

Accelya Kale Solutions Limited

31st Annual Report 2016-17

accelya

Corporate Office & Development Center

Thane

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Fax: +91-22-6780 8899

Development Center

Pune

Accelya Enclave,
685/2B & 2C, 1st Floor,
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Tel: +91-20-6608 3777
Fax: +91-20-2423 1639

Global Offices

USA

2035 Lincoln Highway,
Suite 1190 Edison, NJ 08817
Tel: +1-848-2600549

UK

Avenue Court, Victoria Avenue,
Camberley, Surrey, GU15 3 HX
United Kingdom
Tel: +44-12-7640 1201

Managed Process Services

Mumbai

Akruti Trade Centre, Road No. 7,
MIDC, Andheri (E),
Mumbai 400 093, India.
Tel: +91-22-6769 3700
Fax: +91-22-6679 3717

602, Akruti Centre Point,
Central Road, MIDC, Andheri (E),
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Tel: +91-22-6627 9900
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Pune

AG- 4 and AG- 5, Ground Floor,
Sharada Arcade, Satara Road,
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Tel: +91-20-6608 3777
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Goa

Office No. 6 - 10, Nucleus,
Bardez, Alto Porvorim,
Goa, India
Tel: +91-832-651 1526

Board of Directors

John Johnston (*)	Chairman
Neela Bhattacharjee	Managing Director
K.K. Nohria	Director
Sekhar Natarajan	Director
Nani Javeri	Director
Sangeeta Singh	Director
Vipul Jain (**)	Director
Philippe Lesuer (#)	Chairman

(*) Mr. John Johnston was appointed as Chairman with effect from 6th October, 2016

(**) Mr. Vipul Jain resigned as Director with effect from 9th August, 2017

(#) Mr. Philippe Lesueur resigned as Director and Chairman with effect from 5th October, 2016

Auditor

B S R & Co., LLP
Chartered Accountants

Company Secretary

Ninad Umranikar

Bankers

State Bank of India
ICICI Bank Ltd.

Registered Office

Accelya 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
CIN : L74140PN1986PLC041033

Registrar and Share Transfer Agent

M/s. Karvy Computershare Private Limited,
Karvy Selenium Tower B, Plot 31-32,
Gachibowli Financial District,
Nanakramguda Hyderabad - 500 032
Phone : +91 - 40 - 67162222
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Dear Shareholders,

I am pleased to share with you that we have seen growth in our revenues and earnings for FY 2017.

Total revenues for FY 2017 stood at ₹ 3,788 million and net profit after tax was at ₹ 913.43 million. This is a 8.25% growth in revenues and 10.02% growth in PAT as compared to FY 2016.

Accelya Kale continued the practice of rewarding its shareholders with dividends. This year, the total dividend is ₹ 51 per share, including ₹ 40 per share recommended as final dividend. I would like to

inform you that on 9th August 2017, Mr. Vipul Jain stepped down from his position as Director. I would like to thank Vipul on behalf of the Board for his valuable contribution.

This year, our revenue accounting platform, REVERA®, surpassed 1 billion transactions. In addition, the REVERA Strategic Product Group (SPG) program was recognized for taking customer collaboration to the next level at ITSMA 2016 Marketing Excellence Awards. REVERA SPG is a board comprised of customer representatives and product specialists from Accelya; their charter is to ensure the most beneficial features are added to the product roadmap thereby giving the best solution to our customers.

I am also delighted to share that we were recognized as 'Service Provider of the Year 2017' by Air Transport News (ATN). Accelya also featured in the International Association of Outsourcing Professionals (IAOP) Global Outsourcing 100 List 2017, a list of the leading outsourcing firms in the world.

We have witnessed good traction for our cost management solution, FinesseCost™. We have added two new customers this year, taking the total to six airline customers including two tier one airlines and one low cost carrier.

This year, we transitioned the ownership of the Accelya Group to Warburg Pincus, a global private equity firm focused on growth investing. Warburg Pincus acquired majority shares in the Group and also holds majority shares in Mercator, a global provider of software platforms and product-enabled solutions to the travel and transport industry. As a result, customers of Accelya and Mercator will benefit from enhanced product and technology capabilities. The combined group will ensure the continuous development of new solutions for the travel and transport industry.

I look forward to your continued support as we enter the new financial year.

Yours truly,

Neela Bhattacharjee
Managing Director

(Amount in ₹ Million)

	2016-17	2015-16	2014-15	2013-14	2012-13
INCOME STATEMENT					
Operating Revenue	3,324.05	3,097.15	2,722.76	2,832.06	2,623.84
Operating EBITDA	1,507.55	1,365.46	1,159.71	1,410.68	1,158.32
Profit Before Tax	1,364.13	1,232.69	1,114.74	1,284.93	1,044.72
Profit After Tax	888.63	806.91	757.15	873.27	712.44
BALANCE SHEET					
Net Worth	1,646.81	949.64	945.59	803.18	762.93
Borrowings	-	-	-	-	0.04
Net Fixed Assets	361.92	350.80	290.94	329.62	345.61
Cash and cash equivalents	48.39	38.43	52.53	98.58	182.16
Current Assets	1,268.95	977.57	986.08	951.30	1,085.33
Current Liabilities	535.65	927.79	864.36	964.68	1,103.03
Capital Employed	1,646.81	949.64	945.59	803.18	762.97
FINANCIAL INDICATORS					
Operating EBITDA Margin	45%	44%	43%	50%	44%
Current Ratio	2.37	1.05	1.14	0.99	0.98
Net Worth per share (₹)	110.33	63.62	63.35	53.81	51.11
Dividend per share (₹)	51.00	45.00	36.00	49.00	70.00
Market price per share (₹)	1,328.00	1,144.95	999.50	680.45	454.40
Basic Earnings per share (₹)	59.53	54.06	50.73	58.51	47.73

To,

The Members,

Your Directors are pleased to present the Thirty First report on the business and operations of the Company for the year ended 30th June, 2017.

FINANCIAL RESULTS (STANDALONE)

₹ in Million

Particulars	2016-17	2015-16
Total Revenue		
- Revenue from Services	3,324.05	3,097.15
- Other Income	130.22	98.93
Total	3,454.27	3,196.08
Total Expenditure	2,090.14	1,963.39
Profit before Tax and Exceptional Items	1,364.13	1,232.69
Exceptional Items	-	-
Profit Before Tax and After Exceptional Items	1,364.13	1,232.69
Provision for Tax		
- Current Tax	480.34	428.56
- Tax expense for earlier years	4.67	-
- Deferred Tax (Credit)	(9.51)	(2.78)
Profit After Tax	888.63	806.91
Profit brought forward from previous year	234.70	230.65
Profit available for appropriation	1,123.33	1,037.56
Appropriations:		
- Interim Dividend	164.19	223.89
- Proposed Dividend	-	447.79
- Dividend Distribution Tax	33.42	135.26
- Dividend Distribution Tax Credit	(6.14)	(4.08)
- Balance Carried Forward to Balance Sheet	931.86	234.70

DIVIDEND

The Company had declared and paid an interim dividend of ₹ 11 per equity share during the year.

Your Directors are pleased to recommend a final dividend of ₹ 40 per equity share for the financial year ended 30th June, 2017.

OPERATING RESULTS

During the year under review, your Company's operating revenues increased by 7.33% from ₹ 3,097.15 million to ₹3,324.05 million. The total expenditure for the year stood at ₹ 2,090.14 million as against ₹ 1,963.39 million,

an increase of 6.46% over the previous year.

The Company reported profit before tax and after exceptional items of ₹ 1,364.13 million as compared to ₹ 1,232.69 million for the previous year, a growth of 10.66% over the previous year.

The Company registered profit after tax of ₹ 888.63 million for the year 2016-17 as against ₹ 806.91 million in the previous year, an increase of 10.13%.

BUSINESS OPERATIONS

Throughout the year, the Company experienced good traction in its revenue accounting and cost management solutions. Some of the highlights include:

- Accelya Kale surpassed 1 billion transactions per annum on its revenue accounting platform REVERA
- El Al, the national carrier of Israel, selected Accelya Kale's REVERA® for passenger revenue accounting
- The REVERA Strategic Product Group (SPG) program was recognized for taking customer collaboration to the next level at ITSMA 2016 Marketing Excellence Awards
- FinesseCost™, our cost management solution, added two new customers this year. With these additions, FinesseCost has a total of six airline customers including two tier one airlines and one low cost carrier
- Biman Bangladesh, the flag carrier airline of Bangladesh, selected Accelya Kale's Finesse Flight Profitability System to aid its network expansion

In an endeavor to bring best in class solutions to customers, the Company launched the following new initiatives:

- Connect2ERP™ solution version 2.0 was launched on SAP-certified integration with the SAP® ERP application. This will enable airlines to better integrate their accounting systems and financial solutions.
- APEX® Miles was built to leverage Accelya Kale's APEX Proration, the industry-recognised proration engine. It accurately derives revenue-based earned miles while supporting existing airline mileage charts based on distance, RBD (Reservation Booking Designators), or a combination of these.

ACQUISITION BY WARBURG PINCUS

During the year, Warburg Pincus, a global private equity firm focused on growth investing, acquired Accelya Holding Luxembourg S.A. from Chequers Capital and through this,

a controlling interest in the Accelya group of companies.

An Open Offer for acquisition of upto 3,782,966 equity shares of ₹ 10 each representing 25.34% of the voting share capital of Accelya Kale Solutions Limited ("the Company") was made pursuant to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (as amended) to the public shareholders of the Company by Sky Bidco S.L.U. (Acquirer) along with Canary Topco Limited (PAC 1), Canary Holdco Limited (PAC 2), Canary Finco Limited (PAC 3), Canary Midco Limited (PAC 4) and Sky Holdco Limited (PAC 5).

The Open Offer commenced on 26 April, 2017 and closed on 11 May, 2017.

A total no. of 171 shares were tendered in the Open Offer. These shares were acquired by Canary Topco Limited. As a result of this acquisition, the total promoter group shareholding increased from 11,143,295 to 11,143,466.

Warburg Pincus is also the majority shareholder of Mercator, (a global provider of product-enabled solutions to the travel and transportation industry).

Together, Accelya and Mercator are leading global technology-enabled solutions providers to airlines, travel agents and freight forwarders. The combined group now offers a broadened product portfolio with complementary offerings including revenue accounting, revenue management and revenue assurance, cargo management, payment solutions, data analytics, cost management and commercial solutions. Customers of Accelya and Mercator will benefit from enhanced product and technology capabilities, which will ensure the continued development of innovative solutions for the travel industry. With a global footprint and more than 400 clients worldwide, including 250 airlines, the Accelya group which now includes Mercator, will be at the forefront of automation, helping customers manage their financial processes more efficiently, minimizing revenue leakages, reducing operational costs and optimizing management of their indirect distribution channel.

SUBSIDIARIES

Pursuant to the provisions of section 129(3) of the Companies Act, 2013 ("the Act"), a statement containing salient features of financial statements of Kale Softech Inc. and Zero Octa UK Limited, in Form AOC-1 is attached to the financial statements.

The Company does not have any subsidiaries in India.

The financial statements of the subsidiary companies shall be available for inspection by any shareholder 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in accordance with the Accounting Standard 21 (AS-21), the Consolidated Financial Statements prepared by the Company include financial information of its subsidiaries.

BOARD OF DIRECTORS

Six meetings of the Board of Directors were held during the year, the details of which are given in the Corporate Governance Report. The maximum interval between any two meetings was well within the maximum allowed gap of 120 days.

The Independent Directors of your Company have given the declaration of independence to your Company stating that they meet the criteria of independence as mentioned under Section 149 (6) of the Act.

The details of familiarization programme and Annual Board Evaluation process for Directors have been provided under the Corporate Governance Report.

The policy on appointment of directors, key managerial personnel, senior management and other employees and remuneration policy is annexed herewith as Annexure "A".

Vipul Jain

Mr. Vipul Jain has stepped down as Director of the Company effective from the close of business hours on 9th August, 2017.

The Board places on record its appreciation for the valuable contribution by Mr. Vipul Jain as Director over the years.

John Johnston

Mr. John Johnston retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. John Johnston is the CEO of Accelya Group. He is based out of Luxembourg. He has work experience of around 40 years.

Prior to joining Accelya, John was Chairman of the Board of Directors at GLS Worldwide, also known as TRAXON Worldwide, is a joint venture company between CHAMP Cargosystems S.A., Cathay Pacific Airlines and Japan Airlines. He has a great track record for growth and has developed the most comprehensive range of integrated IT solutions for the Air Cargo Logistics Community.

During his career, John has held senior executive positions and has provided consulting services to global airlines.

Here are his key achievements over the years:

- Managed all aspects of the successful start-up of CHAMP Cargosystems.
- Defined the Vision and Strategy of CHAMP Cargosystems.
- Negotiated the \$200m Cargolux Outsourcing Agreement.
- Managed the merger between CHAMP and SITA Cargo (UK) Limited.
- Managed the acquisition of Softair AG.
- Managed the acquisition of TRAXON Europe GmbH.
- Maintained year-on-year profitability and the continued growth of the CHAMP Group.

Companies in which Mr. John Johnston is a Director	
Accelya Kale Solutions Limited	Accelya Holding World SLU
Kale Softech Inc.	Accelya UK Limited
Zero Octa UK Limited	Accelya Portugal - Unipessoal Lda
Accelya America S.A. de C.V	Canary Topco Limited
Accelya Lux Sarl	Sky Bidco SLU

Mr. Johnston does not hold any equity shares in the Company.

The Board recommends the re-appointment of Mr. John Johnston as Non-Executive Non-Independent Director of the Company, liable to retire by rotation.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company has not given any loans or guarantees covered under the provisions of the Act.

Information regarding investments covered under the provisions of section 186 of the Act is detailed in the financial statements.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state that:

- in the preparation of the annual accounts for the year ended 30th June, 2017, the applicable accounting standards have been followed and there are no material departures from the same;

- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th June, 2017 and of the profit of the Company for the year ended on that date;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis;
- the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

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.

Disclosures with respect to the remuneration of Directors and employees as required under section 197 of the Act and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 has been appended as Annexure "B".

Details of employee remuneration as required under provisions of section 197 of the Act and Rule 5(2) and 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are available at the Registered Office of the Company during working hours before 21 days of the Annual General Meeting and shall be made available to any shareholder on request.

POLICIES

Your Company has formulated Policy on Related Party Transactions, Policy for determining material subsidiaries, CSR Policy and Whistle Blower Policy in terms of the

legal requirements. These policies are available on the website of the Company at <http://www.accellyakale.com/investorrelations/policies/>.

RELATED PARTY TRANSACTIONS

All contracts/transactions entered into by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis.

No material Related Party Transactions, i.e. transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements, were entered during the year by your Company. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3)(h) of the Act in Form AOC-2 is not applicable.

All Related Party Transactions are placed before the Audit Committee for review and approval. Prior omnibus approval is obtained for Related Party Transactions for transactions which are of repetitive nature and entered in the ordinary course of business and are at arm's length.

All Related Party Transactions are subjected to independent review by a reputed accounting firm to establish compliance with the requirements of Related Party Transactions under the Act and SEBI Listing Regulations.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In accordance with the requirements of section 135 of the Act, your Company has constituted a Corporate Social Responsibility Committee ("CSR Committee"). The composition and terms of reference of the CSR Committee is provided in the Corporate Governance Report.

Annual report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed herewith as Annexure "C".

VIGIL MECHANISM

The Company has adopted a Whistle Blower Policy, as part of vigil mechanism to provide a framework to promote responsible and secure whistle blowing process. It protects employees wishing to raise a concern about serious irregularities within the Company or its employees.

Protected disclosures can be made by a whistle blower through an email or by a phone call to the Ombudsperson appointed under the Policy.

No personnel of the Company has been denied access to the audit committee.

As per the requirement of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ('Act') and Rules made thereunder, your Company has constituted Internal Complaints Committees.

The Company has not received any complaint of sexual harassment during the financial year 2016-17.

RISK MANAGEMENT

The Company has constituted a Risk Management Committee. The details of Committee and its terms of reference are set out in the Corporate Governance Report forming part of the Board's Report.

The Company has a robust Risk Management framework to identify, evaluate and mitigate risks. This framework seeks to create transparency, minimize adverse impact on the business objectives and enhance the Company's competitive advantage.

The risk framework defines the risk management approach across the enterprise at various levels.

AUDITORS

Statutory Auditors

M/s. B S R & Co. LLP were appointed as Statutory Auditors of your Company at the Annual General Meeting held on Wednesday 5th October, 2016 for a term of one year.

The term of B S R & Co. LLP expires at the conclusion of the forthcoming Annual General Meeting.

M/s. B S R & Co. LLP have been the Auditors of the Company since 2010-11 and have completed a term of seven years.

As per the provisions of section 139 of the Act, no listed company can appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. It is proposed to appoint M/s. B S R & Co. LLP as auditors of the Company for a period of 1 year to hold office from the conclusion of the ensuing AGM till the conclusion of the 32nd AGM on a remuneration as may be fixed by the Board of Directors of the Company.

The Report given by the Auditors on the financial statements of the Company is part of the Annual Report.

There is no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

Secretarial Auditor

Pursuant to the provisions of section 204 of the Act and The Companies (Appointment and Remuneration of Managerial

Personnel) Rules, 2014, the Company has appointed C. S. Kelkar & Associates, Practising Company Secretaries to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit is annexed herewith as "Annexure D".

EXTRACT OF ANNUAL RETURN

Extract of Annual Return of the Company is annexed herewith as Annexure "E".

CORPORATE GOVERNANCE

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

BUSINESS RESPONSIBILITY REPORT

Business Responsibility Report under Regulation 34(2)(f) of the SEBI (LODR) Regulations, 2015 forms a part of this report and is annexed herewith as Annexure "F".

FIXED DEPOSITS

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under the Act, are annexed hereto as Annexure "G".

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

Neela Bhattacharjee
Managing Director
(DIN : 01912483)

Sekhar Natarajan
Independent Director
(DIN : 01031445)

Place : Mumbai

Date : 9th August, 2017