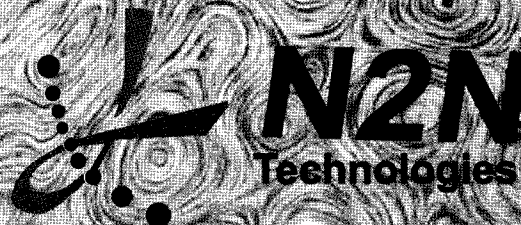




# **Annual Report**

**2012- 2013**



**N2N Technologies Limited**  
**(formerly Visisth Mercantile Limited)**

## CORPORATE INFORMATION

### Board of Directors

Name of the Director	Designation
Mr. Rahul Shah	Chairman
Mr. Rajesh Shah	Independent Director
Mr. Jayesh Desai	Independent Director
Mr. Haren Parekh	Independent Director

### Statutory Auditors

**M/s. DMKH & Co.- Chartered Accountants**

C-9, Sanjay Apartments,  
Near Gokul Hotel, SVP Road,  
Borivali (W), Mumbai –400 092

### Bankers

**HDFC Bank Limited**

The Amaltas Co-Op Hsg Soc,  
Juhu-Versova Link Road, Ward-K,  
Andheri (W), Mumbai – 400 053

### Compliance Officer

**Mr. M. Rushikesh**

Office No. 101, P1 Pentagon,  
Magarpatta City,  
Hadapsar, Pune – 411 013

### Registrar & Transfer Agents

**Universal Capital Securities Pvt Ltd**

(Formerly known as Mondkar Computers Pvt Ltd.)  
21, Shakil Niwas, Opp. Satya Saibaba Temple,  
Mahakali Caves Road, Andheri (East), Mumbai - 93.

### Registered Office

Office No. 101, P1 Pentagon,  
Magarpatta City, Hadapsar,  
Pune – 411 013

# CONTENTS

<b>Sr.No.</b>	<b>Particulars</b>	<b>Page No.</b>
1	Notice of Annual General Meeting	01
2	Directors' Report	03
3	Management Discussion & Analysis Report	07
4	Compliance Certificate by D.S. Momaya & Co. – Practicing Company Secretaries	09
5	Report on Corporate Governance	14
6	Auditors' Report	26
7	Balance Sheet	29
8	Statement of Profit & Loss	30
9	Cash Flow Statement	31
10	Notes forming part of Balance Sheet & Profit & Loss	32
11	Statement pursuant to Section 212 of Companies Act	44
12	Auditors' Report on Consolidated Financial Statements	45
13	Consolidated Balance Sheet	46
14	Consolidated Statement of Profit & Loss	47
15	Consolidated Cash Flow Statement	48
16	Consolidated Notes forming part of Balance Sheet & Profit & Loss	50
17	Summarized Financials of subsidiaries under section 212(8) of the Companies Act, 1956	70
18	Attendance Slip & Proxy Form	73

## Notice of the Annual General Meeting

Notice is hereby given that the Twenty Eighth Annual General Meeting of N2N Technologies Limited (formerly known as Visisth Mercantile Limited) shall be held on Tuesday, 24<sup>th</sup> September, 2013 at 12.30 pm at the Registered Office of the Company at Office No. 101, P1 Pentagon, Magarpatta City, Hadapsar, Pune – 411 013 to transact the following business :

### ORDINARY BUSINESS :

- 1) To receive, consider and adopt the Stand-Alone and Consolidated Balance Sheet as at March 31, 2013, the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
- 2) To re-appoint Mr. Rahul Shah as a Director of the Company, who retires by rotation and, being eligible, offers himself for re-appointment.
- 3) To re-appoint M/s. DMKH & Co., Chartered Accountants, as the Statutory Auditors of the Company and to fix their remuneration for the financial year 2013-2014.

Place : Mumbai  
Date : May 27, 2013

By Order of the Board of Directors

Office:  
Office No. 101, P1 Pentagon,  
Magarpatta City,  
Hadapsar,  
Pune 411 013

Rahul Shah  
Director

### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON A POLL ONLY, INSTEAD OF HIMSELF/HERSELF AND A PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. Proxy shall not vote except on a poll.
3. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
4. The Register of Members and Transfer Books will be closed from Tuesday 17<sup>th</sup> September, 2013 to Tuesday 24<sup>th</sup> September, 2013 (both days inclusive)
5. Members are requested to address all communication regarding transfer of shares, change in residential/correspondence address, etc directly to the Registrar and Transfer Agents (R&T) of the Company, M/s. Universal Capital Securities Pvt Ltd. (Formerly known as Mondkar Computers Pvt. Ltd.) 21, Shakil Niwas, Opp. Satya Saibaba Temple, Mahakali Caves Road, Andheri (East), Mumbai – 93 and where the shares are held in dematerialized form, the information should be passed on to the respective depositories without any delay. Members are requested to quote folio no.s/DP ID Client ID in all their correspondence to the Company and R&T.
6. The members can avail of the facility of nomination. In terms of Section 109A of the Companies Act, 1956, members are entitled to make nominations in respect of shares held by them in physical form. Members desirous of making nominations are requested to file their nomination in respect of their shareholdings in prescribed Form 2B (in duplicate), which is available at the Registered Office of the Company and with R & T Agent.
7. Members are requested to :
  - a. Bring their copy of the Annual Report to the Annual General Meeting.
  - b. Bring the Attendance slip sent herewith, duly filled in, for attending the meeting (Mandatory).

8. The Company has designated an exclusive email ID viz. [investors@n2ntechno.com](mailto:investors@n2ntechno.com) to enable the investors to post their grievances, if any, and monitor its redressal.
9. Members seeking any information or clarification on the Accounts are requested to send in written queries to the Company, at least seven days before the date of the meeting. Replies will be provided at the meeting in respect of such queries received.
10. The Annual Accounts of the Subsidiary companies and the related detailed information shall be made available to shareholders of the Company and subsidiary companies seeking such information at any point of time. The Annual Accounts of the Subsidiary companies shall also be kept for inspection by any shareholders at the registered office of the Company and of the subsidiary companies concerned. The Company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand.
11. Ministry of Corporate Affairs (MCA) vide Circular Nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively have clarified that a company would be deemed to have complied with provisions of sections 53 and 219(1) of the Companies Act, 1956, if documents like notices, annual reports etc. are sent in electronic form to its members. Therefore, the Company appeals that the members register their email addresses with the Company by a letter/email to the Company at its registered office or at the above email id or to the R&T at the address mentioned above thereby supporting the green initiative taken by the MCA. The members are requested to note that the said documents shall be made available on the website of the Company for the information of the members and also be made available for inspection at the Registered Office of the Company during the business hours.

Place : Mumbai  
Date : May 27, 2013

By Order of the Board of Directors

Office:  
Office No. 101, P1 Pentagon,  
Magarpatta City,  
Hadapsar,  
Pune 411 013

Rahul Shah  
Director

## DIRECTORS' REPORT

### TO THE MEMBERS

In accordance with section 217 of the Companies Act, 1956 and with the view to update the shareholders on the performance and activities in the Company during the previous year, your Directors are pleased to present their Report for the Financial year ended 31<sup>st</sup> March, 2013 as under :

### FINANCIAL HIGHLIGHTS

(Amount in Rs.)

Particulars	Stand-Alone		Consolidated	
	2012-13	2011-12	2012-13	2011-12
Income	10,93,129	24,98,134	2,00,57,69,929	NA
Profit/(Loss) before Extra-ordinary Items, Tax and Depreciation	(45,69,819)	15,82,097	12,68,37,924	NA
Less: Depreciation	2,83,268	3,82,864	96,53,937	NA
Profit/(Loss) before Provision for Tax	(48,53,087)	11,99,233	11,71,83,987	NA
Less: Provision for Taxation	(29,01,468)	(20,485)	124,50,032	NA
Profit/(Loss) after Taxation	(19,51,619)	12,19,718	10,47,33,955	NA

### DIVIDEND

Your Directors think it prudent to utilize the funds for future business growth hence does not recommend any dividend for the financial year ended 31<sup>st</sup> March, 2013.

### TRANSFER TO RESERVES

During the year, no amount has been transferred to General Reserves in the Balance Sheet.

### REVIEW OF OPERATIONS

The Stand-Alone and Consolidated Financial Highlights of the Company are as stated above. During the year the Company has undergone many structural and operational developments which are enlisted below:

#### Alteration in Memorandum & Articles of Association:

During the year, the Company changed its name from "Visisth Mercantile Limited" to "N2N Technologies Limited" and also altered the Object Clause in the Memorandum of Association of the Company to suit the business of the Company. The Company has also shifted the registered office of the Company from the city of Mumbai to the city of Pune hence, shifting the registered office of the Company from jurisdiction of ROC of Mumbai to jurisdiction of ROC of Pune. The approval of the shareholders for the aforesaid transactions was obtained by voting through Postal Ballot vide Resolution dated 17<sup>th</sup> August, 2012. The details of the Postal Ballot are given in the Corporate Governance Report which forms a part of this Annual Report.

#### Subsidiaries:

##### i) DSR Infotech Private Limited

During the year, the Company has made investments by way of purchasing 3,24,500 equity shares of DSR Infotech Private Limited. Consequently, the shareholding of the Company in DSR Infotech is 68.39% making it the subsidiary of the Company pursuant to Section 4 (1)(b) of the Companies Act, 1956.

##### ii) Katayst Technologies Inc

Katalyst Technologies Inc. a Company incorporated in the United States which is a subsidiary of DSR Infotech Private Limited hence, making it a subsidiary of the Company pursuant to Section 4 (1)(c) of the Companies Act, 1956.

## **Amalgamation :**

The Board of Directors in their meeting on 17th October, 2012 approved the Amalgamation of the Company with "Leadsoft Softtech Private Limited" which is engaged in the business of designing and development of software solutions in order to combine the operations of both the Companies which would provide economies in cost, better working capital management, better administration and increased financial resources. The swap ratio is:

- 10 (ten) equity shares of N2N Technologies Ltd for every 1(one) equity share of Leadsoft Softtech Private Limited.
- 10 (ten) equity shares of N2N Technologies Ltd for every 1(one) Unsecured Optionally Convertible redeemable debentures of Leadsoft Softtech Private Limited.

The in-principle approval is received by the Company from BSE Ltd vide their letter dated 8<sup>th</sup> January, 2013 for the proposed scheme of Amalgamation. The Company has filed an application with High Court and the order is awaited. The Appointed date is 1<sup>st</sup> April, 2012. The Scheme of Amalgamation shall be effective after obtaining requisite Order from the High Court but shall be operative from the Appointed date as mentioned above.

## **Preferential Issue of Debentures :**

During the year, the Company vide resolution passed at the Meeting of Board Of Directors on 24th September, 2012 and 8th November, 2012 and approval of shareholders received vide Special Resolution passed through Postal Ballot dated 31st October, 2012 issued 0% Unsecured Optionally Convertible Debentures ("OCD") on a preferential allotment basis in accordance with the regulations for Preferential Issues contained in Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended ("SEBI ICDR Regulations"). The purpose of the said issue was to augment the resources for the capital expenditure, working capital requirements and for general corporate purpose. The Company has completed all the formalities and complied with all the rules and regulations as applicable under Companies Act, 1956, listing agreement, SEBI Regulations with regard to the said issue. The proceeds from the Issue were utilized for capital expenditure, working capital / funds for general corporate purpose as mentioned in the Notice and Explanatory Statement which was dispatched to the shareholders for passing of resolution through Postal Ballot.

## **FUTURE OUTLOOK**

The Company has shifted its base from Mumbai to Pune, Pune being one of the biggest IT hubs to enhance the scope of its services and to build more clientele. During the previous year, the company was under process of streamlining its activities due to the shifting of office. The Company shall commence its operations from the current year and is already undertaking constant efforts as is evident from the above changes to expand its operations. The Company's mission is to provide the best in class solutions to all its clients who prefer to focus on their core business and look to their partners to support them in streamlining their business processes and reducing cost. The Company believes that it has to be better than the competition at lower cost to succeed and strives for the same.

## **DIRECTORS**

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956, and the Company's Article of Association, Mr. Rahul Shah retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment. His detailed profile annexed.

## **PUBLIC DEPOSIT**

During the year, under review, the Company had not accepted deposits from public within the meaning of Section 58A of the Companies Act, 1956.

## **AUDITORS**

M/s. DMKH & Co., Chartered Accountants, holds office upto the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have furnished the necessary certificate as required under Section 224 (1B) of the Companies Act, 1956. The Board recommends their re-appointment.

## **PARTICULARS OF EMPLOYEES**

The Company does not have any employees in receipt of remuneration equal to or exceeding limits as specified in Particulars of employees required in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your directors based on the representation received from the management state that:

1. In the preparation of the accounts, the applicable accounting standards have been followed and there are no material departures.
2. Accounting policies selected were applied consistently. Reasonable and prudent judgment and estimates were made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2013 and of the profit of the Company for that period.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
4. The annual accounts of the Company have been prepared on a going concern basis.

## **LISTING**

The Company's shares are listed on The Bombay Stock Exchange, Mumbai, where the shares are actively traded.

## **CONSERVATION OF ENERGY**

Our operations are not energy intensive. However significant measures have been taken to reduce the energy consumption by purchasing latest technology energy efficient equipments.

## **TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION**

During the year, Company has not absorbed or imported any technologies.

## **FOREIGN EXCHANGE EARNINGS & OUTGOINGS**

During the year ended March 31, 2013, the Company has not incurred/received any foreign exchange.

## **CORPORATE GOVERNANCE**

The Paid up Share Capital of the Company during the year 2012-13 was Rs. 2,80,00,000/-. The Board of Directors vide Resolution passed at their Meeting held on May 10, 2013 allotted 2,66,666 equity shares pursuant to conversion of 0% Unsecured Optionally Convertible Debentures into Equity Shares. The Paid up capital of the Company post allotment is Rs. 3,06,66,660/- making the provisions of Clause 49 - Corporate Governance applicable to the Company with effect from May 2013. Hence, the provisions of Corporate Governance were not applicable to the Company during the year ended 31st March, 2013. However, the Corporate Governance Report for the period from May 10, 2013 to May 27, 2013 is annexed.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

In accordance with the Listing Agreement, the Management Discussion and Analysis Report is annexed hereto and forms part of this Report.

## **AUDITORS' REPORT**

The Auditors have not qualified their report and there are no observations made by them.

## **COMPLIANCE CERTIFICATE**

As per provisions of Section 383A of the Companies Act, 1956, compliance certificate dated 27th May, 2013 from D S Momaya & Co., Company Secretaries is annexed.

## **ACKNOWLEDGEMENT**

The Directors would like to acknowledge and appreciate the efforts and support of the employees of the Company, the shareholders for their support and trust in the Company. The Directors are grateful to the bankers, lenders, customers and associates of the Company for their co-operation at all times.

Place : Mumbai  
Date : May 27, 2013

For and on behalf  
of the Board of Directors

Rahul Shah  
Director



## **Brief profile of Mr. Rahul Shah as required under Clause 49 (IV)(G) of the Listing Agreement**

- Date of Birth** : 17<sup>th</sup> May, 1967
- Date of Appointment** : 14<sup>th</sup> November, 2011
- Qualification** : Bachelor in Chemical Engineering from Brigham Young University, US
- Background and Profile** : Rahul Shah is the founder, CEO of N2N Technologies Limited. Prior to this, he was an independent consultant at Allstate Insurance and Comdisco Inc, where he was responsible for establishing a QA team and converting the testing/QA group from a manual to automated test environment.
- Rahul Shah grew the team from two resources to 50 employees and helped establish an off-shore testing center in Northern Ireland. Additionally, he provided consulting services to various startups during the dot com era and helped facilitate off-shore development projects for these companies.
- List of Other Directorships** : Mr. Rahul Shah is a Director in the following Companies :
- i. DSR Infotech Private Limited
  - ii. Katalyst Technologies Inc
- He does not hold any Committee Memberships.
- No. of shares held** : Mr. Rahul Shah holds 12,58,840 equity shares in the Company as on March 31, 2013.

## **Management Discussion and Analysis Report**

### **I. Industry structure and developments**

The Information technology (IT) and information technology enabled services (ITeS) industry has been one of the key driving forces fuelling India's economic growth. India is one of the fastest-growing IT services markets in the world. The fact that IT sector in the country has increased at an incredible rate of 35% per year for the last 10 years reinforces the view that India is world class in IT. Despite the challenging global environment, marked by slower economic growth, the Euro Zone crisis, unemployment, uncertainty fuelled by currency volatility and inflationary trends, the Indian industry is likely to keep its head up. This is because technology is now playing a vital role in every industry and trends such as mobility, social media, big data and the cloud are driving tech adoption worldwide.

The Indian industry is expected to continue to innovate and help customers grow their businesses, build solutions and emerge as a strategic partner for global clients. Today, India is a preferred destination for ITES due to its distinct advantages, which lay in its supportive government policies; infrastructural facilities; low manpower cost; growing knowledge pool; specialised technical skills; higher productivity and quality of service; etc.

#### **Market Size**

The Indian IT and ITES industry has continued to perform its role as the most consistent growth driver for the economy. Service, software exports and BPO remain the mainstay of the sector. Over the last five years, the IT and ITES industry has grown at a remarkable pace. IT Services is a USD 50 billion sector, BPM is a USD 20 billion sector, Engineering crossed USD 10 billion and Software products, Internet & Mobility are emerging opportunities.

#### **Performance review**

The information technology sector has been growing at compounded annual growth rate (CAGR) of 17 per cent during the last five years (2007-12). Despite challenges in the global market, Indian IT-BPM industry sustained its growth trajectory and has clocked export revenues of USD 75.8 bn with a Y-o-Y growth rate of 10.2 per cent. Domestic market also witnessed Y-o-Y growth rate of 14.1 per cent taking the domestic revenues to INR 1,047 bn. The Indian IT-BPM sector continues to be one of the largest employers in the country directly employing nearly 3 million professionals, adding over 180,000 employees and 9.5 million professionals indirectly. The GDP share of IT Industry is 8% and Exports share is 24% as per Nasscom.

### **II. Risks and concerns**

Cyber security and quality management are few key areas of concern in today's information age. The protection of valuable intellectual property and business information in digital form against theft and misuse is an increasingly critical management issue. Competition as prevalent in every industry remains a key challenge in the IT industry too. To survive in this highly competitive industry, the sector has to continue to re-invent itself and strive for that extra mile, through new business models, innovation, global delivery, partnerships and transformation. One of threats to the IT industry is also the dependency on US. The Nasscom survey, which states that majority of the graduates coming out of the colleges today are unemployable. The reason for this is that majority of the IT companies in India have an export driven business model and majority of it is to the US, the companies have been facing a lot of heat. The IT companies should therefore explore options in Europe, the western Asia and Asia-Pacific and reduce direct dependency on the US. One of the most important crises facing the Indian information technology industry concerns the human resources aspect. The skill level of the information technology professionals is one area that needs improvement and presents a considerable amount of challenge before the Indian information technology industry. The Indian information technology industry also needs to coordinate with the academic circles as well as other industries in India for better performance and improved productivity.

### **III. Outlook**

Increase in global technology spending and opportunities created through adoption of disruptive technologies are expected to propel growth in FY2014. India's IT and BPO sector exports are expected to grow by 12-14 per cent in FY14 to touch US\$ 84 billion - US\$ 87 billion and Domestic revenues will also grow at a rate of 13-15 per cent and are expected to reach INR 1180-1200 bn according to Nasscom. By 2015, IT sector is expected to generate revenues of USD 130 billion. IT spending is expected to significantly increase in verticals like automotive and healthcare which will create a transformational impact on the overall economy.