



**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, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

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

**Auditors' Responsibility**

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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**CA S.S. Swamy**

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

**Chartered Accountant**



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BANGALORE – 560 018.

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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, 2017, and its profits and its cash flows for the year ended on that date.

Bangalore  
April 19, 2017



  
**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

### Notes forming part of the accounts for the year ended March 31, 2017

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

#### 2. Significant Accounting Policies

##### (a) Basis for preparation of financial statements

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) and complies in all material respects with the Accounting Standards notified under section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014). The financial statements have been prepared under the historical cost convention on an accrual basis, except in case of certain financial instruments which are measured at fair values and in case of assets for which impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and are consistent with those used during the previous year, other than those disclosed.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in future, actual results ultimately may differ from the estimates.

##### (b) Revenue Recognition

The Company derives its revenues from services.

Revenue from time and material service contracts is recognized as the services are provided. Revenue from fixed price service contracts is recognized based on the proportionate completion method, provided collection is probable.

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

Interest income is recognized on an accrual basis.

##### (c) Work in Progress

Costs related to milestones that have not been met are treated as costs of future activity and are reported as work in progress. Work in progress is carried at cost or net realizable value whichever is lower.

##### (d) Fixed Assets (including intangible assets)

Fixed assets are stated at cost, less accumulated depreciation less impairment, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

##### (e) Depreciation

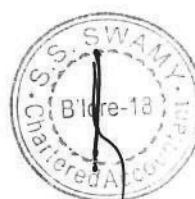
Based on an independent assessment, the management has estimated the useful lives of the following classes of assets, which are lower than or equal to those indicated in Schedule II. Depreciation is provided on Straight Line Method (SLM), over the estimated useful life of the asset, as follows:

Type of asset	Estimated life (SLM)	Schedule II Estimated life (SLM)
Computers	3	3
Electrical Fittings	5	10
Furniture & Fittings	10	10
Office Equipment	5	5
Plant and Equipments	5	15

Assets with unit value of Rs. 5,000 or less are depreciated entirely in the period of acquisition. Intangible assets are amortized over the estimated useful life.

##### (f) Foreign currency translations

i. 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 approximately at the date of the transaction.



ii. 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.

iii. Exchange differences - Exchange differences arising on the settlement or conversion of monetary items, are recognised as income or as expenses in the period in which they arise.

iv. Translation of Integral and Non-Integral foreign operation. 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.

In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at exchange rates at the dates of the transactions; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

#### **(g) Income Taxes**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with tax laws of People Republic of China. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

#### **(h) 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.

#### **(i) Segment Reporting**

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

The Company is focused in the embedded communication space. The risks and returns of the Company are predominantly determined by the nature of the solution offered to its customers, which may be in the form of services. The Company currently operates in single business segment, i.e. services.

The geographical segment information is disclosed based on the location of the customers.

#### **Allocation of common costs:**

Common allocable costs are allocated to the segments according to the relative contribution of each segment to the total common costs.

#### **Unallocated items:**

The Unallocated items includes general corporate income and expense items, which are not allocated to any business segment.

#### **(j) Operating Leases**

Operating leases payments are recognized as expense in the profit and loss account on a straight-line basis over the lease term.

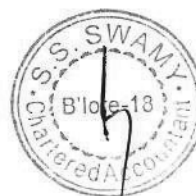
### **18 Other Notes**

a) Estimated amount of contracts remaining to be executed on capital account (net of advances) is Nil, (As at March 31, 2016: Nil)

b) Contingent Liabilities - Bank Guarantee given amounting to Rs. Nil (As at March 31, 2016: Rs. Nil)

### **19 Provision for taxation**

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



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

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

	Amount in Rs.	
Balances	As at	As at
	March 31, 2017	March 31, 2016
<b>Sasken Technologies Limited</b>		
(formerly known as Sasken Communication Technologies Limited)		
Subscription to the Share Capital	70,696,054	70,696,054
Receivable	17,902,162	18,289,986
Payable (Incl. provisions)	4,208,364	4,299,532
<b>Sasken Finland Oy</b>		
Receivable	8,612,209	9,343,254
Payable (Incl. provisions)	-	10,779,539

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

Minimum lease obligation under non-cancellable lease contracts amounts to:		
Particulars	As at	Amount in Rs.
	March 31, 2017	As at March 31, 2016
Due in one year of the balance sheet date	841,905	1,306,727
Due between one to five years		

		As at March 31, 2017	As at March 31, 2016
Particulars		Euros (EUR)	Euros (EUR)
Amount in Foreign Currency	Loans & Advances	124,294.22	124,294.22
	Current Liabilities	-	143,401.27
	Net Receivable/ (Payable)	124,294.22	(19,107.05)
Amount in Rs.	Loans & Advances	8,612,209	9,343,254
	Current Liabilities	-	10,779,539
	Net Receivable/ (Payable)	8,612,209	(1,436,285)

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



## Balance Sheet

Amount in Rs.

Particulars	Notes	As at	As at
		March 31, 2017	March 31, 2016
EQUITY AND LIABILITIES			
1. Shareholders' funds	3	70,696,054	70,696,054
Reserves and surplus	4	77,408,875	56,086,696
2. Current liabilities			
a) Trade payables	5	7,337,555	19,574,646
b) Other current liabilities	6	7,118,140	7,649,414
c) Short term provisions	7	1,702,921	3,709,409
Total		164,263,545	157,716,219
ASSETS			
1. Non current assets			
a) Fixed assets (net)			
i) Tangible fixed assets	8	145,307	22,349
b) Long term loans and advances	9	281,769	384,929
2. Current assets			
a) Trade receivables	10	40,251,827	65,198,728
b) Cash and bank balances	11	108,667,624	54,388,002
c) Short term loans and advances	12	1,231,546	3,481,496
d) Other current assets	13	13,685,472	34,240,715
Total		164,263,545	157,716,219

Significant Accounting policies and Notes attached herein form an integral part of the financial statements.

As per my report of even date

S.S. Swamy  
Chartered Accountant  
Membership No.019990



Sasken Communication Technologies (Shanghai) Co., Limited

Rajiv C Mody  
Legal Representative  
DIN: 00092037

Place : Bengaluru  
Date : April 19, 2017



Sasken Communication Technologies (Shanghai) Co., Limited

Statement of Profit and Loss

Amount in Rs.

	Particulars	Notes	For the Year Ended March 31, 2017	For the Year Ended March 31, 2016
I	Revenue from Operations	14	189,992,366	238,567,077
II	Other Income	15	1,247,308	(2,949,595)
III	<b>Total Revenue (I+II)</b>		<b>191,239,674</b>	<b>235,617,482</b>
IV	<b>Expenses:</b>			
	Employee benefit expense	16	142,966,622	160,603,384
	Other expense	17	3,716,893	8,214,487
	Depreciation and amortization expense	8	51,217	44,795
	<b>Total expenses</b>		<b>146,734,732</b>	<b>168,862,666</b>
V	<b>Profit before tax (III - IV)</b>		<b>44,504,942</b>	<b>66,754,816</b>
VI	<b>Tax expense/(credit):</b>			
	(1) Current tax		10,547,915	16,450,716
	(2) Deferred tax		-	(2,848)
	<b>Total tax expense</b>		<b>10,547,915</b>	<b>16,447,868</b>
VII	<b>Profit for the year (V-VI)</b>		<b>33,957,027</b>	<b>50,306,948</b>

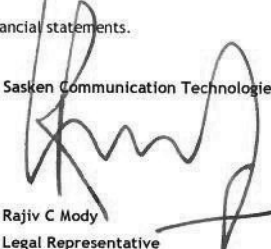
Significant Accounting policies and Notes attached herein form an integral part of the financial statements.

As per my report of even date

  
S.S. Swamy  
Chartered Accountant  
Membership No.019990



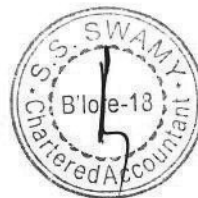
Sasken Communication Technologies (Shanghai) Co., Limited

  
Rajiv C Mody  
Legal Representative  
DIN: 00092037

Place : Bengaluru  
Date : April 19, 2017



Particulars	As at	As at
	March 31, 2017	March 31, 2016
<b>3. Shareholders' funds</b>		
Issued, subscribed and paid up capital		
Share Capital	70,696,054	70,696,054
	<b>70,696,054</b>	<b>70,696,054</b>
<b>4. Reserves and surplus</b>		
Foreign exchange translation reserve		
Opening balance	17,818,308	17,706,257
Add: Movements during the year	(12,634,848)	112,051
	<b>5,183,460</b>	<b>17,818,308</b>
Profit and loss account balance		
Opening balance	38,268,388	(12,038,560)
Add: Profit for the year	33,957,027	50,306,948
	<b>72,225,415</b>	<b>38,268,388</b>
	<b>77,408,875</b>	<b>56,086,696</b>
<b>5. Trade payables</b>		
For goods, services and expenses		
- Dues to other creditors	7,337,555	19,574,646
	<b>7,337,555</b>	<b>19,574,646</b>
<b>6. Other current liabilities</b>		
Statutory liabilities	7,118,140	7,649,414
	<b>7,118,140</b>	<b>7,649,414</b>
<b>7. Short term provisions</b>		
Provision for Income Tax	1,702,921	3,709,409
	<b>1,702,921</b>	<b>3,709,409</b>





Notes to financial statements for the year ended March 31, 2017

8. Fixed assets										Amount in Rs.	
Particulars	Balance as at April 1, 2016	Additions during the year	Gross Block Deductions during the year	Adjustments	Balance as at March 31, 2017	Balance as at April 1, 2015	Depreciation/Amortization/Impairment			NET BLOCK	
							For the year	Deletions during the year	Adjustments	Upto March 31, 2017	As at March 31, 2017
Tangible Assets											
- Computers	3,617,968	183,105	3,239,421	(138,321)	423,331	3,614,143	40,248	3,239,421	(130,195)	284,775	138,556
- Office Equipments	192,895	-	65,036	(12,605)	115,254	174,371	10,969	65,036	(11,801)	108,503	6,751
Balance as at March 31, 2017	3,810,863	183,105	3,304,457	(150,926)	538,585	3,788,514	51,217	3,304,457	(141,996)	393,278	145,307
Balance as at March 31, 2016	3,781,574	-	-	29,289	3,810,863	3,715,361	44,795	-	28,358	3,788,514	22,349

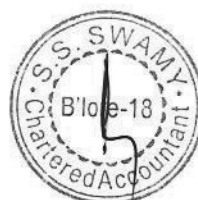


Sasken Communication Technologies (Shanghai) Co., Limited

Notes to financial statements for the year ended March 31, 2017

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016
<b>9. Long term loans and advances</b>		
Unsecured considered good		
Security deposits	281,769	384,929
	<b>281,769</b>	<b>384,929</b>
<b>10. Trade receivables</b>		
Unsecured considered good		
Outstanding for more than six months from due date	25,537,291	26,573,220
Outstanding for less than six months from due date	14,714,536	38,625,508
	<b>40,251,827</b>	<b>65,198,728</b>
<b>11. Cash and bank balances</b>		
Cash and cash equivalents		
Balances with banks	108,621,335	54,188,981
Cash on hand	46,289	199,021
	<b>108,667,624</b>	<b>54,388,002</b>
<b>12. Short term loans and advances</b>		
Loans and advances to employees	393,189	-
Prepaid expenses/Other recoverables	838,357	3,440,057
Balances with Govt. Authorities	-	41,439
	<b>1,231,546</b>	<b>3,481,496</b>
<b>13. Other current assets</b>		
Unbilled Revenues	12,708,392	33,180,696
Receivable towards sale of Fixed Assets	977,080	1,060,019
	<b>13,685,472</b>	<b>34,240,715</b>

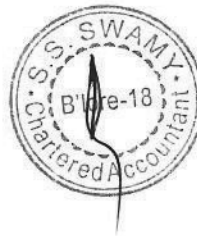


Sasken Communication Technologies (Shanghai) Co., Limited

Notes to financial statements for the year ended March 31, 2017

Amount in Rs.

Particulars	For the Year Ended March 31, 2017	For the Year Ended March 31, 2016
<b>14. Revenue from operations</b>		
Sale of software services	189,992,366	238,567,077
	<b>189,992,366</b>	<b>238,567,077</b>
<b>15. Other Income</b>		
Miscellaneous income	-	1,565
Interest income on Bank Deposits (Gross)	330,119	206,687
Exchange gain / (loss)	917,189	(3,157,847)
	<b>1,247,308</b>	<b>(2,949,595)</b>



Particulars	For the Year Ended March 31, 2017	For the Year Ended March 31, 2016
<b>16. Employee Benefit Expense</b>		
Salaries & Bonus	129,144,038	149,373,884
Contribution to Provident and Other Funds	12,812,615	9,648,223
Staff Welfare	821,236	1,180,034
Recruitment and Relocation	188,733	401,243
	<b>142,966,622</b>	<b>160,603,384</b>
<b>17. Other operational expense</b>		
Rent	1,905,033	3,353,409
Repairs and maintenance		
-Plant and machinery	-	8,458
-Building	102,085	63,327
-Others	151,818	15,544
Communication expenses	354,160	466,216
Printing & Stationery	33,818	65,285
Travel expenses	(475,432)	851,615
Electricity and water charges	43,990	83,401
Professional, legal and consultancy charges	1,391,225	2,381,726
Insurance	7,979	8,292
Selling expenses - others	135,963	155,986
Doubtful deposits and other loans and advances written off	100,330	20,595
Auditor's Remuneration		
- Audit fees *	438,801	455,417
Rates and taxes	(245,885)	446,279
Miscellaneous expenses	(226,992)	(161,063)
	<b>3,716,893</b>	<b>8,214,487</b>

\* represents fees paid for audit under local GAAP.

