



HOV SERVICES LIMITED

30th ANNUAL REPORT 2017 - 18

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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) -2422 1460; Fax: (91 20) -2422 1470
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) – 2342 0814
Statutory Auditors	Bagaria & Co LLP, Chartered Accountants, 701, Stanford Building, A/o Mahindra Showroom, Junction of S.V. Road & Burfiwala Lane, Andheri (W), Mumbai 400058 Tel: (91 22)- 6250 5600
Secretarial Auditor	J. B. Bhawe & Co., Company Secretaries, Flat No. 9, Karan Aniket, Plot No. 37, Shri Varanasi Co-op Soc. Ltd, Off Banglore Mumbai Bangalore Bypass, Behind Atul Nagar, Warje, Pune- 411 058 Tel: (91 20)- 2520 4357/59
Internal Auditors	Arth & Associates, Chartered Accountants, Flat No. 102/103, Beena Apartments, Behind Chrysallis Institute, Opp. SBI Bank, S. B. Road, Pune- 411 016
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. Vikram Negi	Executive Director
Mr. Baldev Raj Gupta	Independent Director
Mr. Harish Bhasin	Independent Director
Mr. Rohit Jain	Independent Director
*Mr. Harjit Singh Anand	Independent Director
Mrs. Lakshmi Kumar	Independent Director
<i>*w.e.f July 5, 2018</i>	

THE EXECUTIVE MANAGEMENT

Mr. Bhuvanesh Sharma	VP-Corporate Affairs & Company Secretary & Compliance Officer
Mr. Nilesh Bafna	Chief Financial Officer

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 Shareholders,

With great pleasure, I welcome you to the 30th Annual General Meeting of Your Company.

This past year has been incredibly eventful for your Company.



First, we are pleased to state that, with your support and trust, your Company continues to reap the benefits of being an investor in Exela Technologies, Inc. ("Exela"), a global business process automation ("BPA") leader combining industry-specific and industry-agnostic enterprise software and solutions with decades of experience. Exela's BPA suite of solutions are deployed in banking, healthcare, insurance and other industries to support mission critical environments. Exela is a leader in work flow automation, attended and un-attended cognitive automation, digital mail rooms, print communications, and payment processing with deployments across the globe.

Second, we examined all aspects of our environment solutions business, and after considering various factors, in particular the substantial slowdown in the environment business due to budget constraints of various state government maritime boards, it was decided, in the best interest of our stakeholders to exit this business.

Third, we have inducted two new members, Mr. Rohit Jain and Mr. Harjit Singh Anand as independent directors to the Board of your Company. Both Mr. Jain and Mr. Anand bring years of invaluable experience to the Board.

Mr. Jain is the Managing Director and Head of India for Willis Towers Watson (WTW), a leading global advisory, broking and solutions company.

Mr. Anand recently served as Director of Delhi Metro Rail Corporation Ltd. (DMRC), one of the world's largest Metro system.

Finally, I would like to thank all of our Shareholders', Authorities and Regulators and every one of our HOVS family for their continuous dedication and support.

Together we can succeed!

Best regards and thank you all.

Sunil Rajadhyaksha

Chairman & Executive Director

Directors' Report

Your Directors are pleased to present the Thirtieth 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, 2018.

The financial statements were prepared in accordance with the Indian Accounting Standards (IND AS) as notified by the Ministry of Corporate Affairs applicable to the Company effective from April 1, 2017, transition date being April 1, 2016. The Company has followed guidance prescribed in IND AS 101 i.e. First-time adoption of Indian Accounting Standards for the impact of transition.

FINANCIAL RESULTS AND OPERATIONS:

₹ In Lakhs

Particulars	Consolidated		Standalone	
	For the year ended on March 31, 2018	For the year ended on March 31, 2017	For the year ended on March 31, 2018	For the year ended on March 31, 2017
INCOME				
Income from Operation	1359.95	1543.21	1254.55	1364.51
Other Income	420.32	100.79	106.31	106.15
	1780.27	1644.00	1360.86	1470.66
EXPENDITURE				
Staff Cost	911.96	1005.84	884.89	995.85
General and Administrative Expenses	428.02	529.46	269.12	284.88
	1339.98	1535.30	1154.01	1280.73
Profit/ (Loss) before Interest, Depreciation and Tax	440.29	108.70	206.85	189.93
Less: Interest	25.42	62.27	-	-
Less: Depreciation	106.62	85.40	9.76	17.92
Profit / (Loss) before Exceptional items	308.25	(38.97)	197.09	172.01
Exceptional Items	(0.38)	-	(1022.72)	-
Profit / (Loss) Before Tax	307.87	(38.97)	(825.63)	172.01
Less: Provisions for taxes				
Current Tax	(57.10)	(59.00)	(57.10)	(59.00)
Deferred Tax	(12.95)	0.03	(0.97)	0.03
Profit / (Loss) after Tax	237.82	(97.94)	(883.70)	113.04
Share of (Loss) from an Associate	-	(14457.91)	-	-
Profit/(Loss) for the year	237.82	(14555.85)	(883.70)	113.04
Other Comprehensive Income Items that will not be reclassified subsequently to Profit or Loss	61011.50	3.05	1.23	3.05
Total Comprehensive Income for the year	61249.32	(14552.80)	(882.47)	116.09

1. Results of Operations

For the financial year ended March 31, 2018 as follows:-

Consolidated Financial Performance:

- Consolidated total Income for the current year was ₹1780.27 Lakhs.
- EBIDT for the current year was ₹440.29 Lakhs.
- Net Profit for the year was ₹237.82 Lakhs.
- Total Comprehensive Income for the year was ₹61249.32 Lakhs.
- The basic and diluted Earnings Per Share (EPS) for the year was ₹1.90.

Standalone Financial Performance:

- Total Income for the current year was ₹1360.86 Lakhs.
- EBIDT for the current year was ₹206.85 Lakhs.
- Exceptional Loss for the current year was ₹1022.72 Lakhs.
- Net Loss for the year was ₹883.70 Lakhs.
- Total Comprehensive Income for the current year was ₹(882.46) Lakhs.
- The basic and diluted Earnings Per Share (EPS) as under:
 - EPS Before exceptional item ₹1.11
 - EPS After exceptional item ₹(7.05)

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, 2018.

3. 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.

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

4. Significant developments- Investment

As part of SourceHOV Business Combination which got completed on July 12, 2017, the Company's wholly owned subsidiary HOVS LLC as of March 31, 2018 received 31,390,646 common shares in Exela Technologies, Inc., through Ex-Sigma LLC a special purpose vehicle formed for SourceHOV Business Combination. The percentage of investment held by HOVS LLC in Exela Technologies, Inc., as of March 31, 2018 is 19.983% and therefore as per IND-AS, the investment has been accounted as Financial Instrument, i.e. FVOCI Equity Instruments. For details refer Note No. 5 of Consolidated Financial statements.

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 3,200 equity shares under ESOP Plans 2007. Consequently, after the allotment, the paid up share capital of the Company has gone up from 12,532,522 equity shares of ₹ 10/- aggregating to ₹ 125,325,220/- to equity shares 12,535,722 of ₹ 10 aggregating to ₹ 125,357,220/-.

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 provided 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 provided herewith as "ANNEXURE- B" to this report.

9. Human Resources

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. Particular of Employees and Related Disclosures

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 provided herewith as "ANNEXURE- C" to this report.

11. Directors Responsibility Statement

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

12. Financial Summary and Highlights

The financial summary and highlights are presented under the Management Discussion and Analysis Report.

13. Board Meetings

During the financial year 4 (Four) Board Meetings were held the details of which are given in the Corporate Governance Report.

14. Directors and Key Managerial Personnel

Mr. Vikram Negi Executive Director is liable to retire by rotation at the 30th Annual General Meeting. Mr. Negi has confirmed his eligibility and willingness for re-appointment. Mr. Negi has requisite qualifications and experience and therefore, your Directors recommend that the proposed resolution relating to the re-appointment of Mr. Negi, be passed.

Mr. Rohit Jain, was appointed as an additional director effective September 1, 2017 by the Board of Directors and in terms of Section 161 of the Act 2013, he holds office until the date of ensuing Annual General Meeting. The Nomination and Remuneration Committee in its meeting held on May 29, 2018 had recommended for his appointment as an Independent Director, subject to the approval from shareholders at their ensuing 30th Annual General Meeting.

Mr. Nilesh Bafna was appointed as the Chief Financial Officer of the Company with effect from September 1, 2017 by the Board of Directors in their meeting held on August 31, 2017.

15. Declarations from Independent Directors

The Company has received declarations from all the Independent Directors confirming for meeting the criteria of independence as required under Section 149(7) of the Companies Act, 2013.

16. Meeting of Independent Directors

The meeting of Independent Directors was held on February 12, 2018 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 independent directors expressed satisfaction on the quality, quantity and timeliness of flow of information between the management and the Board.

The familiarisation program was arranged by the Company on February 12, 2018 for Independent Directors. The details of the familiarisation program was disclosed under Investor Relations section of the Company's website www.hovsltd.com.

17. Performance Evaluation

The performance evaluation of Board, its Committees, Independent Directors, Non-independent directors and including Chairman of the Board was carried out during the year considering parameters as set by the members of the Board.

The evaluation of the Board and its Committees was carried out through a structured evaluation process covering various aspects of the Boards functioning 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.

The evaluation of the independent directors by all board members was carried out based on the criteria of efforts undertaken by them, brings independent view point in discussion and awareness of their roles and responsibilities.

18. Internal Financial Controls

The Company has adequate procedures for ensuring the internal financial controls and the same are in place with reference to financial statements. The internal control system is reviewed by the Audit Committee with the management and Internal Auditors of the Company.

19. 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 provided herewith as "ANNEXURE- E" to this report.

20. Corporate Governance Report

The report on Corporate Governance is annexed as the part of the Director's report.

21. 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.

22. Code of Conduct for Board and Senior Management

The Company has adopted Code of Conduct for the Directors and Senior Management and 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.

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

M/s BAGARIA & Co., Chartered Accountants were appointed as Statutory Auditors for a period of 5 years, in 29th Annual General Meeting held on September 1, 2017 till the conclusion of the 34th AGM to be held in year 2022.

The Statutory Auditors' Report for FY 2017-18 does not contain any qualification, reservation or adverse remark.

Secretarial Audit Report:

M/s. J B Bhavé & Co., Practicing Company Secretaries, Pune for conducting secretarial audit, the Secretarial Audit Report for FY 2017-18 is provided herewith as "ANNEXURE- F" to this report. The Secretarial Auditors' Report does not contain any qualification, reservation or adverse remark.

During the year under review, there were no instances of frauds committed in the Company by its officers or employees, which requires reporting by the Statutory Auditors and the Secretarial Auditor.