

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2017-18**

To,  
 The Members,  
**OCTAWARE TECHNOLOGIES LIMITED.**

**Financial Highlights**

During the year under review, performance of the company as under:

**Statement of Standalone Audited Results for the Year ended 31.03.2018**

Sr. No	Particulars	(Rs. In Lakhs.)	
		Year Ended Results	
		31.03.2018	31.03.2017
		Audited	Audited
<b>I</b>	Revenue from operations	91.53	73.89
<b>II</b>	Other Income	0.01	18.14
<b>III</b>	Total Revenue (I+II)	<b>91.54</b>	<b>92.02</b>
<b>IV</b>	<b>Expenses</b>		
	(a) Cost of materials consumed	9.36	9.21
	(b) Purchases of stock-in-trade	-	-
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	-	-
	(d) Employee benefits expense	13.65	4.58
	(e) Finance Costs	-	-
	(f) Depreciation and amortisation expense	9.60	9.91
	(g) Other expenses	42.55	38.99
	<b>Total Expenses</b>	<b>75.16</b>	<b>62.69</b>
<b>V</b>	<b>Profit / (Loss) before exceptional and extraordinary items and tax (III-IV)</b>	<b>16.38</b>	<b>29.33</b>
<b>VI</b>	<b>Exceptional items</b>	-	-
<b>VII</b>	<b>Profit / (Loss) before extraordinary items and tax (V-VI)</b>	<b>16.38</b>	<b>29.33</b>
	Extraordinary Items	-	-

<b>VIII</b>			
<b>IX</b>	<b>Profit before tax (VII-VIII)</b>	<b>16.38</b>	<b>29.33</b>
<b>X</b>	<b>Tax Expenses</b>		
(a)	Current Tax	3.60	10.00
(b)	Deferred Tax	-0.79	11.57
<b>XI</b>	<b>Profit/ (Loss) for the period from continuing operations (IX-X)</b>	<b>13.57</b>	<b>7.76</b>
<b>XII</b>	<b>Profit/ (Loss) from discontinuing operations</b>	-	-
<b>XIII</b>	<b>Tax Expenses of discontinuing operations</b>	-	-
<b>XIV</b>	<b>Profit/ (Loss) from discontinuing operations (after tax) (XII-XIII)</b>	-	-
<b>XV</b>	<b>Profit/ (Loss) for the period (XI+XIV)</b>	<b>13.57</b>	<b>7.76</b>
<b>XVI</b>	<b>i. Earning per share(before extraordinary items) (of Rs 10 each) (not annualised)</b>		
	(a) Basic	0.38	0.25
	(b) Diluted	0.38	0.25
	<b>ii. Earning per share(after extraordinary items) (of Rs 10 each) (not annualised)</b>		
	(a) Basic	0.38	0.25
	(b) Diluted	0.38	0.25

<b>Statement of Consolidated Audited Results for the Year ended 31.03.2018</b>			
		<b>(Rs. In Lakhs.)</b>	
	<b>Particulars</b>	<b>Year Ended Results</b>	
		<b>31.03.2018</b>	<b>31.03.2017</b>
		Audited	Audited
<b>I</b>	Revenue from operations	1135.04	779.77
<b>II</b>	Other Income	-5.74	21.00
<b>III</b>	<b>Total Revenue (I+II)</b>	<b>1129.30</b>	<b>800.77</b>
<b>IV</b>	<b>Expenses</b>		
	(a) Cost of materials consumed	9.36	9.21
	(b) Purchases of stock-in-trade	-	-
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	-	-
	(d) Employee benefits expense	267.18	168.85
	(e) Finance Costs	-	-
	(f) Depreciation and amortisation expense	34.86	30.00
	(g) Other expenses	573.04	372.37
	<b>Total Expenses</b>	<b>884.44</b>	<b>580.43</b>
<b>V</b>	<b>Profit / (Loss) before exceptional and extraordinary items and tax (III-IV)</b>	<b>244.86</b>	<b>220.34</b>
<b>VI</b>	<b>Exceptional items</b>	-	-
<b>VII</b>	<b>Profit / (Loss) before extraordinary items and tax (V-VI)</b>	<b>244.86</b>	<b>220.34</b>
<b>VIII</b>	Extraordinary Items	0.78	0.65
<b>IX</b>	<b>Profit before tax (VII-VIII)</b>	<b>244.08</b>	<b>219.69</b>
<b>X</b>	<b>Tax Expenses</b>		
	(a) Current Tax	31.70	30.04
	(b) Deferred Tax	-25.44	-14.95
<b>XI</b>	<b>Profit / (Loss) for the period from continuing operations (IX-X)</b>	<b>238.61</b>	<b>204.60</b>

<b>XII</b>	<b>Profit/ (Loss) from discontinuing operations</b>	-	-
<b>XIII</b>	<b>Tax Expenses of discontinuing operations</b>	-	-
<b>XIV</b>	<b>Profit/ (Loss) from discontinuing operations (after tax) (XII-XIII)</b>	-	-
<b>XV</b>	<b>Profit/ (Loss) for the period (XI+XIV)</b>	<b>238.61</b>	<b>204.60</b>
<b>XVI</b>	<b>i. Earning per share(before extraordinary items) (ofRs 10 each) (not annualised)</b>		
	(a) Basic	6.65	6.65
	(b) Diluted	6.65	6.65
	<b>ii. Earning per share(after extraordinary items) (ofRs 10 each) (not annualised)</b>		
	(a) Basic	6.65	6.65
	(b) Diluted	6.65	6.65

### Review of Operations:

Total Consolidated Income for the year was Rs. 1129.30 Lacs as against last year's Rs 800.77 Lacs. Further during the year company resulting in net profit of Rs. 238.61 Lacs as against previous year profit of Rs. 204.60 Lacs

Your Directors are taking optimum efforts to increase the profits, through aggressive sales campaign.

### Future Outlook

Our client base constitutes customers of diverse sectors encompassing various industries like Healthcare, Education, Telecom, Oil & Gas, Real Estate & Construction, Banking & Financial Services and Manufacturing sectors. Our strategy is to seek new customers and at the same time secure additional engagements from existing customers by providing high quality services and cross-selling new services. Our quality standards, unflinching efforts for punctual order completions and our unmatched overall service have resulted in significant recurring revenue from existing customers and also enabled us to garner clients who are some of the leading banking, financial, healthcare, manufacturing, education and telecommunication names in India and abroad. We believe that our current capabilities and plans for the future ensure that we are well positioned to attract and develop new customer relationships. Business from new customers is accepted upon consideration of factors such as alignment of capabilities and customer expectation, volume of business and future business, potential for close partnership with long-term association, and an analysis of upfront costs.

The following table illustrates the concentration of our revenues among our top customers (₹ in lakhs). Percentage indicates % of total revenue.

			FY 2018		FY 20157		FY 2016
Top 5 customers	68.57	74.92%	67.78	91.74%	198.97	85.25%	
Top 10 customers	88.42	96.60%	73.49	99.47%	231.04	98.99%	

Developed a long-standing relationship with our clients which include companies like, Microsoft, Pitney Bowes, Copernicus Consulting, Integrated Networks, VOIP Connection, Sai Hospital, Essel Propack and Tech Mahindra among others. Further, we continuously endeavour to increase our cliental base and have a dedicated marketing team at several of our Indian and overseas offices for client acquisition.

## Management discussion and Analysis Report

### *Business Overview*

The company is a software development, enterprise solution and consulting firm engaged in the business of providing a range of Information Technology ("IT") solutions to companies across sectors such as Healthcare, Education, Telecom, Oil & Gas, Real Estate & Construction, Banking & Financial Services and Manufacturing sectors. The company design, develop and maintain software systems and solutions, creates new applications and enhances the functionality of the customers' existing software products. The company endeavour to bring together creativity and knowledge with positive business strategy to furnish the requirements of diverse clients with an inclusive range of products and services which are comprehensive and cost-effective so that the client can focus on their core-competencies to improve or expand their businesses. The company delivers services across all stages of the product life-cycle, which enables us to work with a wide-range of customers and allow the company to develop, enhance and deploy customers' software products. The various services offered by the company are Software Development Services, Enterprise Portal, ERP and CRM Implementation, Consulting Services, Mobile Solutions, RFID Solutions, Cloud and IT Infrastructure Services and Geospatial Services. The comprehensive suite of service offerings allow the company to attract new customers and expand existing customer relationships. The company provide an array of products and solutions like PowerERM – Employee Relationship Management, Hospice – Healthcare Solution and iOnAsset – Asset Tracking & Management System, RealWin – Real Estate CRM Solution, Life2Care – Patient Relationship Management, eDocNet – Enterprise Content and Document Management Solution and eQuire – Office Automation and eProcurement Management Solution which help our clients in strategising their business objectives. As an offshore outsourcing company, the company have various offshore development centres in India. Currently, Octaware has 2 offices in India, including registered office and a SEZ office in Mumbai. The company is promoted by Mr. Aslam Khan and Mr. Sajid Hameed who individually have approximate 20 years of experience. Having worked with technology companies like TCS, Microsoft, Citibank and AskMe Inc., Mr. Aslam Khan started Octaware in 2005 pooling all his experience. He was aided by Mr. Sajid Hameed who has rich experience in setting up business, developing markets, managing customers and handling overall businesses. In the year 2006, The company acquired 2 large customers in US and the growth continued with our establishing partner relationships in Qatar in 2007, allowing the company to offer specialised solution for the Middle East market. Later in 2008, The company introduced solutions for

various industries like healthcare, professional services and real-estate industry by investing in in-house product development.

### *Competition*

The market for IT Products and Services is both, highly competitive and rapidly evolving. It has evolved into a consolidated global industry and the company face competition both in the domestic as well as the export markets. The company primarily face competition from the small and large Indian IT services companies as well as international technology services companies which offer broad-based services, offshore captive centres of global corporations and technology firms. The company anticipate this competition to continue to grow as the demand for these services increases and expect additional companies to enter the Indian market. The company expect that further competition will increase and potentially include firms in countries with lower personnel costs than those prevailing in India.

Further, Clients that presently outsource a significant proportion of their IT service requirements to vendors in India may seek to reduce their dependence on one country and outsource work to other offshore destinations such as China, Russia and Eastern European countries. Also, many countries have the advantage of being located in proximity to the company's main export markets of American and European countries. The company also face competition from other countries mainly in US and European countries that have advanced technology and ability to cater to large scale businesses in different parts of the world. There are number of competitors offering products and services similar to the company. Octaware believe the principal elements of competition in IT industry are price, timely delivery and reliability and most importantly pace in keeping up with the required changing technology in the industry. The company has the belief that company's cost effective and integrated offerings, focus on customer satisfaction and reliability combined with quality consciousness provides company with competitive advantage in many of products.

### **Share Capital**

During the year under review, Authorised Share Capital was remained same as earlier i.e. 4,20,00,000.

During the year, the paid-up capital of the company was also remained at 3,59,05,700.

### **Internal Control System and their Adequacy**

The Company has adequate system of internal control to safeguard and protect from loss, unauthorized use or disposition of its assets. All the transactions are properly authorized, recorded and reported to the Management. The Company is following all the applicable Accounting Standards for properly maintaining the books of accounts and reporting financial statements. The internal auditor of the company checks and verifies the internal control and monitors them in accordance with policy adopted by the company.

The Company continues to ensure proper and adequate systems and procedures commensurate with its size and nature of its business.

**Risk Management**

The Company has framed a sound Risk Management Policy to identify and evaluate business risks and opportunities and the same has become integral part of Company's day to day operations. The key business risks identified by the Company are as follows viz. Industry Risk, Management and Operations Risk, Market Risk, Government Policy risk, Liquidity risk, and Systems risk. The Company has in place adequate mitigation plans for the aforesaid risks.

**Subsidiary Companies:**

The company has three subsidiary companies. One is in India that is "Octaware Information Technologies Pvt Limited" and Other two are in Dubai and Qatar namely "Octaware Gulf FZE" and "Octaware Gulf (QFC Branch)".

**Dividend:**

Your Directors do not recommend dividend for the year ended 31<sup>st</sup> March, 2018.

**TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND:**

Since there was no unpaid/unclaimed Dividend declared and paid last year, the provisions of Section 125 of the Companies Act, 2013 do not apply.

**Number of Meetings of the Board**

The Board meets at regular intervals to discuss and decide on Company/business policy and strategy apart from other Board business.

The Board met Five (5) times in financial year 2017-2018 i.e. on 29<sup>th</sup> May, 2017, 17<sup>th</sup> August, 2017, 13<sup>th</sup> November, 2017, 8<sup>th</sup> March, 2018, 28<sup>th</sup> March, 2018.

**Committee of the Board:**

The Company's Board has the following committees:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders' Relationship Committee

As required, the above committees consist of independent directors in majority.

**Directors' Responsibility Statement**

In accordance with the provisions of Section 134(5) of the Companies Act, 2013, your directors confirm that:

- a) in the preparation of the annual accounts for the year ended March 31, 2018, the applicable accounting standards read with requirements set out under schedule III to the Act, have been followed and there are no material departures from the same;
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and of the profit of the Company for the year ended on that date;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts on a 'going concern' basis;
- e) the Directors have laid down internal controls to be followed by the Company and that such internal controls are adequate and are operating effectively; and
- f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

### **Public Deposits**

During the year under review, The company has not accepted any deposit within the meaning of Sections 73 and 74 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 (including any statutory modification(s) or re-enactment(s) for the time being in force).

### **Risk Management**

The Company has in place a mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified by the business and functions are systematically addressed through mitigating actions on a continuing basis. These are discussed at the meeting of the Board of Directors of the Company.

The Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. The Board of Directors reviews adequacy and effectiveness of the Company's internal control environment and monitors the implement of auditors' recommendations.

### **Directors and Key Managerial Personnel**

The composition of Board of Directors and details of Key Managerial Personnel for the F.Y. 2017-2018 are as follows:

Sr. No	Name of the Person	Category	With effect from and Tenure
1	Mohammed Aslam Khan	Chairman and Managing Director	November 9, 2015-For a period of 3 years



2	Sajid Iqbal Abdul Hameed	Whole Time Director, CFO	November 9, 2015-For a period of 3 years
3	Mohammed Siraj Gunwan	Whole Time Director	November 9, 2015-For a period of 3 years
4	Shariq Nisar	Independent Director	November 9, 2015-For a period of 5 years
5	Krishnan Narayanan	Independent Director	November 9, 2015-For a period of 5 years
6	Usha Mishra	Additional Director (Independent)	March 29, 2018- For a period of 5 years
7	Muzammil Memon	Company Secretary	November 20, 2015
8	Sarika Lidoria (Resigned)	Independent Director	Resigned on March 19, 2018

Ms. Sarika Lidoria resigned from the post of Independent Director on 19<sup>th</sup> March, 2018 and Ms. Usha Mishra was appointed as Additional Director (Independent) w.e.f. 29<sup>th</sup> March, 2018.

### **Particulars of Employees**

The information required pursuant to Section 197 read with rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, will be provided upon request. In terms of Section 136 of the Act, the reports and accounts are being sent to the members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the members at the Registered office of the company during business hours on working days of the company up to the date of ensuing Annual General Meeting. If any member is interested in inspecting the same, such member may write to the company secretary in advance.

### **Auditors' Appointment**

M/s. MVK Associates, Chartered Accountants, Statutory Auditors, holds office till the conclusion of the ensuing Annual General Meeting. Your Board recommends M/s. MVK Associates, Chartered Accountants appointment as Statutory Auditors from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

Pursuant to the provision of section 138 of the Companies Act, 2013 and the Companies (Accounts) Rules, 2014 the Company has appointed M/s. Ashok K. Surana & Associates, Chartered Accountants to undertake the Internal Audit of the Company for the F.Y. 2018-19. There stood no adverse finding & reporting by the Internal Auditor in the Internal Audit Report for the year ended 31st March, 2018.

### **Comments on Auditors Report**

The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark or disclaimers. The Statutory Auditors have not reported any incident of fraud in the year under review.

**Particulars of Loan given, Investment made, Guarantees given and Securities Provided (Section 186)**

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the said provision is not applicable.

**Particulars of Contracts or Arrangements with Related Parties referred to in Section 188(1)**

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. The particulars of contracts or arrangements with related parties referred to in Section 188(1), as prescribed in Form AOC - 2 of the rules prescribed under Chapter IX relating to Accounts of Companies under the Companies Act, 2013, is appended as Annexure I.

**Material changes and commitments affecting the financial position of the Company**

There have been no material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars regarding foreign exchange earnings and outgo appear as separate items in the notes to the Accounts. Since the Company does not own any manufacturing facility, the other particulars relating to conservation of energy and technology absorption stipulated in the Companies (Accounts) Rules, 2014 are not applicable.

**Extract of Annual Return**

The extract of Annual Return, in format MGT -9, for the Financial Year 2017-18 has been enclosed with this report in Annexure II.

**Secretarial Auditor & Report**

The Board of Directors of the Company has appointed M/s. C. B. Jain & Associates, Practicing Company Secretary to conduct the Secretarial Audit and their Report on Company's Secretarial Audit is appended to this Report as Annexure III.

**Corporate Social Responsibility**

As per Regulation 34(3) and Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate Section on Corporate Governance on corporate governance practices followed by the Company an integral part of this Report. The Report has been attached in Annexure IV.

**Statement on declaration given by independent directors under section 149 of the Companies Act, 2013**

As required under provisions of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all Independent Directors of the Company have confirmed that they meet the requisite criteria of independence.

**Disclosure under the sexual harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has zero tolerance for sexual harassment at its workplace. The Company has adopted an Anti-harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaint Committee are set up to redress complaints received regularly and are monitored by women line supervisors who directly report to the Chairman & Managing Director. All female employees are covered under the policy

**Acknowledgement**

Your Directors would like to express their sincere appreciation for the assistance and co-operation received from the banks, Government authorities, customers, vendors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the Company's executives, staff and workers.

By Order of the Board of Directors  
*For Octaware Technologies Limited*

Sd/-  
Mohammed Aslam Khan  
Chairman & Managing Director  
DIN No:00016438

Place: Mumbai  
Date: 03-09-2018