

# aurionPro™

2011–2012 Annual Report





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# Company Information

## Board of Directors

Mr. Vishwanath Prabhu	Non-Executive Chairman
Mr. Amit Sheth	Managing Director
Mr. Sanjay Desai	Executive Director
Mr. Paresh Zaveri	Non-Executive Director
Mr. Prem Rajani	Independent Director
Dr. Nikunj Kapadia	Independent Director
Dr. Mahendra Mehta	Independent Director
Mr. Sandeep Daga	Independent Director

## Company Secretary

Mr. Mehul Raval

## Board Committees

### Audit Committee

Dr. Mahendra Mehta (Chairman)  
Dr. Nikunj Kapadia  
Mr. Amit Sheth  
Mr. Prem Rajani  
Mr. Sandeep Daga

### Shareholders'/Investors' Grievance & Share Transfer Committee

Dr. Mahendra Mehta (Chairman)  
Mr. Prem Rajani  
Mr. Sandeep Daga  
Mr. Amit Sheth

### Remuneration/Compensation Committee

Mr. Sandeep Daga (Chairman)  
Mr. Prem Rajani  
Dr. Nikunj Kapadia  
Dr. Mahendra Mehta  
Mr. Amit Sheth

## Registered Office

404, 4th Floor,  
Nomura, High Street,  
Hiranandani Business Park  
Powai, Mumbai – 400 076.

## Registrars & Transfer Agents

Bigshare Services Private Limited  
E-2, Ansa Industrial Estate, Saki Naka, Andheri – (E),  
Mumbai – 400 072.

Statutory Auditors. . . . .

M/s. Chokshi & Chokshi  
Chartered Accountants, Mumbai . . . . .

## Internal Auditors

D. Kothary & Co.  
Chartered Accountants, Mumbai

## Bankers

HDFC Bank Limited  
State Bank of India  
Axis Bank Limited  
Yes Bank Limited  
Bank of India

# Chairman's Message



**Mr. Banesh Prabhu**  
Chairman

The industry awards won in 2011, along with the continued commitment from our geographically diverse customer base, fuel aurionPro's ambition to be one of the world's most respected technology solution providers.

Dear Shareholders,

The previous twelve months have been both challenging and interesting to observe as the worldwide economy continued to struggle into calendar year 2012 with prolonged distress in many geographies. High unemployment numbers across several markets, including the U.S., worries about the potential for rising costs in Asia and in emerging markets, and unstable oil prices also clouded the anticipated timeframe for recovery. Despite all of these challenges, spending in the IT sector improved in 2011, with most accounts indicating close to a 7% increase over 2010. Although spend was quite good relative to general economic conditions, IT purchasing decisions were consistently prolonged and extraordinarily competitive. These and other business and economic factors had an impact on aurionPro's aggressive growth plans and investments planned for during our 2011 fiscal year, running from April 1, 2011 through March 31, 2012, and although our revenues grew 14% over our fiscal year 2010, we did not achieve our anticipated expansion and investment plans. aurionPro's Capital Markets group, for instance, was significantly impacted by the economic conditions in Europe, and growth in the Middle East was hindered by instability in that region. In light of a difficult business climate, revenue for the financial year grew to 482.65 crores (\$100.76 million USD), with net profits reaching 43.45 crores (\$9.07 million USD).

Outside of global economic conditions, it has been an intriguing year from a technology perspective and I have been incredibly pleased to see many of the hottest trends converge with aurionPro's areas of focus and expertise. Mobile access, cloud-computing, and information security were three segments that dominated the technology headlines this past year, each of which are core to our product and services offerings. Investment has been made across all of our business lines to ensure the availability of mobile access for our software products, and our Payments division for instance, continued to build out solutions to enable mobile and other electronic payment mechanisms. Several of our main software product lines are also now delivered through Software as a Service (SaaS) and cloud-based models, the total global market of which reached \$12.3 billion USD in 2011 according to Gartner, and is expected to reach \$22.1 billion USD by 2015. These technology trends, along with our industry leading Banking and Supply Chain Management products and second-to-none expertise across Information Security and Web Solutions, hold immense growth potential for aurionPro in 2012 and well beyond.

2011 was also a year to focus on organizational maturity and a significant effort was placed on solidifying the necessary structure for each of aurionPro's four business lines: Banking & Financial Technologies, Supply Chain Management Solutions, Security & Information Management Services, and Consulting & Workforce Solutions. Based on the challenging business environment, aurionPro Management initiated a program to streamline the organizational structure of the company, as well as

our exposure and investments in some of our newer product lines and geographies, to allow us to focus on select business verticals and to ensure that improved efficiencies are realized across the businesses. Our primary goal, of course, is to continue to delight our customers, employees, and partners while creating shareholder value. The changes being implemented are expected to improve effectiveness and reduce operational costs while maintaining the highest levels of quality of our software and services solutions, which consistently outclass our competitors and achieve recognition from industry analysts and leading technology vendors.

On the topic of awards, I am delighted to highlight several that we have won over the course of our fiscal year. First and foremost, aurionPro was listed to the Fintech 100 as the world's 88th largest technology provider to the Financial Services and Banking industries. This is the second time in three years that aurionPro has been featured in this prestigious listing and it is considerable recognition of the growth path that the company has experienced while expanding the value that we offer to Banks and Financial Services Institutions worldwide. Another award that we have won two out of the last three years is Oracle's highest partner honor, the Oracle Titan Award, which we won again in 2011. Oracle recognized our aurionPro SENA division for their ability to deliver Oracle Security and Identity Management solutions that drive business and customer value. aurionPro also won Microsoft's 2011 Enterprise Partner Group Partner of the Year award and our Banking division was honored to receive IBM's Beacon Award for recent successes co-positioning aurionPro's Payment Hub software suite on top of IBM's hardware and software offerings. These awards, from some of the world's foremost analysts and technology companies, are thrilling validation of the investment, effort, and focus we've had in building our product and services offerings while fostering long-lasting and committed partnerships.

The industry awards won in 2011, along with the continued commitment from our geographically diverse customer base, fuel aurionPro's ambition to be one of the world's most respected technology solution providers. Employing more than 1,250 employees worldwide, our incredible journey continues into the next year with a mature and complementary portfolio of software products and consulting services and an organizational structure that will foster growth and operational efficiencies. Our corporate strategy, including focus on many of the most exciting and fastest growing technologies and industries, will serve us well as we continue our expansion targets into 2013 and beyond. We are incredibly excited at what lies ahead, and on behalf of all of us at aurionPro, I would like to once again thank you for your continued support.

Sincerely,  
Banesh Prabhu

# Management Discussion and Analysis

## Overview

The financial statements have been prepared under the historical cost convention, on an accrual basis of accounting, in compliance with the requirements of the Companies Act, 1956, the Generally Accepted Accounting Principles (GAAP) in India and mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"). The management of aurionPro Solutions Limited accepts responsibility for objectivity and integrity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the state of affairs and profits for the year.

The management of aurionPro Solutions Limited is committed to improve the level of transparency and disclosure and, as such, an attempt has been made to disclose herewith information about the company, its business, operations, outlook, risks, and financial condition. The forward looking statements contained herein are subject to certain risks and uncertainties, including but not limited to the risks inherent in the company's growth strategy, dependency on certain clients, and dependency on availability of qualified technical personnel and other factors discussed in this report. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect Management's analysis only as of the date hereof.

## Industry Trends and Developments

### *Global IT Trends in 2011*

2011 was a moderately successful year for Information Technology according to the numbers released by industry analysts. Gartner, for instance, indicated that there was an overall annual growth increase in IT spending of 6.9% over 2010. This improvement happened despite continued global economic turmoil, especially in Europe, and worrisome unemployment figures in the U.S. and across Europe. On top of the global economic conditions, a 9.0-magnitude earthquake off of the coast of Japan shook 2011.

The ensuing tsunami destroyed cities, homes, and businesses, fueling concern that the supply of critical computer components and other Japanese-manufactured items would impact the IT community. Those concerns did not materialize and the world was inspired by the strength and determination of the Japanese people as they rebuilt and attempted to move forward. Although IT spending was improved from 2010, prolonged purchasing decisions extended sales cycles consistently, increasing the cost and effort of the sales process, as well as the competitiveness of software and services selections. aurionPro divisions that manage direct and tight relationships with our customers and partners are affected less by these extended sales processes, although our General Consulting and Workforce Solutions Practices were impacted.

### *2011 IT Metrics*

- According to Gartner, Organizations spent \$3.5 trillion on IT products and services in 2011, including computing hardware, enterprise software, IT services, telecom equipment and telecom services worldwide, and predicts a 3% increase in worldwide spend on IT products and services in 2012, reaching \$3.6 trillion
- IT Outsourcing spend was \$246.6 billion in 2011 and is expected to increase by 2.1% in 2012 to \$251.7 billion in 2012, also according to Gartner
- Cloud compute services was the fastest-growing segment within the ITO market, expected to grow 48.7% in 2012, to \$5.0 billion, from \$3.4 billion in 2011
- Growth in the application outsourcing (AO) segment is expected to reach \$40.7 billion in 2012, a 2 percent increase from 2011 spending of \$39.9 billion

Advancements in key technologies continue to drive global adoption and fuel IT expansion. Sales of smartphones, for instance, surpassed PC sales in 2011, indicating not only consumer-based acceptance, but also the emergence of mobile computing in the enterprise. Mobile internet is also growing steadily globally and is poised to overtake desktop based access by 2014. Similarly, the Software as a Service (SaaS) market reached \$12.3 Billion USD in 2011, and will reach \$22.1 Billion USD by 2015. Amazon's AWS Cloud, for example generated more than \$1 Billion in revenue in 2011 (according to Deutsche

Bank estimates). Finally, worldwide mobile payments transactions hit \$105.9 Billion USD in 2011 and is expected to hit \$617 Billion USD in transactions from 448 million mobile payments users in 2016 (according to Gartner).

Uncertainties in the global economy continue to hang over corporate IT groups and, along with extended sales cycles, 2011 saw continued conservative purchasing decisions due to M&A activity across the Enterprise Software industry and emerging technologies that are just coming into maturity. Proven talent remains an essential consideration for Consulting project evaluations, and although unemployment remained generally high in 2011, specialized skills were still very much in demand. At the high-end of the specialized consulting range, higher costs were still justifiable, while at the lower end, flexibility and highly competitive cost models were the keys to winning general offshoring and outsourcing deals.

### *India IT Industry Trends*

IT spending in India was quite strong in 2011 and is expected to increase significantly in 2012. Gartner is expecting that the Indian IT market will generate 1,910 billion Rupees in 2012, a 16.4 percent increase from 2011 spending of 1,640 billion rupees. This growth will partially be fueled by the strength of the rupee against the U.S. dollar and by an increase of India-based corporations expanding globally. There is continued government-led investment expected in the Education segment, which should enjoy the strongest growth in IT spending in 2012. Investment across the Financial Services industry, government agencies, and large manufacturing will also add to the improved technology spend expected in India in 2012.

## **Opportunities & Threats**

Global economic conditions continue to be an area of uncertainty for all markets, industries, and businesses. Although the financial crisis has had a calamitous impact on many IT vendors, aurionPro has consistently performed admirably, with year over year growth and advancements across all of our business lines. Our strategic focus on investing in our R&D process, growing our partnership community and deepening our partner relationships, and achieving certifications that will give our customers assurance that we are run as a world-class organization have certainly paid dividends. aurionPro will continue to expand all of these and other programs to give each of our business lines the best chance of continuing their growth paths into the future.

aurionPro's ability to expand as anticipated during our 2012-2013 fiscal year will be determined by the following 5 factors:

**Market Expansion** – aurionPro has done quite well across all of our business lines in demonstrating our ability to expand into new markets. Our Banking & Financial Technologies and SCM Solutions divisions are aggressively moving further into Southeast Asia, and the Banking team in particular has a number of promising opportunities developing in Africa and in the Middle East. Along similar lines, our Security & Information Management Services business has been steadily expanding in the U.K. and in Australia, and further opportunities in Northern Europe and Asia seem to be quite likely in the coming year.

**Partner Ecosystem Development** – Our long-standing partnerships with the world's largest and most respected technology companies, including IBM, Microsoft, Oracle, Open Text and Misys are core to our business model. We believe that partnering with these and other vendors is key to our ability to bring our industry-leading solutions and services to market most effectively and to help us expand our geographical footprint and industry reach.

**Versatility & Flexibility** – As IT budgets continue to be undersized, customers will look to their technology vendors to get the most value out of their purchases. This will be true for the varying levels of expertise that will be required to ensure successful and efficient project delivery, as well as for the flexibility in the software license models offered so that lower-cost and on-demand options such as Software-as-a-Service (SaaS) are available for evaluation.

**Depth of Expertise** – Technology organizations that have generalized skillsets will be threatened by continued cost pressure on commoditized resources. Organizations with deep technical and domain expertise like aurionPro will be in even more demand in order to optimize project delivery and minimize rework often times resulting from having the wrong resources involved. Our Managed Services offerings are also expected to play a prominent role in the IT landscape as our customers look for more relevant resources to manage and optimize their infrastructure.

**Talent Retention** – aurionPro has placed significant investment in our employees in order to provide career advancement opportunities, training and skill development activities, and a world-class working environment. Based on these efforts, we have enjoyed higher than industry average employee retention rates, which we will need to continue to focus on in order to ensure our competitive advantage in the market.

## Risks & Concerns

We are exposed to various risks and uncertainties in the normal course of our business that can cause variations in our results from operations and affect our financial condition. The Company views effective risk management as an integral to the delivering of superior returns to shareholders. Principal risks and uncertainties facing the business are as below:

*1. We compete with other third party providers primarily on the basis of the technological features and capabilities of our products and services, and we could lose existing customers and fail to attract new business if we do not keep pace with technological changes.*

The market for our products and services are competitive, continually evolving and subject to technological change. We believe that the principal competitive factors in the markets we serve include the breadth and quality of system and software solution offerings, the stability of the information systems provider, the features and capabilities of the product and service offerings, and the potential for future product and service enhancements. Our success depends upon our ability to keep pace with technological change and to introduce, on a timely and cost-effective basis, new and enhanced software solutions and services that satisfy changing client requirements.

*2. The integration of acquired businesses is time consuming, may hinder with our existing operations and can be expensive, all of which could reduce or eliminate our expected earnings.*

We have acquired businesses in recent years and we may consider opportunities to acquire other companies, assets or product lines that complement or expand our business. If we are unsuccessful in integrating these companies or product lines with our existing operations, or if integration is more difficult than anticipated, we may experience disruptions to our operations. A difficult or unsuccessful integration of an acquired business could have an adverse effect on our results of operations.

*3. Economic, political and market conditions can adversely affect our revenue results and profitability.*

Our revenue and profitability depend on the overall demand for our products and services. Historically, events such as terrorist attacks, natural catastrophes and contagious diseases have created uncertainties in our markets and caused disruptions in our sales cycles. A regional and/or global change in the economy or financial markets, such as the current severe global economic downturn, could result in delays or cancellations of customer purchases. Weak and uncertain economic conditions could also impair our

customers' ability to pay for our products or services. Any of these factors could adversely impact our quarterly or annual operating results and our financial condition.

*4. We may be unable to compete in our markets, which could cause us not to achieve our growth plans and materially and adversely affect our financial performance.*

The market for providing IT services to the BFSI and other sectors is highly competitive. We face competition from a number of companies that offer products and services that are similar to ours. Many of these other providers are much larger and more established than we are, have significantly greater resources, generate more revenues, and have greater name recognition. In addition, we also experience competition from new entrants in our markets and, as we expand our service offerings and target new markets, from companies with whom we have not previously competed. Increased competition may result in price reductions, lower profit margins, and loss of our market share, any of which could have a material adverse effect on our business, operating results, and financial condition.

*5. We are dependent on key personnel.*

While the rate of retention of our associates is high compared to industry averages, our operations are dependent upon our ability to attract and retain highly skilled associates and the loss of certain key individuals to any of our competitors could adversely impact our business.

*6. Because our business involves the electronic storage and transmission of data, security breaches and computer viruses could expose us to litigation and adversely affect our reputation and revenue.*

We electronically store and transmit sensitive business information of our clients. The difficulty of securely storing confidential information electronically has been a significant issue in conducting electronic transactions. To the extent that our activities or the activities of our clients involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, litigation, and other possible liabilities. Any inability to prevent security breaches or computer viruses could also result in interruptions of service to our clients, which could cause existing clients to lose confidence in our systems and could inhibit our ability to attract new clients.

## Research & Development

aurionPro has increased investment in the development of new products, solutions, and packaged offerings during the previous fiscal year, and R&D is viewed as a core part of our strategy to remain competitive in the years to come. As enabling technologies such as

mobile and cloud computing mature, and information proliferation and data analytics becomes core competencies of our client base, aurionPro's software offerings need to stay ahead of the curve in order to reinforce lasting relationships with clients and partners as well as to keep our advantage over our competitors.

Several noteworthy software development efforts that are currently underway include:

- The **Banking & Financial Technologies** team has made a huge leap forward with our PaymentHub product suite, and based on an incredibly successful partnership with IBM, R&D investment continues to be focused on developing new and value-added functionality. For the retail side of the Payments industry, the team has built a robust software platform called the aurionPro Payments Framework (APF) that provides a cohesive suite of plug-and-play components aimed to quickly deliver customizable payments solutions.
- The **Supply Chain Management** team has been working on a large-scale redesign of our SCMPProFit product suite, which, in collaboration with Microsoft, is being targeted for release in 2013 on top of their Azure cloud platform.
- The **Security & Information Management Services** team is in the process of delivering pre-built, cloud-based Identity Management and WebCenter Portal & Content offerings based on Oracle's newly released 11g product suite. In parallel, the team is developing a mobile-based IDM application to create efficiencies for Information Security Administrators who manage individual user's access permissions.

aurionPro's R&D philosophy is to collaborate incredibly closely with our partners and customers so that the entire solution, from hardware to software components, are integrated in the most efficient and effective manner in order for customers to gain the most value out of the solutions. Our partnerships with IBM, Microsoft, and Oracle have been absolutely key in aurionPro's

success and we will continue to build upon our already deep relationships across their Product Management, Engineering, and Sales organizations to ensure that our combined solutions are the most competitive and successful in the market.

## Future Outlook

Despite continued global economic challenges, 2011 was a reasonably strong year in the IT industry. Recovery from the recession is happening more slowly than expected, though, which will certainly have an impact on technology product and services spending in 2012. Gartner predicts IT spending to increase only by 3% over 2011. The IT services segment is expected to grow even more slowly globally, although there will likely be additional opportunities in emerging

geographies that will be expanding more aggressively in the near term.

As discussed earlier in this annual report, some of the technologies that are being adopted by enterprises position aurionPro very well for growth into 2013 and beyond. Cloud and mobile computing, Information Security, and Web Solutions all continue to get center stage attention during our conversations with CIOs and other technology executives. One other area that holds a very strong promise for expansion is our continued focus on Managed Services offerings. Managed Services is an extremely hot topic for IT departments as strained budgets force IT managers to look for ways to cut costs and focus their IT resources on core initiatives rather than on infrastructure and application maintenance. aurionPro's Managed Services offerings across our business lines are a fantastic alternative to in-house managed operations in that our customers pay only for the support services that are required, rather than dedicating full-time employees to the tasks. Improved efficiencies can also be achieved as our proven tools and processes, along with the high skill levels of our support teams, enable optimization of system monitoring and issue resolution.

aurionPro has also continued to invest significantly in our ability to successfully deliver services and solutions to our customers. As such, we initiated assessments with independent 3rd parties to ensure that we have implemented stringent and auditable processes and tight controls. Our Pune delivery center, one of aurionPro's most strategic and substantial offshore development facilities, has achieved both SAS70 Type I certification as well as SSAE16 compliance, the highest level of international validation for an Information Security program, during the past year. Independent auditors carried out the assessments and provided both certifications. Successful completion of these processes provide reassurance to aurionPro's customers that there is a strong set of controls in place and reaffirms that the company is run as a world-class organization.

## Discussion On Financial Performance With Respect to Operational Performance

### Revenue from operations

Our revenues are derived from software products and projects and services. During the year the total revenue from operations was Rs. 482.65crore against Rs. 423.73crore for the previous year representing a increase of 13.91%.

### Software development and other expense