to attend the meeting must complete this Admission Slip and hand it over at the entrance of meeting hall.
- Name of the Proxy in BLOCK letters .....  
(in case a Proxy attends the meeting)
- Those who hold shares in Demat form to quote their Demat Account No. and Depository Participant (D.P.) ID. No. ....

**POLARIS FINANCIAL TECHNOLOGY LIMITED**

(Formerly known as Polaris Software Lab Limited)

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Registered Office: Polaris House, No.244, Anna Salai, Chennai-600 006.

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**21st Annual General Meeting to be held on 23<sup>rd</sup> July 2014 at 11:45 AM  
at The Music Academy, New No. 168, T.T.K. Road, Royapettah, Chennai-600 014.**

**PROXY FORM**

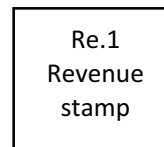
I / We ..... of ..... being a member/members of Polaris Financial Technology Limited hereby appoint(s) ..... of ..... or failing him / her ..... of ..... as my / our Proxy to attend and vote for me / us on my / our behalf at the 21st Annual General Meeting of the Company to be held on 23rd July 2014 at 11:45 A.M. at The Music Academy, New No. 168, T.T.K.Road, Royapettah, Chennai-600 014 and at any adjournment thereof.

In witness whereof

I / We have signed on this ..... day of ..... 2014

Registered Folio No. : .....(or)

Demat Account No. ....D.P.ID.No.....



- The Proxy form should be signed by the member across the stamp.
- A member intending to appoint a Proxy should complete the Proxy form and deposit it at the Company's Registered Office, at least 48 hours before the meeting.
- Those who hold shares in Demat form to quote their Demat Account No. and Depository Participant (DP) ID No.



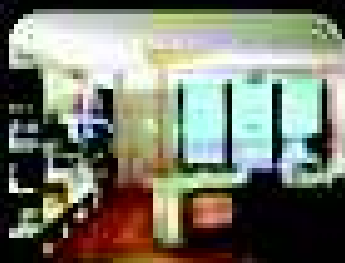
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## NOTES

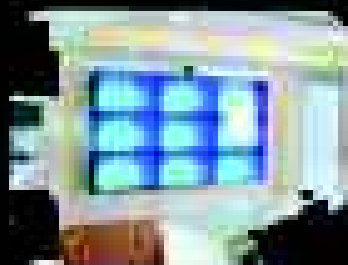
## NOTES

**8012**

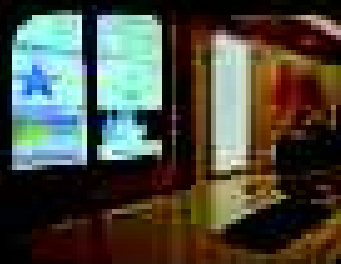
FT Strategic Center  
of Financial Technology



DEEP DESIGN  
DIFFERENTIATION



THE WORLD'S  
ONLY DESIGN  
CENTER FOR  
FINANCIAL  
INSTITUTIONS

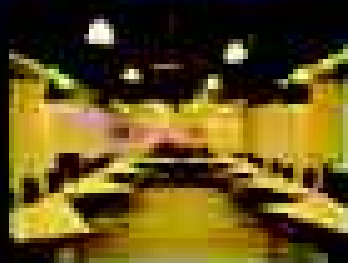


EXPERIENCE  
TRANSFORMATIVE  
TECHNOLOGIES  
AT FT8012

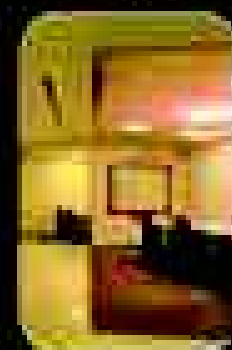
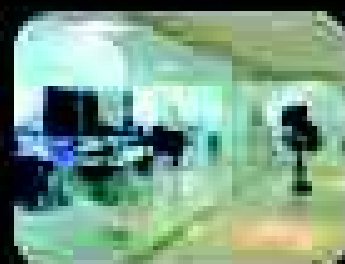


CONNECTING  
THE DOTS AND  
UNLEASHING THE  
POWER OF  
COLLABORATIVE  
DESIGN TO DRIVE  
UNPRECEDENTED  
VALUE ACROSS  
BUSINESS  
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AND OPERATIONS

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COMPLEXITY  
REDUCTION IS  
A START POINT  
FOR HIGH  
PERFORMANCE  
FINANCIAL  
TECHNOLOGY





Corporate Headquarters  
**Polaris Financial Technology Ltd.**  
'Foundation' #34, IT Highway  
Chennai - 603 103  
India

t : 91.44.2743 5001  
91.44.3987 3000

[www.polarisFT.com](http://www.polarisFT.com)

#### **THE POLARIS GROUP**

High Performance Financial Technology  
Specialists in Products and Services

**Polaris Builds, Maintains, Expands  
and Extends highly complex and  
integrated Financial Technology  
infrastructure.**

#### **A DEEP UNDERSTANDING OF THE LIFECYCLE OF MONEY AND THE ROLE OF TECHNOLOGY AS A VALUE CREATOR**

- Over 25 years of experience in providing Banking, Financial Services & Insurance (BFSI) technology solutions.
- Work with over 250 leading financial institutions.
- Global footprint. Referenceable customers.