

**CA S.S. Swamy**

B.Sc. B.Com. F.C.A., CAIIB

**Chartered Accountant**



Tel: 22424932 (O)

23416843 (R)

9845158963(M)

Office: 'Arya Plaza' 3/5, II Floor,  
Bull Temple Road,  
BANGALORE – 560 018.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
SASKEN COMMUNICATION TECHNOLOGIES (SHANGHAI) CO., LIMITED**

**Report on the Financial Statements**

I have audited the accompanying financial statements of **SASKEN COMMUNICATION TECHNOLOGIES (SHANGHAI) CO., LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2018, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

The Company's Management is responsible for the matters stated in Section 134(5) of the Companies Act 2013 (the "Act") with respect to 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 Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under section 133 and other relevant provisions of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit.

I have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

I conducted my audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation and fair presentation of the financial statements that give 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 whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.


I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion on the financial statements.

### **Opinion**

In my opinion and to the best of my information and according to the explanations given to me, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, and its profits and its cash flows for the year ended on that date.

Bangalore  
April 20, 2018



  
**S.S. SWAMY**  
CHARTERED ACCOUNTANT  
3/5, II Floor, 'Arya Plaza'  
Bull Temple Road  
BANGALORE-560 018  
Membership No. 019990



Sasken Communication Technologies (Shanghai) Co., Limited

Balance sheet

Amount in Rs.

Particulars	Notes	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	304,662	145,307	22,349
Intangible assets	6	-	-	-
Financial assets				
Other financial assets	7	797,946	281,769	384,929
<b>Total non-current assets</b>		<b>1,102,608</b>	<b>427,076</b>	<b>407,278</b>
<b>Current assets</b>				
Financial assets				
Trade receivables	8	47,811,568	40,251,827	65,198,728
Cash and cash equivalents	9	98,358,649	108,667,624	54,388,002
Other financial assets	10 (a)	872,682	393,189	-
Unbilled revenue	10 (b)	17,336,652	12,708,392	33,180,696
Other current assets	11	2,084,002	1,815,437	4,541,515
<b>Total current assets</b>		<b>166,463,553</b>	<b>163,836,469</b>	<b>157,308,941</b>
<b>Total assets</b>		<b>167,566,161</b>	<b>164,263,545</b>	<b>157,716,219</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	12	70,696,054	70,696,054	70,696,054
Other equity				
Retained earnings	13	54,367,273	90,043,723	56,086,696
Other reserves		19,695,412	(12,634,848)	-
		<b>144,758,739</b>	<b>148,104,929</b>	<b>126,782,750</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Financial liabilities				
Trade payables	14	11,216,581	7,337,555	19,574,646
Other current liabilities	15	6,563,335	7,118,140	7,649,414
Current tax liabilities	16	5,027,506	1,702,921	3,709,409
<b>Total current liabilities</b>		<b>22,807,422</b>	<b>16,158,616</b>	<b>30,933,469</b>
<b>Total equity and liabilities</b>		<b>167,566,161</b>	<b>164,263,545</b>	<b>157,716,219</b>

The accompanying notes form an integral part of the financial statements

As per my report of even date

  
**S.S. Swamy**  
Chartered Accountant  
Membership No.019990

Place : Bengaluru  
Date : April 20, 2018

Sasken Communication Technologies (Shanghai) Co., Limited

  
**Neeta Revankar**  
Legal Representative  
DIN: 00145580



Sasken Communication Technologies (Shanghai) Co., Limited

Statement of profit and loss

Amount in Rs.

Particulars	Notes	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Revenue from operations	17	165,088,430	189,992,366
Other income	18	(744,773)	1,247,308
<b>Total income</b>		<b>164,343,657</b>	<b>191,239,674</b>
<b>Expenses</b>			
Employee benefits	19	123,481,432	142,966,622
Depreciation and amortisation	5&6	125,271	51,217
Other expenses	20	7,023,962	3,716,893
<b>Total expenses</b>		<b>130,630,665</b>	<b>146,734,732</b>
<b>Profit before income tax</b>		<b>33,712,992</b>	<b>44,504,942</b>
<b>Tax expenses:</b>			
Current income taxes	21	9,133,187	10,547,915
		<b>9,133,187</b>	<b>10,547,915</b>
<b>Profit after tax for the year</b>		<b>24,579,805</b>	<b>33,957,027</b>
Foreign Exchange Translation Reserve		27,661,280	(12,634,848)
<b>Other comprehensive income</b>		<b>27,661,280</b>	<b>(12,634,848)</b>
<b>Total comprehensive income for the year</b>		<b>52,241,085</b>	<b>21,322,179</b>

The accompanying notes form an integral part of the financial statements

As per my report of even date

  
S.S. Swamy  
Chartered Accountant  
Membership No.019990



Place : Bengaluru  
Date : April 20, 2018

Sasken Communication Technologies (Shanghai) Co., Limited



Neeta Revankar  
Legal Representative  
DIN: 00145580



Sasken Communication Technologies (Shanghai) Co., Limited

Cash Flow Statement

Amounts in Rs.

Particulars	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before taxation	33,712,992	44,504,942
Adjustments for:		
Depreciation and amortization	125,271	51,217
Other non-cash writebacks/charges	-	100,330
Unrealised exchange (gain) / loss	2,006,494	1,261,845
Other income	(379,562)	(330,119)
Operating profit before working capital changes	35,465,195	45,588,215
Adjustments for:		
(Increase)/decrease in Trade Receivables	(5,196,903)	18,254,241
(Increase)/decrease in Other Financial Assets	(4,331,672)	19,631,529
Increase/(decrease) in Trade Payables	2,889,784	(10,609,359)
Increase/(decrease) in Liabilities	(1,285,795)	106,357
Cash generated from operations	27,540,609	72,970,983
Income taxes paid (net)	(5,983,481)	(12,245,198)
Net cash generated from/ (used in) operating activities	21,557,128	60,725,785
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment and intangible assets	(269,704)	(176,039)
Dividend paid to STL	(55,587,275)	-
Other income	379,562	330,119
Net cash generated from investing activities	(55,477,417)	154,080
Net increase in cash and cash equivalents	(33,920,289)	60,879,865
Impact on account of Foreign Currency Translation	23,611,314	(6,600,243)
Cash and cash equivalents at the beginning of the year	108,667,624	54,388,002
Cash and cash equivalents at the end of the year	98,358,649	108,667,624

The accompanying notes form an integral part of the financial statements

As per my report of even date

  
S.S. Swamy  
Chartered Accountant  
Membership No.019990



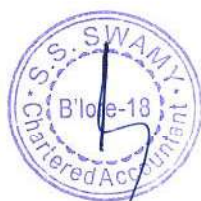
Place : Bengaluru  
Date : April 20, 2018

Sasken Communication Technologies (Shanghai) Co., Limited

  
Neeta Revankar  
Legal Representative  
DIN: 00145580



5. Property, plant and equipment				6. Intangible assets		Amounts in Rs.
Particulars	Computers	Office Equipment	Total	Computer Software	Grand Total (5 + 6)	
<b>Gross Block</b>						
As at April 01, 2016	3,617,968	192,895	3,810,863	-	3,810,863	
Additions during the year	183,105	-	183,105	-	183,105	
Deletions during the year	3,239,421	65,036	3,304,457	-	3,304,457	
Adjustments	138,321	12,605	150,926	-	150,926	
As at March 31, 2017	423,331	115,254	538,585	-	538,585	
Additions during the year	281,575	-	281,575	-	281,575	
Deletions during the year	-	-	-	-	-	
Adjustments	(38,804)	(11,836)	(50,640)	-	(50,640)	
As at March 31, 2018	743,710	127,090	870,800	-	870,800	
<b>Depreciation / Amortization</b>						
As at April 01, 2016	3,614,143	174,371	3,788,514	-	3,788,514	
Charge for the year	40,248	10,969	51,217	-	51,217	
Deletions during the year	3,239,421	65,036	3,304,457	-	3,304,457	
Adjustments	130,195	11,801	141,996	-	141,996	
As at March 31, 2017	284,775	108,503	393,278	-	393,278	
Charge for the year	119,630	5,641	125,271	-	125,271	
Deletions during the year	-	-	-	-	-	
Adjustments	(36,007)	(11,582)	(47,589)	-	(47,589)	
As at March 31, 2018	440,412	125,726	566,138	-	566,138	
<b>Net Block</b>						
As at March 31, 2017		6,751	145,307	-	145,307	
As at March 31, 2018	303,298	1,364	304,662	-	304,662	





Sasken Communication Technologies (Shanghai) Co., Limited

Notes to the financial statements for the year ended March 31, 2018

Non-current assets

Amount in Rs.

7	Other financial assets			
	Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
	Security Deposits	797,946	281,769	384,929
	<b>Total</b>	<b>797,946</b>	<b>281,769</b>	<b>384,929</b>

Current assets

8	Trade receivables			
	Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
	<i>Unsecured</i>			
	Considered good	47,811,568	40,251,827	65,198,728
	<b>Total</b>	<b>47,811,568</b>	<b>40,251,827</b>	<b>65,198,728</b>
	Loss allowance			
	Doubtful	-	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Net trade receivables</b>	<b>47,811,568</b>	<b>40,251,827</b>	<b>65,198,728</b>

9	Cash and cash equivalents			
	Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
	Balances with Banks			
	On current accounts	97,840,398	108,621,335	54,188,981
	Cash on hand	518,251	46,289	199,021
	<b>Cash and cash equivalents in the statement of cash flows</b>	<b>98,358,649</b>	<b>108,667,624</b>	<b>54,388,002</b>

10	Other financial assets			
	Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
(a)	Advances to employees	872,682	393,189	-
(b)	Unbilled revenue	17,336,652	12,708,392	33,180,696
	<b>Total</b>	<b>18,209,334</b>	<b>13,101,581</b>	<b>33,180,696</b>

11	Other current assets			
	Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
	Balances with government authorities	1,700	-	41,439
	Advances to suppliers	282,678	-	-
	Prepaid expenses	668,757	838,357	3,440,057
	Receivables towards sale of fixed assets	1,130,867	977,080	1,060,019
	<b>Total</b>	<b>2,084,002</b>	<b>1,815,437</b>	<b>4,541,515</b>



## 12 Equity share capital

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Issued, subscribed and paid up capital:			
Share Capital	70,696,054	70,696,054	70,696,054
<b>Total</b>	<b>70,696,054</b>	<b>70,696,054</b>	<b>70,696,054</b>

## 13 Other equity

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
i. General reserve	4,668,980	-	-
ii. Retained earnings	54,367,273	90,043,723	56,086,696
<b>Total</b>	<b>59,036,253</b>	<b>90,043,723</b>	<b>56,086,696</b>

## i. General reserve

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Opening Balance	-	-	-
Add: Transfer from Profit & Loss Account	4,668,980	-	-
<b>Total</b>	<b>4,668,980</b>	<b>-</b>	<b>-</b>

## ii. Retained earnings

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Opening Balance	90,043,723	56,086,696	(12,038,560)
Add: Profit for the year	24,579,805	33,957,027	50,306,948
Add: FCTR transferred to Retained earnings	-	-	17,818,308
Less: Transferred to general reserve	(4,668,980)	-	-
Less: Dividend paid	(55,587,275)	-	-
<b>Total</b>	<b>54,367,273</b>	<b>90,043,723</b>	<b>56,086,696</b>

## Other Reserves - Foreign Currency Translation Reserve

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Opening Balance	(12,634,848)	-	-
Add: Movements during the year	27,661,280	(12,634,848)	-
<b>Total</b>	<b>15,026,432</b>	<b>(12,634,848)</b>	<b>-</b>





Sasken Communication Technologies (Shanghai) Co., Limited

Notes to the financial statements for the year ended March 31, 2018

Current liabilities

Amount in Rs.

Financial liabilities

14	Trade payables			
	Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
	Outstanding dues of creditors other than micro enterprises and small enterprises	11,216,581	7,337,555	19,574,646
	<b>Total</b>	<b>11,216,581</b>	<b>7,337,555</b>	<b>19,574,646</b>
15	Other current liabilities			
	Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
	Statutory liabilities	6,563,335	7,118,140	7,649,414
	<b>Total</b>	<b>6,563,335</b>	<b>7,118,140</b>	<b>7,649,414</b>
16	Current tax liabilities			
	Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
	Provision for taxation, net of advance tax	5,027,506	1,702,921	3,709,409
	<b>Total</b>	<b>5,027,506</b>	<b>1,702,921</b>	<b>3,709,409</b>



Amount in Rs.

## 17 Revenue from operations

Particulars	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Revenue		
Software services	165,088,430	189,992,366
<b>Total</b>	<b>165,088,430</b>	<b>189,992,366</b>

## 18 Other income

Particulars	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Interest income from:		
on Others	379,562	330,119
Exchange gain (net)	(1,124,335)	917,189
<b>Total</b>	<b>(744,773)</b>	<b>1,247,308</b>

## Expenses

## 19 Employee benefits expense

Particulars	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Salaries & Bonus	114,491,392	129,144,038
Contribution to Provident and Other Funds	7,807,495	12,812,615
Staff Welfare	682,185	821,236
Recruitment and Relocation	500,360	188,733
<b>Total</b>	<b>123,481,432</b>	<b>142,966,622</b>

## 20 Other expenses

Particulars	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Rent	1,665,633	1,905,033
Repairs and maintenance		
On Plant & machinery	464	-
On Building	80,813	102,085
On Others	-	151,818
Communication expense	212,166	354,160
Travel expense	838,726	(475,432)
Electricity and water charges	53,410	43,990
Professional, legal and consultancy charges	3,450,646	1,391,225
Insurance	7,618	7,979
Selling expense - others	51,961	135,963
Doubtful deposits and other loans and advances written off	-	100,330
Auditor's Remuneration		
Audit fees (fees for local GAAP financials)	428,474	438,801
Reimbursement of expenses	39,299	-
Rates and taxes	80,359	(245,885)
Printing & Stationery	39,741	33,818
Miscellaneous expenses	74,652	(226,992)
<b>Total</b>	<b>7,023,962</b>	<b>3,716,893</b>



21 Tax expense

Amounts recognised in profit and loss

	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Current tax		
Current year	9,133,187	10,547,915
<b>Tax expense</b>	<b>9,133,187</b>	<b>10,547,915</b>





## Notes to the financial statements

### 1. Company Overview

1. The company is a wholly owned subsidiary of Sasken Technologies Limited (formerly known as Sasken Communication Technologies Limited). Key Management Personnel: Ms. Neeta Revankar, Managing Director. The company was incorporated on 4th January 2006 under the People's Republic of China Laws

### 2. Basis of preparation

#### A. Statement of compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013, (the 'Act') and other relevant provisions of the Act. The Company's financial statements up to and for the year ended March 31, 2017 were prepared in accordance with the Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act.

The financial statements correspond to the classification provisions contained in Ind AS 1, "Presentation of Financial Statements". For clarity, various items are aggregated in the statements of profit and loss and balance sheet. These items are disaggregated separately in the notes to the financial statements, where applicable.

As these are the first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied.

#### B. Functional and presentation currency

These financial statements are presented in Indian Rupees (INR), which is the Parent Company's reporting currency, functional currency being CNY. All amounts included in the financial statements are reported in INR, except share and per share data, unless otherwise stated.

#### C. Basis of measurement

The financial statements have been prepared on the historical cost convention and on accrual basis except for the following material items which have been measured at fair value:

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial instruments classified as fair value through profit or loss	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations

#### D. Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

#### Assumptions and estimation uncertainties

The preparation of the financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

##### a) Revenue recognition:

The Company uses the percentage of completion method using the input (cost expended) method to measure progress towards completion in respect of fixed price contracts. Percentage of completion method accounting relies on estimates of total expected contract revenue and costs. This method is followed when reasonably dependable estimates of the revenues and costs applicable to various elements of the contract can be made. Key factors that are reviewed in estimating the future costs to complete include estimates of future labor costs and productivity efficiencies. Because the financial reporting of these contracts depends on estimates that are assessed continually during the term of these contracts, recognized revenue and profit are subject to revisions as the contract progresses to completion. When estimates indicate that a loss will be incurred, the loss is provided for in the period in which the loss becomes probable.

##### b) Impairment testing:

Investments in subsidiaries and intangible assets are tested for impairment at least annually and when events occur or changes in circumstances indicate that the recoverable amount of the asset or cash generating units to which these pertain is less than its carrying value. The recoverable amount of cash generating units is higher of value-in-use and fair value less cost to dispose. The calculation of value in use of a cash generating unit involves use of significant estimates and assumptions which includes turnover and earnings multiples, growth rates and net margins used to calculate projected future cash flows, risk-adjusted discount rate, future economic and market conditions.

##### c) Income taxes:

The operations of Sasken China are taxable under the tax laws of People Republic of China.





**d) Deferred taxes:**

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carryforwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

**e) Defined benefit plans and compensated absences**

The cost of the defined benefit plans, compensated absences and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**f) Expected credit losses on financial assets**

The impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, customer's creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.

**g) Other estimates:**

Fair valuation of derivative hedging instruments designated as cash flow hedges involves significant estimates relating to the occurrence of forecast transaction.

**E. Measurement of fair values**

Some of the Company's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**3. Significant accounting policies**

**(a) Property, Plant and Equipment (including intangible assets)**

**i. Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

The cost of property, plant and equipment not available for use as at each reporting date is disclosed under capital work-in-progress.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

**ii. Transition to Ind AS**

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 April 2016, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment.

**iii. Subsequent expenditure**

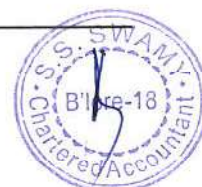
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

**iv. Depreciation and Amortization**

Based on an independent assessment, the management has estimated the useful lives of the following classes of assets, which are lower than or equal to those indicated in Schedule II. Management believes this best represents the period over which they expect to use these assets. Depreciation is provided using the straight line method (SLM), over the estimated useful life of the asset, as follows:

Type of asset	Estimated useful life	Useful life as per Schedule II
Building	20	60
Computers	3	3
Electrical and fittings	5	10
Furniture and fixtures	10	10
Office equipment	5	5
Plant and equipments	5	15

Leasehold improvements are amortized over the shorter of the estimated useful life of the assets and the related lease term.





Intangible assets are amortized over the estimated useful life, on a straight line basis, as follows:

1. Computer Software -
  - a. Computer Software used for development of software/rendering software services - over the life of the project/product - 1 year to 5 years.
  - b. Generic Computer Software - over 1 year.
  - c. Product Software for administration purposes - 3 years.
2. Technical know-how - over a period of 3 years.

#### **v. Research and Development**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Equipment or facilities that are acquired or constructed for research and development activities, which have alternative future uses are capitalized as tangible assets. Depreciation on such assets, during the research phase, is charged to expense as research and development costs.

#### **vi. Capitalization and Amortization of Software Products**

Costs incurred during the research phase are expensed off as period costs. Costs incurred towards development of computer software products meant for sale, lease or otherwise marketed, are capitalized subsequent to establishing the technological feasibility provided future economic benefit is probable and the Company has an intention and ability to complete and use or sell software and costs can be measured reliably. The costs are expensed as period costs, if the technological feasibility is not established. Capitalization ceases when the product is ready for general release to customers. Capitalized software product costs are amortized on a straight line method over the remaining estimated economic life of the product. The unamortized cost of capitalized software products is carried at cost, less accumulated amortization less impairment, if any.

#### **(c) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is, or contains a lease if, fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases of property, plant and equipment, where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at lower of the fair value of the leased property and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

#### **(d) Revenue**

The Company derives its revenues from rendering software services, product and technology licensing and installation and commissioning

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company, significant terms of the arrangement are enforceable, the revenue can be reliably measured and the collection is probable. The following specific recognition criteria must also be met before revenue is recognized.

Revenue and costs relating to time and material contracts are recognized as the services are rendered. Revenue from fixed price service contracts and customized products or technology developments is recognized based on the proportionate completion method. Revenue from maintenance contracts is recognized ratably over the term of the maintenance arrangement.

'Unbilled revenues' represent cost and earnings in excess of billings as at the end of the reporting period. 'Deferred revenues' represent billing in excess of revenue recognized.

Revenue from royalty is recognized on an accrual basis based on customer confirmation of shipment volumes, provided collection is probable.

Revenue related to post contract customer support is recognized rateably over the support period.

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

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

The Company recognizes revenue which is litigated once the litigation has reached finality and has the assurance of collecting the award.

#### **(e) Foreign currency**

##### **(i) Foreign currency transactions**

##### **Initial Recognition**

Transactions in foreign currency are translated into the reporting currency by applying to the foreign currency amount the exchange rate prevailing on the date of the transaction.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Exchange differences are recognised in profit or loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- equity investments at fair value through OCI (FVOCI);
- qualifying cash flow hedges to the extent that the hedges are effective.





#### **Forward exchange contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the Statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

#### **(ii) Foreign Operations**

The assets and liabilities of foreign operations are translated into INR, the functional currency of the Company, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into INR at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

#### **(f) Financial Instruments**

##### **i. Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

##### **ii. Classification and subsequent measurement**

##### **Financial assets:**

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 3(c)(v) for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

##### **Financial liabilities:**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### **iii. Derecognition**

##### **Financial assets:**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

##### **Financial liabilities:**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

#### **iv. Derivative financial instruments and hedge accounting**

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates



### **Cash flow hedges**

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

### **(g) Impairment**

#### **i. Impairment of financial instruments**

The Company recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due for 90 days or more;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

#### **i. Impairment of non financial assets**

The Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (or group of CGUs) on a pro rata basis.

### **(h) Retirement and other employee Benefits**

#### **i. Gratuity**

The Company provides for gratuity, a defined benefit plan covering all eligible employees. The plan provides a lump sum payment to eligible employees at retirement or on termination of employment based on the salary of the respective employee and the years of employment with the Company.

The Company contributes to a gratuity fund maintained by an insurance company. The amount of contribution is determined based upon actuarial valuations as at the year end. Such contributions are charged off to the Statement of profit and loss. Provision is made for the shortfall between the actuarial valuation carried out as at balance sheet date as per Projected Unit Credit Method and the funded balance with the insurance company.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.





## ii. Provident Fund

Employees other than the employees at foreign branches are eligible to receive Provident Fund benefits through a defined benefit plan in which both employee and employer make monthly contributions to the plan. The Company has established a Provident Fund Trust to which contributions towards provident fund are made each month. The Provident Fund Trust guarantees a specified rate of return on such contributions on a periodical basis. The Company will meet the shortfall in the return, if any, which is provided for based on actuarial valuation carried out, as at the balance sheet date. Contributions towards Provident Fund are charged to the Statement of profit and loss on an accrual basis.

## iii. Pension

In case of Germany branch, pension contributions are made as per the local laws and regulations. The Company provides for these pension benefits, a defined benefit plan, covering all eligible employees. The plan provides for various pension benefits to eligible employees at retirement or on termination of employment based on earnings of the respective employee and the years of employment with the Company. The Company contributes to a reinsured support fund maintained by an external agency. The contributions made by the employer are charged to the Statement of profit and loss on accrual basis. Provision is made for the shortfall between the actuarial valuation carried out as at the year end, as per the projected unit credit method and the funded balance.

For other overseas branches, social security contributions are made as per the respective local laws and regulations. The same is charged to the Statement of profit and loss on an accrual basis. There are no obligations beyond the respective entity's contributions.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised in OCI.

## iv. Compensated absences

Short-term compensated absences are provided based on estimates. Long-term compensated absences are provided for based on actuarial valuation, done as per projected unit credit method, as at Balance Sheet date. The Company presents the compensated absences as a current liability in the balance sheet wherever it does not have an unconditional right to defer its settlement beyond 12 months after the reporting date.

## v. Other employee benefits

The Company operates other long term benefit plan covering all eligible employees. The plan provide for lump sum payments at the end of agreed tenure. The cost of providing benefit under this plan is determined by the actuarial valuation, done as per projected unit credit method as at each Balance Sheet date.

## vi. Superannuation

The Company contributes to a superannuation scheme, a defined contribution plan maintained by an insurance company. Such contributions are charged to the Statement of profit and loss on an accrual basis. The Company has no other obligations beyond its monthly contributions.

## vii. Share-based payment transactions

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

## (i) Income Taxes

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

### i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

### ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.





Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets - unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

#### **(j) Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

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

#### **(k) Provisions and contingencies**

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 their 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.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a best estimate of such obligation.

Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. A contingent asset is neither recognised or disclosed in the financial statement.

#### **(l) Warranty Provisions**

Provision for warranty related costs are recognised when the license is provided or service provided. Provision is based on historical experience. The estimate of such warranty related costs is revised periodically.

#### **(m) Cash and cash equivalents**

Cash and cash equivalents in the cash flow statement comprise of cash at bank and in hand and short term investments with an original maturity value of three months or less. The cash flow statement is prepared under the indirect method.



22 Related Party Disclosures

The following table summarizes the transactions and balances of the Company with group companies:

Holding Company  
Fellow Subsidiary Company

Sasken Technologies Limited (formerly known as Sasken Communication Technologies Limited)  
Sasken Finland Oy

Transactions	Amount in Rs.	
	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Sasken Technologies Limited (formerly known as Sasken Communication Technologies Limited)		
Software development services rendered	-	-
Dividend Paid	55,587,275	-

Balances	Amount in Rs.	
	As at March 31, 2018	As at March 31, 2017
Sasken Technologies Limited (formerly known as Sasken Communication Technologies Limited)		
Subscription to the Share Capital	70,696,054	70,696,054
Receivable	17,991,812	17,902,162
Payable (Incl. provisions)	4,229,438	4,208,364
Sasken Finland Oy		
Receivable	9,967,720	8,612,209
Payable (Incl. provisions)	-	-

23 Operating lease

The Company has operating leases for office premises that are (a) renewable on a periodic basis.

Particulars	Amount in Rs.	
	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Rent expenses included in profit & loss account towards operating leases (For the year ended: RMB 171,017/-; Previous year RMB 148,615/-)	1,665,633	1,905,033

Minimum lease obligation under non-cancellable lease contracts amounts to:

Particulars	Amount in Rs.	
	As at March 31, 2018	As at March 31, 2017
Due in one year of the balance sheet date	943,019	841,905
Due between one to five years	-	-

24 The Company has following foreign currency exposures which are not hedged:

Particulars	Amount in Rs.	
	As at March 31, 2018	As at March 31, 2017
Amount in Foreign Currency		
Loans & Advances	276,075.62	276,075.62
Current Liabilities	64,898.68	64,898.68
Net Receivable/ (Payable)	211,176.94	211,176.94
Amount in Rs.		
Loans & Advances	17,991,812	17,902,162
Current Liabilities	4,229,438	4,208,364
Net Receivable/ (Payable)	13,762,374	13,693,798

Particulars	Amount in Rs.	
	As at March 31, 2018	As at March 31, 2017
Amount in Foreign Currency		
Loans & Advances	124,294.22	124,294.22
Current Liabilities	-	-
Net Receivable/ (Payable)	124,294.22	124,294.22
Amount in Rs.		
Loans & Advances	9,967,720	8,612,209
Current Liabilities	-	-
Net Receivable/ (Payable)	9,967,720	8,612,209



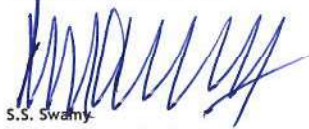
25 Other Notes

- a) Estimated amount of contracts remaining to be executed on capital account (net of advances) is Nil, (As at March 31, 2017: Nil)
- b) Contingent Liabilities - Bank Guarantee given amounting to Rs. Nil (As at March 31, 2017: Rs. Nil)

26 Comparatives

Previous period's figures have been regrouped/rearranged wherever necessary to conform with current year's presentation.

As per my report of even date



S.S. Swamy  
Chartered Accountant  
Membership No.019990

Place : Bengaluru  
Date : April 20, 2018



Sasken Communication Technologies (Shanghai) Co., Limited



Neeta Revankar  
Legal Representative  
DIN: 00145580

