



HOV SERVICES LIMITED

28th ANNUAL REPORT 2015 - 16

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COMPANY INFORMATION

Registered Office & Head Office	3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune - 411 037, Maharashtra Tel: (91 20) - 24231623; Fax: (91 20) - 24221470
Registrar & Share Transfer Agent	Karvy Computershare Pvt Ltd., Karvy Selenium Tower B, Plot number 31 & 32, Financial District, Gachibowli, Hyderabad - 500 032, Telangana Tel: (91 40) - 23420815; Fax: (91 40) - 23420814
Statutory Auditors	Lodha & Co., Chartered Accountants, 6 Karim Chambers, 40, Ambalal Doshi Marg, Mumbai - 400 023, Maharashtra, India Tel: (91 22) - 2265 1140; Fax: (91 22) - 2269 1414
Secretarial Auditors	J.B.Bhave & Co., Company Secretaries, Flat No. 9, Karan Aniket, Shri Varanasi CHS Ltd., Off Mumbai Bangalore Highway, Behind Atul Nagar, Warje, Pune - 411 058 Tel: (91 20) - 2520 43 57 / 59
Internal Auditor	Arth & Associates, Chartered Accountants, Flat No.102/103, Beena Apartments, Behind Chrysallis Institute, Opp SBI Bank, S.B. road, Pune - 411 016
Chief Financial Officer	Mr. Sriram Gopalan Iyengar
VP-Corporate Affairs & Company Secretary & Compliance Officer	Mr. Bhuvanesh Sharma investor.relations@hovsltd.com
Website	www.hovsltd.com

THE BOARD OF DIRECTORS

Mr. Sunil Rajadhyaksha	Chairman & Executive Director
Mr. Surinder Rametra	Executive Director
Mr. Parvinder S Chadha	Executive Director
Mr. B R Gupta	Independent Director
Mr. Harish Bhasin	Independent Director
Mrs. Lakshmi Kumar	Independent Director

THE EXECUTIVE MANAGEMENT

Mr. James Reynolds	Chief Financial Officer, Global
Mr. Sriram Gopalan Iyengar	Chief Financial Officer
Mr. Bhuvanesh Sharma	VP-Corporate Affairs & Company Secretary & Compliance Officer

COMMITTEES OF THE BOARD**AUDIT COMMITTEE**

Name	Designation/Category
Mr. B R Gupta	Chairman (Independent Director)
Mr. Harish Bhasin	Member (Independent Director)
Mr. Surinder Rametra	Member (Executive Director)

NOMINATION & REMUNERATION COMMITTEE

Name	Designation/Category
Mr. Harish Bhasin	Chairman (Independent Director)
Mr. B. R. Gupta	Member (Independent Director)
Mrs. Lakshmi Kumar	Member (Independent Director)
Mr. Sunil Rajadhyaksha	Member (Executive Director)

STAKEHOLDERS RELATIONSHIP COMMITTEE

Name	Designation/Category
Mr. B. R. Gupta	Chairman (Independent Director)
Mr. Harish Bhasin	Member (Independent Director)
Mr. Sunil Rajadhyaksha	Member (Executive Director)

Chairman Message:

Dear Member,

With great pleasure, I welcome you to the 28th Annual General Meeting of Your Company.

We have come along one more year of moving ahead in emerging opportunities in global and domestic markets. India continues to consolidate its position as the global hub for IT –BPM services enabling digital transforming for clients and domestic markets getting boost with different initiatives on “Digital India” and “Make in India. We believe by leveraging our domain experience in technology and significant presence in the rapidly growing health care services, banking and transaction processing services will provide good opportunity to enhance our business spread.

We are very optimistic about our strategic investment made in SourceHOV Holdings Inc., a company in which our wholly owned subsidiary in the United States, HOVS LLC holds investment. The combined company is one of the global leaders in financial transaction solutions and services, healthcare services and administration of claims. SourceHOV with direct sales and operations in 14 countries, provides solutions and services to over 3,000 customers in 55 countries. The company with over 15,000 dedicated employees is strategically positioned to leverage its global presence, multi industry solutions and services to grow in Americas, Europe, Asia, Pacific and Middle East and North Africa.

The Company through its subsidiary HOV Environment Solutions Private Limited entered into environment protection management solutions. It constructed Asia’s largest Geotextile Project at, Cochin and undertaken India’s first government funded offshore geotextile multipurpose reef structure for coastal erosion protection at Mirya Bay, Ratnagiri, Maharashtra. Such projects have long gestation period to achieve breakeven. We have successfully completed two projects; and working on to explore new assignments.

On behalf of Company’s Board of directors I would like to acknowledge and thank each and every one of our HOVS family member for their dedication to work for your Company.

I am thankful to each and every Shareholder for showing trust; confidence; and support to the management of the Company.

Together we can succeed!

Best regards and thank you all,

Sunil Rajadhyaksha

Chairman and Executive Director



Directors' Report

Your Directors are pleased to present the Twenty-Eighth Annual Report on the Business and Operations of HOV Services Limited (the "Company" or "HOVS") together with the Audited Financial Statements for the financial year ended March 31, 2016.

FINANCIAL RESULTS AND OPERATIONS:

Particulars	Rs. In Million			
	Consolidated		Standalone	
	For the year ended on March 31, 2016	For the year ended on March 31, 2015	For the year ended on March 31, 2016	For the year ended on March 31, 2015
INCOME				
Income from Operation	151.51	164.04	135.06	125.45
Other Income	11.16	5.71	13.35	8.17
	162.67	169.75	148.41	133.62
EXPENDITURE				
Staff Cost	104.45	104.21	102.16	100.64
General and Administrative Expenses	44.19	77.90	24.39	33.33
	148.64	182.11	126.55	133.97
Profit/(Loss) before Interest, Depreciation and Tax	14.03	(12.36)	21.86	(0.35)
Less: Interest	6.07	4.11	-	-
Less: Depreciation	9.75	10.13	3.55	4.37
Profit/(Loss) before Tax	(1.79)	(26.60)	18.31	(4.72)
Less: Provisions for taxes				
Current Tax	5.69	-	5.69	-
Deferred Tax	(1.30)	(1.79)	(1.30)	(1.79)
Profit/(Loss) after Tax	(6.18)	(24.81)	13.92	(2.93)
Less: Minority Interest	-	4.70	-	-
Profit/(Loss) after minority interest	(6.18)	(20.11)	13.92	(2.93)
Add: Share of (Loss) from an Associate	(2,750.19)	(1,533.11)	-	-
Net Profit/(Loss)	(2,756.37)	(1,553.22)	13.92	(2.93)

1. RESULTS OF OPERATIONS:

For the financial year ended March 31, 2016 as follows:-

Consolidated Financial Performance:

- Consolidated total Income for the current year was Rs. 162.67 million.
- EBIDT for the current year was Rs. 14.03 million.
- Net Profit/ (Loss) was Rs. (2,756.37) million.
- The basic and diluted Earnings Per Share (EPS) was Rs. (220.08) for the year.

Standalone Financial Performance

- Total Income for the current year was Rs. 148.41 million.
- EBIDT for the current year was Rs. 21.86 million.
- Net Profit/ (Loss) was Rs. 13.92 million.
- The basic and diluted Earnings Per Share (EPS) is Rs. 1.11 for the year under reporting.

2. Appropriations**(i) Dividend:**

Your Company intends to conserve available resources to invest in the growth of the business and pursue strategic growth opportunities, accordingly did not recommend any dividend for the year.

(ii) Transfer to Reserve:

No amount was transferred to Reserve during the financial year ended on March 31, 2016.

3. Subsidiary companies and Associate company**A. Subsidiary Companies:**

- HOVS LLC incorporated in Delaware under the laws of United States of America;
- HOV Environment LLC incorporated in Nevada State under the laws of United States of America;
- HOVS Holdings Limited incorporated under the Companies Ordinance of Hong Kong; and
- HOV Environment Solutions Private Limited incorporated in Maharashtra under Indian Company Laws.

B. Associate Company:

SourceHOV Holdings Inc., in which HOVS LLC, wholly owned subsidiary of the Company, has 44.8% stake holding.

Pursuant to shareholders' approval on November 4, 2014, SourceHOV Holdings Inc. ("SourceHOV"), a company in which HOVS LLC, wholly owned US subsidiary of HOV Services Limited, holds an investment, completed the merger with BancTec Group LLC. Post-merger the equity ownership of HOVS LLC in SourceHOV increased from 26.1% to 44.8%. The fair value of HOVS LLC investment on November 4, 2014 in SourceHOV has been valued at US\$ 95 million (Rs. 58,337.60 lakhs) at the time of aforesaid merger. Accordingly, additional Capital Reserve of Rs 58,240.26 lakhs was recognized being the fair value of investment in the associate over the carrying value of investment. The Company has done the impairment test during the financial year 2015-16 under Accounting Standard 28 "Impairment of Assets" for the investment and there is no impairment to the Investment Value.

A report on the performance and financial position of Subsidiaries, Associate Company as per the Companies Act, 2013 is annexed in the financial statements.

4. Significant developments

During the financial there was significant development happened in the Company.

5. ADR/GDR

The shareholder's in their Annual General Meeting dated July 21, 2007 granted approval for proposed 15,000,000 of ADR/GDR issue. However, so far none of the underlying equity shares were issued by the Company.

6. Share Capital of the Company

During the financial year, the Company had allotted 18,500 equity shares under ESOP Plan 2007. Consequently, after the allotment, the paid up share capital of the Company has gone up from 12,524,522 equity shares of Rs. 10/- each aggregating to Rs. 125,245,220/- to 12,532,522 equity shares of Rs. 10/- aggregating to Rs. 125,325,220/-.

7. Employee Stock Option Plan (ESOP)

Your Company instituted "HOVS Stock Option Plan 2007" and "HOVS Stock Option Plan 2008" for its employees and for employees of its subsidiary companies as detailed below:

Plan	Shareholder's Approval Date	No. of Options for employees of the Company	No. of Options for employees of subsidiary companies	Total
"HOVS Stock Option Plan 2007"	July 21, 2007	400,000	700,000	1,100,000
"HOVS Stock Option Plan 2008"	September 30, 2008	0	750,000	750,000

The information to be disclosed as per SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, is annexed herewith as "ANNEXURE- A" to this report.

8. Conservation of Energy, Technology Absorption and Foreign Exchange

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 13 (3) (m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014, is annexed herewith as "ANNEXURE- B" to this report.

9. Human Resources

All employees are aligned under our value system which propagates and practices being open, transparent and honest, collaborative, honoring commitments and demanding excellence among them. During the year the Company had maintained cordial relations with all its employees and has taken utmost care of its employees deployed.

The Company has no employees who received remuneration in excess of limits prescribed under Section 197 of the Companies Act, 2013 read with the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014.

10. Disclosure as per Section 197 (12) of the Companies Act, 2013 and Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith as "ANNEXURE- C" to this report.

11. Directors Responsibility Statement:

Information as per Section 134(5) of the Companies Act, 2013 is annexed herewith as "ANNEXURE- D" to this report.

12. Financial Summary and Highlights

The Company's current year financial summary and highlights are mentioned in the Management Discussion and Analysis Report.

13. Board Meetings

During the financial year 6 (Six) Board Meetings were held the details of which are given in the Corporate Governance Report.

14. Directors and Key Managerial Personnel

Mr. Surinder Rametra, Executive Director, retires by rotation and being eligible has offered himself for re-appointment.

Mr. Baldev Raj Gupta and Mr. Harish Bhasin were appointed in 26th Annual General Meeting held on July 26, 2014 as Independent Directors for a term comprising of two years. Their term is getting over on July 26, 2016. Based on the recommendation of the Nomination and Remuneration Committee the Board of Directors recommended their re-appointment by the shareholders in the ensuing 28th Annual General Meeting as Independent Director for a term comprising of five years from July 26, 2016 to July 25, 2021.

Mr. Sunil Rajadhyaksha, Whole time Director, Mr. Parvinder Chadha, Whole time Director and Mr. Surinder Rametra, Whole time Director of the Company were re-appointed by the shareholders in the 27th Annual General Meeting for a term of 5 years commence on April 1, 2016 till March 31, 2021.

None of the Directors were materially interested in any contract & agreements existing or at the end of the financial year that was significant in relation to the business of the Company.

All Independent Directors of the Company have given declaration under Section 149(7) of the Companies Act, 2013, stating that they meet the criteria of independence as mentioned in the Section 149(6) of the Companies Act, 2013.

15. Meeting of Independent Directors

Independent Directors of the Company met on March 21, 2016, to review the performance of non-independent directors, the Board as a whole and the Chairman of the Company and assess the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The familiarisation program was arranged by the Company to Independent Directors with regard to their roles, rights, responsibilities with the Company, the nature of the industry in which the Company operates and business model of the Company on March 21, 2016. The details of the familization program disclose under Investor Relations section of the Company's website www.hovsltd.com.

16. Performance Evaluation

During the year the evaluation of Board, its Committees, Independent Directors and other non-independent directors including Chairman of the Board was carried out considering parameters as set by the members of the Board.

For Board and its Committees, the exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board & committees, experience & competencies, meeting in legal frame work, time spent on agendas, receiving information from management and having well defined Committees and each Committee having co-operative working environment with the Board. The evaluation of Chairperson was carried out by independent directors on criteria of leadership, promotes participation among all members and ability to manage conflicting situations positively. In case of evaluation of the independent directors by whole board members was carried out based on the criteria of efforts undertaken for understanding the company, brings independent view point in discussion and awareness of roles and responsibilities.

17. Internal Financial Controls

The Company has adopted adequate procedures for ensuring the internal financial controls. The Company adheres to best practices for safeguarding its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and timely preparation of reliable and accurate financial informations.

18. Related Party Transactions

The transactions entered with related parties are in ordinary course of business and at arm's length basis of the Company. The particulars of transactions entered with related parties is annexed herewith as "ANNEXURE- E" to this report.

19. Corporate Governance Report

The Company believes in good corporate governance which are essential to enhance the value of the Company for the stakeholders and abide by the Corporate Governance norms as stipulated under Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Corporate Governance report is annexed as the part of the Director's report.

20. Management Discussion and Analysis

Management Discussion and Analysis Report for the year under review, as stipulated under Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is presented as a separate section forming part of the Director's report.

21. Code of Conduct for Board and Senior Management

The Company has adopted Code of Conduct for the Directors and Senior Management and same is available on the Company's website http://hovsltd.com/code_of_conduct.html. All Directors and Senior Management personnel have affirmed their compliance with the said Code. A declaration signed by the Whole-time Director to this effect is annexed as part of the Director's report.

22. Auditors and Auditors' Report**Statutory Auditors**

At the Annual General Meeting held on July 26, 2014, M/s. Lodha & Co, Chartered Accountants, Mumbai, were appointed as Statutory Auditors of the Company to hold office till the conclusion of 29th Annual General Meeting subject to ratification by shareholders at every Annual General Meeting and being eligible have expressed their willingness to continue.