



HOV SERVICES LIMITED

29th ANNUAL REPORT 2016 - 17

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CORPORATE INFORMATION

Registered Office & Head office	3 rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune -411 037 Tel: (91 20) -24231623; Fax: (91 20) -24221470
Registrar & Share Transfer Agent	Karvy Computershare Pvt Ltd., Karvy Selenium Tower B, Plot No. 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 Auditor	J. B. Bhavé & Co., Company Secretaries, Flat No. 9, Karan Aniket, Shri Varanasi Co-op Soc. Ltd., Off Mumbai Bangalore Highway, Behind Atul Nagar, Warje, Pune- 411058; Tel: (91 20)- 25204357/59
Internal Auditors	Arth & Associates, Chartered Accountants, Flat No. 102/103, Beena Apartments, Behind Chrysallis Institute, Opp SBI Bank, S. B. Road, Pune- 411016
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. Vikram Negi	Executive Director
Mr. Baldev Raj Gupta	Independent Director
Mr. Harish Bhasin	Independent Director
Mrs. Lakshmi Kumar	Independent Director
* Up to May 29, 2017	

THE EXECUTIVE MANAGEMENT

Mr. Bhuvanesh Sharma	VP-Corporate Affairs & Company Secretary & Compliance Officer
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COMMITTEES OF THE BOARD**AUDIT COMMITTEE**

Name	Designation/Category
Mr. Baldev Raj Gupta	Chairman (Independent Director)
Mr. Harish Bhasin	Member (Independent Director)
Mrs. Lakshmi Kumar	Member (Independent Director)
Mr. Surinder Rametra	Member (Executive Director)

NOMINATION & REMUNERATION COMMITTEE

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

STAKEHOLDERS RELATIONSHIP COMMITTEE

Name	Designation/Category
Mr. Baldev Raj 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 29th Annual General Meeting of Your Company.

This past year have been both challenging and incredibly eventful for your Company.



On February 22, 2017 the Board of Directors' of your Company sought approval on business combination, through postal ballot by way of special resolutions, as stated in the Notice of Postal Ballot dated March 8, 2017. The voting results were declared on April 8, 2017, whereby the members' of the Company had approved the resolutions with requisite majority of 99.999%.

And on July 12, 2017, Exela Technologies, Inc. ("Exela") (NASDAQ:XELA) (NASDAQ:XELAW) (NASDAQ:XELAU), had closed the previously announced business combination with SourceHOV Holdings, Inc. ("SourceHOV") and Novitex Holdings, Inc. ("Novitex") to become one of the largest global providers of transaction processing and enterprise information management solutions serving over 3,500 clients including more than 60% of the Fortune® 100, across more than 50 countries, provide services at nearly 1,200 onsite client facilities and through approximately 150 delivery centers strategically located throughout the Americas, Europe, and Asia.

Above all, I am pleased to inform you that with the closure of above stated combination, your Company got more strengthened.

I am thankful to each one of you for showing trust and confidence in the management of the Company. By & large your Company's management is completely geared towards accomplishing new milestone, diversifying Company's growth and enhancing shareholders value.

I would like to acknowledge efforts made by each and every member of our HOVS family for their dedication towards work, relentless efforts, overcoming challenges, and support.

Lastly, on behalf of Company's Board of Directors, will place on record sincere thanks to each and applicable Authorities and Regulators.

We look forward for continued support of all our shareholders' of the Company. Together we can succeed!

Best regards and thank you all.

Sunil Rajadhyaksha

Chairman & Executive Director

Directors' Report

Your Directors are pleased to present the Twenty-Ninth 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, 2017.

FINANCIAL RESULTS AND OPERATIONS:

Particulars	Rs. In Million			
	Consolidated		Standalone	
	For the year ended		For the year ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
INCOME				
Income from Operation	154.32	151.51	136.45	135.06
Other Income	9.57	11.16	10.61	13.35
	163.89	162.67	147.06	148.41
EXPENDITURE				
Staff Cost	100.15	104.45	99.15	102.16
General and Administrative Expenses	52.44	44.19	28.49	24.39
	152.59	148.64	127.64	126.55
Profit / (Loss) before Interest, Depreciation and Tax	11.30	14.03	19.42	21.86
Less: Interest	6.23	6.07	-	-
Less: Depreciation	8.54	9.75	1.79	3.55
Profit / (Loss) before Tax	(3.46)	(1.79)	17.64	18.31
Less: Provisions for taxes				
Current Tax	5.90	5.69	5.90	5.69
Deferred Tax	0.13	(1.30)	0.13	(1.30)
Profit / (Loss) after Tax	(9.49)	(6.18)	11.61	13.92
Less: Minority Interest	-	-	-	-
Profit/(Loss) after minority interest	(9.49)	(6.18)	11.61	13.92
Add: Share of (Loss) from an Associate	(1,445.79)	(2,750.19)	-	-
Net Profit / (Loss)	(1,455.28)	(2,756.37)	11.61	13.92

1. RESULTS OF OPERATIONS

For the financial year ended March 31, 2017 as follows:-

Consolidated Financial Performance :

- Consolidated total Income for the current year was Rs. 163.89 million.
- EBIDT for the current year was Rs. 11.30 million.
- Net Profit/ (Loss) was Rs. (1,455.28) million.
- The basic and diluted Earnings Per Share (EPS) was Rs. (116.12) for the year.

Standalone Financial Performance :

- Total Income for the current year was Rs. 147.06 million.
- EBIDT for the current year was Rs. 19.42 million.
- Net Profit/ (Loss) was Rs. 11.61 million.
- The basic and diluted Earnings Per Share (EPS) is Rs. 0.92 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, 2017.

3. Subsidiary companies and Associate company

A. Subsidiary Companies :

- i) HOVS LLC incorporated in Delaware under the laws of United States of America;
- ii) HOV Environment LLC incorporated in Nevada State under the laws of United States of America;
- iii) HOVS Holdings Limited incorporated under the Companies Ordinance of Hong Kong; and
- iv) 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.

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

The Board of Directors vide its meeting held on February 22, 2017 considered and approved the business combination. The Board of Directors of your Company had sought approval from its members through postal ballot by way of special resolutions, as stated in the Notice of Postal Ballot dated March 8, 2017. The voting results were declared on April 8, 2017, whereby the members' of the Company had approved the resolutions with requisite majority of 99.999%. The business combination is subject to such terms, conditions or modifications, if any, as may be prescribed by any authority (whether in India or United States of America).

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, there was no change in share capital, the share capital of the Company is 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" 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

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

The Company periodically arranges Rewards and Recognitions programs at the right time for the right resource. During their tenure at the Company, employees are motivated through various skill development and volunteering programs.

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 5 (Five) Board Meetings were held the details of which are given in the Corporate Governance Report.

14. Directors and Key Managerial Personnel

Mr. Sunil Rajadhyaksha, Chairman and Executive Director, retires by rotation and being eligible has offered himself for re-appointment.

Mr. Vikram Negi, with recommendation of the Nomination and Remuneration Committee, was appointed as an additional director by the Board of Directors on February 13, 2017 subject to the approval from shareholders at their ensuing Annual General Meeting.

Mr. Parvinder S Chadha resigned from his office of Executive Directorship and the Board accepted his decision effective May 29, 2017, placing on record its deep sense of appreciation for his unmatched business acumen, strategic vision, strong leadership, able guidance, outstanding contribution and valuable support extended to the Company at all times during his tenure as Executive Director of the Company.

Mr. Sriram Iyengar, Chief Financial Officer had held his office until February 3, 2017 and was relieved effective that date.

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 the Independent Directors of the Company have given declaration for meeting the criteria of independence as required under Section 149(7) of the Companies Act, 2013.

15. Meeting of Independent Directors

Independent Directors of the Company met on February 13, 2017 to review the performance of the Board as a whole, its committees, non-independent directors, independent directors and the Chairman of the Company and assessed 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 on February 13, 2017 for 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. The details of the familiarisation program were disclosed 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 the independent directors, the evaluation 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 information.

18. Related Party Transactions

The transactions entered by the Company with related parties are in ordinary course of business and at arm's length basis. 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 Directors' 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 Directors' 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 Directors' report.

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

M/s. Lodha & Co, Chartered Accountants, Mumbai, were appointed as Statutory Auditors of the Company at the Annual General Meeting held on July 26, 2014, in pursuance with the applicability of the new Companies Act, 2013. In terms of appointment, they will hold office till the conclusion of 29th Annual General Meeting and would retire thereat. Accordingly, the Board with recommendation from the Audit Committee, recommends the resolution to the shareholders, for appointment of M/s BAGARIA & Co., Chartered Accountants to be appointed as auditors for a period of 5 years, commencing from the conclusion of this 29th AGM till the conclusion of the 34th AGM to be held in year 2022.

The Statutory Auditors' Report does not contain any qualification, reservation or adverse remark.