MEGASOFT

MEGASOFT LIMITED
CIN: L72200TN1999PLC042730
85, Kutchery Road, Mylapore
Chennai - 600 004.
Tel: +91 (44) 2461 6768
Fax: +91 (44) 2461 7810
www.megasoft.com

Date: 29th July 2017

BSE Limited
Phiroze JeeJee Bhoy Towers
Dalal Street, Fort
Mumbai 400001

Scrip Code: 532408

National Stock Exchange of India Limited
Exchange Plaza
Bandra-Kurla Complex, Bandra(E)
Mumbai 400051

Symbol: MEGASOFT

Sub: Annual Report under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations

Dear Sir's,

Please find the enclosed Annual Report for the financial year 2016-17 as required under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations duly approved and adopted by the members as per the provisions of the Companies Act, 2013.

This is for your information and records.

Thanking you,

Yours Sincerely,
For Megasoft Limited

MEGASOFT LIMITED CHENNAI-600 004 MEGASOFT

Rakhee Jain
Company Secretary & Compliance Officer

MEGASOFT

Annual Report

2016-17

MEGASOFT

Quality Policy

Company is commited to create & deliver innovative products, solutions and services that are consistently of high quality, delivered on time, at optimum cost.

Focus Areas

G V Kumar
Managing Director &
Chief Executive Officer

MEGASOFT

Information Security Policy

We will implement adequate security framework with robust controls to ensure integrity, confidentiality & availability of information assets and continuously improve by incorporating best practices from the industry.

Focus Areas

G V Kumar
Managing Director &
Chief Executive Officer

bsi.

By Royal Charter

Certificate of Registration

QUALITY MANAGEMENT SYSTEM - ISO 9001:2008

This is to certify that:

Megasoft Ltd.
HTC Towers, 6-3-1192/2/1
Kundanbagh, Begumpet
Hyderabad 500 016
Andhra Pradesh
India

Holds Certificate No: **FM 633409**

and operates a Quality Management System which complies with the requirements of ISO 9001:2008 for the following scope:

Design, Development, Delivery and Support Services for Mobile Enabled Software Products and Solutions

For and on behalf of BSI:

Pietro Foschi - Strategic Delivery Director

Original Registration Date: 24/04/2012
Latest Revision Date: 13/04/2015

Effective Date: 24/04/2015
Expiry Date: 24/04/2018

Page: 1 of 1

...making excellence a habit.™

Corporate Information:

Board of Directors
GV Kumar, Managing Director
D Sudhakar Reddy, Executive Director
Anil Kumar Sood
Anish Mathew
Leona Ambuja (Ms.)
Uma Garimella (Ms.)

Chief Financial Officer
Shridhar Thathachary

Company Secretary & Compliance Officer
CS Rakhee Jain (Ms.)

Auditors
M/s. Srikanth & Shanthi Associates
Chartered Accountants
New No.17, Old No.9, 1st Floor
Desika Road
Chennai 600004, Tamilnadu, India

M/s. TN Rajendran & Co.
Chartered Accountants
New No.2, Old No.25, 1st floor
Chengalvarayan Street, Shenoy Nagar
Chennai 600004, Tamilnadu, India

Bankers
Axis Bank Limited

Registered Office
85, Kutchery Road, Mylapore, Chennai 600004, Tamilnadu, India

Registrars and Share Transfer Agents
Cameo Corporate Services Limited
Subramanian Building 1, Club House Road
Chennai 600004, Tamilnadu, India

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Directors' Report

To the Members,

Your Directors have pleasure to present their report of your company on the business and operations for the year ended 31 March 2017.

Financial Results

(₹ lakhs)

Particulars	Standalone		Consolidated	
	For the year ended 31 March 2017	For the year ended 31 March 2016	For the year ended 31 March 2017	For the year ended 31 March 2016
Revenues	**3,104.83**	3,003.91	**7,014.22**	6,568.29
Expenditure	**3,497.26**	2,696.11	**6,441.58**	5,015.14
Finance cost	**182.49**	239.56	**543.32**	787.02
Depreciation	**66.84**	63.70	**511.77**	670.28
Operating profit / (loss)	**(641.76)**	4.53	**(482.45)**	95.84
Profit before tax	**48.00**	89.74	**215.00**	177.40
Less: Taxes	**(51.63)**	47.59	**(51.63)**	47.59
Profit after tax	**99.63**	42.15	**266.63**	129.81
Earnings per share (equity shares, par value ₹ 10 each)				
Basic (₹)	**0.22**	0.10	**0.60**	0.30
Diluted (₹)	**0.22**	0.10	**0.60**	0.30

Overview

During the financial year ended 31 March 2017, your company recorded consolidated revenues of ₹ 7,014.22 lakhs as compared to ₹ 6,568.29 lakhs for the financial year ended 31 March 2016. The consolidated profit was ₹ 266.63 lakhs during the current year as compared to ₹ 129.81 lakhs in the previous year.

Dividend & Reserves

On account of inadequacy of profits during the financial year ended 31 March 2017, the Board of Directors of the company have not recommended dividend. Your Company has transferred the consolidated profit of ₹ 266.63 Lakhs to Reserves during the financial year under review.

Share capital

The paid-up equity share capital as on 31 March 2017 was ₹ 4,426.73 lakhs comprising of 4,42,67,293 equity shares of ₹ 10 each. During the year under review, the company has not issued shares with differential voting rights nor granted stock options or sweat equity.

Changes in Nature of Business, if any

During the period under review there was no change in the business of the Company.

Details of Significant and Material Orders passed by the Regulators or Courts or Tribunals Impacting the going concern Status and company's operations in future:

During the period under review there were no significant and material orders passed by the Regulators or Courts or Tribunals which impacts the going concern Status and company's operations in future.

Material changes from end of financial year to date of this report

Except as disclosed elsewhere in this report, there have been no material changes and commitments, which can affect the financial position of the Company occurred between the end of the financial year of the Company and date of this report.

Directors and Key Managerial Personnel

The company has received declarations from all the independent directors of the company confirming that they meet the criteria of independence as prescribed under section 149(6) of the Companies Act, 2013 and Schedule IV of the Companies Act, 2013 and Clause 16(1)(b) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015

In accordance with the provisions of the Companies Act, 2013 and in terms of the Memorandum and Articles of Association of the company, Mr GV Kumar [DIN-00059107] and Mr D Sudhakar Reddy [DIN-00047707], directors of your company, retire by rotation at the ensuing AGM and are eligible for reappointment.

Board Meetings

The Board of Directors met four (4) times during the financial year. The provisions of Companies Act, 2013, Secretarial Standard – 1 issued by the Institute of Company Secretaries of India (ICSI) and Regulation 17(2) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 were adhered to while considering the periodicity and time gap between two meetings.

Nomination & Remuneration Policy

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is available on the website of the company and the terms of reference are given separately in the Corporate Governance Report.

Your company has received the approval from Central Government for the resolutions passed by the Members of the Company vide Postal Ballot on 22nd March 2016 for Reappointment of Mr. GV Kumar as Managing Director and Re-Appointment of Mr. D Sudhakar Reddy as Whole-time Director of the Company and the remuneration payable there to.

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations & Disclosure Requirements) Regulations,

2015, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its committees. The manner in which the evaluation has been carried out has been detailed out in the Corporate Governance Report.

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of section 134(3)(c) of the Companies Act, 2013:

(i) in the preparation of the annual financial statements for the year ended 31 March 2017, the applicable accounting standards had been followed along with proper explanations relating to material departures;

(ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for the year;

(iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) the directors had prepared the annual accounts on a "going concern basis";

(v) the directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

(vi) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Significant Transactions

After the Shareholders' approval through the postal ballot dated 22nd March 2016 for the same, during the period under review, the company initiated the process of setting up a large IT facility at its property at Nanakramguda (which was registered in the company's favour in May 2015 by TSIIC through a conditional sale deed) through a Joint Development Agreement with a new partner and has settled the old building contractors and vendors through proceeds of Madhapur property and other cash accruals. The company sold the land at Vishakhapatnam for a consideration of ₹ 43.50 crores. The entire proceeds of this sale have been utilized for repayment of its loans and debts.

Outlook

A detailed discussion on the performance of the company, industry structure, threats, opportunities, risks, future outlook and strategy is given separately in the Management's Discussion and Analysis section, which forms a part of this annual report.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

In terms of Section 134(3)(m) of the Companies Act, 2013 and the rules framed thereunder, your Directors furnish the required details below:

(a) **Conservation of Energy:** Your Company uses electric energy for all its equipment's such as air conditioners, computer terminals, lighting and utilities in the work premises. All possible measures have been taken to conserve energy:

- through periodic energy audits to identify potential areas for saving
- by incorporating energy-efficient equipment
- through automation i.e. using timers, automatic level controllers, etc.

(b) **Research and Development (R&D):** Being considered a market leader in Mobile Infrastructure space for virtual operators, Your Company further strengthened its platform ability to launch services for multiple tenants connected differentiated networks. Furthering our focus on building data core elements, your company now built a deep packet inspection platform, which will play a pivotal role in data / content charging, data throttling, lawful intercept, content Analytics and cyber security. Expertise built on business analytics is now being actively merged with our core platforms to enable enhanced service value for our customers. During the year, we have further strengthened our 4G portfolio by enhancing our HSS and PCRF Products to support advanced 4G services like VoLTE and VoWifi.

(c) **Technology Absorption:** In our quest to offer all our products in cloud environment, Your Company re-architected and designed multiple components and technologies to enable porting of the services on to cloud. With our intent to offer all flagship products in cloud, our products require higher configurability, auto scaling and data security frameworks. Your company has made significant progress in this regard during last year.

(d) The details of foreign exchange earnings and outgo are given in note no. 26 and 27 of the Notes forming part of the standalone financial statements of the company.

Quality certifications

Your company's Quality Management System (QMS) has its foundation on decades of experience and industry best practices that are aligned with international standard quality models and certifications. This assures that your company maintains confidentiality, integrity, availability of corporate, and client information.

ISO 9001:2008 – Quality Management System

QMS enhancing customer satisfaction

Your company is certified for ISO 9001:2008 by BSI, India. Our products & solutions therefore ensure customer satisfaction.

ISO 27001:2013 – Information Security Management System

Information security management system enhancing Confidentiality, Availability and Integrity.

Your company has applied for renewal of its ISO 27001:2013 by Bureau VERITAS Certification, India.

Risk Management

Although the company has long been following the principle of risk minimisation as is the norm in every industry, it has now become a compulsion.

Therefore, in accordance with Section 134(3)(n) of the Companies Act, 2013 and Regulation 17(9) SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 the Board members formally adopted steps for framing, implementing and monitoring the risk management policy for the company.

A disciplined approach to risk is important in a diversified organization like ours in order to ensure that we are executing according to our strategic objectives and that we only accept risk for which we are adequately compensated. We evaluate risk at the individual transaction level, and evaluate aggregated risk

at the customer, industry, geographic and collateral-type levels, where appropriate.

At the end of each year, management and the Board jointly develop a list of major risks that company plans to prioritize in the next year. Key areas of Risk Management for the year 2017-18 include Data Security and Privacy, Technology obsolescence, Service Delivery, retention and development of Human Resources, Business competition and continuity, Foreign exchange fluctuations & new compliances.

The main objective of Your Company's risk management policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The risk governance structure is led by the Audit/Risk & Compliance Committee, chaired by the Mr. Anil Kumar Sood. This committee is responsible for the effective management of the risks facing the Company. The Committee meets on a quarterly basis and reports to the Board. As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

Internal Control Systems and their Adequacy

The company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit (IA) function is defined in the Internal Audit Charter. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit/Risk & Compliance Committee of the Board.

The Internal Audit monitors and evaluates the efficacy and adequacy of internal control system in the company, its compliance with operating systems, accounting procedures and policies at all locations of the company and its subsidiaries. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit/Risk & Compliance Committee of the Board.

Vigil Mechanism / Whistle Blower Policy

In order to ensure that the activities of the company and its employees are conducted in a fair and transparent manner by adoption of highest standards of professionalism, honesty, integrity and ethical behaviour, the company has adopted a vigil mechanism policy. This policy is explained in corporate governance report and also posted on the website of the company.

Related Party Transactions

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the company with the promoters, directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of the company at large.

All related party transactions are placed before the Audit/Risk & Compliance Committee and also the Board for approval.

The Board of Directors of the company has, on the recommendation of the Audit/Risk & Compliance Committee, adopted a policy to regulate transactions between the company and its related parties, in compliance with the applicable provisions of the Companies Act, 2013, the Rules framed thereunder and Regulation 23 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. This Policy was considered and approved by the Board and has been uploaded on the website of the company.

Enhancing Shareholder Value

Enhancing Shareholder Value is the common thread that runs through everything we do as a company from innovating new products and broadening our existing portfolio, to successful restructuring efforts and improving our working capital. Throughout our history, delivering value to our shareholders has been and will continue to be uppermost in our minds as we manage our business. However, in the last few years, due to declining revenues and performance, the company has been unable to declare dividends. Your company is also committed to creating value for all its stakeholders by ensuring that its corporate actions positively impact the stock price and creation of Shareholder Value.

Corporate Social Responsibility

The provisions for corporate social responsibility ("CSR") under the Companies Act, 2013, are not applicable to the company for the current financial year. However, your company has been, over the years, pursuing as part of its corporate philosophy, an unwritten CSR policy voluntarily which goes much beyond mere philanthropic gestures and integrates interest, welfare and aspirations of the community with those of the company itself in an environment of partnership for inclusive development.

Corporate Governance

A report on Corporate Governance including the relevant Auditors' Certificate regarding compliance with the conditions of Corporate Governance as stipulated in Regulation 34(3) and Schedule V of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, is annexed. Management's Discussion and Analysis is also annexed.

Particulars of Loans, Guarantees & Investments

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in note no. 22 and 12 of the Notes forming part of the standalone financial statements of the company.

Subsidiary Companies

The statement pursuant to Section 129 of the Companies Act, 2013 in respect of subsidiaries is attached as Annexure-1. The annual accounts of these subsidiaries and the related detailed information will be made available to any member of the company seeking such information at any point of time and are also available for inspection by any member of the company at the registered office of the company. The company shall furnish a copy of annual accounts of subsidiaries to any member on demand.

Consolidated Financial Statements

The consolidated financial statements of the company prepared in accordance with the prescribed Accounting Standards form part of this Annual Report pursuant to the Regulation 34(2) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

Fixed Deposits

The company has not accepted any deposits from the public, and as such, there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) Rules, 2014.

Particulars of Employees

There are no employees falling within the provisions of section 134(3)(q) of the Companies Act, 2013 read with Rule 5(2) and

5(3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended and applicable to your company.

Employee Stock Option Scheme

The company has not issued any employee stock option during the year under review.

Extract of Annual Return

The details forming part of the extract of the Annual Return in form MGT-9 has been given in the Annexure-2 appended hereto and forms part of this report.

Auditors' Report

There are no qualifications, reservations, or adverse remarks or disclaimers in the Auditors' Report. Observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments under Section 134(1) of the Companies Act, 2013.

Auditors

Statutory Auditor

Members at its 16th Annual General Meeting held on September 26, 2016 ratified the appointment of joint statutory auditors, M/s Srikanth & Shanthi Associates [Firm Registration No.004006S], Chartered Accountants and M/s TN Rajendran & Co. [Firm Registration No.005080S], Chartered Accountants, hold office as auditors of the company till the conclusion of the 17th Annual General Meeting to be held on 28th July 2017.

In accordance to the provisions of section 139 of the Companies Act, 2013, The Board of Directors on the recommendation of the Audit Committee has proposed to appoint **M/s. N.C. Rajagopal & Co.,** Chartered Accountants[Firm Registration No. 003398S as Statutory Auditors in place of the retiring auditors. Further, the Company received the consent thereto along with a declaration from **M/s N.C. Rajagopal & Co.,** Chartered Accountants [Firm Registration No. 003398S] to the effect that if they will be appointed, it would be in accordance with the provisions of Section 141 of the Companies Act, 2013 and the Rules framed thereunder for appointment as Statutory Auditors of the Company. Further, M/s. N.C. Rajagopal & Co., Chartered Accountants [Firm Registration No. 003398S] have confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India (ICAI) as required under the SEBI (LODR), 2015.

Internal Auditor

Mr R Balasubramanian (FCA-220677), Chartered Accountants, perform the duties of internal auditors of the company and their reports are reviewed by the audit committee from time to time.

Secretarial Auditor

Pursuant to the provisions of Sections 204 of the Companies Act, 2013 and the rules framed thereunder, the company has appointed M/s M Damodaran & Associates (CoP-5081/FCS-5837), Practicing Company Secretaries, to undertake the Secretarial Audit of the company. The Secretarial Auditors' Report, in the prescribed format, for the year ended 31 March 2017 is annexed to this Directors' Report and forms part of the Annual Report (Annexure-3).

Human Resources Development

Your Company is committed to provide a holistic experience to employees that fosters a culture of high performance led by innovation. Your Company believes that while Technology can enable processes but it is People who lead the company towards its goals and successes. There is a significant focus on creating a fun-filled, high-energy work environment where personal milestones, organizational successes and special occasions are celebrated with fervor and enthusiasm.

Disclosure as required under Section 22 of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Your company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Internal Complaints Committee ("ICC") has been set up to redress the complaints received regarding sexual harassment. All employees are covered under this policy. During the year under review, no complaints were reported to the Board.

Listing with Stock Exchanges

Your company's equity shares are listed on BSE [532408] and NSE [MEGASOFT]. Necessary stock exchange regulations are complied with from time to time. Applicable listing fee for the year 2017-18 has already been paid to the respective stock exchanges.

Acknowledgements

Your directors place on record their appreciation of the customers, bankers, Government of India and of other countries, Registrar and Share Transfer Agent, vendors and technology partners for the support extended. Your directors also wish to place on record their appreciation of the contribution made by employees at all levels without whom the growth of the company is unattainable. Your directors seek and look forward to the same support during future years of growth.

For and on behalf of the Board of Directors

GV Kumar	**D Sudhakar Reddy**
Managing Director	Executive Director

Place : Hyderabad
Date : 30 May 2017

Annexure-1

Part "A": Subsidiaries

(₹ lakhs)

Name of the subsidiary	XIUS Holding Corp includes XIUS Corp & XIUS S DE RL DE CV (formerly, Boston Communications Group De Mexico, S.R.L.	Megasoft Consultants Sdn Bhd
Country	USA	Malaysia
Reporting period	31-Mar-17	31-Mar-17
Reporting Currency	USD	MR
Exchange rate ₹	64.8386	14.6504
	₹ lakhs	₹ lakhs
Share Capital	8,199.52	73.25
Reserves	(13,016.19)	(87.55)
Total Assets	6,905.71	146.48
Total Liabilities	11,722.38	160.78
Investments	-	-
Turnover	3,854.35	1,375.81
Profit / (Loss) before taxation	260.29	(68.41)
Provision for taxation	-	-
Profit / (Loss) after taxation	260.29	(68.41)
Proposed Dividend	-	-
% of Shareholding	100.00%	100.00%

Names of Subsidiaries which are yet to commence operations: NIL

Names of Subsidiaries which have been liquidated or sold during the Year: NIL

Part "B": Associates and Joint Ventures
Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint ventures

There are no associate companies and joint ventures during the current financial year.
Names of Associates, which are yet to commence operations: NIL
Names of Associates or joint ventures, which have been liquidated or sold during the year: NIL

For and on behalf of the Board of Directors

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

Place : Hyderabad
Date : 30 May 2017

Annexure - 2

Form No. MGT-9 - Extracts of Annual Return

AS ON THE FINANCIAL YEAR ENDED ON 31.03.2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

1	CIN	L72200TN1999PLC042730
2	Registration Date	29/06/1999
3	Name of the Company	Megasoft Limited
4	Category/Sub-Category of the Company	Company limited by Shares / Non-govt company
5	Address of the Registered office and contact details	No. 85, Kutchery Road, Mylapore, Chennai 600004, Tamilnadu, India.
6	Whether listed company	Yes
7	Name, Address and Contact details of Registrar and Transfer Agent, if any	Cameo Corporate Services Limited, Subramanian Buildings 1, Club House Road, Chennai 600004, Tamilnadu, India.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl.No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the company
1	Computer programming, consultancy and related activities	620	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	%of shares held	Applicable Section
1	**Megasoft Consultants Sdn Bhd** Suite 18-3, D' Wangsa, Jalan Wangsa Delima 11,53300 Kuala Lumpur, Malaysia	Foreign Company	Subsidiary	100%	2(87)
2	**XIUS Holding Corp** 15 Tyngsboro Road, Unit 8C, North Chelmsford, MA 01863, USA	Foreign Company	Subsidiary	100%	2(87)
3	**XIUS Corp** 15 Tyngsboro Road, Unit 8C, North Chelmsford, MA 01863, USA	Foreign Company	Subsidiary	100%	2(87)
4	**XIUS S DE RL DE CV (formerly, Boston Communications Group De Mexico, S.R.L.)** Paseo de la Reforma 505 piso 32 Col Cuauhtemoc CP 06500, Ciudad de Mexico, Mexico	Foreign Company	Subsidiary	100%	2(87)

IV. SHARE HOLDING PATTERN

(Equity Share Capital Breakup as percentage of Total Equity)

i. Category-wise Share Holding

Sl No.	Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A	**A. Promoter**									
1	Indian									
A	Individual/ HUF	3203956	--	3203956	7.24%	3203956	--	3203956	7.24%	--
B	Central Govt	--	--	--	--	--	--	--	--	--
C	State Govt(s)	--	--	--	--	--	--	--	--	--
D	Bodies Corp	--	--	--	--	--	--	--	--	--
E	Banks / FI	--	--	--	--	--	--	--	--	--
F	Any Other	--	--	--	--	--	--	--	--	--
	Sub-total (A)(1):-	**3203956**	**--**	**3203956**	**7.24%**	**3203956**	**--**	**3203956**	**7.24%**	**--**
2	**Foreign**		--				--			
A	NRIs-Individuals	--	--	--	--	--	--	--	--	--
B	Other-Individuals	--	--	--	--	--	--	--	--	--
C	Bodies Corp.	--	--	--	--	--	--	--	--	--
D	Banks / FI	--	--	--	--	--	--	--	--	--
E	Any Other....									
	Sub-total (A)(2):-	--	--	--	--	--	--	--	--	--
	Total Shareholding of Promoters (A)=(A)(1)+(A)(2)	3203956	--	3203956	7.24%	3203956	--	3203956	7.24%	--
B										
1	Institutions									
A	Mutual Funds	--	--	--	--	--	--	--	--	--
B	Banks / FI	12	--	12	--	12	--	12	--	--
C	Central Govt	--	--	--	--	--	--	--	--	--
D	State Govt(s)	--	--	--	--	--	--	--	--	--
E	Venture Capital Funds	3762375	--	3762375	8.5%	3762375	--	3762375	8.5%	--
F	Insurance Companies	30478	--	30478	0.06%	30478	--	30478	0.06%	--
G	FIIs	105625	--	105625	0.24%	--	--	--	--	-0.24%
H	Foreign Venture Capital Funds	--	--	--	--	--	--	--	--	--
I	Others (specify)	--	--	--	--	--	--	--	--	--
	Sub-total(B)(1)	**3898490**	**--**	**3898490**	**8.80**	**3792865**	**--**	**3792865**	**8.57%**	**-0.24%**
2	**Non Institutions**									
A	Bodies Corp.									
i	Indian	5202837	2052562	7355399	16.62%	5170940	2052562	7223502	16.32%	-0.30%
ii	Overseas	--	--	--	--	--	--	--	--	--
B	Individuals									
i	Individual shareholders holding nominal share capital upto ₹ 1 lakh	9081924	333799	9415723	21.27%	10773688	320799	11094487	25.06%	3.79%

i. Category-wise Share Holding

ii	Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	13010642	2023700	15034342	33.96%	11691802	2023700	13715502	30.98%	-2.97%
C	Others (Specify)									
	Clearing Members	165913	--	165913	0.37%	97614	--	97614	0.22%	-0.15%
	Directors and their relatives	2434722	--	2434722	5.50%	2364424	--	2364424	5.34%	-0.16%
	Hindu Undivided Family	832130	--	832130	1.88%	976584	--	976584	2.21%	0.33%
	Non Resident Indians	1903482	22061	1925543	4.35%	1775223	22061	1797284	4.06%	-0.29%
	Trusts	1075	--	1075	0.0024%	1075	--	1075	0.0024%	--
	Sub-total(B)(2)	**32732725**	**4432122**	**37164847**	**83.96%**	**32851350**	**4419122**	**37270472**	**84.19%**	**0.24%**
	Total Public Shareholding (B)=(B)(1)+ (B)(2)	**36631215**	**4432122**	**41063337**	**92.76%**	**36644215**	**4419122**	**41063337**	**92.76%**	**--**
	TOTAL (A)+(B)	**39835171**	**4432122**	**44267293**	**100.00%**	**39848171**	**4419122**	**44267293**	**100.00%**	**--**
C	**Shares held by Custodian for GDRs & ADRs**	--	--	--	--	--	--	--	--	--
	Grand Total (A+B+C)	**39835171**	**4432122**	**44267293**	**100.00%**	**39848171**	**4419122**	**44267293**	**100.00%**	**--**

ii. Shareholding of Promoters

SI. No	**Shareholder's Name**	**Shareholding at the beginning of the year**			**Shareholding at the end of the year**			**% change in share holding during the year**
		No. of Shares	**% of total Shares of the company**	**%of Shares Pledged / encumbered to total shares**	**No. of Shares**	**% of total Shares of the company**	**%of Shares Pledged / encumbered to total shares**	
1	S Ravindra Babu	2688768	6.07%	--	2688768	6.07%	--	--
2	S Ravindra Babu (HUF)	512126	1.16%	--	512126	1.16%	--	--
3	S. Saraswathamma	3062	0.01%	--	3062	0.01%	--	--
	Total	**533993**	**7.2375**	**--**	**3203956**	**7.2375**	**--**	**--**

iii. Change in Promoters' Shareholding (please specify, if there is no change)

SI. No	**Particulars**	**Shareholding at the beginning of the year**		**Cumulative Shareholding during the year**	
		No. of shares	**% of total shares of the company**	**No. of shares**	**% of total shares of the company**
	At the beginning of the year	3203956	7.24%	3203956	7.24%
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	--	--	--	--
	At the end of the year	3203956	7.24%	3203956	7.24%

No changes in promoters' shareholding during year.

iv. Shareholding Pattern of top ten Shareholders:

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SI. No	For each of the top 10 Shareholders	Shareholding at the beginning of the year		Date of Purchase/ Sale	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
1.	I LABS VENTURE CAPITAL FUND	3762375	8.50%	NA	No change	NA	3762375	8.50%
2.	SRI POWER GENERATION (INDIA) PRIVATE LIMITED	1769822	4.00%	NA	No change	NA	1769822	4.00%
3.	GODAVARI GREENLANDS PVT LTD	1343750	3.04%	NA	No change	NA	1343750	3.04%
4.	SATYAVATHI DENDUKURI	835500	1.89%	NA	No change	NA	835500	1.89%
5.	SRINIVAS RAJU D	747600	1.69%	NA	No change	NA	747600	1.69%
6.	VENTURETECH SOLUTIONS P LTD	458250	1.04%	NA	No change	NA	458250	1.04%
7.	CHINTALAPATI SRINIVAS RAJU	430000	0.97%	NA	No change	NA	430000	0.97%
8.	RAJAGOPALAN SHYAMSUNDER	418294	0.94%	NA	No change	NA	418294	0.94%
9.	RAJENDRA Y SHAH	200000	0.45%	10/06/2016	20000	Market Purchase	220000	0.50%
				10/02/2017	55000	Market Purchase	275000	0.62%
				17/03/2017	70000	Market Purchase	345000	0.77%
				24/03/2017	30000	Market Purchase	375000	0.84%
10.	SUKHAM PROPERTIES PRIVATE LIMITED	363680	0.82%	NA	No change	NA	363680	0.82%

(v) Shareholding of Directors and Key Managerial Personnel:

SI. No	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	**GV Kumar, Managing Director**				
	At the beginning of the year	2226911	5.03%	2226911	5.03%
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the end of the year	2226911	5.03%	2226911	5.03%
2	**D Sudhakar Reddy**				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the end of the year	-	-	-	-
3	**Anil Kumar Sood**				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the end of the year	-	-	-	-

(v) Shareholding of Directors and Key Managerial Personnel:

4	**Anish Mathew**				
	At the beginning of the year	97570	0.22%	97570	0.22%
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the end of the year	97570	0.22%	97570	0.22%
5	**Uma Garimella (Ms.)**				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the end of the year	-	-	-	-
6	**Leona Ambuja (Ms.)**				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the end of the year	-	-	-	-
7	**Shridhar Thathachary, KMP**				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the end of the year	-	-	-	-
8	**Rakhee Jain, KMP**				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the end of the year	-	-	-	-

V. INDEBTEDNESS

Indebtedness of the Company including interest out-standing/accrued but not due for payment

Sl. No.	Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
		₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
	Indebtedness at the beginning of the financial year				
i	Principal Amount	1512.21	158.50	--	1670.71
ii	Interest due but not paid	--	--	--	--
iii	Interest accrued but not due	--	--	--	--
	Total (i+ii+iii)	1512.21	158.50	--	1670.71
	Change in Indebtedness during the financial year				

V. INDEBTEDNESS

Indebtedness of the Company including interest out-standing/accrued but not due for payment

	*Addition	--	--	--	--
	*Reduction	2.70	65.50	--	68.20
	Net Change	**2.70**	**65.50**	**--**	**68.20**
	Indebtedness at the end of the financial year				
i	Principal Amount	1509.51	93.00	--	1602.51
ii	Interest due but not paid	--	--	--	--
iii	Interest accrued but not due	--	--	--	--
	Total (i+ii+iii)	1509.51	93.00	--	1602.51

VI. REMUNERATION OF DIRECTORS AND KEY-MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		GV Kumar, MD	D Sudhakar Reddy, ED	
		₹ lakhs	₹ lakhs	₹ lakhs
1	Gross Salary			
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (includes PF)	38.98	13.08	52.06
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	--	--	--
(c)	Profits in lieu of salary u/s17(3) Income-tax Act, 1961	--	--	--
2	Stock Option	No stock options were granted during the year under review	No stock options were granted during the year under review	--
3	Sweat Equity	--	--	--
4	Commission	--	--	--
	- as % of profit	--	--	--
	- other, specify…	--	--	--
5	Others, please specify	--	--	--
	Total (A)	**38.98**	**13.08**	**52.06**
	Ceiling as per the Act	It is in accordance with the provisions of the Companies Act, 2013		

B. Remuneration to other Directors :

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Anil Kumar Sood	Anish Mathew	Leona Ambuja (Ms.)	Uma Garimella (Ms.)	
		₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
1	Independent Directors					
	Fee for attending board / committee meetings	1.50	1.65	0.90	2.10	6.15
	Commission	--	--	--	--	--
	Others, please specify	--	--	--	--	--
	Total (1)	1.50	1.65	0.90	2.10	6.15
2	Other Non-Executive Directors					
	Fee for attending board / committee meetings	--	--	--	--	--
	Commission	--	--	--	--	--
	Others, please specify	--	--	--	--	--

B. Remuneration to other Directors :

	Total (2)	--	--	--	--	--
	Total (B) = (1+2)	1.50	1.65	0.90	2.10	6.15
	Total Managerial Remuneration	1.50	1.65	0.90	2.10	6.15
	Overall ceiling as per the Act	It is in accordance with the provisions of the Companies Act, 2013				

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Sl. No.	Particulars of Remuneration	Shridhar Thathachary, CFO	Rakhee Jain, CS	Total amount
		₹ lakhs	₹ lakhs	₹ lakhs
1	Gross Salary			
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	38.36	7.48	45.84
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	--	--	--
(c)	Profits in lieu of salary u/s17(3) Income-tax Act, 1961	--	--	--
2	Stock Option	No stock options were granted during the year under review	No stock options were granted during the year under review	
3	Sweat Equity	--	--	--
4	Commission	--	--	--
	- as % of profit	--	--	--
	- other, specify...	--	--	--
5	Others, please specify	--	--	--
	Total	**38.36**	**7.48**	**45.84**

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES :

	Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/Compounding fees imposed	Authority[RD/ NCLT/Court]	Appeal made. If any(give details)
A.	**Company**	NIL				
	Penalty					
	Punishment					
	Compounding					
B.	**Directors**					
	Penalty					
	Punishment					
	Compounding					
C.	**Other Officers In Default**					
	Penalty					
	Punishment					
	Compounding					

For and on behalf of the Board of Directors

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

Place : Hyderabad
Date : 30 May 2017

Annexure - 3
Form No. MR-3 - SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and
Rule No.9 of the Companies (Appointment and Remuneration Managerial Personnel)Rules, 2014]

To
The Members
Megasoft Limited
CIN: L72200TN1999PLC042730
No, 85 Kutchery Road
Mylapore
Chennai -600004.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. MEGASOFT LIMITED** (herein after called the "Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of **M/s. MEGASOFT LIMITED's** books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on **31st March 2017** complied with the statutory provisions listed here under and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made herein after:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by **M/s. MEGASOFT LIMITED** for the financial year ended on **31st March 2017** according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; and

(d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.

(vi) Other laws as may be applicable specifically to the company – NIL

(vii) I have also examined compliance with the applicable Regulations and Standards of the following:

(a) The Listing Agreements entered into by the Company with The National Stock Exchange of India Limited and Bombay Stock Exchange (BSE Ltd)under The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Guidelines, 2015 and

(b) The Secretarial Standards issued by the Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations: - Nil

I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors and no changes in the composition of the Board of Directors that took place during the period under review.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period there was no specific/major events in the Company.

CS M. Damodaran
Company Secretary
ACS/FCS No. 5081
C P No. 5837

Place: Chennai
Date : 29 May 2017

Corporate Governance Report

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have incorporated the principles for corporate governance in line with the Organisation for Economic Co-operation and development (OECD) principles and provide board principles for periodic disclosures by listed entities in line with the International Organisation of Securities Commissions (IOSCO) principles.

1 COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The company believes in adapting and adhering globally recognised standards of corporate conduct towards its employees, clients and society. Corporate Governance is an on-going process ensuring integrity, transparency and accountability in dealing with employees, shareholders, customers and the community at large. The company has benchmarked its practices with the prevailing guidelines by upholding the core values across all aspects of its operations. The company's Board is fully aware of its fiduciary responsibilities in the widest sense of the term. The company's disclosures match, if not go beyond, the best practices recommended by all international corporate governance codes.

2 BOARD OF DIRECTORS

The composition and category of the Directors on the Board of the company are given below:

Name of Director	Category of director	DIN No. / Date of appointment	Committee memberships (excluding in the company) #		No of Directorship(s) held in Indian public limited companies (excluding in the company)*	No of shares held in the company	
			Member	Chairman		No. of shares	%
GV Kumar	Managing Director	00059107 01/09/2004	--	--	--	2226911	5.03
D Sudhakar Reddy	Executive Director	00047707 06/03/2000	1	1	2	--	--
Anil Kumar Sood	Independent Non-Executive	00086577 28/04/2007	--	--	--	--	--
Anish Mathew	Independent Non-Executive	02545538 31/01/2009	--	--	--	97,570	0.22%
Uma Garimella (Ms.)	Independent Non-Executive	02847624 07/11/2015	--	--	--	--	--
Leona Ambuja (Ms.)	Independent Non-Executive	07138817 31/03/2015	--	--	--	--	--

* Excludes directorships held in private limited companies, foreign companies and section 8 companies.

\# Disclosure of Chairmanship & Membership includes only two committees viz. Audit Committee and Stakeholders' Relationship Committee.

The Board of Directors of the company met four times during the financial year 2016-17:

Director	Board meetings held on			
	May 28, 2016	August 10, 2016	November 14, 2016	February 11, 2017
GV Kumar	✓	✓	✓	✓
D Sudhakar Reddy	✓	✓	Leave of Absence	Leave of Absence
Anil Kumar Sood	✓	Leave of Absence	✓	✓
Ms Uma Garimella	✓	✓	✓	✓
Anish Mathew	✓	✓	✓	✓
Ms Leona Ambuja	✓	✓	✓	✓

The Board periodically reviews the items required to be placed before it in terms of the Companies Act, 2013 (previously Companies The Board periodically reviews the items required to be placed before it in terms of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) , 2015 in particular reviews and approves quarterly / half yearly unaudited financial statements and the audited annual accounts, corporate strategies, business plans, annual budgets, projects and capital expenditure. It monitors overall operating performance, progress of major projects and reviews such other items which require Board's attention. It directs and guides the activities of the Management towards the set goals and seeks accountability. It also sets standards of corporate behaviour, ensures transparency in corporate dealings and compliance with laws and regulations. The

Agenda for the Board Meeting covers items prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the extent these are relevant and applicable. All agenda items are supported by relevant information, documents and presentations to enable the Board to take informed decisions.

Board Training and Induction

At the time of appointing a Director, a formal letter of appointment is given to him / her, which inter alia explains the role, function, duties and responsibilities expected of him / her as a director of the company. The Director is also explained in detail the compliances required from him / her under the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other relevant regulations and his / her affirmation taken with respect to the same.

Independent Directors' Meeting

During the financial year under review, the Independent Directors met on 11 February 2017,to discuss:

- Review the Performance of the Directors.
- Reviewed the performance of the Executive Directors of the company.
- Assess the quality, quantity and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

All the Independent Directors were present at the meeting.

3 AUDIT/RISK & COMPLIANCE COMMITTEE

The primary objective of the Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensuring accurate, timely and proper disclosure and transparency, integrity and quality of financial reporting. The Committee adheres to the Regulation 18 & 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in terms of quorum for its meetings, functioning, role and powers as also those set out in the Companies Act, 2013. The functions of the committee include:

- overseeing the company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- recommendation of appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services;
- review of adequacy of internal audit function, including the reporting structure, coverage and frequency of internal audit;
- review of the company's financial and risk management policies;
- review of the financial reporting system and internal control systems;
- approve quarterly, half yearly and annual financial results including major accounting entries involving exercise of judgement by the management;
- representation by the Statutory Auditors to the management in regard to any internal control weaknesses observed by them during the course of their audit and the action taken by the management thereon;
- discussions with Statutory and Internal Auditors on matters related to their area of audit;
- Management Discussion & Analysis of the company's operations;
- review of significant related party transactions;
- review of implementation of the Fraud Risk Management Policy and the Fraud Risk Assessment Reports;
- recommendation for appointment of Statutory Auditors and their remuneration;

The Committee consists of qualified and Independent Non-Executive Directors. All the Members on the Committee have the requisite qualification for appointment on the Committee and possess sound knowledge of finance, accounting practices and internal controls.

The Committee members met four times during the financial year 2016-17:

The Company Secretary is the Secretary of the Audit/Risk & Compliance Committee. The Managing Director and Executive Directors of the company as well as the Internal and Statutory Auditors of the company, attend Committee meetings to brief the Members. The Committee also invites Business and Departmental Heads, to discuss matters concerning their business / departments, as and when it deems necessary.

The Committee members met four times during the financial year 2016-17:

Members	Audit/Risk & Compliance Committee Meetings held on			
	May 28, 2016	August 10, 2016	November 14, 2016	February 11, 2017
Anil Kumar Sood -Chairperson	✓	Leave of Absence	✓	✓
Anish Mathew	✓	✓	✓	✓
D Sudhakar Reddy	✓	✓	Leave of Absence	Leave of Absence
Uma Garimella	✓	✓	✓	✓
Leona Ambuja	NA	NA	NA	✓

The Company Secretary is the Secretary of the Audit/Risk & Compliance Committee. The Managing Director and Executive Directors of the company as well as the Internal and Statutory Auditors of the company, attend Committee meetings to brief the Members. The Committee also invites Business and Departmental Heads, to discuss matters concerning their business / departments, as and when it deems necessary.

4 NOMINATION & REMUNERATION COMMITTEE

The "Nomination and Remuneration committee" is governed by a Charter duly approved by the Board of Directors of the company and in compliance with Section 178 of Companies Act, 2013, and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The remuneration policy as adopted by the company envisages payment of remuneration according to qualification, experience and performance at different levels of the organisation. The software engineers as well as those rendering clerical, administrative and professional services are suitably remunerated according to the industry norms.

The terms of reference of the Committee inter alia, include the following:

- Succession planning of the Board of Directors and Senior Management Employees;
- Identifying and selection of candidates for appointment as Directors / Independent Directors based on certain laid down criteria;
- Identifying potential individuals for appointment as Key Managerial Personnel and to other Senior Management positions;
- Formulate and review from time to time the policy for selection and appointment of Directors, Key Managerial Personnel and senior management employees and their remuneration;
- Review the performance of the Board of Directors and Senior Management Employees based on certain criteria as approved by the Board. In reviewing the overall remuneration of the Board of Directors and Senior Management, the Committee ensures that the remuneration is reasonable and sufficient to attract, retain and motivate the best managerial talent, the relationship of remuneration to performance is clear and meets appropriate performance benchmarks and that the remuneration involves a balance between fixed and incentive pay reflecting short term and long term objectives of the Company.

  The Committee also approves, allocates and administers the Employee Stock Option Plans delegated by the Board / Shareholders of the company subject to the SEBI Regulations and other statutory regulations from time to time.

The Committee members met four times during the financial year 2016-17:

Director	Nomination & Remuneration Committee Meetings held on			
	May 28, 2016	August 10, 2016	November 14, 2016	February 11, 2017
Anish Mathew - Chairperson	✓	✓	✓	✓
Anil Kumar Sood	✓	Leave of Absence	✓	✓
Uma Garimella	✓	✓	✓	✓
Leona Ambuja	NA	NA	NA	✓

The company pays sitting fees of Rs 15,000 per meeting to its non-executive directors for attending the board and committee meetings. The company also reimburses the out-of-pocket expenses incurred by the directors for attending meetings.

The members at the 12th Annual General Meeting held on 29 June 2012 had approved payment of commission to the Non-Executive Directors (NED) within the ceiling of 1% of the net profits of the company as computed under the applicable provisions of the Companies Act, 1956. The said commission subject to the available profits as computed in terms of the Act, is decided each year by the Board of Directors and distributed amongst the NEDs based on their contribution at Board and Committee meetings, as well as the time spent on operational matters other than at meetings.

The details of remuneration paid to directors of the company during the year are given below:

Director	Salary / perquisites	Commission	Sitting fees	Total
	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
GV Kumar	38.98	--	--	38.98
D Sudhakar Reddy	13.08	--	--	13.08
Anil Kumar Sood	--	--	1.50	1.50
Anish Mathew	--	--	1.65	1.65
Leona Ambuja	--	--	0.90	0.90
Uma Garimella	--	--	2.10	2.10

The remuneration paid to executive directors exclude contribution to gratuity fund and provision for leave encashment on retirement payable to them since the same is provided on actuarial basis (non-funded) for the company as a whole.

The severance payment to executive directors is in terms of the provisions of Section 202 of the Companies Act, 2013.

Notice period of executive directors is as per the company's rules.

5 STAKEHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee of the company is in compliance with Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations and disclosure Requirements) Regulations, 2015 comprising of Uma Garimella, Anil Kumar Sood, D Sudhakar Reddy, GV Kumar and Leona Ambuja to deal with various matters relating to:

- approve / refuse / reject registration of transfer / transmission / transposition of shares.
- allot shares on exercise of stock options and to authorize issue of Share Certificates.
- authorise:
  - (i) Issue of duplicate share certificates and issue of share certificates after split / consolidation / rematerialization of shareholding.
  - (ii) Printing of Share Certificates.
  - (iii) Affixation of Common Seal of the Company on Share Certificates.
  - (iv) Directors / Managers / Officers / Signatories for signing / endorsing Share Certificates.
  - (v) Necessary applications / corporate actions to Stock Exchanges and Depositories arising out of and incidental to the exercise of options by the employees.
- monitoring expeditious redressal of investors' grievances.
- non-receipt of Annual Report and declared dividend.
- all other matters related to shares.

The process of share transfer is assigned to Cameo Corporate Services Limited, the Registrar & Share Transfer Agent of the company, for taking care of share transfer formalities on an on-going basis.

There were two (2) investor grievances received and resolved during the year under report. There were no pending complaints at the beginning or end of the year. There were no transfers pending at the end of the year. All the investor grievance have been resolved to the satisfaction of the investors.

The Committee met two times during the financial year 2016-17

Members	Stakeholders' Relationship Committee Meetings held on	
	May 28, 2016	August 10, 2016
Uma Garimella - Chairperson	✓	✓
D Sudhakar Reddy	✓	✓
G V Kumar	✓	✓
Anil Kumar Sood	✓	Leave of absence
Leona Ambuja	NA	NA

The Company Secretary also functions as the Compliance Officer.

6 GENERAL BODY MEETINGS

Annual General Meetings (AGM)

Year	AGM	Location	Date	Time	Special Resolutions passed
2016	16th	The Music Academy, Kasturi Srinivasan Hall (Mini Hall) 168, TTK Road, Alwarpet, Chennai 600014	26th September 2016	10.00 AM	Nil
2015	15th	Sri Thyaga Braham Gana Sabha (Vani Mahal) No.103, G N Chetty Road, T Nagar, Chennai 600017	23rd September 2015	10.00 AM	Nil
2014	14th	Narada Gana Sabha (Mini Hall) 314, TTK Road, Alwarpet, Chennai 600018	25th June 2014	10.00 AM	Nil

The resolutions at the last AGM were passed by E-voting and ballot as prescribed under the Companies Act, 2013.

Extra-ordinary General Meetings (EGM)

During the year, no extra-ordinary general meeting was held.

Postal Ballot

During the year, no resolutions were passed by means of Postal Ballot process.

7 PERFORMANCE EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of the Board Committees. A structured performance evaluation was done after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Non-Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the evaluation process.

8 SUBSIDIARY COMPANIES

The company does not have any Indian subsidiary.

The financial statements of the foreign subsidiary companies were / are placed before and reviewed by the Audit/Risk & Compliance Committee.

9 CODE OF CONDUCT

The Board of Directors has approved a Code of Business Conduct which is applicable to the Members of the Board and all employees of the company and its subsidiaries. The Code has been posted on the website of the company.

The Code lays down the standard of conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with stakeholders. The Code gives guidance through examples on the expected behaviour from an employee in a given situation and the reporting structure.

All the Board Members and the Senior Management personnel have confirmed compliance with the Code. All Management Staff were required to complete an e-learning module in this regard.

10 DISCLOSURES

There were no materially significant related party transactions, pecuniary transaction or relationships between the company and its directors during the year ended 31 March 2017 that may have a potential conflict with the interests of the company at large.

All details relating to financial and commercial transactions where directors may have a pecuniary interest are provided to the Board, and the interested directors neither participated in the discussion, nor voted on such matters.

Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed elsewhere in this Annual Report and they are not in conflict with the interest of the company at large.

Business risk evaluation and managing such risks is an on-going process within the organisation. The Board is regularly briefed of risks assessed and the measures adopted by the company to mitigate the risks.

No strictures / penalties have been imposed on the company by the Stock Exchanges or SEBI or any statutory authority on any matters related to the capital market during the last three years.

The company's code of conduct has clearly laid down procedures for reporting unethical behaviour, actual or suspected fraud or violation of the ethics policies. No employee of the company is / was denied access to the Audit/Risk & Compliance Committee.

Adoption of non-mandatory requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is being reviewed by the Board from time to time.

Internal Controls

The company has a formal system of internal control testing which examines both the design effectiveness and operational effectiveness to ensure reliability of financial and operational information and all statutory / regulatory compliances. The company's business process has a strong monitoring and reporting process resulting in financial discipline and accountability.

CEO & CFO Certification

The certificate pursuant to the provisions of Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 certifying that the financial statements do not contain any untrue statement and these statements represent a true and fair view of the company's affairs is annexed and forms part of the Annual Report.

Vigil Mechanism / Whistle Blower Policy

The company is committed to the high standards of Corporate Governance and stakeholder responsibility. The company has a whistle blower policy to deal with instances of fraud and mismanagement, if any. The said policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. The said policy is posted on the website of the company.

11 MEANS OF COMMUNICATION

The unaudited quarterly / half yearly financial results are announced within the stipulated time frame in terms of the Regulation 33(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchanges.

The audited annual financial results are announced within the stipulated time frame in terms of Regulation 33 (3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchanges. For the financial year ended 31 March 2017, the company announced the Audited annual financial results on30 May 2017.

The above mentioned results are being taken on record by the Board of Directors with due review by the Audit / Risk & Compliance Committee and communicated to the Stock Exchanges where the company's securities are listed. The Stock Exchanges are intimated about these results and published within 48 hours in English (Business Standard) and Tamil (Makkal Kural) daily newspapers. They are also given by way of a press release to various news agencies.

The quarterly / half-yearly and the annual financial results are posted on the website of the company.

12 GENERAL SHAREHOLDER INFORMATION

- **Annual General Meeting**

At 9:00 A.M (IST) on Friday, 28th July 2017 at Sri Thyaga Brahma Gana Sabha (Vani Mahal), No.103, G N Road, T Nagar, Chennai 600017.

- **Financial calendar for 2017-18**

1 April to 31 March

Unaudited quarterly results for 2017-18

First quarter – first half of August 2017

Second quarter / half yearly – first half of November 2017

Third quarter – first half of February 2018

Annual results for the year ending 31 March 2018 – May 2018

Annual General Meeting for the year ending 31 March 2018 – August / September 2018

- **Date of book closure**

22nd July 2017 to 28th July 2017 (both days inclusive)

- **Listing on Stock Exchanges**

The company's equity shares are listed in India:

BSE Limited
Phiroze JeeJee Bhoy Towers
Dalal Street, Fort Mumbai 400001

National Stock Exchange of India Limited
Exchange Plaza
Bandra-Kurla Complex, Bandra (E) Mumbai 400051

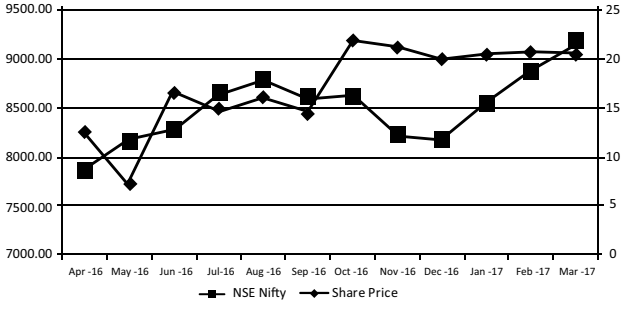
The company has paid the listing fees to the stock exchanges where its securities are listed.

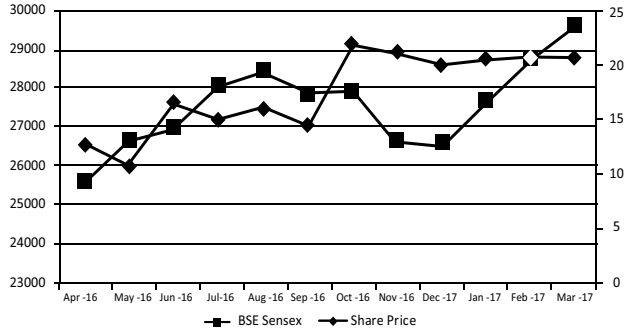
- **Stock Code**

Stock Exchange	Code
BSE Limited	532408
National Stock Exchange of India Limited	MEGASOFT
ISIN number for equity shares	INE933B01012

- **Stock market data**

Months	BSE				NSE			
	High	Low	Close	Volume	High	Low	Close	Volume
	₹	₹	₹	Nos	₹	₹	₹	Nos
April	13.98	6.42	12.66	5,445,435	13.85	6.40	12.55	5,428,192
May	13.68	9.60	10.67	2,700,474	13.65	9.40	10.65	3,600,012
June	17.99	10.20	16.61	2,735,905	18.05	10.15	16.60	4,600,341
July	17.10	13.50	14.85	1,386,107	17.20	13.50	14.90	2,481,835
August	18.48	14.20	16.03	2,088,095	18.25	14.20	16.00	2,167,036
September	17.45	14.10	14.40	956,870	17.40	14.25	14.45	1,429,333
October	26.00	14.10	21.85	4,897,609	26.00	13.25	21.80	12,241,549
November	23.20	14.35	21.22	2,662,524	22.90	13.50	21.25	6,333,713
December	22.15	18.20	19.95	1,518,004	22.50	18.45	19.90	3,693,695
January	23.40	19.45	20.45	1,689,257	23.50	19.40	20.50	4,719,052
February	24.25	20.30	20.60	1,729,081	24.35	20.25	20.70	4,416,497
March	23.00	19.45	20.70	1,541,677	22.85	19.10	20.50	3,858,444





- **Distribution of shareholding as on 31 March 2017**

No of Shares held	No of Shareholders	% of Shareholders	No of Shares	% of Shareholding
10-5000	20,935	80.34	2,505,778	5.66
5001-10000	2,118	8.13	1,773,640	4.01
10001-20000	1,201	4.61	1,882,901	4.25
20001-30000	474	1.82	1,231,290	2.78
30001-40000	245	0.94	881,614	1.99
40001-50000	249	0.96	1,200,451	2.71
50001-100000	411	1.58	3,149,427	7.11
100001 & Above	426	1.63	31,642,192	71.48
Total	**26,059**	**100.00**	**44,267,293**	**100.00**

- **Dematerialisation of shares**

  The company's equity shares are tradable compulsorily in electronic form. The company has established connectivity with both the depositories, that is, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through Cameo Corporate Services Limited, Registrar and Share Transfer Agents. The International Securities Identification Number (ISIN) allotted to our shares under the Depository System isINE933B01012.Over 89.9% of outstanding equity shares of the company have been dematerialised as on 31 March 2017.

Category	Number of shareholders	Number of shares	% to total equity
Demat mode			
NSDL	16,807	2,48,42,379	56.12
CDSL	8,414	1,50,05,792	33.89
Physical mode	838	44,19,122	09.99
Total	**26,059**	**44,267,293**	**100.00**

- **Categories of shareholders**

	Category of shareholder	No. of shareholders	Total No. of shares	% of shareholding
A	**Shareholding of Promoter and Promoter Group**			
	Indian Promoters	4	3,203,956	7.24
	Total Shareholding of Promoter Group	**4**	**3,203,956**	**7.24**
B	**Public Shareholding**			
1	Institutions			
	Mutual Funds / UTI	0	0	0.00
	Financial Institutions / Banks	1	12	0.00
	Venture Capital Funds	1	3,762,375	8.50
	Insurance Companies	1	30,478	0.07
	Foreign Institutional Investors	0	0	0.00
	Others-Foreign Portfolio Investors	0	0	0.00
	Sub Total B(1)	**3**	**3,792,865**	**8.57**
2	**Non-institutions**			
	Bodies Corporate	524	7,223,502	16.32
	Individuals			
	Individual shareholders holding nominal share capital up to ₹ 2 lakh	24,333	13,211,092	29.84
	Individual shareholders holding nominal share capital in excess of ₹ 2 lakh	164	11,598,897	26.20
	Others:			
	Directors & their Relatives	5	2,364,424	5.34
	HUF	672	976,584	2.21
	Trusts	2	1,075	0.00
	NRI	297	1,797,284	4.06
	Clearing Members	55	97,614	0.22
	Sub Total B(2)	**26,052**	**37,270,472**	**84.19**
	Total Public Shareholding (B)=B(1)+B(2)	**26,055**	**41,063,337**	**92.76**
	Total (A+B)	**26,059**	**44,267,293**	**100.00**

Shareholders holding more than 1% of the equity share capital

	Name of the shareholder	No. of shares	% of shareholding
1	I Labs Venture Capital Fund	3,762,375	8.49
2	Venkataraman Kumar Gandaravakottai	2,226,911	5.03
3	Ravindra Babu S	1,971,870	4.45
4	Sri Power Generation (India) Private Limited	1,769,822	4.00
5	Godavari Greenlands Pvt Ltd	1,343,750	3.04
6	Satyavathi Denukuri	8,35,500	1.89
7	Srinivas Raju D	7,47,600	1.69
8	S Ravindra Babu	716,898	1.62
9	S Ravindra Babu	512,126	1.16
10	Venturetech Solutions Private Limited	458,250	1.04
	Total	**14,345,102**	**32.41**

- **Registrar and Share Transfer Agents**

  Cameo Corporate Services Limited
  Subramanian Building, 1, Club House Road, Chennai 600002, India
  Tel: +91.44.28460390, Fax: +91.44.28460129, email: cameo@cameoindia.com

- Share Transfer System and other related matters

  (i) Share transfers

  The share transfers in physical form are presently processed and the share certificates are generally returned within a period of 15 days from the date of receipt.

  (ii) Nomination facility for shareholding

  As per the provisions of the Companies Act 2013, facility for making nomination is available for shareholders in respect of shares held by them. Those shareholders who hold shares in physical form may obtain nomination forms from the company.

  (iii) Payment of dividend through Electronic Clearing Service

  The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividends through Electronic Clearing Service (ECS) to the investors wherever ECS and Bank details are available. In the absence of ECS facility the company is required to print the Bank account details, if available, on payment instruments for distribution of dividend to the shareholders. The company is complying with SEBI's directive in this regard.

  (iv) Transfer to Investor Education and Protection Fund

  Pursuant to the provisions of Section 125 of the Companies Act, 2013, read with Rules 5 & 6 of Investor Education and Protection Fund and Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 the Company had transferred ₹ 1,48,533/- (Rupees One Lakh Forty Eight Thousand Five Hundred and Thirty Three Only) lying in Unpaid Fractional Warrant Account for more than seven years since amalgamation of Visual Soft Technologies Limited into Megasoft Limited in the year 2007 to Investor Education and Protection Fund (IEPF) established by the Central Government.

  (v) Correspondence regarding Change of Address, etc.

  Shareholders are requested to ensure that any correspondence for change of address, change in Bank Mandates, etc. should be signed by the first named shareholder. The company is now also requesting for supporting documents such as proof of residence and proof of identification whenever a letter requesting for change of address is received. This is being done in the interest of shareholders as there are cases in the corporate world where attempts are made to fraudulently change the registered address of shareholders by unscrupulous parties. Shareholders are requested to kindly co-operate and submit the necessary documents / evidence while sending the letters for change of address. Shareholders who hold shares in dematerialised form should correspond with the Depository Participant with whom they have opened Demat Account/s.

  (vi) Pending Investors' Grievances'

  Any shareholder whose grievance has not been resolved to his / her satisfaction may kindly write to the Company Secretary at the Registered Office with a copy of the earlier correspondence.

- **Go Green initiative**

  In order to protect the environment and as a Go Green initiative, the company has taken an initiative of sending documents like Notice calling the Annual General Meeting, Directors' Report, Audited Financial Statements, Auditors' Report, dividend intimations, etc. by e-mail. Physical copies shall be sent only to those shareholders whose e-mail addresses are not registered with the company. Shareholders are requested to register / update their e-mail id with RTA / Depository to enable the company to send the documents in electronic form or inform the company in case they wish to receive the above documents in paper mode.

- **Plant locations**

  In view of the nature of the company's business viz. Information Technology (IT) services, the company operates from various offices in India and abroad and does not have any manufacturing plant.

- **Address for correspondence**

  Company Secretary & Compliance Officer
  Megasoft Limited
  85, Kutchery Road, Mylapore, Chennai 600004
  Tel: +91.44.24616768, Fax: +91.44.24617810, email: investors@megasoft.com

For and on behalf of the Board of Directors

GV Kumar	**D Sudhakar Reddy**
Managing Director	Executive Director

Place : Hyderabad
Date : 30 May 2017

Management's Discussion and Analysis

(1) Background and Overview

The rapid pace at which technology is changing and the need for highly skilled professionals in new technology areas is driving businesses to rely on technology solution and service providers to realize their business objectives. Fast-evolving technology landscapes, dynamic economic environments and the emergence of digital business has created a need for enterprises to look for a partner to advise, design and execute their technology transformation and support programs.

Over the last year, while technology and digital content and services businesses have continued to globalize, telecom operator business has become more local. Rather than building out regional and global footprints, operators have refocused their M&A strategies as they bid to become dominant players in fewer markets. As the Company looks ahead to the trends and strategies that will shape 2017-18, it is interesting to do so through a local versus global lens.

The ongoing convergence of the telecoms, media and IT markets means companies can no longer take for granted who the customer and competitors are. Advances in technology and new business models mean that value is shifting, with markets reshaping as players respond. For example:

- Telco network infrastructure is converging with software infrastructure
- Hardware devices are converging with hardware platforms
- Enterprise IT is converging with communications
- Financial services is converging with online payments

Your Company and management are aware that product companies need to develop and integrate innovative solutions that enable our clients to leverage our products and services to achieve their business objectives at competitive costs. Accordingly, your Company treats innovation and R&D as focus areas and strives to launch new products and services in the mobile technology arena.

Your Company's consistent and relentless efforts in providing futuristic solutions in the 4G/LTE and Mobile Virtual Network Operators (MVNO) space as well as addressing the globally transforming mobile banking & m-payments trends are testimony to our ability to innovate and stay ahead.

(2) Financial results

Your company reported a turnover of ₹ 7,014.22 lakhs in 2017 as against ₹ 6,568.29 lakhs in 2016. Profit after tax for the financial year under review is ₹ 266.63 lakhs.

- **Significant Transactions during the period under review**

After the Shareholder's approval through the postal ballot dated 22nd March 2016, during the period under review the company initiated the process of setting up a large IT facility at its property at Nanakramguda (which was registered in the company's favour in May 2015 by TSIIC through a conditional sale deed) through a Joint Development Agreement with a new partner and has settled the old building contractors and vendors through proceeds of Madhapur property and other cash accruals. The company sold the land at Vishakapatnam for a consideration of ₹ 43.50 crores. The entire proceeds of this sale have been utilized for repayment of its loans and debts.

(3) Industry Outlook

(A) A New Phase of MVNO Expansion is Beginning

MVNO markets have gone through various stages of development in recent years. Telecom experts now believe that a rejuvenated phase of expansion is beginning. There are still many market segments untapped by mobile network operators that are being addressed by MVNOs – these include ethnic markets, data-only connectivity and community-led and retailer-owned MVNOs. New markets are developing – Latin America, Middle East and Asia are all experiencing great MVNO interest.

The global MVNO market has been estimated at USD 49.69 billion in 2016 and is projected to reach USD 84.58 billion by 2022, at a compound annual growth rate (CAGR) of 9.27 percent from 2017 to 2022. International telecommunications research company, Ovum predicts total global MVNO subscriptions to reach 250 million by 2021, over four per cent of the total mobile market.

In Latin America, the MVNO market is both emerging in few geographies and developing in countries like Mexico, Colombia, Chile and Peru. Overall, this region shows a sizeable CAGR of 10.4 percent from 2015 to 2023 owing to a very high demand for MVNOs.

MVNO market in the Middle East is characterized by limited presence of MVNOs. However, over the next five years, Pyramid Research expects total MVNO subscriptions in the Middle East (including Iran, Oman, Jordan, Saudi Arabia, Turkey and Israel) to grow at a CAGR of 19.5 percent and reach 7.3 million in 2020 from an estimated 3 million in 2015. Ethnic models are the most prevalent MVNO business models in the Middle East, being adopted by 36.4 percent of the total MVNOs present in the region.

While analyst fraternity claims market opportunity to be USD 4 Billion in India, the reality is that VNO activity is still in an embryonic phase. The telecom sector in India is going through rapid consolidation among MNOs. With Government operating telecom companies being in the forefront to capitalize the MVNO onslaught, it will be interesting to watch how MVNOs will identify their niches going beyond age and economic strata and kickoff another revolution by catalyzing 100% adoption of telecom services in India.

Overall, the MVNO Market, a key segment for our Company is showing a promising expansion in multiple regions across the world for years to come.

(B) M2M & IoT

Market trends suggest an increased growth in particular types of mobile data in the medium to long term such as machine-to-machine (M2M) communications used by various industries (e.g. in the automotive, healthcare and transport sectors). With substantial growth in M2M connections being predicted, it follows that the number of device types connecting to mobile networks will increase substantially, and device types and traffic loads will become increasingly varied. These trends are leading towards the realization of Internet of Things (IoT) that can exploit the increasing intelligence of devices, and respond to changing social and industrial trends.

The global number of cellular M2M subscribers increased by 30 percent during 2016 to reach 398.1 million at the end of the year. According to the latest market research study by Technavio, the

global M2M services market is expected to grow at a CAGR of close to 29 percent during the forecast period 2017 to 2021. The top three revenue contributing vertical segments are expected to be Consumer electronics, Automotive and Healthcare.

The global IoT market reached USD 598.2 Billion in 2015 and is expected to be USD 724.2 Billion by 2023. Globally, the market is projected to register a CAGR of 13.2 percent during the forecast period 2016-2023. The major forces driving the IoT market are development of cheaper and smarter sensors, evolution of high speed networking technologies and rising adoption of cloud platforms across industry verticals.

Asia-Pacific is expected to showcase a tremendous growth in the IoT space in the near future. This market is expected to be driven by the presence of gigantic players of consumer electronics such as Philips and Samsung. For example, 90 percent of all Samsung's products will be IoT devices by end 2017 and your company is targeting 100% connectivity by 2020.

IoT is expected to provide a USD 15 billion-market opportunity for Indian businesses by 2020.

(C) Mobile Payments

The global mobile payments market is estimated to reach $3,388 billion by 2022, growing at a CAGR of 33.4 percent from 2016-2022. China would remain the leading revenue generating country throughout the period, growing at a CAGR of 35.1 percent during the forecast period.

The global mobile payment market will reach US$ 780 billion by the end of 2017, amounting to an annual increase of 25.8 percent, research firm TrendForce predicts. In 2015, mobile money accounted for 75 percent of the overall mobile payments market share.

NFC has high growth potential and is anticipated to exhibit CAGR of around 36 percent during the forecast period. More than 60 percent of smart phones shipped worldwide during 2017 will feature NFC.

(D) Cloud Enablement & Services

Cloud computing spending is growing at 4.5 times the rate of IT spending since 2009 and is expected to grow at better than 6 times the rate of IT spending from 2015 through 2020. Gartner predicts the worldwide public cloud services market to grow 18 percent in 2017 to $246.8 billion, up from $209.2 billion in 2016.

The highest growth will continue to be driven by Infrastructure-as-a-Service (IaaS) which is projected to grow at 36.8 percent in 2017 and reach $34.6 billion. Software-as-a-Service (SaaS) is expected to increase 20.1 percent reaching $46.3 billion in 2017. Accordingly, Platform-as-a-Service (PaaS) is also expected to grow significantly. 74 percent of Tech Chief Financial Officers (CFOs) say cloud computing will have the most measurable impact on their business in 2017.

The public cloud services market in India is projected by Gartner to grow 38 percent in 2017 to total $1.81 billion.

The Cloud Services Brokerage (CSB) market size is expected to grow from USD 4.50 Billion in 2016 to USD 9.52 Billion by 2021 at an estimated CAGR of 16.2 percent during the forecast period.

(4) Business Strategy and Priorities for 2017

For 2017 and beyond, your company will execute on the following approach to growing the business:

(i) Latin America Focus

Your Company's dominance in the Latam region and the proven reliability of our Mobile Services Platform (MSP) is evident from the deals we have closed with multiple clients in 2016. Megasoft is strengthening its presence in the region with new deployments with expanded presence & Sales and customer management personnel on the ground in Mexico, Columbia & Chile. your company continues to have a strong pipeline and is confident of adding more customers from this region in the future.

MNOs are more interested in teaming up with MVNOs that besides helping improve EBITDA margins, can also bring additional revenues from unaddressed niches willing to use incremental airtime and data services. Beyond the 'telecoms MVNO', retailers and financial institutions have been and remain among the strongest candidates to become MVNOs in Latin America.

Megasoft has versatile operational experience of having deployed MSP for many MVNE/O clients in this region. Your Company is confident of addressing varying business requirements of our clients irrespective of the industry vertical they belong to.

Apart from the MVNO market, Your Company has a suite of m-Banking and m-Payment offerings that have technologically evolved over time and delivered diverse solutions that enhance business profitability of clients, be it telecom, financial, retail or any other vertical.

Your Company is enhancing local delivery capability and investing dedicated efforts in the Latin American market. Your Company expects local talent & manpower as a percentage of the workforce to increase as we execute on this theme as part of our globalization.

(ii) Driving Our Services Portfolio

Your Company has over two decades of strength in mobile and hosted IT environment management. The Company re-entered the IT services business with specialized focus on cloud, cyber security, Internet of Things (IoT) and mobile enablement of various other service-related enterprises.

Megasoft, a leading provider of IT services to enterprises across the globe, provides a range of services which include technology consulting, customer centric design, development, engineering and maintenance, global infrastructure services, cloud, mobility and analytics services. We offer these services globally leveraging our products, platforms and solutions through a team of experts that consultatively engage with enterprises to deploy and manage sophisticated services.

A significant win, on re-launching our services portfolio, is that of having bagged a prestigious contract from one of the country's State Government departments. Megasoft, acclaimed for its sophisticated cloud deployments, will provide state-of-the-art infrastructure and technology solution and services to address various needs of multiple line departments within that State. While the solution is focused primarily on Infrastructure-as-a-Service (IaaS), other services such as Platform-as-a-Service (PaaS), Data-as-a-Service (DaaS) and Software-as-a-Service (SaaS) will complement and be deployed on top of the basic IaaS services. Your Company has also technology partnered with global majors like Dell, HP, Oracle & Red Hat to enhance its offerings to its customers

(iii) Expanding to New MVNO Markets

Mobile network operators (MNOs) globally are supporting MVNOs in order to increase their industry revenue, gain more consumers and expand into the niche industry

segments. Future business opportunities for MVNOs is also interlinked with the evolution of Internet of Things (IoT), M2M, Virtual Reality, and wearables and hence the growth and market potential for this sector looks highly progressive. The Company will continue to pursue growth markets for MVNOs such as Latin America, Middle East & Turkey, and India & Africa

With the opening up of MVNOs in India, Your Company is quite confident of capitalizing well in this space given its operational experience spanning 5 continents. .While Your Company is being watchful and cautiously awaits the current phase of India's telecom consolidation among MNOs to be completed, it is quite confident about the success of MVNOs in India which, with a diversified population is a great market for differentiated offerings from MVNOs.

(iv) Focus on IoT Opportunities

The Internet of Things (IoT) is changing the way we work, travel and live. To succeed in digitally contestable markets with the IoT, Your Company needs to formulate new business models and go-to-market strategies at the macro level, rethink our core business and operations, and introduce intelligence into products, services, processes and more.

By focusing on IoT, your Company will be evolving its business into a 'connected' solution / service business. By being IoT centric, our customers can leverage a host of new experiences – automate previously manual processes, drastically reduce response times for critical operations and better understand their state of business in real-time.

Your Company's research on IoT along with our conversations with clients and subject matter experts, suggests that we must meet three imperatives – boost revenues by creating diverse business models based on the industry vertical, fuel innovation with intelligent technologies and transform our workforce for the IoT.

Your Company intends to drive its revenue in the above focus areas not only through direct sales efforts but also through strategic global partnerships and intends to build more Annuity based revenue streams for sustainable cash flows and predictable growth in the coming years.

(v) Continued Innovation and R&D Efforts

Your Company's ability to ideate, innovate and successfully launch new technology platforms and services has always been the corner stone for its continued success, survival & growth all these years and your Company will continue this tradition of innovation in this year as well. New Product teams are working on building cutting edge technologies and new offerings to be launched in the coming years and Your Company accordingly expects to launch many new products & services.

(A) Operational Priorities

Your Company has been on the cutting edge of technology in the mobile communications and mobile payment space. The quality of the workforce ensured that your company stayed competitive and has been one of the top technology companies. Employees are provided opportunities to learn and develop on the professional front. Our work culture fosters innovation and excellence within an inspiring environment. Our teams are trained to align the skill sets with your company's growth objectives.

Your company continues its tight cost controls, debt reduction and repayment as well as monetization of its real estate assets.

(B) Sources of Revenue

Your company derives revenues through the following revenue models:

- **Hosted Managed Services (Annuity)**

  Your company operates its platform end-to-end in data centers and gets paid monthly, based on a revenue-share or per-subscriber transaction fee model, around a multi-year contract. The company also normally charges an upfront technology implementation fee from ASP customers.

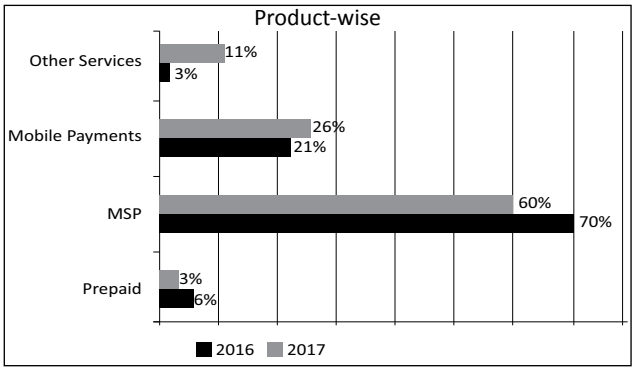
- **Software Licensing**

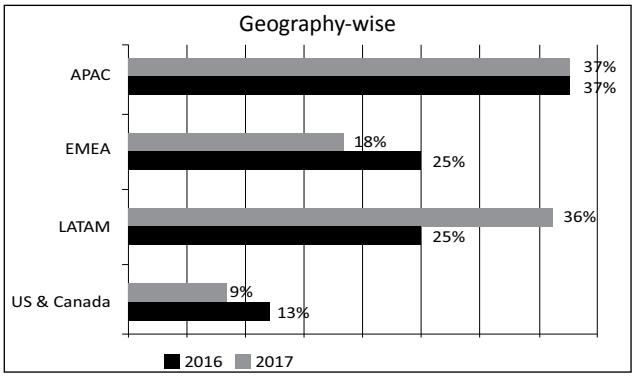
  Your company also offers its platforms on a capacity licensing basis to mobile operators, wherein its platforms are installed in the carrier's premises in return for a one-time license fee for a stated limited capacity (subscriber, throughput, or other appropriate metric).

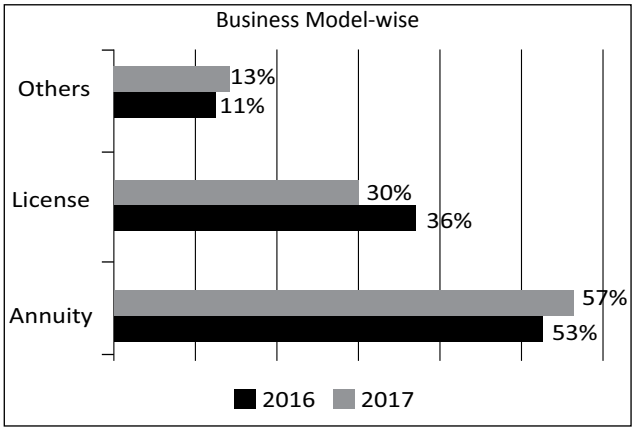
- **Services, Maintenance and Customization**

  Your company also realizes revenues derived from customizing its platforms to suit specific service needs of carrier customers. This is a steady revenue source with AMCs (Annual Maintenance Contracts).

(C) Segment-wise Performance







(D) Quality Certifications

Your company's quality management system (QMS) has its foundation on decades of experience and industry best practices that are aligned with international standard quality models and certifications. This assures that your company maintains confidentiality, integrity, availability of corporate, and client information

ISO 9001:2008 – Quality Management System

QMS enhancing customer satisfaction

Your company is certified for ISO 9001:2008 by BSI, India. Our products & solutions therefore ensure customer satisfaction.

ISO 27001:2013 – Information Security Management System

Information security management system enhancing Confidentiality, Availability and Integrity

Your company has applied for renewal of its ISO 27001:2013 by Bureau VERITAS Certification, India.

(5) Our Offering

1. Mobile Services Platform (MSP)

Our Mobile Services Platform (MSP) manages more than 350 million voice / data sessions a day. XIUS Mobile Infrastructure Solutions and Services enhance the way service providers across an array of industries deliver and capitalize upon next-generation mobile services.

- XIUS MSP provides end-to-end infrastructure for 3G/4G Mobile Operators, MVNE/MVNOs, Converged Broadband 4G/LTE Service Providers, Mobile Operator Wholesale Departments, and M2M/IoT Service Providers.
- XIUS MSP offers a complete suite of cost-competitive and reliable infrastructure options that enable mobile services delivery along with real-time rating and billing.
- Megasoft is best positioned to enable service providers navigate an increasingly complex mobile ecosystem by allowing to launch branded mobile services.

2. M2M, IoT, Service Enablement

With hundreds or thousands of different use-case scenarios possible for M2M and IoT, the telecommunications sector can be expected to act as the glue holding the entire industry together. Cellular networks will evolve towards 5G over the next five to ten years, and early research efforts into this almost ethereal technology have focused on IoT capabilities as a primary requirement for its development.

With our MSP for IOT, Your Company aims to act as the epicenter of providing cutting edge IOT technology platforms and managing services for IoT providers and other IoT market participants. A strong focus will be on the ability to exploit all the assets and capabilities available in the network, service and business layers. Your company has extended its telecom expertise and state-of-the-art service enablement framework to uniquely position top-notch services across the IoT value-chain.

3. Payments

With over 10 years of experience in providing Mobile Payment technologies and services in the Global Market, the Company with its vast array of Platforms and applications, led by its Payment Manager (PM) Platform, is poised to grow further in this exciting industry segment.

Alternative payments such as e-wallets, mobile and digital currencies, are playing an increasingly prominent role in the payments space – a trend largely driven by the emerging markets. Indeed, though card transactions remain by far the most popular payment method in most countries globally, there are many countries that have not only adopted alternative payment methods but have come to view them as their trusted and preferred payment method of choice.

Your Company, already a strong player in the Latin American Payments Market, is not only aiming to consolidate in the geography, but is also poised to expand into new markets that are fast emerging into the Digital payment space.

4. Services Portfolio

Cloud Management, Data Center Installation &Management, Predictive Analytics, Managed Services and Information Management Services form the core of your Company's services portfolio. With an expanded sales force, marketing effort and larger partnerships in place, your company is poised to achieve accelerated revenue growth in this segment.

6. Risks and Concerns

Your company's management embarked on a number of initiatives to manage business risks (given below):

Market Risk

Your company's growth is dependent on Mobile Telecom industry growth. With the Telco industry worldwide looking to leverage on newer technology in combating the challenge to increase ARPUs, will continue to focus on capital allocation. Telco's will need to make upgrades to their core connectivity infrastructure. A sustained capital expenditure in the mobile industry remains uncertain and this may affect the company's performance. An extended sales cycle and high debtors' position is another challenge in the Telecom industry globally – this has a detrimental impact on the cash flows. The company is also aiming at non-Telco customers for its mobile transactions platforms. While this reduces the company's sole dependence on mobile Telco's for its revenues, it may also pose unknown challenges and risks due to the company's lack of experience in these segments.

While Megasoft exploring newer products and services in new geographies and non-Telco customers will mitigate the risks of customer or geographic concentration in the revenue mix, we anticipate new known and unknown competition and market risk.

Protection of Intellectual Property Rights

Safeguarding intellectual property is one of the key responsibilities in a technology and knowledge driven business like ours. Megasoft has filed applications for 120 patents of which 36 have been awarded so far. In the past year, your company was awarded a new patents by the USPTO – an addition to our mobile payments portfolio that enhances customer experience through NFC technology. The award of these patents only reiterates our strong belief and commitment to continue innovating and contributing to the industry. The company fosters a culture of entrepreneurship encouraging employees to ideate and file patents to protect intellectual property. Employees with appropriate skill sets in cutting edge technology are key to the company retaining its position of being one of the top technology companies. While the company's culture and policies are aligned to retain key personnel, we need to constantly monitor the risk of losing some of these employees.

Litigation

There is an increasing trend towards litigation regarding intellectual property rights, patents and trademarks in the software and telecom industry. There are also other corporate legal risks including contractual performance and product performance. The company has an insurance policy in place to mitigate these risks.

Foreign Currency Fluctuation

Your company enjoys a substantial exposure to foreign exchange-related risks on account of earnings denominated in foreign currencies by exporting software, products and solutions. A majority of the company's revenues are US$ denominated; An appreciation of the Indian rupee vis-à-vis the US$ can have an adverse impact on the revenues of the company as these are denominated in Indian rupees while a depreciation of the Indian rupee vis-à-vis the US$ can result in much higher interest and capital repayment outflows for the company. Also, such huge fluctuations make revenue and profit projections more unpredictable.

Client Concentration

Revenue is distributed across all clients and not dependent on any one company. The company expanded its sales focus on new geographies and market segments and will expand its revenue base and achieve a better spread in revenues and clients.

7. Internal Controls

Your company possesses an adequate system of internal controls to safeguard assets. Checks and balances were in place and reviewed at regular intervals to ensure that transactions were properly authorized and reported correctly. The Audit Committee, in consultation with Internal Auditors, reviewed the internal control systems at regular intervals and initiated corrective action(s) wherever deemed necessary.

Additionally, the company has already initiated a corporate management initiative to define best practices in processes, methodologies, systems and metrics with a specific focus on customer interaction and service delivery. The company commissioned a new research and development organization with supporting processes, customer support, managed services processes, management reporting and control systems (MRCS) and automation. Going forward, the company will regularly assess risks and controls for existing and new process flows.

Your continuance of the company's 'cash and caution' policy enabled the company to remain profitable at the end of the financial year.

8. Human Assets

Your company enjoys cordial relationships with employees as it endeavors to provide them with a professionally rewarding and enriching work environment. The company possesses an effective performance management system that focuses on employee development, measuring key result areas, competencies and training needs.

The company advocates work-life balance and welfare activities that enhance team cohesiveness. F5 a welfare activity continues to be a success and brings tremendous enthusiasm and motivation among the employees. To keep the skill set honed and up to date, the employees are professionally trained in cutting edge technologies. To ensure profitable contract closure the company has a competitive sales incentive plan to motivate the sales organization with more closures.

9. Financial results review

The financial statements complied with the requirements of the Companies Act, 2013, and the Generally Accepted Accounting Principles (GAAP) in India.

FINANCIAL PERFORMANCE (CONSOLIDATED)

Share capital

There is no change in the company's equity share capital during the financial year under review.

Reserves and surplus

The movement in Foreign Currency Translation Reserve during the financial year under review was due to fluctuation in foreign currency rate.

The profit earned during the year has been carried forward in full.

Borrowings

The total debt in the current year reduced to ₹ 4,598.06 lakhs from ₹ 9,810.41 lakhs in the previous year. This reduction was on account of repayment of loans to bank and bodies corporate to the extent of ₹ 5,212.36 lakhs. The changes also reflect the fluctuations in foreign currency rate.

Deferred tax liability / asset

The deferred tax asset is ₹ 31.59 lakhs at the end of the financial year as against deferred tax liability of ₹ 28.93 lakhs in the previous year.

Trade Payables & Other current liabilities

While trade payables decreased from ₹ 3,188.16 lakhs in 2016 to ₹ 2,889.27 lakhs in 2017, other current liabilities increased from ₹ 2,130.97 lakhs in 2016 to ₹ 6,474.66 lakhs in 2017 on account of provision for hardware and material cost and also on account of monies received from the new developer of Nanakramguda property the entire money of which was utilised for settling the old contractor.

Provisions

	Short term		Long term		Total	
As at	**31-Mar-2017**	**31-Mar-2016**	**31-Mar-2017**	**31-Mar-2016**	**31-Mar-2017**	**31-Mar-2016**
	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
Provision for retirement benefits	15.38	7.60	180.87	156.32	196.25	163.92

The movement in the provisions is in the normal course of business.

Fixed assets

The fixed asset in the year was at ₹ 8,529.45 lakhs (previous year ₹ 9,215.84 lakhs). This is the net effect of sale of the company's properties and addition of WIP of the semi constructed building at the company's property at Nanakramguda.

Goodwill on consolidation

Goodwill on consolidation was on account of accumulated losses in the overseas companies on the date of their acquisition and the excess consideration paid over and above their respective capital.

Investments

No additional investments were made during the financial year under review.

Trade receivables

There was a decrease in trade receivables and it stood at ₹ 6,316.53 lakhs as against ₹ 6,501.19 lakhs in the previous year.

Cash and bank balances

The current year cash and bank balances of ₹ 115.99 lakhs as against the previous year-end balance of ₹ 514.16 lakhs is in the normal course of business.

Short term loans and advances

The short term loans and advances increased to ₹ 2,258.94 lakhs in 2017 from ₹ 1,802.80 lakhs in 2016

Results of operations (consolidated)

For the period / year ended	31-Mar-2017 ₹ lakhs	31-Mar-2016 ₹ lakhs
Revenues	7014.22	6,568.29
EBIDTA	1270.08	1,634.69
Finance cost	543.32	787.01
Depreciation	511.76	670.28
Profit before tax	215.00	177.40
Less: Taxes	-51.63	47.59
Profit after tax	266.63	129.81

Revenues

The consolidated revenues increased to ₹ 7014.22 lakhs in 2017 from ₹ 6,568.29 lakhs in 2016.

Other Income / Expenses

The foreign exchange loss (net) was ₹ 50.84 lakhs in current year 2017 as against ₹ 76.72 lakhs gain (net) in the previous financial year. The foreign exchange movement was on account of foreign currency rate fluctuation.

Software, hardware and material costs

The Software, hardware and material costs of ₹ 1697.14 lakhs in 2017as against ₹ 406.01 lakhs in 2016 are on account of the nature of projects executed in the current year wherein the proportion of hardware and material costs have been significantly higher.

Employee cost

The increase in employee cost to ₹ 2,051.49 lakhs in 2017 from ₹ 2010.86 lakhs in 2016 is in the normal course of business.

Other expenses

The increase in other expenses to ₹ 2,692.66 lakhs in 2017 from ₹ 2,598.25 lakhs in 2016 is in the normal course of business.

Finance cost

The decrease in finance cost from ₹ 787.01 lakhs in 2016 to ₹ 543.31 lakhs in 2017 is due to repayment of the loans in the current year. and the reduction in the bank charges.

Depreciation

Depreciation was charged on a pro-rata basis on fixed assets purchased / sold during the year. Depreciation on assets acquired under finance lease / hire purchase was provided using the straight-line method over the shorter of the lease / hire purchase term and useful life of the asset. The movement in depreciation charge from ₹ 670.28 lakhs in the previous financial year to ₹ 511.76 lakhs in 2017 is in the normal course of business.

FINANCIAL PERFORMANCE (STANDALONE)

Share capital

There is no change in the company's equity share capital during the financial year under review.

Reserves and surplus

The profit earned by the company during the year has been carried forward in full and hence there is an increase in closing balance in Statement of Profit & Loss.

Borrowings

The total debt in the current year reduced to ₹ 1,602.51 lakhs from ₹ 1,671.37 lakhs in the previous year. This reduction was on account of repayment of loans to bodies corporate.

Deferred tax liability / asset

The deferred tax asset is ₹ 31.59 lakhs at the end of the financial year as against deferred tax liability of ₹ 28.93 lakhs in the previous year.

Trade Payables & Other current liabilities

While the change in trade payables is in the normal course of business, the increase in other current liabilities from ₹ 2,475.38lakhs in 2016 to ₹ 4,984.20 lakhs in 2017 was on account of provision for hardware and material cost and also on account of monies received from the new developer of Nanakramguda property the entire money of which was utilised for settling the old contractor.

	Short term debt		Long term debt		Total debt	
As at	31-Mar-2017	31-Mar-2016	31-Mar-2017	31-Mar-2016	31-Mar-2017	31-Mar-2016
	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
Provision for retirement benefits	15.38	7.60	180.87	156.32	196.25	163.92

Provisions

The movement in the provisions was in the normal course of business.

Fixed assets

The fixed asset was ₹ 5,463.55 lakhs as against ₹ 6,053.30 lakhs in the previous year. This is the net effect of sale of the company's properties and addition of WIP of the semi constructed building at the company's property at Nanakramguda.

Investments

No additional investments were made during the financial year under review.

Trade Receivables

The increase in Trade receivables from ₹ 3,274.91 lakhs in the previous year to ₹ 3,609.77 lakhs in the current year is in the normal course of business.

Cash and bank balances

The cash and bank balance was ₹ 73.20 lakhs in 2017 as against ₹ 253.08 lakhs in 2016.

Short term loans and advances

For the period / year ended	31-Mar-2016 ₹ lakhs	31-Mar-2015 ₹ lakhs
Revenues	3104.83	3,003.91
EBIDTA	297.33	393.00
Finance cost	182.49	239.56
Depreciation	66.84	63.70
Profit before tax	48.00	89.74
Less: Taxes	-51.63	47.59
Profit after tax	99.63	42.15

The increase in short term loans and advances from ₹ 2,980.45lakhs in 2016 to ₹ 8,118.69 lakhs in 2017 was on account of loan to the subsidiary to repay its bank loan.

Result of Operations (Standalone)

Revenues

Revenues were ₹ 3104.83 lakhs in 2017 as against ₹ 3003.91 lakhs in 2016.

Other Income / Expenses

The foreign exchange loss (net) was ₹ 49.94 lakhs in 2017 as against profit of ₹ 80.37 lakhs in 2016. The foreign exchange movement was on account of foreign currency rate fluctuation.

Software, hardware and material costs

The Software, hardware and material costs was ₹ 927.11 lakhs in 2017 as against ₹ 348.46 lakhs in 2016 on account of the nature of projects executed in the current year wherein the proportion of hardware and material costs have been significantly higher.

Employee cost

The increase in employee cost from ₹ 1462.36 lakhs in 2016 to ₹ 1,590.58 lakhs in 2017 was in the normal course of business.

Other expenses

The increase in other expenses from ₹ 885.28 lakhs in 2016 to ₹ 978.73 lakhs in 2017 was in the normal course of business.

Finance cost

The decrease in finance cost from ₹ 239.56 lakhs in 2016 to ₹ 182.49 lakhs in 2017 was on account of decrease in bank charges.

Depreciation

Depreciation was charged on a pro-rata basis on fixed assets purchased / sold during the year. Depreciation on assets acquired under finance lease / hire purchase is provided using the straight-line method over the shorter of the lease / hire purchase term and useful life of the asset. The depreciation charge was ₹ 66.84 lakhs in 2017 as against ₹ 63.70 lakhs in 2016.

Auditors' Certificate on Corporate Governance

To the Members of Megasoft Limited

We have examined the compliance of conditions of Corporate Governance by Megasoft Limited, for the year ended 31st March 2017, as stipulated in terms of Regulation 34(3) and Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the 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 statements of the company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the company has complied in all material respect with conditions of Corporate Governance as stipulated in SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

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

for **M/s Srikanth & Shanthi Associates**
Chartered Accountants
[FRN 004006S]

MC Srikanth
[M.No. 018588]

for **M/s T N Rajendran & Co.**
Chartered Accountants
[FRN 005080S]

T N Rajendran
[M.No. 028778]

Place: Hyderabad
Date: 30 May 2017

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certificate

We the undersigned, in our respective capacities as Chief Executive Officer and Chief Financial Officer (CFO) of Megasoft Limited ("the Company"), to the best of our Knowledge and belief certify that:

(1) We have reviewed the financial statements and the cash flow statement for the financial year ended 31 March 2017 and based on our knowledge and belief, we state that:

   (i) these statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading; and

   (ii) these statements together present a true and fair view of Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(2) there are no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct;

(3) we are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the company and have disclosed to the Auditors and the Audit Committee deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies;

(4) we have indicated, based on our most recent evaluation, wherever applicable, to Auditors and Audit Committee:

   (i) Significant changes, if any, in the internal control over financial reporting during the year;

   (ii) Significant changes, if any, in the accounting policies made during the year and that the same has 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 significant role in the company's internal control system over financial reporting.

Hyderabad
30 May 2017

GV Kumar
Managing Director & CEO

Shridhar Thathachary
CFO

Declaration regarding compliance by Board members and senior management personnel with the company's code of conduct

This is to confirm that the company has adopted a Code of Conduct for the Board of Directors and senior management of the company. The same is available on website of the company at www.megasoft.com. As Managing Director of Megasoft Limited and as required by Regulation 34(3) and Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, I hereby declare that all the Board members and senior management personnel of the company have affirmed compliance with the Code of Conduct for the financial year 2016-17

Hyderabad
30 May 2017

GV Kumar
Managing Director

Independent Auditors' Report on Consolidated Financial Statements

To the members of Megasoft Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Megasoft Limited ('the Holding Company') and its subsidiaries (collectively referred to as 'the Company' or 'the Group'), comprising the consolidated Balance Sheet as at 31 March 2017, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as the consolidated financial statements').

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of the Consolidated financial statements in terms of the requirements of the companies Act, 2013 ('the Act') that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016.The Board of Directors of the company is responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those standards require that we comply with ethical requirements and plan and performance the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment; include 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 considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that given a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true a fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Company, as at 31 March 2017, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1 As required by sub- section 3 of Section 143 of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, as noted in the 'Other Matters' paragraph we report, to the extent applicable, that:

a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

b. In our opinion, proper books of accounts as required by the law relating to the preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of these books;

c. The consolidated balance sheet, the consolidated statement of profit & loss, and the consolidated cash flow statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.;

d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with the Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016;

e. On the basis of the written representations received from the directors of the Holding Company as on 31 March 2017 taken on record by the Board of Directors of the holding Company and the report of the statutory auditors of its subsidiary companies incorporated in India, none of the Directors of the Group Companies is disqualified as on 31 March 2017 from being appointed as Director of that company in terms of sub- section 2 of Section 164 of the Act.

f. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. According to the information and explanation given to us, there were no pending litigation which would impact the financial position of the Company;

ii. The Company did not have any material foreseeable losses on long-term contracts including derivatives contracts; and

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and subsidiary companies incorporated in India.

iv. The Holding Company and its subsidiaries incorporated in India, have provided requisite disclosures in Note 29 to these consolidated financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation of the Holding Company regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Group and as produced by the Management of the Holding Company.

Other Matters

(a) We did not audit the financial statements and other financial information, in respect of foreign subsidiaries, whose financial statements include total assets of ₹ 7,05,2.20 lakhs and total revenues (including other income) of ₹ 5,23,0.16 lakhs. These financial statements and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the report(s) of such other auditors.

Our opinion above on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

For **M/s Srikanth & Shanthi Associates**
Chartered Accountants
[FRN 004006S]

MC Srikanth
Partner
[M.No. 018588]

For **M/s T N Rajendran & Co.**
Chartered Accountants
[FRN 005080S]

T N Rajendran
Partner
[M.No. 028778]

Place : Hyderabad
Date : 30 May 2017

Consolidated Balance Sheet

	Note	As at 31-Mar-2017 ₹ lakhs	As at 31-Mar-2016 ₹ lakhs
EQUITY AND LIABILITIES			
Shareholders' Funds			
(a) Share Capital	3	4,426.73	4,426.73
(b) Reserves & Surplus	4	8,732.32	8,359.21
		13,159.05	12,785.94
Non-Current liabilities			
(a) Long-term borrowings	5	--	--
(b) Deferred tax liabilities (Net)	6	--	28.94
(c) Long-term provisions	7	180.87	156.33
		180.87	185.27
Current liabilities			
(a) Short-term borrowings	8	4,598.06	9,809.76
(b) Trade payables	9	2,889.27	3,188.16
(c) Other current liabilities	10	6,474.66	2,130.97
(d) Short-term provisions	11	108.10	91.40
		14,070.09	15,220.29
Total		**27,410.01**	**28,191.50**
ASSETS			
Non-current assets			
(a) Fixed Assets	12		
(i) Tangible assets		8,080.63	8,721.85
(ii) Intangible assets		448.82	493.99
		8,529.45	9,215.84
(b) Non-current investments		--	--
(c) Deferred tax assets (Net)	6	31.59	--
(d) Goodwill on consolidation	13	10,157.50	10,157.50
		18,718.54	19,373.34
Current Assets			
(a) Trade receivables	14	6,316.53	6,501.19
(b) Cash and cash equivalents	15	115.99	514.16
(c) Short-term loans and advances	16	2,258.95	1,802.81
		8,691.47	8,818.16
Total		**27,410.01**	**28,191.50**

The accompanying notes are an integral part of the consolidated financial statements.

As per our Report of even date attached
for **M/s Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

MC Srikanth
Partner
Membership No.018588

for **M/s TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

TN Rajendran
Partner
Membership No.028778

Place: Hyderabad
Date : 30 May 2017

For and on behalf of the Board

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

Anish Mathew
Director

Shridhar Thathachary
Chief Financial Officer

Anil Kumar Sood
Director

Rakhee Jain
Company Secretary

Consolidated Statement of Profit & Loss

	Note	For the year ended 31-Mar-2017 ₹ lakhs	For the year ended 31-Mar-2016 ₹ lakhs
INCOME			
Revenue from operations		7,014.21	6,568.29
Other Income / (Expenses)	17	697.16	81.55
Total Income		**7,711.37**	**6,649.84**
EXPENSES			
Software, hardware and material costs		1,697.14	406.02
Employee benefits expense	18	2,051.49	2,010.87
Finance cost	19	543.32	787.01
Depreciation	12	511.76	670.28
Other expenses	20	2,692.66	2,598.26
Total Expenses		**7,496.37**	**6,472.44**
PROFIT			
Profit before tax		215.00	177.40
Less: Taxes	21	(51.63)	47.59
Profit for the period		**266.63**	**129.81**
Earnings per share	22		
(equity shares, par value ₹ 10 each)			
Basic (₹)		0.60	0.30
Diluted (₹)		0.60	0.30
Number of shares used in computing			
Basic		44,267,293	44,267,293
Diluted		44,267,293	44,267,293

The accompanying notes are an integral part of the consolidated financial statements.

As per our Report of even date attached
for **M/s Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

MC Srikanth
Partner
Membership No.018588

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Managing Director

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Director

Shridhar Thathachary
Chief Financial Officer

Anil Kumar Sood
Director

Rakhee Jain
Company Secretary

Consolidated Cash Flow Statement

	For the year ended 31-Mar-2017 ₹ lakhs	For the year ended 31-Mar-2016 ₹ lakhs
Cash flows from operating activities		
Profit before taxation	215.00	177.40
Adjustments for:		
Depreciation & Amortisation	511.77	670.28
Loss / (Profit) on sale / discard of Fixed Assets	--	3.34
Provision for retirement benefits	32.31	12.88
Exchange differences on translation (net)	100.89	47.93
Interest received	(4.91)	(4.83)
Finance cost	543.32	787.02
Operating profit before working capital changes	**1,398.37**	**1,694.02**
(Increase) / Decrease in Trade Recievables	184.66	(508.86)
(Increase) / Decrease in Short Term Loans & Advances	(29.14)	(175.25)
(Decrease) / Increase in Current Liabilities	4,044.80	657.86
Taxes paid during the year	(426.97)	(30.97)
Net cash provided by operating activities	**5,171.72**	**1,636.80**
Cash flows from investing activities		
Purchase / acquisition of Fixed Assets	522.92	(1,405.56)
Foreign exchange differences on translation of fixed assets	(348.29)	612.28
Transitional effect of change in the useful life of assets, as per schedule II of the Companies Act 2013	--	(1,589.39)
Goodwill on consolidation	--	--
Investment in other companies	5.59	1,212.30
Interest received	4.91	4.83
Net Cash used for investing activities	**185.13**	**(1,165.54)**
Cash flows from financing activities		
Proceeds from issue of shares including securities premium	--	--
Employees Stock Compensation outstanding	--	--
Business Reconstruction Reserve	--	--
Proceeds from long-term borrowings	--	--
Repayment of long-term borrowings	--	--
Increase / (Decrease) in Short Term Borrowings	(5,211.70)	454.28
Increase / (Decrease) in Long Term Borrowings	--	(0.66)
Dividend paid	--	--
Finance cost	(543.32)	(787.02)
Net cash provided by financing activities	**(5,755.02)**	**(333.40)**
Net increase in cash & cash equivalents	(398.17)	137.86
Cash & Cash equivalents at the beginning of the year	514.16	376.30
Cash & Cash equivalents at the end of the year	**115.99**	**514.16**

As per our Report of even date attached

for **M/s Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

MC Srikanth
Partner
Membership No.018588

for **M/s TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

TN Rajendran
Partner
Membership No.028778

Place: Hyderabad
Date : 30 May 2017

For and on behalf of the Board

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

Anish Mathew
Director

Shridhar Thathachary
Chief Financial Officer

Anil Kumar Sood
Director

Rakhee Jain
Company Secretary

Notes to the consolidated financial statements

[All amounts in the financial statements are presented in Rupees in Lakhs , as otherwise stated]

1 Corporate Information

Megasoft Limited, a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956, on 29 June 1999 and is having its registered office in Chennai. The company's shares are listed on BSE and NSE, in India. The company is a unique trans-nation company with customers, employees and operations across multiple continents and combines the best global practices with a focus on the global telecommunication domain.

Megasoft Limited ("The Company") together with its subsidiary companies (collectively "the Group") is engaged in the business of providing Information Technology services to customer

Name of the Wholly owned Subsidiary Companies	Country of Incorporation	% Holding
XIUS Holding Corp	USA	100%
Xius Corp	USA	100%
XIUS S DE RL DE CV (formerly, Boston Communications Group De Mexico, S.R.L	Mexico	100%
Megasoft Consultants SdnBhd	Malaysia	100%

2 Significant Accounting policies

(i) Basis for preparation

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standards required a change in the accounting policy hitherto in use. The Management evaluates all recently issued or revised accounting standards on an on-going basis.

The financial statements are prepared in accordance with the principle required for the preparation and presentation of consolidated financial statements as laid down under the accounting standards on Consolidated Financial Statements as specified in the Companies (Accounting Standards) Rules, 2006. The financial statements of Megasoft Limited and its subsidiaries have been combined on a line-by-line basis by adding together book values of like item of assets, liabilities, income and expenses after eliminating intragroup balances and transactions and resulting unrealized gain/ loss. The consolidated financial statements are prepared by applying uniform accounting policies in use at the group. Minority interests have been excluded. Exchange difference resulting from the difference due to translation of foreign currency assets and liabilities in subsidiaries is disclosed as foreign currency translation reserve.

(ii) Use of Estimate

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of carrying value of work in progress, provision for doubtful debts and useful life of fixed assets. Actual results could differ from estimates.

(iii) Revenue Recognition

Revenue from software development on time and material basis is recognized based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the milestones achieved as specified in the contracts or on the percentage of completion basis. Provision for estimated losses on incomplete contract is recorded in the period in which such losses become probable based on the current estimates. Revenue from product licenses and related revenue are recognized as follows:

- License fees, on delivery and subsequent milestone schedule as per the terms of the contract with the end user
- Product maintenance revenues, Over the period of the maintenance contract

(iv) Fixed Assets & Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Direct costs such as freight, installation costs, duties and taxes are included in the cost of the asset until the assets are ready to be put to use. Assets acquired under hire purchase / leases are capitalized and the corresponding liability is recorded at an amount equal to the fair value of the hired / leased assets or the present value of the minimum hire/lease payments, whichever is lower, at the inception of the lease/hire purchase. Leased rentals in respect of leased assets are charged to profit and loss Account. Initial costs incurred in connection with specific leasing / hire purchase activities directly attributable to activities performed by the company for a financial lease/hire purchase are included as part of the amount recognized as an asset under the lease/hire purchase.

Depreciation on fixed assets is provided using the straight line method in accordance with the rates specified under the local laws of the respective countries. Depreciation is charged on a pro-rata basis on fixed assets purchased/ sold during the period. Depreciation on assets acquired under financial lease / hire purchases is provided using the straight-line method over the shorter of the lease / hire purchase term and useful life of the asset.

(v) Intangible Assets and Amortization

Intangible assets are stated at cost of acquisition or construction less accumulated amortization and impairment losses if any. Intangible assets are amortized over their estimated useful economic life. Gains or Losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in the statement of profit and losses when the asset is derecognized.

(vi) Impairment of assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying

amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Previously recognized impairment loss is further provided or reversed depending on the changes in circumstances.

(vii) Investments

Investments in subsidiary / other companies are classified as long-term investments and are stated at cost. Any diminution in value is to be determined for each investment individually on the basis of its expected benefits to the Company. The exact quantum of such benefits is dependent on a number of uncertain future events.

(viii) Foreign Currency transactions

The consolidated financial statements are prepared in Indian Rupees, which is the functional currency for Megasoft Limited. The translation of the functional currencies into the reporting currency is performed for assets and liabilities of the foreign subsidiary companies currency exchange rate in effect at the balance sheet date, for revenue, costs and expenses using average exchange rates prevailing during the reporting periods and for share capital, using the exchange rate at the date of the transaction. The resultant translation exchange gain/loss has been disclosed as "Foreign Currency Translation Reserve" under "Reserve & Surplus".

All income and expenditure transactions of the foreign branch during the year are included in these accounts at the average rate of exchange. Monetary assets and liabilities are translated at rates prevailing on the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Depreciation is translated at the rates used for the transaction of the values of the assets on which depreciation is computed. Net gain/loss on foreign currency translation is recognized in the profit & loss Account.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and / or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expenses or income over the life of the contract.

Gain / Losses on settlement of transaction arising on cancelled or renewal of such a forward exchange contract are recognized as income or expenses for the period.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period) is recognized in the profit or loss account for the period.

(ix) Retirement benefits India

Contributions to provident fund are deposited with a recognized provident fund. Provision for gratuity and leave encashment is made on the basis of an actuarial valuation.

Subsidiary companies

Retirement benefits are provided to employees of subsidiary companies in accordance with the local laws and regulations prevailing in the country in which the subsidiary company is located.

(x) Borrowing cost

Borrowing costs other than those directly attributable to qualifying Fixed Assets are recognized as an expense in the period in which they are incurred.

(xi) Taxes

Current tax

Current tax is measured at the amount expected to be paid out or recovered from the tax administration adopting the applicable rates in forces.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonable / virtual certainty (as the case may be) to be realised.

The break-up of major components of the deferred tax assets and liabilities as of each year-end Balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing laws.

(xii) Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation and a reliable estimate can be made of the amount of the obligation. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognized a contingent liability but discloses its existence in the financial statements.

(xiii) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shareholders.

		As at 31-Mar-2017 ₹ lakhs	As at 31-Mar-2016 ₹ lakhs
3	**Share Capital**		
	Authorised		
	75,000,000 Equity Shares of ₹ 10 each	7,500.00	7,500.00
		7,500.00	**7,500.00**
	Issued, Subscribed & Paid-up		
	44,267,293 Equity Shares of ₹ 10 each fully paid-up	4,426.73	4,426.73
		4,426.73	**4,426.73**

The company has only one class of shares referred to as equity shares having a par value of ₹ 10 each. Each holder of the equity share, as reflected in the records of the company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive any of the remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Equity shareholders holding more than 5 percent of equity shares along with the number of equity shares held at the beginning and at the end of the period is as given below:

	No of shares	No of shares
S. Ravindra Babu	2,688,768	2,688,768
Ravindra Babu S (HUF)	512,126	512,126
	3,200,894	3,200,894
	7.24%	7.24%
GV Kumar	2,226,911	2,226,911
	5.03%	5.03%
I Labs Venture Capital Fund	3,762,375	3,762,375
	8.50%	8.50%

The company has not allotted any equity shares by way of bonus shares nor has bought back any equity shares during the period of five years immediately preceding the balance sheet date. The company has not allotted any equity shares without payment being received in cash during the period of five years immediately preceding the balance sheet date.

		As at 31-Mar-2017 ₹ lakhs	As at 31-Mar-2016 ₹ lakhs
4 Reserves & Surplus			
Securities Premium			
Opening Balance		250.66	250.66
Closing Balance		250.66	250.66
Foreign Currency Translation Reserve			
Opening Balance		(2,358.02)	(2,405.95)
Movement during the year		100.89	47.93
Closing Balance		(2,257.13)	(2,358.02)
General Reserve			
Opening Balance	1,327.82		
Add: On Reversal of capital Reserve created against Land by TSIIC to the company	1,218.92		
		2,546.74	1,327.82
Capital Reserve			
Opening Balance	1,218.92		
Less: on Reversal of capital Reserve created against Land by TSIIC to the company	(1,218.92)	--	1,218.92
Add: On Closure of Singapore Subsidiary	5.59		
Closing Balance		5.59	1,218.92
Business Reconstruction Reserve			
Opening Balance		21.38	21.38
Closing Balance		21.38	21.38
Surplus in statement of profit and loss			
Opening Balance		7,898.45	9,322.21
Profit for the period		266.63	129.81
Transitional effect of change in the useful life of assets, as per schedule II of the Companies Act 2013		--	(1,589.39)
Adjustments*		--	35.82
Closing Balance		8,165.08	7,898.45
Total Reserves & Surplus		**8,732.32**	**8,359.21**

* Certain advances made by the wholly owned subsidiary company prior to 2007 (being the date of acquisition of that wholly owned subsidiary) have been set-off to retained earnings by that wholly owned subsidiary

		As at 31-Mar-2017 ₹ lakhs	As at 31-Mar-2016 ₹ lakhs
5	**Long-term borrowings**		
	Secured		
	Foreign Currency Loan from Bank	--	--
	Long term maturities of finance lease obligations	--	--
		--	--
	Pending lease / hire purchase obligations comprising minimum lease / hire payments		
	Not later than one year	--	0.66
	Later than one year and not later than five years	--	--
	Total	--	0.66
	Less: Amounts representing interest	--	--
	Present value of minimum lease payments	--	0.66
	Less : Amount due not later than one year	--	(0.66)
	Amounts due later than one year and not later than five years	--	--
6	**Deferred tax (assets) / liabilities (net)**		
	Fixed Assets	(20.91)	33.20
	Retirement benefits	(10.68)	(4.26)
		(31.59)	**28.94**
7	**Long-term provisions**		
	Provision for retirement benefits (non-funded)	180.87	156.33
		180.87	**156.33**
8	**Short-term borrowings**		
	Secured		
	Working Capital / Demand loan from Bank	4,200.32	7,017.84
	Unsecured		
	From bodies corporate	397.74	2,791.92
		4,598.06	**9,809.76**
	The working capital loan facilities from Banks are secured by a first charge on entire current assets and fixed assets (except company's assets acquired under hire purchase scheme), present and future, of the company.		
9	**Trade payables**		
	Sundry Creditors		
	for goods / services	2,889.27	3,188.16
		2,889.27	**3,188.16**
10	**Other current liabilities**		
	Current maturities of finance lease obligations	--	0.66
	For accrued salaries and benefits	122.46	122.34
	Provision for expenses	2,067.42	1,944.73
	Other payables	4,284.78	63.24
		6,474.66	**2,130.97**
11	**Short-term provisions**		
	Provision for retirement benefits (non-funded)	15.38	7.60
	Provision for taxation (net)	92.72	83.80
		108.10	**91.40**

12 Fixed Assets (₹ lakhs)

	Gross Block					Depreciation					Net Block	
Particulars	**Cost as at 1-Apr-2016**	**Additions**	**Deletions / Adjustments**	**Foreign exchange translation difference**	**Cost as at 31-Mar-2017**	**As at 1-Apr-2016**	**For the period/ year**	**On Deletions / Adjustments**	**Foreign exchange translation difference**	**Total as at 31-Mar-2017**	**As at 31-Mar-2017**	**As at 31-Mar-2016**
(A) Tangible Assets												
Land & Land development	5,665.67	6,100.00	-6,716.07		5,049.60	-	-	-	-	-	5,049.60	5,665.67
Plant & Machinery	93.63	374.01	-101.00	-	366.64	187.92	27.13	-	-3.99	211.06	155.58	-94.29
Computer systems & Software	14,298.36	250.24	-110.76	-291.04	14,146.80	11,292.65	432.39	-	-295.98	11,429.06	2,717.74	3,005.71
Furniture & Fittings	544.70	33.32	-	-8.18	569.84	416.91	17.05	-	-8.56	425.40	144.44	127.79
Vehicles	87.36	-	-2.56		84.80	70.39	1.14	-	-	71.53	13.27	16.97
	20,689.72	6,757.57	-6,930.39	-299.22	20,217.68	11,967.87	477.71	-	-308.53	12,137.05	8,080.63	8,721.85
(B) Intangible Assets					-							
Intellectual Property Rights	68.00	-	-	-	68.00	68.00	-	-	-	68.00	-	-
Patents	1,216.59	-	-	-27.40	1,189.19	722.60	34.05	-	-16.28	740.37	448.82	493.99
	1,284.59	-	-	-27.40	1,257.19	790.60	34.05	-	-16.28	808.37	448.82	493.99
Total	**21,974.31**	**6,757.57**	**-6,930.39**	**-326.62**	**21,474.87**	**12,758.47**	**511.76**	**-**	**-324.81**	**12,945.42**	**8,529.45**	**9,215.84**
Previous year	18,991.43	4,075.84	-1,589.39	496.43	21,974.31	9,895.24	670.28	-1,589.39	603.56	12,758.47	9,215.84	

	As at 31-Mar-2017 ₹ lakhs	As at 31-Mar-2016 ₹ lakhs
13 Goodwill on consolidation		
XIUS Holding Corp		
Accumulated losses on the date of becoming subsidiary i.e. 30 August 2007	10,157.50	10,157.50
	10,157.50	**10,157.50**

Goodwill arising on account of acquisition of subsidiary companies are not being amortised.

14 Trade receivables		
Over six months from the date they were due for payment		
considered good	3,154.94	5,402.21
considered doubtful	--	--
Others - unsecured, considered good	3,161.59	1,098.98
	6,316.53	6,501.19
Less: Provision for doubtful debts	--	--
	6,316.53	**6,501.19**
15 Cash & Bank balances		
Cash on hand	1.59	0.65
Balances with Banks		
In Current Accounts	54.49	453.60
Other Bank balances		
Other Bank Deposits *	59.91	59.91
	115.99	**514.16**

* The balance on deposit accounts which has been pledged as a security, by the company for availing non-fund based facilities.

16 Short-term loans and advances		
Unsecured, considered good		
Loans and advances to employees	8.89	21.98
Other loans and advances	1,574.05	1,539.66
Security Deposits	218.56	210.73
Advance Income-tax	457.45	30.45
	2,258.95	**1,802.82**

	For the year ended 31-Mar-2017 ₹ lakhs	For the year ended 31-Mar-2016 ₹ lakhs
17 Other Income / (Expenses)		
Miscellaneous Income	9.16	--
Interest received	4.91	4.83
Loss / (Profit) on sale / discard of Fixed Assets	733.93	--
Gains / (losses) on foreign currency, net	(50.84)	76.72
	697.16	**81.55**
18 Employee benefits expenses		
Salaries & Bonus including overseas staff expenses	1,936.55	1,902.44
Contribution to Provident & Other Funds	81.76	75.99
Employees Welfare expenses	33.18	32.44
	2,051.49	**2,010.87**
19 Finance cost		
Interest expense	411.94	523.62
Bank charges and commission	131.38	263.40
	543.32	**787.02**

	For the year ended 31-Mar-2017 ₹ lakhs	For the year ended 31-Mar-2016 ₹ lakhs
20 Other expenses		
Services rendered by business associates and others	605.28	596.06
Rent	239.21	259.51
Rates & Taxes	13.08	9.15
Communication expenses	233.58	265.43
Travel & Conveyance	485.10	342.66
Insurance	92.14	70.03
Power & Fuel	102.27	139.45
Repairs & Maintenance		
Machinery	154.08	161.63
Others	74.87	58.49
Printing & Stationery	6.93	10.38
Loss / (Profit) on sale / discard of Fixed Assets	--	3.35
Business Development expenses	199.01	178.61
Legal & Professional expenses	81.55	99.86
Auditors' remuneration	28.06	22.37
Rebates & Discounts	295.08	279.03
Miscellaneous expenses	82.42	102.25
	2,692.66	**2,598.26**
21 Taxes		
Current tax	8.91	5.35
Deferred tax expense / (benefit)	(60.54)	35.43
Earlier year tax	--	6.81
	(51.63)	**47.59**
22 Earnings per share		
Basic		
Profit after tax	266.63	129.81
Weighted average number of equity shares outstanding	44,267,293	44,267,293
Earnings per share - Basic (Rs)	0.60	0.30
Diluted		
Profit after tax	266.63	129.81
Weighted average number of equity shares outstanding	44,267,293	44,267,293
Dilutive effect of stock options outstanding		
Weighted average number of equity shares outstanding	44,267,293	44,267,293
Earnings per share - Diluted (Rs)	0.60	0.30
	As at 31-Mar-2017 ₹ lakhs	**As at 31-Mar-2016 ₹ lakhs**
23 Commitments & Contingencies		
(i) Estimated amount of contracts pending execution on capital account (net of advances)	--	--
(ii) Bank guarantees	326.50	236.69

(iii) Issuance of Stand-by Letter of credit by the company's bankers in respect of working capital loan taken by the wholly owned subsidiary. The said loan taken by the subsidiary is further secured by way of a corporate guarantee of the company.

(iv) The Company has appealed against the Assessment order for a demand of ₹ 6.28 crs for the Assessment year 2012-13 and 2013-14 to CIT Appeals and Income Tax Appellate Tribunal.

(v) In respect of an arbitration moved earlier by a US Client against the company, the structured payment as per mutual agreement were completed and the matter settled in the current year.

24 Related party transactions

A. Associates

Entities controlled by Director/s

D Sudhakar Reddy

NMR Property Development Private Limited	Sricity Holdings India Private Limited
Sricity Private Limited	Sricity Utility Services Private Limited
Suprani Farms Private Limited	Sri Dhruva Builders Private Limited

B. Directors & Key Management Personnel

GV Kumar

D Sudhakar Reddy

	Year ended 31-Mar-2017 ₹ lakhs	Year ended 31-Mar-2016 ₹ lakhs
Associate companies		
Reimbursement of common expenses received	12.50	16.35
Due to / (from)	(2.08)	(2.20)
Directors & Key Management Personnel		
Remuneration to Executive Directors	52.06	52.06
Commission to Non-Executive Directors	--	--
Directors' sitting fees	6.15	5.55

There are no provisions for doubtful debts / advances in respect of related parties as at the Balance Sheet date or amounts written-off or written back during the year in respect of debts due from or to related parties.

25 Segmental Information

Subsequent to divestment of IT Services ('Blue Ally') Division, w.e.f. 1 October 2009, the company has a single reportable segment, that of Telecom.

Secondary segmental reporting is reported on the basis of the geographical location of customers. Geographical revenues are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognised.

Business Segment (Primary)		
Revenues - Telecom	7,014.22	6,568.29
Segment profit	572.93	1,553.15
Less: Finance cost	543.32	787.02
Less: Depreciation	511.77	670.28
Other Income / (Expenses)	697.16	81.55
Profit before taxes	215.00	177.40
Less: Taxes	-51.63	47.59
Profit after taxes	**266.63**	**129.81**
Geographical Segment (Secondary)		
Revenues		
USA & Canada	631.28	847.78
South America & Latam	2,525.12	1,615.58
Middle East & Africa	1,262.56	1,642.26
APAC	2,595.26	2,462.68
	7,014.22	**6,568.29**
Carrying amount of segment assets		
USA & Canada	6,307.47	8,951.42
South America	4,111.32	1,054.98
Middle East & Africa	1,070.54	2,197.63
APAC	5,731.59	5,756.89
	17,220.92	**17,960.92**

26. Employee Benefit Plans:

(a) Provident Fund:

Both the Employees and the company make monthly contributions to the Provident Fund Plan equal to a specified percentage of covered employee's salary. The entire contribution in respect of employees is contributed to the Government administered Employee Provident and Pension Fund.

(b) Defined benefit Plans:

The company offers the following Employee benefit schemes to its Employees

i. Gratuity (unfunded) – The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment based completed years of service or part thereof in excess of six months. Vesting occurs on completion of five years of service.

ii. Post -employment leave encashment (unfunded) – Leave encashment is payable to the employees on separation from the company at retirement, death while in employment or on termination of employment. Employees are not entitled to encash leave while in employment.

The following table sets out the status of the defined benefit schemes and the amount recognised in the financial statements.

(₹ lakhs)

	Gratuity		Privilege Leave	
For the period/year ended	**31-Mar-2017**	**31-Mar-2016**	**31-Mar-2017**	**31-Mar-2016**
Present Value of Projected Benefit Obligation				
Present Value of Benefit Obligation at the Beginning of the period	127.59	114.18	36.33	36.86
Interest Cost	10.15	9.16	2.88	2.96
Service Cost	18.79	18.62	7.2	7.13
(Benefit Paid Directly by the Employer)	-12.99	-22.51	-6.29	-9.21
Actuarial (Gains)/ Losses on Obligations-Due to Change in Demographic Assumptions	3.98	-	2.26	-
Actuarial (Gains)/ Losses on Obligations - Due to Change in Financial Assumptions	5.96	1.29	1.64	0.37
Actuarial (Gains)/ Losses on Obligations - Due to Experience	-0.93	6.85	-0.34	-1.78
Present Value of Benefit Obligation at the End of the period	152.55	127.59	43.68	36.33
Fair Value of Plan Assets		N.A		N.A
Actuarial (Gains)/ Losses Recognised in the Statement of Profit or Loss				
Actuarial (Gains)/ Losses on Obligation For the Period	**9.01**	**8.13**	**3.56**	**-1.41**
Actuarial (Gains)/ Losses on Plan Asset For the Period	-	-	-	-
Subtotal	9.01	8.13	3.56	-1.41
Actuarial (Gains)/ Losses Recognised in the Statement of Profit or Loss	9.01	8.13	3.56	-1.41
Actual Return of Plan Assets		N.A		N.A
Amount Recognised in the Balance Sheet				
(Present Value of Benefit Obligation at the end of the period)	-152.55	-127.59	43.68	-36.33
Fair Value of Plan Assets at the end of the Period	-	-	-	-
Funded Status [Surplus/ (Deficit)]	-152.55	-127.59	-43.68	-36.33
Unrecognised Past Service Cost at the end of the Period	-	-	-	-
Net (Liability)/ Asset Recognised in the Balance Sheet	-152.55	-127.59	-43.68	-36.33
Net Interest Cost				
Present Value of Benefit Obligation at the Beginning of the period	127.59	114.18	36.33	36.86
(Fair Value of Plan Assets at the Beginning of the Period)	-	-	-	-
Net Liability / (Asset) at the Beginning	127.59	114.18	36.33	36.86
Interest Cost	10.15	9.16	2.88	2.96
(Expected Return on Plan Assets)	**-**		**-**	
Net Interest Cost	**10.15**	**9.16**	**2.88**	**2.96**
Expenses Recognised in the Statement of Profit or Loss				
Service Cost	18.79	18.62	7.2	7.13
Net Interest Cost	10.15	9.16	2.88	2.96
Actuarial (Gains)/ Losses	9.01	8.13	3.56	-1.41

Expenses Recognised in the Statement of Profit or Loss	37.95	35.92	13.65	8.68
Balance Sheet Reconciliation				
Opening Net Liability	127.59	114.18	36.33	36.86
Expense Recognised in Statement of Profit or Loss	37.95	35.92	13.65	8.67
(Benefit Paid Directly by the Employer)	12.99	-22.51	-6.29	-9.21
Net Liability / (Asset) Recognised in the Balance Sheet	152.55	127.59	43.68	36.33
Category of Assets		NA		N.A.
Actuarial assumptions				
Expected Return on Plan Assets		N.A.		N.A.
Rate of Discounting	7.51%	7.95%	7.51%	7.95%
Rate of Salary Increase	6.00%	6.00%	6.00%	6.00%
Rate of Employee Turnover	For service 4 Years and below 16.00% p.a & 5.00% p.a thereafter	2.00%	For service 4 Years and below 16.00% p.a & 5.00% p.a thereafter	2.00%

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

* Mortality Rate during Employment – Indian Assures Live Mortality (2006-08)

Experience Adjustments	**31-Mar-17**	**31-Mar-16**	**31-Mar-15**	**31-Dec-13**	**31-Dec-12**	**31-Dec-11**
Gratuity						
Present value of DBO	152.55	127.59	114.18	96.73	94.4	103.18
Fair value of plan assets	-	-	-	-	-	-
Funded status [Surplus / (Deficit)]	-152.55	-127.59	-114.18	-96.73	-94.4	-103.18
Experience gain / (loss) adjustments on plan liabilities	-0.93	6.85	-0.65	0.63	-17.43	1.41
Experience gain / (loss) adjustments on plan assets	-	-	-	-	-	-
Leave Encashment						
Present value of DBO	43.68	36.33	36.86	33.04	37.38	41.46
Fair value of plan assets	-	-	-	-	-	-
Funded status [Surplus / (Deficit)]	43.68	-36.33	-36.86	-33.04	-37.38	-41.46
Experience gain / (loss) adjustments on plan liabilities	-0.34	-1.78	-6.45	-6.08	-2.72	-4.4
Experience gain / (loss) adjustments on plan assets		-	-	-	-	-

29. Disclosure on Specified Bank Notes:

During the year the Company had specified bank notes or denomination note as defined in MCA notification G.S.R. 308 E dated March 30, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from November 08, 2016 to December 30, 2016, the denomination wise SBNs and other notes as per the notification is given below:

Particulars	**SBN**	**Other Denomination Notes**	**Total**
Closing Cash in Hand as on November 08, 2016	0.74	-	0.74
(+) Permitted Receipts	-	4.77	4.77
(-) Permitted Payments	-	3.85	3.85
(-) Amounted deposited in Banks	0.74	-	0.74
Closing Cash In Hand as on December 30, 2016	-	0.92	0.92

Independent Auditors' Report to the Members of Megasoft Limited

To the members of Megasoft Limited

Report on the Standalone Financial Statements

We have audited the accompanying financial statements of Megasoft Limited which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the financial position,financial performance and the cash flows of the company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Companies Act, 2013 (hereinafter referred to as 'the Act') read with Rule 7 of the companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation 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

Our responsibility is to express an opinion on the financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. 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.

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 auditor considers internal financial control relevant to the Company's fair preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true a fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company, as at 31 March 2017, and their profit and their cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. 1.As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the Order.
2. As required by sub-section 3 of section 143 of the Act, we report, to the extent applicable, that:
   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid financial statements;
   b) In our opinion, proper books of accounts as required by the law relating to the preparation of the aforesaid financial statements have been kept so far as it appears from our examination of these books;
   c) The balance sheet, the statement of profit & loss, and the cash flow statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the financial statements;
   d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with the Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;
   e) On the basis of the written representations received from the directors of the Company as on 31 March 2017, and taken on record by the Board of Directors, none of the Directors of the Company is disqualified as on 31st March 2017, from being appointed as Director of that company in terms of sub- section 2 of Section 164 of the Act.
   f) With respect to the adequate of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in Annexure B ; and
   g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
      i. According to the information and explanation given to us, there were no pending litigation which would impact the financial position of the Company;
      ii. The Company did not have any material foreseeable losses, on long-term contracts including derivatives contracts;
      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
      iv. The Company has provided requisite disclosures in Note 31 to these financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the Management.

For **M/s Srikanth & Shanthi Associates**
Chartered Accountants
[FRN 004006S]

MC Srikanth
Partner
[M.No. 018588]

For **M/s T N Rajendran & Co.**
Chartered Accountants
[FRN 005080S]

T N Rajendran
Partner
[M.No. 028778]

Place : Hyderabad
Date : 30 May 2017

Annexure A to the Auditors' Report

The Annexure referred to in Independent Auditors' Report to the Company on the standalone financial statements for the year ended 31 March 2017, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets

(b) The Company has a regular programme of physical verification of its fixed assets were by which fixed assets are verified in phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. This periodicity of physical verification is reasonable having regard to the size of the company and the nature of its assets.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the company.

(ii) The Company is a service company, primarily rendering software services. Accordingly, it does not held any physical inventories. Thus, paragraph 3(ii) of the order is not applicable to the Company.

(iii) According to the information and explanations given to us, the company has not granted any loans other than wholly owned subsidiaries, hence this clause is not applicable.

(iv) In our opinion and according to the information and explanation given to us, the company has complied with the provision of the section 185 and 186 of the Act, with respect to loans and investments made.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014.

(vi) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the company.

(vii) **Statutory Dues:**

(a) According to the information and explanations given to us, and on the basis of our examination of the books of account, the Company has been depositing with the appropriate authorities, except few instances where delayed remittances were noticed, with respect to Provident Fund and Employees State Insurance during the year. However, there were no dues on any of these accounts as of the date of this report.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, service tax, sales tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us following disputed dues payable in respect of income-tax as on 31 March 2017 are as follows:

Nature of Statue	Nature of Demand	Assessment Years	Amount	Forum where the dispute is pending
Income Tax Act 1961	Tax and Interest	2012-13	₹ 3.79 Crores	Income Tax Appellate Tribunal, Chennai
Income Tax Act 1961	Tax and Interest	2013-14	₹ 2.48 Crores	Income Tax CIT Appeal , Chennai

(viii) The Company did not default in repayment of dues to the bank.

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the order is not applicable.

(x) According to the information and explanation given to us, no material fraud by the Company or on the company by its officers or employees has been noticed or reported during the course of our audit.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company and hence reporting under clause 3(xii) of the order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the company, transactions with the related parties are in compliance with sections 177 and 188 where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and based on our examination given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non- cash transactions with directors or persons connected with him as referred to in Section 192 of the Act.

(xvi) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **M/s Srikanth & Shanthi Associates**
Chartered Accountants
[FRN 004006S]

MC Srikanth
Partner
[M.No. 018588]

For **M/s T N Rajendran & Co.**
Chartered Accountants
[FRN 005080S]

T N Rajendran
Partner
[M.No. 028778]

Place : Hyderabad
Date : 30 May 2017

Annexure - B to the Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of The Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of M/s. Megasoft Limited as of 31 March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **M/s Srikanth & Shanthi Associates**
Chartered Accountants
[FRN 004006S]

MC Srikanth
Partner
[M.No. 018588]

For **M/s T N Rajendran & Co.**
Chartered Accountants
[FRN 005080S]

T N Rajendran
Partner
[M.No. 028778]

Place : Hyderabad
Date : 30 May 2017

Balance Sheet

	Note	As at 31-Mar-2017 ₹ lakhs	As at 31-Mar-2016 ₹ lakhs
Shareholders' Funds			
(a) Share Capital	3	4,426.73	4,426.73
(b) Reserves & Surplus	4	10,196.02	10,090.80
		14,622.75	14,517.53
Non-Current liabilities			
(a) Long-term borrowings		--	--
(b) Deferred tax liabilities (Net)	5	--	29.04
(c) Long-term provisions	6	180.86	156.32
		180.86	185.36
Current liabilities			
(a) Short-term borrowings	7	1,602.51	1,670.71
(b) Trade payables	8	1,415.25	1,466.17
(c) Other current liabilities	9	4,984.20	247.54
(d) Short-term provisions	10	108.20	91.52
		8,110.17	3,475.94
Total		**22,913.78**	**18,178.83**
Assets			
Non-current assets			
(a) Fixed Assets	11		
(i) Tangible assets		5,463.55	6,053.30
(ii) Intangible assets		--	--
		5,463.55	6,053.30
(b) Non-current investments	12	5,617.08	5,617.08
(c) Deferred tax assets (Net)	5	31.51	--
		11,112.14	11,670.38
Current Assets			
(a) Trade receivables	13	3,609.77	3,274.91
(b) Cash and cash equivalents	14	73.19	253.08
(c) Short-term loans and advances	15	8,118.68	2,980.46
		11,801.64	6,508.45
Total		**22,913.78**	**18,178.83**

The accompanying notes are an integral part of the standalone financial statements.

As per our Report of even date attached
for **M/s Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

MC Srikanth
Partner
Membership No.018588

for **M/s TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

TN Rajendran
Partner
Membership No.028778

Place: Hyderabad
Date : 30 May 2017

For and on behalf of the Board

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

Anish Mathew
Director

Shridhar Thathachary
Chief Financial Officer

Anil Kumar Sood
Director

Rakhee Jain
Company Secretary

Statement of Profit & Loss

	Note	For the year ended 31-Mar-2017 ₹ lakhs	For the year ended 31-Mar-2016 ₹ lakhs
INCOME			
Revenue from operations		3,104.83	3,003.92
Other Income / (Expenses)	16	688.92	85.21
Total Income		**3,793.75**	**3,089.13**
EXPENSES			
Software, hardware and material costs		927.11	348.47
Employee benefits expense	17	1,590.58	1,462.36
Finance cost	18	182.49	239.56
Depreciation	11	66.84	63.70
Other expenses	19	978.73	885.29
Total Expenses		**3,745.75**	**2,999.38**
PROFIT			
Profit before tax		48.00	89.75
Less: Taxes	20	(51.63)	47.59
Profit for the period		**99.63**	**42.16**
EARNINGS PER SHARE	21		
(equity shares, par value ₹ 10 each)			
Basic (Rs)		0.22	0.10
Diluted (Rs)		0.22	0.10
Number of shares used in computing			
Basic		44,267,293	44,267,293
Diluted		44,267,293	44,267,293

The accompanying notes are an integral part of the standalone financial statements.

As per our Report of even date attached
for **M/s Srikanth & Shanthi Associates**
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Company Secretary

Cash Flow Statement

	For the year ended 31-Mar-2017 ₹ lakhs	For the year ended 31-Mar-2016 ₹ lakhs
Cash flows from operating activities		
Profit before taxation	48.00	89.75
Adjustments for:		
Depreciation & Amortisation	66.84	63.70
Loss / (Profit) on sale / discard of Fixed Assets	--	3.34
Provision for retirement benefits	32.31	12.88
Interest received	(4.91)	(4.83)
Finance cost	182.49	239.56
Operating profit before working capital changes	**324.73**	**404.40**
(Increase) / Decrease in Trade Receivables	(334.86)	(20.45)
(Increase) / Decrease in Short Term Loans & Advances	(4,711.23)	140.61
(Decrease) / Increase in Current Liabilities	4,685.74	88.01
Taxes paid during the year	(427.00)	(29.92)
Net cash provided by operating activities	**(462.62)**	**582.65**
Cash flows from investing activities		
Purchase / acquisition of Fixed Assets	522.92	(1,405.56)
Transitional effect of change in the useful life of assets, as per schedule II of the Companies Act 2013	--	(130.00)
Investment / (divestment) in subsidiary / other companies *	5.59	1,238.62
Interest received	4.91	4.83
Net Cash used for investing activities	**533.42**	**(292.11)**
Cash flows from financing activities		
Employees Stock Compensation outstanding	--	--
Business Reconstruction Reserve	--	--
Proceeds from long-term borrowings	--	--
Repayment of long-term borrowings	--	--
Increase / (Decrease) in Short Term Borrowings	(68.20)	(4.87)
Increase / (Decrease) in Long Term Borrowings	--	(0.66)
Dividend paid	--	--
Finance cost	(182.49)	(239.56)
Net cash provided by financing activities	**(250.69)**	**(245.09)**
Net increase in cash & cash equivalents	(179.89)	45.44
Cash & Cash equivalents at the beginning of the year	253.08	207.64
Cash & Cash equivalents at the end of the year	**73.20**	**253.08**

As per our Report of even date attached
for **M/s Srikanth & Shanthi Associates**
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Company Secretary

Notes to the financial statements

[All amounts in the financial statements are presented in Rupees in Lakhs, as otherwise stated]

1 Corporate Information

Megasoft Limited, a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956, on 29 June 1999 and is registered office in Chennai. The company's shares are listed on BSE and NSE, in India. The company is a unique trans-nation company with customers, employees and operations across multiple continents and combines the best global practices with a focus on the global telecommunication domain.

2 Significant Accounting policies

(i) Basis for preparation

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting policy hitherto in use.

The Management evaluates all recently issued or revised accounting standards on an on-going basis.

(ii) Use of Estimate

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of carrying value of provision for doubtful debts and useful life of fixed assets. Actual results could differ from estimates.

(iii) Revenue Recognition

Revenue from software development on time and material basis is recognized based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the milestones achieved as specified in the contracts or on the percentage of completion basis. Provision for estimated losses on incomplete contract is recorded in the period in which such losses become probable based on the current estimates. Revenue from product licenses and related revenue are recognized as follows:

- License fees, on delivery and subsequent milestone schedule as per the terms of the contract with the end use
- Product maintenance revenues, over the period of the maintenance contract

(iv) Fixed Assets & Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Direct costs such as freight, installation costs, duties and taxes are included in the cost of the asset until the assets are ready to be put to use. Assets acquired under hire purchase / leases are capitalized and the corresponding liability is recorded at an amount equal to the fair value of the hired / leased assets or the present value of the minimum hire/lease payments, whichever is lower, at the inception of the lease/hire purchase. Leased rentals in respect of leased assets are charged to profit and loss Account. Initial costs incurred in connection with specific leasing / hire purchase activities directly attributable to activities performed by the company for a financial lease/hire purchase are included as part of the amount recognized as an asset under the lease/hire purchase.

Depreciation on fixed assets other than computer systems & software is provided using the straight-line method in accordance either the rate specified under Schedule II to the companies Act, 2013. Depreciation on computer system & software other than telecom related assets is provided on the basis of estimated useful life of four years. Depreciation is charged on a pro-rata basis on fixed assets purchased / sold during the year. Depreciation on assets acquired under finance lease/hire purchase is provided using the straight line method over the shorter of the lease/hire purchase term and useful life of the asset.

(v) Intangible Assets and Amortization

Intangible assets are stated at cost of acquisition or construction less accumulated amortization and impairment losses if any. Intangible assets are amortized over their estimated useful economic life. Gains or Losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in the statement of profit and losses when the asset is derecognized.

(vi) Impairment of assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Previously recognized impairment loss is further provided or reversed depending on the changes in circumstances.

(vii) Investments

Investments in subsidiary / other companies are classified as long-term investments and are stated at cost. Any diminution in value is to be determined for each investment individually on the basis of its expected benefits to the Company. The exact quantum of such benefits is dependent on a number of uncertain future events.

(viii) Foreign Currency transactions

Transactions in foreign currency are recorded at the rate of exchange prevailing on the date of the transaction or at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transactions. Current assets and liabilities denominated in foreign currency are translated at the rate of exchange as at Balance Sheet date as per the provisions of AS-11.

All resulting gain or losses are recognized in the profit & loss account. Foreign exchange gain or losses relating to the acquisition of fixed assets are adjusted to the cost of the assets.

All income and expenditure transactions of the foreign branch during the year are included in these accounts at the average rate of exchange. Monetary assets and liabilities are translated at rates prevailing on the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Depreciation is translated at the rates used for the transaction of the values of the assets on which depreciation is computed. Net gain/loss on foreign currency translation is recognized in the profit & loss Account.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and / or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expenses or income over the life of the contract.

Gain / Losses on settlement of transaction arising on cancelled or renewal of such a forward exchange contract are recognized as income or expenses for the period.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period) is recognized in the profit or loss account for the period.

ix. Retirement benefits

Provident Fund

Employees received benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to the Regional Provident Fund equal to a specified percentage of the covered employee's salary. The company has no further obligation under the plan beyond its monthly contributions.

Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a non-funded, defined benefits retirement plan (the "Gratuity Plan") covering all employees. The plan, subject to the provisions of the Act, provides a lump sum payment to vested employees at retirement or termination of employment of an amount based on the respective employee's salary and the years of employment with the company. The Company estimates its liability on adhoc basis in the interim financial reports and on an actuarial valuation basis as of each year-end balance sheet date carried out by an independent actuary, and is charged to profit & loss Account in accordance with AS-15 (revised)

Leave encashment

Leave encashment cost is a defined benefit, and is accrued on adhoc basis in the interim financial reports on an actuarial valuation basis as of each year-end balance sheet date carried out by an independent actuary, and is charged to profit & loss Account in accordance with AS-15 (revised).

(x) Borrowing cost

Borrowing costs other than those directly attributable to qualifying Fixed Assets are recognized as an expense in the period in which they are incurred.

(xi) Taxes

Current tax

Current tax is measured at the amount expected to be paid out or recovered from the tax administration adopting the applicable rates in forces.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonable / virtual certainty (as the case may be) to be realized.

The break-up of major components of the deferred tax assets and liabilities as of each year-end Balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing laws.

(xii) Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation and a reliable estimate can be made of the amount of the obligation. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liable also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliable. The company does not recognized a contingent liability but discloses its existence in the financial statements.

(xiii) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of dilutive potential equity shares.

		As at 31-Mar-2017 ₹ lakhs	As at 31-Mar-2016 ₹ lakhs
3	**Share Capital**		
	Authorised		
	75,000,000 Equity Shares of ₹ 10 each	7,500.00	7,500.00
		7,500.00	**7,500.00**
	Issued, Subscribed & Paid-up		
	44,267,293 Equity Shares of ₹ 10 each fully paid-up	4,426.73	4,426.73
		4,426.73	**4,426.73**

The company has only one class of shares referred to as equity shares having a par value of ₹ 10 each. Each holder of the equity share, as reflected in the records of the company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive any of the remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Equity shareholders holding more than 5 percent of equity shares along with the number of equity shares held at the beginning and at the end of the period is as given below:

	No of shares	No of shares
S. Ravindra Babu	2,688,768	2,688,768
Ravindra Babu S (HUF)	512,126	512,126
	3,200,894	3,200,894
	7.23%	7.23%
GV Kumar	2,226,911	2,226,911
	5.03%	5.03%
I Labs Venture Capital Fund	3,762,375	3,762,375
	8.50%	8.50%

The company has not allotted any equity shares by way of bonus shares nor has bought back any equity shares during the period of five years immediately preceding the balance sheet date. The company has not allotted any equity shares without payment being received in cash during the period of five years immediately preceding the balance sheet date.

			As at 31-Mar-2017 ₹ lakhs	As at 31-Mar-2016 ₹ lakhs
4	**Reserves & Surplus**			
	Securities Premium			
	Opening Balance		250.66	250.66
	Closing Balance		250.66	250.66
	Capital Reserve			
	Opening Balance	1,218.92		
	Less: On Reversal of capital Reserve created against Land by TSIIC to the company	1,218.92	--	1,218.92
	Add: On Closure of Singapore Subsidiary		5.59	
	Closing Balance		5.59	1,218.92
	General Reserve			
	Opening Balance	1,327.82		
	Add: Reversal of Capital Reserve	1,218.92		
			2,546.74	1,327.82
	Closing Balance		2,546.74	1,327.82
	Business Reconstruction Reserve			
	Opening Balance		21.38	21.38
	Closing Balance		21.38	21.38

	Surplus in statement of profit and loss		
	Opening Balance	7,272.01	7,359.86
	Profit for the period	99.63	42.16
	Transitional effect of change in the useful life of assets, as per schedule II of the Companies Act 2013	--	(130.00)
	Closing Balance	7,371.64	7,272.02
	Total Reserves & Surplus	**10,196.02**	**10,090.80**
5	**Deferred tax (assets) / liabilities (net)**		
	Fixed Assets	(20.83)	33.30
	Retirement benefits	(10.68)	(4.26)
	Provision for doubtful debts	--	--
		(31.51)	29.04
6	**Long-term provisions**		
	Provision for retirement benefits (non-funded)	180.87	156.32
		180.87	**156.32**
7	**Short-term borrowings**		
	Secured		
	Working Capital / Demand loan from Bank	1,509.51	1,512.21
	Unsecured	-	-
	From bodies corporate	93.00	158.50
		1,602.51	**1,670.71**

The working capital loan facilities from Banks are secured by a first charge on entire current assets and fixed assets (except company's assets acquired under hire purchase scheme), present and future, of the company.

8	**Trade payables**		
	Sundry Creditors		
	for goods / services	1,415.25	1,466.17
		1,415.25	**1,466.17**

The company has compiled this information based on the current information in its possession. As at the year end, there are suppliers who 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.

9	**Other current liabilities**		
	Current maturities of finance lease obligations	--	0.66
	For accrued salaries and benefits	114.65	113.39
	Provision for expenses	586.32	79.96
	Other payables	4,283.23	53.53
		4,984.20	**247.54**
10	**Short-term provisions**		
	Provision for retirement benefits (non-funded)	15.38	7.60
	Provision for taxation (net)	92.82	83.92
		108.20	**91.52**

11 Depreciation (₹ lakhs)

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1-Apr-2016	Additions	Deletions / Adjustments	Cost as at 31-Mar-2017	As at 1-Apr-2016	For the period/ year	On Deletions / Adjustments	Total as at 31-Mar-2017	As at 31-Mar-2017	As at 31-Mar-2016
	Lakhs	Lakhs	Lakhs	Lakhs	Lakhs	Lakhs	Lakhs	Lakhs	Lakhs	Lakhs
(A) Tangible Assets										
Land & Land development	5,665.67	6,100.00	-6,716.07	5,049.60				-	5,049.60	5,665.67
Plant & Machinery	108.84	31.52		140.36	10.83	13.93	-	24.76	115.60	98.02
Computer systems & Software	1,378.78	67.49	-3.27	1,443.00	1,238.70	51.24	-	1,289.94	153.06	140.08
Furniture & Fittings	181.51	-		181.51	36.88	0.53	-	37.41	144.10	144.63
Vehicles	69.64		-2.56	67.08	64.75	1.14		65.89	1.19	4.90
	7,404.44	**6,199.01**	**-6,721.90**	**6,881.57**	**1,351.16**	**66.84**	**-**	**1,418.00**	**5,463.55**	**6,053.30**
(B) Intangible Assets	-			-				-		
Intellectual Property Rights	68.00	-	-	68.00	68.00	-	-	68.00	-	-
Patents	2.68	-	-	2.68	2.68	-	-	2.68	-	-
	70.68	-	-	70.68	70.68	-	-	70.68	-	-
Total	**7,475.12**	**6,199.01**	**-6,721.90**	**6,952.23**	**1,421.84**	**66.84**	**-**	**1,488.68**	**5,463.55**	**6,053.30**
Previous year	6,202.93	1,402.21	-130.00	7,475.14	1,488.14	63.70	-130.00	1,421.84	6,053.30	

	As at 31-Mar-2017 ₹ lakhs	As at 31-Mar-2016 ₹ lakhs
12 Non-current investments		
Trade (Unquoted) - at cost		
In wholly owned subsidiary companies		
Megasoft Consultants Sdn Bhd	63.63	63.63
A company incorporated in Malaysia		
500,000 ordinary shares of MR 1 each fully paid		
XIUS Holding Corp	5,553.45	5,553.45
A company incorporated in USA		
1,000 ordinary shares of US$ 0.001 each fully paid		
	5,617.08	**5,617.08**
13 Trade receivables		
Over six months from the date they were due for payment		
considered good	2,822.17	2,285.86
considered doubtful	--	--
Others - unsecured, considered good	787.60	989.05
	3,609.77	3,274.91
Less: Provision for doubtful debts	--	--
	3,609.77	**3,274.91**
14 Cash & Bank balances		
Cash on hand	1.59	0.65
Balances with Banks		
In Current Accounts	11.69	192.52
Other Bank balances		
Other Bank Deposits *	59.91	59.91
	73.19	**253.08**

* The balance on deposit accounts which has been pledged as a security, by the company for availing non-fund based facilities.

15 Short-term loans and advances		
Unsecured, considered good		
Loans and advances to employees	8.30	22.36
Loans and advances to subsidiary companies	6,870.90	2,207.96
Other loans and advances	578.21	520.86
Security Deposits	203.84	198.84
Advance Income-tax	457.43	30.44
	8,118.68	**2,980.46**

	For the year ended 31-Mar-2017 ₹ lakhs	For the year ended 31-Mar-2016 ₹ lakhs
16 Other Income / (Expenses)		
Miscellaneous Income	0.02	--
Interest received	4.91	4.83
Loss / (Profit) on sale / discard of Fixed Assets	733.93	--
Gains / (losses) on foreign currency, net	(49.94)	80.38
	688.92	**85.21**

17 Employee benefits expenses		
Salaries & Bonus including overseas staff expenses	1,481.34	1,353.94
Contribution to Provident & Other Funds	81.76	75.98
Employees Welfare expenses	27.48	32.44
	1,590.58	**1,462.36**

Computation of net profit in accordance with Section 197 & 198 of the Companies Act, 2013 and calculation of commission payable to non-executive directors.

Profit after tax	**99.63**	**42.16**
Add:		
Managerial Remuneration	58.28	57.62
Depreciation / impairment as per books	66.84	63.70
Loss on sale / Discard of Fixed Assets	--	3.34
Provision for taxation	(51.63)	47.59
	73.49	**172.26**
Less:		
Depreciation as per Section 123 of the Act	66.84	63.70
Profit on which commission is payable	**106.28**	**150.71**
Commission to Non-Executive Directors		
Maximum allowed as per the Act	1.06	1.50
Commission approved by the Board	--	--

* The liability towards gratuity is provided on an actuarial basis for the company as a whole. The amount pertaining to directors is not individually ascertainable and is therefore not included above.

18 Finance cost		
Interest expense	164.93	215.38
Bank charges and commission	17.56	24.18
	182.49	**239.56**
19 Other expenses		
Services rendered by business associates and others	102.93	63.96
Rent	176.20	164.97
Rates & Taxes	4.60	1.98
Communication expenses	25.43	39.33
Travel & Conveyance	303.66	182.78
Insurance	25.99	38.13
Power & Fuel	67.27	73.67
Repairs & Maintenance		
Machinery	44.33	33.09
Others	67.42	55.10
Printing & Stationery	6.93	10.18
Loss / (Profit) on sale / discard of Fixed Assets	--	3.34
Business Development expenses	28.34	35.27
Legal & Professional expenses	43.73	28.20

	Year ended 31-Mar-2017 ₹ lakhs	Year ended 31-Mar-2016 ₹ lakhs
Auditors' remuneration	18.66	20.39
Rebates & Discounts	--	82.71
Miscellaneous expenses	63.24	52.17
	978.73	**885.29**
20 Taxes		
Current tax	8.91	5.35
Deferred tax expense / (benefit)	(60.54)	35.43
Earlier year tax	--	6.81
	(51.63)	**47.59**

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be continuous, the Company is in the process of continually updating the documentation for the international transactions entered into with the associated enterprises during the financial year. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

21 Earnings per share		
Basic		
Profit after tax	99.63	42.15
Weighted average number of equity shares outstanding	442,67,293	442,67,293
Earnings per share (Rs)	0.22	0.10
Diluted		
Profit after tax	99.63	42.15
Weighted average number of equity shares outstanding	442,67,293	442,67,293
Dilutive effect of stock options outstanding	--	--
Weighted average number of equity shares outstanding	442,67,293	442,67,293
Earnings per share (Rs)	0.22	0.10

	As at 31-Mar-2017 ₹ lakhs	As at 31-Mar-2016 ₹ lakhs
22 Commitments & Contingencies		
(i) Estimated amount of contracts pending execution on capital account (net of advances)		--
(ii) Bank guarantees	326.50	236.69

(iii) Issuance of Stand-by Letter of credit by the company's bankers in respect of working capital loan taken by the wholly owned subsidiary. The said loan taken by the subsidiary is further secured by way of a corporate guarantee of the company.

(iv) The Company has appealed against the Assessment order for a demand of ₹ 6.27 crs for the Assessment year 2012-13 and 2013-14 to CIT Appeals and Income Tax Appellate Tribunal.

23 Related party transactions

A. Wholly owned Subsidiary companies

Megasoft Consultants Sdn Bhd, Malaysia
XIUS Holding Corp , USA
XIUS Corp, USA (Step down subsidiary of XIUS Holding Corp, USA)
XIUS S DE RL DE CV, formerly Boston Communications Group De Mexico, S.R.L (Step down subsidiary of XIUS Holding Corp, USA)

B. Associates

Entities controlled by Director/s

D Sudhakar Reddy

NMR Property Development Private Limited
Sricity Private Limited
Suprani Farms Private Limited
Sricity Holdings India Private Limited
Sricity Utility Services Private Limited
Sri Dhruva Builders Private Limited

C. Directors & Key Management Personnel

GV Kumar
D Sudhakar Reddy

	For the year ended 31-Mar-2017 ₹ lakhs	For the year ended 31-Mar-2016 ₹ lakhs
Wholly owned Subsidiary companies		
Sale of services		
Megasoft Consultants Sdn Bhd	1,201.77	850.64
XIUS Corp , USA	--	--
XIUS S DE RL DE CV (formerly, Boston Communications Group De Mexico, S.R.L)	--	152.68
Software development expenses		
XIUS Corp, USA	--	--
Trade Receivables		
Megasoft Consultants Sdn Bhd	--	--
XIUS Corp, USA	84.16	134.23
XIUS S DE RL DE CV (formerly, Boston Communications Group De Mexico, S.R.L)	79.60	99.50
Short-term loans and advances		
XIUS Holding Corp , USA	6,870.90	2,207.96
Corporate Guarantees for foreign currency loan from bank		
XIUS Holding Corp, USA	2,690.80	5,505.63

	For the year ended 31-Mar-2017 ₹ lakhs	For the year ended 31-Mar-2016 ₹ lakhs
Associates		
Reimbursement of common expenses received	12.50	16.35
Due to / (from)	(2.08)	(2.20)
Directors & Key Management Personnel	-	-
Remuneration to Executive Directors	52.06	52.06
Commission to Non-Executive Directors	--	--
Directors' sitting fees	6.15	5.55
Details of loans and advances in the nature of loans		
(as required by clause 32 of the listing agreement with the stock exchanges)	-	-
Balance at the end of the year	-	-
XIUS Holding Corp, USA	6,870.90	2,207.96
Maximum amount outstanding during the year		
XIUS Holding Corp, USA	6,870.90	2,513.09

There are no provisions for doubtful debts / advances in respect of related parties as at the Balance Sheet date or amounts written-off or written back during the year in respect of debts due from or to related parties.

	Year ended 31-Mar-2017 ₹ lakhs	Year ended 31-Mar-2016 ₹ lakhs
24 Payments to Auditors		
Audit fees (including service tax)	16.05	16.00
Out of pocket expenses	2.61	0.89
Tax matters (including service tax)	--	--
Others (including service tax)	--	3.50
	18.66	**20.39**
25 CIF value of imports		
Capital goods	--	--
Others	--	4.85
	--	**4.85**
26 Expenditure in foreign currency		
Travel expenses	215.34	122.94
Software Development expenses and Hardware material	378.31	55.55
Others	--	6.58
	593.65	**185.07**
27 Earnings in foreign currency		
Software development services	2,537.47	3,003.91

28. Employee Benefit Plans

(a) Provident Fund:
Both the Employees and the company make monthly contributions to the Provident Fund Plan equal to a specified percentage of covered employee's salary. The entire contribution in respect of employees is contributed to the Government administered Employee Provident and Pension Fund.

(b) Defined benefit Plans:
The company offers the following Employee benefit schemes to its Employees

(i) Gratuity (unfunded) – The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment based completed years of service or part there of in excess of six months Vesting occurs on completion of five years of service.

(ii) Post-employment leave encashment (unfunded) – Leave encashment is payable to the employees on separation from the company at retirement, death while in employment or on termination of employment. Employees are not entitled to encash leave while in employment.

The following table sets out the status of the defined benefit schemes and the amount recognised in the financial statements.

(₹ lakhs)

For the period/year ended	Gratuity		Privilege Leave	
	31-Mar-2017	31-Mar-2016	31-Mar-2017	31-Mar-2016
Present Value of Projected Benefit Obligation				
Present Value of Benefit Obligation at the Beginning of the period	127.59	114.18	36.33	36.86
Interest Cost	10.15	9.16	2.88	2.96
Service Cost	18.79	18.62	7.2	7.13
(Benefit Paid Directly by the Employer)	-12.99	-22.51	-6.29	-9.21
Actuarial (Gains)/ Losses on Obligations-Due to Change in Demographic Assumptions	3.98	-	2.26	-
Actuarial (Gains)/ Losses on Obligations - Due to Change in Financial Assumptions	5.96	1.29	1.64	0.37
Actuarial (Gains)/ Losses on Obligations - Due to Experience	-0.93	6.85	-0.34	-1.78
Present Value of Benefit Obligation at the End of the period	152.55	127.59	43.68	36.33
Fair Value of Plan Assets		N.A		N.A
Actuarial (Gains)/ Losses Recognised in the Statement of Profit or Loss				
Actuarial (Gains)/ Losses on Obligation For the Period	9.01	8.13	3.56	-1.41
Actuarial (Gains)/ Losses on Plan Asset For the Period	-	-	-	-
Subtotal	9.01	8.13	3.56	-1.41
Actuarial (Gains)/ Losses Recognised in the Statement of Profit or Loss	9.01	8.13	3.56	-1.41
Actual Return of Plan Assets		N.A		N.A
Amount Recognised in the Balance Sheet				
(Present Value of Benefit Obligation at the end of the period)	-152.55	-127.59	43.68	-36.33
Fair Value of Plan Assets at the end of the Period	-	-	-	-
Funded Status [Surplus/ (Deficit)]	-152.55	-127.59	-43.68	-36.33
Unrecognised Past Service Cost at the end of the Period	-	-	-	-
Net (Liability)/ Asset Recognised in the Balance Sheet	-152.55	-127.59	-43.68	-36.33
Net Interest Cost				
Present Value of Benefit Obligation at the Beginning of the period	127.59	114.18	36.33	36.86
(Fair Value of Plan Assets at the Beginning of the Period)	-	-	-	-
Net Liability / (Asset) at the Beginning	127.59	114.18	36.33	36.86
Interest Cost	10.15	9.16	2.88	2.96
(Expected Return on Plan Assets)	-	-	-	-
Net Interest Cost	10.15	9.16	2.88	2.96
Expenses Recognised in the Statement of Profit or Loss				
For the period/year ended	**Gratuity**		**Privilege Leave**	
	31-Mar-2017	**31-Mar-2016**	**31-Mar-2017**	**31-Mar-2016**
Service Cost	18.79	18.62	7.2	7.13
Net Interest Cost	10.15	9.16	2.88	2.96
Actuarial (Gains)/ Losses	9.01	8.13	3.56	-1.41
Expenses Recognised in the Statement of Profit or Loss	37.95	35.92	13.65	8.68
Balance Sheet Reconciliation				
Opening Net Liability	127.59	114.18	36.33	36.86
Expense Recognised in Statement of Profit or Loss	37.95	35.92	13.65	8.67
(Benefit Paid Directly by the Employer)	12.99	-22.51	-6.29	-9.21
Net Liability / (Asset) Recognised in the Balance Sheet	152.55	127.59	43.68	36.33

Category of Assets		NA		N.A.
Actuarial assumptions				
Expected Return on Plan Assets		N.A.		N.A.
Rate of Discounting	7.51%	7.95%	7.51%	7.95%
Rate of Salary Increase	6.00%	6.00%	6.00%	6.00%
Rate of Employee Turnover	For service 4 Years and below 16.00% p.a & 5.00% p.a thereafter	2.00%	For service 4 Years and below 16.00% p.a & 5.00% p.a thereafter	2.00%

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

* Mortality Rate during Employment – Indian Assures Live Mortality (2006-08)

Experience Adjustments	31-Mar-17	31-Mar-16	31-Mar-15	31-Dec-13	31-Dec-12	31-Dec-11
Gratuity						
Present value of DBO	152.55	127.59	114.18	96.73	94.4	103.18
Fair value of plan assets	-	-	-	-	-	-
Funded status [Surplus / (Deficit)]	-152.55	-127.59	-114.18	-96.73	-94.4	-103.18
Experience gain / (loss) adjustments on plan liabilities	-0.93	6.85	-0.65	0.63	-17.43	1.41
Experience gain / (loss) adjustments on plan assets	-	-	-	-	-	-
Leave Encashment						
Present value of DBO	43.68	36.33	36.86	33.04	37.38	41.46
Fair value of plan assets	-	-	-	-	-	-
Funded status [Surplus / (Deficit)]	43.68	-36.33	-36.86	-33.04	-37.38	-41.46
Experience gain / (loss) adjustments on plan liabilities	-0.34	-1.78	-6.45	-6.08	-2.72	-4.4
Experience gain / (loss) adjustments on plan assets		-	-	-	-	-

29. Segmental Information

The company prepares consolidated financial statements, hence as per Accounting Standard 17 on Segment Reporting, segment information has not been provided in the standalone financial statements.

30. Disclosure on Specified Bank Notes:

During the year the Company had specified bank notes or denomination note as defined in MCA notification G.S.R. 308 E dated March 30, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from November 08, 2016 to December 30, 2016, the denomination wise SBNs and other notes as per the notification is given below:

Particulars	SBN	Other Denomination Notes	Total
Closing Cash in Hand as on November 08, 2016	0.74	-	0.74
(+) Permitted Receipts	-	4.77	4.77
(-) Permitted Payments	-	3.85	3.85
(-) Amounted deposited in Banks	0.74	-	0.74
Closing Cash In Hand as on December 30, 2016	-	0.92	0.92

Notice of the Annual General Meeting

NOTICE is hereby given that the **17th Annual General Meeting** of the Members of **MEGASOFT LIMITED** will be held at 9.00 AM (IST) on Friday, the 28th day of July 2017 at Sri Thyaga Brahma Gana Sabha (Vani Mahal), No.103, G N Road, T Nagar, Chennai 600017 to transact the following business:

Ordinary Business

(1) Adoption of financial statements

To receive, consider and adopt:

(i) the audited financial statements of the Company for the year ended 31st March 2017, the report of the Auditors thereon and the Directors' Report.

(ii) the audited Consolidated Financial statements of the Company for the year period ended 31st March 2017 and the report of the Auditors thereon.

(2) Re-appointment of director

To appoint a Director in place of Mr D Sudhakar Reddy (DIN-00047707), who retires by rotation and, being eligible offers himself for re-appointment.

(3) Re-appointment of director

To appoint a Director in place of Mr GV Kumar (DIN-00059107), who retires by rotation and, being eligible offers himself for re-appointment.

(4) Appointment of statutory auditors

To consider and, if though fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"**RESOLVED THAT** pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and other applicable rules, if any, M/s. N.C. Rajagopal & Co, Chartered Accountants [ICAI Firm Registration No.003398S, Chennai, as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting (AGM) until the conclusion of the Twenty Second (22nd) AGM of the Company to be held in the year 2022 (subject to ratification of their appointment by the Members at every AGM held after this AGM) be and is hereby approved and that the Board of Directors of the Company be and is hereby authorised to fix such remuneration plus service tax, out of pocket and travelling expenses, etc., as may be mutually agreed between the Board of Directors of the Company and the Auditors based on the recommendation of the Audit/Risk & Compliance Committee."

Special Business

(5) Appointment of Branch Auditor

To consider and if thought fit, to pass, with or without modification(s), the following resolution as Ordinary Resolution

"**RESOLVED THAT** pursuant to the provisions of section 143(8) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, and the Rules framed thereunder, the Board be and is hereby authorised to appoint from time to time Branch Auditors of any Branch office of the Company, whether existing or which may be opened / acquired hereafter outside India, based on the recommendation of the Audit / Risk & Compliance Committee, in consultation with the Company's Auditors, any person(s) qualified to act as Branch Auditor within the meaning of section 143(8) of the Companies Act, 2013 and to fix their remuneration."

By order of the Board of Directors
For **Megasoft Limited**

Place : Hyderabad
Date : 30 May 2017

GV Kumar
Managing Director

NOTES

(1) The statement pursuant to Section 102(1) of the Companies Act, 2013 with respect to the special business set out in the Notice is annexed.

(2) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as a proxy to attend and vote on his / her behalf in the meeting and such person can act as a proxy on behalf of members of the company not exceeding 50 (Fifty) and holding in aggregate not more than 10% (Ten percent) of the total shares. A member holding more than 10% (Ten percent) of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

(3) The instrument appointing the Proxy, duly completed must be deposited at the Company's registered office not less than 48 hours before the commencement of the meeting. A proxy form for the ANNUAL GENERAL MEETING is enclosed.

(4) During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the company, provided that not less than three days of notice in writing is given to the Company.

(5) Members/proxies should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.

(6) Proxies submitted on behalf of Limited Companies, Societies and Partnerships firms, etc. must be supported by appropriate resolution / authority as applicable issued by the member organisation.

(7) Corporate members intending to send their authorised representatives to attend the meeting are requested to send to the Company, a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Annual General Meeting.

(8) The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.

(9) The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available for inspection by the members at the Annual General Meeting.

(10) Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.

(11) Members desiring any information with regard to Accounts/ Reports are requested to write to the Company Secretary at least ten days before the meeting so as to enable the management to keep the information ready.

(12) The Register of Members and Share Transfer Books of the Company will remain closed from from 22nd July 2017 to 28th July 2017 (both days inclusive) in terms of the provisions of Section 91 of the Companies Act, 2013 and the applicable regulations of the SEBI Listing Regulations entered into with the Stock Exchanges.

(13) Members who are holding physical shares more than one folio are requested to intimate to the company / Registrar & Share Transfer Agents the details of all their Folio Numbers for consolidation into a single Folio.

(14) Members whose shareholding is in the electronic mode are requested to direct change of address notifications and update bank account details to their respective Depository Participant(s). Members are encouraged to utilise the Electronic Clearing System (ECS) for receiving dividends.

(15) Members are requested to quote their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID number on all correspondences with the Company. The transfer deeds, communication for change of address, bank details, ECS details, mandates (if any), should be lodged with the Registrar & Share Transfer Agents ('RTA') of the Company, Cameo Corporate Services Limited, Chennai. Members whose shares are held in the electronic mode are requested to intimate the same to their respective Depository Participants.

(16) The Company is concerned about the environment and utilises natural resources in a sustainable way. The Ministry of Corporate Affairs ('MCA'), Government of India, has by its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively; permitted companies to send official documents to their shareholders electronically as part of its Green Initiative in Corporate Governance. Recognising the spirit of the Circular issued by the MCA, we are sending documents like Notice convening the General Meetings, Financial Statements, Directors' Report, Auditors' Report, etc., to the email address provided by you with your depositories.

(17) Annual Report 2017 with Attendance Slip and Proxy forms are being sent by electronic mode only to all the members whose email addresses are registered with the Company/Depository Participant(s) for communication purpose unless a member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report are being sent by the permitted mode.

(18) Members may note that the Notice of the 17th Annual General Meeting and the Annual Report 2017 will also be available on the Company's website www.megasoft.com. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Chennai for inspection during normal business hours on working days. Members who require communication in physical form in addition to e-communication, or have any other queries, may write to us at investors@ megasoft.com.

(19) Additional information pursuant to SEBI Listing Regulations in respect of the Directors seeking appointment at the Annual General Meeting is furnished and forms part of the Notice. The directors have furnished the requisite consents/declarations for their appointment/re-appointment.

(20) The Securities and Exchange Board of India ('SEBI') has mandated the submission of Permanent account Number ('PAN') by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.

(21) Voting through electronic means - Pursuant to Section 110 of the Companies Act, 2013 and the Rules framed thereunder and Regulation 44 of the Listing Regulations, the Company is pleased to provide a facility to the members to exercise their right to vote at the 17thAnnual General Meeting by electronic means and all the business shall be transacted through e-voting services provided by CDSL. Instructions for e-voting sent separately along with this notice.

(22) The Company has appointed Mr M Damodaran, Sole proprietor of M/s Damodaran & Associates, Practicing Company Secretaries, Chennai as Scrutinizer for conducting the e-voting process in fair and transparent manner.

The instructions for shareholders voting electronically are as under:

(i) The voting period begins on Tuesday, 25th July 2017 at 9.00 am and ends on Thursday, 27th July 2017 at 5.00 pm. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. 21st July 2017 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

(ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.

(iii) The shareholders should log on to the e-voting website www.evotingindia.com.

(iv) Click on Shareholders.

(v) Now enter your User ID

a. For CDSL: 16 digits beneficiary ID,

b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

c. Members holding shares in Physical Form should enter Folio Number registered with the company.

(vi) Next enter the Image Verification as displayed and Click on Login.

(vii) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

(viii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. • If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

(ix) After entering these details appropriately, click on "SUBMIT" tab.

(x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(xii) Click on the EVSN for the Megasoft Limited on which you choose to vote.

(xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xvii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.

(xviii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xix) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. iPhone and Windows phone users can download the app from the App Store and the Windows Phone Store respectively on or after 30th June 2016. Please follow the instructions as prompted by the mobile app while voting on your mobile.

(xx) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be emailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xxi) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

Explanatory Statement

(Pursuant to Section 102(1) of the Companies Act, 2013)

Item No.4

Members at its 16th Annual General Meeting held on September 26, 2016 ratified the appointment of joint statutory auditors, M/s Srikanth & Shanthi Associates [Firm Registration No.004006S], Chartered Accountants and M/s TN Rajendran & Co. [Firm Registration No.005080S], Chartered Accountants, hold office as auditors of the company till the conclusion of the 17th Annual General Meeting to be held on 28th July 2017.

In accordance to the provisions of section 139 of the Companies Act, 2013, The Board of Directors on the recommendation of the Audit Committee has proposed to appoint **M/s. N.C. Rajagopal & Co**., Chartered Accountants, Firm Registration No. 003398S, as Statutory Auditors in place of the retiring auditors. Further, the Company received the consent thereto along with a declaration from **M/s N.C. Rajagopal & Co.**, Chartered Accountants to the effect that if they will be appointed, it would be in accordance with the provisions of Section 141 of the Companies Act, 2013 and the Rules framed thereunder for appointment as Statutory Auditors of the Company.

None of the directors or key managerial personnel or their relatives is concerned or interested in the Resolution.

The Board recommends the resolution set forth in Item No.4 for the approval of the shareholders.

Item No.5

The Company has branches outside India and may also open / acquire new branches outside India in future. It may be necessary to appoint branch auditors for carrying out the audit of the accounts of such branches to meet the compliance of laws applicable in those countries. The Members are requested to authorise the Board of Directors of the Company to appoint branch auditors in consultation with the Company's Auditors and fix their remuneration.

None of the directors or key managerial personnel or their relatives is concerned or interested in the Resolution.

The Board recommends the resolution set forth in Item No.5 for the approval of the shareholders.

By order of the Board of Directors
For **Megasoft Limited**

Place : Hyderabad
Date : 30 May 2017

GV Kumar
Managing Director

ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE 17TH ANNUAL GENERAL MEETING PURSUANT TO SEBI LISTING REGULATIONS

The brief resume, experience and functional expertise and the membership on the various Boards and Committees, of Directors proposed to be re-appointed / appointed at Sl. Nos. 2&3 of the Notice of the Annual General Meeting as required under the provisions of SEBI Listing Regulations are given below:

Name of the Director	D Sudhakar Reddy	GV Kumar
Date of Birth	15 June 1958	31 July 1966
Date of Appointment	6 March 2000	1 September 2004
Qualification	Fellow Member of The Institute of Chartered Accountants of India	Electrical Engineer with Post Graduate degree in Management
Experience in Specific-functional area	He was in practice for over fifteen years and has over fourteen years of practical experience in the field of finance and administration with corporates.	Founder & CEO of XIUS India Limited (which was merged with the company in 2004) and has over 25 years of experience in IT & Telecom Industries
List of companies in which directorship held in other companies	08	NIL
Chairman / Members of the Committee of the Board of companies in which he is Director	Member of Audit/Risk & Compliance Committee of the company	--
Member of Stakeholders Relationship Committee of the company	Member of Stakeholders Relationship Committee of the company	Member of Stakeholders Relationship Committee of the company
Shareholding in the company	NIL	2226911

Directorship in foreign companies, membership in governing councils, chambers and other bodies, Partnership firms, etc.,are not included. Membership in non-mandatory Committees is also not included.

None of the aforesaid Director is related to each other or to any other Director on the Board of the Company.

PROXY FORM
[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

MEGASOFT

MEGASOFT LIMITED

CIN: L72200TN1999PLC042730
85, Kutchery Road, Mylapore, Chennai 600004, Tamilnadu, India.
www.megasoft.com

Name of the member (s) :

Registered Address : E-mail Id :

Folio No/Client Id : DP ID :

I/We, being the member (s) _____ of shares of the above named company, hereby appoint

1. Name : _____ Address : _____

   E-mail Id : _____ Signature : _____, or failing him

2. Name : _____ Address : _____

   E-mail Id : _____ Signature : _____,or failing him

3. Name : _____ Address : _____

   E-mail Id : _____ Signature : _____, or failing him

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 17th Annual General Meeting to be held on Friday, the 28th day of July 2017 at 09.00 AM at Sri Thyaga Brahma Gana Sabha (Vani Mahal), No.103, G N Road, T Nagar, Chennai 600017 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolution	For	Against	Abstained
Ordinary Business				
1	To consider and adopt: (i) Audited Financial Statements and Report of the Board of Directors and Auditors thereon (ii) Audited Consolidated Financial statements and Reports of the Auditors thereon.			
2	Re-appointment of Mr. D Sudhakar Reddy (DIN-00047707), who retires by rotation			
3	Re-appointment of Mr. GV Kumar (DIN-00059107), who retires by rotation			
4	Appointment of Statutory Auditors			
Special Business				
5	Appointment of Branch auditor			

Signed this _____ day of _____ 2017

Affix ₹ 1/- Revenue Stamp

Signature of shareholder:

Signature of First Proxy holder Signature of Second Proxy holder Signature of Third Proxy holder

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

MEGASOFT

MEGASOFT LIMITED

CIN: L72200TN1999PLC042730
85, Kutchery Road, Mylapore, Chennai 600004, Tamilnadu, India.
www.megasoft.com

ATTENDANCE SLIP

Regd Folio No. _____

DP/ Client ID No.* _____

No. of shares held _____

I hereby certify that I am Member/Proxy for the Member of the Company

I hereby record my presence at the 17thAnnual General Meeting of the Company at at Sri Thyaga Brahma Gana Sabha (Vani Mahal), No.103, G N Road, T Nagar, Chennai 600017 on Friday, the 28th day of July 2017 at 09.00 AM

_____ _____

(Signature of Member /Proxy) Member's /Proxy's name in BLOCK LETTERS

Note: Please Fill up this attendance slip and hand it over at the entrance of the meeting hall
Members are requested to bring their copies of the Annual Report to the Meeting
* For share(s) held in electronic form.

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Disclaimer

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates','estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

THE PRINTT HOUSE 9246585350

Registered office: Megasoft Limited, No 85 Kutchery Road, Mylapore, Chennai 600004