



27th

Annual Report 2012-13

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CORPORATE OFFICE & DEVELOPMENT CENTRE

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DEVELOPMENT CENTRE

Pune

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Board of Directors

Philippe Lesueur	Chairman
Vipul Jain	Managing Director
K.K. Nohria	Director
Sekhar Natarajan	Director
Nani Javeri	Director

Auditor

M/s. B S R & Co.
Chartered Accountants

Company Secretary

Ninad Umraniyar

Bankers

State Bank of India
ICICI Bank Ltd.
HDFC Bank Ltd.
Axis Bank Ltd.

Registered Office

Kale Enclave, 685/2B & 2C,
1st Floor, Sharada Arcade,
Satara Road,
Pune - 411 037.
Tel. No. +91 20 6608 3777
Fax No. +91 20 2423 1639
Website : www.accelyakale.com

Registrar and Share Transfer Agent

Karvy Computershare Pvt. Ltd.,
Plot No. 17 to 24,
Near Image Hospital,
Vittalrao Nagar, Madhapur,
Hyderabad - 500 081.
Tel. : +91-40-2342 0815 /2342 0817
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Dear Shareholders,

This has been a successful year for Accelya Kale.

The company's revenues and profits at a consolidated level have grown substantially. Net sales for FY 2013 stood at Rs. 3,038 million, a growth of 39% over the previous financial year. Net profit was at Rs. 844 million, up by 107% over the last financial year. The revenue growth was facilitated by new customers going into production during the year as well as increased transaction volumes for existing customers. The increase in profitability is due to our business model, supported by the strengthening of dollar against the rupee.

A dividend payout of Rs. 70 per share (which includes Rs. 40 per share proposed) reflects not only current year's performance, but past performance as well as our ability to generate free cash on an on-going basis.

The company further consolidated its position as the leading solutions provider to the airline industry and added leading global airlines to its customer list including Thai Airways, bmi regional, Air Seychelles, Royal Air Maroc and Biman Bangladesh, to name a few.

I am pleased to share that FinesseMBS™ has got excellent traction in the market. Over 13 airlines globally, including 3 of the top 20 global airlines, are FinesseMBS™ customers. This is also the company's initiative on the Cost / Payable side of accounting, thereby completing the entire value chain of Airline Finance. We see this as a growing opportunity as airlines are increasingly looking at standardizing processes in Direct Operating Cost Management area.

Airline business is very complex and competition from other service providers is intense. Therefore, we continue to focus on innovation and increased productivity and quality. During the year, we have announced a major technology refresh to our flagship product - REVERA® ver. 11. We are also doing pioneering work in setting up frameworks for measuring timeliness, completeness and accuracy of processing. With these initiatives, our customers will see greater value in our products and outsourced services.

I am proud of the recognition we have received. We won the Diversity Impact Award in 4th Asia Best Employer Brand Awards 2013. This recognition at international level reiterates that we are diverse, secular and multi-cultural company.

Once again, we got listed in the prestigious Forbes Asia's 200 'Best under a Billion' Companies, 2013. This is a prestigious list of top 200 performing companies analysed from database of over 15,000 stock-traded companies in Asia-Pacific. In 2013, only 19 Indian companies made it to this list.

I am happy with our overall performance this financial year and I look forward to your continued support as we enter the new financial year.

Yours truly,



Vipul Jain
CEO & Managing Director

To,

The Members,

Your Directors are pleased to present the Twenty Seventh report on the business and operations of the Company for the year ended June 30, 2013.

Financial Results		Rs. in Million	
Particulars	2012-13	2011-12	
Total Revenue			
- Revenue from Services	2,623.84	1,814.06	
- Other Income	47.21	50.87	
Total	2,671.05	1,864.93	
Total Expenditure	1,626.33	1,406.42	
Profit before Tax and Exceptional Items	1,044.72	458.51	
Exceptional Items	-	7.77	
Profit Before Tax and Exceptional Items	1,044.72	466.28	
Provision for Tax			
- Current Tax	343.70	161.29	
Deferred Tax Charge			
- Current Tax	(11.42)	(9.16)	
Profit After Tax	712.44	314.15	
Profit brought forward from previous year	507.48	647.37	
Accumulated balance of Zero Octa Selective Sourcing India Private Limited, brought forward incorporated pursuant to the Scheme of Amalgamation	211.83	-	
Accumulated balance of Zero Octa Recruitment and Training (India) Private Limited, brought forward incorporated pursuant to the Scheme of Amalgamation	(0.51)	-	
Profit available for appropriation	1,432.26	961.52	
Appropriations:			
- Transferred to General Reserves	71.24	31.41	
- Interim Dividend	447.79	214.38	
- Proposed Dividend	597.05	149.26	
- Dividend Distribution Tax	177.57	58.99	
- Balance Carried Forward to Balance Sheet	137.59	507.48	

Dividend

The Company had declared and paid an interim dividend of Rs. 30 per equity share during the year.

Your Directors are pleased to recommend a final dividend of Rs.40 per equity share for the financial year ended June 30, 2013.

Operating Results

The Company has shown robust growth in the financial year 2012-13. During the year under review, the total revenues of the Company grew by Rs. 806.12 million from 1,864.93 million to Rs.2,671.05 million, an increase of 43.23% over the previous year. The Company's total expenditure for the year ended June 30, 2013 stood at Rs. 1,626.33 million compared to Rs. 1,406.42 million in the previous year, an increase of 15.64%.

The Profit before tax increased from Rs. 466.28 million in the previous year to Rs. 1,044.72 for the current year, an increase of 124.05%.

The Profit after tax for the year ended increased to Rs. 712.44 million from Rs. 314.15 million of the previous year, a steep increase of 126.78%.

Business Operations

During the year, Kale Consultants Limited was renamed as Accelya Kale Solutions Limited. This was a step in making it easier for our customers to have access to the entire solution portfolio and do business with the Accelya Group. Accelya Group redefined a new Vision and Mission and launched the new logo in line with the same.

During the year, the Company launched REVERA Airmail revenue accounting solution for airlines to manage their airmail business. REVERA Airmail is part of Accelya Kale's leading REVERA Revenue Accounting Suite, which includes REVERA PRA, REVERA CRA, REVERA Interline and APEX Proration.

The Company added many leading global airlines to our customer list. Some of these included:

- Biman Bangladesh Airlines Limited, the flag carrier airline of Bangladesh selected FinesseMBS™ solution to streamline its miscellaneous billing processes.
- Royal Air Maroc, the flag carrier airline of Morocco selected its FinesseMBS™ to automate and standardize the entire Miscellaneous billing process.
- Air India, the flag carrier airline of India outsourced its passenger, cargo revenue accounting to Accelya Kale.
- Thai Airways, the national carrier of Thailand selected Accelya Kale's passenger revenue accounting solution, REVERA® PRA, to streamline their passenger revenue accounting process.
- bmi regional, the British regional airline, outsourced its passenger revenue accounting, sales audit, refunds, card billing and chargeback processing to Accelya Kale.

- Air Seychelles, the national carrier of Seychelles, outsourced its Passenger Revenue Accounting, Cargo Revenue Accounting, Airmail Revenue Accounting and Miscellaneous (Non-Transport) Billing to Accelya Kale.

Subsidiaries

The Central Government has, vide General Circular No: 2 / 2011 dated February 8, 2011, granted general exemption to companies from attaching a copy of the Balance sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of subsidiary companies, subject to the fulfillment of certain conditions mentioned therein. As a result, the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the following subsidiary companies:

- Kale Softech Inc.
- Kale Revenue Assurance Services Limited
- Zero Octa UK Limited

do not form part of this Annual Report. The annual accounts of the subsidiary companies and related detailed information shall be made available to shareholders of the Company and of subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be available for inspection by any shareholders at the registered office of the Company and of the subsidiary companies concerned. These documents can be requested by any shareholder of the Company. Further, in line with the Listing Agreement and in accordance with the Accounting standard 21 (AS-21), the Consolidated Financial Statements prepared by the Company include financial information of its subsidiaries.

During the year, Kale Softech Inc. repurchased 450,000, 5% Redeemable Preferred Stock of USD 1 each held by your Company at a price of USD 1.58 per stock.

Amalgamation

With a view to enable pooling and more efficient utilization of resources, greater economies of scale, reduction in operating and other overheads and improvement in various operating parameters, it was decided to amalgamate Zero Octa Selective Sourcing India Pvt. Ltd. ("ZOSS") and Zero Octa Recruitment and Training (India) Pvt. Ltd. ("ZORT"), (the indirect subsidiaries of the Company) with Accelya Kale.

The Hon'ble Bombay High Court has passed an order on 05 July, 2013, approving the amalgamation with effect from 01 April, 2013 (Appointed date). Accordingly, ZOSS and ZORT have been dissolved.

Directors

Mr. Sekhar Natarajan

Mr. Sekhar Natarajan retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Mr. Sekhar Natarajan is a well-known industry professional. Known for his integrity and passion for results, Mr. Natarajan has led and built Monsanto India as an organization that is a growth leader in Indian agriculture. He is a strategic thinker with rich global experience in business development and mergers and acquisitions. He is a great people leader who has developed and nurtured talent for Monsanto and the Agri sector in India. He has taken early retirement from Monsanto after 30 years of working for the company.

Mr. Natarajan is currently the managing partner at S N Consultants where he provides advice and strategic direction to several local and international companies. He also holds the position of Chairman and Director at Monsanto India Ltd. Additionally, he serves as a Director at Maharashtra Hybrid Seed Company Ltd. and Wyeth Ltd.

Companies in which Mr. Sekhar Natarajan is a director

Accelya Kale Solutions Limited	Monsanto India Limited
Maharashtra Hybrid Seeds Company Limited	Wyeth Limited

Mr. Natarajan does not hold any shares in the Company.

Mr. Bahram Vakil

Mr. Bahram Vakil, who was an independent director of the Company has resigned due to personal commitments with effect from 01 July, 2013.

Mr. Nani Javeri

Mr. Nani Javeri was appointed as an additional director by the Board of Directors on 08 July, 2013. The term of Mr. Javeri as an additional director expires at the ensuing Annual General Meeting. It is proposed to appoint him as a director liable to retire by rotation.

Mr. Javeri has extensive experience of 42 years in the financial services industry. He is the former CEO of Bank of Sohar, Oman and Birla Sun Life Insurance. Under his leadership, Birla Sun Life Insurance ("BSLI") emerged as one of the leading private sector life insurance companies in India. Mr. Javeri, prior to BSLI, spent 32 years with Grindlays Bank in various capacities in India, London and Melbourne. He had also been associated with Oman International Bank in Oman and Times Bank Limited in India.

Companies in which Mr. Nani Javeri is a director:

Accelya Kale Solutions Ltd.	Inarco Limited
Ari Consolidated Investments Ltd.	Union KBC Asset Management Co. Pvt. Ltd.
Voltas Ltd.	Hannover Re Consulting Services (I) Pvt. Ltd.
Universal Comfort Products Ltd.	

Mr. Javeri does not hold any shares in the Company.

Reappointment of Mr. Vipul Jain as Managing Director

The term of Mr. Vipul Jain as Managing Director expired on 31 May, 2013. The Board of Directors, at its meeting held on 7 August, 2013, re-appointed Mr. Vipul Jain as Managing Director from 1 June, 2013 to 30 June, 2016. The appointment is subject to the approval of the members in general meeting. Members are requested to approve the resolution for reappointment of and remuneration payable to Mr. Jain as Managing Director.

Mr. Vipul Jain, 55, is a B.Tech. from IIT, Kanpur and a Post Graduate in Management from IIM Ahmedabad. He was responsible for development and implementation of the country's first on-line Hotel Management System in 1982. In 1986, he, along with Mr. Narendra Kale, promoted the Company and took on marketing responsibility for the Company. He also led the Company's efforts in building the Hospital Management System, a pioneering effort that won him the Young Consultants Award from the Government of India. In 1992, he took on the responsibility of Managing Director. The setting up of the airlines line of business has been at his initiative and he has personally been responsible for the Company's success in marketing products in the fiercely competitive international market.

Companies in which Mr. Vipul Jain is a director	
Accelya Kale Solutions Limited	Zero Octa UK Limited, UK
Kale Revenue Assurance Services Limited, UK	Kale Softech Inc., USA
Kale Logistics Solutions Private Limited	Virtual Wizards Private Limited
Baaya Ventures Limited	Fight Hunger Foundation

Mr. Vipul Jain does not hold any equity shares in the Company.

Auditors

M/s. B S R & Co., Chartered Accountants, Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Directors' Responsibility Statement

Your Directors confirm that –

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- 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 Directors' Report 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.
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- the directors had prepared the annual accounts on a going concern basis.

Human Resource

The Board has not granted any stock options during the year under review. During the year the Company also did not have any options in force. Therefore the details required to be given under the SEBI (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999 are not being given.

During the year, the Company had cordial relations with its employees.

Corporate Governance

A report on Corporate Governance is set out separately, which forms part of this report.

Fixed Deposits

During the year your Company has not accepted fixed deposits from the public.

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, as amended, the names and other particulars are required to be attached to this Report. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report of your Company sent to the shareholders do not contain the said annexure. Any member desirous of obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company.

Conservation Of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars prescribed under clause (e) of subsection (1) of section 217 of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the annexure which forms part of this report.

Acknowledgment

Your directors extend their gratitude to all investors, clients, vendors, banks, financial institutions, regulatory and governmental authorities and stock exchanges for their continued support during the year. The directors place on record their appreciation of contribution made by the employees at all levels for their dedicated and committed efforts during the year.

For and on behalf of the Board of Directors

Philippe Lesueur
Chairman

Vipul Jain
Managing Director

Place: Mumbai
Date: 7 August, 2013

Annexure to Directors' Report Annexure to Directors' Report

Conservation of Energy

The range of activities of your Company require minimal energy consumption and every endeavour has been made to ensure optimal utilization of energy and avoid wastage through automation and deployment of energy-efficient equipments.

Your Company takes adequate measures to reduce energy consumption by using efficient computer terminals and by using latest technology. The impact of these efforts has enhanced energy efficiency. As energy cost forms a very small part of total expenses, the financial impact of these measures is not material and measured.

Technology Absorption

Your Company, in its endeavour to obtain and deliver the best, adopts the best technology in the field, upgrades itself continuously.

Research and Development (R&D)

Your Company has a well-equipped Research and Development team carrying on research and development activities.

The total expenditure incurred on Research and Development during the year 2012-13 was Rs. 25.48 million.

Foreign exchange earning and outgo

The details of foreign exchange earnings and outgo are given in Note Nos. 33 to 35 of the "Notes to Financial Statements".

For and on behalf of the Board of Directors

Philippe Lesueur
Chairman

Vipul Jain
Managing Director

Place: Mumbai
Date: 7 August, 2013

Report on Corporate Governance

The importance of maintaining high ethical standards by the corporate sector for ensuring its long term sustainable growth has been universally accepted. It is in this context that development of best practices of corporate governance and rating of companies is increasingly becoming very relevant.

Your Company believes that good corporate governance enhances accountability and increases shareholder value. Corporate Governance is a set of guidelines to fulfill its responsibilities to all its stakeholders i.e. investors, customers, vendors, government, employees. Good corporate governance has been an integral part of the Company's philosophy. The Company believes that good corporate governance should be an internally driven need and is not to be looked upon as an issue of compliance dictated by statutory requirements. The Company is focused on good governance, which is a key driver of sustainable growth and enhanced shareholder value.

Board Composition

The Company has optimum combination of executive and non – executive directors with more than fifty per cent of the Board comprising of non – executive directors.

Board Meetings

Five Board Meetings were held during the financial year 2012-13.

Name of Director	Designation	Category	Directorships / Board Committees (Number)		
			Other Directorships	Committee Memberships	Committee Chairmanships
Mr. Philippe Lesueur	Chairman	Non-Executive	11	-	1
Mr. Vipul Jain	Managing Director	Executive (Promoter)	7	-	1
Mr. K. K. Nohria	Director	Independent and Non Executive	20	6	1
Mr. Sekhar Natarajan	Director	Independent and Non Executive	3	4	2
Mr. Bahram Vakil*	Director	Independent and Non Executive	10	6	-

* Mr. Bahram Vakil has resigned as Director w.e.f. 1 July, 2013

Dates of Board Meetings

• 1 August, 2012	• 10 October, 2012	• 6 November, 2012	• 6 February, 2013	• 2 May, 2013
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Attendance at Board Meetings and Last Annual General Meeting

Name of Director	No. of Board Meetings Attended	Attendance at AGM held on 6 November, 2012
Mr. Philippe Lesueur	5	Yes
Mr. Vipul Jain	5	Yes
Mr. K. K. Nohria	3	Yes
Mr. Sekhar Natarajan	5	Yes
Mr. Bahram Vakil	3	No

Board Committees

Currently Board has four Committees –

- a) Audit Committee
- b) Investor Grievance Committee
- c) Remuneration and Compensation Committee
- d) Share Transfer Committee

None of the Directors of the Company is a member of more than 10 committees or acts as a Chairman of more than five committees across all companies in which he is a Director.

Composition of Committees**a) Audit Committee**

Four meeting of the Committee were held during the financial year 2012-2013.

Name of Director	Category	No. of Meetings Attended
Mr. Sekhar Natarajan(*)	Independent Director	4
Mr. K. K. Nohria	Independent Director	3
Mr. Bahram Vakil	Independent Director	3

(*) Chairman of the Committee

Terms of Reference

- a. to oversee financial reporting and disclosure process.
- b. to recommend the appointment and removal of statutory auditors, decide their remuneration and approval for payment for any other services.
- c. to review financial results and statements before submission to the Board, focusing primarily on –
 - any changes in accounting policies and practices.
 - major accounting entries based on exercise of judgment by management.
 - qualifications in the draft audit report.
 - significant adjustments arising out of audit.
 - going concern assumption.
 - compliance with accounting standards.
 - compliance with stock exchange and legal requirements concerning financial statements.
 - any related party transactions i.e. transactions of the company of a material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- d. to oversee adequacy of internal control systems.
- e. reviewing adequacy of internal audit function, including the structure of the internal audit, staffing and seniority of the executive heading the internal audit function, reporting structure, coverage and frequency of internal audit.
- f. discussion with internal auditors of any significant findings in their reports and follow up thereon.
- g. reviewing 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.
- h. discussions with external auditors before the audit commences, as regards nature and scope of audit as well as have post-audit discussions to ascertain any areas of concern.
- i. reviewing the company's financial and risk management policies.
- j. to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders and creditors.