



THE TRIPLE BOTTOMLINE IMPACT

PEOPLE | PLANET | PROFITS

Zensar Technologies Limited

Annual Report 2014



Zensar reported growth of 9.5% in revenues while the profits grew by 36.1 % in the financial year 2013-14. These results have come in spite of a challenging business environment.

The Company's sustained growth on all parameters for the last five years and more, has been a result of its focus on all aspects of growth - in profits, people orientation, community inclusion and a nurturing approach to the planet.

Zensar believes that true shareholder value is created when an organisation focuses on the triple bottomline. The report this year demonstrates the various ways in which the Company endeavours to deliver this value.

Contents

Management Review (1-6)

- 01 Mission Report
- 02 Corporate Profile
- 03 Board of Directors
- 04 Leadership Team
- 05 Chairman's Note
- 06 CEO's Note

People (7-13)

- 07 People Management Framework
- 09 Community Transformation
- 12 Employability Programmes
- 13 Volunteering

Planet (14)

Profits (15)

- 15 Overview and Strengths

Overall Impact (16)

Financial Update (19-120)

- 19 Directors' Report
- 29 Corporate Governance Report
- 39 Management Discussion and Analysis
- 51 Financial Statements
- 89 Consolidated Financial Statements

Mission Report

21%

Revenue CAGR
in the last 10 years

20%

PAT CAGR
in the last 10 years

2,315

(INR/Cr)
FY14 Revenues

238

(INR/Cr)
FY14 PAT

34%

Return on
Capital Employed

80%

Dividend in
FY 2012-13

6,800+

Associates

22

Global locations

Key highlights

- Reported INR 300 Cr PBT for the first time – an all-time record
- FY 14 PAT margins crossed double-digits
- Overall revenue growth of 9.5% with revenue growth of 16% from developed markets
- More than 60% of revenues come from being a partner to Fortune 500 companies
- 54% increase in market capitalisation between April 2013 and March 2014
- 13 significant deals of over US\$5 MN won in FY 14



Corporate Profile

Zensar Technologies is a leading India-based software and infrastructure services provider. The Company is seen as a valuable partner by enterprises, helping them in their transformation journey by providing innovative technology solutions.

Zensar's industry expertise spans Manufacturing, Retail, Banking, Financial Services and Insurance. With over 6,800 associates, and a

presence across the US, the UK, Europe, the Middle East, Africa, Singapore, China and Australia, the Company delivers comprehensive services for Mission-critical Applications, Enterprise Applications, Infrastructure Management, Business Intelligence and Analytics, Customer Relationship Management, Business Process Management and Digital Enterprise Services.



Board of Directors

H V Goenka <i>Chairman</i>	Ganesh Natarajan <i>Vice Chairman & Managing Director</i>
John Levack <i>Director</i>	P K Mohapatra <i>Director</i>
P K Choksey <i>Director</i>	Venkatesh Kasturirangan <i>Director</i>
Arvind Agrawal <i>Director</i>	A T Vaswani <i>Director</i>
Niraj Bajaj <i>Director</i>	

Leadership Team



1 Ganesh Natarajan
Chief Executive Officer

2 Vivek Gupta
Chief Executive, Global Infrastructure Management Services

3 Nitin Parab
Chief Executive, Enterprise Transformation Services



4 S. Balasubramaniam
Chief Financial Officer

5 Ajay Bhandari
Chief Corporate Development Officer

6 Prameela Kalive
HR, Custom Applications, Pune and Bangalore Delivery Centre Head



7 Deepanjan Banerjee
Manufacturing Vertical Head

8 Mohan Hastak
Insurance, Banking and Financial Services Vertical Head

9 Harish Gala
Package Applications and Hyderabad Delivery Centre Head



10 Stacey Shulman
Retail Vertical Head

11 Krishna Kumar
Retail Practice Head

12 Krishna Ramaswami
Digital Enterprise and India Head

Chairman's Note



Harshvardhan Goenka, Chairman

Dear shareholders,

The last few years have been a challenging period for the technology and services industry. A period of rapid change evidenced by technology and business disruptions have created an environment of uncertainty. Socio-economic, business and technology megatrends are disrupting existing businesses, while creating new opportunities.

Zensar has launched its new Digital

Enterprise offering that helps companies go digital. With the growing digital influence in our focused verticals of Manufacturing, Retail and Insurance, Zensar has conceived a vertical-centric digital solutions platform. This is a transformational addition to our established competencies in Applications Management, Package Implementations and Infrastructure Management. Zensar's record profits and dividends this year are a result of successes across these sectors.

"With the growing digital influence in our focused verticals of Manufacturing, Retail and Insurance, Zensar has conceived a vertical-centric digital solutions platform. This is a transformational addition to our established competencies in Applications Management, Package Implementations and Infrastructure Management."

The last few years have seen lower growth rates in most parts of the world. In such a context, successful organisations will have to develop a triple bottomline mindset and focus on profits, people and planet to retain their position as valuable members of the corporate and IT community.

I am glad that Zensar continues to have a balanced focus on all three elements and I am confident the Company is well on its way to emerging as one of the most valuable companies in its areas of expertise.

Sincerely,

Harshvardhan Goenka
Chairman

CEO's Note



Ganesh Natarajan, *Chief Executive Officer*

OUR TRIPLE BOTTOMLINE PHILOSOPHY
- WITHIN AN ACORN LIES THE
MAKING OF AN ENTIRE FOREST.

AT ZENSAR TECHNOLOGIES LIMITED,
THE PHILOSOPHY OF OUR EXISTENCE
CAN BE EXPLAINED IN THIS SINGLE
SENTENCE.

We believe that the success of an organisation can no longer be defined only by the quantum of its bottomline but by the way it generates profits, the concern it shows for people and

its contribution to the planet. Our commitment to the customer and shareholder community is matched by our caring for the internal and external Zensar community.

This triple bottomline approach is in alignment with our organisational values comprising Customer Sovereignty, Passion for Excellence, Continuous Innovation, People Orientation, Transparency & Integrity and Social Responsibility.

“We have substantially strengthened our position – in chosen markets, across business verticals and in the minds and hearts of the people who make Zensar the Company it is!”

At Zensar, we have chosen to be different in this regard. It would have been simple to write a cheque to an NGO to carry out our wishlist but we chose to become our own NGO, engaging directly with communities through our very own Zensar Foundation.

It would, again, have not been unusual to delegate our corporate social responsibility to a dedicated team. We have, however, created a pan-Zensar volunteering framework and made a difference in India, South Africa, the US and the UK.

In the year that has passed, we have substantially strengthened our position – in chosen markets, across business verticals and in the minds and hearts of the people who make Zensar the Company it is!

We are convinced that this Triple Bottomline approach is the only way of ensuring sustainable and complete corporate success measured in enhanced value for all our stakeholders, thus emphasising our positioning as a trusted ‘Transformation Partner’.

Sincerely,

Ganesh Natarajan
Chief Executive Officer

Zensar's Triple Bottomline Philosophy



People

AT ZENSAR, 'PEOPLE' NOT ONLY CONSTITUTE AN EMPLOYEE MANAGEMENT FRAMEWORK BUT EXTEND TO INCLUDE COMMUNITY AND EMPLOYABILITY INITIATIVES THAT BENEFIT THE COMMUNITY AT LARGE. ZENSAR TRANSFORMS CAREERS THROUGH A BLEND OF DIGNITY, OPPORTUNITIES, WORKPLACE EXCITEMENT AND VOLUNTEERING.

Our people (Associates)

Zensar is a multinational (22 countries) and multi-cultural (14 nationalities) employer of global talent (6,800 as on 31 March 2014) across technology and business competencies.

Over the years, the Company has strengthened workplace excitement through the extensive application of its 'Five F' framework (fast, focused, flexible, fun and friendly) and a consistent reinforcement of its organisational values (Customer

Sovereignty, Passion for Excellence, Continuous Innovation, People Orientation, Transparency & Integrity and Social Responsibility).

People management framework

Zensar's competitiveness is derived from the effectiveness of its 'Attract-Enable-Retain' model.

Attract: Zensar has selected to recruit nearly 70% of its entry-level engineering talent requirements directly from engineering campuses. Its effective employee referral system has accounted for 37% of all recruitments with a corresponding increase in the retention average. Zensar has also engaged extensively with its alumni to draw experienced professionals back to senior management positions.

Enable: Zensar has enhanced workplace excitement and a sense of ownership through an aggressive empowerment of middle-level managers. This empowerment has been driven through various programmes like iZen,

Leadership Development Programme, Management Development Programme, Vision Community (now a Harvard Business School case study), Diversity & Inclusion Council, Shadow Executive Board and our Women Executive Board.

Retain: Zensar has strengthened associate retention through periodic engagements with associates, which has catalysed an exchange of feedback leading to relevant initiatives and an enhanced sense of belongingness. The result is that nearly 72% of Zensar's managerial openings have been plugged from within. Zensar's critical talent retention is a high 98% (89% for general talent), the average Associate tenure stood at 4.7 years and senior management tenure at a high of 11.5 years.

A distinctive feature of Zensar's Associate engagement has been the provision of multiple opportunities to volunteer and thus be involved in the CSR activities of the Company.

Corporate Social Responsibility: Community, Employability and Environment Sustenance Initiatives

Zensar engages in a number of initiatives directed at community transformation, skill training and environment sustenance through Zensar Foundation.



People

Community transformation



EDUCATION

English proficiency

Udaan English centre; Zensar campus, Pune

Outreach:
45 students

Udaan English programme; Chandan Nagar Municipal Corporation, Pune

Outreach: 210 students

Akshar school programme, Hyderabad

Outreach:
280 students

Computer literacy

IT school programme, Pune and Hyderabad

Outreach:
1,000 students

Digital literacy

Community centres for National Digital Literacy Mission, Pune and Hyderabad slum communities

Outreach: 1,300 households; programme to start in July 2014



HEALTHCARE

Treatment of illnesses

- Physicians attending Chandan Nagar community in Pune and Anjaiah Nagar in Hyderabad for free check-up and medicines
- Monthly general healthcare camps; Chandan Nagar and Anjaiah Nagar communities

Reduction of malnutrition

Nutritional baseline survey for children below six years in Chandan Nagar community in collaboration with Hirabai Cowasji Jehangir Medical Research Institute (Pune)



COMMUNITY MOBILISATION

Outreach: addressing 3,000 people across various communities; 300 covered so far through direct contact



GENDER EQUITY

Gender sensitisation programme by Equal Community Foundation

Outreach: 35 youth

Employability programmes



EMPLOYABILITY

Unnati Skill Development Centre

Outreach: 40 youth

Hardware and Networking Course

Outreach: 70 youth

Employability Skills Development Programme

Outreach: over 500 students

Global Learnership Development Programme

Outreach: over 200 youth



Planet



UDAAN BIODIVERSITY PARK

Outreach: Over 300 visitors per day



IN-HOUSE RESOURCE MANAGEMENT

Energy management

Waste management

Water consumption

Fuel management

Miscellaneous initiatives



Students at Udaan English Centre, Zensar campus, Pune



Computer Literacy Programme in Pune Municipal Corporation School



Akshar Programme at Hyderabad Municipal School



Gender Sensitisation Session at Chandan Nagar community, Pune

Community Transformation

AT ZENSAR, SOCIAL RESPONSIBILITY IS AN INTEGRAL PART OF OUR PRINCIPLES. WE BELIEVE THAT ONE OF THE MOST EFFECTIVE WAYS OF MAKING CHANGE SUSTAINABLE IS THROUGH ACTIVE ENGAGEMENT WITH COMMUNITIES IN THE PROXIMITY OF OUR PRESENCE.

In Pune and Hyderabad, where our offices are located, we work closely with slum communities. We facilitate their transformation through our goals and their enunciated priorities. We believe this interplay reconciles the best of outside-in and ground-up approaches leading to sustainable transformation.

Over the years, we have engaged with these communities through various programmes:

English proficiency: Udaan English centre

Udaan is our flagship programme where we address the English proficiency of children drawn from the Chandan Nagar slum community and going to the same municipal school.

We have reinforced the effectiveness of our language training through the fusion of classroom and digital technology. Around 48 students have benefited from this personalised initiative. The success of the programme has far exceeded its functional scope: the trainees have evolved into confident children, they have turned 'teachers' for their siblings, emerged as change-makers within the community and drivers of other community initiatives; besides, families have opened out to progressive mindsets and there is a strong demand from the community for Udaan to be extended to more community children.

Zensar's successful model has evolved over the last two years (complete with a teacher kit) and acquired the maturity to be replicated at Chandan Nagar Municipal School starting January 2014. What started as an experiment addressing only 48 children has scaled to 210 children drawn from a wider community spectrum and is now ready for replication across more geographies.

English proficiency: Akshar school programme

The Akshar Programme leverages the 'Alfa Module', enhancing knowledge of the English alphabet with phonetics, theme discussions, use of specific letters to frame sentences and story activities. The goals of the programme comprise the following:

- To enhance spoken English proficiency
- To enable children to read English

Our goals

THREE OF THE MOST CHALLENGING URBAN REALITIES COMPRISE SOCIAL STRESS, UNDER-EMPLOYMENT AND ENVIRONMENT DETERIORATION.

AT ZENSAR, WE ADDRESS THESE REALITIES THROUGH PROJECTS DIRECTED AT COMMUNITY TRANSFORMATION, SKILL TRAINING AND ENVIRONMENT SUSTENANCE.

Our community goals

- Eliminate malnutrition
- Ensure every child goes to school
- All children converse in English by age 15
- One person in each household is digitally literate
- All youth (18-25) are gainfully employed
- Community issues (gender equity, health, hygiene, etc.) are addressed
- Create models that are demonstrable and scalable

Our employability programme goals

- Provide relevant skills
- Make individuals employable
- Train beyond core skills to holistic personality transformation
- Create models that are demonstrable and scalable

Our environment goals

- Minimise our carbon footprint
- Develop and maintain green spaces



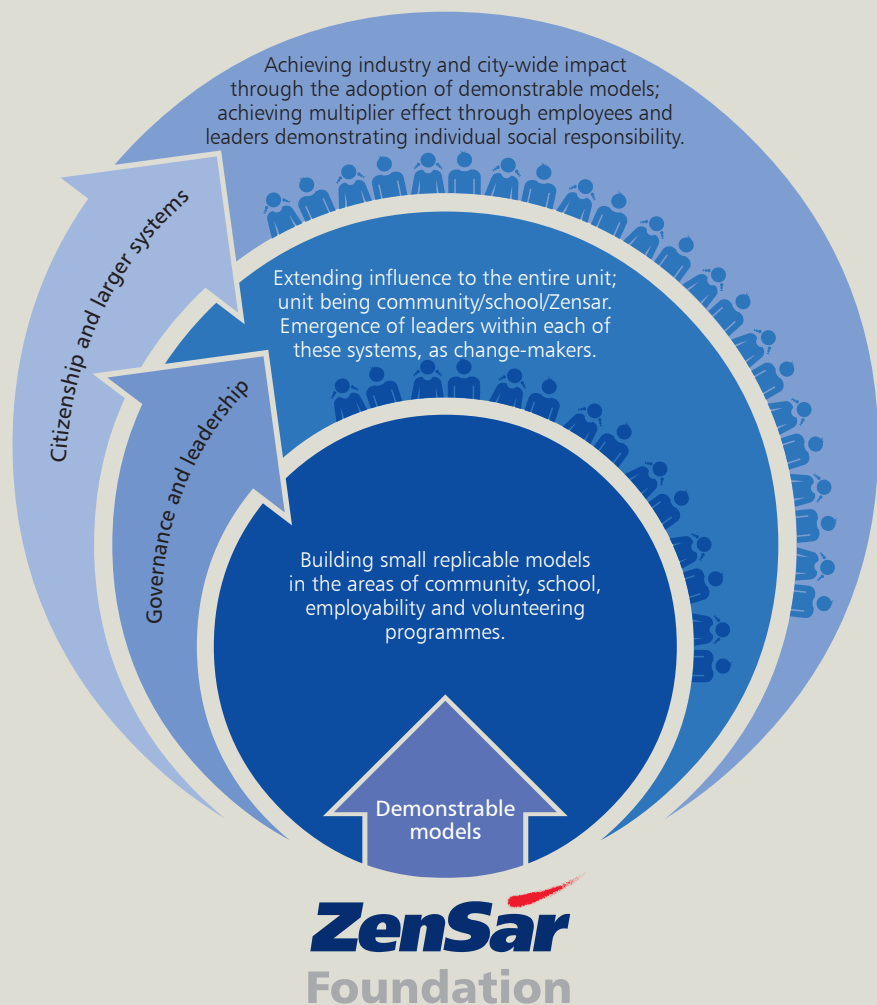
"What makes the Zensar CSR initiative distinctive is that the CEO, Ganesh Natarajan takes very keen interest.

Even before the Companies Act came into existence, Zensar had started a social Foundation and it invited outsiders like me to guide their CSR spending and help them evaluate it. The Foundation has taken up many interesting projects, such as developing an Environment Park in Pune, open to the general public."

– Anu Aga
Trustee, Zensar Foundation

Circles of Influence

Zensar aspires to expand its circle of influence outwards



Current location: Zensar Foundation is entering the second circle

- To use the children's natural curiosity and excite them about the process of learning
- To encourage them to learn new concepts
- To improve their way of thinking

This RPG-wide programme is being implemented in 71 schools across the country, reaching out to 8,430 students. It is run by Zensar in three municipal schools in Hyderabad.

Computer literacy: IT school programme

At Zensar, we believe that computer literacy is essential for modern-day success. In line with this, we run computer literacy classes for under-privileged children across five schools in Pune and Hyderabad, as part of their weekly school timetable. Initially, the IT curriculum was designed by Zensarians who also engaged in training; we have now partnered with a training delivery expert to graduate the programme to the next level of skill building.

Digital Literacy: National Digital Literacy Mission

Zensar is taking its computer literacy initiative to the next level through the National Digital Literacy Mission (NDLM), which has a goal of at least one person being digitally literate in every Indian household. Zensar is contributing to the mission by taking up this goal for its slum communities in Pune and Hyderabad. These courses will be administered in partnership with NASSCOM Foundation through NDLM centres, which will impart basic and skills-related digital training. The centres would also offer information and digital services via printers, photocopiers and cameras, amongst other devices. The objective is to go beyond the goal of one digitally literate person/household and facilitate 'digitally literate communities' over time.

Community mobilisation

Zensar believes that extensive community transformation can only transpire when people from the outside engage extensively with residents within. This volunteer-driven initiative in Chandan Nagar (Pune), undertaken in partnership with 'Connecting...NGO' comprises periodic engagements with neighbourhood residents, house-to-house visits, understanding resident problems, inspiring counter-initiatives and providing them with the confidence to resolve their issues. Over the months, this initiative has evolved to a point where ordinary employees (as opposed to trained field workers) are becoming change-makers and community mobilisers, ensuring long-term sustainability. Around 50 households have already been covered and the objective is to cover all households in FY15 and also leverage the learnings from this demonstrable showcase to extend to a second under-privileged community.

Gender sensitisation

At Zensar, we believe that the most lasting behavioural change is achieved by starting with the young generation. In line with this, we commenced a gender sensitisation programme managed by Equal Community Foundation (ECF) for young male adults aged 14-17 years in Chandan Nagar. Over the months, the youngsters have transformed their understanding of women's roles, capabilities and equality. The entire initiative has acquired the scale and maturity to be extended to other locations. A summary of outcomes: following ECF's intervention, there has been a broader sharing of domestic responsibilities amongst family members, reduction of discrimination against the female family members, and very importantly, have been sown the seeds for long-term advocacy of women's equality.

STORIES OF TRANSFORMATION



Following Zensar's intervention through the gender sensitisation programme, Deepak felt empowered enough to speak against his alcoholic father (who engaged in domestic violence) when the community met to discuss alcoholism... a kind of courage that he never thought he possessed.

Marzodi Narsimha (13). Student of Anjaiah Nagar Mandal Parishad Primary School. Trained in English at Zensar's class. Father a daily wage labourer; mother a housekeeper. Won the 'Learnasium Open Vocabulary Contest' organised by 'The Atlanta Foundation' in 2013 from a field of 2,000 students from 25 schools. Won a cash prize of INR 50,000. His discipline: three hours of English learning a day. "He learnt at the rate of 300 words a month," says trainer Seshu. Narsimha's dream? To be a software engineer!



Health check-up Camp in Hyderabad

Healthcare

For the last several years, Zensar has been providing free health care interventions within under-privileged communities in Chandan Nagar (Pune) and Anjaiah Nagar (Hyderabad). We address a high community incidence of fever, seasonal ailments, body pain, headache, blood pressure, asthma and diabetes through free doctor visits, medicines and health camps. Some 3,200 individuals benefited from these initiatives in 2013-14.

Zensar matured this exercise to the next level and collaborated with Hirabai Cowasji Jehangir Medical Research Institute (Pune) to conduct a nutritional baseline survey for children below six years. Zensar also conducted workshops on low-cost nutritional meals and effective kitchen garden implementation. This initiative will be scaled through collaboration with the Chandan Nagar Anganwadi to address malnutrition in the community.

Employability Programmes

At Zensar, we provide courses that prepare under-privileged individuals for promising careers that help transform their destinies. Our **Hardware and Networking course** has built a demonstrable model for employability within the IT industry, endorsed by a 75% placement. We have leveraged our learnings to scale this programme in partnership with an NGO, SGBS Unnati Foundation. Our **Unnati Skill**

Our **Unnati Skill Development Centre**, which runs multiple courses in collaboration with Thermax Social Initiative Foundation and Pune Municipal Corporation, has reported 100% placement across its first two batches.

Development Centre, which runs multiple courses in collaboration with Thermax Social Initiative Foundation and Pune Municipal Corporation, has reported 100% placement across its first two batches. Our employability training is being scaled through the **Employee Skills Development Programme** where we will train over 500 students per year, in their last year of college for roles within the country's IT sector, preparing students for full-fledged careers. Our **Learnership Development Programme** is a global training programme addressing the growing needs of young South Africans from previously disadvantaged backgrounds to be trained in contemporary technologies with the objective of preparing them for gainful employment. Zensar has trained more than 200 students and graduated over 150 to full-time employment (with Zensar or with our clients) over the last few years.



Choreographer Gaurav with children of Anjaiah Nagar community, Hyderabad



Ankit and Jui visiting families in Chandan Nagar, Pune



Volunteers planting saplings in Udaan Biodiversity Park, Pune



Volunteers at the 'Bal Dhamaal' annual programme in Pune

Volunteering

At Zensar, we have fused our organisational values of passion for excellence, people orientation, continuous innovation, integrity and social responsibility into a unique volunteering proposition.

Zensar is transforming careers through career opportunities, workplace

excitement and volunteering. Nearly 25% of Zensarians are investing in active volunteering across the Company's CSR projects in Pune and Hyderabad – all in their personal time, that is, outside of office hours. In addition to providing these individuals with the opportunity to transform ground-level realities, these engagements have provided Zensarians

with the opportunity to enrich their own personalities, in terms of enhancing empathy, patience, listening skills, time management and leadership capabilities. As an endorsement of the fact that volunteering reinforces workplace engagement, people retention among volunteers was 300 bps higher than the organisational average.

STORIES OF TRANSFORMATION



Dipti. Spouse of a Zensar associate. Also Udaan teacher. "The key to our success lies in the compulsory use of English in our classroom," she says. These are some of her big moments: Bhagyashree couldn't speak a word; now fights to go write correct answers to questions on the blackboard. Tejaswini and Rupali addressed a Zensar audience of 200 with a speech written by themselves – in English. Swati would get aggressive when reprimanded; providing her with class responsibilities worked. Dipti's biggest moment: "For my birthday, Udaan students prepared a seven-minute skit on their own. Unbelievable!" And all the more amazing when you consider that Dipti had no training as a teacher before she stepped into the Udaan classroom in February 2012. Just like several Zensar volunteers; yet another 'ordinary' person making the extraordinary happen.





Udaan Biodiversity Park, Viman Nagar, Pune



Top view of Udaan Biodiversity Park



Multi-lingual signage in English, Marathi and Braille



Hyderabad Associates at Republic Day Cycle Rally, 2014

Planet

AT ZENSAR, WE BELIEVE THAT BEING OUTWARDLY SOCIALLY RESPONSIBLE IS NOT ENOUGH. WE NEED TO BRING TO THIS ENGAGEMENT OUR PASSION FOR EXCELLENCE, CONTINUOUS INNOVATION AND TREATING THE COMMUNITY LIKE A CUSTOMER.

THIS COMMITMENT HAS BEEN REFLECTED IN OUR FORWARD-LOOKING INITIATIVES TO RATIONALISE THE USE OF NATURAL RESOURCES AND ENRICH LOCAL BIODIVERSITY.

Udaan Biodiversity Park, Pune

Zensar collaborated with the Pune Municipal Corporation to transform a leased two acre barren area into a biodiversity park in Viman Nagar (Pune). The park is experiential and educative, addressing all senses: the use of colourful plants proximate to the entrance welcomes visitors (sight), followed by a segment comprising medicinally therapeutic herbs (touch and taste), aromatic herbs (smell), the use of bird-friendly trees (sound) and a 500 sq ft water body (sight). What makes this park different is that it encourages visitors to pluck and taste,

rub and smell, extending interaction from the visual to the experiential. Through this experiential interaction, guided by helpful signages, visitors are able to appreciate the therapeutic influence of a *tulsi* or *neem* leaf and also educate themselves about the remedial characteristics of these plants. The park attracts a number of schools on educational excursions. Besides, this may well be the first Biodiversity Park in India with Braille signages to engage visually-challenged visitors. The park attracts more than 300 visitors a day comprising leisure walkers, picknickers and students.

Profits

ZENSAR'S ROBUST BUSINESS ENGINE HAS HELPED ENHANCE PROFITS IN A SUSTAINABLE WAY.

Your Transformation Partner

Zensar catalyses a client's transformation journey with technology-enabled business impacting solutions. The Company has reinforced its proposition of being customer-centric by not only providing industry solutions that help them improve key business performance indicators but also through innovative commercial models like gain-sharing, and outcome-based pricing.

Overview

Over the years, Zensar has strengthened its business model by positioning itself as a one-stop global business and technology transformation partner. This has helped the Company enhance profit after tax from INR 127.6 Cr in FY10 to INR 237.5 Cr in FY14, a growth of 86%.

The Company specialises in the industry verticals of Manufacturing, Banking, Insurance and Retail and provides end-to-end solutions (Consulting, Enterprise Architecture, IT implementation and support, Business Process Management, Product Engineering and Digital Enterprise Services) that help customers improve business outcomes. This can

be by way of enhancing efficiencies across the Supply Chain, integrating the 'shopfloor' to the 'topfloor' and also providing total outsourcing solutions to the Manufacturing industry; enhancing the 'Connected' customer experience or optimising the merchandise lifecycle or improving the record to report process to the Retail Industry; or by improving policy administration and providing social listening to Insurance companies. Zensar has sustained customer relationships over many years by not only providing technology and business solutions to customers but also by being proactive in anticipating customer needs and lending proactive solutions. This has resulted in strong customer traction. Most of the Company's clients comprise Fortune 1000 companies; 85% of the revenues are derived from the top-35 clients; and a similar per cent of the revenues are derived from clients working with the Company for five years or longer.

Strengths

Zensar combines its deep understanding of customer domains with competencies in technologies, operations and customer knowledge. The Company is right-sized in being able to provide a wide range of services, including deep consulting expertise to customers for their complex problems and at the same time addressing their needs with speed

and effectiveness. It possesses a rich experience of projects across diverse industry spaces, marked by positive outcomes and customer testimonials. The Company has expertise in Oracle Technology services aimed largely at the Manufacturing and Retail sectors, Social Listening and Legacy Modernisation services aimed largely at the Insurance sector and Maintenance aimed across all these sectors. Its presence at the cutting-edge of technology comprises Digital Enterprise capabilities that weave solutions across the Social media, Mobile technologies, Analytics and Cloud computing environments.

Impact

The Company has reported a 21% CAGR over the past 10 years (from 2004-05 to 2013-14); and a profit growth of close to 20% over the same period.

In 2013-14, the Company reported profitable growth. Even as revenues increased 9.5%, EBITDA margins grew from 14.4% to 16.8% and profit after tax from 8.3% to 10.3%.

The Company's market capitalisation strengthened from INR 186.81 Cr at the close of 2008-09 to INR 781.38 Cr at the close of 2011-12 and INR 1,638.22 Cr at the close of 2013-14.

On a Total Shareholder Returns (TSR) basis, Zensar figures in the top quartile of the country's IT sector.



Factoids

1

Rated amongst the leading Oracle services provider in the world

2

Proud to be one of the three leading Indian IT players in the BFSI sector in Africa

3

One of the top players in the Multi-Vendor Support space in Infrastructure management

4

Public sector business in Benelux and Germany showing significant growth

5

100% retention of all its Insurance customers since the last seven years

6

Zensar's Digital Enterprise workshop aimed at CXOs gaining significant traction



Zensar CSR team and customer team at Udaan Centre with children from the Chandan Nagar community

Overall Impact

Over the years, Zensar has built a strong and sustainable business showing steady growth and profits. Along the way it has built lasting relationships with its global clients, celebrating several long-term partnerships and continuing to deliver value to their businesses.

In this journey it has also built lasting careers for its people. The Company through all its outreach efforts has directly touched the lives of thousands

of individuals (associates, community and partners).

However, our impact extends beyond the functional immediate to the multi-generationally sustainable. The students whose lives we have been able to touch in the slum communities of Pune and Hyderabad will, we hope, grow into responsible citizens empowered to make a positive contribution to their families and community.

Similarly, we expect that a number of our volunteers will demonstrate their

community engagement across wider initiatives. We are optimistic that they will reinforce their leadership through positive change-making in whatever they do and wherever their touch.

At Zensar, what we are most excited about is the possibility of scale. A number of our social responsibility initiatives have reached a point where their models and learnings can be replicated (by us and others) wherever they are most needed, helping create a better neighbourhood, city, country and world.

"Zensar has brought to this space a long-term perspective, managing its expectations around slow but irrevocable transformation over fast but unsustainable improvement. We are at the early stages of this process, but as the work and impact deepens I do believe that Zensar's approach and the models that emerge, could be replicated anywhere in the world. Because this approach is based on the fundamental understanding that communities possess the wisdom for their own transformation and all they need is an enabling environment to make it happen."

- Pervin Varma, Trustee, Zensar Foundation





DIRECTORS'
REPORT 2013-14

CORPORATE
GOVERNANCE

MANAGEMENT
DISCUSSION AND ANALYSIS

Directors' Report

Dear Shareholders,

Your Directors are pleased to present their 51st Annual Report together with the Audited Accounts for the year ended 31st March 2014.

FINANCIAL HIGHLIGHTS:

The Financial Results for the year are as under:

Zensar Technologies Limited

	(₹ Crore)	
	Year ended 31 st March 2014	Year ended 31 st March 2013
Income from operations	908.48	825.07
Miscellaneous Income	53.53	47.24
Total	962.01	872.31
Profit Before Taxation	257.96	170.99
Profit After Taxation	187.22	121.53
Proposed Dividend	26.26	19.61
Transfer to General Reserves	100.00	100.00

Zensar Technologies and Subsidiaries (Consolidated)

	(₹ Crore)	
	Year ended 31 st March 2014	Year ended 31 st March 2013
Income from operations	2315.60	2114.52
Miscellaneous Income	45.49	14.60
Total	2361.09	2129.12
Profit Before Taxation	339.86	260.60
Profit After Taxation	237.53	174.53

FINANCIAL RESULTS

During the financial year 2013-14, your Company recorded total income of ₹ 962.01 Crore comprising Income from Software Development and Allied Services of ₹ 908.48 Crore, and other income of ₹ 53.53 Crore. The Company recorded a net profit of ₹ 187.22 Crore reflecting a growth of 54%.

On a consolidated basis, your Company has maintained steady growth with Total income of ₹ 2361.10 Crore comprising Income from Software Development and Allied Services of ₹ 2315.60 Crore and other income of ₹ 45.49 Crore. The Consolidated Profit after Taxation was ₹ 237.53 Crore reflecting an increase of 36%.

BUSINESS UPDATE

The last few years have been challenging for the technology and services Industry - a period of rapid change, technology and business disruptions have created a maelstrom of uncertainty. Socio-economic, business and technology megatrends are disrupting existing opportunities and norms, at the same time creating new ones.

In FY 2014 the Indian IT-BPM industry accounted for revenues near USD 118 Billion, cementing its leadership position in the global sourcing arena.

With a large multicultural and highly aspirational workforce of over 3.1 million employees, the industry today is the largest private sector employer in India. Past investments by service providers into disruptive technologies are now bearing fruit, as exports are set to grow by 13 percent in FY 2014, to touch USD 86 billion, driven by the ability of the industry to offer solutions that integrate new age digital offerings, like social media, mobility, analytics, cloud and big data, with traditional services.

Today, we are at the cusp of a new era. Technology can change the world and empower people and organisations to do amazing things. The next decade will witness an increasingly digitally empowered world, with technology becoming even more mindful, sentient and ubiquitous - an inextricable part of not only our environment, but ourselves.

Global IT spending grew by 4.5 percent in 2013, driven by rapid shifts in customer landscape - lines of business owners, CMOs, SMBs, emerging geographies and verticals driving IT adoption. Overall the global sourcing market grew by 8.5 percent in 2013, driven by large, bundled contracts. Given the tumultuous environment, firms struggled to define strategic roadmaps. As a result, M&A activity reduced by 12 percent over 2012, and the number of offshore delivery centers established in 2013 were 50 percent lower than 2012.

In spite of this challenging economic environment, your company continued to maintain excellent momentum with year ended revenues reported at ₹ 2,315.60 crores, a growth of 9.5 percent over the previous year's revenues of ₹ 2,114.52 crores. The profits after tax were at ₹ 237.53 crores, marking a 36.1 percent increase over the previous year's PAT at ₹ 174.53 crores. Your company retains its reputation as a successful leading global IT Organisation in 2013-2014.

It has been three years since Zensar moved to a vertical strategy, tying its success more tightly to the customers' success through business outcome based engagements and contracts. The process of verticalisation continued this year with the creation of sharper vertical service propositions for greater competitiveness in the market and this has now started reflecting in business results and also gained considerable analyst and industry attention. It was also a year of consolidation in terms of services, deeper entrenchment in emerging markets while retaining focus on

innovation and non-linearity. The company has made significant movement to best-in-class industry standards in operational efficiency through process standardisation and improved governance. The focus was on greater operational excellence through implementation of benchmark processes and methodologies in delivery with metrics based reporting, and tracking, implementation of lean, thereby reinforcing focus and momentum on productivity, performance and profitability.

The company has been strengthening its vertical expertise in key industries - Manufacturing, Retail, Banking, Financial Services and Insurance, by getting onboard some significant leaders in the domain to lead the businesses, through gathering valuable experience from customer projects in these industries and through proven mature service delivery capabilities in these industries.

The company has built strong capabilities in core areas of Application Development, Support, Maintenance, Testing and Modernisation; Business Process Management; Infrastructure Management; Enterprise Solutions in Oracle and SAP; Business Intelligence; CRM; and the new age technologies that make up the Digital Enterprise. Zensar has built credibility in this Digital Enterprise area encompassing social media, mobility, analytics and cloud, now popularly known as SMAC, and has made significant progress in terms of thought leadership, service proposition and client acquisition in this space by being at the forefront of technological advancements and investing in them for future growth.

Zensar's Infrastructure Management business has now been firmly integrated into Zensar's mainstream business, with Infrastructure Management today driving many of Zensar's significant large deals powering the growth story of Zensar. Zensar is well positioned to deliver to its clients a wider range of infrastructure services, including a new Total Infrastructure Outsourcing offering. Zensar partners with clients to holistically align IT programs and goals with enterprise strategy to deliver flexible solutions that drive business process as well as improve the availability, reliability and performance of applications, data centres, security and compliance, and end user computing infrastructure. The IM portfolio also includes Multi-Vendor Support (MVS), allowing organisations to consolidate their hardware support and maintenance under one service contract with one provider, irrespective of the OEM for hardware. Zensar is one of the top MVS providers worldwide and only one of three headquartered in India who renders this service, making it a one stop shop for all infrastructure management needs. With several key leadership position appointments and the service portfolio complete and comprehensive the IM business is set for significant growth and success ahead.

The application development, maintenance and testing business of Zensar has traditionally been the largest in the services pie in terms of revenue for the company and it continued its dominance in this year's revenue mix. Traditional pricing models have given

way to managed services. The proportion of managed services where Zensar managed services and business outcomes, continues to move in an upward trajectory and your company has all the methodologies and delivery frameworks to capitalise on this industry trend.

Strong partnerships with OEMs like SAP, SFDC, Oracle and Microsoft enable Zensar to be a single comprehensive services provider helping delivering all technology needs of an enterprise. In the Oracle space, Zensar has evolved from an implementation partner of enterprise business solution to an Oracle Platinum Partner, providing industry specific customised solutions to meet customer demands better, delivering to unique needs of the business. The Oracle practice at Zensar has been recognized by Oracle and the analyst community for robust capabilities and strong customer references in the Oracle landscape.

With an SAP Gold Partner status, and acknowledged through the SAP Best Partner Award for Highest Revenue Generation for SAP in the MENA region; also awarded as Emerging Business Growing Partner by SAP India; and a growing SAP alliance footprint in the UK, your company has positioned itself strongly for its SAP capability and leadership. Zensar's SAP practice also has preconfigured solutions certified by SAP for select verticals like Dairy, Pharma, Chemical, Retail and Life Sciences. Your company has also launched a centre of excellence for new areas like HANA with a complete learning and POC environment, and Zensar is one of the first companies to have successfully implemented HANA for a leading US retailer. The company is also working on areas like Actionable Analytics, SAP Mobility and Manufacturing Integration Intelligence (MII). Zensar has recently been certified for a partner centre of expertise (PCoE) helping provide enterprise support to customers globally.

The company is also now modernising applications for its customers who are keen to make their applications increasingly Social, Mobile and Cloud enabled. As customers move their custom applications to cloud platforms, Zensar's digital enterprise journey only gets stronger.

Your company has shown significant successes globally, with the US region at the forefront continuing to be the growth driver for the organisation, as has been traditionally. Europe business has been catching up considerably with significant new wins in emerging sectors for Zensar. UK continues to be impacted by the economic downturn with relatively slower growth.

South Africa has been a growth engine for Zensar with leadership in key industries of banking, financial services and insurance, and is proud to count the top 5 players in Banking, Insurance and Retail in South Africa as its customers. The company is now foraying into new areas of mining, retail, manufacturing and government and utilities as well. Zensar has also set up its operations in East Africa with Headquarters in Nairobi, Kenya.

Middle East, India and APAC have had a more modest year but are today set on steady ground with new leadership at the helm of

Directors' Report (Contd.)

activities in all these regions, backed by a strong strategy and set of services and capabilities to enable a robust go-to-market.

The company has worked with leaders in chosen verticals including Fortune 100 and FTSE 100 companies in mature markets of US, UK and Asia Pac, to small and large companies even in emerging markets of South Africa, Benelux and Middle East. Utilising its multi-shore methodology, Zensar delivers best-in-class IT services through its global delivery centres including Westborough, MA; Slough, UK; Veenendal, The Netherlands; Shanghai, China; Johannesburg in Africa and Pune, Hyderabad and Bangalore in India.

Your company has performed significantly well and has received recognition for its focus in chosen areas from various analyst firms.

DIVIDEND

Your Company had reported satisfactory profit levels in the first three quarters of the current financial year. In keeping with the Company's tradition of rewarding the shareholders, an interim dividend of ₹ 4.00/- per share was paid in the month of February, 2014.

Further, in view of your Company's profitable performance throughout the year, your Directors are pleased to recommend, for your approval, dividend at the rate of ₹ 6.00 per share on the Equity Shares of ₹ 10/- each for the financial year ended 31st March, 2014. The Dividend, if approved by the shareholders in the ensuing Annual General Meeting would result in an outflow of ₹ 26.26 Crore plus Dividend Distribution Tax, Surcharge and Cess thereon. The Dividend would be paid to those shareholder whose names appear in the Register of Members at the end of business day on 15th July, 2014.

TRANSFER TO RESERVE

Your Directors propose to transfer a sum of ₹ 100 Crore to General Reserve.

FIXED DEPOSITS

Your Company does not have a Fixed Deposit Scheme.

DIRECTORS

Mr. Arvind Agrawal and Mr. John Levack, Directors of the Company retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

Further in view of the provisions of the Companies Act, 2013, Independent Directors can be appointed by the Company for a term of 5 years at one time and that they shall not be liable to retire by rotation. Accordingly, Mr. Niraj Bajaj, an Independent Director on the Board of the Company and retiring at the ensuing Annual General Meeting is proposed to be appointed as an Independent

Director not liable to retire by rotation upto 31st March, 2019.

Non- Executive Independent Directors were appointed as Directors liable to retire by rotation under the provisions of the erstwhile Companies Act, 1956. Non-Executive Independent Directors so appointed would continue to serve the term that was ascertained at the time of appointment as per the resolution pursuant to which they were appointed. Therefore, only those Non-Executive Independent Directors who will complete their present term in the ensuing AGM of the Company, being eligible and seeking re-appointment, be considered by members for re-appointment. Non- Executive Independent Directors, who do not complete their term at the ensuing AGM, will continue to hold office till the expiry of their term (based on retirement period calculation) and thereafter would be eligible for re-appointment for a fixed term in accordance with the Companies Act, 2013 and provisions under Listing Agreement in this respect.

Further, Mr. John Levack shall be classified as Non Independent Director under the revised definition of Independent Director under the provisions of the Companies Act, 2013.

Brief particulars of the Directors, their expertise in various functional areas are given in the notice convening the Annual General Meeting.

The Board of Directors recommends the re-appointment/ appointment of Directors as mentioned above.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The provisions relating to disclosure of details regarding energy consumption, both total and per unit of production are not applicable as the company is engaged in service sector and provides IT and IT related services.

Particulars prescribed under sub- section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, in respect of technology absorption are set out in 'Annexure A' to this report.

Particulars regarding Foreign Exchange earnings and expenditure during the year are given in Note 33 and Note 34 of Notes to Accounts respectively. Particulars regarding R & D expenditure during the year are given in Note 38 of Notes to Accounts.

DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217 (2AA) OF THE COMPANIES ACT, 1956

The Directors confirm that –

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been

Directors' Report (Contd.)

- no material departure;
- ii) appropriate accounting policies have been selected and applied consistently and the Directors have 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 as at 31st March 2014 and the profit of the Company for the year ended 31st March 2014;
 - iii) 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 fraud and other irregularities;
 - iv) the annual accounts have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975 are set out in 'Annexure B' to this report.

SUBSIDIARY COMPANIES

During the year under review, with a view to spread its operations in other African Countries, your Company has formed a wholly owned subsidiary Company in South Africa named Zensar (Africa) Holdings (Pty) Limited (ZAHPL). Further to improve its BEE Score in South Africa, ZAHPL established a Subsidiary Company in South Africa named Zensar (South Africa) (Pty) Limited with Equity Participation by a local Company in South Africa.

As per Section 212 of the Companies Act, 1956 (Act), the company will make available annual accounts of the subsidiary companies and the related detailed information to shareholders on demand. The annual accounts of the subsidiary companies will also be kept for inspection by any shareholders at the registered office of the company and of the subsidiary companies concerned. Also, the company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand. Company has also given information relating to each of the subsidiary Company in the Annual Report in pursuance to Section 212 of the Act.

Consolidated Financial Statements of your Company along with its subsidiaries, prepared in accordance with the relevant Accounting Standards issued by The Institute of Chartered Accountants of India, forms part of this Annual Report.

CORPORATE GOVERNANCE

Your Company continues to benchmark itself with the best-of-the-breed practices as far as corporate governance standards are concerned. Your Company has complied with regulations provided in clause 49 of the listing agreement it has entered into with the stock exchanges. The compliance report on the various

requirements under the said clause along with the practicing Company Secretary's certification thereof is provided in the corporate governance section of this report. In terms of the Listing Agreement, the Management Discussion and Analysis Report is annexed and forms part of the Annual Report.

EMPLOYEES STOCK OPTION PLAN

Currently, the Company has two Employees Stock Option Schemes in force namely, "2002 Employees Stock Option Scheme" (2002 ESOP) and "2006 Employees Stock Option Scheme" (2006 ESOP) for granting term based and performance based Stock Options to Employees.

In the financial year 2013-14, 48,530 equity shares were allotted under "2002 Employees Stock Option Scheme" and 1,37,976 numbers of equity shares were allotted under "2006 Employees Stock Option Scheme". The Disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 in this respect are stated in Annexure C to this report.

AUDITORS

M/s Price Waterhouse, Chartered Accountants, Auditors of the Company, retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. The Company has received a Certificate from the Auditors that they are qualified under Section 224(1B) of the Companies Act, 1956, to act as the Auditors of the Company, if re-appointed along with confirmation that have valid certificate issued by "Peer Review Board" of the Institute of Chartered Accountant of India (ICAI).

ACKNOWLEDGEMENTS

The Board places on record its appreciation of the contribution of Associates at all levels, customers, business and technology partners, vendors, investors, Government Authorities and all other stakeholders towards the performance of the Company during the year under review.

For and on behalf of the Board

H.V. Goenka
Chairman

Place: Mumbai

Dated: April 22, 2014

Annexure A

PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. RESEARCH & DEVELOPMENT (R&D)

Your Company is pleased to report that Research and Development Program activities (program recognized by Department of Science and Industrial Research (DSIR), Department of Science and Technology, Government of India in September 2008) are on schedule in the following areas:

Digital Enterprise Showcase

SMAC (Social, Mobility, Analytics and Cloud) is now a significant part of any CIO's strategy. Over the past year, your Company has built up significant experience in this area. Your Company has leveraged this experience and its domain expertise to conduct research into and then develop SMAC based vertical focused solutions. These solutions are part of your company's "Digital Enterprise Strategy" for its customers. These solutions are now part of your company's Intellectual Property portfolio.

In order to showcase these vertical focused solutions, your company has setup a Digital Experience Centre within its campus in Kharadi Pune. This Centre has the latest facilities and resources needed to demonstrate SMAC based solutions that will enrich the user journey for the customer's end use.

API Strategy and API Gateways

Your company is conducting research in the area of APIs (Application Programming Interfaces), which is rapidly gaining popularity across the entire spectrum of industries. In their current form, APIs are primarily REST-based Web services allowing exchange of data using JSON (Javascript Object Notation). These allow organizations to expose a wealth of data to the outside world, leading to an enriched partner ecosystem. Your company is investing time and people into this area, gaining expertise in different API Strategies for different industries, along with the use of market leading API Gateways for fulfilling said Strategies.

Your company is happy to report that expertise gained via this research has already been applied in project for a manufacturing customer in Europe, with your company helping create the API Strategy for the customer, followed by an implementation using a market leading API Gateway.

Zensar Solutions Marketplace

Your company has built its own "app store" – the Zensar Solutions Marketplace, based on Open Source technologies. This Marketplace is intended to provide a stable and secure web platform for Zensar's Technology and Vertical focused solutions.

Your company is happy to report that the Solutions MarketPlace continues to attract worldwide Java community enthusiasts in increasing numbers all through the year for its JProjectAnalyzer and JArchiveExplorer solutions.

Global Delivery Platform/Solution BluePrint Development

Your Company conceptualized and developed Solution BluePrint (SBP) – a Framework for leveraging automated software development, which continues to be a framework of choice for our associates in leveraging automation and model-driven approaches in the software delivery lifecycle.

The framework and tools therein continue to be enhanced to include enhanced and innovative capabilities such as supporting capabilities of Java 1.5 or later, Java Code Generation, Intuitive Visualization, Automatic Type detection for Java Collection Types, and Documentation Customization Controls.

SOA (Service-Oriented Architecture) Technologies

Service-Oriented Architecture (SOA) is a key enabler for many enterprises, as well as for the emerging technologies including Cloud and Mobility.

Your Company continues to focus on Service-oriented Analysis and Design-centric work, with a methodology driven solution and opportunity to create a toolkit to support the same. Your Company's experience in Object-Oriented Design, Model-driven Approaches and Modeling Technologies through years of exploration is behind such innovative approaches.

Use of Emerging Technologies (Big Data/Hadoop and NoSQL)

Your Company continues to develop capabilities and research, build & deliver solutions using Open Source Technologies as well as emerging technologies for Big Data, like Hadoop and NoSQL using the appropriate mix of on-cloud and/or on-premise solution and delivery. With growing confidence in adopting such technologies your company continues to leverage such technologies for the customer to address changing business needs.

The Apache Hadoop software library is a framework that allows for the distributed processing of large data sets across clusters of computers using simple programming models. It is designed to scale up from single servers to thousands of machines, each offering local computation and storage. Hadoop is fast becoming a preferred technology for addressing the requirements and solutions for big data requirements.

Your Company has gained a good understanding of the Hadoop technology projects and is conceptualizing a Hadoop Provisioning framework to enable the quick setup of a Hadoop-environment for use in development and/or testing at the click of a button. The provisioned environment will also support the execution of Map-Reduce programs.

Annexure A (Contd.)

B. TECHNOLOGY ADOPTION AND ASSIMILATION

Creation of Tech Circles

The hallmark of the current technology landscape is the rapid change it undergoes. Your company is keeping abreast of the rapid advancements in the technology landscape by formation of Tech Circles within the company. Each of these Tech Circles focuses

on a specific upcoming technology, with the aim of conducting research into the technology, identifying use cases for the technology within customer projects as well as for the use of your Company for improving internal systems.

Tech Circles provide a unique, participative engagement model to enable technology-centric research across the company and the current Tech Circles focus on technologies such as Hadoop, Mongo DB, node.js, R Language, Neo4j.

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING A PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2014

Sr No.	Name of Employee	Age	Gross Salary (INR)	Designation	Qualification	Total Experience - Years	Date of Joining	Details Of Previous Employer	
								Designation	Organisation Name
1	Mr. Sanjay Sadashiv Marathe	58	10,910,495	Executive Vice President	BE (Electronic & telecommunication)	35	1-Apr-85	Head-Microrprocessor Division	ICA, Mumbai
2	Dr. Ganesh Natarajan	56	47,256,955	Vice Chairman & CEO	BE (Mech.), P.G. (Ind Engg), Phd.	34	1-Mar-01	Managing Director	Aptech Limited
3	Mr. Krishna Ramaswami	48	7,455,873	Sr Vice President	B.Sc(Che)	26	5-Nov-01	Senior Vice President	Sanchez Capital Services
4	Mr. Ajay Bhandari	45	6,235,707	Sr Vice President	CA & ICWA	22	1-Apr-04	Manager Systems	FASCEL Ltd
5	Mr. Yogesh Patgaonkar	44	7,449,580	Executive Vice President - HR	MMS(HR)	21	11-Jul-11	Vice President - Group HR	Raychem - RPG
6	Mr. Harish Gala	50	7,463,178	Sr Vice President	Master of Management Studies, BHU	27	4-Jun-12	Service Line Leader - Oracle Practice and Enterprise Applications Integrity (Oracle and SAP)	Deloitte India
7	Mr. Prakash Tripathi *	45	8,641,733	Vice President	BE (Electronics)	22	19-Oct-01	Manager Sales	MRO Tech
8	Mr. Sreepal Menon *	46	1,568,543	Sr Program Manager	Post Graduate Diploma	21	3-Mar-99	Senior Software Engineer	ASAP Solutions
9	Mr. Satish Kumar Tirupati *	43	1,531,521	Group Manager	B.Com & Post Graduate Diploma	21	8-Oct-02	SCM Lead	GENPACT LLC

*Employed for part of the year

Notes:

1. All appointments are contractual and subject to the Rules and Regulations of the Company in force from time to time.
2. Remuneration as shown above includes salary, allowances, bonus, Company's contribution to the provident, gratuity and superannuation funds and perquisites values for ESOP exercised during the year and other perquisites value calculated as per Income Tax Rules wherever applicable.
3. The above details are only for employees located in India.

By Order of the Board

H. V. Goenka
Chairman

Annexure C

Disclosures in compliance with clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended are set out below:

Sr. No	Description		
1	Name of the Scheme	2002 Employees Stock Option Scheme	2006 Employees Stock Option Scheme
2	Total number of options to be granted under the plan	2,568,631	30,00,000
3	Options Granted during the year	Nil	2,38,000
4	Pricing formula	The Compensation Committee decides exercise price for the Stock Options based on the market price i.e. the closing price on the Stock Exchange where trading volume is more on the previous day of the Compensation Committee Meeting held for granting of Stock Options. Compensation Committee may determine the Exercise Price at a premium or discount of a maximum of 20% on the market price.	The Compensation Committee shall determine the exercise price in respect of each grant of option. However, the exercise price shall be with premium or discount of a maximum of 20% on the market price as defined under the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999.
5	Options vested as of 31 st March 2014	1,94,718	7,13,760
6	Options exercised during the year	48,530	1,37,976
7	Total number of shares arising as a result of exercise of options till 31 st March 2014	9,52,322	3,61,280
8	Options lapsed / cancelled during the year ¹	20,606	1,26,836
9	Variation of terms of options	Nil	Nil
10	Money realized by exercise of options during the year.	₹ 37,22,478	₹ 1,52,62,392
11	Total number of options in force at the end of the year	1,94,718	15,60,560

Annexure C (Contd.)

Sr. No	Description		
12	Employee-wise details of Stock Options granted to Senior Managerial Personnel as on 31 st March 2014.	<p>Senior Management comprises the Managing Director and his direct reports. Accordingly, the details of Stock Options granted are as follows:- Dr. Ganesh Natarajan - 500000*; Mr. Parmod Bhalla – 100000*; Mr. Vivek Gupta – 21039*; Mr. Nitin Parab – 18476*; Mr. V. Balasubramanian – 19125*; Mr. S. Balasubramaniam – 10407*; Ms. Prameela Kalive - 1575; Mr. J Pardhasaradhi - 2100; Mr. Krishna Ramaswamy - 1575</p> <p>*Of these, certain stock options have been exercised</p>	<p>Senior Management comprises the Managing Director and his direct reports. Accordingly, the details of Stock Options granted are as follows:- Dr. Ganesh Natarajan – 400000*; Mr. Vivek Gupta – 110000; Mr. Nitin Parab – 110000*; Mr. V. Balasubramanian – 60000*; Mr. S Balasubramaniam – 9,000*; Ms. Prameela Kalive – 6000*, Mr. Krishna Ramaswamy – 6000</p> <p>*Of these, certain stock options have been exercised</p>
13	Employees who were granted options amounting to 5% or more of the options granted during the year.	Nil	<p>Mr. Prakash Tripathi – 15,000</p> <p>Ms. Pushpall Kapadia – 12,000</p> <p>Mr. Ajit Pethkar – 12,000</p> <p>Ms. Shahina Islam – 12,000</p> <p>Mr. Avinash Kale – 12,000</p> <p>Mr. Anand Mitkari – 12,000</p> <p>Mr. Mani Yogathasan – 12,000</p>
14	Employees who were granted options in any one year equal to or exceeding 1% of the issued capital of the Company at the time of grant.	<p>Dr. Ganesh Natarajan : 500000</p> <p>All these options have been exercised.</p>	Nil
15	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS 20)	₹ 42.07	₹ 42.07

Annexure C (Contd.)

Sr. No	Description		
16	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed. The impact of this difference on profits and EPS of the company shall also be disclosed.	The Company calculates the Employee Compensation Cost using the intrinsic value of the Stock Options. The difference between the Employee Compensation Cost computed as per Intrinsic Value method and Fair Value Method is ₹ Nil for the year, Fair Value being higher than Intrinsic Value. The impact on Profits and EPS is Re. Nil and Re. Nil respectively.	The Company calculates the Employee Compensation Cost using the intrinsic value of the Stock Options. The difference between the Employee Compensation Cost computed as per Intrinsic Value method and Fair Value Method is ₹ 1.69 Crores for the year, Fair Value being higher than Intrinsic Value. The impact on Profits and EPS is ₹ 1.69 Crores and Re. 0.39 respectively.
17	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock on the grant date	Weighted average exercise price of the options is ₹ 36.59 Weighted average fair value of the options is ₹ 36.24	Weighted average exercise price of the options is ₹ 56.06 Weighted average fair value of the options is ₹ 84.62
18	Description of the method and significant assumptions used during the year to estimate the fair values of options:	The Company has used the Black Scholes Model for estimating the Fair Value of the options. The Company has applied the following assumptions while computing the fair value: 1. Risk-free interest rate : 8.30 % 2. Expected life : 96 months 3. Weighted average of expected volatility : 42.89 % 4. Expected dividends : 3.41 % 5. The weighted average price of the underlying share in market at the time of option grant: ₹ 251.58	The Company has used the Black Scholes Model for estimating the Fair Value of the options. The Company has applied the following assumptions while computing the fair value: 1. Risk-free interest rate : 8.30 % 2. Expected life : 96 months 3. Weighted average of expected volatility : 42.89 % 4. Expected dividends : 3.41 % 5. The weighted average price of the underlying share in market at the time of option grant: ₹ 251.58

¹ As per the 2002 ESOP and 2006 ESOP, options lapse after completion of the exercise period, which is 10 years from the dates of respective vesting. If an option is cancelled on account of separation of the employee, without having been exercised, such cancelled option shall become available for future grant under the plan.

CORPORATE GOVERNANCE REPORT

The Company's Corporate Governance Philosophy

Corporate Governance

Corporate Governance is about commitment to values and ethical business conduct. The guidelines and best practices of Corporate Governance have evolved over a period of time. It specifies how an organisation is managed and controlled. This generally includes its Corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Accordingly, timely and accurate disclosure of information regarding the financial position, performance, ownership and governance of the company is an important part of corporate governance. This improves understanding of the structure, activities and policies of the organization by investors and public. Consequently, the organization is able to attract and retain investors, and enhance the trust and confidence of the stakeholders.

Corporate Governance at ZENSAR:

Zensar's core values consist of the following:

- Customer Sovereignty
- Passion For Excellence
- Continuous Innovation
- Transparency and Integrity
- People Orientation
- Social Responsibility

These are the keystones on which the framework of the Corporate Governance is based to make Zensar a socially responsible citizen of business Community. At Zensar, our endeavor is to follow good governance in spirit than mere compliance with the code on Corporate Governance. Further, the Company also complies with the laws in all the countries in which it operates. At Zensar, we recognize that having a simple and transparent corporate structure driven solely by business needs will certainly bring in more transparency and will in turn satisfy the mandates of Corporate Governance.

A report, in line with the requirements of the Listing Agreement executed with Stock Exchanges for the year ended March 31, 2014 is given below:

1. Board of Directors

A. Size and Composition of Board

At Zensar, we believe that sound Corporate Governance is critical to enhance and retain investor trust. Our Board exercises its fiduciary responsibilities in its true spirit. The primary role of the Board is that of trusteeship to protect and enhance stakeholders' value through strategic supervision of the Company and its subsidiaries. Our Company is headed by an effective Board that exercises leadership, integrity and judgment in directing so as to achieve continuing prosperity and to act in the best interest of the Company. The Board plays a critical role in overseeing how the management serves the short and long term interests of shareholders and other stakeholders. This is reflected in our governance practices, under which we strive to maintain an active and informed Board. It comprises combination of Executive and Non-Executive Directors which surpasses the regulatory yardstick requiring 50% of independent Directors on the Board. Each of whom adds value and brings independent view in the decision-making process.

As on 31st March, 2014, the Board comprises of Nine Directors, one of which is an Executive Director and eight are Non-Executive Directors. The Company has a Non- Executive Chairman from Promoter Group.

B. Board Meetings

The Board of Directors of the Company met Four times during the Financial Year 2013-14 on 22nd April, 2013, 17th July, 2013, 22nd October, 2013 and 21st January, 2014.

Composition of the Board and other Directorship/Membership of Committees held as on 31st March, 2014 along with Attendance of Board Meeting/AGM during the year are given below:

CORPORATE GOVERNANCE REPORT (Contd.)

Sr. No.	Name of Director	Category	Date of Appointment	Attendance in Board Meetings during 2013-14	Attendance in last AGM	Other Boards / Committees		
						Directorships*	Committee*	
							Member	Chairman
1	Mr. H.V. Goenka	Chairman Non Independent Non Executive Director	04.09.01	4	No	6	Nil	Nil
2	Dr. Ganesh Natarajan	Vice Chairman and Managing Director Non Independent	04.09.01	4	Yes	1	Nil	Nil
3	Mr. A.N. Agrawal	Non Independent Non Executive Director	29.01.02	4	No	1	Nil	Nil
4	Mr. P.K. Choksey	Independent Non Executive Director	24.04.80	4	Yes	1	1	Nil
5	Mr. Venkatesh Kasturirangan	Independent Non Executive Director	28.01.08	4	Yes	1	Nil	Nil
6	Mr. John Levack	Independent Non Executive Director	16.01.03	4	Yes	1	1	Nil
7	Mr. P.K. Mohapatra	Independent Non Executive Director	31.01.01	4	Yes	8	Nil	Nil
8	Mr. A.T. Vaswani	Independent Non Executive Director	09.02.96	4	Yes	2	2	1
9	Mr. Niraj Bajaj	Independent Non Executive Director	21.10.10	1	No	10	1	Nil
10	Mr. Manish Dugar**	Non Independent Non Executive Director	25.07.12	-	-	-	-	-

**Resigned with effect from 31st May, 2013.

* This number excludes the directorships / committee memberships held in Private Limited Companies, Companies registered under section 25 of the Companies Act, 1956. It includes the chairmanship/membership only in the Audit Committee and Shareholders' Grievance Committee.

2. Audit Committee

A. Composition

The composition of the Committee complies with the requirements of Clause 49 of listing agreement and section 292A of the Companies Act, 1956. Audit Committee is comprised of 3 professional non-executive Independent Directors, viz, Mr. A. T. Vaswani, Mr. P. K. Choksey and Mr. P. K. Mohapatra. Mr. A. T. Vaswani, Independent Non-Executive Director is the Chairman of the Committee.

B. Meetings

During the Financial Year 2013-14, seven meetings of the Committee were held on 22nd April, 2013, 16th July, 2013, 24th

September, 2013, 22nd October, 2013, 29th November, 2013, 21st January, 2014 and 21st March, 2014.

The particulars of attendance at the Committee Meetings during the year are given in the table below:

Name	No. of Meetings Attended
Mr. A. T. Vaswani (Chairman)	7
Mr. P. K. Choksey	6
Mr. P. K. Mohapatra	6

The Chairman of the Audit Committee attended the last Annual General Meeting of the Company.

The Company Secretary acts as the Secretary to the Audit Committee. The Committee meetings are also attended by the

CORPORATE GOVERNANCE REPORT (Contd.)

Chief Financial Officer, Statutory Auditors, and Internal Auditors. Other executives of the Company also attend the meeting as and when required.

C. Terms of Reference

The role, powers and functions of the Audit Committee are in conformity with Section 292A of the Companies Act, 1956 and guidelines stated in Clause 49 of the Listing Agreement.

The Committee, inter alia, performs the following functions:

1. Oversight of Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices, and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
6. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

7. Discussion with internal auditors regarding any significant findings and follow up there on.
8. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
9. Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

3. Compensation committee

A. Composition

The Compensation Committee is comprised of Mr. P. K. Mohapatra, Mr. Arvind Agrawal and Mr. John Levack. Mr. P. K. Mohapatra, Independent Non Executive Director is the Chairman of the Committee.

B. Meetings

During the Financial Year 2013-14, Two meetings of the Committee was held on 22nd April, 2013 & 17th July, 2013.

The particulars of attendance at the Committee Meetings during the year are given in the table below:

Name	No. of Meetings Attended
Mr. P. K. Mohapatra (Chairman)	2
Mr. John Levack	2
Mr. Arvind Agrawal	2

The Terms of Reference of the Compensation Committee are as under:

1. Determining the remuneration packages for Executive Director, the direct reports to the Managing Director / Chief Executive Officer.
2. Determine the quantum of commission payable to Non-executive Directors.
3. Implementation of the Employees Stock Option Plan.
4. Allotment of shares consequent upon exercise of stock options.

Details of Remuneration of Executive Director

Dr. Ganesh Natarajan, Vice Chairman and Managing Director, is paid remuneration as per the terms recommended by the Compensation Committee, approved by the Board of Directors and Shareholders of the Company.

CORPORATE GOVERNANCE REPORT (Contd.)

The remuneration paid to Dr. Ganesh Natarajan during Financial Year 2013-14 was as follows:

(Amount in ₹ Lakhs)

(A) Salary	59.85
(B) Allowances	146.07
(C) Annual Performance Incentive	250.09

Perquisites such as Medical reimbursement, Leave Travel Concession, club fees, Credit card, subscription, hard furnishing allowance, hospitalization and personal accident insurance are provided as per resolution passed by the Compensation Committee of the Board of Directors of the Company held on 25th July, 2012 and Company policy.

In the year 2006, Dr. Ganesh Natarajan was granted 2,00,000 nos. of performance based stock options under the "2006 Employee Stock Option Scheme". Consequent to issue of Bonus shares in 1:1 ratio, Compensation Committee of the Board of Directors approved the adjustment in the exercise price and numbers of the outstanding stock options under the Stock Option Scheme with a view to retain ESOP value. Accordingly, with the approval of stock exchanges, number of outstanding stock options in both the schemes were increased by 100% and exercise price for each grant was reduced by 50%. As a result, as on the date of this report outstanding options are 3,18,800. Till date Dr. Ganesh Natarajan has exercised 70,000 Stock Options under the ESOP 2006 Scheme.

As on 31st March, 2014, Dr. Ganesh Natarajan held 6,27,058 nos. of Equity Shares of the Company.

Details of Remuneration of Non Executive Directors

Non-Executive Directors are paid the sitting fees for attending the meetings of the Board/ Committee within the limits as prescribed under the Companies Act, 1956. The Non-Executive Directors are paid sitting fees of ₹ 20,000/- for each meeting of the Board, ₹ 10,000/- for each meeting of Audit Committee and ₹ 5,000/- for each meeting of Compensation Committee, attended by them.

Section 309 of the Companies Act, 1956 provides that a Director who is neither in the whole time employment of the Company nor a Managing Director may be paid remuneration by way of Commission if the Company authorize such payment by passing a Special Resolution. Members of the Company at the Annual General Meeting held on 20th July, 2011 have approved payment of Remuneration for a period of Five years to Non-Executive

Directors by way of Commission at a sum not exceeding one percent of Company's net profit.

During the year under review, apart from the Sitting Fees paid for attending the meetings of the Board and the Committees, the Non-Executive Directors have been paid a Commission calculated under Section 198 and 309 of the Companies Act, after taking into account the qualifications, experience, time spent on strategic matters and contribution to the company. The said Commission was duly recommended by the Compensation Committee and approved by the Board of Directors.

Remuneration to Non-Executive Directors

Sr. No.	Name of the Director	Sitting Fees paid during 2013-14 (In rupees)	Commission Paid for the year 2013-14 (In Rupees)
1.	Mr. H. V. Goenka	80,000	1,58,00,000
2.	Mr. P.K. Choksey	1,40,000	4,00,000
3.	Mr. Venkatesh Kasturirangan	80,000	4,00,000
4.	Mr. John Levack	90,000	4,00,000
5.	Mr. P.K. Mohapatra	1,50,000	4,00,000
6.	Mr. A.T. Vaswani	1,50,000	4,00,000
7.	Mr. Niraj Bajaj	20,000	4,00,000
8.	Mr. Arvind Agrawal	90,000	-

Shareholding of Non-executive Directors

Mr. A. T. Vaswani and Mr. P. K. Choksey, the Non-Executive Directors, hold 9000 and 800 nos. of equity shares of ₹ 10/- each respectively of the Company.

4. Investor's Grievance and Share Transfer Committee

A. Composition

The Investors' Grievance and Share Transfer Committee is comprised of Mr. A. T. Vaswani, Mr. P. K. Choksey and Dr. Ganesh Natarajan. Mr. A. T. Vaswani is the Chairman of the Committee.

The Committee meets at regular intervals in order to facilitate prompt and effective redressal of shareholders' complaints. The Company in coordination with Registrars and Share Transfer Agent takes all necessary steps for prompt resolution of all shareholder complaints and the Committee periodically reviews

CORPORATE GOVERNANCE REPORT (Contd.)

the reports of the same. With the intention of servicing the shareholders more expeditiously, the Committee has delegated the authority to approve transfers and transmissions up to 500 shares per transaction identified by a separate transfer number to Mr. S. Balasubramaniam, Chief Financial Officer and/or Mr. Nilesh Limaye, Company Secretary.

Mr. Nilesh Limaye, Company Secretary is designated as a Compliance Officer.

B. Meetings

During the Financial Year 2013-14, twelve Investor's Grievance and Share Transfer Committee meetings were held on 29th April, 2013, 29th May, 2013, 25th June, 2013, 29th July, 2013, 26th August, 2013, 26th September, 2013, 22nd October, 2013, 29th November, 2013, 26th December, 2013, 21st January, 2014, 26th February, 2014 and 28th March, 2014.

The particulars of attendance at the Committee Meetings during the year are given in the table below:

Name	No. of Meetings Attended
Mr. A. T. Vaswani (Chairman)	12
Mr. P. K. Choksey	11
Dr. Ganesh Natarajan	10

C. Terms of Reference

The Terms of Reference of the Investors' Grievance and Share Transfer Committee envisage the following:

- Dealing with matters relating to share/debenture transfers.
- Reviewing the system of dealing with and responding to correspondence from shareholders and debenture holders.
- Reviewing and dealing with complaints and responses to letters received from Stock Exchanges, SEBI and Department of Company Affairs.

5. Code of Conduct

The Board of Directors of the Company has laid down a Code of Conduct for all its Members and Senior Management personnel of the Company. This Code of Conduct is uploaded on Company's website www.zensar.com. The Directors and Senior Management have affirmed their compliance with the Code of Conduct for the Financial Year 2013-14.

A declaration from the Vice Chairman and Managing Director confirming the above is annexed to this report.

6. Details of previous Annual General Meetings and special resolutions passed at such Annual General Meetings:

Particulars	Financial Year 2010-11	Financial Year 2011-12	Financial Year 2012-13
Date and Time	20 th July, 2011 at 12.00 Noon	24 th July, 2012 at 12.00 Noon	16 th July, 2013 at 12.00 Noon
Venue	Registered Office of the Company at Zensar Knowledge Park, Plot # 4, Kharadi MIDC, Off Nagar Road, Pune 411014	Registered Office of the Company at Zensar Knowledge Park, Plot # 4, Kharadi MIDC, Off Nagar Road, Pune 411014	Registered Office of the Company at Zensar Knowledge Park, Plot # 4, Kharadi MIDC, Off Nagar Road, Pune 411014

The following are special resolutions passed by shareholders of the Company at the previous three Annual General Meetings:

- (i) In the Annual General Meeting held on 20th July, 2011.
- (a) Payment of Commission to Non Executive Directors.

- (ii) In the Annual General Meeting held on 24th July, 2012.
- (a) Amendment to ESOP Scheme 2006.
- (iii) In the Annual General Meeting held on 16th July, 2013.
- (a) Grant of additional Stock options under 2006 Employees Stock Options Plan to the employees of Company's subsidiaries.

7. Disclosures

A. Related Party Transactions

The transactions between the Company and the Management, Directors or their relatives are disclosed in the Note No 27 of the Annual Accounts in compliance with Accounting Standard 18 relating to "Related Party Disclosures". There is no Related Party Transaction that has any conflict with the interest of the Company.

B. Statutory Compliance, Penalties and Strictures

There were no instances of material non-compliance and no strictures or penalties were imposed on the Company either by SEBI, Stock Exchanges or any statutory authorities on any matter related to capital markets during the last three years.

C. Disclosure relating to Whistle Blower Policy and affirmation that no personnel have been denied access to the audit committee.

The Company has not officially implemented a Whistle Blower Policy. However, all Associates of the Company are free to access the higher Management or Audit Committee of the Company. The Company is in process of framing and officially implementing Whistle Blower Policy.

D. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements.

The Company has complied with all mandatory requirements laid down by Clause 49 of the Listing Agreement. The Company has also complied with some of the Non Mandatory requirements such as forming of the Compensation Committee and updating shareholders about the financial performance of the Company including summary of the significant events on quarterly basis.

8. Means of Communication

- The quarterly, half-yearly and Annual Financial Results are published in widely circulated newspapers such as Financial Express, LokSatta, etc. in terms of Clause 41 of the Listing Agreement.
- The Company organizes press meets / Analyst's meets to apprise and make public the information relating to the Company's working and future outlook.

- The Financial Results and presentations made to institutional investors or analysts are displayed on the Company's website www.zensar.com.
- The Company's website is updated periodically to include information on new developments and business opportunities of the Company.
- The Company has the practice of mailing quarterly Newsletter to the Company's shareholders. The shareholders are kept informed about important developments in the Company.
- The investors can contact the Company on the email id investor@zensar.com.
- Management discussion and analysis forms part of this Annual Report.
- The Company has as per Green initiatives taken by Ministry of Corporate Affairs, invited the members to register their e mail addresses with the Company so that all communications / documents including the Notice calling the Annual General Meeting and other General Meeting of the members along with explanatory statement(s) thereto, Balance Sheets, Director's reports, Auditor's Reports etc. for the financial year 2010-11 and thereafter, can be sent to them in electronic mode.

9. General Shareholder information

1. **Annual General Meeting:** The Annual General Meeting of the Company will be held on 23rd July, 2014, at the registered office of the Company.
2. **Financial Year:** 1st April to 31st March
3. **Book Closure Dates:** The Company's Register of Members and Share Transfer Books will remain closed for the purpose of dividend from 16th July, 2014 to 23rd July, 2014 (both days inclusive).
4. **Dividend payment:** The dividend recommended by Directors, on approval by the members at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear in the Company's Register of Members as on end of business day of 15th July, 2014.

CORPORATE GOVERNANCE REPORT (Contd.)

5. Financial calendar (tentative and subject to change)

Event	Due Date
Financial reporting for the quarter ending 30 th June, 2014	14 th August, 2014
Financial reporting for the quarter ending 30 th September, 2014	15 th November, 2014
Financial reporting for the quarter ending 31 st December, 2014	15 th February, 2015
Financial reporting for the quarter ending 31 st March, 2015	30 th May, 2015 (Audited)
Annual General Meeting for the year ending 31 st March, 2015	30 th September, 2015

6. Listing on Stock Exchanges: The Company's Equity Shares are listed on the following Stock Exchanges:

- The Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. (BSE)
- National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex Bandra (E), Mumbai 400 051 (NSE)

Stock Code:

BSE	504067
NSE	ZENSARTECH
ISIN in NSDL and CDSL	INE520A01019

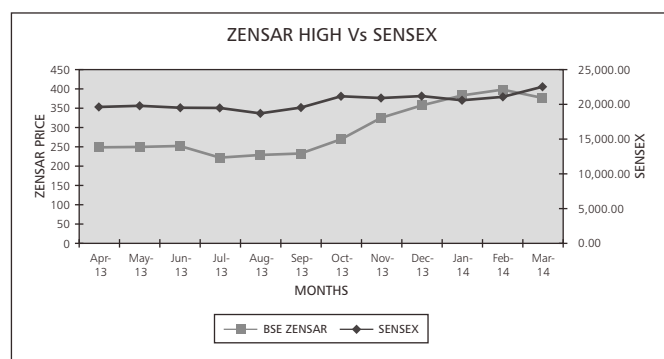
Listing fees have been paid for the year 2014-15.

7. Market Price Data: High/ low, Number of shares traded during each month in the last financial year:

Period	Bombay Stock Exchange Limited					National Stock Exchange of India Limited				
	High Rs.	Low Rs.	Close Rs.	Total Traded Quantity	Sensex	High Rs.	Low Rs.	Close Rs.	Total Traded Quantity	Nifty
Apr – 2013	261.70	240.00	246.20	45549	19,504.18	261.90	239.00	245.20	218393	5930.20
May – 2013	271.30	240.00	248.35	43519	19,760.30	271.05	237.15	248.55	284186	5985.95
June – 2013	260.00	244.00	249.30	26979	19,395.81	259.85	245.00	250.35	210812	5842.20
July – 2013	269.05	218.00	219.95	128234	19,345.70	268.80	216.70	221.50	494525	5742.00
Aug – 2013	236.40	205.00	226.25	70217	18,619.72	240.00	205.00	227.40	195897	5471.80
Sep – 2013	248.65	180.90	230.95	75955	19,379.77	249.30	212.10	230.75	197305	5735.30
Oct – 2013	276.75	226.00	267.45	134860	21,164.52	294.00	228.70	269.05	501006	6299.15
Nov – 2013	344.00	264.15	323.05	347127	20,791.93	344.05	261.15	323.05	1154152	6176.10
Dec – 2013	360.80	311.00	355.85	270177	21,170.68	360.00	310.00	356.55	812567	6304.00
Jan – 2014	429.80	358.80	381.50	496100	20,513.85	429.85	357.40	382.80	1704400	6089.50
Feb – 2014	415.00	360.05	395.60	241236	21,120.12	411.00	360.00	395.75	839695	6276.95
Mar – 2014	408.90	371.25	374.30	203999	22,386.27	409.15	371.00	375.10	642864	6704.20

Source – Websites Bombay Stock Exchange Ltd. (www.bseindia.com) and The National Stock Exchange Ltd. (www.nseindia.com)

A chart showing Share Price of the Company at Bombay Stock Exchange against SENSEX during the year 2013 - 14:



8. Registrar and Share Transfer Agent- M/s. Sharepro Services (India) Pvt. Ltd, is acting as the Registrar and Share Transfer Agents for the shares of the Company held in both physical and electronic modes. All correspondence with regard to share transfers and matters related therewith may directly be addressed to the Registrar and Share Transfer Agents at the address given below:-

Sharepro Services (I) Pvt Ltd
13 A B Samhita Warehousing Complex
Off. Andheri Kurla Road
Sakinaka Telephone Exchange Lane
Sakinaka, Andheri East
Mumbai 400 072

CORPORATE GOVERNANCE REPORT (Contd.)

The details of the concerned person in Sharepro Services (India) Pvt. Limited are as under:-

Name	Telephone no.	E-mail ID	Fax No.
K. G. Abraham	(022) 67720300 (022) 67720400	sharepro@vsnl.com	(022) 28591568

9. Share Transfer System: To expedite the transfer in physical mode, authority has been delegated to the Investors' Grievance and Share Transfer Committee of the Board. The Committee considers requests for transfers, transmission of shares, issue of duplicate certificates, issue of certificates on split/consolidation/ renewal etc. and the same are processed and delivered within 15 days of lodgement if the documents are complete in all respects.

In compliance with the listing Guidelines, every six months, the share transfer system is audited by a practicing Company Secretary and a certificate to that effect is issued by him. Complaints identified and reported during the Financial Year 2013-14 are as follows:-

Nature of Complaint	2013-14	
	Received	Attended to
Non – receipt of share certificates	80	80
Letters from Stock Exchanges, SEBI etc.	2	2
Non-receipt of Dividend / Debenture interest / Redemption warrants	61	61
TOTAL	143	143

10. Distribution Schedule: As of 31st March, 2014 the distribution of the Company's shareholding was as follows:

No. of equity Shares held	As on 31 st March, 2014			
	No. of Share holders	% of Share holders	No. of Shares held	% of Share-holding
1-500	20352	92.350	2234406	5.105
501-1000	958	4.347	706090	1.613
1001-2000	366	1.661	535277	1.223
2001-3000	126	0.572	321327	0.734
3001-4000	47	0.213	173151	0.396
4001-5000	45	0.204	206444	0.472
5001-10000	64	0.290	458587	1.048
10001 & above	80	0.363	39132212	89.409
Total	22038	100.00	43767494	100.00

11. Dematerialization of shares and liquidity: The shares of the Company are in compulsory dematerialised segment and are available for trading system of both National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Limited (CDSL). The status of dematerialization of shares as on 31st March, 2014 is as under:

Particulars	No. of shares	% of total capital issued
Held in dematerialized form in CDSL	1298302	2.97
Held in dematerialized form in NSDL	41713821	95.31
Physical	755371	1.72
Total	43767494	100.00

12. Shareholding pattern:

Details of Shareholding as on 31st March, 2014 was as under:

Category	As on 31 st March, 2014			
	No. of Share holders	% Share holders	No. of Shares held	% Share holding
Promoters	9	0.04	21130015	48.28
Mutual Funds, Financial Institutions, Banks Insurance Companies & FIs	71	0.32	5624274	12.84
Individual Shareholders	21093	95.71	5524487	12.62
Bodies Corporate	506	2.30	895820	2.05
NRI's OCBs	359	1.63	10592898	24.21
Total	22038	100.00	43767494	100.00

CORPORATE GOVERNANCE REPORT (Contd.)

13. Outstanding GDRs/ADRs/ Warrants or any Convertible instruments:

As of 31st March 2014, the Company does not have any outstanding convertible instruments, which are likely to have an impact on the equity of the Company except Stock Options granted under the 2002 Employees Stock Option Scheme and the 2006 Employees Stock Option Scheme, details of which have been disclosed in the Directors' Report.

14. Nomination:

Members can avail of nomination facility. Blank nomination forms will be supplied on request which is also available on the website of the Company under the Investor section.

15. Address for Communication

Mr. Nilesh Limaye
Company Secretary
Zensar Technologies Ltd.
Zensar Knowledge Park,
Kharadi, Plot # 4, MIDC,
Off Nagar Road,
Pune 411 014, India.
Phone No. (020) 66074000,
Fax No: (020) 66074433
Email: investor@zensar.com

Code of Conduct

In tune with the corporate philosophy, the Board of Directors of the Company has laid down a Code of Conduct for all Board Members and Senior Management of the Company in terms of Clause 49 of the Listing Agreement. The Code of Conduct is displayed at Company's Website.

I hereby confirm that the Company has obtained from all members of the Board and Senior Management personnel, affirmation that they have complied with the Code of Conduct for the Financial Year 2013-14.

Dr. Ganesh Natarajan

Vice Chairman and Managing Director

Mumbai

Dated: April 22, 2014

CORPORATE GOVERNANCE REPORT (Contd.)

CEO/CFO CERTIFICATION

We, Dr. Ganesh Natarajan, Vice Chairman and Managing Director and Mr. S. Balasubramaniam, Chief Financial Officer of Zensar Technologies Ltd. hereby certify to the Board that:

- (a) We have reviewed financial statements and the cash flow statement for the Financial Year ended 31st March 2014 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or proposed to be taken to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit committee:
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Ganesh Natarajan
Vice Chairman and Managing Director
Dated: April 22, 2014

S. Balasubramaniam
Chief Financial Officer

Practicing Company Secretary's Certificate

To,
The Members of Zensar Technologies Limited

We have examined the compliance of conditions of Corporate Governance, by Zensar Technologies Limited, for the year ended 31st March, 2014 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that as per the records maintained, no investor grievances against the Company are pending for a period exceeding one month before shareholders/ Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the management has conducted the affairs of the Company.

Pune
Dated: April 22, 2014

For **S. V. Deulkar & Co.**
Company Secretaries.

S. V. Deulkar
Proprietor.
F.C.S. 1321 C.P. No. 965

Management Discussion and Analysis

Corporate Profile

Zensar Technologies is a leading software and infrastructure services partner of choice for global organisations looking to strategically transform, grow, and lead in today's challenging business environment. Backed by a strong track-record of innovation, near 7000 associates and a footprint in more than 20 global locations, Zensar's comprehensive range of software services and solutions enable its 400+ forward-looking customers to cross new thresholds of business performance. Zensar helps companies transform their business through innovative software services and solutions to their business problems and through transformational digital initiatives. The company has been bringing renewed focus and impetus to chosen areas of growth. This is reiterated in several recognitions received this year including a research report from a leading analyst firm highlighting Zensar as one of the new breed of Oracle services partners; Novarica's recognition of Zensar's capabilities in Property and Casualty Insurance as one of the 14 noted providers in the space; IDC mentioned Zensar as a 'A New Generation of IT Service Providers to the European Manufacturing Industry' amongst significant other research reports.

Geographic Spread

Zensar operates in the US, Europe, Africa, Middle East, Singapore and Australia regions and has delivery centres in India (Pune, Hyderabad and Bangalore), China, UK, Africa (Johannesburg), Amsterdam and US (Westborough).

Services and Capability

Zensar has a services portfolio that ranges from the traditional to the transformational - across service lines of Consulting, Business Application Services, Enterprise Solutions, Enterprise Collaboration Services, Testing and Assurance Services, BPM, Infrastructure Management Services and Digital Enterprise. Zensar's experience across industries of Retail, Manufacturing, Banking, Financial Services, Insurance, and a few other industries translate into a differentiated value proposition and faster time-to-market for clients. Our capability in infrastructure-oriented services ranges from remote infrastructure management to end-user computing to data centre services and security and compliance. Zensar is now leading the way in powering next-generation enterprises with its social media, mobility, analytics and cloud solutions.

The company has been recognised for its exceptional service capabilities and industry-leading solutions, and has bagged prestigious awards in areas such as R&D, people practices, CSR programs and sustainability initiatives. Zensar's Corporate Social Responsibility programs focus on creating sustainable development and livelihood for local communities.

Innovation and Client Engagement

At Zensar, innovation is the clear differentiator, coupled with its focus on deep, long-lasting client relationships, and strong domain expertise which drive every facet of the company's day-to-day operation. This focus is translated into strategic business value for the company and into consistent performance. Your company believes in leveraging the power of innovation to seize new opportunities. The culture at Zensar is open and the management encourages people to question the status quo. Zensar associates are encouraged to challenge opinions and to come up with innovative ideas for improvement of strategy, people practices or customer delight. Zensar has been recognised for Participative Management. The company encourages diversity and the different perspectives that emanate from Zensar's world culture - diversity of gender, nationality, background, education make for a healthy heterogeneity and yet a oneness of culture. The company's Global Delivery Model, defined by robust service capabilities and the ability to source best talent from across the world, and is backed by its 24X7X365 support. The result: Superior value for clients.

Clients and Partners

Zensar enjoys enduring relationships with global leaders in its key industry verticals of Manufacturing, Retail, Banking and Insurance. Zensar has evolved from an implementation partner of enterprise business solutions to a Platinum Partner in the Oracle® Partner Network providing customised solutions to meet industry demands better. The company has also been recognised by SAP as a Gold Partner.

Current Strength and Future Projections

With a strong focus on continuous innovation, customer sovereignty and people orientation, Zensar has been able to demonstrate extraordinary growth and excellence in business results. In the past year, the company has been restructured to provide specialised vertical solutions to global corporations across the world. The solutions and domain expertise has helped Zensar generate revenues from the existing customer base and add new customers to the vertical portfolios. The company's expansion into new age technologies, social media, mobility, analytics and cloud computing are expected to provide significant avenues for growth.

The strength of Zensar is the energy of our teams. Focused HR initiatives have contained attrition at a benchmark low and the motivation levels of teams at a high. The company operates the iZen and Jugnu initiatives to instill higher leadership capabilities in all our managers, and to reinstate the value of the passion for excellence in every Zensarian. These initiatives will ensure the capabilities and motivation of our associates remain the strength of Zensar in all geographies.

Management Discussion and Analysis (Contd.)

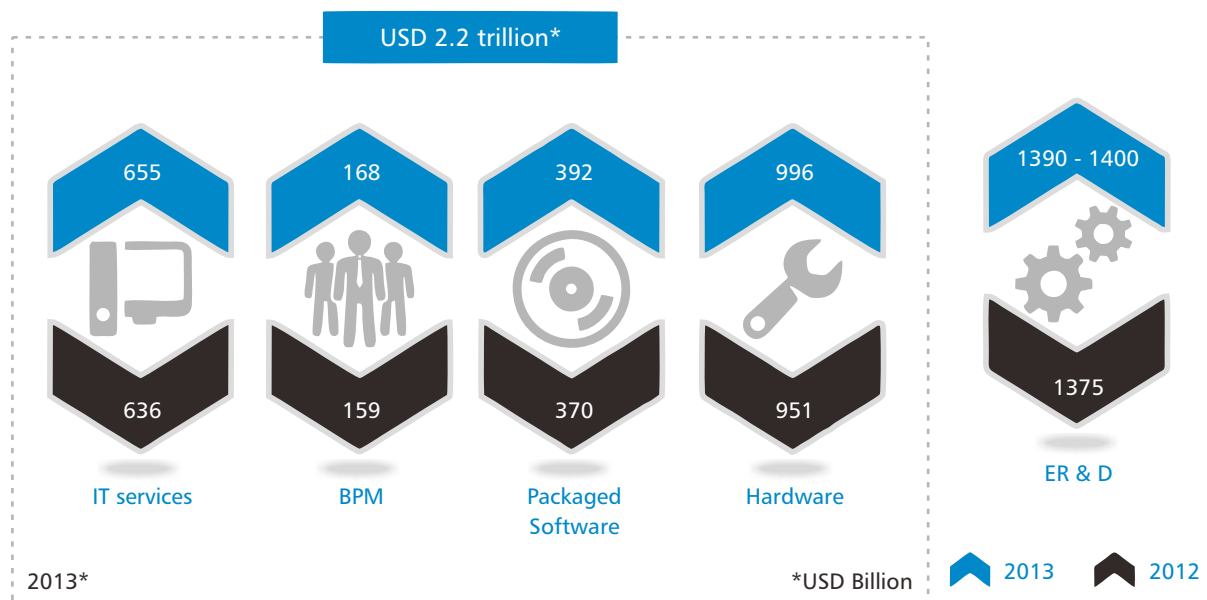
Zensar has been chosen by SAP, Oracle, Microsoft and Google, as their partner in many key markets and the organisation is in process of redefining the strategic imperatives for our business in the years ahead and looks to the future with great confidence. In both Infrastructure Management and Application Services globally Zensar has created a mark for itself and the company has seen excellent business in the US, South Africa and Middle East reflecting the inherent strength of our new vertical go-to-market strategy

The Industry Landscape in 2013 – 14

The global sourcing market grew by 8.5% in FY 2014, driven by large bundled contracts with worldwide spending of USD 2.2 Trillion. Given the tumultuous environment firms struggled to define strategic roadmaps, as a result M&A activity reduced by 12% over FY 2013 and a number of offshore delivery centres established in FY 2014 was 50% lower than FY 2013.

Worldwide IT-BPM spend

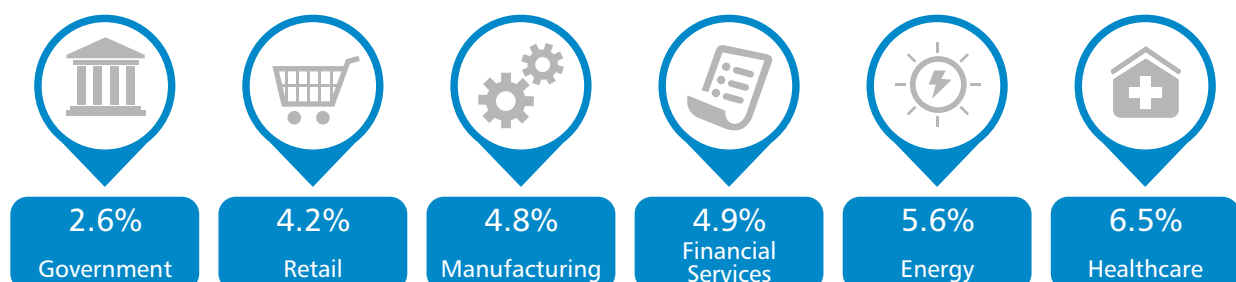
Global IT-BPM spending recorded growth of 4.5 percent in 2013



The environment of FY 2014 was uncertain, where the global sourcing market grew by only USD 11-12 Billion – India accounted for over 90% of the incremental growth, in the process increasing its market share from 52% in 2012 to 55% in FY 2014. While US continues to be the largest geographic market for India

accounting for approximately 62%, the highlight for the year was revival in demand which grew at 14% in FY 2014. BFSI continues to be the largest vertical segment accounting for over 41% of industry exports. However emerging verticals such as retail, healthcare and utilities are estimated to grow faster.

Vertical breakdown (% growth over 2012)



Source: IDC, NASSCOM

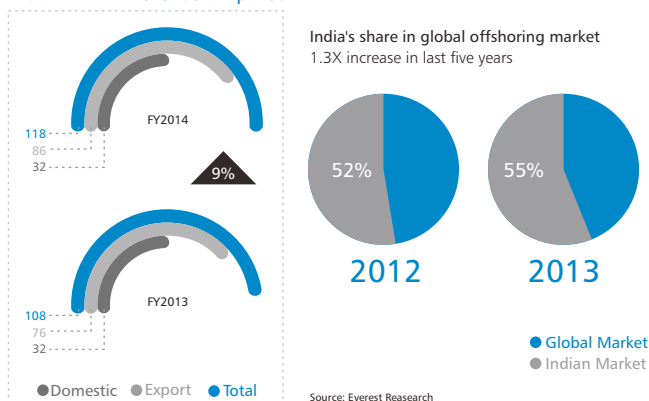
Management Discussion and Analysis (Contd.)

The overall deal activity for the year 2013 recorded a decline with total deal value decreasing by 3% and number of deals decreasing by 7%. The year witnessed an increase in large sized deals as firms opted for more and more IT-BPM bundled contracts. Organisations offering both IT and BPM have been able to benefit the most.

Among regions Americas continue to be the major outsourcing region contributing 67% of the total deal value in 2013, with 93% from US. ITO deals contributed to 77% of total deal value in 2013 witnessing a 6% drop from 2012. Bundled deals showed maximum growth in volumes with 27% increase in number of deals in 2013 over 2012. Total deal value also increased by 8%.

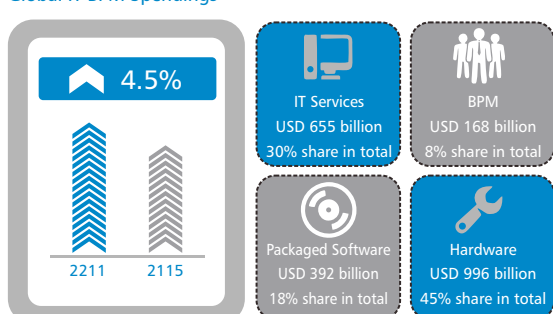
While the global IT-BPM industry grew by 4% in 2013, packaged software, IT services, and BPM continued to lead with 55% of the total spend at USD 1 Trillion. Rise of cloud based delivery, virtualization and automation is expected to frame the changing patterns of IT spending in the future. The key drivers for growth will be IT services i.e. applications and services built in the areas of the Digital Enterprise - social, mobile, analytics and cloud.

Indian IT-BPM Revenue Snapshot



Platform BPM solutions with analytics and mobile enablement will help deliver value beyond cost. Packaged software delivered as a service will be another key driver for growth. Data centre consolidation and engineering services will also help drive significant growth.

Global IT BPM Spendings



Global technology M&A deals volume declined by nearly 15% in 2013. SMAC technologies have played a key role in the biggest value deals in the year. The increase in the deal momentum is expected to spill over into 2014 and drive higher technology deal volumes.

While service providers continued expanding to offshore locations, this year witnessed a dip in the number of delivery centers set up in 2013, though the focus continued to be on onshore locations to tap into the resources available there.

Verticalised Solutioning

Zensar was restructured around the verticals of Manufacturing, BFSI, and Retail to develop and deliver end-to-end services keeping the customer's need in focus. These verticalised business units now act as a hub of innovation and development of proof of concept solutions for specific verticals and sub-verticals. Over the last year, the company has created propositions around the crafted ecosystem of each vertical addressing specific business requirements and expected outcomes in each of the industry areas. Manufacturing and Retail continues to drive over 60% of the business in Zensar while Insurance as an emerging vertical continues to record fast growth with demonstrated success.

Service lines

Zensar has emerged as a full service player for offering traditional services like application development and maintenance to testing, infrastructure, consulting and system integration, as also a niche provider for offering end-to-end services in particular verticals and customer segments. The company's expansion into cloud computing, mobility and social media consulting services and analytics has provided for significant opportunities for revenue growth and customer entrenchment. Further developments were also made in its core services ranging from Applications Development and Maintenance, Enterprise Services including Package Implementations and Business Intelligence, Transaction Processing, Testing and Infrastructure Management. These services have not only brought about end-to-end process improvements and business benefits for clients ranging from the Fortune 100 and FTSE 100 in US, UK and Asia to companies in South Africa and the Middle East but have also helped in creating deep intellectual capital. The company has launched its new Digital Enterprise offering that helps companies gear up for the business challenges of the future through the edge that new technologies can give them.

Zensar's complete range of infrastructure management services has helped the company gain significant positioning in the market as a Total Infrastructure Outsourcing provider and has set the foundation for large deals. The company has gained multi shore capabilities in Infrastructure Management and in the past 12

Management Discussion and Analysis (Contd.)

months, has augmented its global footprint with customers in diverse fields as navigation systems, software manufacturing, hospitality, video game publishing and prescription generic drugs in addition to the core verticals of Banking, Insurance, Manufacturing, Retail and Healthcare. The practice continues to maintain a healthy pipeline across territories and verticals for their independent services while exploring synergies with the new combined infrastructure services of the fully integrated entity.

Enhanced Partnership

Zensar today is a key global service integrator and has dedicated centres of excellence built to design and implement solutions that employ a broad portfolio of technologies. This capability lends additional focus on creating next-generation solutions that enable new thresholds of business performance by leveraging cloud delivery models and technologies. Zensar is helping customers create optimised levels of business performance, through assessment, advisory services as well as application integration and migration services through platforms such as force.com, Microsoft Azure and a number of other partnerships. The Cloud Services Charter in the organisation will enable our customers redefine the way they deliver value to their customers.

Zensar is also a recognised leader in Oracle deployments, having executed a number of joint implementation projects with Oracle worldwide. The company provides a broad set of Oracle specialisations with a large number of certified Oracle specialists. Currently the company has renewed its Platinum Partner status, and is already moving towards enhancing its position as a leading expert in Oracle technologies by becoming a Diamond Partner.

Zensar's SAP Gold Partner status, several acknowledgements for successful implementations, preconfigured solutions for select verticals like Dairy, Pharma, Retail and Life Sciences, the company is well positioned for leadership in SAP. Your Company has also launched a centre of excellence for new areas like HANA with a complete learning and POC environment and Zensar is one of the first companies to have successfully implemented HANA for a leading US retailer. The Company is also working on areas like Actionable Analytics, SAP Mobility and Manufacturing Integration Intelligence (MII). Zensar has also recently been certified for a partner centre of expertise (PCoE) helping provide enterprise support to customers globally.

Zensar is also investing significantly in it building an ecosystem of partnerships in the digital enterprise space, with niche providers in new technologies like social media, mobility, analytics and cloud.

Geographic Focus

Your company has shown significant successes globally. The US region continued to be the growth driver for the organisation as has been traditionally. Europe has shown significant growth this

year with a number of new client additions in the public sector that has been a significant growth driver in the region. UK continues to show moderate results. South Africa continues as a growth region for Zensar showing robust performance. Your Company is one of the top three IT players in South Africa and is well recommended in the region by customers and industry analysts. The Learnership Development program has been acknowledged for its focus on developing local talent and empowerment of previously disadvantaged people, aiming at training, transferring global knowledge and integrating the local South African team with global teams via its near shore centre in Johannesburg. Zensar has also set up its operations in East Africa with Headquarters in Nairobi, Kenya.

Middle East, India and Asia Pacific however have been less buoyant, and with the new strategies and leadership in place for these businesses they promise to show stable growth in the next financial year.

Continued Focus on Optimal Cost Efficiency

Zensar ramped up its focus on operational efficiency and moved into the 'Industry Best in Class' category on key operational metrics through its Organisational Excellence program. A number of initiatives were taken up to create higher productivity, improved resource fulfillment, maximised utilisation and enhanced fresher deployment. This was done through institutionalizing industry best practices in these areas. Zensar also implemented Lean Delivery Practices and has been acknowledged for rigorous and effective implementation of these practices and won the Indizen award this year.

Unique Customer Centricity

The company has been able to deliver continuous value to customers through its unique customer-centric approach. This approach has been further strengthened by enhancing the organisation design; focus on deeper verticalisation and enriching the company's capability to deliver and manage high-end complex engagements. The company has grown multifold but has always kept its focus around the customer engrained as part of the culture.

Diversification

Zensar realizes that the future is beyond services and that it will be a combination of services, solutions and platforms. Zensar has invested in building platforms to drive future growth opportunities and will continue to focus on these initiatives as it gains further depth in its verticalised approach. These domain solutions and technology platforms will offer improved revenue leverage versus talent employed in the organisation and will also significantly increase the intellectual property base.

Management Discussion and Analysis (Contd.)

Transformation

Zensar with its decade-long experience, mature service capabilities, presence in key verticals, global footprint and high caliber talent pool has ventured into new and emerging services like cloud, social media and mobility and vertical like Healthcare. At the same time the company has maintained its stronghold over traditional core services. The untapped opportunities in the new services are expected to drive the next phase of growth for the organisation.

SEGMENT-WISE PERFORMANCE

For the financial year under consideration, your Company has reported results of the Segments viz. Application Management Services (AMS) and Infrastructure Management Services (IMS).

Secondary segmental reporting is done on the basis of geographical location of clients.

The performance of these segments has been separately reported in Note no. 31 of the Consolidated Financial statements of the Company.

INTERNAL CONTROL

Compliance with best of the breed practices and regular management oversight make the internal controls at Zensar strong. Rigorous testing of the internal controls is one of the strengths of the organization. Strong internal controls minimize the risk of frauds by introducing effective checks and balances into the financial system. Zensar's Audit Committee along with Management oversees financial controls and their implementation on a regular basis. The Audit Committee meetings, reviews and verification of controls ensure that the Terms of Reference given by the Board of Directors are adhered to. The internal audit is carried out by one of the leading audit and risk advisory firms, along with the key management personnel.

TALENT MANAGEMENT

Talent Management practices at ZENSAR focus on Talent Acquisition, Development and Retention.

Acquiring the best talent both from Campus and Laterals, they are inducted and trained to meet the operational excellence standards. Both individual and team competencies are developed.

Industry recognition for Zensar's Talent Management practices:

1. NHRD Women's Career Development Award won by the Women Executive Board (WEB) of ZENSAR.
2. CISO Award –won by a Zensarian, Vishwas Pitre

Some key metrics from last year:

- Our retention rate stood at 86.6% for this year
- Our critical talent retention has stood at 98.8%. Critical talent base is 10% of the total population of Zensar.

The following is a summary of our key talent management initiatives:

Organization Development

The Voice of Associates (VOA), is a survey conducted every year to check the engagement levels of associates at ZENSAR. The results of this survey are one of the key inputs for the Talent Management charter for the year. VOA is conducted and analyzed by a third party agency.

Post the VOA results, several Focus Group Discussions were conducted across the organization to take feedback and suggestions to outline the way forward.

Based on the results of the VOA and the Focus Group Discussions, the Management Council resolved upon the following actions to be taken:

1. It was decided to continue the iZen Engagement Workshops which had started in Fy12-13. These workshops were held for People Managers with Teams. Inputs were given to Managers to enhance engagement in their teams.
2. Also, the 'Jugnu: Passion for Excellence – Ignited' was an initiative that was launched in the previous year was to be sustained and taken ahead in Fy 13-14. JUGNU is a platform to facilitate individual contribution by Zensarians through Excellence Workshops. Projects are created in these workshops to pursue their Passion for Excellence in areas of organization relevance.

iZen People Engagement workshops:

iZEN was launched in 2011-12, and was designed by one of the leading consulting companies as an interactive workshop for people managers. Inputs on Feedback, Connectedness and Development of Team associates are given.

In Fy 13-14, 10 workshops were held across the organization to take the total count of People Managers covered to 700 globally. This year the Train the Trainer Session was conducted once again for Unit Heads and HR Managers to conduct the workshops

Post the workshops the Review Sessions were scheduled to ensure the implementation of action plan as decided in workshops.

This has been a very successful initiative which has brought deep connect and positivity within teams.

JUGNU: Passion for Excellence – Ignited

In Fy 13-14, 12 Excellence Workshops were conducted. Excellence Workshops are conducted through the concept of Appreciative Inquiry, and are held separately for each Business Unit. The Appreciative Inquiry method helps associates discover the Excellence within themselves and Business Unit and create a common dream. Projects are designed to reach the common dream, executed by like-minded Action Teams.

The workshops are followed by Excellence Circles, meetings to share progress on their chosen initiative. The Excellence Workshops and Excellence Circles are hosted by the BU head and HR.

Management Discussion and Analysis (Contd.)

Training and Development

- Electronic Development Centers (eDCs) to assess and develop managers and leaders.
- Performance Management
- Career Dialogues and Development Action Plans
- Regular classroom/ classroom-plus-eLearning trainings

Organization and Management Review (OMR) is our comprehensive process to review the organization structure and incumbents of key roles in the structure to ensure alignment to the overall strategy of the Company. This process also includes succession planning and development planning for high potential associates.

Campus Hiring

Zensar has built a very strong partnership with Academia to collaborate in nurturing fresh talent. The 2013-14 Campus drives were held in 10 cities of 3 states. A total of 82 colleges participated.

Candidates were selected through a rigorous process including Automated Testing.

Talent Engagement

Building highly engaged talent teams is the focus for all our Talent Management initiatives. Our **5 F (Flexible, Fast, Focused, Friendly, Fun)** culture balances business requirements with people interests. The 5 F culture helps sustain high energy and high performance in the organization.

Many fun and team bonding activities are held through the year. Our Annual cultural fest, ZENSAR's signature event show cases talent of associates. Associates get involved in the celebration of festivals, participate in inter-IT and intra-Zensar sports events, contests and games.

The Associate Relations function at Zensar has been established to provide Zensarians with "one face" for any HR related query issue. The Associate Relations team proactively addresses concerns of associates and brings them to the notice of the management for effective resolution.

Work Life Balance: ZENSAR provides opportunities to associates to strike the right balance between professional and personal aspirations & interests. Our 'Time Off Scheme', on-campus Child Care Center, ZENSAR Fun Zone, on-campus Medical Center and Counsellor facility are some of the initiatives in that direction.

Work from Home: With a focus on tapping into larger talent pools, providing scalable work models without incurring high infrastructure cost, supporting work life balance needs of an associate, the organization has put in place a Work from Home policy.

Rewards & Recognition

ZENSAR recognizes the continuous effort, passion and commitment of associates and their contribution to the growth of the Organization. Associates are recognized and rewarded by Zenpoints, Quarterly Awards and Annual Excellence Awards.

Zenpoints is a scheme to award points to associates, by their Managers in various categories of achievement. The categories and number of points that can be awarded against achievement is outlined. Associates with maximum number of Zenpoints at a Location are felicitated monthly and yearly.

The Zenpoints Portal has been launched for easy awarding and visibility of status of Zenpoints to associates.

Open Culture: Transparency and Openness

Zensar provides multiple platforms for management and associate communication.

The **Everybody Meetings (EBM)** are held to share Business updates, Technology trends and future road map. The Pizza and Coke is an informal meeting of Senior Management with associates over lunch for sharing perspectives and ideas.

Zensar has a very vibrant platform for virtual collaboration – our Intranet called ZenLounge+ which is actively used by our associates for sharing views, technical collaboration as well as information sharing. This is a collaborative platform that combines the power of social networking, content collaboration, and real time enhanced communication.

Diversity and Inclusion (D&I)

Zensar has been constantly striving to build a diverse and inclusive work culture that respects and thrives on diversity in gender, age, nationality, race and capability.

The **Vision Community** is ZENSAR's signature D&I initiative where cross-functional teams across the levels in the organization contribute to the strategy building exercise of the organization. The success of Vision Community has been documented in Harvard Journals as a case study.

WE (Women for Excellence) is another key D&I initiative which aims to develop women Zensarians take leadership positions.

Safety of women Zensarians is another focus area. Several measures to ensure safety have been deployed at our campus and during commute to and from work. Sessions of safety awareness advisories and safety tips have been communicated to associates.

Additionally, to bring in diversity of perspectives in the Strategic Decision making process of the organization, the following boards have been set up: Shadow Executive Board, Women Executive Board and D&I Council. The composition of these Boards is cross functional and each Board is led by a member of the Strategy Council.

Management Discussion and Analysis (Contd.)

The Internal Complaints Committee (ICC) has been launched at both Pune and Hyderabad Locations as per statutory requirements. The ICC resolves any case on Sexual Harassment reported by a Woman associate. Sensitization sessions have been conducted across locations to make associates aware of the role of the committee and how it functions.

Corporate Social Responsibility

At Zensar, we believe in creating an inclusive society within and around us and strive to make a positive contribution to underprivileged communities by supporting a wide range of initiatives aiming towards community development through education, health and socio-economic measures; employability and environment sustenance. Many of these are driven by active participation from our employees. Zensar Foundation has been implementing these initiatives for over seven years. In 2013-14, it has expanded the scope of practically all activities. Zensar Foundation's area of operations continue to cover education for children in the subjects of English and Computer literacy, health initiatives in the local communities that it has adopted, skill enhancement and development among youth to make them employable, as well as organization level environment sustainability initiatives.

Some of the highlights of 2013-14 have been:

1. English proficiency:
 - a. Significant progress in the on-campus English centre which is a pilot program covering 45 children from Chandan Nagar community. The children are able to converse fairly fluently in English, participate in community and Zensar activities and exhibit helping behaviour
 - b. Based on the learnings from the pilot, the English program was scaled into the Pune Municipal Corporation school in ChandanNagar. The first batch comprises 240 children
 - c. Scaling up of the English Akshar program in Hyderabad from 140 to 280 children
2. Computer literacy
 - a. The computer literacy program which runs in 3 municipal schools across Pune and Hyderabad, covered over 1000 children
3. Other community-based programs
 - a. Reached out to over 3000 community residents with health programs
 - b. Initiated program for community mobilization towards reduction of distress in communities; resulting in the formation of groups for children, teenaged boys, adolescent girls and women for articulation and resolution of their problems

- c. Initiated program for instilling values of gender equality in teenaged boys
4. Employability, Environment Sustenance and Volunteering:
 - a. Launch of Unnati Employability Centre in Pune for improving employability of underprivileged youth; all graduates been placed till date
 - b. Maintenance of the 2-acre Biodiversity Park which was developed by Zensar Foundation in partnership with the PMC, in Viman Nagar, Pune in 2012-13. In the past year the park has continued striving for best practices and a 'Useful Plants Trail' with signages in English, Marathi and Braille has been developed in order to enable the park to be more educational and interesting in nature. Over 300 visitors use the park daily, on an average, and have consistently provided positive feedback
 - c. Significant progress in scaling up volunteering, both in terms of increasing the number of volunteers, who number over 20% of associates in India and also in terms of increasing their depth of engagement.

FINANCIAL MANAGEMENT

Accounting principles consistently used in the preparation of financial statements are also consistently applied to record income and expenditure in individual segments.

1. REVENUE

Revenue for the year ended 31st March 2014 is as under:

A. BY SEGMENTS

	₹ Crores	
SEGMENT	2013-2014	2012-2013
Application Management Services	1546.64	1370.53
Infrastructure Management Services	527.08	471.39
Products & Licences	241.88	272.60
Total	2315.60	2114.52

B. BY GEOGRAPHY

	₹ Crores	
Geography	2013-2014	2012-2013
United States of America	1745.85	1532.18
United Kingdom	220.33	182.96
Rest of the World	349.41	399.37
Total	2315.60	2114.52

C. BY LOCATION

Location	2013-2014	2012-2013
Onsite	68%	70%
Offshore	32%	30%

Management Discussion and Analysis (Contd.)

2. OTHER INCOME

Other Income comprises dividends from mutual fund investments, interest on bank deposits and others. Other income during the current year was ₹ 8.41 Crores as against ₹ 3.42 Crores in the previous year.

3. SHARE CAPITAL

During the year, the Company has allotted 186506 equity shares of ₹ 10 each, fully paid up, pursuant to exercise of stock options under the "2002 ESOP" and "2006 ESOP" schemes. The subscribed Equity Share Capital as at 31st March, 2014 was 43767494 Equity Shares of ₹ 10 each. As of 31st March, 2014 the Stock Options outstanding were 1755278.

4. RESERVES AND SURPLUS

The Company's reserves and surplus as on 31st March 2014 were ₹ 901.73 Crores as against ₹ 685.31 Crores in 2012-13.

5. LONG TERM BORROWINGS

As of 31st March 2014, Long term borrowings were ₹ 74.58 Crores (Previous year ₹ 133.47 Crores) out of which Finance lease liabilities were ₹ 2.68 Crores (Previous year ₹ 3.18 Crores) and Term loan taken from Standard Chartered Bank of ₹ 71.90 Crores (Previous year ₹ 130.29 Crores).

The portion of current maturities of long term loan amounting to ₹ 74.13 Crores (Previous year: ₹ 66.86 Crores) which is payable within twelve months, is shown under Other Current Liabilities.

6. SHORT TERM BORROWINGS

As of 31st March 2014, Short term borrowings of ₹ 21.39 Crores were taken by PSI Holding Inc. Previous year it was Nil.

7. FIXED ASSETS

There was an decrease in Net Gross Block of Fixed Assets by ₹ 10.70 Crores primarily due to retirement of Data Processing Equipment- Own Use. Capital work-in-progress of ₹ 0.27 Crores.

8. RETURN ON CAPITAL EMPLOYED

The return on capital employed (ROCE) for the year 2013-14 is 31.38%.

9. DEBTORS

The position of outstanding debtors was:

	₹ Crores	
	As at 31st March, 2014	As at 31st March, 2013
Outstanding for less than six months	360.99	335.93
Outstanding for more than six months	28.36	20.06
Provision for doubtful debts	(31.23)	(20.59)
Total Sundry Debtors	358.12	335.41

10. CASH AND BANK BALANCES

The Cash and Bank Balances represent the Company's balances in banks in India and overseas. The Company also retains funds in the Exchange Earners Foreign Currency (EEFC) account in India, which is mainly used to meet the remittance requirements of the Company's branches and also for travel purposes. The Company possessed cash and bank balances (India and overseas) of ₹ 145.81 Crores as on 31st March, 2014.

11. OTHER CURRENT ASSETS

Other Current Assets of ₹ 139.20 Crores consist mainly of accrued income i.e. where services have been rendered as per contract but the client has not been billed as on 31st March 2014.

12. LOANS AND ADVANCES

The Loans and Advances largely comprise advances recoverable in cash or in kind for value to be received amounting to ₹ 111.40 Crores (Previous Year: ₹ 115.04 Crores) as on 31st March, 2014 out of which Long term was ₹ 29.68 Crores (Previous Year: 29.41 Crores) and Short Term was ₹ 81.72 Crores (Previous year: 85.63 Crores), against which a provision for doubtful advances is 0.02 Crores (Previous year was Nil).

13. OTHER CURRENT LIABILITIES & PROVISIONS

Other Current liabilities & Provisions amounting to ₹ 333.84 Crores (Previous year ₹ 291.37 Crores) represent payments due to suppliers and advances from customers. Provisions consist mainly of accrual for expenses and provision for tax and dividend.

14. PROVISION FOR TAXATION

The Company's income-tax expense is ₹ 102.33 Crores (Previous year ₹ 86.07 Crores).

15. CONTINGENT LIABILITIES

Contingent Liabilities have been disclosed in Note 27 in the "Notes to the Accounts".

Management Discussion and Analysis (Contd.)

RISK MANAGEMENT

The Risk Management at Zensar encompasses practices relating to identification, characterization and assessing risks. Vulnerability of critical resources to specific risks is monitored and sustained efforts are undertaken for mitigation of various risks to our business. The Company is actively involved in collecting the latest trends in risk management, analyzing the same and using the inferences to plan for better risk management. The dynamic business conditions offer risk and opportunity, with the potential to erode or enhance value. By implementing risk management strategies, the Company can strike a balance and deal with risk and opportunity in an effective manner so as to enhance its long-term competitive advantage and capacity to build value. It minimizes adverse impact on our business objectives and enhance stakeholder value.

Risk management is an integral part of the charter of the Board of Directors at Zensar. Your company has set up Risk Management Council which is responsible for monitoring risk levels on various parameters and suggest measures to address the same. This council works in consultation with the Board of Directors, Management Council Members, Functional and Country heads. Following are the steps undertaken for Risk management at Zensar:



Risk Governance	Risk Identification and Prioritization	Mitigation Plan	Monitoring of Risks
<ul style="list-style-type: none"> Board to oversee and manage risks on various parameters. Risk Council to identify, define and update risk threshold. Senior Management to define and ensure implementation of Mitigation measures Business Units and Departmental Heads responsible for Transactional risks and Mitigation thereof. 	<ul style="list-style-type: none"> External and Internal Risk factors to be identified in context of Operational Strategy. Risk factors potentially affecting performance vis-à-vis these stated objectives to be identified. Defining criteria for determining consequence and probability of risks Prioritization on parameters such as High, Medium and Low 	<ul style="list-style-type: none"> Draw a mitigation plan. Assign ownership for mitigation plan. Revise Mitigation Plan, for shortfall if any. Define timelines and key indicators for mitigation plans. 	<ul style="list-style-type: none"> Risk Council, Senior Management and Board to review Risk Management Process on periodic basis. Risk Council to collate and review information on new and existing risks.

Certain inherent risks associated with the IT Industry as well as the Company are broadly listed below:

Client Risk

Excessive exposure to particular clients have the potential to limit the company's negotiating capacity and any swing in business may result in sudden downfall in revenue. The Company is constantly de-risking by soliciting customers from different verticals.

Vertical Risk

Excessive dependence on selected verticals may adversely affect profitability in case of downturn in the fortunes of clients in this group or a reduction in their IT spending / budgets.

In order to mitigate this risk, Zensar provides solutions to a wide range of verticals spanning across banking & finance, retail, manufacturing, distribution, infrastructure management, Health Care, Government, and utilities segments etc. These verticals are selected prudently considering parameters such as rate of growth, increasing dependency of each vertical on IT solutions etc. The Company has cautiously distributed its business across verticals to mitigate any risk through such exposure.

Geographical Concentration Risk

Concentration of revenue from a particular country exposes the company to the risks specific to its economic conditions, trade policies, local laws, political environment and work culture. In order to curtail this risk, Zensar has not imposed any rigid limits on

Management Discussion and Analysis (Contd.)

geographical concentration. While US continue to be the major revenue generating territory, Company's operations in South Africa, Europe, Australia, China and Middle East also makes significant contribution to the aggregate. To cap its geographic risk, Zensar intends to strengthen its presence globally.

Technology Obsolescence Risk

The Company operates in an ever evolving and dynamic technology environment and it is of utmost importance that the Company continuously reviews and upgrades its technology, resources and processes so as to eliminate technology obsolescence of a Company's expertise and posing a serious threat to the predictability of its revenues. The Company makes investments in R&D, with a view to keep pace with the latest developments in the technology space. The Company continuously updates itself in terms of various emerging technologies and trains its resources suitably to stay abreast of futuristic technologies and thus avoid technological obsolescence. The Company is not dependent on any single technology or platform. Zensar has developed competencies in various technologies, platforms and operating environment and offers the wide range of technology options to clients to choose from, for their needs.

Client Liability Risk

A Client Liability Risk arises in the advent of the failure or deficiency in services rendered to a particular client. Any such deficiency could result in a claim for damages against Zensar. Zensar pays adequate attention to the negotiation and documentation of contracts wherein an effort is made to limit the contractual liability for damages arising out of errors, mistakes or omissions in service delivery. Zensar has implemented state of the art testing practices to ensure error free delivery. In addition to it, Zensar regularly takes insurance policies for covering such kind of risks.

International Exposure Risk

As the company's headquarter is in India, this could result in regulatory, visa and tax complications, leading to unexpected delays in performing contractual obligations and a possible non-compliance of local laws. In order to overcome this peculiar risk, Zensar understands the local country environments systematically which has helped reduce the related risks. Besides, the Company works with local partners, which enables better understanding of the nuances of the respective territories.

Human Resource Risk

Global economy has made available more and more opportunities to the skilled manpower. Due to manpower intensive business

model, IT service organizations are heavily impacted by this. In India, there is uptick in attrition in companies operating in IT vertical. Better opportunities lead to attrition in human resources, which could drain valuable knowledge and customer experience and, hence, potentially have an adverse impact on revenues. The Company continuously creates and maintains a pool of world-class resources by recruiting best talents from leading colleges and from within the industry, imparting efficient & effective training, blending them into productive resources by creating challenging opportunities on projects. Zensar manages the careers of its employees in order to groom them to assume bigger responsibilities. Zensar's systems measure competencies and create a transparent performance-led incentive system. A number of initiatives have also been taken to make Zensar a fun place to work in.

Foreign Currencies Risk

Global financial position continues to remain volatile with wide swings in both the directions in currencies impacting the IT industry. This trend is expected to continue in near to medium term with added complexity of cross-currency movements. Given the high offshore content of the revenues, a major portion of the Company's expenses is in Indian rupees. As a result operating profits gets highly impacted by foreign currency rate fluctuations. To the extent that there is a significant appreciation of the rupee, it would affect Company's earnings negatively. Such volatility would also affect Company's assets located at various locations worldwide in terms of their carrying value. The Company hedges a major part of the risk on exchange rate by entering into forward cover for predictable inward remittances minimizing the risks associated with foreign currency rate fluctuations.

Further, there is an increased focus on Europe, Asia Pacific and Rest of World for generating business which not only insulates from dependency on a single chosen economy but also ensures that the revenue streams are denominated in multiple currencies thereby partially de-risking the currency.

CAUTIONARY STATEMENT

This Report to the Shareholders is in compliance with the Corporate Governance Standard incorporated in the Listing Agreement with the Stock Exchanges and as such cannot be construed as holding out for any forecasts, projections, expectations, invitations, offers, etc. within the meaning of applicable securities laws and regulations. This Report furnishes information as laid down within the different headings provided under the sub-head Management Discussion and Analysis to meet the Listing Agreement requirements.



FINANCIAL STATEMENTS

Independent Auditors' Report

To the Members of Zensar Technologies Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Zensar Technologies Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 of India (the "Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to

fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
 - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

Independent Auditors' Report (Contd.)

8. As required by section 227(3) of the Act, we report that:

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;

- (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Place: Pune
Date: April 22, 2014

Jeetendra Mirchandani
Partner
Membership Number: 48125

Annexure to Independent Auditors' Report

Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of Zensar Technologies Limited on the financial statements as of and for the year ended March 31, 2014

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- ii. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 4(ii) of the said Order are not applicable to the Company.
- iii. (a) The Company has granted unsecured loans, to two companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregated to Rs. 1,491.85 Lakhs and 1,323.19 Lakhs respectively. The Company has not granted any secured/ unsecured loans to firms or other parties covered in the register maintained under Section 301 of the Act.
- (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- (c) Except for an amount aggregating Rs. 1,240.08 Lakhs outstanding towards principal and interest from a subsidiary under liquidation, which has been fully provided as at March 31, 2014, the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest as applicable.
- (d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lakh.
- (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii) (f) and (g) of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.

Annexure to Independent Auditors' Report (Contd.)

- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, income tax, investor education and protection fund, employees' state insurance, sales tax, wealth tax, service tax and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, wealth tax and service tax as at March 31, 2014 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ in Lakhs)	Period to which the amount relates	Forum where the dispute is pending
Andhra Pradesh Sales Tax Act	Sales Tax	1.96	Financial Year 1996-97 to 1997-98	Andhra Pradesh High Court
Maharashtra Value Added Tax Act, 2002	Sales Tax	58.98	Financial Year 2009-10	Deputy Commissioner of Sales Tax
Income Tax Act, 1961	Income Tax	3.77	Financial Year 2008-09	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	0.09	Financial Year 2006-07	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	1.13	Financial Year 2007-08	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	294.74*	Financial Year 2010-11	Assistant Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	148.75*	Financial Year 2011-12	Assistant Commissioner of Income Tax
Wealth Tax Act, 1957	Wealth Tax	19.19	Financial Year 2003-04	Income Tax Appellate Tribunal
Finance Act, 1994	Service Tax	9.57	Financial Year 2005-06	Commissioner Custom, Central Excise and Service Tax (Appeals)
Finance Act, 1994	Service Tax	1.72	Financial Year 2005-06	Commissioner Custom, Central Excise and Service Tax (Appeals)

* A rectification application has been filed by the Company for rectification of the intimation.

- x. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 4(xi) of the Order are not applicable to the Company.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.

Annexure to Independent Auditors' Report (Contd.)

xvi. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.

xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.

xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.

xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.

xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Place: Pune	Jeetendra Mirchandani
Date: April 22, 2014	Partner
	Membership Number: 48125

Balance Sheet

As at March 31, 2014

		(₹ in lakhs)	
	Note	2014	2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	3	4376.75	4358.10
Reserves and surplus	4	60049.56	46537.48
		64426.31	50895.58
NON-CURRENT LIABILITIES			
Long-term borrowings	5	268.10	317.86
Long-term provisions	6	855.61	801.05
		1123.71	1118.91
CURRENT LIABILITIES			
Trade payables	7	2039.46	2324.64
Other current liabilities	8	4671.13	4083.54
Short-term provisions	9	3728.49	2709.91
		10439.08	9118.09
TOTAL		75989.10	61132.58
ASSETS			
NON CURRENT ASSETS			
Fixed Assets			
Tangible assets	10	7296.29	7907.96
Intangible assets	11	999.61	643.92
Capital work-in-progress		27.97	77.20
Intangible assets under development		179.10	169.15
		8502.97	8798.23
Non-current investments	12	965.80	1091.32
Deferred tax asset (Net)	13	1759.58	1242.27
Long-term loans and advances	14	2436.29	1722.45
		13664.64	12854.27
CURRENT ASSETS			
Current investments	15	14784.65	4173.66
Trade receivables	16	27454.68	23070.95
Cash and bank balances	17	5661.87	5342.00
Short-term loans and advances	18	3950.59	5110.67
Other current assets	19	10472.67	10581.03
		62324.46	48278.31
TOTAL		75989.10	61132.58

Summary of significant accounting policies

2

The notes are an integral part of these financial statements

This is the Balance Sheet referred to in our report of even date.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors of
Zensar Technologies Limited

Jeetendra Mirchandani
Partner
Membership No. 48125

H.V. Goenka
Chairman

Ganesh Natarajan
Vice Chairman &
Managing Director

S. Balasubramaniam
Chief Financial Officer

Nilesh Limaye
Company Secretary

Place: Pune
Date: April 22, 2014

Place: Mumbai
Date: April 22, 2014

Statement of Profit and Loss

for the year ended March 31, 2014

			(₹ in lakhs)
	Note	2014	2013
Revenue from operations			
Software development and allied services		90017.08	79175.38
Sale of licenses for software applications		830.74	3331.94
Other operating revenue	20	1332.45	1259.23
		92180.27	83766.55
Other income	21	4021.34	3464.94
Total Revenue		96201.61	87231.49
Expenses:			
Employee benefits expense	22	46890.86	45736.48
Other expenses	23	20412.97	21622.89
Depreciation and amortization expense	10 and 11	2953.03	2685.62
Finance costs	24	148.30	87.84
Total Expenses		70405.16	70132.83
Profit before taxation		25796.45	17098.66
Tax Expense [See Note 2(o)]			
- Current Tax		7591.41	5017.01
- Deferred Tax		(517.31)	(70.96)
Profit for the year		18722.35	12152.61
Earnings Per Equity Share		Rs.	Rs.
[Face Value: ₹10 (See Note 25)]			
- Basic		42.88	27.93
- Diluted		42.07	27.39

Summary of significant accounting policies

2

The notes are an integral part of these financial statements

This is the Statement of Profit and Loss referred to in our report of even date.

For **Price Waterhouse**
Firm Registration Number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors of
Zensar Technologies Limited

Jeetendra Mirchandani
Partner
Membership No. 48125

H.V. Goenka
Chairman

Ganesh Natarajan
Vice Chairman &
Managing Director

S. Balasubramaniam
Chief Financial Officer

Nilesh Limaye
Company Secretary

Place: Pune
Date: April 22, 2014

Place: Mumbai
Date: April 22, 2014

CASH FLOW STATEMENT

for the year ended March 31, 2014

(₹ in lakhs)

	Year ended	
	March 31, 2014	March 31, 2013
A. Cash Flow from Operating Activities :		
Profit before taxation	25796.45	17098.66
Adjustments for		
Depreciation and amortisation	2953.03	2685.62
Dividend Income	(2048.62)	(1,795.78)
Interest Expense	148.30	87.84
(Profit) / Loss on sale of investments (net)	(3.01)	(33.78)
Interest Income	(222.55)	(193.35)
(Profit) / Loss on sale of tangible assets (net)	(14.56)	10.64
Employee stock compensation expense	27.15	27.90
Provision for doubtful debts	1189.37	288.32
Provision for doubtful loans and advances	138.46	201.27
Provision for Diminution in the value of Investments	185.82	-
	2353.39	1278.68
Operating Profit before Working Capital Changes	28149.84	18377.34
Changes in Working Capital:		
(Increase)/Decrease in long term loans and advances	(633.59)	(116.76)
(Increase)/Decrease in trade receivables	(5968.06)	(1768.86)
(Increase)/Decrease in short-term loans and advances	77.55	129.67
(Increase)/Decrease in other current assets	115.02	(6321.69)
Increase/(Decrease) in long term provisions	58.42	(63.46)
Increase/(Decrease) in trade payables	(306.34)	(53.37)
Increase/(Decrease) in other current liabilities	574.50	(551.45)
Increase/(Decrease) in short-term provisions	686.97	(259.11)
	(5395.53)	(9005.03)
Cash generated from Operations	22754.31	9372.31
Taxes Paid (net of refunds)	(6878.55)	(4434.80)
	(6878.55)	(4434.80)
Net Cash generated from Operating activities (A)	15875.76	4937.51
B. Cash Flow from Investing Activities		
Purchase of tangible/intangible assets including capital work in progress	(2696.53)	(2050.24)
Sale of tangible assets	53.32	13.09
Investment in subsidiaries	(60.30)	(156.33)
Purchase of current investments	(37399.66)	(27603.74)
Sale of current investments	26791.68	28145.67
Interest Income	222.55	193.35
Dividend Income	2048.62	1795.78
Net Cash from Investing Activities (B)	(11040.32)	337.58

CASH FLOW STATEMENT

for the year ended March 31, 2014 (Contd.)

(₹ in lakhs)			
	Year ended		
	March 31, 2014		March 31, 2013
C. Cash Flow from Financing Activities			
Proceeds from share allotment under Employee Stock Option Schemes	189.85		157.12
Interest paid	(148.30)		(87.84)
Dividends paid on Equity Shares and tax thereon	(4577.08)		(3807.95)
Net Cash used in Financing Activities (C)		(4535.53)	(3738.67)
D. Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)		299.91	1536.42
Cash & Cash Equivalents at the beginning of the year		5262.96	3726.54
Cash & Cash Equivalents at the end of the year		5562.87	5262.96

Notes :

- The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard 3 on Cash Flow Statements.
- Prior year comparatives have been reclassified to conform with current year's presentation, where applicable.
- Cash and cash equivalents comprise of:

	(₹ in lakhs) 2013-14	(₹ in lakhs) 2012-13	(₹ in lakhs) 2011-12
Cash on Hand	3.13	3.17	7.48
Balances with Banks	5559.74	5259.79	3719.06
Total	5562.87	5262.96	3726.54

The notes are an integral part of these financial statements

This is the Cash Flow Statement referred to in our report of even date.

For **Price Waterhouse**
Firm Registration Number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors of
Zensar Technologies Limited

Jeetendra Mirchandani
Partner
Membership No. 48125

Place: Pune
Date: April 22, 2014

H.V. Goenka
Chairman

Place: Mumbai
Date: April 22, 2014

Ganesh Natarajan
Vice Chairman &
Managing Director

S. Balasubramaniam
Chief Financial Officer

Nilesh Limaye
Company Secretary

Notes to the Financial Statements

for the year ended March 31, 2014

1. General Information

Zensar Technologies Limited (the "Company") along with its wholly owned and controlled subsidiaries Zensar Technologies Inc., Zensar Technologies (UK) Limited, Zensar Technologies (Singapore) Pte. Limited, Zensar Advanced Technologies Limited, Zensar Technologies (Shanghai) Company Limited, PSI Holding Group Inc., Zensar Technologies IM Inc. (formerly known as Akibia, Inc.), Zensar Technologies IM B.V. (formerly known as Akibia B.V.), Aquila Technology Corp., Zensar (Africa) Holdings Pty Limited and Zensar (South Africa) Pty Limited is engaged in providing a complete range of IT Services and Solutions. The Company's industry expertise spans across Manufacturing, Retail, Media, Banking, Insurance, Healthcare and Utilities. The Company is public limited company and is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

2. Summary of significant accounting policies

a. Basis of preparation

The Financial Statements of the Company have been prepared under historical cost convention as a going concern on accrual basis and to comply in all material aspects with all the applicable accounting principles in India, the applicable Accounting Standards notified under the Companies Act, 1956 of India (the "Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycles as 12 months for the purpose of current-non current classification of assets and liabilities.

b. Use of estimates

The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of

revenues and expenses during the period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Revenue Recognition

Revenue from software maintenance, development and allied services comprises of revenues earned from time and material and fixed price contracts. Revenue from time and material contracts is recognised as the related services are performed. Revenue from fixed price contracts are recognised using the proportionate completion method of accounting. The cumulative impact of any revision in estimates of the stage of completion is reflected in the period in which the change becomes known. Provisions for estimated losses on such engagements are made during the period in which such losses become probable and can be reasonably estimated. Amounts included in the financial statements, which relate to recoverable costs and accrued profits not yet billed on contracts, are included in other current assets as Accrued Income (Unbilled Services). Billings on incomplete contracts in excess of accrued costs and accrued profits are included in other current liabilities as Deferred Revenue. Revenue from the sale of user licenses for software applications is recognised on transfer of title in the user license.

d. Other Income

- (i) Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sale price and the then carrying amount of the investment.
- (ii) Dividend income is recognised when the Company's right to receive dividend is established.
- (iii) Interest income on time deposits is recognised using the time proportion basis taking into account the amount outstanding and applicable interest rates.

e. Leases

As a lessee:

Finance Lease

Assets acquired under finance lease agreements are capitalised at the inception of lease, at lower of the fair

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

value and present value of minimum lease payments, and a liability is created for an equivalent amount. Lease rentals are allocated between the liability and the interest cost, so as to obtain a uniform periodic rate of interest on the outstanding liability for each period. The outstanding liability is included in borrowings. The interest cost is charged to the Statement of Profit and Loss over the lease period.

Operating Lease

As a lessee:

Payments made under operating leases are charged to the Statement of Profit and Loss on straight line basis over the period of lease.

f. Tangible Assets

Tangible assets are stated at acquisition cost less accumulated depreciation. Cost of tangible assets comprises purchase price, duties, levies and any directly attributable costs of bringing the asset to its working conditions for the intended use, less CENVAT credit.

Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

g. Intangible Assets

Intangible assets are recorded at the consideration paid for acquisition. Internally generated intangible asset arising from development activity is recognised at cost on demonstration of its technical feasibility, the intention and ability of the Company to complete, use or sell it, only if, it is probable that the asset would generate future economic benefit and the expenditure attributable to the said assets during its development can be measured reliably. Intangible assets are carried at cost less accumulated amortization.

Capital Work-in-Progress includes the costs of fixed assets that are not ready for their intended use at the Balance Sheet date.

h. Depreciation and Amortisation

Depreciation on fixed assets is provided on the straight-line method over the estimated useful lives at rates which are higher than the rates (except for Building) prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than Rs. 5,000 are entirely depreciated in the year of acquisition.

i. Tangible Assets

The estimated useful lives and rates of depreciation for various fixed assets are as follows:

Class of Asset	Useful Life	Depreciation Rate
Leasehold Land	95 years	1.05%
Buildings	30 years	3.33%
Plant and Equipment	5 years	20.00%
Office Equipment	5 years	20.00%
Furniture and Fixtures	10 years	10.00%
Data Processing Equipment	4 years	25.00%
Vehicles	5 years	20.00%
Improvements to leasehold premises	5 years	20.00%
Certain Office Equipment and Data Processing Equipment	3 years	33.33%
Employee – perquisite related Assets	5 years	20.00%

ii. Intangible Assets

Intangible assets are amortised on straight line basis over their estimated useful lives:

Class of Asset	Useful Life
Intangible Assets – Software	1-3 years

i. Impairment

The assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

j. Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

k. Employee Retirement Benefits

i. Superannuation:

The Company has Defined Contribution Plans for Post-employment benefits for eligible employees in the form of Superannuation Fund administered by the Life Insurance Corporation of India.

The Company has Defined Contribution Plans for Post-employment benefits for all employees in the form of Family Pension Fund administered by Regional Provident Fund Commissioner.

These funds are classified as defined contribution plans as the Company has no further obligation beyond making the contributions. The Company's contributions to Defined Contribution Plans are charged to the Statement of Profit and Loss as and when incurred.

ii. Gratuity:

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Scheme. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an

amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

iii. Provident Fund:

Provident Fund contributions are made to a Trust administered by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

The contributions made to the trust are recognised as plan assets. The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

iv. Compensated Absences:

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

I. Foreign Currency Transactions

i) On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

- ii) As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- iii) Monetary assets and monetary liabilities denominated in foreign currency at the year-end are translated at the year-end exchange rates, and the resulting exchange differences are recognised in the Statement of Profit and Loss, except for the exchange differences arising on monetary item that, in substance, form a part of the Company's net investment in non-integral foreign operation, which are accumulated in a Foreign Currency Translation Reserve until the disposal of net investment.
- iv) Foreign operations are classified as either 'integral' or 'non-integral' operations. Exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation are accumulated in the Foreign Currency Translation Reserve until the disposal of the net investment, at which time they are recognised as income or as expenses. The Financial statements of an integral foreign operation are translated using the principles and procedures as if the translations of the foreign operation are those of the Company itself.

m. Financial Instruments

The Company early adopted Accounting Standard (AS) 30 "Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants of India, along with the consequent limited revisions to other accounting standards, except so far as they are in conflict with other mandatory accounting standards and other regulatory requirements.

Derivative Financial Instruments

The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts for trading or speculation purposes.

Forward contracts are fair valued at each reporting date. Changes in the fair values of forward contracts designated as cash flow hedges are recognized directly in the Hedging Reserve Account and reclassified into the Statement of Profit and Loss upon the occurrence of the hedged transaction. Changes in fair value relating to the ineffective portion of the hedges and derivatives not designated as hedges are recognised in the Statement of Profit and Loss as they arise.

Non-Derivative Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the Company mainly include cash and bank balances, trade receivables, accrued income (unbilled services), employee travel and other advances, other loans and advances and derivative financial instruments with a positive fair value. Financial liabilities of the Company mainly comprise trade payables, accrued expenses and derivative financial instruments with a negative fair value. Financial assets / liabilities are recognized on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

The Company assesses at each Balance Sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss as the difference between the assets carrying amount and undiscounted amount of future cash flows, which is recognised in the Statement of Profit and Loss.

The Company measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

n. Employee Stock Option Schemes

Stock options granted to employees under Employee Stock Option 2002 Scheme and Employee Stock Option 2006 Scheme are accounted as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999, issued by the Securities and Exchange Board of India and the guidance note on employee share based

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

payment issued by ICAI. Accordingly, the excess of the market value of the stock options as on the date of the grant over the exercise price of the options is recognised as deferred employee compensation and is charged to Statement of Profit and Loss over the vesting period. In the case of graded vesting, the vesting period is determined separately for each portion of the option. The unamortised portion of the cost is shown under "Reserves and Surplus".

o. Taxation

Current Tax

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred Tax

Deferred tax for timing differences between the book profits and tax profits is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the Balance Sheet date. Deferred tax assets arising from the timing differences are recognised to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax assets are recognised for tax loss and depreciation carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is virtually certain and is supported by convincing evidence that sufficient future taxable profits can be realised.

Minimum Alternative Tax (MAT)

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Income Tax Act, 1961 (specified period). In the year, in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the

guidance note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT credit entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay income tax higher than MAT during the specified period.

p. Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event and, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined based on best estimate required to settle the present obligation at the balance sheet date. Provisions are reviewed at each Balance Sheet date and adjusted to reflect current best estimates. A disclosure for a contingent liability is made where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

q. Earnings per share

The basic earnings per share is computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which would have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless they have been issued at a later date.

r. Cash and Cash Equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

	2014	2013
(₹ in lakhs)		
3. Share Capital		
Authorised		
47,500,000 (Previous year: 47,500,000) Equity Shares of ₹ 10 each	4750.00	4750.00
250,000 (Previous year: 250,000) Preference Shares of ₹ 100 each	250.00	250.00
	5000.00	5000.00
Issued, Subscribed and fully paid up		
43,767,494 (Previous year: 43,580,988) Equity Shares of ₹ 10 each fully paid-up	4376.75	4358.10
	4376.75	4358.10

(i) Reconciliation of the shares outstanding as at the beginning and at the end of the year

	2014		2013
	Nos	(₹ in lakhs)	Nos
At the beginning of the year	43580988	4358.10	43409774
Add: Shares issued on exercise of Employee Stock Options	186506	18.65	171214
Outstanding at the end of the year	43767494	4376.75	43580988

(ii) Terms/Rights attached to Equity Shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holder of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

The board of directors in their meeting on January 21, 2014 declared an interim dividend of ₹ 4.00 per equity share. The board of directors in their meeting on April 22, 2014, proposed the final dividend of ₹ 6.00 per equity share. The total dividend appropriation for the year ended March 31, 2014 amounted to ₹ 4903.88 lakhs including corporate dividend tax of ₹ 529.11 lakhs.

(iii) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	As at March 31, 2014		As at March 31, 2013
	% Held	Nos	% Held
			Nos
Electra Partners Mauritius Limited	23.54%	10301294	23.64 %
Summit Securities Limited	10.88%	4763576	10.92 %
Idea Tracom Private Limited*	-	-	7.11 %
Fidelity Management and Research Company	8.00%	3500000	8.03 %
Swallow Associates LLP	27.61%	12082997	27.65 %
Instant Holdings Limited*	7.08%	3096800	0.00%

*Idea Tracom Private Limited has been merged with Instant Holdings Limited w.e.f. 15th May 2012

(iv) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceeding 31st March, 2014.

	2011	2010
Particulars	No of shares	No of shares
(a) Equity shares allotted as fully paid bonus shares by capitalisation of profits transferred from General Reserve	21589818	-
(b) Equity shares bought back by the Company by utilization of Securities Premium Account and General Reserve	-	2424000

(v) For details of shares reserved for Issue under the Employee Stock Option Plan (ESOP) of the Company, please refer Note 26

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

	(₹ in lakhs)	
	2014	2013
4. Reserves and Surplus		
Capital Reserve		
Balance at the beginning and end of the year	10.18	10.18
Capital Redemption Reserve		
Balance at the beginning and end of the year	442.40	442.40
Securities Premium Account		
Balance as at the beginning of the year	360.04	216.74
Add: Received during the year on exercise of stock options issued to employees	175.03	143.30
	<u>535.07</u>	<u>360.04</u>
General Reserve		
Balance as at the beginning of the year	40598.05	30598.05
Add : Transferred from Statement of Profit and Loss	10000.00	10000.00
	<u>50598.05</u>	<u>40598.05</u>
Hedging Reserve		
Balance as at the beginning of the year	551.11	(807.04)
Add : Movement during the year	(234.82)	1358.15
	<u>316.29</u>	<u>551.11</u>
Employee Stock Options		
Employee Stock Options Outstanding	162.11	174.02
Less : Deferred Employee Compensation	93.63	124.06
	<u>68.48</u>	<u>49.96</u>
Foreign Currency Translation Reserve		
Balance as at the beginning of the year	(161.63)	328.68
Foreign Currency Translation Reserve for the year	(265.12)	(490.31)
	<u>(426.75)</u>	<u>(161.63)</u>
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	4687.37	6586.64
Add: Profit for the year	18722.35	12152.61
	<u>23409.72</u>	<u>18739.25</u>
Less: Appropriations		
Interim Dividend	1748.72	1525.17
Proposed Dividend	2626.05	1961.14
Dividend distribution tax on Interim and Proposed dividend on Equity Shares	529.11	565.57
Transfer to General Reserve	10000.00	10000.00
	<u>14903.88</u>	<u>14051.88</u>
Balance as at the end of the year	<u>8505.84</u>	<u>4687.37</u>
	<u>60049.56</u>	<u>46537.48</u>

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

	(₹ in lakhs)	
	2014	2013
5. Long-term Borrowings		
Finance Lease Obligation (Secured) [See Note 39 (B)]	268.10	317.86
	268.10	317.86
6. Long-term provisions		
Provision for Compensated Absences	768.02	722.59
Provision for Disputed statutory matters (See Note 28)	32.25	32.25
Other Obligations (See Note 28)	55.34	46.21
	855.61	801.05
7. Trade Payables		
Dues to micro and small enterprises (See Note 37)	-	-
Dues to other than micro and small enterprises	2039.46	2324.64
	2039.46	2324.64
8. Other Current liabilities		
Current maturities of finance lease obligation (See Note 39 (B))	223.35	171.40
Deferred Revenue	296.40	359.15
Unpaid Dividends	99.17	79.22
Employee benefits payable	2480.04	2374.84
Withholding and other taxes	680.16	456.97
Other Payables	892.01	641.96
	4671.13	4083.54
9. Short-term provisions		
Proposed Dividend on Equity Shares	2626.05	1961.14
Tax on proposed dividend	446.30	318.15
Provision for Compensated Absences	656.14	430.62
	3728.49	2709.91

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

10. Tangible Assets [See Notes 2(f), 2(g), 2(h) and 2(i)]

Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 31st March 2013	Additions during the year	Deletions during the year	Cost as at 31st March 2014	Accumulated Depreciation as at 31st March 2013	Depreciation during the year	Depreciation written back on deletions	Accumulated Depreciation as at 31st March 2014	As at 31st March 2014	As at 31st March 2013
Tangible assets:										
Land-										
- Leasehold	264.25	-	-	264.25	30.79	2.77	-	33.56	230.69	233.46
- Freehold	0.49	-	-	0.49	-	-	-	-	0.49	0.49
Buildings	5336.86	12.03	-	5348.89	1101.22	177.85	-	1279.07	4069.82	4235.64
Improvement to Leasehold Premises	715.05	66.24	159.10	622.19	491.21	78.44	159.10	410.55	211.64	223.84
Plant and Equipment	4058.06	111.76	71.91	4097.91	3534.74	303.44	69.87	3768.31	329.60	523.32
Furniture and Fixtures	2656.19	62.66	109.11	2609.74	1722.12	230.60	78.99	1873.73	736.01	934.07
Office Equipment	981.78	70.50	13.10	1039.18	802.18	85.23	11.13	876.28	162.90	179.60
Motor Vehicles	284.75	45.98	25.43	305.30	165.47	41.12	25.43	181.16	124.14	119.28
Data Processing Equipment- Own use	5569.75	396.74	705.90	5260.59	4532.79	508.94	701.27	4340.46	920.13	1036.96
Data Processing Equipments taken on Finance Lease	610.68	286.88	-	897.56	189.38	197.31	-	386.69	510.87	421.30
T O T A L	20477.86	1052.79	1084.55	20446.10	12569.90	1625.70	1,045.79	13149.81	7296.29	7907.96
Previous year	19715.13	1172.17	409.44	20477.86	11112.32	1841.73	384.15	12569.90	7907.96	

11. Intangible Assets [See Notes 2(h) and 2(i)]

Assets	GROSS BLOCK				AMORTISATION				NET BLOCK	
	Cost as at 31st March 2013	Additions during the year	Deletions during the year	Cost as at 31st March 2014	Accumulated Amortisation as at 31st March 2013	Amortisation during the year	Amortisation written back on deletions	Accumulated Amortisation as at 31st March 2014	As at 31st March 2014	As at 31st March 2013
Intangible assets :										
Software	3677.90	1683.02	467.44	4893.48	3033.98	1327.33	467.44	3893.87	999.61	643.92
T O T A L	3677.90	1683.02	467.44	4893.48	3033.98	1327.33	467.44	3893.87	999.61	643.92
Previous year	4371.17	902.39	1595.96	3677.90	3785.75	843.89	1595.66	3033.98	643.92	

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

	(₹ in lakhs)	
	2014	2013
12. Non-current Investments		
Investments in Equity Instruments (valued at cost unless otherwise stated)		
(A). Trade		
Unquoted		
Subsidiary Companies		
200,000 (Previous year : 200,000) Shares of an aggregate cost of US\$ 1,000,000 (Previous year : US\$ 1,000,000) of the common stock of Zensar Technologies Inc., USA, no par value	290.30	290.30
300,000 (Previous year : 300,000) Shares of an aggregate cost of S\$ 300,000 (Previous year : S\$ 300,000) of the common stock of Zensar Technologies (Singapore) Pte Ltd. of S\$ 1 each	78.02	78.02
50,000 (Previous year : 50,000) Shares of an aggregate cost of GBP 50,000 (Previous year : GBP 50,000) in Zensar Technologies (UK) Limited	38.51	38.51
20 (Previous year : 20) Equity Shares of JPY 50,000 (Previous year : JPY 50,000) each fully paid-up in Zensar Advanced Technologies Limited	185.82	185.82
Shares of an aggregate cost of US\$ 1,000,000 (Previous year : US\$ 1,000,000) in Zensar Technologies (Shanghai) Company Limited	498.08	498.08
100 (Previous year : Nil) Shares of an aggregate cost of ZAR 1,000,000 (Previous year: NIL) of the common stock of Zensar (Africa) Holdings Pty Limited, no par value	60.50	-
	1151.23	1090.73
Less : Provision for diminution in the value of investment- Zensar Advanced Technologies Limited	185.82	-
	965.41	1090.73
(B) Non-Trade		
Quoted		
100 (Previous year : 100) Equity Shares of ₹ 10 each fully paid-up in CFL Capital Financial Services Limited	0.02	0.02
Nil (Previous year : 75) Equity Shares of ₹ 10 each fully paid-up in CEAT Limited	-	0.05
100 (Previous year : 100) Equity Shares of ₹ 10 each fully paid-up in CESC Limited	0.05	0.05
100 (Previous year : 100) Equity Shares of ₹ 10 each fully paid-up in Harrisons Malayalam Limited	0.04	0.04
760 (Previous year : 760) Equity Shares of ₹ 2 each fully paid-up in KEC International Limited	0.19	0.19
Nil (Previous year : 100) Equity Shares of ₹ 10 each fully paid-up in Philips Carbon Black Limited	-	0.06
100 (Previous year : 100) Equity Shares of ₹ 10 each fully paid-up in Saregama India Limited	0.01	0.01
Nil (Previous year : 13) Equity Shares of ₹ 10 each fully paid up in Summit Securities Limited	-	0.09
100 (Previous year : 100) Equity Shares of ₹ 10 each fully paid up in Stel Holdings Limited	-	-
	0.31	0.51
Unquoted		
100 (Previous year : 100) Equity Shares of ₹ 10 each fully paid-up in Spencer & Company Limited	0.08	0.08
	965.80	1091.32
Aggregate amount of Quoted Investments	0.31	0.51
[Market Value ₹ 1.14 lakhs (Previous year: ₹ 1.05 lakhs)]		
Aggregate amount of Unquoted Investments	965.49	1090.81
	965.80	1091.32

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

	(₹ in lakhs)	
	2014	2013
13. Deferred Tax Asset		
The major components of the deferred tax asset are		
Depreciation	194.63	240.00
Provision for doubtful debts	881.59	561.00
Others	683.36	441.27
	1759.58	1242.27
14. Long-term Loans and Advances		
(Unsecured, considered good unless otherwise stated)		
Capital Advances	158.38	27.05
Security and other deposits	788.28	646.09
Loans and advances to Related Parties (Subsidiaries)		
Maximum amount outstanding during the year ₹ 1491.85 lakhs (Previous year: ₹ 1232.12 lakhs)]		
- Considered good	30.88	72.04
- Considered doubtful	1240.08	1142.12
Other Loans and Advances		
- Prepaid Expenses	475.29	294.24
- Balances with Govt. Authorities	200.96	-
- Taxes recoverable [taxes paid less provisions ₹ 16698.45 lakhs (Previous year: ₹ 11678.67 lakhs) thereagainst]	782.50	683.03
	3676.37	2864.57
Less : Provision for doubtful Loans and Advances	1240.08	1142.12
	2436.29	1722.45
15. Current Investments (valued at lower of cost or fair value)		
Investments in Mutual Funds		
Unquoted		
Nil (Previous year: 997,975) units of HDFC Floating Rate Income Fund-Short Term Plan Wholesale Option Dividend Reinvestment-Daily Reinvestment	-	100.60
Nil (Previous year: 1,000,000) units of DSP BlackRock FMP-Series 51-12M-Growth Maturity	-	100.00
Nil (Previous year: 1,000,000) units of Axis Fixed Term Plan- Series 33-Growth	-	100.00
Nil (Previous year: 1,060,037) units of DWS Ultra Short Term Fund - Institutional Plan- Daily Dividend -Reinvestment	-	106.19
Nil (Previous Year: 1,213,963) units of JP Morgan India Treasury Fund, Super liquid Investment - Daily Dividend Reinvestment	-	121.50
Nil (Previous year: 10,508) units of Religare Ultra Short Term Fund- Daily Dividend Reinvestment	-	105.26
Nil (Previous year: 26,877) units of DSP Blackrock Liquidity Fund- Institutional Plan-Daily Dividend	-	268.85
Nil (Previous year: 14,785) units of DSP Blackrock Strategic Bond Fund -Direct Plan-Growth	-	200.00
Nil (Previous year: 119,792) units of Birla Sunlife Cash plus--Daily Dividend-Regular Plan- Reinvestment	-	120.03
Nil (Previous year: 996,871) units of Birla Sun Life Dynamic Bond Fund-Retail-growth Regular plan	-	195.00
Nil (Previous year: 369,139) units of Birla Sun Life Savings Fund - Daily Div -Regular Plan- Reinvestment	-	369.49

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

	(₹ in lakhs)	
	2014	2013
Nil (Previous year: 633,705) units of Reliance Quarterly Interval Fund - Series III-Growth Plan-Growth Option	-	100.00
Nil (Previous year: 1,156,149) units of ICICI Prudential Blended Plan B Regular Plan Growth Option	-	200.00
28,952 (Previous year: 14,930) units of Kotak Floater Short Term-Daily Div-Reinvestment	292.88	151.03
Nil (Previous year:4,643,318) units of Kotak Floater Long Term-Daily Div-Reinvestment	-	468.04
Nil (Previous year: 20,675) units of Reliance Liquid Fund - Cash Plan - Daily Dividend option-Reinvestment	-	230.35
Nil (Previous year: 4,159,327) units of Templeton India Ultra Short Bond Fund Super Institutional Plan-Daily Dividend Reinvestment	-	416.65
Nil (Previous year: 877,131) units of HDFC High Interest Fund Short Term Plan-Growth	-	200.00
Nil (Previous year: 3,137,516) units of Kotak Flexi Debt Scheme Plan A-Daily Dividend Reinvestment	-	315.24
Nil (Previous year: 1,451,020) units of UTI Short Term Income Fund -Institutional Option Direct Plan Growth	-	200.00
Nil (Previous year: 10,439) units of SBI Magnum Insta Cash Fund Liquid Floater-Regular Plan - Daily Dividend Reinvestment	-	105.43
61,201 (Previous year : Nil) units of Axis Liquid Fund--Direct Plan-Daily dividend Reinvest	612.08	-
27,978 (Previous year : Nil) units of AxisTreasury Advantage Fund--Direct -growth	400.00	-
484,995 (Previous year : Nil) units of Birla Sun Life Floating Rate Fund Short Term Plan- Daily Div Direct Plan-Reinvest	485.11	-
44,614 (Previous year : Nil) units of IDBI Liquid Fund- direct plan-daily div-reinvest	446.60	-
7,360 (Previous year : Nil) units of IDBI Ultra Short term Fund- direct plan-Growth	100.00	-
6,301,780 (Previous year : Nil) units of JM High Liquidity Fund (direct) daily dividend option Reinvest	657.29	-
41,924 (Previous Year : Nil) units of Religare Invesco Liquid Fund- Direct plan daily Dividend Reinvest	419.57	-
724,869 (Previous Year : Nil) units of Birla Sunlife Cash plus--Daily Dividend-Direct Plan- Reinvest	726.28	-
1,192,784 (Previous Year : Nil) units of BSL Interval Income Fund--quarterly plan-series I-growth direct plan	200.00	-
259,022 (Previous Year : Nil) units of Birla Sun Life Savings Fund - Growth Direct Plan	635.68	-
27,240 (Previous Year : Nil) units of LIC Nomura MF Liquid Fund -Direct - Dividend Plan-reinvest	299.10	-
177,008 (Previous Year : Nil) units of ICICI Prudential Flexible Income - Direct Plan Growth	425.00	-
192,753 (Previous Year : Nil) units of ICICI Prudential Flexible Income - Direct Plan daily div reinvest	203.81	-
296,726 (Previous Year : Nil) units of ICICI Prudential Money Market Fund- Direct Plan daily div- reinvest	297.15	-
1,521,673 (Previous Year : Nil) units of IDFC Money Manager Fund- Treasury Plan- Growth Direct Plan	309.00	-
1,521,673 (Previous Year : Nil) units of IDFC Money Manager Fund- Treasury Plan- Growth Direct Plan	235.00	-
2,961,534 (Previous Year : Nil) units of Kotak Floater Long Term-Direct Plan-Growth	604.00	-
704,344 (Previous Year : Nil) units of Kotak Banking & PSU Debt Fund-direct-Growth	200.00	-
1,815,162 (Previous Year : Nil) units of ICICI Prudential Interval Fund II Quarterly Interval Plan B-Direct Plan -Growth	200.00	-

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

	(₹ in lakhs)	
	2014	2013
1,460,163 (Previous Year : Nil) units of ICICI Prudential Interval Fund Quarterly Interval Plan I- Direct Plan -growth	200.00	-
52,160 (Previous Year : Nil) units of Reliance Liquidity Fund - Direct Daily Dividend -Reinvestment option-reinvest	521.87	-
24,664 (Previous Year : Nil) units of Reliance Money Manager Fund - Direct - Growth plan growth option	435.00	-
44,960 (Previous Year : Nil) units of Reliance Liquid Fund -treasury Plan- Direct - Daily Dividend option-Reinvest	687.32	-
1,997,243 (Previous Year : Nil) units of Reliance Quarterly Interval Fund -Series II- Direct - dividend plan-payout	200.00	-
1,904,925 (Previous Year : Nil) units of Reliance Quarterly Interval Fund -Series III- Direct Growth Plan growth option	200.00	-
33,713 (Previous Year : Nil) units of Kotak Liquid Scheme Plan A-Direct plan-Daily Div Reinvest	412.25	-
30,199 (Previous Year : Nil) units of SBI Magnum Insta Cash Fund Direct Plan - Daily Div-reinvest	505.85	-
9,127 (Previous Year : Nil) units of SBI Magnum Insta Cash Fund Liquid Floater- Direct Plan -Growth	200.00	-
650,301 (Previous Year : Nil) units of ICICI Prudential Liquid -direct plan-daily div reinvest	650.65	-
49,236 (Previous Year : Nil) units of L&T Liquid fund-direct plan-daily div reinvestment Plan	498.24	-
3,160,796 (Previous Year : Nil) units of L&T Ultra Short term fund-direct plan-Growth	658.00	-
40,058 (Previous Year : Nil) units of Tata Liquid fund-direct plan-daily div reinvest	446.46	-
60,704 (Previous Year : Nil) units of UTI Liquid Cash Plan-Institutional -direct plan daily div reinvest	618.85	-
23,596 (Previous Year : Nil) units of UTI Treasury Advantage fund-Institutional Plan- Direct plan-daily div reinvest	236.52	-
56,318 (Previous Year : Nil) units of UTI Money Market Institutional Plan -direct plan daily div reinvest	565.09	-
	14784.65	4173.66
16. Trade Receivables		
(Unsecured)		
Debts outstanding for a period exceeding six months from the date they are due for payment:		
Considered good	-	-
Considered doubtful	2438.18	1574.55
	2438.18	1574.55
Less : Provision for doubtful debts	2438.18	1574.55
	(A) -	-
Other Debts		
Considered good	27454.68	23070.95
Considered doubtful	155.49	91.93
	27610.17	23162.88
Less : Provision for doubtful debts	155.49	91.93
	(B) 27454.68	23070.95
Total (A+B)	27454.68	23070.95

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

	(₹ in lakhs)	
	2014	2013
17. Cash and Bank Balances		
Cash and Cash Equivalents		
Cash on hand	3.13	3.17
Balances with Banks :		
In current accounts	5060.81	3981.36
Deposit with original maturity of less than three months	498.93	1278.43
	<u>5562.87</u>	<u>5262.96</u>
Other Balances with Banks :		
Unpaid dividend accounts	99.00	79.04
	<u>5661.87</u>	<u>5342.00</u>
18. Short-term Loans and Advances		
(Unsecured, considered good unless otherwise stated)		
Security and other deposits	315.84	339.48
Loans and advances to Related Parties (subsidiary)	52.23	-
Maximum amount outstanding during the year ₹ 1491.85 lakhs (Previous year: ₹ 1232.12 lakhs)]		
Other receivables from Related Parties (subsidiaries)		
- Considered good	1056.75	1242.30
- Considered doubtful	185.30	147.06
Other Loans and Advances		
- Prepaid Expenses	1206.55	1222.53
- Balances with Government Authorities	300.00	226.85
- MTM gain on forward contracts	316.29	551.11
Others		
- Considered good	702.93	716.07
- Considered doubtful	2.26	-
MAT Credit Entitlement	-	812.33
	<u>4138.15</u>	<u>5257.73</u>
Less : Provision for doubtful Loans and Advances	187.56	147.06
	<u>3950.59</u>	<u>5110.67</u>
19. Other Current Assets		
Accrued Income (Unbilled Services)	10464.47	10573.32
[Includes dues from subsidiary companies ₹ 7210.98 lakhs (Previous year: ₹ 7597.73 lakhs)]		
Interest accrued on deposits	8.20	7.71
	<u>10472.67</u>	<u>10581.03</u>
20. Other Operating Revenue		
- Finders' fees	827.10	503.63
- Provisions no longer required and credit balances written back	260.70	328.31
- Miscellaneous Income	244.65	427.29
	<u>1332.45</u>	<u>1259.23</u>

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

	(₹ in lakhs)	
	2014	2013
21. Other Income		
Dividend Income :		
- From Subsidiaries	1408.03	1599.53
- On Current Investments	640.59	196.25
	2048.62	1795.78
- Profit on sale of current investments - Non Trade (net)	3.01	33.78
- Profit on sale of fixed assets (net)	14.56	-
Interest Income :		
-On Deposits with banks	178.83	108.99
-On Loans to subsidiaries	30.72	54.96
-On Income Tax refund	-	22.38
-On Others	13.00	7.02
	222.55	193.35
Exchange gain (net) [See Note 2(l) and (m)]	1732.60	1442.03
	4021.34	3464.94
22. Employee benefits expense		
Salaries, Wages and Bonus	43863.19	42970.77
Contribution to Provident and other funds	1921.96	1690.45
Staff Welfare	1078.56	1047.36
Employee Stock Compensation Expense	27.15	27.90
	46890.86	45736.48
23. Other Expenses		
Travelling and conveyance	4290.41	4202.27
Cost of manpower hired	1693.78	2126.94
Recruitment Expenses	177.81	239.39
Training Expenses	135.23	172.44
Electricity and Power	940.60	977.33
Rent	3461.63	3020.10
Repairs and Maintenance to :		
-Plant and Machinery	241.22	216.24
-Building	1114.94	948.01
-Others	119.74	102.48
	1475.90	1266.73

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

	(₹ in lakhs)	
	2014	2013
Insurance	1153.86	956.55
Rates and Taxes	152.28	129.92
Consumable Media	394.25	298.67
Legal and Professional Charges	1446.46	2375.04
Postage, Telephone and E-Mail	790.48	815.11
Stationery and Printing	64.16	62.69
Carriage, Freight and Octroi	21.61	11.56
Vehicle Running expenses	137.19	132.86
Advertisement and Publicity	781.14	686.73
Loss on sale of fixed assets	-	10.64
Purchases of Licenses for Software Applications	692.73	3113.93
Bad Debts written off	372.66	-
Directors' Fees	7.80	9.15
Directors' Commission	280.00	183.00
Claims/Deposits written off	0.03	4.98
Provision for Doubtful Debts	1189.37	288.32
Provision for Doubtful Loans and Advances	138.46	201.27
Provision for Diminution in the value of Investments	185.82	-
Miscellaneous Expenses (See Note 32)	429.31	337.27
	20412.97	21622.89
24. Finance costs		
Interest Expense	77.76	9.88
Bank Charges	70.54	77.96
	148.30	87.84

	Year ended 31-Mar-14	Year ended 31-Mar-13
25. Earnings Per Share (EPS)		
(a) Profits attributable to equity shareholders (₹ in lakhs)	18722.35	12,152.61
(b) Basic Earnings Per Share		
Weighted Average No. of equity shares outstanding during the year	43661715	43504425
Basic EPS (₹)	42.88	27.93
(c) Diluted Earnings Per Share		
Weighted Average No. of equity shares outstanding during the year	43661715	43504425
Effect of dilutive issue of stock options	838275	857089
Weighted Average No. of equity shares outstanding for Diluted EPS	44499990	44361514
Diluted EPS (₹)	42.07	27.39

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

26. Employee Stock Option Schemes

- (i) Currently the Company has instituted two Employees Stock Option Plans. The Compensation Committee of the Board approves the grant of options. Options vest with employees over specified time periods subject to fulfilment of certain conditions.

Stock Option Activity under the "2002 ESOP" scheme is as follows:

	2013-14		2012-13	
	Number of options	Weighted average exercise price in Rupees	Number of options	Weighted average exercise price in Rupees
Opening Balance	263854	76.84	339196	75.74
Exercised during the year	48530	76.7	68722	73.46
Cancelled during the year	20606	69.24	6620	55.85
Balance unexercised options	194718	77.68	263854	76.84
Exercisable at end of year	194718	77.68	263854	76.84

Stock Option Activity under the "2006 ESOP" scheme is as follows:

	2013-14		2012-13	
	Number of options	Weighted average exercise price in Rupees	Number of options	Weighted average exercise price in Rupees
Opening Balance	1543372	142.57	1433768	120.73
Granted during the year	238000	250.00	318000	228.84
Exercised during the year	137976	110.62	102492	104.05
Cancelled during the year	126836	194.45	105904	143.23
Balance unexercised options	1516560	158.00	1543372	142.57
Exercisable at end of year	713360	116.48	693736	103.94

- (ii) Impact on the reported net profit and earnings per share by applying the fair value based method

Since the Company uses intrinsic value method as required by the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India, the impact on reported net profit and Earnings Per Share by applying the fair value method is set out as follows:

	Year ended 31-Mar-14	Year ended 31-Mar-13
(a) Profit after taxation (₹ in lakhs)	18722.35	12152.61
(b) Add: Employee stock compensation under intrinsic value method (₹ in lakhs)	27.15	27.90
(c) Less: Employee stock compensation under fair value method (₹ in lakhs)	198.94	104.77
(d) Profit after taxation as per fair value method	18550.56	12075.74
(e) Earnings Per Share		
(i) Basic		
-As reported	42.88	27.93
-Adjusted	42.49	27.76
(ii) Diluted		
-As reported	42.07	27.39
-Adjusted	41.69	27.22

The following assumptions were used for calculation of fair value of grants:

	Year ended 31-Mar-14	Year ended 31-Mar-13
Risk-free interest rate (%)	8.30%	8.15%
Expected life of options	96 months	72 months
Expected volatility	42.89	47.70
Dividend yield	3.41%	2.61%

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

27. Related Party Disclosures

List of Related Parties (as identified and certified by the Management)

(i) Parties where control exists

a. Subsidiaries:

Zensar Technologies, Inc., USA
 Zensar Technologies (UK) Limited
 Zensar Technologies (Singapore) Pte. Limited
 Zensar Advanced Technologies Limited (under liquidation)
 Zensar Technologies (Shanghai) Company Limited
 PSI Holding Group Inc.
 Zensar Technologies IM Inc. (formerly known as Akibia, Inc.)
 Zensar Technologies IM BV (formerly known as Akibia, BV)
 Aquila Technology Corp.
 Zensar (Africa) Holdings Pty Limited (w.e.f. October 14, 2013)
 Zensar (South Africa) Pty Limited (w.e.f. October 18, 2013)

b. Parties having control (directly or indirectly):

Chattrapati Investments Limited
 Pedriano Investments Limited
 Summit Securities Limited
 Electra Partners Mauritius Limited
 Instant Holdings Limited
 Swallow Associates LLP

(ii) Key Management Personnel

Dr. Ganesh Natarajan
 Mr. S. Balasubramaniam
 Mr. Sanjay Marathe
 Ms. Prameela Kalive
 Mr. Yogesh Patgaonkar
 Mr. Ajay Bhandari
 Mr. Krishna Ramaswami
 Mr. Harish Gala (from April 1, 2013)
 Mr. Deepanjan Banerjee (from April 1, 2013)
 Mr. Sanjay Rawa
 Mr. Mohan Hastak (from April 1, 2013)
 Mr. P Krishnakumar (from April 1, 2013)
 Mr. Hiren Kulkarni (upto October 19, 2012)

Transactions with Related Parties

(₹ in lakhs)						
Sr no.	Description of the nature of the transactions	Volume of transactions during		Amount Outstanding as on 31 st March		
		2013-14	2012-13	2014		2013
				Receivable	Payable	
A. Rendering of Software Services						
1 Wholly owned subsidiaries:						
(i) Zensar Technologies, Inc., USA		50214.74	41136.20	27769.54	-	23739.92
(ii) Zensar Technologies (UK) Limited		8370.74	8023.29	1574.64	-	1214.05
(iii) Others		2219.12	713.57	431.59	****	408.13
Total of rendering of Software Services		60804.60	49873.06	29775.77	-	25362.10
B. Receipt of Software Services						
1 Wholly owned subsidiaries						
(i) Zensar Technologies (Singapore) Pte. Limited		69.05	65.64	-	5.54	5.17
(ii) Zensar Technologies (Shanghai) Company Limited		179.37	134.89	-	13.05	15.03
Total of Receipt from Software Services		248.42	200.53	-	18.59	20.20
C. Rendering of Other Services						
1 Wholly owned subsidiaries:						
(i) Zensar Technologies, Inc., USA (Finder's Fee)		393.89	361.14	283.94	-	194.22
(ii) Zensar Technologies (UK) Limited (Finder's Fee)		433.21	142.49	121.14	-	9.43
Total of rendering of Other Services		827.10	503.63	405.08	-	203.65
D. Reimbursement of expenses incurred						
1 Wholly owned subsidiaries:						
(i) Zensar Technologies, Inc., USA		1559.58	1387.04	659.48	-	632.37
(ii) Zensar Technologies (UK) Limited		1204.01	812.47	136.88	-	96.08
(iii) Others		404.88	256.23	*349.89	31.43	*530.62
Total reimbursement of expenses incurred		3168.47	2455.74	1146.25	31.43	1259.07

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

Transactions with Related Parties

(₹ in lakhs)							
Sr no.	Description of the nature of the transactions	Volume of transactions during		Amount Outstanding as on 31 st March			
		2013-14	2012-13	2014		2013	
				Receivable	Payable	Receivable	Payable
E.	Other Income :						
1	Guarantee commission :						
(i)	Zensar Technologies, Inc., USA	144.11	262.08	79.98	-	129.94	-
	Dividend received :						
(i)	Zensar Technologies (UK) Limited	964.46	-	-	-	-	-
(ii)	Zensar Technologies (Singapore) Pte. Limited	443.57	1599.53	-	-	-	-
	Total Other Income	1552.14	1861.61	79.98	-	129.94	-
F.	Equity Contribution						
1	Wholly owned subsidiaries:						
(i)	Zensar Technologies (Shanghai) Company Limited	-	156.33	-	-	-	-
(ii)	Zensar (Africa) Holdings Pty Limited	60.50	-	-	-	-	-
	Total of Equity Contributions	60.50	156.33	-	-	-	-
G.	Loans granted/ (repaid)						
	Wholly owned subsidiaries:						
(i)	Zensar Advanced Technologies Limited	-	-	**1036.13	-	**972.67	-
(ii)	Zensar Technologies (Shanghai) Company Limited	-	-	71.91	-	65.15	-
	Total of loans granted/ (repaid)	-	-	1108.04	-	1037.82	-
H.	Interest on Unsecured Loans						
1	Wholly owned subsidiaries:						
(i)	Zensar Advanced Technologies Limited	27.03	51.47	**203.95	-	**169.45	-
(ii)	Zensar Technologies (Shanghai) Company Limited	3.69	3.49	11.20	-	6.90	-
	Total of interest on Unsecured Loan	30.72	54.96	215.15	-	176.35	-
I.	Remuneration to Key Management Personnel ***						
(i)	Dr. Ganesh Natarajan	472.57	391.90	-	-	-	-
(ii)	Mr. Sanjay Marathe	109.10	109.81	-	-	-	-
(iii)	Others	580.45	344.61	-	-	-	-
	Total remuneration of Key Management Personnel	1162.12	846.32	-	-	-	-

* A provision of ₹ 185.30 lakhs (Previous year : ₹ 147.06 lakhs) has been made against the reimbursement of expenses incurred

** A provision of ₹ 1240.08 lakhs (Previous year : ₹ 1142.12 lakhs) has been made against the above loan and interest outstanding

*** Includes the income tax perquisite value of Employee stock options

**** A provision of ₹ 139.39 Lakhs has been made on Intercompany receivables against the software services rendered.

28. Disclosure as per Accounting Standard – 29

(₹ in lakhs)						
Particulars	2013-14			2012-13		
	Disputed Statutory Matters	Other Obligations	Total	Disputed Statutory Matters	Other Obligations	Total
Opening Balance	32.25	46.21	78.46	32.25	65.86	98.11
Additions	-	11.67	11.67	-	11.67	11.67
Utilisations	-	2.54	2.54	-	31.32	31.32
Closing Balance	32.25	55.34	87.59	32.25	46.21	78.46

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

- A. Disputed Statutory matters mainly include:
- (a) Provision for disputed statutory liabilities comprises matters under litigation with Sales-Tax, Customs Duty and ESI authorities.
 - (b) The amount of provisions made by the Company is based on the estimates made by the Management considering the facts and circumstances of each case.
To the extent the Company is confident that it has a strong case, that portion is disclosed under contingent liabilities.
 - (c) The timing and the amount of cash flows that will arise from these matters will be determined by the Appellate Authorities only on settlement of these cases.
- B. Provisions for Other Obligations mainly include provisions for rent related litigations with previous landlords. The timing and the amount of cash flows that will arise from these matters will be determined by the Appellate Authorities only on settlement of these cases.

29. Disclosures in accordance with Revised AS- 15 on "Employee Benefits":

(₹ in lakhs)

(A) Defined Contribution Plans

The Company has recognised the following amounts in the Statement of Profit and Loss for the year ended:

	March 31, 2014	March 31, 2013
(a) Contribution to Employees' Family Pension Fund	301.22	320.29
(b) Contribution to Employees' Superannuation Fund	25.88	25.33
	327.10	345.62

(B) Defined Benefit Plans- Gratuity

(i) Present Value of Defined Benefit Obligation

	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Balance as at the beginning of the year	2521.62	2309.32
(b) Interest Cost	208.03	196.29
(c) Past Service Cost	-	-
(d) Current Service Cost	477.58	443.30
(e) Curtailment Cost/(Credit)	-	-
(f) Settlement Cost/(Credit)	-	-
(g) Benefits Paid	(265.04)	(246.67)
(h) Actuarial (Gain)/Loss	(13.80)	(180.62)
(i) Balance as at the end of the year	2928.39	2521.62

(ii) Fair value of Plan Assets

	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Balance as at the beginning of the year	2539.85	2001.04
(b) Expected Return on Plan Assets	209.54	170.09
(c) Actuarial Gain/(Loss)	32.73	60.43
(d) Contributions by the Company	465.04	554.96
(e) Benefits Paid	(265.04)	(246.67)
(f) Balance as at the end of the year	2982.12	2539.85

(iii) Assets and Liabilities recognised in the Balance Sheet

	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Present Value of Defined Benefit Obligation	2928.39	2521.62
(b) Less: Fair Value of Plan Assets	2982.12	2539.85
(c) Net (Asset)/Liability recognised in the Balance Sheet	(53.73)	(18.23)

Note: The Company maintains gratuity fund, which is been administered by LIC. Fund value confirmed by LIC as at March 31, 2014 is considered to be the fair value.

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

(iv) Expenses recognised in the Statement of Profit and Loss

	(₹ in lakhs)	
	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Current Service Cost	477.58	443.30
(b) Interest Cost	208.03	196.29
(c) Expected Return on Plan Assets	(209.54)	(170.09)
(d) Net actuarial (Gain)/Loss	(46.53)	(241.05)
(e) Total Expenses recognised in the Statement of Profit and Loss	429.54	228.45

(v) As at 31st March, 2014 and 31st March, 2013, the plan assets have been primarily invested in insurer managed funds.

(vi) The overall expected rate of return on assets is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

(vii) The Actual Return on Plan Assets is as follows

	2013-2014	2012-2013
Actual return on plan assets	242.26	230.52

(viii) Amounts recognised in current year and previous four years

	2013-14	2012-13	2011-12	2010-11	2009-10
(a) Defined Benefit Obligations	2928.39	2521.62	2309.32	1902.38	1454.34
(b) Plan Assets	2982.12	2539.85	2001.04	1634.05	1161.37
(c) (Surplus)/Deficit	(53.73)	(18.23)	308.28	268.33	292.87
(d) Experience Adjustment on Plan Liabilities	(165.90)	(180.62)	97.44	85.04	154.96
(e) Experience Adjustment on Plan Assets	32.73	60.43	(40.24)	(29.13)	22.76

(ix) Actuarial Assumptions

	2013-14	2012-13
(a) Discount Rate	9.39%	8.25%
(b) Expected Rate of Return on Plan Assets	9.39%	8.25%
(c) Salary Escalation Rate - Management Staff	7.00%	5.50%

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors, such as demand and supply in the employment market.

(C) Defined Benefit Plans- Provident Fund

(i) Present Value of Defined Benefit Obligation

	2014	2013
(a) Balance as at the beginning of the year	11941	9771
(b) Interest Cost	994	739
(c) Current Service Cost	1003	957
(d) Employee Contribution	1474	1405
(e) Liability Transferred In	234	329
(f) Liability Transferred Out	-	-
(g) Benefit Paid	(1475)	(1318)
(h) Actuarial (Gains)/Losses	(1)	58
(i) Balance as at the end of the year	14170	11941

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

(₹ in lakhs)

(ii) **Fair value of Plan Assets**

	2014	2013
(a) Balance as at the beginning of the year	11941	9771
(b) Expected Return on Plan Assets	994	739
(c) Contributions by the Company	2476	2362
(d) Transfer From Other Company	234	329
(e) Transfer to Other Company	-	-
(f) Benefit Paid	(1475)	(1318)
(g) Actuarial (Gains)/Losses	-	58
(h) Balance as at the end of the year	14170	11941

(iii) **Assets and Liabilities recognised in the Balance Sheet**

	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Fair Value of Plan Assets	14170	11941
(b) Present Value of Benefit Obligation	14170	11941

(iv) **Expenses recognised in the Statement of Profit and Loss**

	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Current Service Cost	1003	957
(b) Interest Cost	994	739
(c) (Expected Return on Plan Assets)	(994)	(739)
(d) Surplus Utilised	(1)	58
(e) Interest Shortfall	-	(58)
(f) Total Expenses recognised in the Income Statement	1002	957

(v) As at 31st March, 2014 and 31st March, 2013, the plan assets have been primarily invested in securities of Central Government of India, State Government and Bonds.

(vi) **Actuarial Assumptions**

	2013-14	2012-13
(a) Discount Rate	9.39%	8.25%
(b) Expected Rate of Return on Plan Assets	8.75%	8.50%
(c) Salary Escalation Rate - Management Staff	7.00%	5.50%

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors, such as demand and supply in the employment market.

30. Capital Commitments

	2014	2013
Estimated amount of contracts remaining to be executed on capital account and not provided for [net of advances ₹ 158.38 lakhs (Previous year : ₹ 27.04 lakhs)]- Tangible assets	1081.41	410.95

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

		(₹ in lakhs)
	2014	2013
31. Contingent Liabilities		
(a) Income Tax:		
Matters decided in favour of the Company by appellate authorities, where the Income Tax Department is in further appeal.	648.16	637.73
Matters on which the Company is in appeal	511.67	321.67
(b) Sales Tax/ Value Added Tax:		
Claims against the Company regarding sales tax against which the Company has preferred appeals.	79.78	157.35
(c) Claims against the Company regarding service tax against which the Company has preferred appeal.	14.73	14.73
(d) Claim in respect of rented premises.	200.27	188.61
(e) Claims against the Company not acknowledged as debts.	62.28	62.28
(f) Issuance of Stand by Letter of credit by the Company's bankers in respect of term loan taken by the wholly owned subsidiary. The loan taken by the subsidiary is secured by way of hypothecation of the current and movable assets and mortgage of immovable assets of the Company.	14380.80	19544.40
(g) Customs Duty:		
From 1969 to 1979, customs duty has been provided on the basis of provisional assessments, which are not admitted by the Customs Authorities. Pending settlement of the foregoing, a deposit of ₹ 6.79 lakhs (Previous year: ₹ 6.79 lakhs) has been made and bonds aggregating to ₹ 54.43 lakhs (Previous year: ₹ 54.43 lakhs) guaranteed by the General Insurance Corporation of India have been executed. From 16 th August 1988 to 31 st March 1993, pursuant to changes in the Customs Valuation Rules, the Customs Authorities have cleared the Company's consignments on provisional basis on execution of bonds aggregating ₹ 1618.45 lakhs (Previous year: ₹ 1618.45 lakhs), representing the entire value of the import consignments. Adjustments, if any, on this account, would be made as and when the assessments are finalised. The Company has been legally advised that the liability on this account is not expected to exceed ₹ 31.00 lakhs (Previous year: ₹ 31.00 lakhs), which has been provided for.		

32. Miscellaneous Expenses include Auditors' Remuneration and Expenses as under:

	2013-14	2012-13
(a) As auditors		
Audit Fee	48.50	48.50
Tax Audit Fee	7.00	-
(b) As advisors, or in any other capacity, in respect of		
Other services	18.55	20.75
(c) Out of pocket expenses reimbursed [for (a) and (b) above]	4.40	4.06

33. Earnings in foreign exchange

Fees for technical services outside India in connection with development / production of Computer Software (including finders' fees)

88895.78	77399.29
----------	----------

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

		(₹ in lakhs)
	2013-14	2012-13
34. Expenditure in foreign currency		
(subject to deduction of tax at source, where applicable)		
(a) Travelling (including Salaries & allowances to staff on deputation to other countries)	14536.23	13359.57
(b) Professional and Consultation fees	338.42	269.70
(c) Link Charges	12.67	7.68
(d) Others	2964.22	2591.77
35. Value of imports calculated on C.I.F. basis		
(a) Software	55.15	43.94
(b) Capital Goods	357.70	481.16
36. Remittance in foreign currency on account of dividend to non-resident shareholders		
Final dividend		
(a) Number of shareholders	1	1
(b) Number of shares on which dividend was paid	1030922	1030922
(c) Financials to which dividend relates	2012-13	2011-12
(d) Amount of dividend remitted (Rs. in Lakhs)	46.39	41.24
Interim dividend		
(a) Number of shareholders	1	1
(b) Number of shares on which dividend was paid	1030922	1030922
(c) Financials to which dividend relates	2013-14	2012-13
(d) Amount of dividend remitted (Rs. in Lakhs)	41.24	36.08

37. Dues to Micro, Small and Medium enterprises

The Company has compiled this information based on the current information in its possession. As at 31st March 2014, no supplier has intimated the Company about its status as a Micro or Small Enterprise or its registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006.

38. Expenditure on Research and Development

The Department of Scientific and Industrial Research had accorded the recognition as In-House R&D unit to the Company. The Company has incurred revenue expenditure amounting to ₹ 2.09 lakhs (Previous year : ₹ 8.52 lakhs) on development activities during the year.

39. Lease Obligations

(A) Operating leases

The Company has taken on lease certain facilities and equipment under operating lease arrangements that expire over the next five years. Rental expense incurred by the Company under operating lease agreements totaled approximately ₹ 3461.63 lakhs (Previous year ₹ 3020.10 lakhs)

Total minimum lease payments in respect of non-cancellable operating leases

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

		(₹ in lakhs)	
Particulars	2014	2013	
Not later than one year	802.74	605.19	
Later than one year and not later than five years	1449.47	757.40	
(B) Finance lease: Company as lessee			
The Company has taken laptops and desktops under finance lease for a period of four years.			
(a) Minimum lease rentals payable			
(i) not later than one year	250.28	186.77	
(ii) later than one year but not later than five years	311.60	372.36	
(iii) later than five years	-	-	
Total	561.88	559.13	
(b) Present value of minimum lease payments			
(i) not later than one year	223.35	171.40	
(ii) later than one year but not later than five years	268.10	317.86	
(iii) later than five years	-	-	
Total	491.45	489.26	
(c) Reconciliation of minimum lease payments and present value			
Minimum lease rentals payable as per (a) above	561.88	559.13	
Less: Finance charges to be recognized in subsequent periods	70.43	69.87	
Present value of minimum lease payments payable as per (b) above	491.45	489.26	
(d) Nature of Security:			
Finance Lease Obligations are secured by hypothecation of assets underlying the leases.			
(e) Terms of Repayment:			
Monthly payment of Equated Monthly Instalments beginning from the month subsequent to taking the lease			
40. Derivative instruments and unhedged foreign currency exposure			
	2014	2013	
(a) Derivatives outstanding as at the reporting date			
In US \$	22000000	25755000	
(Equivalent approximate in Rs. lakhs)	13182.40	13982.39	
In GBP £	800000	800000	
(Equivalent approximate in Rs. lakhs)	796.26	657.26	
(b)			
As of the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by derivative instruments or otherwise is ₹ 23035 lakhs (Previous year : ₹ 17776 lakhs)			

Notes to the Financial Statements

for the year ended March 31, 2014 (Contd.)

41. Segment Information

Where a financial report contains both consolidated financial statements and separate financial statements of the parent, segment information needs to be presented only in case of consolidated financial statements. Accordingly, segment information has been provided only in the consolidated financial statements.

42. The Company vide a Board resolution dated October 22, 2013 has resolved to liquidate its subsidiary company in Japan, Zensar Advanced Technologies Limited, with effect from March 31, 2014. Accordingly, the subsidiary has ceased its operations effective March, 31 2014 and is in the process of completing the liquidation formalities. The impact on account of this closure on the operations of the Company is not material.

43. Previous Year Figures

Previous Year Figures have been reclassified to conform to this year's classification.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors of
Zensar Technologies Limited

Jeetendra Mirchandani
Partner
Membership No. 48125

H.V. Goenka
Chairman

Ganesh Natarajan
Vice Chairman &
Managing Director

S. Balasubramaniam
Chief Financial Officer

Nilesh Limaye
Company Secretary

Place: Pune
Date: April 22, 2014

Place: Mumbai
Date: April 22, 2014

Form AOC - I

Statement containing salient features of the Financial Statement of Subsidiaries/Associate Companies/Joint Ventures

Part "A": Subsidiaries

Sl. No.		(₹ In Lakhs)											
Name of the subsidiary		Zensar Technologies, Inc.	Zensar Technologies (UK) Limited	Zensar Technologies (Singapore) Pte. Limited	Zensar Advanced Technologies Limited	Zensar Technologies (Shanghai) Co. Limited	Zensar (Africa) Holdings (Pty) Limited	Zensar (South Africa) (Pty) Limited	PSI Holding Group, Inc.	Zensar Technologies IM, Inc (Erstwhile Akibia Inc.)	Zensar Technologies IM, BV (Erstwhile Akibia BV)	Aquila Technology Corp.	
1	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA	NA	NA	NA	31 st Dec.	NA	NA	NA	NA	NA	NA	
2	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	USD & Closing rate ₹ 59.92	GBP & Closing rate ₹ 99.5330	SGD & Closing rate ₹ 47.5290	J Yen & Closing rate ₹ 0.5854	CNY & Closing rate ₹ 9.6460	ZAR & Closing rate ₹ 5.6620	ZAR & Closing rate ₹ 5.66	USD & Closing rate ₹ 59.92	USD & Closing rate ₹ 59.92	USD & Closing rate ₹ 59.92	USD & Closing rate ₹ 59.92	
3	Share capital	290.30	38.51	78.02	3.43	504.85	60.50	449.36	-	-	-	-	
4	Reserves & surplus	18,878.64	5,246.04	620.99	(1,555.83)	(495.05)	283.26	(9.93)	305.65	12,972.71	447.33	651.47	
5	Total assets	71,770.19	9,845.11	1,237.14	77.74	340.11	458.07	443.84	359.24	27,059.97	1,886.30	763.35	
6	Total Liabilities	52,601.25	4,560.56	538.13	1,630.14	330.31	114.31	4.44	53.59	14,087.26	1,438.96	111.87	
7	Investments	-	-	-	-	-	-	-	-	74.60	-	-	
8	Turnover	110,772.02	22,417.63	3,721.73	408.74	687.24	4.73	4.73	384.32	54,710.54	8,468.57	1,990.21	
9	Profit before taxation	5,955.71	2,633.70	446.25	(148.92)	(230.09)	0.92	0.87	56.55	922.38	-290.91	414.51	
10	Provision for taxation	1,850.21	620.28	57.10	0.42	-	0.24	0.24	-	628.14	-	-	
11	Profit after taxation	4,105.50	2,013.43	389.15	(149.34)	(230.09)	0.68	0.63	56.55	294.24	-290.91	414.51	
12	Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	
13	% of shareholding	100	100	100	100	100	100	74.99	100	100	100	100	



CONSOLIDATED
FINANCIAL
STATEMENTS

Independent Auditors' Report

To the Board of Directors of Zensar Technologies Limited

1. We have audited the accompanying consolidated financial statements (the "Consolidated Financial Statements") of Zensar Technologies Limited ("the Company") and its subsidiaries,; hereinafter referred to as the "Group" (refer Note [1b] to the attached consolidated financial statements) which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information which we have signed under reference to this report.

Management's Responsibility for the Consolidated Financial Statements

2. The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting

estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements, notified under the Companies Act, 1956 of India read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
7. Based on our audit and on consideration of reports of other auditor on separate financial statements and on the other financial information of the component of the Group as referred to in paragraph 8 below, and to the best of our information and according to the explanations given to us, in our opinion, the accompanying consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;
 - (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

8. We did not audit the financial statements of four subsidiaries included in the consolidated financial statements, which constitute total assets of ₹ 816 Lakhs and net assets of ₹ 606 Lakhs as at March 31, 2014, total revenue of ₹ 642 Lakhs, net loss of ₹ 789 Lakhs and net cash flows amounting to ₹ 351 Lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose report have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Jeetendra Mirchandani
Partner

Place: Pune
Date: April 22, 2014

Membership Number: 48125

Consolidated Balance Sheet

As at March 31, 2014

			(₹ in lakhs)
	Note No.	2014	2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2	4376.75	4358.10
Reserves and surplus	3	90173.48	68531.97
		94550.23	72890.07
MINORITY INTEREST		109.86	-
NON-CURRENT LIABILITIES			
Long-term borrowings	4	7458.49	13347.46
Other Long-term liabilities	5	607.26	1269.82
Long-term provisions	6	2927.27	2393.97
		10993.02	17011.25
CURRENT LIABILITIES			
Short-term borrowings	7	2139.00	-
Trade Payables	8	15074.11	10592.30
Other current liabilities	9	21041.72	22076.82
Short-term provisions	10	4682.85	3153.30
		42937.68	35822.42
Total		148590.79	125723.74
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Tangible assets	11.a	8895.59	9784.72
Intangible assets	11.b	33256.84	29899.67
Capital work-in-progress		27.34	77.19
Intangible assets under development		178.70	169.15
		42358.47	39930.73
Non-current investments	12	74.99	76.36
Deferred Tax Assets (Net)	13	3041.43	2430.69
Long-term loans and advances	14	2967.93	2940.73
		48442.82	45378.51
CURRENT ASSETS			
Current Investments	15	14784.65	4173.69
Inventories	16	12877.91	10488.62
Trade Receivables	17	35812.50	33541.06
Cash and Bank Balances	18	14581.15	14204.25
Short-term loans and advances	19	8171.71	8563.13
Other current assets	20	13920.05	9374.48
		100147.97	80,345.23
Total		148590.79	125723.74

Summary of significant accounting policies

1

The accompanying notes (1 to 37) are an integral part of consolidated financial statements

This is the Consolidated Balance Sheet referred to in our report of even date.

For **Price Waterhouse**
Firm Registration Number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors of
Zensar Technologies Limited

Jeetendra Mirchandani
Partner
Membership No. 48125

H.V. Goenka
Chairman

Ganesh Natarajan
Vice Chairman &
Managing Director

S. Balasubramaniam
Chief Financial Officer

Nilesh Limaye
Company Secretary

Place: Pune
Date: April 22, 2014

Place: Mumbai
Date: April 22, 2014

Consolidated Statement of Profit and Loss

for the year ended March 31, 2014

		(₹ in lakhs)	
	Note No.	2014	2013
Revenue from operations			
Software development and allied services		166586.55	146950.57
Sale of Licenses for Software Applications		1121.98	3449.46
Service revenue		40784.62	37325.87
Product revenue		23067.09	23726.06
Other Operating revenue	21	2076.31	1428.58
		233636.55	212880.54
Other income	22	2472.96	342.28
Total revenue		236109.51	213222.82
Expenses:			
Purchase of network and security products		19690.73	20341.06
(Increase)/Decrease in inventories	16	(2389.29)	(990.97)
Employee benefits expense	23	113264.78	102461.22
Other expenses	24	66699.41	61040.66
Depreciation and amortization expense	11	3830.34	3315.92
Finance costs	25	1027.73	994.55
Total expenses		202123.70	187162.44
PROFIT BEFORE TAXATION		33985.81	26060.38
Tax Expense [Refer note 1(m)]			
- Current Tax		10789.23	8674.14
- Deferred Tax		(555.89)	(66.98)
PROFIT AFTER TAXATION BEFORE MINORITY INTEREST		23752.47	17453.22
Less: Minority Interest		0.16	-
PROFIT AFTER TAXATION		23752.31	17453.22
Earnings Per Equity Share (Face Value ₹ 10) :		Rs.	Rs.
(See Note 32)			
- Basic		54.40	40.12
- Diluted		53.38	39.34

Summary of significant accounting policies

1

The accompanying notes (1 to 37) are an integral part of consolidated financial statements

This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For **Price Waterhouse**
Firm Registration Number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors of
Zensar Technologies Limited

Jeetendra Mirchandani
Partner
Membership No. 48125

H.V. Goenka
Chairman

Ganesh Natarajan
Vice Chairman &
Managing Director

S. Balasubramaniam
Chief Financial Officer

Nilesh Limaye
Company Secretary

Place: Pune
Date: April 22, 2014

Place: Mumbai
Date: April 22, 2014

Consolidated Cash Flow Statement

for the year ended March 31, 2014

(₹ in lakhs)

	Year ended			
	March 31, 2014		March 31, 2013	
A. Cash Flow from Operating Activities :				
Profit before Taxation		33985.81		26060.38
Adjustments for				
Depreciation and Amortisation	3830.34		3315.92	
Dividend Income	(642.41)		(196.25)	
Finance Cost	1027.73		994.55	
(Profit) / Loss on Sale of Investments (net)	(119.92)		-	
Interest Income	(198.19)		(146.03)	
(Profit) / Loss on Sale of tangible assets (net)	(10.63)		11.87	
Employee Stock Compensation Expense	27.15		27.90	
Provision for Doubtful Debts	2476.33		348.39	
Provision no longer required and written back	(1780.34)		(800.38)	
Provision for Diminution in the value of Investments	185.82			
		4795.88		3555.97
Operating Profit before Working Capital Changes		38781.69		29616.35
Changes in Working Capital :				
(Increase)/ decrease in long term loans and advances	83.28		(393.36)	
(Increase)/ decrease in trade receivables	(3207.56)		(4696.73)	
(Increase)/ decrease in short-term Loans and Advances	87.08		778.89	
(Increase)/ decrease in other Current Assets	(5507.83)		(2783.97)	
(Increase)/ decrease in inventories	(2895.31)		(973.29)	
Increase/ (decrease) in other Long term liabilities	(631.28)		863.34	
Increase/ (decrease) in long term provisions	646.24		303.05	
Increase/ (decrease) in trade payables-Current	5431.00		(1942.20)	
Increase/ (decrease) in trade payables-Non Current	-		(24.03)	
Increase/ (decrease) in other current liabilities	(2125.01)		(2435.20)	
Increase/ (decrease) in short-term Provisions	342.43		(213.62)	
Increase / (decrease) in short term borrowings	2592.02		-	
		(5184.93)		(11517.12)
Cash generated from Operations		33596.76		18099.23
Taxes (Paid) / Received	(10512.76)		(7497.62)	
[net of refunds]		(10512.76)		(7497.62)
Net Cash from Operating activities (A)		23084.00		10601.61
B. Cash Flow from Investing Activities				
Purchase of tangible/intangible assets including Capital Work in Progress	(3,324.48)		(3356.01)	
Sale of tangible assets	92.51		14.46	
Purchase of current investments	(37,399.66)		(27603.74)	
Sale of current investments	26,947.15		28130.95	
Interest Income	197.70		146.03	
Dividend Income	642.41		196.25	
Net Cash used in Investing Activities (B)		(12844.38)		(2472.06)

(₹ in lakhs)

	Year ended			
	March 31, 2014		March 31, 2013	
C. Cash Flow from Financing Activities				
Proceeds from share allotment under Employee Stock Option Schemes	185.06		157.13	
Proceeds / (Repayment) of long-term borrowings	(5161.39)		(6514.80)	
Proceeds from issue of Share Capital to Minority	402.82		-	
Interest and Structuring Fee payment	(1198.34)		(1242.72)	
Dividend on Equity Shares and Tax Thereon	(4110.82)		(3790.67)	
Net Cash used in Financing Activities (C)		(9882.68)		(11391.06)
D. Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)		356.94		(3261.51)
Opening Balance of Cash & Cash Equivalents		14125.21		17386.72
Closing Balance of Cash & Cash Equivalents		14482.15		14125.21

Notes :

- The above Consolidated Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard 3 on Cash Flow Statements.
- Prior year comparatives have been reclassified to conform with current year's presentation, where applicable.
- Cash and cash equivalents comprise of:

	(₹ in lakhs) 2013-14	(₹ in lakhs) 2012-13	(₹ in lakhs) 2011-12
Cash on Hand	6.20	6.05	10.18
Balances with Banks	14,475.95	14,119.16	17376.54
Total	14,482.15	14,125.21	17,386.72

The accompanying notes (1 to 37) are an integral part of the Consolidated Cash Flow Statement.

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For **Price Waterhouse**
Firm Registration Number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors of
Zensar Technologies Limited

Jeetendra Mirchandani
Partner
Membership No. 48125

H.V. Goenka
Chairman

Ganesh Natarajan
Vice Chairman &
Managing Director

S. Balasubramaniam
Chief Financial Officer

Nilesh Limaye
Company Secretary

Place: Pune
Date: April 22, 2014

Place: Mumbai
Date: April 22, 2014

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014

Company overview

Zensar Technologies Limited (Zensar) is a globally renowned software and services organisation that specializes in providing a complete range of IT Services and Solutions. Zensar is ranked amongst India's top 20 software companies by NASSCOM and is also recognised by the Department of Scientific and Industrial Research (DSIR) for its robust in-house Research and Development practices and an acknowledged leader in Innovation. The Company is headquartered in Pune and has offices in India, USA, UK, South Africa, Singapore, Australia and UAE.

1. Summary of Significant Accounting Policies

(a) Basis of preparation

The Financial Statements of the Company and its subsidiaries have been prepared under historical cost convention as a going concern on accrual basis and to comply in all material aspects with all the applicable accounting principles in India, the applicable Accounting Standards notified under the Companies Act, 1956 of India (the "Act") read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and services and the time between the

acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

(b) Principles of Consolidation

The Consolidated Financial Statements of Zensar Technologies Limited and its foreign subsidiaries are prepared in accordance with generally accepted accounting principles applicable in India and the Accounting Standard 21 on Consolidated Financial Statements notified under section 211 (3C) [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 1956 as applicable, in the same format as that adopted by the parent Company (Zensar Technologies Limited) for its separate financial statements.

The Consolidated financial statements are prepared using uniform accounting policies for similar transactions to the extent in similar circumstances.

Subsidiaries : Subsidiaries are consolidated from the date on which control is transferred to the group and are not consolidated from the date that control ceases. The financial statements of the company and its subsidiaries have been consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intra group balances and intra group transactions and resulting unrealised profits have been eliminated.

List of foreign subsidiaries considered in the consolidated financial statements

Sr. No.	Name of the subsidiary	Country of Incorporation	Extent of holding as on 31 st March 2014	Extent of holding as on 31 st March 2013
1	Zensar Technologies Inc. [ZTI]	USA	100%	100%
	Subsidiaries of Zensar Technologies Inc.			
i)	PSI Holding Group, Inc.	USA	100%	100%
-	Subsidiaries of PSI Holding Group Inc.			
a	Zensar Technologies IM, Inc (formerly known as Akibia, Inc.)	USA	100%	100%
b	Aquila Technology Corp.	USA	100%	100%
c	Zensar Technologies IM, B.V. (formerly known as Akibia B.V.)	Netherlands	100%	100%
2	Zensar Technologies (Singapore) Pte Ltd	Singapore	100%	100%
3	Zensar Technology (Shanghai) Company Limited	People's Republic of China	100%	100%

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

Sr. No.	Name of the subsidiary	Country of Incorporation	Extent of holding as on 31 st March 2014	Extent of holding as on 31 st March 2013
4	Zensar Technologies (UK) Limited [ZT (UK)]	UK	100%	100%
5	Zensar Advanced Technologies Limited	Japan	100%	100%
6	Zensar (Africa) holdings (Pty) Ltd.	South Africa	100% (w.e.f. 14 October, 2013)	-
-	Subsidiaries of Zensar (Africa) holdings (Pty) Ltd.			
a	Zensar (South Africa) (Pty) Ltd.	South Africa	75% (w.e.f. 18 October, 2013)	-

(c) Use of estimates

The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

(d) Revenue Recognition

- i) Revenues from software maintenance, development and allied services consist of revenues earned from time-and-material, fixed-timeframe and fixed price contracts.
 - (a) Revenue from time and material contracts are recognised as the related services are performed.
 - (b) Revenues from fixed price engagements are recognized using the proportionate completion method of accounting. The cumulative impact of any revision in estimates of the percent complete is reflected in the period in which the change becomes known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated. However, where the ultimate collection of the sale lacks reasonable certainty, revenue recognition is postponed to the extent of such uncertainty.
 - (c) Revenue from the sale of user licences for software applications is recognised on transfer of the title in the user licence.
- ii) Revenue from maintenance, outsourcing and other support services for data-centres is deferred and recognised rateably over the service period, generally

monthly, quarterly or annually, invoice in advance. Contract terms are generally one year.

- iii) Revenues from resale of network and security products and related third-party maintenance contracts are recognised upon shipment as the Company has no future obligations. The Company also enters into multiple deliverable arrangements that include telephone support services wherein the entire arrangement fee is deferred and recognised rateably over the telephone support service period as the Company has not established fair value of telephone support services.
- iv) The Company also provides consulting services that may be sold under multiple element arrangements. The Company has established fair value for these services. The Company recognises the fair value of the services within the fixed fee arrangement, using the proportional performance method when telephone support services are not provided. The proportional performance is measured by the ratio of the direct labour costs incurred to date to the estimated direct labour costs for each contract, which are reviewed periodically. Amounts included in the financial statements, which relate to recoverable costs and accrued profits not yet billed on contracts, are classified in current assets as Accrued Income (Unbilled Services). Billings on incomplete contracts in excess of accrued costs and accrued profits are classified in current liabilities as unearned revenue.

(e) Fixed Assets

Capital Work-in-Progress includes the costs of fixed assets that are not ready for their intended use at the Balance Sheet date.

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

(f) Depreciation and Amortisation

Depreciation on fixed assets is provided on the straight-line method over their useful lives at rates which are higher than the rates (except for Building) prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than Rs. 5,000 are entirely depreciated in the year of acquisition. Amortisation of Intangible assets are provided on straight line basis over their estimated useful lives.

(g) Impairment

The management periodically assesses, using external and internal sources whether there is an indication that an asset may be impaired. If an asset is impaired, the Company recognises an impairment loss as the excess of the carrying amount of the asset over the recoverable amount.

(h) Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such recognition being determined and made for each investment individually.

(i) Employee Retirement Benefits

i) Superannuation - The Company has Defined Contribution Plans for Post-employment benefits for eligible employees in the form of Superannuation Fund administered by the Life Insurance Corporation of India.

The Company has Defined Contribution Plans for Post-employment benefits for all employees in the form of Family Pension Fund administered by Regional Provident Fund Commissioner.

These funds are classified as defined contribution plans as the Company has no further obligation beyond making the contributions. The Company's contributions to Defined Contribution Plans are charged to the Statement of Profit and Loss as and when incurred.

ii) Gratuity - The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Scheme. The Gratuity Plan provides a lump sum payment to vested employees at retirement death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

iii) Provident Fund - Provident Fund contributions are made to a Trust administered by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

The contributions made to the trust are recognised as plan assets. The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

iv) Compensated Absence - Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

- v) The Company has a 401(k) savings plan covering substantially all United States employees who are at least 21 years of age and have completed three months of service. The plan is classified as a defined contribution plan as the Company has no further obligation beyond making the contributions as per plan. The Company's contributions to defined contribution plans are charged to the Statement of profit and loss account as and when incurred.

(j) Foreign Currency Translations

- i) Initial Recognition - All foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- ii) Subsequent Recognition - As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. All non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- iii) Foreign operations are classified as either 'integral' or 'non-integral' operations. Exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation are accumulated in the Foreign Currency Translation Reserve until the disposal of the net investment, at which time they are recognised as income or as expenses. The financial statements of an integral foreign operation are translated using the principles and procedures as if the transactions of the foreign operation are those of the Company itself.
- iv) Exchange difference on restatement of all other monetary items are recognised in the Statement of Profit and Loss.

(k) Financial Instruments

The Company early adopted Accounting Standard (AS) 30 "Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered

Accountants of India, along with the consequent limited revisions to other accounting standards, except so far as they are in conflict with other mandatory accounting standards and other regulatory requirements.

Derivative Financial Instruments

The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts for trading or speculation purposes.

Forward contracts are fair valued at each reporting date. Changes in the fair values of forward contracts designated as cash flow hedges are recognized directly in the Hedging Reserve Account and reclassified into the Statement of Profit and Loss upon the occurrence of the hedged transaction. Changes in fair value relating to the ineffective portion of the hedges and derivatives not designated as hedges are recognised in the Statement of Profit and Loss as they arise.

Non - Derivate Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the Company mainly include cash and bank balances, trade receivables, accrued income (unbilled services), employee travel and other advances, other loans and advances and derivative financial instruments with a positive fair value. Financial liabilities of the Company mainly comprise trade payables, accrued expenses and derivative financial instruments with a negative fair value. Financial assets / liabilities are recognized on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

The Company assesses at each Balance Sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss as the difference between the assets carrying amount and undiscounted amount of future cash flows, which is recognised in the Statement of Profit and Loss.

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

The Company measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

(l) Employee Stock Option Schemes

Stock options granted to employees under Employee Stock Option 2002 Scheme and Employee Stock Option 2006 Scheme are accounted as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999, issued by the Securities and Exchange Board of India and the guidance note on employee share based payment issued by ICAI. Accordingly, the excess of the market value of the stock options as on the date of the grant over the exercise price of the options is recognised as deferred employee compensation and is charged to Statement of Profit and Loss over the vesting period. In the case of graded vesting, the vesting period is determined separately for each portion of the option. The unamortised portion of the cost is shown under "Reserves and Surplus".

(m) Taxation

Current Tax

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred Tax

Deferred tax for timing differences between the book profits and tax profits is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the Balance Sheet date. Deferred tax assets arising from the timing differences are recognised to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax assets are recognised for tax loss and depreciation carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is virtually certain and is supported by convincing evidence that sufficient future taxable profits can be realised.

Minimum Alternative Tax (MAT)

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing

evidence that the Company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Income Tax Act, 1961 (specified period). In the year, in which the MAT credit comes eligible to be recognized as an asset in accordance with the recommendations contained in the guidance note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT credit entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay income tax higher than MAT during the specified period.

(n) Cash & Cash Equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

(o) Consolidated Cash Flow Statement

Cash flow are reported using the "Indirect Method", whereby consolidated net profit before tax is adjusted for the effects of transactions of non cash nature and any deferrals or accruals of past or future cash receipts or payments. The cashflow from operating, investing and financing activities of the group are segregated.

(p) Earnings per share

The basic earnings per share is computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which would have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless they have been issued at a later date.

(q) Goodwill

The excess of cost to the Company of its investments in the subsidiaries over its share in the equity of the subsidiaries, at the dates on which the investments in

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

the subsidiaries are made, is recognized as 'Goodwill' being an asset in the consolidated financial statements. Goodwill arising on consolidation is not amortised. Goodwill arising on purchase of business is recorded at the excess of the purchase price over the net assets taken over of the business and is amortised over five years. Goodwill is reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. If impairment is indicated, the asset is written down to its fair value.

(r) Inventories

Inventories comprise of replacement computer parts. Parts are valued at the lower of cost and net realisable value. The cost of inventories are determined using a weighted average cost formula and net realisable value based on purchase price. If part has not been purchased within the last 12 months, then net realisable value is based on vendor quote.

(s) Provisions and Contingent liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event and, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined based on best estimate required to settle the present obligation at the balance sheet date. Provisions are reviewed at each Balance Sheet date and adjusted to reflect current best estimates. A disclosure for a contingent liability is made where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

		(₹ in lakhs)	
		2014	2013
2. Share Capital			
Authorised			
47,500,000 (Previous year: 47,500,000) Equity Shares of ₹ 10 each		4750.00	4750.00
250,000 (Previous year: 250,000) Preference Shares of ₹ 100 each		250.00	250.00
		5000.00	5000.00
Issued, Subscribed and fully paid up			
43,767,494 (Previous year: 43,580,988) Equity Shares of ₹ 10 each fully paid-up		4376.75	4358.10
		4376.75	4358.10

(i) Reconciliation of the shares outstanding as at the beginning and at the end of the year

	2014		2013	
	Nos	(₹ in lakhs)	Nos	(₹ in lakhs)
At the beginning of the year	43580988	4358.10	43409774	4340.98
Add: Shares issued on exercise of Employee Stock Options	186506	18.65	171214	17.12
Outstanding at the end of the year	43767494	4376.75	43580988	4358.10

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

(ii) **Terms/Rights attached to Equity Shares**

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holder of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

The board of directors in their meeting on January 21, 2014, declared an interim dividend of ₹ 4.00 per equity share. The board of directors in their meeting on April 22, 2014, proposed the final dividend of ₹ 6.00 per equity share. The total dividend appropriation for the year ended March 31, 2014 amounted to ₹ 4903.88 lakhs including corporate dividend tax of ₹ 529.11 lakhs.

(iii) **Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company**

	As at March 31, 2014		As at March 31, 2013	
	% Held	Nos	% Held	Nos
Electra Partners Mauritius Limited	23.54%	10301294	23.64 %	10301294
Summit Securities Limited	10.88%	4763576	10.92 %	4758076
Idea Tracom Private Limited*	-	-	7.11 %	3096800
Fidelity Management and Research Company	8.00%	3500000	8.03 %	3499999
Swallow Associates LLP	27.61%	12082997	27.65 %	12048606
Instant Holdings Limited*	7.08%	3096800	-	-

*Idea Tracom Private Limited has been merged with Instant Holdings Limited w.e.f. 15th May 2012

(iv) **Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceeding 31st March, 2014.**

Particulars	2011	2010
	No of shares	No of shares
(a) Equity shares allotted as fully paid bonus shares by capitalisation of profits transferred from General Reserve	21589818	-
(b) Equity shares bought back by the Company by utilization of Securities Premium Account and General Reserve	-	2424000

(v) **For details of shares reserved for Issue under the Employee Stock Option Plan (ESOP) of the Company, please refer Note 28**

(₹ in lakhs)

	As at March 31	
	2014	2013
3. Reserves and Surplus		
Capital Reserve		
Balance as at the beginning of the year	10.18	10.18
Add : Movement during the year	292.96	-
	303.14	10.18
Capital Redemption Reserve		
Balance at the beginning and end of the year	442.40	442.40
Securities Premium Account		
Balance brought forward	360.04	216.74
Add: Received during the year on exercise of stock options issued to employees	175.03	143.30
	535.07	360.04

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

(₹ in lakhs)		
	As at March 31	
	2014	2013
General Reserve		
Balance brought forward	40622.94	30622.94
Add : Transferred from Statement of Profit and Loss	10000.00	10000.00
	50622.94	40622.94
Hedging Reserve		
Balance as at the beginning of the year	551.11	(807.04)
Add : Movement during the year	(234.82)	1358.14
	316.29	551.11
Employee Stock Options		
Employee Stock Options Outstanding	162.11	174.02
Less : Deferred Employee Compensation	(93.63)	(124.07)
	68.48	49.95
Foreign Currency Translation Reserve		
Balance as at the beginning of the year	694.67	339.32
Foreign Currency Translation Reserve for the year	2541.38	355.35
	3236.05	694.67
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	25800.68	22399.35
Add : Profit after Taxation transferred from Statement of Profit and Loss	23752.31	17453.22
Less: Appropriations		
Interim Dividend	1748.72	1525.17
Proposed Dividend	2626.05	1961.14
Dividend distribution tax on Interim and Proposed dividend on Equity Shares	529.11	565.57
Transfer to General Reserve	10000.00	10000.00
Balance as at the end of the year	34649.11	25800.68
	90173.48	68531.97
4. Long-term Borrowings		
Finance Lease Liability (Secured) (See Note 31)	268.10	317.86
Term Loans from Banks	7190.39	13029.60
(Refer note a and b below)		
	7458.49	13347.46
Note : Nature of security and terms of repayment for secured borrowings		
a. Nature of Security :		
Term loan from banks amounting INR 14,380 lakhs (March 31, 2013 : INR 19,544 lakhs) is secured by -		
i. SBLC (Stand By Letter of Credit) issued by Standard Chartered Bank, India at the request of Zensar Technologies Limited (Holding Company) by way of hypothecation of the current and movable assets and mortgage of immovable assets of the Holding company.		
ii. 100% pledge over shares, PSI Holdings Group Inc, USA.		
b. Repayable in 8 equal semi-annual installments starting in the 18th month from December 21, 2010, the date of issue of the SBLC. Interest to be paid every six months at LIBOR + 110 basis points.		

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

(₹ in lakhs)		
As at March 31		
	2014	2013
5. Other Long term liabilities		
Deferred Revenue	381.28	881.79
Structuring Fees	70.11	211.73
Deferred Lease Rent	155.87	176.30
	607.26	1269.82
6. Long-term provisions		
Provision for Disputed statutory matters (Refer Note 34)	32.25	32.25
Provision for Compensated Absences	2839.68	2315.51
Other Obligations (Refer Note 34)	55.34	46.21
	2927.27	2393.97
7. Short Term Borrowing	2139.00	-
	2139.00	-
8. Trade Payables	15074.11	10592.30
	15074.11	10592.30
9. Other Current liabilities		
Current maturities of long term debt	7190.40	6514.80
Current maturities of finance lease liability; (See Note 31)	223.35	171.40
Interest accrued but not due on borrowings	56.68	85.67
Deferred Revenue	6975.60	8286.31
Unpaid Dividend	99.17	79.22
Accrued Salaries and Benefits	659.85	4097.71
Withholding and other taxes	1080.37	1654.91
Other Payables	4756.30	1186.80
	21041.72	22076.82
10. Short-term provisions		
Taxation less payments thereagainst	774.13	320.22
Proposed Dividend on Equity Shares	2626.05	1961.14
Tax on proposed dividend	446.30	318.15
Provision for Gratuity	-	-
Provision for Compensated Absences	833.72	551.56
Other obligations	2.65	2.23
	4682.85	3153.30

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

11.a - Tangible Assets [See Notes 1(e) and 1(f)]

(₹ in lakhs)									
Assets	GROSS BLOCK				DEPRECIATION / AMORTISATION			NET BLOCK	
	Cost as at 31st March 2013	Additions during the year	Deletions during the year	Cost as at 31st March 2014	Accumulated Depreciation/Amortisation as at 31st March 2013	Depreciation /Amortisation during the year	Accumulated Depreciation/Amortisation as at 31st March 2014	As at 31st March 2014	As at 31st March 2013
Tangible assets:									
Land-									
- Leasehold	264.25	-	-	264.25	30.79	2.77	33.56	230.69	233.46
- Freehold	0.49	-	-	0.49	-	-	-	0.49	0.49
Buildings	5337.54	12.03	-	5349.57	1101.18	177.85	1279.03	4070.54	4236.36
Improvement to Leasehold Premises	3249.44	74.73	461.65	2862.52	2461.43	292.58	2292.36	570.16	788.01
Plant and Machinery	4041.54	111.76	71.91	4081.39	3535.69	303.44	3769.26	312.13	505.85
Furniture and Fixtures	3209.91	89.63	326.93	2972.61	2155.69	284.38	2161.83	810.78	1054.22
Office Equipment	1607.56	228.11	220.15	1615.52	1121.62	283.08	1211.42	404.10	485.94
Motor Vehicles	284.75	45.98	25.43	305.30	165.46	41.12	181.15	124.15	119.29
Data Processing Equipment- Own use	11129.60	632.83	2145.50	9616.93	9395.10	826.95	8080.90	1536.03	1734.50
Data Processing Equipments taken on Finance Lease	610.68	286.88	-	897.56	189.38	197.31	386.69	510.87	421.30
Exchange Fluctuation on Consolidation	-	-	-	-	-	-	-	325.66	205.30
Total	29735.76	1481.95	3251.57	27966.15	20156.34	2409.48	19396.20	8895.59	9784.72
Previous year	28093.10	2355.34	712.68	29735.76	18419.57	2421.52	20156.34	9784.72	

11.b - Intangible Assets [See Notes 1(e) and 1(f)]

Intangible assets :										
Goodwill	24375.57	-	226.51	24149.06	336.00	-	109.49	24039.57	24039.57	
Intangible Assets (Software including courseware)	3941.07	1882.84	956.41	4867.50	3229.95	1420.86	3694.33	1173.17	711.12	
Exchange Fluctuation on Consolidation	-	-	-	-	-	-	-	8044.10	5148.98	
Total	28316.64	1882.84	1182.92	29016.56	3565.95	1420.86	3803.82	33256.84	29899.67	
Previous year	28887.29	1025.01	1595.66	28316.64	4267.21	894.40	3565.95	29899.67		

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

		(₹ in lakhs)
		As at March 31
	2014	2013
12. Non-current Investments		
(valued at cost unless otherwise stated)		
(A) Trade		
Quoted		
Investment in equity instruments		
Nil (Previous Year : 23,000) shares of Infloblox (face value of ₹ 0.45 each)*	-	38.54
*In the previous year, the shares of Infloblox were listed on NASDAQ		
	-	38.54
(B) Non-Trade		
Quoted		
Investment in equity instruments		
100 (Previous year: 100) Equity Shares of ₹ 10 each fully paid-up in CFL Capital Financial Services Limited	0.02	0.02
Nil (Previous year: 75) Equity Shares of ₹ 10 each fully paid-up in CEAT Limited	-	0.05
100 (Previous year: 100) Equity Shares of ₹ 10 each fully paid-up in CESC Limited	0.05	0.05
100 (Previous year: 100) Equity Shares of ₹ 10 each fully paid-up in Harrisons Malayalam Limited	0.04	0.04
760 (Previous year: 760) Equity Shares of ₹ 2 each fully paid-up in KEC International Limited	0.19	0.19
Nil (Previous year: 100) Equity Shares of ₹ 10 each fully paid-up in Philips Carbon Black Limited	-	0.06
100 (Previous year: 100) Equity Shares of ₹ 10 each fully paid-up in Saregama India Limited	0.01	0.01
Nil (Previous year: 13) Equity Shares of ₹ 10 each fully paid up in Summit Securities Limited	-	0.09
100 (Previous year : 100) Equity Shares of ₹ 10 each fully paid up in Stel Holdings Limited	-	-
1591 (Previous year:1591) units of Prudential Financial Common Stock (face value of ₹ 0.45 each)	74.60	52.77
	74.91	53.28
Less: Provision for diminution in the value of investments	-	15.54
Unquoted		
100 (Previous year: 100) Equity Shares of ₹ 10 each fully paid-up in Spencer & Company Limited	0.08	0.08
	74.99	76.36
Aggregate cost of Quoted Investments	74.91	37.74
[Market Value ₹ 81.84 Lakhs (Previous year: ₹ 322.96 lakhs)]		
Aggregate cost of Unquoted Investments	0.08	38.62
	74.99	76.36

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

(₹ in lakhs)		
As at March 31		
	2014	2013
13. Deferred Tax Asset (net)		
The major components of the net deferred tax asset are		
Depreciation	389.48	412.46
Provision for doubtful debts	1058.38	701.44
Others	1593.57	1316.79
	3041.43	2430.69
14. Long-term Loans and Advances		
(Unsecured, considered good unless otherwise stated)		
Capital Advances	158.38	27.05
Security and other deposits		
- Considered good	1049.79	787.40
- Considered doubtful	-	-
Other Loans and Advances		
Prepaid Expenses	725.04	835.77
Others	253.93	605.65
Taxes recoverable [taxes paid less provisions ₹ 16,698.45 lakhs (Previous year: ₹ 11,678.67 lakhs) there against]	780.79	684.86
	2967.93	2940.73
15. Current Investments (valued at lower of cost or fair value)		
Investments in Mutual Funds		
Unquoted		
Nil (Previous year: 997,975) units of HDFC Floating Rate Income Fund-Short Term Plan Wholesale Option Dividend Reinvestment-Daily Reinvestment	-	100.60
Nil (Previous year: 1,000,000) units of DSP BlackRock FMP-Series 51-12M-Growth Maturity	-	100.00
61,201 (Previous year : Nil) units of Axis Liquid Fund--Direct Plan-Daily dividend Reinvest	612.08	-
27,978 (Previous year : Nil) units of AxisTreasury Advantage Fund--Direct -growth	400.00	-
484,995 (Previous year : Nil) units of Birla Sun Life Floating Rate Fund Short Term Plan-Daily Div Direct Plan-Reinvest	485.11	-
44,614 (Previous year : Nil) units of IDBI Liquid Fund- direct plan-daily div-reinvest	446.60	-
7,360 (Previous year : Nil) units of IDBI Ultra Short term Fund- direct plan-Growth	100.00	-
6,301,780 (Previous year : Nil) units of JM High Liquidity Fund (direct) daily dividend option Reinvest	657.29	-
41,924 (Previous Year : Nil) units of Religare Invesco Liquid Fund- Direct plan daily Dividend Reinvest	419.57	-
724,869 (Previous Year : Nil) units of Birla Sunlife Cash plus--Daily Dividend-Direct Plan- Reinvest	726.28	-
1,192,784 (Previous Year : Nil) units of BSL Interval Income Fund--quarterly plan-series I-growth direct plan	200.00	-
259,022 (Previous Year : Nil) units of Birla Sun Life Savings Fund - Growth Direct Plan	635.68	-
27,240 (Previous Year : Nil) units of LIC Nomura MF Liquid Fund -Direct - Dividend Plan-reinvest	299.10	-

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

(₹ in lakhs)		
	As at March 31	
	2014	2013
177,008 (Previous Year : Nil) units of ICICI Prudential Flexible Income - Direct Plan Growth	425.00	-
192,753 (Previous Year : Nil) units of ICICI Prudential Flexible Income - Direct Plan daily div reinvest	203.81	-
296,726 (Previous Year : Nil) units of ICICI Prudential Money Market Fund- Direct Plan daily div- reinvest	297.15	-
1,521,673 (Previous Year : Nil) units of IDFC Money Manager Fund- Treasury Plan-Growth Direct Plan	309.00	-
1,521,673 (Previous Year : Nil) units of IDFC Money Manager Fund- Treasury Plan-Growth Direct Plan	235.00	-
2,961,534 (Previous Year : Nil) units of Kotak Floater Long Term-Direct Plan-Growth	604.00	-
704,344 (Previous Year : Nil) units of Kotak Banking & PSU Debt Fund -direct -Growth	200.00	-
Nil (Previous year: 1,451,020) units of UTI Short Term Income Fund -Institutional Option Direct Plan Growth	-	200.00
1,815,162 (Previous Year : Nil) units of ICICI Prudential Interval Fund II Quarterly Interval Plan B- Direct Plan -Growth	200.00	-
Nil (Previous year: 10,439) units of SBI Magnum Insta Cash Fund Liquid Floater-Regular Plan - Daily Dividend Reinvestment	-	105.43
Nil (Previous year: 3,137,516) units of Kotak Flexi Debt Scheme Plan A-Daily Dividend Reinvestment	-	315.24
Nil (Previous year: 877,131) units of HDFC High Interest Fund Short Term Plan-Growth	-	200.00
Nil (Previous Year : 26,877) units of DSP BlackRock Liquidity Fund- Institutional Plan-Daily Dividend	-	268.85
Nil (Previous year: 14,785) units of DSP Blackrock Strategic Bond Fund -Direct Plan-Growth	-	200.00
Nil (Previous year: 119,792) units of Birla Sunlife Cash plus--Daily Dividend-Regular Plan- Reinvestment	-	120.03
Nil (Previous year: 996,871) units of Birla Sun Life Dynamic Bond Fund-Retail-growth Regular plan	-	195.00
Nil (Previous year: 1,156,149) units of ICICI Prudential Blended Plan B Regular Plan Growth Option	-	200.00
28,952 (Previous year: 14,930) units of Kotak Floater Short Term-Daily Div-Reinvestment	292.88	151.03
1,460,163 (Previous Year : Nil) units of ICICI Prudential Interval Fund Quarterly Interval Plan I- Direct Plan -growth	200.00	-
Nil (Previous year: 4,643,318) units of Kotak Floater Long Term-Daily Div-Reinvestment	-	468.04
Nil (Previous year: 20,675) units of Reliance Liquid Fund - Cash Plan - Daily Dividend option-Reinvestment	-	230.35
Nil (Previous year: 4,159,327) units of Templeton India Ultra Short Bond Fund Super Institutional Plan-Daily Dividend Reinvestment	-	416.68
Nil (Previous year: 1,000,000) units of Axis Fixed Term Plan- Series 33-Growth	-	100.00
Nil (Previous year: 1,060,037) units of DWS Ultra Short Term Fund - Institutional Plan-Daily Dividend -Reinvestment	-	106.19
Nil (Previous Year: 1,213,963) units of JP Morgan India Treasury Fund, Super liquid Investment - Daily Dividend Reinvestment	-	121.50

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

	(₹ in lakhs)	
	As at March 31	
	2014	2013
Nil (Previous year: 10,508) units of Religare Ultra Short Term Fund- Daily Dividend Reinvestment	-	105.26
Nil (Previous year: 369,139) units of Birla Sun Life Savings Fund - Daily Div -Regular Plan- Reinvestment	-	369.49
Nil (Previous year: 633,705) units of Reliance Quarterly Interval Fund - Series III- Growth Plan-Growth Option	-	100.00
52,160 (Previous Year : Nil) units of Reliance Liquidity Fund - Direct Daily Dividend - Reinvestment option-reinvest	521.87	-
24,664 (Previous Year : Nil) units of Reliance Money Manager Fund - Direct -Growth plan growth option	435.00	-
44,960 (Previous Year : Nil) units of Reliance Liquid Fund -treasury Plan- Direct - Daily Dividend option-Reinvest	687.32	-
1,997,243 (Previous Year : Nil) units of Reliance Quarterly Interval Fund -Series II- Direct- dividend plan-payout	200.00	-
1,904,925 (Previous Year : Nil) units of Reliance Quarterly Interval Fund -Series III- Direct Growth Plan growth option	200.00	-
33,713 (Previous Year : Nil) units of Kotak Liquid Scheme Plan A-Direct plan-Daily Div Reinvest	412.25	-
30,199 (Previous Year : Nil) units of SBI Magnum Insta Cash Fund Direct Plan -Daily Div-reinvest	505.85	-
9,127 (Previous Year : Nil) units of SBI Magnum Insta Cash Fund Liquid Floater-Direct Plan -Growth	200.00	-
650,301 (Previous Year : Nil) units of ICICI Prudential Liquid -direct plan-daily div reinvest	650.65	-
49,236 (Previous Year : Nil) units of L&T Liquid fund-direct plan-daily div reinvestment Plan	498.24	-
3,160,796 (Previous Year : Nil) units of L&T Ultra Short term fund-direct plan-Growth	658.00	-
40,058 (Previous Year : Nil) units of Tata Liquid fund-direct plan-daily div reinvest	446.46	-
60,704 (Previous Year : Nil) units of UTI Liquid Cash Plan-Institutional -direct plan daily div reinvest	618.85	-
23,596 (Previous Year : Nil) units of UTI Treasury Advantage fund-Institutional Plan-Direct plan-daily div reinvest	236.52	-
56,318 (Previous Year : Nil) units of UTI Money Market Institutional Plan -direct plan daily div reinvest	565.09	-
	14784.65	4173.69
16. Inventories		
[See Note 1(r)]		
Spare Parts in support of computer hardware maintenance contracts	12877.91	10488.62
(Inventories as at March 31, 2012 : ₹ 9,497.65 Lakhs)		
	12877.91	10488.62

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

		(₹ in lakhs)	
		As at March 31	
		2014	2013
17. Trade Receivables			
(Unsecured)			
Debts outstanding for a period exceeding six months from the date they are due for payment:			
Considered good		102.95	39.56
Considered doubtful		2732.79	1966.59
		<u>2835.74</u>	<u>2006.15</u>
Less : Provision for doubtful debts		2732.79	1966.59
	(A)	<u>102.95</u>	<u>39.56</u>
Other Debts			
Considered good		35709.55	33501.50
Considered doubtful		390.44	91.93
		<u>36099.99</u>	<u>33593.43</u>
Less : Provision for doubtful debts		390.44	91.93
	(B)	<u>35709.55</u>	<u>33501.50</u>
Total (A+B)		<u><u>35812.50</u></u>	<u><u>33541.06</u></u>
18. Cash and Bank Balances			
Cash and Cash Equivalents			
Cash on hand		6.20	6.05
Balances with Banks :			
In current accounts		13443.31	12416.71
Deposit with original maturity of less than three months		1,032.64	1702.45
		<u>14475.95</u>	<u>14119.16</u>
Other Balances with Banks :			
Unpaid dividend accounts		99.00	79.04
		<u>14581.15</u>	<u>14204.25</u>
19. Short-term Loans and Advances			
(Unsecured, considered good unless otherwise stated)			
Security and other deposits			
- Considered good		315.83	339.48
Other Loans and Advances			
Prepaid Expenses		2298.57	2269.25
Balances with Govt. Authorities		300.00	226.85
MTM gain/loss on forward contract		316.29	551.11
Others			
- Considered good		3989.86	4306.79
- Considered doubtful		2.26	-
MAT Credit Entitlement		-	812.33
Taxes recoverable {taxes paid less provisions ₹ 2,128.30 lakhs (Previous year: ₹ 2,831.52 lakhs) thereagainst}		951.16	57.32
		<u>8173.97</u>	<u>8563.13</u>
Less : Provision for doubtful Loans and Advances		2.26	-
		<u><u>8171.71</u></u>	<u><u>8563.13</u></u>

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

(₹ in lakhs)		
	As at March 31	
	2014	2013
20. Other Current Assets		
Accrued Income (Unbilled Services)	13858.28	9272.14
Interest accrued on deposits	8.20	7.71
Others	53.57	94.63
	13920.05	9374.48
21. Other Operating Revenue		
Provisions no longer required and credit balances written back	1780.34	800.38
Profit on sale of fixed assets	15.40	-
Profit on sale of current investments - Non Trade	119.92	-
Miscellaneous Income	160.65	628.20
	2076.31	1428.58
22. Other Income		
Dividend Income :		
- On Current Investments	642.41	196.25
	642.41	196.25
Interest Income :		
-On Deposits with banks	183.15	112.80
-On Others	15.04	33.23
	198.19	146.03
Exchange gain (net)	1632.36	-
	2472.96	342.28
23. Employee Benefits Expenses		
Salaries, Wages and Bonus	100731.73	93223.56
Contribution to Provident and other funds	7014.60	6214.25
Staff Welfare	5491.30	2995.51
Employee Stock Compensation Expense	27.15	27.90
	113264.78	102461.22

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

(₹ in lakhs)		
	As at March 31	
	2014	2013
24. Other Expenses		
Travelling and conveyance	7725.76	7555.75
Cost of spare parts and outsourced services in support of computer hardware maintenance contracts	11010.71	10140.37
Cost of manpower hired	19425.56	15321.71
Recruitment Expenses	558.81	608.65
Training Expenses	260.95	280.05
Electricity and Power	1140.55	1087.86
Rent	5787.57	4926.56
Repairs and Maintenance to :		
-Plant and Machinery	241.22	216.40
-Building	1167.34	1000.60
-Others	639.47	531.37
	2048.03	1748.37
Insurance	1406.72	3368.58
Rates and Taxes	252.21	212.62
Consumable Media	406.25	303.92
Legal and Professional Charges	4076.47	3831.41
Postage, Telephone and E-Mail	1749.68	1660.26
Stationery and Printing	209.86	109.72
Carriage, Freight and Octroi	3143.95	2384.57
Vehicle Running expenses	200.33	176.51
Advertisement and Publicity	1278.15	1297.28
Purchases of Licenses for Software Applications	959.09	3344.63
Loss on Disposal of Fixed Assets	4.77	11.87
Lease Rentals	925.85	829.09
Exchange loss (net)[Refer Note 1(j),(k)]	-	311.26
Bad Debts written off	1091.18	95.80
Directors' Fees	7.80	10.38
Directors' Commission	280.00	183.00
Provision for Doubtful Debts	1385.15	252.60
Provision for Diminution in the value of Investments	185.82	-
Miscellaneous Expenses	1178.19	987.84
	66699.41	61040.66
25. Finance cost		
Interest		
On Fixed loans	-	436.29
On Others	85.08	15.59
Finance and other charges	942.65	542.67
	1027.73	994.55

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

(₹ in lakhs)		
	As at March 31	
	2014	2013
26 Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for [net of advances ₹ 158.38 lakhs (Previous year: ₹ 27.04 lakhs)] - Tangible Assets	1081.41	410.95
27 Contingent Liabilities		
(a) Income Tax	648.16	637.73
Matters decided in favour of the Company by appellate authorities, where the Income Tax Department is in further appeal.		
Matters on which the Company is in appeal	511.67	321.67
(b) Sales Tax/ Value Added Tax:	79.78	157.35
Claims against the Company regarding sales tax against which the Company has preferred appeals.		
(c) Claims against the Company regarding service tax against which the Company has preferred appeal.	14.73	14.73
(d) Claim in respect of rented premises.	200.27	188.61
(e) Claims against the Company not acknowledged as debts.	62.28	62.28
(f) Issuance of Stand by Letter of credit by the Company's bankers in respect of term loan taken by the wholly owned subsidiary. The loan taken by the subsidiary is secured by way of hypothecation of the current and movable assets and mortgage of immovable assets of the Company.	14380.80	19544.40
(g) Customs Duty:		
From 1969 to 1979, customs duty has been provided on the basis of provisional assessments, which are not admitted by the Customs Authorities. Pending settlement of the foregoing, a deposit of ₹ 6.79 lakhs (Previous year: ₹ 6.79 lakhs) has been made and bonds aggregating to ₹ 54.43 lakhs (Previous year: ₹ 54.43 lakhs) guaranteed by the General Insurance Corporation of India have been executed. From 16th August 1988 to 31st March 1993, pursuant to changes in the Customs Valuation Rules, the Customs Authorities have cleared the Company's consignments on provisional basis on the execution of bonds aggregating to ₹ 1618.45 lakhs (Previous year ₹ 1618.45 lakhs), representing the entire value of the import consignments. Adjustments, if any, on this account, would be made as and when the assessments are finalised. The Company has been legally advised that the liability on this account is not expected to exceed ₹ 31 lakhs (Previous year ₹ 31.00 lakhs), which has been provided for.		

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

28. Employee Stock Option Schemes

- i) Currently the Company has instituted two Employees Stock Option Plans. The Compensation Committee of the Board approves the grant of options. Options vest with employees over specified time periods subject to fulfilment of certain conditions. Stock Option Activity under the "2002 ESOP" scheme is as follows:

Particulars	2013-2014		2012-2013	
	Number of options	Weighted average exercise price in Rupees	Number of options	Weighted average exercise price in Rupees
Opening Balance	263854	76.84	339196	75.74
Exercised during the year	48530	76.70	68722	73.46
Cancelled during the year	20606	69.24	6620	55.85
Balance unexercised options	194718	77.68	263854	76.84
Exercisable at end of year	194718	77.68	263854	76.84

Stock Option Activity under the "2006 ESOP" scheme is as follows:

Particulars	2013-2014		2012-2013	
	Number of options	Weighted average exercise price in Rupees	Number of options	Weighted average exercise price in Rupees
Opening Balance	1543372	142.57	1433768	120.73
Granted during the year	238000	250.00	318000	228.84
Exercised during the year	137976	110.62	102492	104.05
Cancelled during the year	126836	194.45	105904	143.23
Balance unexercised options	1516560	158.00	1543372	142.57
Exercisable at end of year	713360	116.48	693736	103.94

- ii) Impact on the reported net profit and earnings per share by applying the fair value based method
Since the Company uses intrinsic value method as required by the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India, the impact on reported net profit and Earnings Per Share by applying the fair value method is set out as follows:

	For Year ended 31 st March 2014	For Year ended 31 st March 2013
Profit after taxation (₹ in lakhs)	23752.31	17453.22
Add: Employee stock compensation under intrinsic value method (₹ in lakhs)	27.15	27.90
Less: Employee stock compensation under fair value method (₹ in lakhs)	198.94	104.77
Profit after taxation as per fair value method	23580.52	17376.35
Earnings Per Share		
Basic		
- As reported	54.40	40.12
- Adjusted	54.01	39.94
Diluted		
- As reported	53.38	39.34
- Adjusted	52.99	39.17

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

	For Year ended 31 st March 2014	For Year ended 31 st March 2013
The following assumptions were used for calculation of fair value of grants:		
Risk-free interest rate (%)	8.30%	8.15%
Expected life of options (years)	96 months	72 months
Expected volatility	42.89	47.70
Dividend yield	3.41%	2.61%

29. Segment Information

The Company recognises each of the SBUs as its primary segments. Secondary segmental reporting is done on the basis of the geographical location of clients.

The accounting principles used in the preparation of financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note on significant accounting policies.

Income and expenditure in relation to segments is categorised based on items that are individually identifiable to the segment, marketing costs are allocated based on revenue and the remainder of the costs are allocated based on resources. Certain expenses like depreciation are not specifically allocable to a segment as the underlying assets are used interchangeably. The Company believes that it is not practical to provide segment disclosures relating to these expenses and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Fixed assets used in the Company's business or liabilities contracted have not been identified to any segment as the fixed assets and services are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities is made.

Primary Segments - Business Segment

(₹ in lakhs)					
2013-14	AMS	IM	Products & Licences	Unallocated	Total
Sales to External Customers	154663.58	52707.69	24188.37	-	231560.24
Segment Result	29748.45	3892.49	451.52	-	34092.46
Interest and Finance cost	-	-	-	1027.73	1027.73
Unallocable Income(net)	-	-	-	(921.10)	(921.10)
Profit before Tax	29748.45	3892.49	451.52	(106.63)	33985.81
Tax	-	-	-	10233.34	10233.34
Profit after Tax and Minority Interest	29748.45	3892.49	451.52	(10339.97)	23752.47
Profit after Tax	29748.45	3892.49	451.52	(10340.13)	23752.31

(₹ in lakhs)					
2012-13	AMS	IM	Products & Licences	Unallocated	Total
Sales to External Customers	137053.24	47138.72	27260.00	-	211451.96
Segment Result	23334.95	4648.15	927.96	-	28911.06
Interest and Finance cost	-	-	-	994.55	994.55
Unallocable Income(net)	-	-	-	1856.13	1856.13
Profit before Tax	23334.95	4648.15	927.96	(2850.68)	26060.38
Tax	-	-	-	8607.16	8607.16
Profit after Tax and Minority Interest	23334.95	4648.15	927.96	(11457.84)	17453.22
Profit after Tax	23334.95	4648.15	927.96	(11457.84)	17453.22

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

Secondary Segments - Geographic Segment

(₹ in lakhs)		
Geographical Location	2013-14	2012-13
United States of America	174585.42	153218.48
United Kingdom	22033.41	18296.44
Rest of the World	34941.41	39937.04
Total	231560.24	211451.96

30. Related Party disclosures

List of Related Parties (as identified and certified by the Management)

(i) Parties having control (directly or indirectly):

Chattrapati Investments Limited
 Pedriano Investments Limited
 Electra Partners Mauritius Limited
 Swallow Associates LLP
 Instant Holdings Limited
 Summit Securities Limited

(ii) Key Management Personnel

Dr. Ganesh Natarajan
 Mr. S. Balasubramaniam
 Mr. Sanjay Marathe
 Ms. Prameela Kalive
 Mr. Yogesh Patgaonkar
 Mr. Ajay Bhandari
 Mr. Krishna Ramaswami
 Mr. Harish Gala*
 Mr. Deepanjan Banerjee*
 Mr. Sanjay Rawa
 Mr. Mohan Hastak*
 Mr. P. Krishnakumar*
 Mr. Hiren Kulkarni (upto October 19, 2012)
 Mr. Vivek Gupta
 Mr. Nitin Parab
 * (from April 1, 2013)

(₹ lakhs)						
Description of the nature of the transactions	Volume of transactions during		Amount Outstanding as on 31 st March			
	2013-14	2012-13	2014		2013	
			Receivable	Payable	Receivable	Payable
Remuneration to Key Management Personnel						
Dr. Ganesh Natarajan	472.57	402.65	-	-	-	-
Mr. Vivek Gupta	171.44	225.00	-	-	-	-
Mr. Nitin Parab	275.91	253.87	-	-	-	-
Others	689.55	453.84	-	-	-	-
Total remuneration of Key Management Personnel	1609.47	1335.36	-	-	-	-

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

31. Lease Obligations

(A) Operating leases

The Company has leased certain facilities and equipment under operating lease agreements that expire over the next five years. Rental expense incurred by the Company under operating lease agreements totaled approximately ₹ 4581.54 lakhs (Previous year ₹ 3968.82 lakhs)

	(₹ in lakhs)	
	As at 31 st March 2014	As at 31 st March 2013
Total minimum lease payments outstanding		
Not later than one year	2398.27	1720.80
Later than one year and not later than five years	4759.82	4465.97
Later than five years	522.21	471.81
Total	7680.30	6658.58

(B) Finance lease: company as lessee

The Company has taken laptops and desktops under finance lease for a period of four years.

	(₹ in lakhs)	
	2014	2013
(a) Minimum lease rentals payable		
Not later than one year	250.28	186.77
Later than one year but not later than five years	311.60	372.36
Later than five years	-	-
	561.88	559.13
(b) Present value of minimum lease payments		
Not later than one year	223.35	171.38
Later than one year but not later than five years	268.10	317.86
Later than five years	-	-
	491.45	489.24
(c) Reconciliation of minimum lease payments and present value		
Minimum lease rentals payable as per (a) above	561.88	559.13
Less: Finance charges to be recognized in subsequent periods	70.43	69.87
Present value of minimum lease payments payable as per (b) above	491.45	489.24
	1123.76	1118.24
(d) Nature of Security:		
Finance Lease Obligations are secured by hypothecation of assets underlying the leases.		
(e) Terms of Repayment:		
Monthly payment of equated Monthly Installments beginning from the month subsequent to taking the lease.		

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

32. Earnings Per Share (EPS)

Particulars	2013-2014	2012-2013
a. Profits attributable to equity shareholders (` in lakhs)	23752.31	17453.22
b. Basic Earnings Per Share		
Weighted Average No. of equity shares outstanding during the year.	43661715	43505136
Basic EPS (`)	54.40	40.12
c. Diluted Earnings Per Share		
Weighted Average No. of equity shares outstanding during the year	43661715	43505136
Effect of dilutive issue of stock options	838275	857089
Weighted average no. of equity shares outstanding for Diluted EPS	44499990	44362225
Diluted EPS(`)	53.38	39.34

33. Derivative instruments and unhedged foreign currency exposure

	2014	2013
Derivatives Outstanding as at the reporting date		
In US \$	22000000	25755000
(Equivalent approximate in ₹ lakhs)	13182.40	13982.39
In GBP £	800000	800000
(Equivalent approximate in ₹ lakhs)	796.26	657.26

As of the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by derivative instruments or otherwise is ₹ 23,035 lakhs (Previous Year : ₹ 18,006 lakhs)

34. Disclosure as per Accounting Standard – 29

(₹ in lakhs)						
Particulars	2013-14			2012-13		
	Disputed Statutory Matters	Other Obligations	Total	Disputed Statutory Matters	Other Obligations	Total
Opening Balance	32.25	46.21	78.46	32.25	65.86	98.11
Additions	-	11.67	11.67	-	11.67	11.67
Utilisations	-	2.54	2.54	-	31.32	31.32
Closing Balance	32.25	55.34	87.59	32.25	46.21	78.46

Disputed Statutory matters mainly include:

- (A) (i) Provision for disputed statutory liabilities comprises matters under litigation with Sales-Tax, Customs Duty and ESI authorities.
- (ii) The amount of provisions made by the Company is based on the estimates made by the Management considering the facts and circumstances of each case. To the extent the company is confident that it has a strong case, that portion is disclosed under contingent liabilities.
- (iii) The timing and the amount of cash flows that will arise from these matters will be determined by the Appellate Authorities only on settlement of these cases.
- (B) Provisions for Other Obligations mainly include provisions for rent related litigations with previous landlords. The timing and the amount of cash flows that will arise from these matters will be determined by the Appellate Authorities only on settlement of these cases.

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

35. Disclosures in accordance with Revised AS- 15 on "Employee Benefits":

(a) Defined Contribution Plans

The Company has recognised the following amounts in the Statement of Profit and Loss for the year:

	(₹ in lakhs)	
Particulars	2013-2014	2012-2013
Contribution to Employees' Social Security Fund	1539.00	1350.30
Contribution to Employees' Family Pension Fund	301.22	320.29
Contribution to National Insurance of UK	814.48	659.73
Contribution to Employees' Superannuation Fund	25.88	25.33
Contribution to Employees 401 (K) Retirement Plan	555.92	424.59
Contribution to Central Provident Fund in Singapore	59.72	110.51
Contribution to Social Security in China	143.25	76.96
Total	3439.47	2967.71

(b) Defined Benefit Plans- Provident Fund

(i) Present Value of Defined Benefit Obligation

	(₹ in lakhs)	
Particulars	2013-2014	2012-2013
Balance as at the beginning of the year	11941	9771
Interest Cost	994	739
Current Service Cost	1003	957
Employee Contribution	1474	1405
Liability Transferred In	234	329
Liability Transferred Out	-	-
Benefit Paid	(1475)	(1318)
Actuarial (Gains)/Losses On Obligations	(1)	58
Balance as at the end of the year	14170	11941

(ii) Fair value of Plan Assets

	(₹ in lakhs)	
Particulars	2013-2014	2012-2013
Balance as at the beginning of the year	11941	9771
Expected Return on Plan Assets	994	739
Contributions by the Company	2476	2362
Transfer From Other Company	234	329
Transfer to Other Company	-	-
Benefit Paid	(1475)	(1318)
Actuarial (Gains)/Losses On Plan Assets	-	58
Balance as at the end of the year	14170	11941

(iii) Assets & Liabilities recognised in the balance sheet

	(₹ in lakhs)	
Particulars	2013-2014	2012-2013
Fair Value of Plan Assets at the end of Period	14170	11941
Present Value of Benefit Obligation as at the end of the Period	14170	11941

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

(iv) Expenses recognised in the Statement of Profit and Loss

	(₹ in lakhs)	
Particulars	2013-2014	2012-2013
Current Service Cost	1003	957
Interest Cost	994	739
(Expected Return on Plan Assets)	(994)	(739)
Surplus Utilised	(1)	58
Interest Shortfall	-	(58)
Total Expenses recognised in the Income Statement	1002	957

(v) As at 31st March, 2014 and 31st March 2013, the plan assets have been primarily invested in securities of Central Government of India, State Government and Bonds

(vi) Following are the Principal Actuarial Assumptions used as at the balance sheet date:

Particulars	2013-2014	2012-2013
Discount Rate	9.39%	8.25%
Expected Rate of Return on Plan Assets	8.75%	8.50%
Salary Escalation Rate - Management Staff	7.00%	5.50%

The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors, such as demand & supply in the employment market.

(c) Defined Benefit Plans- Gratuity

(i) Present Value of Defined Benefit Obligation

	(₹ in lakhs)	
Particulars	For year ended 31 st March 2014	For year ended 31 st March 2013
Balance as at beginning of the year	2521.62	2309.32
Interest Cost	208.03	196.29
Past Service Cost	-	-
Current Service Cost	477.58	443.30
Curtailment Cost/(Credit)	-	-
Settlement Cost/(Credit)	-	-
Benefits Paid	(265.04)	(246.67)
Actuarial (Gain)/Loss	(13.80)	(180.62)
Balance at end of the year	2928.39	2521.62

(ii) Fair value of Plan Assets

	(₹ in lakhs)	
Particulars	For year ended 31 st March 2014	For year ended 31 st March 2013
Balance as at beginning of the year	2539.85	2001.04
Expected Return on Plan Assets	209.54	170.09
Actuarial Gain/(Loss)	32.73	60.43
Contributions	465.04	554.96
Benefits Paid	(265.04)	(246.67)
Balance at end of the year	2982.12	2539.85

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

(iii) Assets & Liabilities recognised in the balance sheet

(₹ in lakhs)		
Particulars	For year ended 31 st March 2014	For year ended 31 st March 2013
Present Value of Funded Obligation	2928.39	2521.62
Less : Fair Value of Plan Assets	2982.12	2539.85
Net Asset/Liability recognised in the Balance Sheet	(53.73)	(18.23)

Note: The Company maintains gratuity fund, which is been administered by LIC. Fund value confirmed by LIC as at March, 31 2014 is considered to be the fair value.

(iv) Expenses recognised in the Statement of Profit and Loss

(₹ in lakhs)		
Particulars	For year ended 31 st March 2014	For year ended 31 st March 2013
Current Service Cost	477.58	443.30
Interest Cost	208.03	196.29
Expected Return on Plan Assets	(209.54)	(170.09)
Net actuarial (Gain)/Loss	(46.53)	(241.05)
Total Expenses recognised in the Statement of Profit and Loss	429.54	228.45

(v) As at 31st March, 2014 and 31st March, 2013, the plan assets have been primarily invested in insurer managed funds.

(vi) The overall expected rate of return on assets is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

(vii) The Actual Return on Plan Assets is as follows

(₹ in lakhs)		
Particulars	For year ended 31 st March 2014	For year ended 31 st March 2013
Actual return on plan assets	242.27	230.52

(viii) Gratuity Plan

(₹ in lakhs)					
Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Defined Benefit Obligations	2928.39	2521.62	2309.32	1902.38	1454.34
Plan Assets	2982.12	2539.85	2001.04	1634.53	1161.37
(Surplus)/ Deficit	(53.73)	(18.23)	308.28	267.85	292.87
Experience Adjustment on plan liabilities	(165.90)	(180.62)	97.44	85.04	154.96
Experience Adjustment on plan assets	32.73	60.43	(40.24)	(29.13)	22.76

Notes to the Consolidated Financial Statement

for the year ended March 31, 2014 (Contd.)

(ix) Actuarial Assumptions

Particulars	2013-2014	2012-2013
Discount Rate	9.39%	8.25%
Expected Rate of Return on Plan Assets	9.39%	8.25%
Salary Escalation Rate - Management Staff	7.00%	5.50%

The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors, such as demand & supply in the employment market.

36. The Company vide a Board resolution dated October 22, 2013 has resolved to liquidate its subsidiary Company in Japan, Zensar Advanced Technologies Limited, with effect from March 31, 2014. Accordingly, the subsidiary has ceased its operations effective March, 31 2014 and is in the process of completing the liquidation formalities. The impact on account of this closure on the operations of the company is not material.

37. Reclassification

Previous Year Figures have been reclassified to conform to this year's classification.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors of
Zensar Technologies Limited

Jeetendra Mirchandani
Partner
Membership No. 48125
Place: Pune
Date: April 22, 2014

H.V. Goenka
Chairman
Place: Mumbai
Date: April 22, 2014

Ganesh Natarajan
Vice Chairman &
Managing Director

S. Balasubramaniam
Chief Financial Officer

Nilesh Limaye
Company Secretary

Cover photo: Jignyasa Shah, Zensar Associate

A **TRISYS** PRODUCT
info@trisyscom.com



Your Transformation Partner

Zensar Technologies Limited
Zensar Knowledge Park, Kharadi, Plot # 4, MIDC,
Off Nagar Road, Pune - 411014, Maharashtra, India
Tel: +91-20-6605 7500 | Fax: +91-20-6605 7888
marcom@zensar.com | www.zensar.com

Registered Office : Zensar Technologies Limited, Zensar Knowledge Park, Plot No. 4, MIDC Kharadi,
Off Nagar Road, Pune 411014, India Tel.: +91 (20) 66057500, 27004000 Fax: +91 (20) 66057888 CIN: L72200PN1963PLC012621

FORM A**Format of covering letter of the Annual Audit Report to be filed with the Stock Exchanges**

1.	Name of the Company:	Zensar Technologies Limited
2.	Annual financial statements for the year ended	31 st March, 2014
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable
5.	To be signed by-	
	CEO/Managing Director	
	CFO	
	Auditor of the company	
	Audit Committee Chairman	