



HOV SERVICES LIMITED

32nd ANNUAL REPORT 2019 - 20

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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	KFin Technologies Pvt Ltd., Selenium Tower B, Plot No. 31 & 32, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad - 500032; Tel: (91 40)- 67161562
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. Vikram Negi	Chairman & Executive Director
Mr. Surinder Rametra	Executive Director & Promoter
Mr. Sunil Rajadhyaksha	Executive Director & Promoter
Mr. Baldev Raj Gupta	Independent Director
Mr. Harjit Singh Anand	Independent Director
Mrs. Lakshmi Kumar	Independent Director

THE EXECUTIVE MANAGEMENT

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

COMMITTEES OF THE BOARD OF DIRECTORS**AUDIT COMMITTEE**

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

NOMINATION & REMUNERATION COMMITTEE

Name	Designation/Category
Mr. Baldev Raj Gupta	Chairman (Independent Director)
Mr. Harjit Singh Anand	Member (Independent Director)
Mrs. Lakshmi Kumar	Member (Independent Director)
Mr. Vikram Negi	Member (Chairman & Executive Director)

STAKEHOLDERS RELATIONSHIP COMMITTEE

Name	Designation/Category
Mr. Baldev Raj Gupta	Chairman (Independent Director)
Mr. Harjit Singh Anand	Member (Independent Director)
Mr. Sunil Rajadhyaksha	Member (Executive Director)

Chairman Message:

Dear Member,

I am pleased to welcome you to the 32nd Annual General Meeting (AGM) of your Company, and share with you its 32nd Annual Report for FY 2019-20. This AGM is being held virtually due to the prevailing COVID-19 pandemic and our effort to keep our stakeholders safe as per government mandated social distancing norms. I would have much rather interacted with you in person as we have in the past. Let's hope we can reverse this trend next year!!

This past year continues to be an eventful one.

As you are aware on March 25, 2020 the Government of India imposed a nationwide lockdown due to COVID-19 which significantly affected the ability of many organizations to maintain normal day to day operations. Your Company was no exception, but by using innovative technologies your Company was able to quickly bring majority of its workforce online by implementing Work From Home (WFH) measures. The management of your Company is closely monitoring the situation and with various phases of unlock, is fully prepared to regain pre-COVID operational status.

With your support and trust, your Company continues to be an investor in Exela Technologies, Inc. ("Exela"). Exela is a business process automation (BPA) leader, leveraging a global footprint and proprietary technology to provide digital transformation solutions enhancing quality, productivity, and end-user experience. With decades of expertise operating mission-critical processes, Exela serves a growing roster of more than 4,000 customers throughout 50 countries, including over 60% of the Fortune® 100. It does this through cloud-enabled platforms, built on a configurable stack of automation modules, while employing over 22,000 people and operating in 23 countries.

Lastly, I express my sincere gratitude to all our stakeholders and the Company's Board of Directors, for their continued faith in our Company and its people. I would also like to thank our Authorities and Regulators for their continued support.

Best regards, and wishing you and your families a safe rest of the year.

Vik Negi

Chairman & Executive Director

Directors' Report

The Board of Directors present the Thirty-Second Annual Report of HOV Services Limited (the "Company" or "HOVS") along with audited Financial Statements for the financial year ended March 31, 2020.

FINANCIAL RESULTS AND OPERATIONS:

Particulars	₹ In Lakhs			
	Consolidated Year Ended		Standalone Year Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
INCOME				
Revenue from operations	1,097.16	1,054.43	1,097.16	1,054.43
Other income	124.11	95.77	121.99	93.17
Total Income	1,221.27	1,150.20	1,219.15	1,147.60
Expenses				
Employee Benefits Expense	678.29	732.36	678.29	713.92
Finance Costs	71.75	-	16.39	-
Depreciation and Amortisation Expense	55.43	52.52	55.43	8.54
Other Expenses	189.39	296.28	189.37	245.23
Total Expenses	994.86	1,081.16	939.48	967.69
Profit before exceptional items from continuing operations	226.41	69.04	279.67	179.91
Exceptional items: Provision for Diminution in Value of Investment in subsidiary	-	-	(6,068.66)	-
Profit/(Loss) after exceptional items from continuing operations	226.41	69.04	(5,788.99)	179.91
Tax Expense :				
Current Tax	(80.70)	(50.90)	(80.70)	(50.90)
Deferred Tax	(0.74)	(0.58)	(0.74)	(0.58)
Profit/(Loss) for the period from continuing operations	144.97	17.56	(5,870.43)	128.43
Discontinued Operations				
Profit/(Loss) from discontinued operations before tax	(77.93)	-	-	-
Tax expense of discontinued operations	-	-	-	-
Profit/(Loss) after tax from continuing & discontinued operations	67.04	17.56	(5,870.43)	128.43
Other Comprehensive Income / (Loss) Items that will not be reclassified subsequently to Profit or loss :				
Remeasurement of net defined benefit plans	(6.52)	5.57	(6.52)	5.57
Changes in fair value of FVOCI equity instruments	(56,975.04)	(40,101.76)	-	-
Tax impact of Items that will not be reclassified subsequently to Profit or loss	15,879.96	12,831.01	1.81	(1.55)
Total Other Comprehensive Income / (Loss)	(41,101.60)	(27,265.18)	(4.71)	4.02
Total Comprehensive Income / (Loss) For The Period	(41,034.56)	(27,247.62)	(5,875.14)	132.45

On account of nationwide lockdown imposed by Government of India from March 25, 2020 there was interruption in logistics and ability to maintain normal operation of the Company. Uncertainties due to wide spread of pandemic during last month of FY 2019-20, forcing government to enforce lock down on all fronts of economic activities on global foot prints basis. The business operations impacted on account of lockdown measures implemented by local and central government authorities to implement social distancing norms and to prevent spread of Covid-19 Pandemic. The overall impact of COVID-19 on the businesses of the Company may vary depending on future conditions and socio-economic factors and measures taken at the Government levels.

1. Results of Operations

For the financial year ended March 31, 2020 are as follows:-

Consolidated Financial Performance:

- Consolidated total Income for the current year was ₹ 1,221.27 Lakhs.
- Profit/(Loss) from continuing operations was ₹ 144.97 Lakhs.
- Profit/(Loss) from discontinued operations was ₹ (77.93) Lakhs.
- Profit/(Loss) from continuing & discontinued operations was ₹ 67.04 Lakhs.
- Total Comprehensive Income/(Loss) for the current year was ₹ (41,034.56) Lakhs.
- The basic and diluted Earnings Per Share (EPS) for the current year from :
 - Continued Operations was ₹ 1.15
 - Discontinued Operations was ₹ 0.62
 - Continued and Discontinued Operations was ₹ 0.53

Standalone Financial Performance:

- Total Income for the current year was ₹ 1,219.15 Lakhs.
- Provision for Diminution in Value of Investment in subsidiary provided under exceptional items was ₹ (6,068.66) Lakhs.
- Net Profit/ (Loss) for the current year was ₹ (5,870.43) Lakhs.
- Total Comprehensive Income/(Loss) for the current year was ₹ (5,875.14) Lakhs.
- The basic and diluted Earnings Per Share (EPS) for the current year from :
 - Before exceptional item was ₹ 1.57
 - After exceptional item was ₹ (46.63)

2. Appropriations

(i) Dividend:

The Board of Directors did not recommend any dividend for the year to conserve available resources to pursue and sustain the operations and business of the Company and to look for growth opportunities for the business.

(ii) Transfer to Reserve:

No amount was transferred to Reserve during the financial year ended on March 31, 2020.

3. Subsidiary companies

The Company has below subsidiaries as on March 31, 2020 and there has been no material change in these subsidiaries with respect to the nature and structure. A report on the performance and financial position of Subsidiaries as per the Companies Act, 2013 is annexed in the financial statements.

- 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.

4. Policy on Material Subsidiaries

The Company's wholly owned subsidiary HOVS LLC is a material subsidiary in accordance with the thresholds laid down under the SEBI Listing Regulations 2015 as amended from time to time.

The Company had adopted the policy for determining material subsidiary and it was updated effective April 1, 2019 pursuant to the SEBI (Listing Obligation and Disclosure Requirements) (Amendment) Regulations, 2018. The said policy has been displayed on the website of the Company at http://hovsltd.com/Policies_Disclosures.html

5. Investment

The Company's wholly owned subsidiary HOVS LLC holds 17,203,471 shares (representing 11.35% of Exela Technologies, Inc., NASDAQ listed) free from any encumbrances/lien and having fair value of Rs 2,658.64 lakhs as on March 31, 2020. During the quarter and year ended March 31, 2020, fair value of investment has fallen below the carrying cost of investment in standalone financial results and accordingly, provision for diminution in its value is recognised. The investment is a long term and strategic in nature and in the opinion of the Board, the fall in value is temporary, and expects better future performance from the investee.

6. 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.

7. Share Capital of the Company

The paid up share capital of the Company as on March 31, 2020 has 12,588,972 equity shares of ₹10 aggregating to ₹ 125,889,720/-.

8. 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.

9. 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.

10. Human Resources

The Company has well defined Human Resource policies, excellent training facilities and a well-established, healthy working environment. The Human Resource department of the Company maintains connect with employees on continual basis through various programs of employee engagements. It follows the philosophy to maintain cordial relations with all its employees and the Company value its human resources and takes utmost care of its employees deployed. It encourages all employees to strike a perfect work life balance. The Company organizes regular health check-up through recognized medical centres.

The Company adopted a Policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal Act, 2013) and the Rules made thereunder for prevention and redressal of complaints of sexual harassment at workplace. During the year there was no complaint received to the Committee constituted under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

11. Particular of Employees and Related Disclosures

The information required in terms of provisions of 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.

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.

12. Directors Responsibility Statement

The Directors Responsibility Statement in terms of Section 134(5) of the Companies Act, 2013 is provided herewith as "ANNEXURE- D" to this report.

13. Financial Summary and Highlights

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

14. Number of Board Meetings

During the financial year 4 (Four) Board Meetings were held. The details of meetings of Board of Directors are provided in the Report on Corporate Governance that forms a part of this Annual Report. The maximum interval between any two meetings did not exceed 120 days as prescribed under the Companies Act, 2013.

15. Directors and Key Managerial Personnel

Mr. Sunil Rajadhyaksha, Executive Director is liable to retire by rotation at the 32nd Annual General Meeting. Mr. Sunil has confirmed his eligibility and willingness for re-appointment. Mr. Sunil has requisite qualifications and experience and therefore, your Directors recommend that the proposed resolution relating to the re-appointment of Mr. Sunil, be passed.

Mrs. Lakshmi Kumar's first term as a woman independent director got over on July 21, 2020. With recommendation from Nomination & Remuneration Committee, the Board of Directors in its meeting held on July 21, 2020 appointed her as an Additional Director effective July 22, 2020 which will be effective until the ensuing 32nd Annual General Meeting. Mrs. Lakshmi Kumar in her previous tenure is accustomed with the processes of the Company and had supported the Board governance and therefore in the opinion of the Board of Directors her continuation with the Company for 2nd term will be helpful to the Company.

Mr. Surinder Rametra, Executive Director and Mr. Sunil Rajadhyaksha, Executive Director, term of five years for both, being Whole time Directors will complete on March 31, 2021. The Board considered to re-appoint both the Whole time Directors for a further term of five years and recommends for shareholders' approval in ensuing 32nd Annual General Meeting.

None of the directors of the Company had been debarred or disqualified from being appointed or continuing as directors of the Company, by the SEBI Board/MCA or any such statutory authority. The Company has complied with the requirement in terms of Schedule V Part C of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, of taking a certificate to that effect from the Secretarial Auditor of the Company.

In accordance with the provisions of Section 203 of the Act, the Key Managerial Personnel of the Company as on March 31, 2020 are: Vikram Negi, Whole-time Director; Surinder Rametra, Whole-time Director; Sunil Rajadhyaksha, Whole-time Director; Nilesh Bafna, Chief Financial Officer; and Bhuvanesh Sharma, Company Secretary. There is no change in Company Secretary and Chief Financial Officer of the Company.

16. Declarations from Independent Directors

The independent directors have submitted declarations that each of them meet the criteria of independence as provided in Section 149(6) of the Act along with Rules framed thereunder and Regulation 16(1)(b) of the SEBI Listing Regulations. There has been no change in the circumstances affecting their status as independent directors of the Company.

The independent directors play a crucial role in the independent functioning of the Board. They bring external perspective for decision making and keeps checks on corporate governance of the Company. In the opinion of the Board the independent directors so appointed/re-appointed are of integrity and possess the requisite expertise and experience (including the proficiency to be complied with as applicable).

17. Meeting of Independent Directors

A separate meeting of Independent Directors was held on February 13, 2019 to review the performance of non-independent directors, the Board as a whole and the Chairman of the Company was evaluated, taking into account the views of executive directors and non-executive directors.

18. Familiarisation Programme

During the year the familiarisation program was arranged by the Company on February 13, 2019 for Independent Directors. The details of the familiarisation program was disclosed under Investor Relations section of the Company's website www.hovsltd.com.