



Annual Report 2012 - 13

"A Leader In Technology Driven Business Solutions"



SAVEN TECHNOLOGIES

Corporate information

Board of Directors

Shri Nrupender Rao (Chairman)
 Shri Sridhar Chelikani
 Shri Clive Menhinick
 Shri R S Sampath
 Wg. Cdr. (Retd.) A B Bhushan
 Shri Vijay Chandra Puljal
 Shri Murty Gudipati (Executive Director)

Company Secretary

Ms. Ansu Elezabeth Thomas

Auditors

Rambabu & Co.,
 Chartered Accountants
 31, Pancom Chambers,
 6-3-1090/1/A, Rajbhavan Road,
 Somajiguda, Hyderabad - 500 082

Bankers

IndusInd Bank Limited
 Andhra Bank

Registered Office

No.302, My Home Sarovar Plaza,
 5-9-22, Secretariat Road,
 Hyderabad - 500 063.

U.S. Subsidiary

Saven Technologies Inc.,
 1051 Perimeter Drive,
 Suite 1175, Schaumburg,
 IL 60173, USA

Registrar and Share Transfer Agents

XL Softech Systems Ltd.
 # 3, Sagar Society, Road No.2,
 Banjara Hills, Hyderabad - 500 034.

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 20th Annual Report on the operations of the Company together with the audited financial statements for the year ended March 31, 2013. The financial highlights of the Company are as follow:

Financial Results**(In Lakhs)**

Particulars	Consolidated		Standalone	
	2012-13	2011-12	2012-13	2011-12
Revenue from operations	7421.35	6475.92	1000.87	720.78
Operating Profit (PBIDT)	513.10	406.95	341.10	196.30
Depreciation and amortisation	62.71	43.73	32.81	27.20
Income Tax	164.72	81.52	72.58	--
Exceptional items (CR)	37.09	61.38	37.09	61.38
Minority Interest	53.64	44.24	--	--
Profit after Tax (PAT)	263.52	290.88	271.74	230.19
Basic Earnings per share (Rs.)	2.42	2.67	2.50	2.12

Business Performance

The consolidated income of your Company and its subsidiary, Saven Technologies Inc., was Rs 74.21 crores as compared to Rs. 64.76 crores for the previous year, an increase of 15%. The consolidated profit before tax was Rs. 444.79 lakhs as against Rs. 355.26 lakhs for the previous year. The net consolidated profit was Rs. 263.52 lakhs as against Rs. 290.88 lakhs for the previous year.

The total revenue of the Company for the year ended March 31, 2013 was Rs 1000.87 lakhs compared to Rs. 720.78 lakhs for the previous year. Software development and services by the offshore development center of the Company recorded an increase of 27% from Rs. 662.41 lakhs to Rs. 842.24 lakhs despite a slow growth in the US economy. The profit before Tax and exceptional item recorded an increase of 82%, from Rs 168.81 lakhs to Rs. 307.23 lakhs, due to improved performance, favourable foreign exchange variance and dividend income of Rs. 74.96 lakhs from Saven Technologies Inc., a U.S. subsidiary of the Company.

Subsidiary Company:**Saven Technologies Inc. - US**

Despite a sluggish growth in the US economy, the subsidiary [Saven US] could sustain a total income of USD 14.12 Million [Rs.73.37crores] as against USD 13.61 Million [Rs. 64.03 crores] for the previous year, a marginal increase of 3.7% in terms of dollar revenue. With continued focus on operational efficiency and controlling costs on sustainable basis, the subsidiary could maintain an operating income of \$ 429K (Rs. 222.18 lakhs) as compared to \$ 383 K (Rs.179.47 lakhs) for the previous year. The Net Profit after income tax was \$ 237K (Rs. 122.50 lakhs) as against profit of \$ 229 K (Rs.106.77 lakhs) for the previous year.

Your Directors are pleased to inform you, that your subsidiary Company has declared maiden dividend of \$ 0.33 (33%) per equity share of face value of \$ 1. Your Company has accounted the dividend income of Rs.74.96 lakhs, received after the year under review.

Joint Venture

Penrillian Limited, a joint venture of your Company in UK, is in the business of software development for wireless information devices to provide high end technical solutions to leading mobile Companies. Despite a recessionary trend in UK, Penrillian performed well and achieved revenue of £ 1.8 million for the year ended June 30, 2013 as against £ 1.4 million for the previous year and is optimistic of further improvement in the performance in the current year.

Consolidated Financial Statements

In conformity with Clause 32 of the Listing Agreement with the Stock Exchange and as required by Accounting Standard 21 issued by The Institute of Chartered Accountants of India (ICAI), the Consolidated Financial Statements of your Company and its Subsidiary are published in the Annual Report in addition to their individual financial statements.

Dividend

Your Directors are of the opinion that it will not be prudent to recommend any dividend for the year under review.

Fixed Deposits

Your Company has not accepted any deposits and as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

Management Discussion & Analysis and Corporate Governance

The "Management Discussion and Analysis Report" highlighting the industry structure and developments, opportunities and threats, future outlook, risks and concerns etc. is furnished separately and forms part of this Directors' Report.

As per the requirements of the Listing Agreement with Stock Exchange, a Report on Corporate Governance duly audited is annexed for information of the Members.

Directors

Pursuant to Article 125 of the Articles of Association of your Company, read with Section 256 of the Companies Act, 1956, Mr. Nrupender Rao and Mr. Sridhar Chelikani retire as Directors by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Auditors

The Statutory Auditors, Rambabu & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

Directors' Responsibility Statement

In terms of Section 217(2AA) of the Companies Act 1956, your Directors would like to state that:

- i. In the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended March 31, 2013 and the profit of the Company for that financial year;
- iii. The Directors have taken proper and sufficient care 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 fraud and other irregularities;

iv. The Directors have prepared the Annual Accounts on a going concern basis.

Disclosure as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

In terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 your Directors furnish the required details below:

Conservation of Energy:

The nature of the Company's operations requires a very low level of energy consumption.

Research and Development (R&D):

The Company continues to look at opportunities in the areas of research and development in its present range of activities.

Technology Absorption:

The Company has not imported any technology during the year.

Foreign Exchange Earnings and Outgo:

During the year under review, your Company earned Foreign Exchange aggregating to Rs. 10 crores. The Foreign Exchange outgo during the year was Rs. 3.27 lakhs.

Particulars of Employees:

During the year under review, none of the employees of the Company have drawn remuneration as specified under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

Acknowledgments:

Your Directors thank the investors, bankers, clients and vendors for their continued support. Your Directors place on record their appreciation of the valuable contribution made by the employees at all levels.

For and on behalf of the Board

Place : Hyderabad
Date : August 13, 2013

Nrupender Rao
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (forming part of Directors' Report)**a. Industry Structure and Developments**

Financial year 2012-13 was a challenging year for the economy both globally and in India. The world economy grew by a mere 3.1% in 2012 as compared to 3.9% in the previous year. The domestic situation in India was influenced by these global trends. After strong years of positive growth, the Indian economy slowed down to a GDP of 5% from 6.5% in the previous year. The policy actions in Europe and US successfully defused two of the biggest short term threats to global recovery viz. the threat of a Euro area break up and sharp fiscal contraction in the US.

Despite challenges in the global market, the Indian IT - BPM industry sustained its growth trajectory with export revenue of USD 75.8 billion with year on year growth rate of 10.2%. Europe, despite the economic crisis demonstrated higher acceptance of global sourcing with markets such as Germany / France increasing outsourcing as a way to keep their costs under control and gain greater flexibility in light of the increasingly volatile markets in the euro zone.

IT industry body, NASSCOM has given a positive outlook for the IT sector projecting a growth rate of 12-14% for exports to reach a level of USD 84-87 billion. Changing business models, emergence of new technologies, buyer segments and solutions for emerging markets will help India retain its position as the global sourcing leader and an emerging trust worthy innovation hub.

b. Opportunities, Threats, Risks and Concerns

At the NASSCOM Strategic Preview 2013 press conference of NASSCOM as addressed by Chairman, SMAC (Social Media, Mobility, Analytics and Cloud) technologies would fuel growth. Technology has today become enabler for growth across all sectors and the industry is continuously evolving and innovating to emerge as a strategic partner to its customers. Some of the key growth drivers that are expected to open new opportunities for the Industry are smart Computing, "anything" as-a-service, technology enablement in emerging verticals and the SMB market. Domestic revenues are expected to grow by 13-15% and reach Rs.1180-1200 billion.

The US economy expanded at a 2.8% annual rate in 2012, up from a previous estimate of 2.2%. Customers and businesses spent more and government cut back on their spending less. But the tighter visa regime with significant changes, it has been tougher for the I.T industry to increase the employee pool for short term business assignments. This has been the impediment for scaling up the operation.

As Indian's software outsourcing firms look beyond their traditional business, the emerging technology areas are based on unstructured information. These require

manpower with specialized skills to execute business strategy in these emerging areas which are in short supply.

While the rupee depreciation has helped the Indian firms, it has impacted multinational firms adversely bringing down the entire Industry's growth. Further at the time of renewal of existing contract or while entering into new contracts, customers could expect a reduction in the rates.

However, your Company including the US subsidiary is closely monitoring the developments and will continue to regularly monitor risk levels on various parameters and evolve strategies to mitigate them.

c. Outlook

Your Company has been predominantly developing applications for the financial sector and building market data portals for financial Institutions and brokerage firms in US and across Globe. The Company has also built capabilities in providing end to end technology and technology related services for other sectors.

While the Company will focus more for business from North America, it is also planning for Domestic business.

Your Company has already in the business of Big Data Analytics in a small way and are planning to expand this segment considering the opportunities available for Analytics business.

The Company with domain knowledge and experience is developing Data API for Mutual Funds and ETFs. This would enable the Company to expand this segment of BPM for mutual funds and ET Funds.

Saven Technologies Inc., US

IT Services business has considerably improved during the year under review. Unfortunately, with tighter enforcement of Visa regulation, it has not been possible to increase the employee strength. This has affected the growth prospects of the Company. While, your subsidiary is examining ways and means to improve the employee strength, it is focusing more on operational efficiency and controlling costs on sustainable basis. Your US Company in addition to concentrating on outsourcing business to Indian Company is building a model where offshore team and onshore team collaborate and deliver high quality work for US Customers.

d. Internal Control Systems and their adequacy

There are adequate internal control procedures and internal audit systems commensurate with the size of the Company and the nature of its business. The Management periodically reviews the internal control systems for further improvement.

e. Discussion on financial performance with respect to operational performance

The financial statements have been prepared under the historical cost convention, on the basis of a going concern.

Financial Position - Unconsolidated**1. Share Capital**

There has been no change in the authorized, issued, subscribed and paid up capital. The paid up capital stands at Rs.1087.87 lakhs.

2. Reserves and Surplus**A. Share Premium**

There has not been any change in the Share Premium amount during the year and the same stands at Rs.189.47 lakhs.

B. Capital Reserve

There has not been any change in the Capital Reserve and the same stands at Rs.46.86 lakhs.

3. Fixed Assets

The significant additions to gross block in fiscal 2013 were

Computer / Hardware equipment Rs.19.56 lakhs in fiscal 2013 (Rs.20.22 lakhs in fiscal 2012), Computer Software Rs.6.68 lakhs in fiscal 2013 (Rs.10.19 lakhs in fiscal 2012), Furniture & Fixtures Rs.4.10 lakhs in fiscal 2013 (Rs.16.23 lakhs in fiscal 2012), Office Equipment, Electrical installations and Air conditioners Rs.5.71 lakhs in fiscal 2013 (Rs.7.37 lakhs in fiscal 2012) and Vehicles Rs.21.80 lakhs in fiscal 2013 (Nil in fiscal 2012)

The entire capital expenditure was funded out of internal accruals.

4. Investments

The Company had, during the previous years, made strategic investments aggregating to Rs.194.80 lakhs in its Subsidiary / Joint Venture.

5. Trade Receivables

Trade Receivables amounted to Rs.251.88 lakhs as at March 31, 2013, compared to Rs.366.46 lakhs on as at March 31, 2012. These receivables are considered good and realizable.

6. Cash and Cash Equivalents

Cash and Cash Equivalents have increased from Rs.226.77 lakhs to Rs.544.10 lakhs, an increase of Rs.317.33 lakhs. The surplus amount of Rs.527.07 lakhs is kept in Fixed Deposits in Scheduled banks. During the year the Company has earned an interest income of Rs.32.30 lakhs from these deposits.

7. Long term loans and advances

Long term loans and advances have decreased from Rs.70.99 lakhs to Rs.50.99 lakhs.

8. Results of Operations

The total revenue for the year ended March 31, 2013 was Rs.1000.87 lakhs as compared to Rs.720.78 for the previous year. The Operating Profit (PBIDT) for the year under review was Rs.341.10 lakhs, as compared to Rs.196.30 lakhs for the previous year. After considering depreciation, interest and Income tax the Net Profit was Rs.271.74 lakhs, as compared to Rs.230.19 lakhs for the previous year.

The Offshore Development & Services income for the year ended March 31, 2013 was Rs.842.24 lakhs as compared to Rs.662.41 lakhs for the previous year.

The other income includes fixed deposit interest income of Rs.32.30 lakhs as compared to Rs.11.81 lakhs in the previous year. During the financial year ended March 31, 2013 favourable foreign exchange variance was Rs. 18.68 lakhs.

During the financial year ended March 31, 2013, Saven Technologies Inc. USA (subsidiary Company) has declared maiden dividend of \$ 0.33 (33%) per equity share of face value of \$ 1. Your Company has accounted the dividend income of Rs.74.96 lakhs, under other income, received during the current financial year.

f. Material developments in Human Resources/ Industrial Relations front, including number of people employed

Being engaged in a people-oriented business, it has been the Company's endeavour to create and encourage talent by providing a good working environment, need based training, career growth plans and a competitive remuneration package.

Saven Employees Foundation Trust continues to hold 200,000 equity shares of Rs.10/- each, for grant of stock options to the Company's employees. The Company has introduced ESOP 2008 plan under which employees will be granted option to acquire certain number of Equity Shares at a price of Rs.10/- per Equity Share. An ESOP Compensation Committee has been constituted for the administration and superintendence of the ESOP. No stock options have been issued as of date.

FORWARD-LOOKING STATEMENTS

Some of the statements contained in the above discussion are of a forward-looking nature and it will be appreciated that the Company cannot guarantee that these expectations will be realized. Actual results and outcome may, despite efforts on the part of the Company, differ materially from those discussed.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of Listing Agreement with Stock Exchange, your Directors present below a detailed Compliance Report on Corporate Governance.

1. Company's Philosophy

Your Company is committed to good Corporate Governance and the Company's philosophy is aimed at conducting business ethically and efficiently in a transparent manner and establishing

enduring relationship with all its stakeholders and optimize growth.

2. Board of Directors**a. Composition**

The Company's Board comprises seven Directors including an Independent Executive Director. The Company has as many as four Independent Non-Executive Directors and Non-Executive Chairman.

b. Attendance of each Director at Board Meetings and the last Annual General Meeting (AGM) and details of other Directorships, etc. :-

Name of the Director	Category of Directorship	No. of Board meetings held during his Directorship	No. of Board meetings attended	Attendance at the last AGM (Yes / No)	No. of other Companies in which Director	No. of Committees (other than those constituted by the Company in which Member /Chairman)
Nrupender Rao	Promoter, Non-executive Chairman	6	6	Yes	8	4
Sridhar Chelikani	Non-executive	6	2	No	2	Nil
R S Sampath	Independent, Non-executive	6	6	Yes	1	2
Clive Menhinick	Independent, Non-executive	6	Nil	No	4	Nil
A B Bhushan	Independent, Non-executive	6	6	Yes	1	2
Vijay Chandra Puljal	Independent, Non-Executive	5	2	No	4	2
Murty Gudipati	Executive Director	6	6	Yes	2	Nil

Note: Date of last Annual General Meeting (AGM) - September 24, 2012.

c. Number of Board Meetings held during the financial year and the dates of the Board Meetings

Six Board Meetings were held during the financial year 2012-13. The gap between any two Board Meetings did not exceed four months.

The dates on which the Meetings were held are as follows:

May 23, 2012, July 14, 2012, August 8, 2012, November 7, 2012, December 27, 2012 and February 4, 2013

- d. *The Company's Non-Executive Directors do not have any material pecuniary relationship or transactions with the Company.*

3. Audit Committee

- a. *Brief description of terms of reference*

The terms of reference of the Audit Committee are in conformity with the provisions of Sub-clause II of Clause 49 of the Listing Agreement entered with Bombay Stock Exchange Limited.

- b. Composition, Names of members and Chairperson

The Company has a qualified and an independent Audit Committee consisting of Mr. R S Sampath (Chairman), Wg. Cdr. (Retd.) A B Bhushan and Mr. Nrupender Rao, all being Non-Executive Directors. Mr. Murty Gudipati, Executive Director is invited to attend the Audit Committee meeting and the Company Secretary is the Secretary of the Committee. The Deputy General Manager - Finance & Accounts is required to attend by

invitation to the Meeting.

There were four meetings of the Audit Committee during 2012-13. The dates on which the said meetings were held are as follows.

May 23, 2012, August 8, 2012, November 7, 2012 and February 4, 2013

The attendance of each Member of the Committee is given below:-

Sl. No.	Name of the Director	No. of Committee Meetings held during the directorship	No. of Committee Meetings attended
1	R S Sampath	4	4
2	A B Bhushan	4	4
3	Nrupender Rao	4	4

The Chairman of the Audit Committee was present at the last Annual General Meeting.

4. Remuneration Committee

- a. *Brief description of terms of reference*

To formulate the remuneration policy and approve the remuneration or revision in the remuneration payable to Executive Directors / Whole-time Directors.

- b. Composition, Names of members and Chairperson

The Company has a Remuneration Committee consisting of three members, all being Non-Executive, Independent Directors.

The Committee consisted of:

1. Wg. Cdr. (Retd.) A B Bhushan (Chairman)
2. Mr. Vijay Chandra Puljal
3. Mr. R S Sampath

The Chairman of the Remuneration Committee was present at the last Annual General Meeting.

- c. Meetings and attendance during the year

During the Period under review the Company has conducted Remuneration Committee Meeting on August 08, 2012. The details of attendance are given below:

Sl. No.	Name of the member	No. of Meetings held attended	No. of Meetings
1	Wg. Cdr. (Retd.) A B Bhushan	1	1
2	Mr. Vijay Chandra Puljal	1	0
3	Mr. R S Sampath	1	1

- d. Remuneration Policy

To recommend/review the remuneration package periodically to Executive Directors. The remuneration policy is in consonance with the existing industry practice and also with provisions of the Companies Act, 1956.

e. Remuneration to Directors

Mr. Murty Gudipati was appointed as an Executive Director for a period of two years with effect from August 13, 2012 with the approval of the members at the Annual General Meeting held on September 24, 2012.

Besides Mr. R.S. Sampath, all the Non-Executive Directors receive remuneration only by way of sitting fees for attending the meetings of the Board and Committee thereof.

The details of remuneration paid to all the Director's for 2012-13 is given below:

(Amount in Rs)

Name of the Director	Designation	Salary	Retainer Fees	Provident fund, Superannuation fund and other perquisites	Sitting Fee	Total
Nrupender Rao	Promoter, Non-Executive Chairman	-	-	-	16,000	16,000
Sridhar Chelikani	Non-Executive	-	-	-	4,000	4,000
R S Sampath	Independent, Non-Executive	-	4,20,000	-	16,000	4,36,000
Clive Menhinick	Independent, Non-Executive	-	-	-	-	-
A B Bhushan	Independent, Non-Executive	-	-	-	16,000	16,000
Vijay Chandra Puljal	Independent, Non-Executive	-	-	-	4,000	4,000
Murty Gudipati	Executive Director	10,90,322	-	21,37,181	-	32,27,503

f. Details of number of shares held by the Non- Executive/Independent Directors as on March 31, 2013

Name of the Director	Designation	No. of shares held
Nrupender Rao	Promoter, Non-Executive Chairman	5,000
Sridhar Chelikani	Non-Executive	2,44,128
R S Sampath	Independent, Non-Executive	4,970
Clive Menhinick	Independent, Non-Executive	-
A B Bhushan	Independent, Non-Executive	17
Vijay Chandra Puljal	Independent, Non-Executive	-

5. Shareholders' / Investors' Grievances Committee

The Company has an Investors' Grievances Committee to specifically look into the redressal of shareholders' / investors' complaints and to strengthen investor relations.

As there was no investor complaint, no formal meeting of the Investors' Grievances Committee was held during the year under review.

a. Name of Non-Executive Director heading the Committee is Mr. Nrupender Rao

The Committee consisted of:

1. Mr. Nrupender Rao (Chairman)
2. Mr. R S Sampath (Non-Executive, Independent Director)
3. Wg. Cdr. (Retd.) A B Bhushan (Non-Executive, Independent Director)