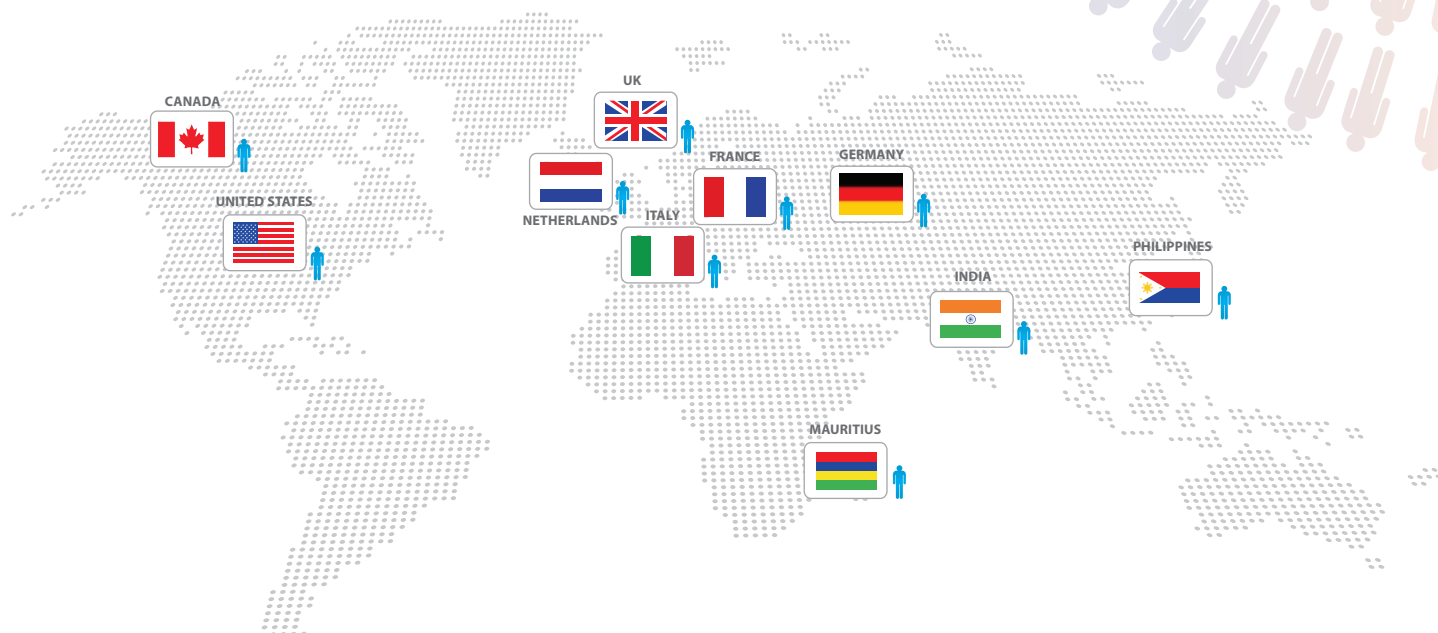




CREATING VALUE WITH BUSINESS EXCELLENCE

ACT LOCAL, THINK GLOBAL

HGS business excellence models benefit our client processes by leveraging local expertise and global best practices to deliver enhanced business performance.



UNITED STATES ◦ PEORIA ◦ WATERLOO ◦ EL PASO ◦ ST. LOUIS ◦ WARRENVILLE ◦ GREENFIELD	INDIA ◦ BANGALORE ◦ MUMBAI ◦ CHENNAI ◦ NAGERCOIL ◦ NEW DELHI ◦ HYDERABAD ◦ DURGAPUR ◦ MYSORE ◦ GUNTUR ◦ SILIGURI	PHILIPPINES ◦ MANILA ◦ ILOILO	CANADA ◦ MONTREAL ◦ DARTMOUTH ◦ CHARLOTTETOWN ◦ MONTAGUE ◦ KENTVILLE ◦ ANTIGONISH ◦ LIVERPOOL ◦ TIMMINS ◦ PEMBROKE ◦ NORTHBAY ◦ THUNDERBAY	UK ◦ LONDON ◦ SELKIRK
ITALY ◦ ROME	GERMANY ◦ HAMBURG	NETHERLANDS ◦ ROTTERDAM	MAURITIUS ◦ ROSE HILL	FRANCE ◦ PARIS



AUTOMOTIVE



BANKING & FINANCIAL SERVICES



CHEMICALS & BIOTECHNOLOGY



CONSUMER (PRODUCTS & SERVICES)



HEALTHCARE



LOGISTICS & TRANSPORTATION



MEDIA



PHARMACEUTICALS



TECHNOLOGY



TELECOMMUNICATION



GOVERNMENT & PUBLIC SECTOR



RETAIL STORE

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Mission

To Make Our Customers
More Competitive

Vision

To be a globally preferred business
process transformation partner
for our clients, creating value in
their business through innovative
outsourcing solutions.

Values

Based on the Founder's **five Principles**, HGS has evolved the following set of Seven Values that inspire and energise every employee of the Company and its subsidiaries:

▶ Customer Focus

Our customer is in the centre of whatever we do. We listen to our customers, anticipate and consistently meet and exceed their expectations. We create value in partnership with clients.

▶ Global Mindset

We think globally and the world is our stage to play in. In all our operating geographies, we respect cultural diversity and provide equal opportunities for all of our employees to voice their opinions, to learn, contribute and to grow.

▶ Total Quality

We are passionate about quality. We believe in continuous improvements through innovation, process improvement and team work.

▶ Pride in Execution

Our work is our passion. We deliver consistently superior business results by excelling in whatever we do for our clients.

▶ People Empowerment

We encourage employees to take risk and ownership for all their actions, take pride in their achievements and celebrate small successes.

▶ Sustained Growth

We are driven to grow our businesses rapidly and profitably to create value for all our stakeholders; viz., shareholders, customers, employees and society as a whole.

▶ Integrity

We act ethically, honestly and with transparency. Honesty is the cornerstone in all our dealings, be it with our employees, customers, suppliers, partners, shareholders, the communities we serve or the Government.



Shri Parmanand Deepchand Hinduja
Founder - Hinduja Group

The five principles distilled from the lifetime experience of the Founder of Hinduja Group, Late Shri Parmanand D. Hinduja, serve as the cultural cornerstones of the businesses of the Group, leading to a synergistic and creative partnership of professional management and entrepreneurship among the Group Companies.

- **Work to Give**
- **Word is a Bond**
- **Act Local, Think Global**
- **Partnership for Growth**
- **Advance Fearlessly**

BOARD OF DIRECTORS

Hinduja Global Solutions Limited



From left to right: Mr. Rangan Mohan, Mr. Rajendra P. Chitale, Mr. Ramkrishan P. Hinduja, Ms. Vinoo S. Hinduja, Mr. Dheeraj G. Hinduja, Mr. Anil Harish

CHAIRMAN'S MESSAGE

Dear Shareholders,

Your Company, Hinduja Global Solutions, has set a new record for Revenue and EBIDTA in a global economic environment that is yet to recover from the aftermath of 2008. Our largest market, the U.S., struggles with high unemployment; the uncertainty of the Euro zone still remains and the slow economic growth in India doesn't help the picture. Nonetheless, your Company achieved this record with significant organic growth along with two new acquisitions. An acquisition in Canada has further reduced your Company's revenue concentration in its largest market in the US, and another acquisition in India has added capability in the new horizontal of Human Resource Outsourcing (HRO).

Last year, I shared with you the Company's ROC strategy to focus on three initiatives, namely: Right Shore, One Experience and Cross Sell; so as to become a globally preferred business transformation partner to its clients. The ROC strategy has proven to be a successful one and is now a journey and not a destination. As we continue down this path, we inevitably build business excellence and are bound to create sustainable value for all our stakeholders over time.

During FY '12, we made significant progress on each of the three fronts. The number of clients who took advantage of our right-shore capability increased, extending the HGS relationship to multiple geographies. Not only have we adopted a single brand across the globe, but we have also developed and implemented a Business Excellence framework to ensure that our clients get the same level of excellence from our delivery centres across the multiple countries that we operate in. This is based on four core pillars: organizational capability, compliance & audits, quality and continuous improvement. It ensures that as we strengthen our global integration and take the best from each of the locations to constantly improve ourselves, we enhance our clients' satisfaction with the delivery process. In addition, the best practices across industry verticals and horizontal capabilities are also adapted globally. The give and take involved in this process contributes significantly to our success in implementing the ROC strategy and in de-risking our growth.

The ROC strategy has proved to be a successful one and is now a journey and not a destination.

Further, more and more of our customers are now looking at HGS as a 'service partner' as opposed to a 'service provider', allowing HGS to deliver more than one type of outsourcing service across HGS's expanding offerings. Your Company has done this while integrating the two new acquisitions that expanded geography and capability.

Looking back at your Company since the demerger on October 1, 06 provides a clear perspective of what has been achieved. For the first six months after the demerger, annualised revenue for second half of FY '07 at Rs. 531 crore was already 74% higher than the pre-demerger annualised IT-ITeS revenue of Rs. 304 crore for the predecessor company. From the second half of FY '07, the revenue increased almost three-folds to Rs. 1,554 crore in FY '12. For the same period, annualised EBIDTA has grown about three and a half times from Rs. 53 crore to Rs. 184 crore and annualised Profit After Tax (PAT) nearly doubled from Rs. 59 crore to Rs. 106 crore.

During these five years, your Company has used cash cautiously, and raised debt where it was found to be more efficient, for making acquisitions that successfully diversified its business across

geographies, industries and clients. Cash and Cash Equivalents have grown from Rs. 622 crore as on the date of demerger to Rs. 720 crore at the end of FY '12.

All of the past successes of your Company, and the record performance in FY '12, would not have been possible without the undeterred support, guidance and vision of the Hinduja Group Chairman Shri S. P. Hinduja and your Chairman-Emeritus Shri A. P. Hinduja; as well as the support and help of other members of the Hinduja Group and family. The credit for the success and execution of the stated strategy of your Company is shared by each and every stakeholder, without whom this success would not have been possible. I would like to take this opportunity to especially thank the CEO, the management team and every one of our 24,000 employees for their full time dedication and commitment to the HGS story, as well as our board members whose invaluable wisdom has assisted the company to navigate through these difficult times, and last but by no means the least, each and every shareholder for believing in HGS.

I am even more encouraged, about the opportunities ahead of us and about our management team's ability to seize the best of them for the benefit of all our stakeholders.

On behalf of the Board, I congratulate 'Team-HGS' for yet another record year of performance.

Yours sincerely,



Ramkrishnan P Hinduja

Chairman

June 30, 2012





...these are exciting times for HGS. A strong foundation has been laid for the creation of a truly global Indian multinational. Eleven years into our existence, we are now poised to enter into a different trajectory of growth and success.

Partha DeSarkar
Chief Executive Officer

CEO'S MESSAGE

Dear Shareholders,

It is my pleasure to share with you the momentous journey that HGS has gone through in the year 2011-12. This has truly been an extraordinary year for HGS. Operating revenues have grown by 45%, and stand at Rs. 1,554 crore. This is the highest growth rate achieved by the company to date. I am proud to say that this has been achieved, despite an unfavourable global macro-economic environment.

This growth has been achieved with significant increase in profit. Our EBITDA grew from Rs. 155 crore to Rs. 184 crore.

These results have encouraged the Board to recommend a dividend of 200%, or Rs. 20 per share, which has been consistent over the last three years.

On the business front, we have seen strong growth in all countries that we operate in – India, Philippines, UK, US and Canada. Our India domestic revenues have grown organically from Rs. 129 crore to Rs. 168 crore. We have also entered a new domain of Human Resource Outsourcing, and Finance and Accounting services through our acquisition of HGS Business Services (formerly HCCA Business Services). HGS Business Services comes with a long list of marquee clients in the banking and financial services industry. This has also given HGS an entry into the financial services space in India.

HGS has been awarded Capability Level 4 eSCM-SP Certification. HGS sites across India, Philippines, and United States achieved Capability Level 4 certification in their first Evaluation for the Certification.

The export business from India has done well too. It has grown from Rs. 210 crore to Rs. 246 crore. Our rapid growth has encouraged us to set up a second SEZ facility and expand our existing capacity in Bangalore.

In Philippines, our business has grown from Rs. 205 crore to Rs. 246 crore. We continue to see great potential for

growth for our Philippines business and have added two new sites.

Our revenue from the UK has grown from GBP 15.6 million (June 2010 to March 2011) to GBP 25 million - a landmark achievement, considering the fact that we operate in a fairly uncertain economic environment there, right in the middle of the Euro zone crisis. This performance vindicates our decision to acquire the Careline business in 2010. We have also successfully penetrated the public sector, winning two highly visible deals. We have also expanded our operations into mainland Europe, by setting up centres in Hamburg, Rotterdam, Rome and Paris. We expect these operations to act as our entry into these new markets.

The US domestic business has grown from USD 83.8 million to USD 84.5 million. Over a period of time, through strategic initiatives, we have reduced the dependence on US from 100% to 57%, by diversifying our businesses into newer markets like the UK and Canada.

With our acquisition of OLS in August, 2011, we have significantly increased our presence in Canada, a market with high potential for outsourcing and off-shoring. OLS has 10 operating centres and services highly respected brands in telecom and media, consumer electronics and financial services. We are very excited by the contribution that OLS and Canada can make in our growth plans.

Along with this great growth story, it is my pleasure to share with you the news that HGS has been awarded Capability Level 4 eSCM-SP Certification. HGS sites across India, Philippines, and United States achieved Capability Level 4 certification in their first Evaluation for the Certification. HGS is the first service provider to be eSCM-SP certified in the Philippines, and is the first service provider in the United States to have acquired eSCM-SP Capability Level 4 certification – a unique achievement. eSCM-SP will help HGS attain a competitive edge through increased efficiencies and enhance the existing credibility and reliability that HGS has across the industry globally.

This evidences our commitment to excellence and the robustness of our comprehensive Business Excellence framework and the uniformity and institutionalization of processes across our multiple geographies.

Let me now delve on what our customers tell us. In 2009, HGS initiated its first ever global customer satisfaction survey, conducted by an independent third-party organization. This year, we have been rated highly on all key outcome measures – Satisfaction, Loyalty, Advocacy and Value for Money, when compared with five firms that we compete with. We are “best-in-class” on Loyalty and more than 70% of our customers have rated us 6 or 7 on a 7-point scale on Satisfaction, Loyalty and Advocacy.

The high response rates and the high ratings on key outcome measures are a validation that our customers have stopped looking at HGS as vendor and consider us as a partner who creates value for them.

Moving on to people, our global headcount has gone up from 19,442 to nearly 24,000. Of our total headcount, 63% is in India and 37% is outside India, making us one of the few truly global multinationals headquartered in India. We are obviously very proud of this achievement, because it is a true demonstration of one of our values of being “Globally Local”. Through a series of strategic interventions, we have been able to reduce our attrition numbers this year, a reflection of our commitment to our people. This being a human resource intensive business, we are indeed happy to report this improvement.

I would now like to touch upon our global rebranding exercise that we launched in August last year. Our new corporate identity has been rolled out in India, Philippines, the US and Mauritius. By mid-2012, it would also roll out in the UK and Canada, when we rebrand Careline and OLS as well. Once that is completed, we will be truly One HGS worldwide, another significant achievement in our history.

As you may be aware, we offer our services to three main industry groups:

- Telecom & Technology
- Healthcare
- Consumer (Products & Services)

Telecom worldwide is a growth vertical, with new technology and innovation bringing in convergence and connectivity across the globe in a more affordable manner. We expect the growth momentum to continue in the near future. In the healthcare vertical, health insurance for the US market is our strongest offering and we are very bullish about its prospects in the future. It may also be called a recession-proof vertical. This year, we will be working on broad-basing this offering to newer markets like the UK, Canada and India. So far, as consumer products are concerned, there is some pressure on our clients who operate in the consumer durable industry because consumer durable players worldwide are under some pricing

pressure in these recessionary times. But our clients in the consumer packaged goods space have continued to do well and are all growing with us. Overall, it can be said that the industries that we have been focusing on are expected to do well in the foreseeable future, and that is indeed reassuring for our business.

Our service offerings can be broadly segregated into two – voice based CRM services and back-office transaction processing services. Of the two, voice based CRM contributes about 85% of our revenues, and back-office transaction processing services contribute the balance 15%. We are doing well in both these service lines. Voice-based CRM services are expected to grow well; in addition, we will also see significant growth in non-voice based CRM services. We have now added a new capability to our suite of services in the Human Resource Outsourcing space by acquiring HGS Business Services. HR Outsourcing is a fast-growing business, and we are confident that we will be able to increase our market share in that business too.

In conclusion, these are exciting times for HGS. A strong foundation has been laid for the creation of a truly global Indian multinational. Eleven years into our existence, we are now poised to enter into a different trajectory of growth and success. We are encouraged by the support we have received from you, our shareholders, to execute on our vision of growth and progress, to become a preferred business transformation partner for our clients. Even after a decade, it is still apt to say that the journey has just begun, and there is a long road ahead of us, of excitement, opportunities and dreams.

Yours sincerely,



Partha DeSarkar

Chief Executive Officer

June 30, 2012

BUSINESS VERTICALS

Pharmaceuticals



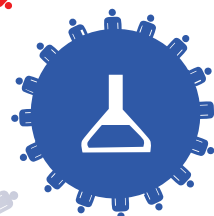
Government & Public Sector



Logistics & Transportation



Chemicals & Biotechnology



Retail Store



Healthcare



Banking & Financial Services



Automotive



Telecommunications



Media



Consumer (Products & Services)



Technology



BUSINESS EXCELLENCE

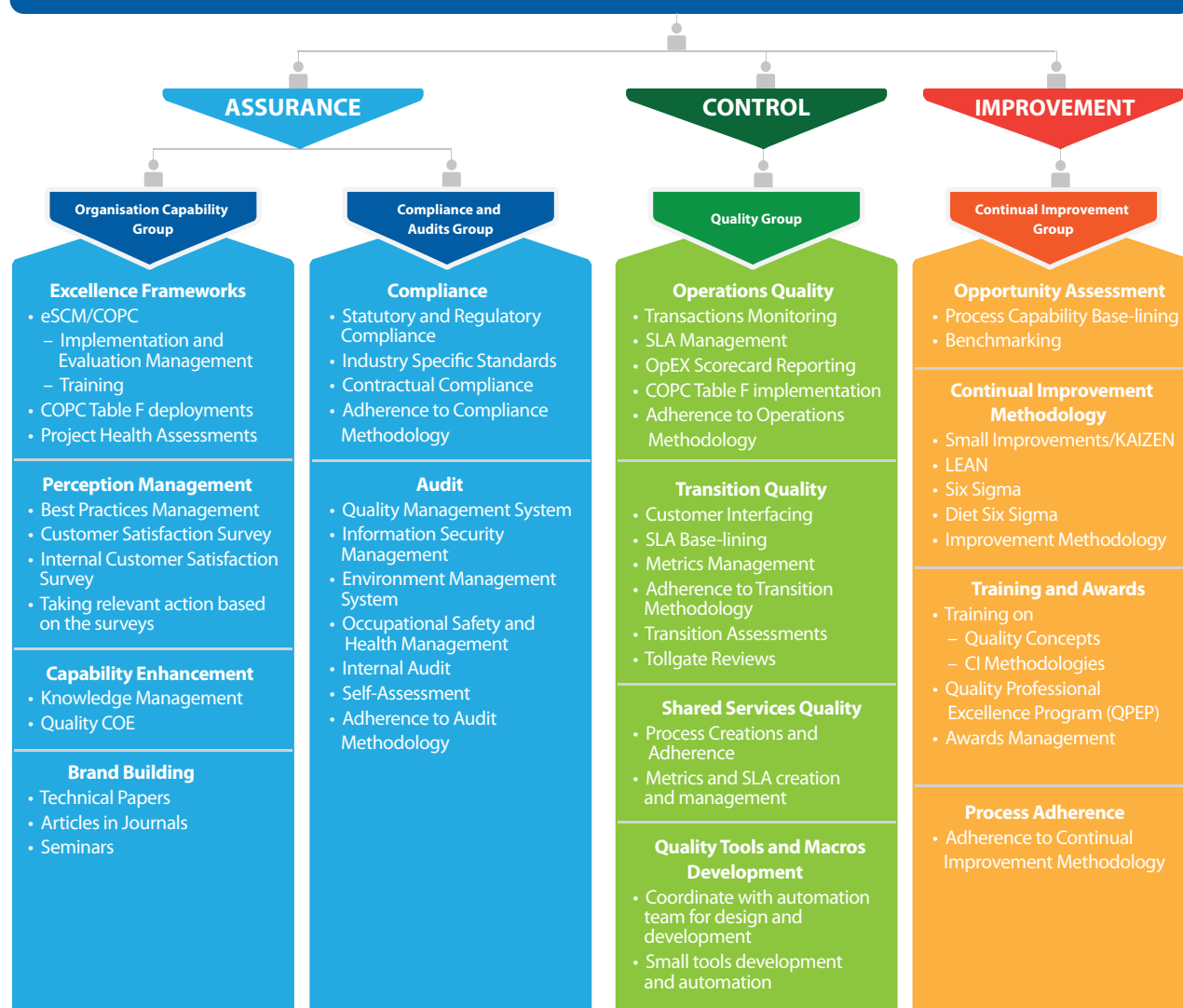
Today, outsourcing is no longer just a cost arbitrage, it is maturing towards being an added value to a company's existing business. In this volatile operational environment, HGS as an organisation prioritises Business Excellence. To sustain Business Excellence across its multiple geographies, a comprehensive and robust Business Excellence Framework has been developed. The HGS Business Excellence (BE) framework is based on the classical trilogy of quality assurance, control and improvement. This framework has four pillars which are led by senior managers and dedicated quality professionals:

- Organisation Capability Group
- Compliance and Audits Group
- Quality Group
- Continual Improvement Group

The Business Excellence framework in HGS works to achieve standardisation of processes, uniformity of practices, usage of similar tools and methodologies, and fungibility of people to deliver consistent high quality service and experience to its customers globally. Under the umbrella of BE Framework many methodologies, initiatives, platforms and models are used in HGS to ensure efficient functioning of processes. Here are some of the key programs that we have implemented globally:

SPARK (Sharing Practices and Replicating Knowledge) is a common platform to share knowledge globally. The portal is a one stop shop for all our knowledge assets. It is now being used extensively by our team globally for sharing, replicating and utilising the knowledge assets by our sales team for showcasing them during sales pitches and drafting RFPs and RFIs for prospective clients.

The HGS Business Excellence Framework



QPEP (Quality Professionals Excellence Program) - a program to enhance the knowledge base of our quality professionals. All our employees working in the Business Excellence/Quality function go through a structured training program that leads to a certification at the end of the successful completion.

AIM (All Ideas Matter) - an idea generation portal was launched globally to leverage on the immense knowledge of our employees. This is based on the principles of KAIZEN, the Toyota methodology for small improvement. This involves the frontend employees of HGS on our journey to excellence.

ICSAT (Internal Customer Satisfaction Survey) is our half-yearly survey where feedback is sought on the performance of the support functions. The survey enables us to continuously improve on service levels and make changes to existing practices and processes.

Suite of methodologies created by HGS have enabled it in standardisation of processes and creating efficiencies in the system.

- Operations Methodology
- Transition Methodology
- Business Development Methodology
- Continual Improvement Methodology
- Audit Methodology & Compliance Methodology
- Support Functions Metrics Methodology

Self Assessment – The health of a process is checked by the process itself with an automated self assessment tool, which captures the conformities and non-conformities against requirements of various quality standards and global excellence models. It also ensures adherence to our various methodologies.

CSAT – HGS initiated the first ever global customer satisfaction survey, conducted by an independent third-party organization. The response rate was at 69.7% in 2009, 75.7% in 2010 and a phenomenal 77.4% in 2011 - a response rate that is considerably above industry average. The survey seeks feedback on 4 key outcome measures of Satisfaction, Loyalty, Advocacy and Value for Money. HGS has been rated highly on all key outcome measures – Satisfaction (5.78/7), Loyalty (5.98/7), Advocacy (5.88/7) and Value for Money (5.46/7), when compared with five comparable firms. We are “best-in-class” on Loyalty. In 2011, more than 70% of our customers have

rated us 6 or 7 on a 7-point scale on Satisfaction, Loyalty and Advocacy. The high response rates and ratings on key outcome measures are a validation that our customers have stopped looking at HGS as a vendor and consider us as a partner who creates value for them.

eSCM-SP (eSourcing Capability Model for Service Providers) - HGS embarked on the journey to adopt the eSourcing Capability Model for Service Providers (eSCM-SP), in October 2010, to enhance the robustness of its practices and processes. This is a model specifically created for the BPO and Contact Center industry, by a research consortium led by Carnegie Mellon University's Information Technology Services Qualification Center (ITSqc) and published in 2004, to provide guidance to service providers that will equip them to improve their capability across the sourcing life cycle. It is a "best practices" model for service providers in IT-enabled sourcing that helps them demonstrate capabilities in outsourcing relationships, engagements and practices. This is a model that can be used as both an improvement roadmap and as a certification standard.

HGS sites across India, Philippines and United States achieved Capability Level 4 certification in their first Evaluation for the Certification. HGS is the first service provider to be eSCM-SP certified in the Philippines, and HGS is the first service provider in the United States to have acquired eSCM-SP Capability Level 4 certification. This achievement is unique, as was pointed out by the Lead Evaluator, “HGS is the only company to get certified multi-location and multi-geography viz. India, Philippines and USA”.

eSCM-SP will help HGS attain a competitive edge through increased efficiencies and enhance the existing credibility and reliability that HGS has across the industry globally. It also adds great value that IAOP (International Association of Outsourcing Professionals) has announced its support for eSCM-based organizational certification and the endorsement of the eSCM models by the Outsourcing Standards. IAOP and ITSqc have developed a strong relationship over the past few years and are dedicated to continue their work together.

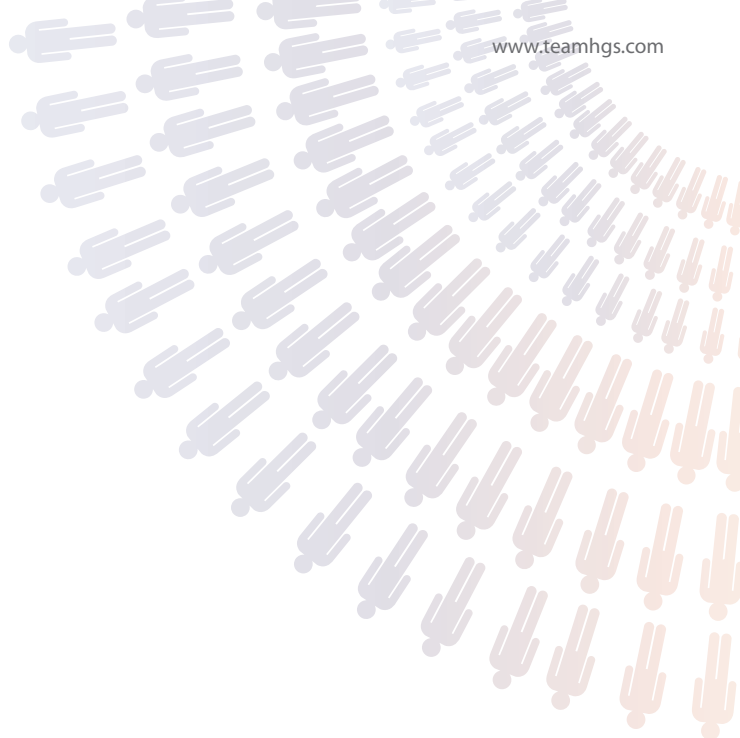
This evidences our commitment to excellence and the robustness of our comprehensive Business Excellence framework and the uniformity and institutionalization of processes across our multiple geographies.

Customer Satisfaction

During FY' 12 your company successfully added 39 new clients organically and 362 clients through the acquisitions of OLS Inc. and HGS Business Services. The company has 44 clients, with annual billings in excess of USD one million.

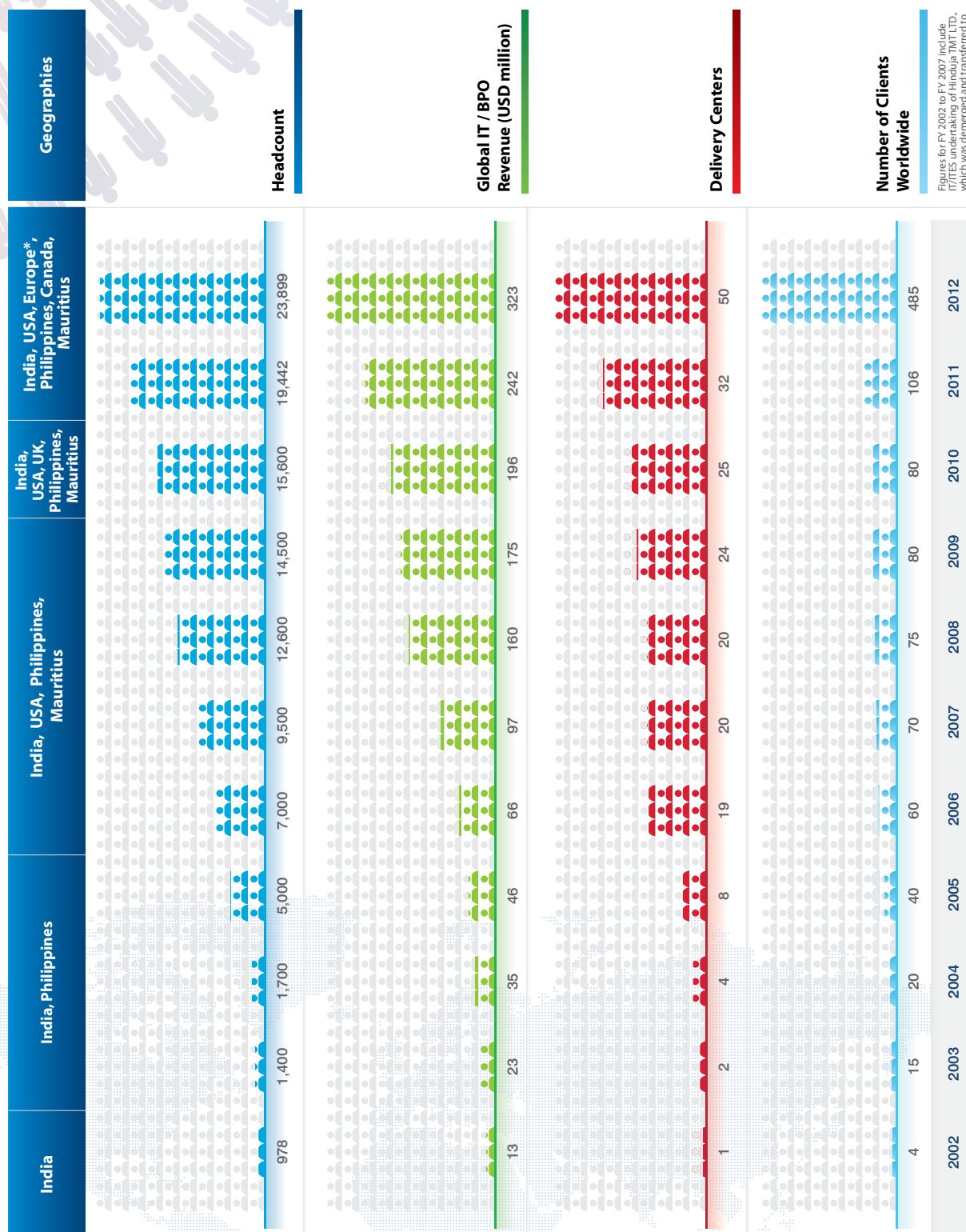
Your company takes pride in the high quality of its client base of 485 clients, many of which are Fortune 500 names, whilst the rest are large enterprise clients. The company continues to be successful in winning a high proportion of repeat business from existing clients, a measure of client satisfaction with the company's services. Additionally, the large percentage of maturing contracts that continue to be renewed each year validates the annuity nature of the company's business model.

HGS also enjoys customer relationships that are over a decade old. HGS(USA), LLC(formerly known as Affina LLC), HGS' subsidiary in North America has been serving one of its customers for nearly four decades. In the Philippines, HGS celebrated the ten year anniversary of two separate relationships with marquee clients. These multi-year client relationships are an indication of the stability of its business and speak of the high levels of customer satisfaction that HGS delivers.



ADVANCE FEARLESSLY

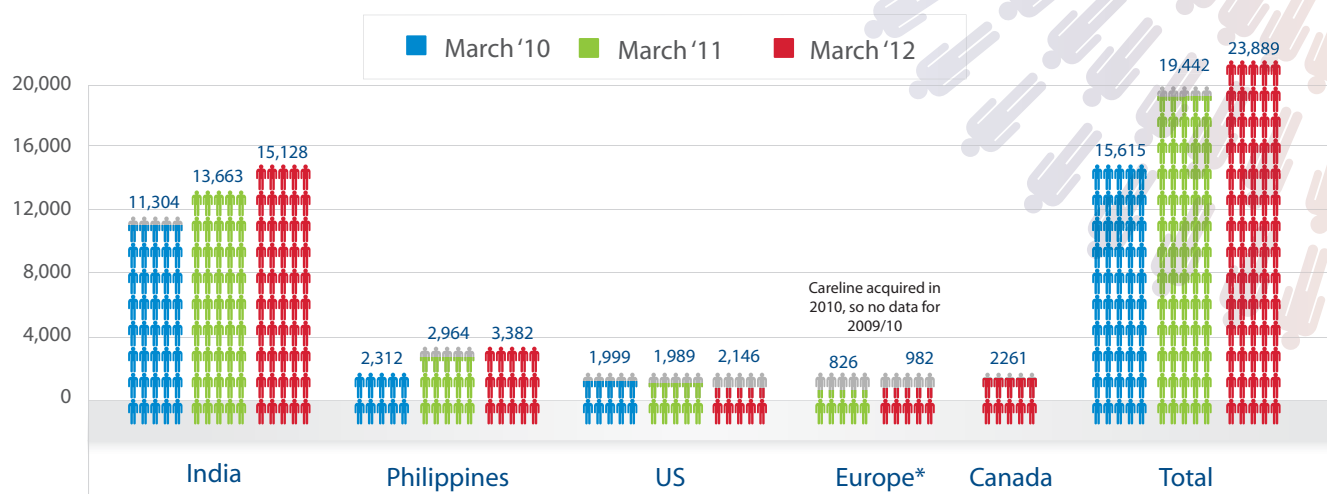
11 Years of Growth



Figures for FY 2002 to FY 2007 include IT/ITES undertaken of Hinduja TMT LTD, which was demerged and transferred to the company effective October 1, 2006

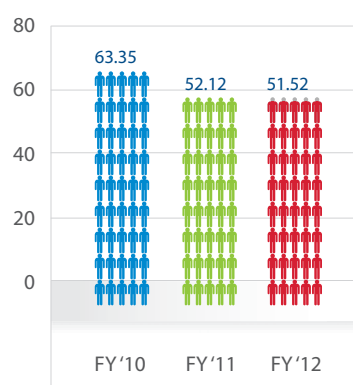
* UK, Netherlands, Germany, France, Italy

FINANCIAL & GENERAL HIGHLIGHTS

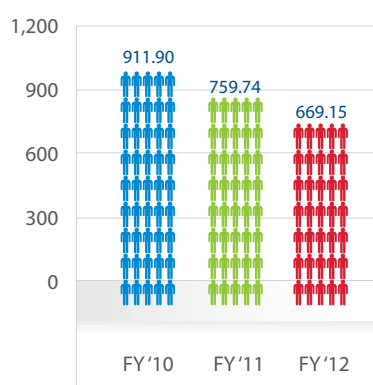


Head Count - by Geography

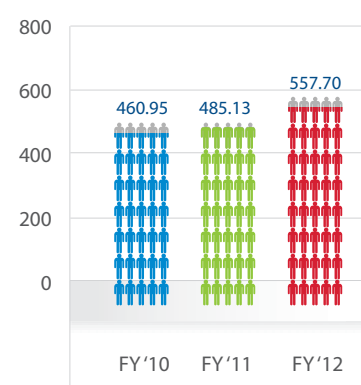
*Europe - UK, Netherlands, Germany, France, Italy



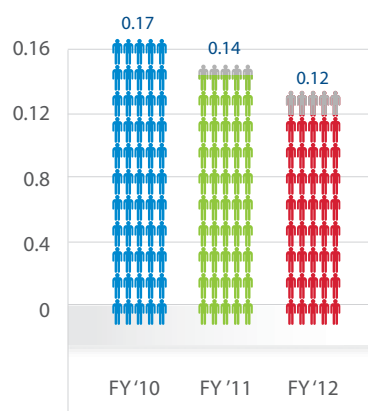
Basic EPS (in Rs.)



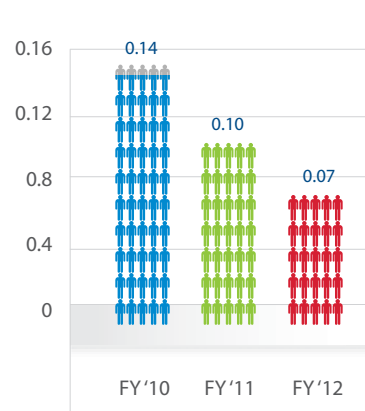
Market Capitalisation (Rs. Cr)



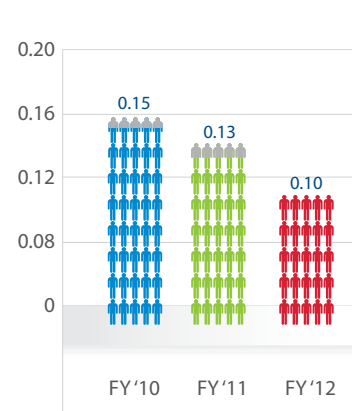
Book value per share (in Rs.)



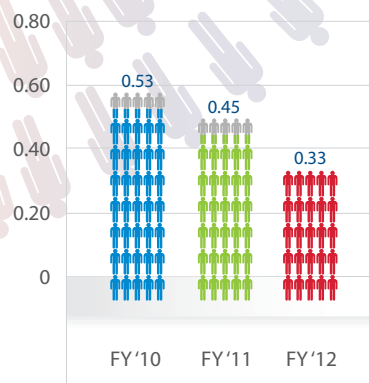
Operation Profit/Total Revenue



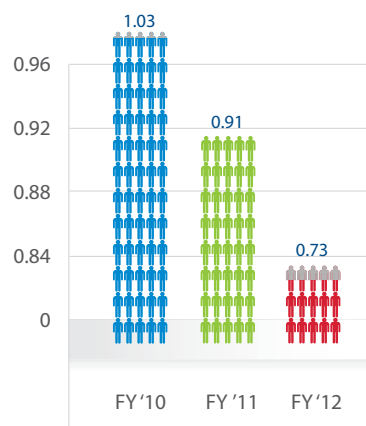
PAT/Total Revenue



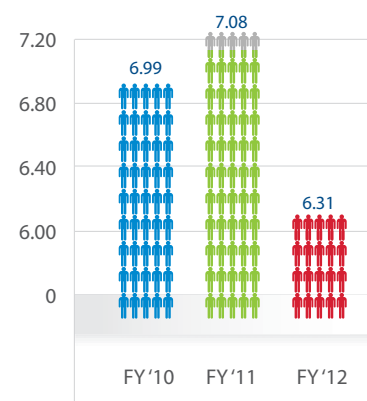
ROCE (PBIT/Av. Capital Employed)



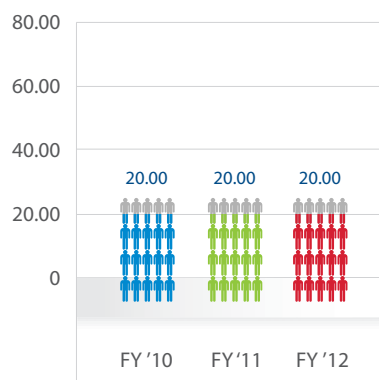
Cash & Equivalents/Total Assets



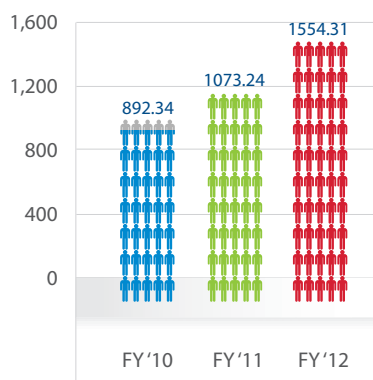
Capital/Output Ratio



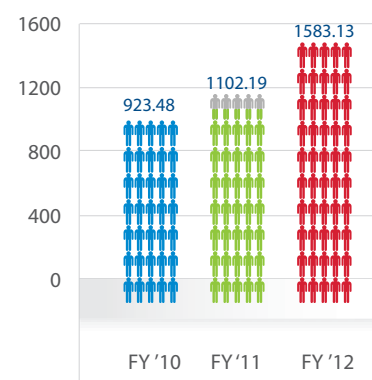
Price/EPS end of year



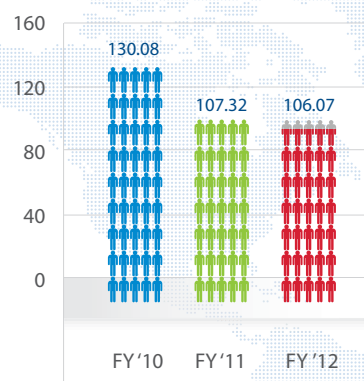
Dividend per share (in Rs.)



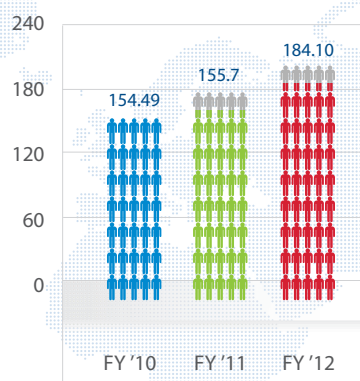
Operating Revenue (Rs. Cr)



Total Revenue

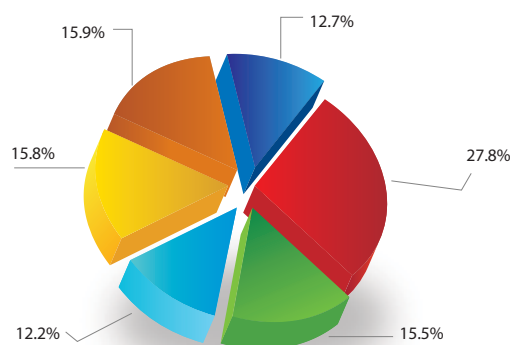


PAT (Rs. Cr)



EBITDA (Rs. Cr)

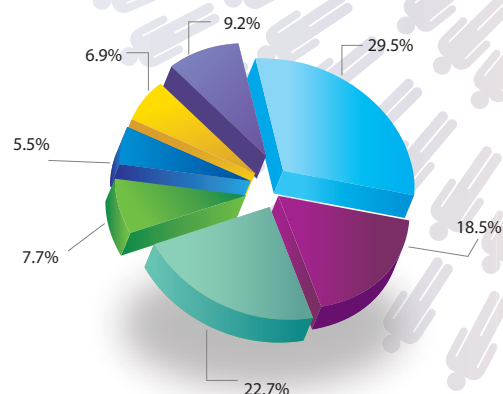
Revenue Split by Geography (FY '11-12)



Europe*	India International
USA	Canada
India Domestic	Philippines

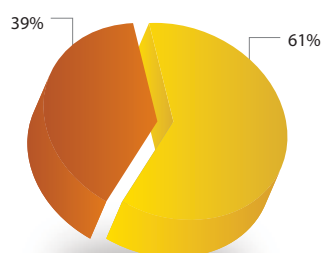
*Europe - UK, Netherlands, Germany, France, Italy

Revenue Split - by Vertical (FY '11-12)



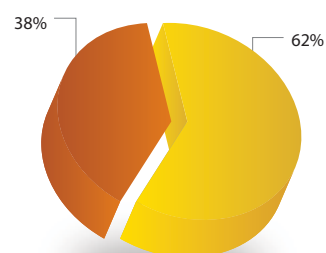
Telecom & Technology	Chemicals & Biotechnology
Consumer (Products & Services)	Others
Healthcare	BFS
	Media

Customer Concentration (FY '11-12)



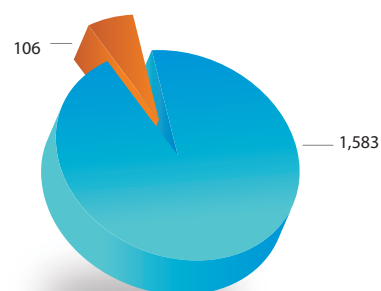
Top 10 Customers	Rest
------------------	------

Customer Concentration (FY '10-11)



Top 10 Customers	Rest
------------------	------

Revenue & Profitability (RS. Cr)



Profitability	Revenue
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ONE HGS TEAM

Our people are our biggest asset, their commitment and competence strengthens our delivery. We appreciate our team for accompanying us on the journey and quest for perfection. Here, we welcome the experiences of some of our team members.



ROSS BEATTIE
President and CEO



VIDA CANDIDA S. ARCIAGA
Vice President – Human Resources & Corporate Communications



It has been nine months since the acquisition and I can honestly state that OLS is fortunate to be a part of HGS. **The qualities of entrepreneurial spirit, enthusiasm and commitment to success demonstrated by all of the leadership within HGS have enabled the smooth transition of OLS into the global organization in a very short period of time.** We are passionate about what we do, and on behalf of our entire Canadian operations, we are delighted to bring this passion to our new team, to contribute in building a great global company.

We are proud to be a part of a global organisation of this stature, and honoured to belong to HGS.

We are passionate about what we do, and on behalf of our entire Canadian operations, we are delighted to bring this passion to our new team, to contribute in building a great global company.

HGS is a company that cares. Although every company says the same thing, here in HGS, we truly feel that we are being cared for. Our leaders respect our rights and promote a family-oriented culture, imbuing in us a keen sense of belonging. In addition to being performance-driven, we are encouraged to uphold workforce diversity, creativity and innovation. Our best practices have trained all employees to become goal-oriented, flexible and innovative.

We also care well for our clients – our partners. We have proven time and again that we can offer them a choice of solutions to excel in their fields. Our associates and employees are loyal and dedicated to our partners' brands. Reciprocally, most of our clients have continued to value us through the years and have remained loyal partners to us.

Our best practices have trained all employees to become goal-oriented, flexible and innovative.



LIZ PARRY
Director – Client Services



In my role as Client Services Director, I have the decisive responsibility for managing the overall strategic and commercial relationship with HGS' clients in the UK and Europe; **my teams' key objectives being to maintain, retain and grow our client relationships.** Prior to our acquisition by HGS, the heart of our business was delivering premium outsourced solutions for our clients, establishing how we are able to be creative, and proactively adding value to our client relationships to provide a 'win-win' result for them. This continues to remain our ethos. Testimony to this is the number of clients that we have retained and the way in which these accounts have grown within the UK & Europe. This is further demonstrated by our consistent increase in revenues & profitability over the recent years.

Since becoming part of HGS, I've been impressed with the strength of the global leadership team. We truly do have a fantastic team that we can be extremely proud of, and we all know that ultimately it is people who make the difference. **We remain as passionate as ever about delivering to our clients, making them successful, proving demonstrable ROIs, and in turn, ensuring our clients' and HGS' continued growth and success.**

I've been impressed with the strength of the global leadership team. We truly do have a fantastic team that we can be extremely proud of, and we all know that ultimately it is people who make the difference.



SUBRAMANYA C
Chief Technology Officer



For me, HGS is a way of life. It has helped me grow as a person and as a professional. I am among the fortunate few who have been associated with HGS from the very beginning. From setting up the IT backbone of the first centre of HGS years ago to integrating and aligning more than 50 centres now, each responsibility has been challenging and enriching. If someone really has to experience an open door culture and develop his/her entrepreneurial instincts, this is the place to be. **Even today, when I walk into the office, I am as excited as a newcomer about the possibilities that my work profile offers me and that reflects on my growth in the organization.** I have always ensured my team has been with me and retained the values of the organization.

The nature of my responsibilities has grown along with the size of our organizations' telecom bandwidth. But I continue to participate beyond IT assignments as enthusiastically as I did many years ago; such is my excitement about the possibilities that my work profile offers me on a daily basis. I am thankful to HGS for letting me explore and actuate my potential across the globe.

From setting up the IT backbone of the first centre of HGS years ago to integrating and aligning more than 50 centres now, each responsibility has been challenging and enriching.



KARTHIKEYAN SHANMUGAM
Vice President – Operations



In the role of VP-Operations, I am responsible for service delivery and growing the business for India's leading telecom service provider. We started this account with 600 employees in September 2005 and now there are 7,900 employees in a span of over six years. Today, this account has grown from two cities to eight, and two delivery centres to ten.

Our commitment to this account has been duly recognized and we have won the Valued Partner Award thrice in a span of six years. I am truly delighted to lead a team of professionals who deliver astounding customer experience for the number one telecom customer in India.

We started this account with 600 employees in September 2005 and now there are 7,900 employees in a span of over six years. Today, this account has grown from two cities to eight, and two delivery centres to ten.



JOHN MERCER
Vice President – Client Services



As Vice President of Client Services for HGS in the United States, I am responsible for client satisfaction, retention and growth. I joined HGS in 1999, serving in various roles within Operations and Client Services. Over the past 13 years, I have had the pleasure of working with great clients, and most importantly, a hard-working team dedicated to delivering outstanding customer service.

Our focus is common - we all strive to consistently exceed customer expectations. This focus is what sets us apart from our competition and is what will allow us to continue to grow as a global service provider. Our blend of employees across different geographies and cultures is a strength that we can, and will, continue to leverage. The valuable insight and perspective that each of us has to offer results in the delivery of unique service solutions for our clients.

I am impressed with our continual drive, to grow the business and at the same time, maintain our focus on retaining long-term client partnerships that have helped us define who we are as a company. The tenure of our clients is remarkable. Who else in the Contact Center industry claims client partnerships that exceed fifteen, twenty, or even thirty years? HGS does.

I look forward to what the future holds and the opportunities presented to all employees as we continue to move forward. It's an exciting time and I am glad to be a part of it.

Our focus is common - we all strive to consistently exceed customer expectations. This focus is what sets us apart from our competition and is what will allow us to continue to grow as a global service provider.



LES NELSON
Vice President – Finance



Having recently joined HGS in January 2012 as the Vice President of Finance in the US with HGS Inc., I was excited to become a part of a worldwide entity that is leveraging its global presence to offer innovative solutions to its customers anywhere in the world. I have found HGS employees to be customer-focused, results-driven and desirous of exceeding customer expectations.

In my new role, I will be able to both share with, and learn from, other globally-experienced professionals to chart a course of continued worldwide expansion to benefit our customers and fulfil their needs. I am excited to be a part of this team, and look forward to many fulfilling years of interacting with my peers in delivering value to our customers.

I have found HGS employees to be customer-focused, results-driven and desirous of exceeding customer expectations.



KATHY FOLLETT-LLOYD
Vice President – Human Resources,
HGS Canada



As Vice President of Human Resources for HGS (formally OLS) Canadian geography, I am responsible for all aspects of strategic Human Resource Management with focus on Human Resource process design that will contribute to positive bottom line results. **Since joining in 2006, I have experienced exceptional mentorship, encouragement and support from HGS Canada.**

When OLS became a part of HGS in August of 2011, we knew that exciting new opportunities awaited us, thanks to the global presence that HGS has carefully and strategically built. Although August was only a short time ago, I have learned so much both professionally and personally. HGS has already provided me with an opportunity to meet fantastic new people whom I will forever treasure as friends, and the chance to learn about other cultures that I will always cherish. The exciting thing for me is the thought that this is only the beginning.

HGS has already provided me with an opportunity to meet fantastic new people whom I will forever treasure as friends, and the chance to learn about other cultures that I will always cherish.

WHAT OUR CLIENTS SAY ABOUT US

"We let our work speak for itself."

We believe in making a positive difference to our customers' business. This reflects in the responses we receive from clients on the delivery of seamless service across the world. Here, our clients share sentiments on their long-term successful relationship with us.

UK's Leading Telecommunications Company

"Retaining customers and maximising their value is the biggest challenge any company faces. **Over several years of working with HGS they have proven not only to understand that challenge, but to address it with creativity and pragmatism.** Our operating model is built upon having a few selected strategic service partners. HGS is one of them, entrusted to deliver results, innovation and – ultimately – competitive advantage."



Consumer Operations Director

Delivery Center: UK

US Fortune 50 Health Insurance Company

"Since the beginning, I made it clear that I was looking for a partnership. You answered that call out of the gate, and I am grateful that you and I have forged a relationship where open and honest feedback occurs frequently. **I believe that the relationship coupled with the flexibility demonstrated by HGS has allowed us to accomplish more than any other "vendor-only" relationship.** We should consistently be looking for collaborative improvement."



**Director – Commercial
Billing Operations**

Delivery Center: India

US Fortune 100 Health Insurance Company

"Now that another year and open enrollment are complete, I want to provide some brief comments about your team's results over this period: Call Timeliness: Very good year for TSF and ASA which were both better than plan. Call Accuracy: Good to see Call Quality better than plan for the full year on both the platform. Staff tenure: **Great progress on improving experience level of staff. Thanks very much for the good results and partnership.**"



Member and Plan Sponsor Services

Delivery Center: Philippines

UK's Leading Retail Company

"**HGS consistently exceeds our expectations.** Together we've reduced our cost to serve, and improved our customer experience in a business that has grown three-fold in the past three years."



**E-Commerce
Customer Service Manager**

Delivery Center: UK

US Fortune 100 Health Insurance Company

"Please convey my congratulations to the team on a successful project. **The focused, disciplined DMAIC approach you used to improve the team's performance is showing very favorable results.** Thank you again for your leadership and your commitment to extending these solutions to the other teams' handling claims."



**Claim Analytics &
Reporting Support**

Delivery Center: India

US Fortune 50 Health Insurance Company

"It was really hard for me to grasp the work, value, partnership, excitement and passion each and every one of you have for us. **The dedication is amazing. I was blown away by the knowledge and skills you have obtained over the years.**

You all are truly an extension of my team and I value that partnership and friendship every day. It truly is a time to celebrate today and I want to say thank you for your hard work, dedication and passion for our members and providers.

Happy 7th Anniversary!"



Vice President
Delivery Center: India

US Fortune 100 Health Insurance Company

"These are excellent results! Congratulations on the success achieved by you and your team. The efforts of the Allentown team in Bangalore, along with the support of Michelle, are much appreciated by me and my management team. **I know your continued focus on quality improvement will ensure that you consistently meet this objective. Thanks for sharing this great accomplishment.**"



Customer Service Manager
Delivery Center: India

Large Consumer Packaged Goods Company in Europe

"Shared values have created a successful, proactive working relationship. **Together we've shown how our industry can overcome budgetary constraints to meet consumer expectations.** HGS continues to deliver added value solutions to our business."



Consumer link Manager
Delivery Center: UK

US Consumer Products Company

"We have been partners with HGS for five years. During this time HGS has consistently delivered results in the area of quality, cost, revenue, and customer satisfaction. **Our organization has continued to expand our business with HGS and they've continued to meet our expectations.** HGS is aligned with our goals and objectives. They are a dedicated partner."



Manager
Delivery Center: USA

India Leading Telecom Service Provider

"Congratulations Team HGS for completing five years in Durgapur, thank you for delivering a fantastic customer experience for us. It truly means a lot to us. **You are our first strategic partner in the east and it has been one wonderful experience. Truly appreciate your efforts.**"



Head Partner
Operations Center: India

US Transportation and Logistics Company

"We are extremely pleased with HGS's attention to detail, flexibility and reliability which has allowed us to quickly expand our customer base. Their performance is a critical element to our ongoing success and we are grateful for their dedication to our account."



Manager
Delivery Center: US

US Fortune 100 Health Insurance Company

"I want to say a big thanks to our Manila team for all the work to cover the two January holidays on January 2nd and the 16th along with the January Saturdays. **We appreciate the Manila team's flexibility in providing this coverage and making for strong call results for January.**"



Member Services
Delivery Center: Philippines

ONE HGS, INSPIRED LEADERSHIP



Our leaders bring in the local knowledge that complements the aspirations to achieve global growth and scale higher benchmarks. Guided by a team of leaders inspired by progress, our assertive approach identifies and foresees opportunities for growth and value creation for clients.



INDUSTRY RECOGNITION



Gold Medalist Lean Six Sigma



Top 2 Call Centre Companies Globally



One of the 200 'Best under a Billion' Forbes Asia



Top 15 ITeS. BPO Exporter FY 07/ 08/ 09/ 10 / 11



Winner of the Most Innovative BPO 2008 - Philippines



One of the Top ITeS and BPO Companies in India



2010 Global Outsourcing 100 – Ranked # 71
Top 10 in Sales Service
Top 20 in CRM
Top 20 in Healthcare
Top 20 in Retail & Consumer Goods
Top 20 Companies 'by region served' in South East Asia



Gold Medalist Competency Development



Top 10 Employers. Employee Satisfaction / HR Practices



Deloitte Fast 50 – Ranked # 30



Best Employer Brand Award (BPO) 2009



Intelligent Enterprise Awards - 2006



OUR COMMUNITY INITIATIVES

INDIA



HGS Hyderabad team visits Sadhana



HGS Durgapur team at the Mother Teresa Orphanage



HGS organises a blood donation camp



HGS Durgapur team visits Mother Teresa Orphanage



Activities at the Mother Teresa Orphanage (HGS Durgapur)



HGS Mysore team contributes to a local orphanage



HGS Durgapur team at the Mother Teresa Orphanage



HGS Mysore team visits an orphanage



HGS Bangalore team runs for World 10 K



HGS Mysore team donates to a charitable institution

"My dharma (duty) is to work so that I can give."

We are inspired by the pioneering thoughts of late Shri Parmanand Deepchand Hinduja - Founder, Hinduja Group. For us, Corporate Social Responsibility (CSR) encompasses engagements in socially relevant events for the under-privileged sections of the society. Our commitment to CSR is focused on initiatives that make a constructive contribution to the community.



Sarah Kennedy (HGS Canada) at the Nicaragua Water Installation Project



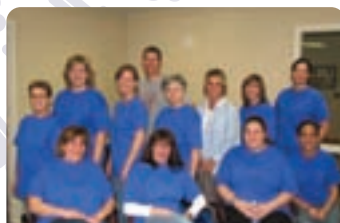
HGS Canada team at the Heart & Stroke Foundation's Big Bike Ride



HGS Canada team at the Big Bike Ride event

CANADA

USA



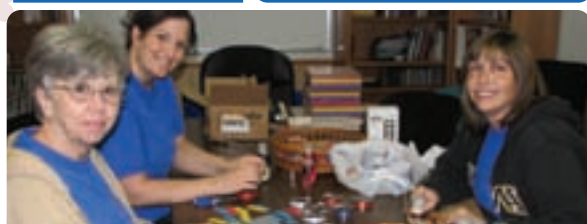
HGS USA: Volunteer Day at the Salvation Army in Waterloo, Iowa



HGS St. Louis: Fundraiser for Tornado Joplin Victims



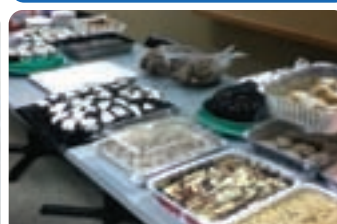
HGS USA team in Peoria Crittenton Center Crisis Nursery



HGS USA team volunteers at the Salvation Army, Waterloo



HGS USA team volunteers at the Salvation Army, Waterloo



HGS USA Peoria account team holds fundraiser for Client's Charity



HGS USA team volunteers at the Salvation Army, Waterloo



HGS El Paso team at the West Texas Food Bank

PHILIPPINES



HGS Philippines team visits Dr. Jose Fabella Memorial Hospital



HGS Manila team pledge funds to Dr. Jose Fabella Memorial Hospital



HGS Philippines: Dr. Jose Fabella Memorial Hospital Outreach Drive



HGS Philippines team pledge funds to the children's charity ward at Quirino Memorial Medical Center



HGS Philippines team participate in Christmas fundraiser - Dream in a Shoebox



HGS Philippines team aid victims of Iloilo fire disaster

ENGAGING OUR EMPLOYEES

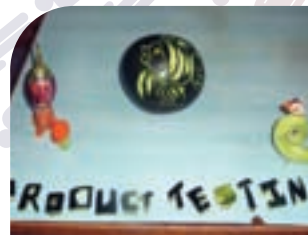
INDIA



Anniversary Celebrations at HGS



Garden ER team at the Dress-up Torture event



Vegetable Carving Contest: HGS Bangalore



Mysore celebrations with the CEO, Partha DeSarkar



HGS Durgapur team celebrating 5 years



Mysore celebrations with the CEO, Partha DeSarkar



Hairstyling Contest: HGS Bangalore



HGS Business Services team's annual picnic to Tikuji-ni-wadi



HGS team participate at POLO Carnival



HGS Mysore team celebrates 5 years



HGS Durgapur at Rath Making competition



Garden ER team at the Dress-up Torture event



HGS Business Services team's annual picnic to Tikuji-ni-wadi



HGS Bangalore: Outbound Training Experience in Wonder Valley



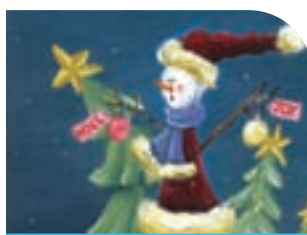
HGS Durgapur team participates in "Sketch your Boss" activity session

Being a global corporation is not always about chasing big targets, it's also about the employees that coordinate across physical boundaries to make delivering One Experience to the world possible. We endeavour to grow a unique corporate culture which inspires growth, business excellence and drives employees to excel.

CANADA



HGS Canada Annual Christmas Card Competition (1st place)

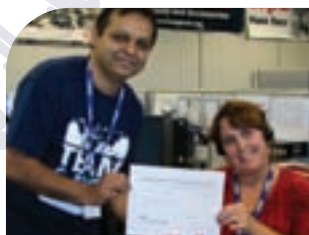


HGS Canada Annual Christmas Card Competition (2nd place)



HGS Canada Annual Christmas Card Competition (3rd place)

USA



HGS USA team celebrates Customer Service Week



HGS USA team honours perfect attendance



HGS USA team's commitment to excellence



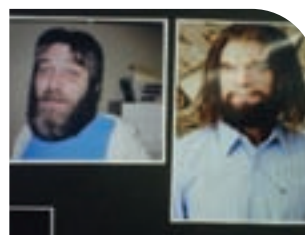
HGS USA team honours perfect attendance



HGS team at Chili Cook-Off at the St. Louis Centre, USA



'Fun with the Stars' at the HGS Fulfillment Centre in Peoria, Illinois, USA



'Fun with the Stars' at the HGS Fulfillment Centre in Peoria, Illinois, USA

UK



HGS UK team at Sport Relief, a biennial charity event



PHILIPPINES



HGS Philippines team at Mr & Ms Valentine's Day event



HGS Philippines team joins "RUN & LEAP" Fun Run event



2011 HGS Philippines Basketball Tournament



HGS Philippines PL team celebrates 10th Year Anniversary



HGS Philippines team showcases DIVA 2011



HGS Philippines team joins Dinagyang Festival 2012 in Iloilo

HOLDING STRUCTURE

(as on July 1, 2012)



GENERAL INFORMATION

HINDUJA GLOBAL SOLUTIONS LIMITED

Chairman Emeritus

Ashok P. Hinduja

Board of Directors

Ramkrishan P. Hinduja - Chairman
Vinoos S. Hinduja
Dheeraj G. Hinduja
Anil Harish
Rajendra P. Chitale
Rangan Mohan

Audit Committee

Anil Harish - Chairman
Rajendra P. Chitale
Ramkrishan P. Hinduja

Investor's Grievance Committee

Rangan Mohan - Chairman
Dheeraj G. Hinduja

Compensation Committee

Anil Harish - Chairman
Rajendra P. Chitale
Dheeraj G. Hinduja
Rangan Mohan

Committee of Directors

Ramkrishan P. Hinduja - Chairman
Vinoos S. Hinduja
Rangan Mohan

Chief Executive Officer

Partha DeSarkar

Executive Committee

Anthony Joseph
Executive Vice President -
Global Head - Human Resources

Ashwin Y. Hoskote
Senior Vice President -
Global Business Excellence

Kanti Mohan Rustagi
Executive Vice President -
Legal & Company Secretary

Narasimha Murthy B. N.
President, HGS Inc.

Kathy Hamburger
President, USA

Partha DeSarkar
CEO
Chairman - Executive Committee

Pushkar Misra
President & CEO -
HGS Philippines

Ramesh Gopalan
Executive Vice President -
International Operations &
Healthcare Vertical

Sanjay Sinha
Executive Vice President -
M & A (HR) & New Initiatives

Srinivas Palakodeti
Chief Financial Officer

Sridhar Krishnamurthy
Executive Vice President -
Strategic Initiatives

Subramanya C.
Chief Technology Officer

Charles Cooper-Driver
CEO, Europe & UK

Ross Beattie
President & CEO, Canada

Business Heads

PHILIPPINES

Pushkar Misra
President & CEO, HGS Philippines

INDIA

Ramesh Gopalan
Executive Vice President, International
Operations & Healthcare Vertical

Sridhar Krishnamurthy
Executive Vice President, Strategic
Initiatives

EUROPE & UNITED KINGDOM

Charles Cooper-Driver
CEO, Hinduja Global Solutions UK Limited,
UK

CANADA

Ross Beattie
President & CEO, HGS Canada Inc.

USA

Narasimha Murthy B. N.
President, HGS Inc.

Kathy Hamburger
President, HGS USA

GENERAL INFORMATION

HINDUJA GLOBAL SOLUTIONS LIMITED

Internal Audit & Systems

Rakesh S. Jain
Assistant General Manager –
Internal Audit

Auditors

Price Waterhouse
Chartered Accountants

BANKERS

Axis Bank
Bank of Baroda, Deira Branch, UAE
Bank of Baroda, London Branch
Bank of America
Barclays Bank Plc.
BNP Paribas
Canara Bank
Chinatrust (Phils.) Commercial Bank Corp
HDFC Bank
Hinduja Bank (Switzerland) Ltd.
HSBC Bank (Mauritius) Limited
IndusInd Bank
State Bank of India
State Bank of Mauritius
Union Bank of Philippines
Yes Bank

REGISTERED OFFICE

Hinduja House
171, Dr. Annie Besant Road
Worli, Mumbai - 400 018

REGISTRAR & SHARE TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd.
13AB, Samhita Warehousing Complex
Second floor, Near Sakinaka Telephone
Exchange, Off Andheri Kurla Road
Sakinaka, Andheri (East)
Mumbai - 400072

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present their Report on the business and operations of your Company for the financial year ended March 31, 2012.

Financial Results

(R in Crore except share data)

For the year ended March 31	Standalone		Consolidated	
	2012	2011	2012	2011
Operating Income	631.35	544.71	1,554.31	1,073.07
Other Income	14.17	8.20	28.82	29.12
Total Income	645.52	552.91	1,583.13	1,102.19
Operating Expenses	526.15	420.48	1,370.20	917.53
Depreciation and Amortisation	36.14	38.04	61.29	45.22
Financial Expenses	11.02	5.96	29.23	9.32
Profit Before Tax	72.21	88.43	122.41	130.12
Provision for tax (incl. deferred tax)	9.59	13.24	16.34	22.80
Profit After Tax	62.62	75.19	106.07	107.32
Add: Balance brought forward from Previous year	110.96	90.98	247.67	195.56
Profit Available for Appropriation	173.58	166.17	353.74	302.88
Dividend				
- Final (Proposed)	41.18	41.18	41.18	41.18
- Dividend Tax	6.53	6.52	6.68	6.52
Transferred to General Reserve	6.26	7.51	6.91	7.51
Balance Carried Forward	119.61	110.96	298.97	247.67
Earnings per share (R)				
- Basic	30.41	36.52	51.52	52.12
- Diluted	30.41	36.50	51.52	52.09

Review of Financials

On a Consolidated basis (covering global operations in India, USA, Canada, Europe, Philippines and Mauritius), Total Income for FY '12 was R 1,583.13 crore, higher by 43.6% compared to the Total Income of R 1,102.19 crore in FY '11. EBITDA (*Earnings before Interest, Taxes, Depreciation & Amortization*) was R 184.11 crore and it grew by 18.4% over the EBITDA of R 155.53 crore in FY '11.

On a Standalone basis (for India and overseas branch offices), Total Income was R 645.52 crore in FY '12, an increase of 16.7% over the Total Income of R 552.91 crore in FY '11. EBITDA fell by 15.3% from R 124.23 crore in FY '11 to R 105.20 crore in FY '12. PAT fell by 16.7% from R 75.19 crore in FY '11 to R 62.62 crore in FY '12.

Key highlights for the year were:

- Growth of 45% in consolidated revenues;
- Acquisition of Canada based On-Line Support Inc. ("OLS, Inc"), which services marquee customers across verticals such as media, telecom, technology and BFS from 10 centres in Canada;
- Acquisition of Mumbai-based HGS Business Services Pvt. Ltd. ("HGS Business Services"), (formerly known as HCCA Business Services Pvt. Ltd.), which is a prominent player in the Human Resource Outsourcing (HRO) domain;
- Operations started in Netherlands, Germany, Italy and France;
- Fourth delivery centre in Philippines commissioned in Manila;
- Achieved Level 4 certification of eSCM SP V 2.01 from UL-DQS;
- Employee headcount at 23,899 (Previous Year-end 19,442);
- Addition of 401 new customers during the year including the addition of 5 customers from OLS, Inc., 357 customers from HGS Business Services and 39 customers on an organic basis. As of March 31, 2012, your Company has 485 active customers.
- Addition of 18 centres during the year including the addition of 10 centres from OLS, Inc., 4 centres from HGS Business Services and 4 centres on an organic basis. As of March 31, 2012, your Company has 50 centres across its global operations.
- As of March 31, 2012, your Company had a Net Worth of R 1,148.26 crore translating into a Book Value of R 557.70 per share.

Dividend

Your Directors have recommended a dividend of R 20/- per share (200% on the face value of R10/-) for the current year.

The dividend payout will absorb R 47.71 crore, including dividend tax. The dividend payout ratio for the year

(including dividend distribution tax) will be 76.2% of the standalone profits and 45% of the consolidated profits.

Business Review

Global ITES Industry Overview

While FY '12 has clearly been a challenging year, some geographic regions and businesses were able to circumvent the trend. Global GDP grew 2.7% on the whole in the calendar year 2011 which indicates that the contraction in certain developed economies was compensated by expansion in others as well as continued growth in emerging markets.

With the financial crisis continually affecting two of the biggest outsourcing client markets - US & Europe, there is a concern that the growth of the industry will be affected. In general, economic conditions such as these represent opportunities to increase services outsourcing contracts to better implement cost-cutting initiatives. However, the misplaced concern that outsourcing takes away crucial jobs from the domestic population continues to be a point of contention, especially on the sociopolitical front.

There is a visible shift towards localisation with these countries encouraging service providers to set up delivery centres within their jurisdictions thereby opening themselves to both investment from global service providers and local employment. However, it is believed that outsourcing activity will continue to increase but contract size may diminish given budget cuts.

According to the Everest Group, the global business process outsourcing (BPO) industry could be worth \$220-\$280 billion this year, with growth in both voice-based and non-voice based services. There is a clear preference towards more complex skills and services with a greater proportion of research and analytics based operations.

Some of the key trends emerging in 2012

1. Changing Delivery Models:

With reduced budgets and increased cost consciousness, enterprises are demanding more from their service providers. There is a noticeable shift away from cost and labour arbitrage towards high value transformational programs. Service providers and clients alike are focused on further efficiencies in the delivery of services, with a greater impetus on process innovation. There is an increasing prevalence of Business Process as a Service (BPaaS) models. Only those vendors that remain relevant through delivery evolution and manage to differentiate their offerings will continue to see growth.

2. Focus on Verticalisation:

An emerging trend is the growth of vertical-specific BPO processes or Vertical BPO, characterized by the delivery of an array of processes rooted on a deep understanding of a specific vertical industry. There has been a rise in the demand for domain-specific

processes, especially across the BFS sector. It is imperative for service providers to understand how industry verticals and customer segments adjust to the changing technology landscape. Service Providers need to devise specific strategies, develop products and mobilise people to meet the evolving needs of various verticals.

3. Evolving Mediums for market engagement:

Disruptive technologies especially social media, mobility, big data/analytics and cloud computing are impacting service providers themselves who are applying these technologies to their internal operations – from IT to Human Resources to Finance, and dramatically changing how they do business, in addition to developing solutions around the same for their customers. It is expected that service providers will re-invent the use of social media as a pragmatic, interactive link to the end-users and a significant value add to service buyers.

4. Increasing importance of Risk:

While risk has always been one of components considered by customers in vendor selection, it has often been overshadowed by more primary concerns such as costs and availability of skilled labor. Global Service Provider offerings have always incorporated comprehensive solutions addressing risk management, data security, business continuity and disaster management. However, recent events like natural disasters in Indonesia, floods in Bangkok have dimmed the attractiveness of emerging delivery destinations. Customers now assess the political, social, and natural risk of a location and how they influence business operations.

5. Greater focus on the midmarket opportunity:

The midmarket segment has been traditionally underserved for a variety of reasons, including lack of knowledge of outsourcing, unattractive deal sizes for the premium vendors, inability of traditional delivery models to customize offerings and a lower degree of competitiveness and industry maturity. The increasing propensity of pay-as-you-use models and the rising outsourcing maturity of midmarket companies are catalyzing the opportunity in addressing this segment. Vendors are increasingly looking beyond Fortune lists.

Indian ITES Industry Overview

It has been a landmark year for the Indian IT and ITES industry which is rapidly approaching the landmark of US\$ 100 billion in aggregate revenues (*Source: Nasscom Strategic Review 2012*). While growth rates in the primary geographic regions and services lines are moderating as the industry matures, several new avenues have emerged. These include a budding domestic market, hitherto underserved geographies and emerging service lines.

Within the overall pie, it is estimated that export revenues from ITES alone will touch US\$ 16 billion in FY '12 growing 12% over FY '11 (*Source: Nasscom Strategic Review*

2012). While the USA remains the largest market by value for Indian ITES providers, markets such as Europe, Japan and Australia are gaining ground as lucrative markets with abundant scope for both traditional service lines as well as emerging areas. The APAC region also exhibited fairly healthy growth as customers in that region aim to compete on a more even scale in the global market.

The Indian domestic market provides an exciting opportunity for ITES providers to tap. It is estimated that the domestic IT/ITES market will touch R 918 billion in FY '12. Of this, the BPO Services market alone is expected to be R 149 billion representing growth of 17% over FY '11 (*Source: Nasscom Strategic Review 2012*). This provides an attractive market with adequate critical mass and scale for leading global vendors. Growth is being driven by demand from voice-based (incl. local language) services and increasing adoption by both traditional and emerging verticals, including the government.

India will continue to remain a leading provider of services due to:

- **Increasing maturity of service offerings:** The profile of the industry and service providers has undergone a significant evolution from delivering basic labour and cost arbitrage to providing a high value proposition. The track record, skill sets, market understanding, innovation focus and domain expertise of Indian service providers remain unmatched.
- **Sustained focus on cost efficiency:** The lessons of the 2008 financial crisis have resounded well and customers continue to remain focussed on costs. India emerged as and remains a cost-competitive provider of IT-BPO services. The ability to leverage innovation to further enhance cost efficiencies through process and productivity improvements, effective cost management, widening of the employee pyramid, innovative delivery models and a shift to Tier II/III cities has ensured that India retains its pre-eminent position in the Industry.
- **Unparalleled human capital:** India will churn out an estimated 4.4 million graduates in FY '12 compared to 2.0 million in China and 0.5 million in the Philippines. It retains its position as the largest source of employable talent in the world. Service providers are effectively utilising India's talent pool by designing large scale talent re-engineering initiatives and employee engagement activities. This is enabling the industry to provide both end-to-end and high-end value-added services across sectors.
- **Increasing geographic presence:** While countries such as China, Philippines, Poland, Brazil, Mexico are clamouring to increase their relevance in the global sourcing market, Indian service providers are moving to establish bases in these countries to cater to client preference for diversified and near-shore delivery models. As the talent pools in these markets improve their capabilities, they are being tapped by Indian service providers in greater numbers.

- **Unique focus on customer needs:** Leading industry players have been able to deliver continuous value to customers. This unique customer-centric approach is best demonstrated by re-engineering their business/organisational structures, engage in strategic advisory relationships, focus on delivery innovation and manage high-end complex engagements.
- **Scalable and secure environment:** The sheer size of the Indian market provides a high level of stability in terms of managing concentricity risk as compared to other sourcing markets. With a largely unblemished track record, India is able to stand out among service providers on parameters like value for money, quality, depth and stability of business and legal systems, propensity of natural disasters and susceptibility to economic and political shocks to ensure business continuity.

Performance of Hinduja Global Solutions Ltd.

Your Company delivered exemplary growth and a steady financial performance in the face of varied operating conditions. Total Consolidated Operating Revenue for FY '12 was higher by 45% at R 1,554.31 crore. Revenue growth was both organic and inorganic in nature. Organic growth of 20% was realised by focused delivery, growing existing client accounts and new account wins. On the inorganic front, the contribution from OLS, Inc. and HGS Business Services, which were acquired during the year were instrumental towards achieving robust growth rates.

There has been significant variability in operating conditions in FY '12 with a sluggish pace of recovery in USA, intensification of the Eurozone Debt crisis, political unrest in the Middle East, fallout of natural disasters in Japan and Indonesia and slowing growth in India and China. This has led to volatility in foreign exchange rates, a variety of interest rate regimes in different markets, changing commodity prices and persistent inflation in high growth markets.

These challenges intensified customer needs for operating efficiencies and resulted in increased demand for your Company's services. To further its cause, your Company has also consistently been ranked among the top vendors on several customer accounts. The innovative right shore delivery model offering customers the option of an optimal mix of onshore, near-shore and offshore delivery has also been a factor in greater customer engagement. Your Company's track record in implementing successful transformational programs in established geographies provided customers in recently entered geographies with the confidence to embark on similar programmes.

This year also saw further growth in key markets. In the US, there has been growth in onshore healthcare and telecom accounts. In Europe, Careline has reported new wins in public sector accounts and a successful pan-European rollout for one of its marquee customers. In the Philippines, a fourth centre was commissioned and Philippines has sufficient capacity in the coming year for dealing with growing demand. The first UK offshore

contract with Manila delivery centre went live during the year. In India, increased volumes from the telecom segment due to new client wins, tariff hikes and rollout of value added services like 3G and Mobile Number Portability (MNP) have aided growth. Initiatives catering to the BFS segment and emerging verticals have also provided abundant traction.

To add to the impressive organic growth, your Company also successfully undertook two acquisitions during the year. The first was the acquisition of a 100% stake in Canada based On-Line Support Inc., which is a leading customer relationship management company with marquee clients in verticals such as telecom, technology, BFS and media. OLS, Inc. has multi-lingual delivery capabilities and has team size of over 2,000 associates at over 10 centres in Canada. OLS, Inc. offers HGS a gateway into the lucrative and stable Canadian market as also an alternative near-shore option for the US market. When combined with its existing US operations, this acquisition makes your Company a formidable player in the North American market.

The other acquisition during the year was the purchase of a 100% stake in HGS Business Services Pvt. Ltd. (formerly known as HCCA Business Services Pvt. Ltd.) This Mumbai based company is a prominent player in the Human Resource Outsourcing (HRO) domain. The transaction also included the Payroll Processing activities in UAE and other Gulf Council countries. This opened up a new horizontal for your Company and also provided it with a presence in the Middle East, a hitherto unpenetrated geography. With over 350 clients serviced by over 600 employees, HGS Business Services has been a valuable addition to your Company's portfolio.

Marking another global footprint, an entity has been set up for onshore and near-shore business in Jamaica and the first delivery centre is expected to go live in the first half of FY '13.

This year also saw increased cost pressures due to an increased employee base, higher sales and marketing investments, setting up of new centres and cost inflation. However, your Company was able to mitigate some of these challenges. Further, some of these investments, especially the set-up costs of centres in Siliguri, Manila, and acquisition of three properties in Peoria will provide benefits in coming years. Your Company is well placed to grow with steady progress in strategic plans, renewal of multi-year contracts, rollouts of planned initiatives and significant potential to cross sell and up sell to clients across its operations in multiple countries.

Subsidiaries

HGS International (formerly known as Pacific Horizon Limited), a wholly owned subsidiary of your Company incorporated under the laws of Mauritius. The principle activity of the company consists of investments. HGS International owns 100% of the share capital of Hinduja Global Solutions Inc., USA, C-Cubed N.V., Curacao, Hinduja Global Solutions Europe Ltd. (formerly known as HTMT Europe Ltd.), UK and HGS

St. Lucia Ltd., which was formed during the year and has in turn incorporated Team HGS Ltd., Jamaica.

During the year under review, Total Income was USD 5,566,011 as against USD 5,514,868 in the previous year.

Hinduja Global Solutions Inc., USA (HGS, Inc.), a wholly owned subsidiary of HGS International, Mauritius, specialising in marketing and providing both voice and non-voice related Customer Contact and Business Process Outsourcing services to its clientele.

For FY '12, HGS, Inc., reported consolidated revenues of USD 231,012,250. HGS, Inc., added two subsidiaries during the year viz. HGS Properties LLC (for acquisition of three properties in Peoria, Illinois) and HGS Canada Holdings LLC (for acquisition of Canada-based OLS, Inc.), in addition to its earlier two subsidiaries, one being in North America namely, HGS (USA), LLC and one in Europe namely, Hinduja TMT France.

HGS (USA), LLC (formerly known as Affina LLC), which was acquired in November 2006 by HGS, Inc., USA, operates in five cities in USA and Canada. It partners with Fortune 1000 companies and government agencies to provide comprehensive Customer Relationship Management programs. For FY '12, HGS (USA), LLC recorded total revenues of USD 85,758,030 compared to FY '11 revenues of USD 85,139,154.

On-Line Support Inc. (OLS, Inc.) which was acquired in August 2011 by HGS, Inc., USA is a leading Canadian contact centre provider servicing marquee customers across verticals such as media, telecom, technology and BFS. OLS, Inc. offers technical support, inbound and outbound sales, customer care and customer retention in English and French languages and has a team size of over 2,000 associates at 10 centres in Canada. For FY '12, OLS, Inc. recorded total revenues of CAD 48,573,797.

Hinduja Global Solutions Europe Ltd. (formerly known as HTMT Europe Ltd.) is a UK based subsidiary which focuses on consulting services for BPO and call centre services and markets offshoring services to UK based clients. It owns 100% stake in U.K. based Careline Services Ltd.

Careline Services Ltd. is a leading contact centre company with over 800 highly trained employees in London and Scotland. Established in 1977, it offers a range of services for inbound and outbound interactions to over 20 marquee customers across verticals such as Government, FMCG, Financial Services, Automobiles and Retail. In FY '12, Careline, as part of its pan European rollout for a key customer, established branches in Hamburg (Germany) and Rotterdam (Holland). Careline, through its affiliates Hinduja TMT France and HGS Italy, SARL, has also set up centres in Paris (France) and Rome (Italy). For FY '12, Careline reported revenues of GBP 24,982,311.

Hinduja Outsourcing Solutions India Pvt. Ltd. (HOSIPL) Your Company holds 100% stake in HOSIPL

which has received the necessary permissions to set up a unit in the Special Economic Zone at Global Village, Bangalore. The unit is housed over an area of approximately 43,000 sq. ft. and has a capacity of approximately 1,000 seats. FY '12 was the first full year of operations for HOSIPL and it recorded revenues of R 28.47 crore.

HGS Business Services Pvt. Ltd. (formerly known as HCCA Business Services Pvt. Ltd.), which was acquired in August 2011, is a prominent player in Human Resource Outsourcing (HRO) domain. The acquisition also included the Payroll Processing activities of 3i Infotech in UAE and other Gulf Council countries. HGS Business Services offers payroll, statutory compliance and employee life cycle support to marquee customers in Banking, Financial Services, Insurance and other industry verticals. It has over 350 clients and over 600 employees and for the year ended 31st March, 2012, it reported revenues of R 22.72 crore.

Addressing Social Concerns

In the past year, your Company has proved yet again, that it is firmly committed to community welfare initiatives. It supported and partnered with organizations and NGOs, championing various causes and reaching out to the needy and disadvantaged in the society.

During the year, your Company supported orphanages and Destitute homes at Mysore, Chennai and Durgapur and organised blood donation camps. Your Company has also partnered with "Sadhana", an NGO dedicated to the welfare of persons who are mentally challenged.

Your Company contributed to the "Concern India Foundation", by way of participating in the World 10k Run. The contributed sum will aid in supporting the Bridge School run by the foundation to help in mainstreaming children of the migrant workers who live in the slums on the outskirts of Bangalore City, who otherwise end up as rag pickers or indulge in anti social activities.

In Philippines, your Company has partnered with Dr. Jose Fabella Memorial Hospital and Quirino Memorial Medical Center for charitable purposes. Besides, the Philippines branch on a regular basis supports the children and public during the period of national disasters.

In the US, your Company each year supports two national charities and last year, it supported St. Jude Children's Research Hospital and the American Cancer Society. The Peoria centre supported the Children's Hospital of Illinois and the Peoria Humane Society. The Waterloo centre supports the Cedar Bend Humane Society and Cedar Valley Hospice. Your Montreal centre takes great pride in raising funds for the Cure Foundation.

On the whole, your Company actively meets its duties to all stakeholders through positive and active Corporate Social Responsibility programme.

Communication and Public Relations

Your Company recognizes that meaningful, transparent, timely and accurate communication is integral in

enhancing brand value and strengthening stakeholder support. It appreciates the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all its stakeholders and building lasting relationships with them. Your Company has tried with good success to keep all the stakeholders well informed. This includes its employees, shareholders, government, clients, suppliers, rating agencies, local communities and the media.

During the year, your Company successfully re-branded itself with a new corporate identity. To launch the new logo and position itself as a thought leader, your Company associated with Nasscom BPO Summit 2011 as a 'Knowledge Partner'. With keynote addresses from the leaders of your Company stimulating significant media and analyst interest, the summit served as a good branding platform.

Your Company has now adopted a uniform brand identity, with all the subsidiaries being brought under the umbrella brand of 'HGS'. It has used the print as well as the digital and electronic media to good effect in raising the brand awareness globally.

Your Company got positive media coverage on all its announcements throughout the year. The communication about the two acquisitions by your Company during the year was well received.

The CEO communicates with the employees directly and regularly through his blog on the intranet. Town Hall meeting, one every quarter, has become an effective tool for real-time interaction of the CEO with the employees across the globe. 'Global Voice', the flagship internal digital newsletter, keeps all the employees abreast with the most recent happenings within your Company.

Continuing the trend of the previous year, your Company was recognised for its excellence during FY '12. It featured in the Nasscom list of Top 10 BPO exporters in India. It moved five notches up to thirteenth position in the Dataquest India's list of Top BPO Companies.

Your Company's financial results, and updates on important developments and achievements are available on its new website www.teamhgs.com

Rebranding and Consolidation of Global Operations

With diverse operations, entities and employees, your Company has embarked on a project to provide a common global identity to all its operations across the globe. In FY '11, your Company rebranded its operations as HGS and introduced a new, reinvigorated logo.

The colour combination of the new logo with a contemporary typography and the rainbow hues on the 'Energy Rings' symbolise the renewed strength and vigour of HGS and emphasize your Company's flexibility to changes as it makes inroads into new continents. The colour gradient also represents a work environment that is an assimilation of varied regions, religions, cultures and traditions.

The brand name has higher recall value and retains your Company's heritage and pride while being versatile, attractive and designed for an increasingly international audience. It also provides an umbrella brand to your Company's culturally and geographically diverse global operations.

During FY '12, your Company has taken further steps to rebrand its global operations and to consolidate recently acquired entities into one single identity. Accordingly, the names of various subsidiaries have been changed to implement the concept of "ONE HGS".

New Name	Old Name	Effective Date
Hinduja Global Solutions Europe Ltd.	HTMT Europe Ltd	March 28, 2012
HGS (USA), LLC	Affina LLC	March 29, 2012
HGS International, Mauritius	Pacific Horizon Limited, Mauritius	April 16, 2012
HGS Business Services Pvt. Ltd.	HCCA Business Services Pvt. Ltd.	May 11, 2012

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

The Chief Executive Officer and Chief Financial Officer Certification as required under Clause 49 of the Listing Agreements and Chief Executive Officer declaration about code of conduct are furnished in Annexure A and A-1 to this Report.

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

The prescribed particulars as required under Section 217 (1)(e) of the Companies Act, 1956 relating to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo are furnished in Annexure - B to this Report.

Corporate Governance

As required under Clause 49 of the Listing Agreements, a detailed report on Corporate Governance forms Annexure-C to this Report.

The Statutory Auditors of the Company have examined the Company's compliance and have certified the same as required under the Listing Agreements. The certificate is reproduced as Annexure-D to this Report.

Management Discussion and Analysis Report

Further, a separate Management Discussion and Analysis Report covering a wide range of issues relating to industry trends, company performance, SWOT analysis, corporate process, business outlook among others is annexed as Annexure – E to this Report.

ESOP Disclosure

The disclosures required to be made under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are given in Annexures – F1 and F2 to this Report.

Fixed Deposits

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

Directors

Mr. Dheeraj G. Hinduja and Mr. Rajendra P. Chitale, Directors of your Company, are liable to retire by rotation at the ensuing Annual General Meeting (AGM) and being eligible, offer themselves for re-appointment.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 your Directors, based on the information and documents made available to them, confirm that:

- i) in the preparation of Annual Accounts for the year ending 31st March, 2012, the applicable accounting standards have been followed. There are no material departures in the adoption and application of the accounting standards;
- ii) they 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 your Company at the end of the financial year and of the profit of your Company for that period;
- iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- iv) they have prepared the Annual Accounts on a going concern basis.

Auditors

M/s Price Waterhouse, Chartered Accountants, the Statutory Auditors of your Company, retire at the conclusion of the forthcoming Annual General Meeting of your Company and being eligible, offer themselves for re-appointment. The Board recommends the re-appointment of the Auditors.

Exemption from attaching Accounts and other Documents of Subsidiaries

The Ministry of Corporate Affairs (MCA) vide Circular dated 8th February, 2011 has granted exemption under Section 212(8) of the Companies Act, 1956 from annexing Balance Sheet and other documents of subsidiaries with the Annual Report of the holding company provided certain conditions are fulfilled. The Board of Directors of your Company at its meeting held on 9th February, 2012 (in view of fulfilment of all conditions prescribed by the

Ministry of Corporate Affairs under Circular No. 5 / 12 /2007 – CL – III dated 8th February, 2011) resolved for not attaching the Balance Sheet and other documents of the subsidiaries, with the Balance Sheet of the Holding Company i.e., Hinduja Global Solutions Limited, for FY '12.

Accordingly, the Annual accounts and other documents for the year ended March 31, 2012 of the subsidiary companies are not attached to the Annual Report. The accounts of the subsidiaries will be made available for inspection by any member of the Company at its Registered Office and also at the Registered Office of the concerned subsidiary. The accounts of the subsidiary companies and detailed information will be made available to the members upon receipt of request from them. The summary of key financials of the Company's subsidiaries, as provided in the Circular dated 8th February, 2011 is included in this Annual Report. The accounts of individual subsidiary companies would be available on Company's website www.teamhgs.com.

Employees' Particulars

Particulars of employees as required under Section 217(2A) of Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this Directors' Report. However, in accordance with the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956 this Report is being sent to all the shareholders of the Company excluding the aforesaid information. Members interested in obtaining the said information may write to the Company Secretary at the Registered Office of the Company.

Acknowledgements

Your Board takes this opportunity to thank the customers, vendors, business partners, shareholders and bankers for the faith reposed in the Company and also thank the Government of India, various regulatory authorities and agencies, State Governments, Government of various countries for their support and looks forward to their continued encouragement. Your Directors place on record their sincere appreciation of the contribution of the Company's most important asset, viz. the employees, who through their competence, hard work and co-operation have enabled the Company to achieve consistent growth.

For and on behalf of the Board of Directors

Ramkrishan P. Hinduja
Chairman

Place: Mumbai
Date : May 23, 2012

ANNEXURE 'A' TO THE DIRECTORS' REPORT

Certificate in terms of Clause 49 of the Listing Agreement

- a. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2012 and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any,

of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

- d. We have indicated to the Auditors and the Audit Committee:
 - i. Significant changes in internal control over financial reporting during the year;
 - ii. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Srinivas Palakodeti
Chief Financial Officer

Partha DeSarkar
Chief Executive Officer &
Manager

Place : Mumbai
Date : May 23, 2012

ANNEXURE 'A-1' TO THE DIRECTORS' REPORT

Confirmation towards Code of Conduct

I hereby confirm that all Board Members and Senior Management Personnel have affirmed Compliance with the Code of Conduct for the year ended March 31, 2012.

Date: May 23, 2012

Partha DeSarkar
Chief Executive Officer & Manager

ANNEXURE 'B'

TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

a. Conservation of Energy:

Although operations of your Company are not significantly energy intensive, your Company has undertaken several initiatives to conserve energy. Your Company has contributed to green revolution by introducing virtualisation and reducing the footprint of servers and power consumption. Focused management of air-conditioning and lighting largely contributes towards energy saving initiatives.

Carbon Reduction Initiative: HGS across geographies utilises video conferencing for its monthly reviews thereby largely reducing travel expenses.

b. Research & Development and Technology Absorption:

In line with the mission statement, your Company has built multiple custom built solutions both in-house and in partnership with IT companies for providing transformation to its customers. With the objective of expansion and to ensure diversity in offerings, enhance high availability and accessibility to its customers, HGS has strengthened the Point of Presence (POP) across West, East and Central United States. With the above enhancement, its customers can interconnect their Telephony/ Information Systems to the closest Data centre for availing onsite or offshore delivery across the Globe. HGS has enhanced its interconnectivity across US and included its delivery centres in US through MPLS (Multi-Protocol Label switching) Cloud. Your Company has optimized internet traffic across India through multiple providers and implemented BGP (Border Gateway Protocol) for automatic switching and high availability. Your Company has seamlessly migrated its email and Web Portal to include Multi Culture and Global delivery capabilities. Your Company has invested in UK in the best of the breed Cisco IPCC 8.5 Contact centre solution with capabilities of SIP (session Initiation Protocol) based Telephony platform and offered its customers across Europe and Britain a next generation solution. This investment enhances our offerings to our existing and potential customers with the latest in technology innovation. Your Company has developed Multilingual

CRM (Customer Response Management) software for a large Consumer Goods client and has successfully deployed it across Europe and the UK. Processes have been aligned across geographies to ensure eSCM certification which has ensured consistency and people movement across various delivery centres across the globe. Your Company has offered multi-channel customer service through cloud offerings and continue to enhance its capabilities in servicing its customers through Automated Predictive dialler/Email/Chat and Social Media.

c. Export Initiative, Foreign exchange earnings and Outgo:

➤ Export initiatives and development of new export market:

The share of export in the total income for the last two years is as given under:-

For the Year	2011-2012	2010-2011
Export as a:		
% of Operating Income	73.45%	76.12%
% of Total Income	71.84%	75.01%

➤ Foreign Exchange Earnings and Outgo

R in crore		
For the Year	2011-2012	2010-2011
Total Foreign Exchange Earned	464.25	417.95
Total Foreign Exchange Outgo	216.75	168.62

For and on behalf of the Board of Directors

Ramkrishan P. Hinduja
Chairman

Place : Mumbai
Date : May 23, 2012

Annexure 'C' to the Directors' Report

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") and the Management of your Company commit themselves to:

- Strive towards the medium and long term enhancement of shareholder value through sound business decisions, prudent financial management and high standard of ethics throughout your Company;
- Ensure transparency and professionalism in all decisions and transactions of your Company;
- Achieve excellence in Corporate Governance by:
 - ❖ Conforming to and exceeding wherever possible, prevalent guidelines on Corporate Governance;
 - ❖ Regularly reviewing the Board processes and Management systems directed towards continuous improvement.

2. BOARD OF DIRECTORS

A. Composition

Non-Executive Directors (Promoter Group)

Mr. Ramkrishan P. Hinduja, Chairman

Ms. Vinoo S. Hinduja

Mr. Dheeraj G. Hinduja

Independent Directors

Mr. Anil Harish

Mr. Rajendra P. Chitale

Mr. Rangan Mohan

Chairman Emeritus

Mr. Ashok P. Hinduja

Chief Executive Officer and Manager

Mr. Partha DeSarkar

The composition of the Board is in conformity with Clause 49 of the Listing Agreement with the Stock Exchanges.

B. Dates of Board Meetings held during the year

Date of Board Meetings	Board Strength	No. of Directors present
12/05/2011	6	6
29/07/2011	6	4
11/11/2011	6	5
09/02/2012	6	6

The time gap between any two Meetings did not exceed four months. The information as prescribed under Clause 49 of the Listing Agreement was placed before the Board from time to time.

C. Attendance of Directors

Name of the Director	No. of Meetings Attended	Attendance at the previous AGM held on 1st August, 2011
Mr. Ramkrishan P. Hinduja	4	YES
Ms. Vinoo S. Hinduja	2	NO
Mr. Dheeraj G. Hinduja*	3	NO
Mr. Anil Harish	4	YES
Mr. Rajendra P. Chitale	4	YES
Mr. Rangan Mohan	4	YES

* Mr. Dheeraj G. Hinduja attended the Board Meeting held on 09/02/2012 through Video Conference.

D. Details of Membership of the Directors on Boards and Board Committees (including Hinduja Global Solutions Limited)

Name of the Director	Board*		Board Committees**	
	Chairman#	Member	Chairman#	Member
Mr. Ramkrishan P. Hinduja	1	4	—	3
Ms. Vinoo S. Hinduja	—	3	—	—
Mr. Dheeraj G. Hinduja	1	7	—	2
Mr. Anil Harish	—	14	4	10
Mr. Rajendra P. Chitale	—	9	1	7
Mr. Rangan Mohan	—	3	3	3

* Excludes Foreign Companies, Private Limited Companies and Alternate Directorships.

** Only the following Board Committees have been considered for this purpose:

- Audit Committee and
- Shareholders' /Investors' Grievance Committee.

Board membership excludes where a Director is a Chairman; however, board committee membership includes where a member is a Chairman.

3. AUDIT COMMITTEE

A. Terms of Reference

Terms of reference includes following:

- To oversee your Company's financial reporting process and disclosure of its financial information;
- To recommend appointment of Statutory Auditors and to fix their audit fee;
- To review and discuss with the Statutory Auditors the following:

- a) internal control systems, scope of audit including observations of auditors, adequacy of internal audit function, major accounting policies and practices;
 - b) compliance with accounting standards;
 - c) compliance with applicable clauses of Listing Agreement with Stock Exchanges;
 - d) legal requirements concerning financial statements; and
 - e) related party transactions, if any;
- (iv) To review Company's fiscal and risk management policies;
 - (v) To discuss with internal auditors any significant findings for follow-up thereon;
 - (vi) To review quarterly, half yearly and annual financial statements before submission to the Board;
 - (vii) To advise and guide operating management on specific issues/ transactions;
 - (viii) To review the Management Discussion and Analysis Report on the financial condition of your Company and review of your Company's operations; and
 - (ix) To review the statement of significant related party transactions.

The terms of reference and composition of the Audit Committee conform to the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

B. Composition

The Audit Committee was constituted by the Board of Directors of your Company on 7th March, 2007. The composition of the Audit Committee is as follows:

Chairman: Mr. Anil Harish

Members: Mr. Ramkrishan P. Hinduja
Mr. Rajendra P. Chitale

The Company Secretary acts as Secretary to the Committee. The permanent invitees to Audit Committee meetings include representatives of the Statutory Auditor, representatives of the Internal Auditor, Chief Executive Officer and Chief Financial Officer.

C. Meetings and Attendance

The details of meetings held during the year and the attendance thereat are as follows:

Dates of Meetings: 11/05/2011; 28/07/2011; 10/11/2011 and 07/02/2012

Attendance:

Name of the Director	No. of Meetings Attended
Mr. Anil Harish	4
Mr. Ramkrishan P. Hinduja	4
Mr. Rajendra P. Chitale	4

4. COMMITTEE OF DIRECTORS

A. Terms of Reference

- The Committee of Directors is, *inter-alia* empowered to oversee the functioning of the Company, to provide strategic direction and to approve investments and borrowings within the limits prescribed by the Board at its meeting held on 31st October, 2007;
- To recommend to the Board Revenue and Capital budgets and other major capital schemes;
- To consider new businesses, acquisitions, divestments, changes in organization structure and also periodically review the Company's business plans and future strategies;
- To approve donations within the limits prescribed by the Board;
- To open/close bank accounts of the Company;
- To grant limited Powers of Attorney to the officers of the Company;
- To appoint proxies to attend general meetings on behalf of the Company;
- To assign lease-hold rights on the property of the Company/approve sale of scraps/sale of furniture and fixtures;
- To provide performance guarantee for the projects for and on behalf of subsidiaries; and
- The Committee would also take decisions on such matters as may be delegated to it by the Board and ensure their implementation by the Management within the guidelines fixed by the Board.

B. Composition

The Committee of Directors was constituted by the Board of Directors of your company on 30th July, 2007. The composition of the Committee of Directors is as follows:

Chairman: Mr. Ramkrishan P. Hinduja

Members: Ms. Vinoo S. Hinduja
Mr. Rangan Mohan

C. Meetings and Attendance

Dates of Meetings: 12/05/2011 and 26/09/2011

Name of the Director	No. of Meetings Attended
Mr. Ramkrishan P. Hinduja	2
Ms. Vinoo S. Hinduja	1
Mr. Rangan Mohan	2

5. INVESTORS' GRIEVANCE COMMITTEE

A. Terms of Reference

- i) To specifically look into redressing shareholders' and investors' complaints in the following areas:
 - a) Transfer of shares;
 - b) Non-receipt of financial statements and other documents under the Companies Act, 1956;
 - c) Non-receipt of declared dividends;
 - d) Non-receipt of Shares lodged for transfer;
 - e) Issue of Duplicate Share Certificates;
 - f) Forged Transfers; and
 - g) Any other matter of Shareholders' interest.
- ii) To review the system of dealing with and responding to correspondence from all categories of investors.
- iii) To review the details regarding the complaints/ letters, if any, received from the Stock Exchanges and/or the SEBI and responses provided thereto.
- iv) To review and approve initiatives for further improvements in servicing investors.

During the year, two complaints were received from shareholders which were duly attended to. There were no complaints pending against the Company as on 31st March, 2012.

B. Composition

The Investors' Grievance Committee was constituted by the Board of Directors of your Company on 7th March, 2007.

The composition of the Investors' Grievance Committee is as follows:

Chairman: Mr. Rangan Mohan

Member: Mr. Dheeraj G. Hinduja

C. Meetings and Attendance

Date of Meeting: 11/11/2011

Attendance:

Name of the Director	No. of Meetings Attended
Mr. Rangan Mohan	1
Mr. Dheeraj G. Hinduja	1

6. COMPENSATION COMMITTEE

A. Terms of Reference

The Board of Directors at its meeting held on 29th July, 2011 revised the terms of reference of Compensation Committee as under:

- a) Search for, evaluate, shortlist and recommend the incumbent for the position of Chief Executive Officer/Managing Director and their engagement terms;
 - b) Design and administer processes for evaluating the effectiveness [i.e., Performance Management System] of Chief Executive Officer/Managing Director and Senior Management;
 - c) Review the succession plan for Critical Positions and suggest actions.
- The Committee shall (subject to compliance of the Companies Act and other applicable regulations):
- ❖ Establish the KRAs and clear metrics of performance for Chief Executive Officer/ Managing Director against which their performance shall be appraised at the end of the year.
Review and approve KRAs and performance metrics for Senior Management proposed by the Chief Executive Officer/Managing Director.
Document the expectations and the actual achievements for a full Board review as may be taken as an audit.
 - ❖ Have the responsibility for a) setting the remuneration for the Chief Executive Officer/ Managing Director and b) review and approval of Senior Management (one level below MD/CEO) remuneration proposed by Managing Director/Chief Executive Officer Remuneration in this context will include salary, performance based variable component and any compensation payments, such as retiral benefits or stock options.*
 - ❖ Make available its terms of reference, its role, the authority delegated to it by the Board and what it has done for the year under review to the shareholders in a separate section of the chapter on corporate governance in the Annual Report.
- The Committee shall be able to appoint external consultants for assistance on policy and compensation inputs whenever required.

*Explanation:

To determine all the terms governing the Employees Stock Options Plan implemented/ to be implemented by the Company from time to time including any variation thereof and *inter alia* determining eligibility for the grant, timing and number of options to be granted, vesting schedule, exercise price and other related matters;

To exercise all rights, authority and functions of the Board of Directors under all of the Company's stock option, stock incentive, employee stock purchase and other equity-based plans, including without limitation, the authority to interpret the terms thereof;

To grant options there under and to make stock awards there under.

B. Composition

The Compensation Committee was constituted by the Board of Directors of the Company on 7th March, 2007. The composition of the Compensation Committee is as follows:

Chairman: Mr. Anil Harish

Members: Mr. Dheeraj G. Hinduja
Mr. Rajendra P. Chitale
Mr. Rangan Mohan

C. Meetings and Attendance

Dates of Meetings: 01/06/2011; 11/10/2011 and 11/11/2011

Attendance:

Name of the Director	No. of Meetings Attended
Mr. Anil Harish	3
Mr. Dheeraj G. Hinduja*	1
Mr. Rajendra P. Chitale	3
Mr. Rangan Mohan*	1

* Mr. Dheeraj G. Hinduja and Mr. Rangan Mohan attended the Compensation Committee Meetings held on 01/06/2011 and 11/10/2011 through Audio Conference. Hence, for the purpose of reckoning attendance, these meetings were excluded.

The Compensation Committee reviewed:

- Increase in the remuneration of the CEO;
- Grant of stock options to the employees; and
- Performance review of direct reportee to CEO, amongst other matters.

7. REMUNERATION OF DIRECTORS

No payments were made to Directors during the year under review except sitting fees. There were no material pecuniary relationships or transactions with Non-Executive Directors.

Sitting fee paid to Non-Executive Directors during the year

Name of the Director	Sitting Fee (R)
Mr. Ramkrishan P. Hinduja	1,60,000
Ms. Vinoo S. Hinduja	40,000
Mr. Dheeraj G. Hinduja	70,000
Mr. Anil Harish	1,75,000
Mr. Rajendra P. Chitale	1,75,000
Mr. Rangan Mohan	90,000

Details of fees for professional services rendered by Firms of Solicitors/Advocates/Chartered Accountants/Strategic Consultants in which certain Independent Directors are partners are as under:

Name of Firm	Amount paid during the year under review	Name of Director who is partner
Rangan Mohan Associates	R13,40,145	Mr. Rangan Mohan
D.M. Harish & Co.	R34,745	Mr. Anil Harish

8. GENERAL BODY MEETINGS

A. Details of location, date and time of holding the last three Annual General Meetings

Financial Year	Location	Date and Time
2008-2009	Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai-400 018	29th July, 2009 at 11.00 a.m.
2009-2010	Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai-400 018	31st July, 2010 at 11.00 a.m.
2010-2011	Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai-400 018	1st August, 2011 at 11.00 a.m.

B. There was no special resolution requiring voting through postal ballot during the year.

C. The following are the Special Resolutions passed at the previous three Annual General Meetings.

AGM held on	Summary
1st August, 2011	1) Pursuant to provisions of Section 81 and such other provisions of the Companies Act, 1956 to issue, offer for subscription and allot, in one or more tranches, new equity shares not exceeding 1.5% of the outstanding paid up capital of the Company at the beginning of the year, in any one year, for the benefit of such person(s) as may be in the employment of the Company, whether shareholders of the Company or not at such price and other terms as set out in the Hinduja Global Solutions Limited Employees Stock Option Plan 2011. 2) Benefits of Hinduja Global Solutions Limited Employees Stock Option Plan 2011 be extended to the eligible employees of the subsidiary(ies)/ holding Company(ies). 3) Pursuant to provision of Section 81(1A) and other applicable provisions, if any, of Companies Act, 1956, the Foreign Exchange Management Act, 1999 to create, offer, issue and allot Securities in the form of Equity Shares, Warrants, Bonds, Depository Receipts, whether Global Depository Receipts ("GDR"), American Depository Receipts ("ADR"), provided aggregate issue price of Securities to be issued shall not exceed R 500 Crore (Rupees Five Hundred Crore) inclusive of such premium as may be payable on the Securities.
31st July, 2010	1) Pursuant to provision of Section 81(1A) and other applicable provisions, if any, of Companies Act, 1956, the Foreign Exchange Management Act, 1999 to create, offer, issue and allot Securities in the form of Equity Shares, Warrants, Bonds, Depository Receipts, whether Global Depository Receipts ("GDR"), American Depository Receipts ("ADR"), provided aggregate issue price of Securities to be issued shall not exceed R 500 Crore (Rupees Five Hundred Crore) inclusive of such premium as may be payable on the Securities.

29th July, 2009	1) Pursuant to provision of Section 81(1A) and other applicable provisions, if any, of Companies Act, 1956, the Foreign Exchange Management Act, 1999 to create, offer, issue and allot Securities in the form of Equity Shares, Warrants, Bonds, Depository Receipts, whether Global Depository Receipts ("GDR"), American Depository Receipts ("ADR"), provided aggregate issue price of Securities to be issued shall not exceed R 500 Crore (Rupees Five Hundred Crore) inclusive of such premium as may be payable on the Securities.
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9. DISCLOSURES

- A. There were no material significant related party transactions during the year that may have a potential conflict with the interests of the Company at large. Transactions with related parties have been disclosed vide Note 27 to the Financial Statement.
- B. There have been no instances of non-compliance by your Company on any matter related to the capital markets, nor has any penalty/stricture been imposed on your Company by the Stock Exchanges or SEBI or any other statutory authority or any matter related to capital markets during the last three years.
- C. Your Company has complied with all the mandatory requirements of Corporate Governance as required by the Listing Agreement.
- D. No personnel have been denied access to the Audit Committee of your Company to discuss any matter of substance.

10. MEANS OF COMMUNICATION

- A. The quarterly results are published in leading national newspapers (Economic Times and Maharashtra Times). The results are simultaneously displayed on your Company's official website www.teamhgs.com. The website is updated regularly with the official news releases, presentations made to Institutional Investors and Analysts and disclosures as required from time to time.
- B. Management Discussion and Analysis Report is given as an Annexure to the Directors' Report.

11. GENERAL SHAREHOLDER INFORMATION

Sr. No.	Subject	Date
1.	Next Annual General Meeting	
	Date	9th August, 2012
	Time	11.00 A.M.
	Venue	Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400 018
2.	Financial Calendar for 2012-13 (Tentative)	
	Unaudited results for the quarter ending 30th June, 2012	8th August, 2012
	Unaudited results for the quarter/half year ending 30th September, 2012	2nd week of November, 2012
	Unaudited results for the quarter ending 31st December, 2012	2nd week of February, 2013
	Audited results for the year ending 31st March, 2013	2nd week of May, 2013
3.	Book Closure Dates	From 7th August, 2012 to 9th August, 2012 (both days inclusive)
4.	Dividend payment date for the financial year 2011-12	On or after 14th August, 2012
5.	Listing of Equity Shares	Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE)
6.	Stock Code	BSE: 532859 NSE: HGS

Note: Annual Listing fee for the financial year 2012-13 has been paid to Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

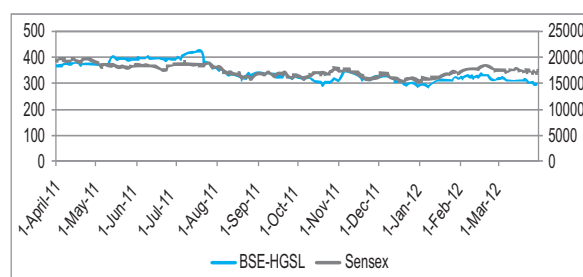
12. STOCK MARKET DATA

Month	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	Month's High (R)	Month's Low (R)	Month's High (R)	Month's Low (R)
Apr-11	387.95	360.00	383.90	351.10
May-11	423.00	361.10	407.00	351.15
Jun-11	406.25	381.05	407.85	380.00
Jul-11	434.00	351.20	434.00	353.15
Aug-11	364.00	309.00	365.90	310.00

Month	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	Month's High (R)	Month's Low (R)	Month's High (R)	Month's Low (R)
Sep-11	348.00	301.60	354.00	315.50
Oct-11	332.10	285.00	329.90	285.00
Nov-11	358.00	306.25	360.00	305.00
Dec-11	333.95	283.10	329.95	287.00
Jan-12	324.95	285.40	325.00	283.05
Feb-12	344.00	303.90	341.55	300.10
Mar-12	329.00	292.00	329.70	291.00

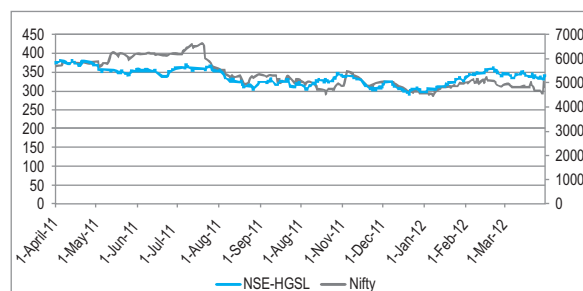
A. SHARE PRICE MOVEMENT (BSE)

Your Company's closing share price performance on the BSE relative to BSE Sensex closing prices (April 2011 to March 2012)



B. SHARE PRICE MOVEMENT (NSE)

Your Company's closing share price performance on the NSE relative to NIFTY closing prices (April 2011 to March 2012)



13. SHARE TRANSFER SYSTEM

Your Company's equity shares are compulsorily traded in dematerialized form. As on 31st March, 2012, about 99.72% of your Company's equity (comprising of 2,05,32,132 shares) had been dematerialized. The shares of your Company are regularly traded on the BSE and NSE w.e.f. 19th June, 2007.

The power to approve transfer of shares in physical form and to attend to share transfer formalities has been delegated by the Board to a Committee consisting of officers of the Company.

Requests received for transfer of physical shares are processed / returned within 30 days from the date of receipt.

As on 31st March, 2012, there were no pending unprocessed transfers. The details of physical shares transferred during the last three years are as under:

Particulars	2009-2010	2010-2011	2011-2012
No. of transfer deeds received	03	03	03
No. of shares transferred	200	150	200

Pattern of Shareholding as on 31st March, 2012:

Particulars	No. of shares	% of share-holding
Promoters	1,40,29,452	68.14
FII's	32,44,073	15.76
NRIs/OCBs/Non Domestic Companies	1,05,547	0.51
Mutual Funds, Banks, Financial Institutions, Insurance Companies	5,94,682	2.89
Private Corporate Bodies	9,41,320	4.57
Individuals / Others	16,74,149	8.13
Total Paid-up capital	2,05,89,223	100.00

Distribution Schedule as of 31st March, 2012:

Distribution	No. of share-holders	% to Total No. of shareholders	Shareholding	
			No. of shares	% to Total paid up capital
Upto 500	9867	94.16	6,25,573	3.04
501 1000	273	2.61	2,10,336	1.02
1001 2000	149	1.42	2,14,978	1.04
2001 3000	58	0.55	1,43,257	0.70
3001 4000	24	0.23	82,556	0.40
4001 5000	22	0.21	99,357	0.48
5001 10000	26	0.25	1,87,562	0.91
Above 10000	60	0.57	1,90,25,604	92.41
Total	10,479	100.00	2,05,89,223	100.00

Reconciliation of Share Capital Audit as mandated by SEBI requirements is carried out by an independent Company Secretary. The reports confirming the aggregate number of equity shares of your Company held in demat form (with NSDL & CDSL) and in physical form, tally with the issued/paid-up capital of your Company, is placed before and noted by the Board from time to time.

None of the Directors of your Company hold any shares of your Company as on 31st March, 2012 except Ms. Vinoo S. Hinduja who holds 61,065 equity shares, which represents 0.30% of the total paid-up capital of the Company.

Code of Conduct: Your Company has adopted separate Code of Conduct for Executive Directors and Senior Management and/or Non-Executive Directors on 7th March, 2007 and the same has also been displayed on your Company's website. As required under Clause 49 of the Listing Agreement, the Chief Executive Officer has given a declaration to the effect that all the Directors and Senior Management personnel of your Company have affirmed compliance with the Code of Conduct as on 31st March, 2012.

Secretarial Standards relating to Meetings

The Institute of Company Secretaries of India (ICSI) has established Secretarial Standards relating to Meetings of the Board and Committees thereof SS-1, General Meetings SS-2, Dividend SS-3, Registers and Records SS-4, Minutes SS-5, Transmission of Shares and Debentures SS-6, Passing resolution by Circulation SS-7, Affixing of Common Seal SS-8, Forfeiture of Shares SS-9 and Board's Report SS-10. These Standards are presently recommendatory and may become mandatory in due course. The secretarial practices of your Company generally comply with these Standards.

14. DISCLOSURES OF ADOPTION/NON-ADOPTION OF THE NON-MANDATORY REQUIREMENTS OF CLAUSE 49 OF THE LISTING AGREEMENT

- A. The Board:** Your Company does not reimburse expenses incurred by the Non-Executive Chairman for maintenance of a separate Chairman's office. Your Company has not provided for tenure of Independent Directors.
- B. Remuneration Committee:** Your Company has constituted a Compensation Committee. A detailed note on Compensation Committee is provided under point (6) - Compensation Committee section in this report.
- C. Shareholder Rights:** Your Company publishes its quarterly unaudited financial results in the newspapers and also displays it on its official website www.teamhgs.com apart from displaying it on stock exchanges' website. Accordingly, it does not envisage sending the same separately to the households of the shareholders.
- D. Audit qualifications:** During the year under review, there was no audit qualification in your Company's financial statements. Your Company continues to adopt best practices to ensure a regime of unqualified financial statements.
- E. Training of Board Members:** Your Company does not have any formal training program for Board Members. However, periodical presentations are

made to the Board on changes made by SEBI and the Stock Exchanges in respect of disclosure and other requirements. Periodically, legal updates are also sent to the Directors. The Directors interact with the management in a very free and open manner on information that may be required by them on orientation and centre visits.

F. Mechanism for evaluating non-executive Board Members: There is no separate mechanism for evaluating the performance of Non-Executive Board Members.

G. Whistle Blower Policy: Your Company has established a Whistle Blower Policy and appointed Mr. Rangan Mohan, Independent Director, as the Ombudsman. The Whistle Blower Policy is displayed on your Company's official website www.teamhgs.com.

15. REGISTRAR AND SHARE TRANSFER AGENT

Your Company's Registrar and Share Transfer Agent is:

Sharepro Services (India) Private Limited

Address: 13 AB, Samhita Warehousing Complex,
2nd Floor, Near Sakinaka Telephone
Exchange, Andheri-Kurla Road,
Sakinaka, Andheri (East), Mumbai-400072.

Shareholders' correspondence should be addressed to the Registrar and Share Transfer Agent at the above address, marked to the attention of:

Ms. Indira Karkera / Mr. Damodar K.
Tel : (91 22) 6772 0300 / 6772 0400
Fax : (91 22) 2859 1568 / 2850 8927 or
E-Mail : sharepro@shareproservices.com

Investor Relation Centre:

Sharepro Services (India) Pvt. Ltd.
912, Raheja Centre, Free Press Journal Road,
Nariman Point, Mumbai-400021
Tel : (91 22) 6613 4700 / 2282 5163

16. ADDRESS FOR CORRESPONDENCE WITH THE COMPANY

Queries relating to operational and financial performance of your Company may be addressed to:

Mr. Srinivas Palakodeti, Chief Financial Officer

Address: HGSL House, No. 614, Vajpayee Nagar,
Bommanahalli, Hosur Road,
Bangalore-560068.

Tel : (91 80) 2573 2620 / 2573 3212;

Fax : (91 80) 2573 1592

Shareholders may address queries relating to their holdings to:

Mr. Hasmukh Shah,
Vice President-Legal & Secretarial

Address: Hinduja House,
171, Dr. Annie Besant Road,
Worli, Mumbai - 400018.

Tel : (91 22) 2496 0707 (Ext : 333)

Fax : (91 22) 2497 4208

Email: investor.grievances@teamhgs.com

Members are requested to register their email address with the Company's Registrar and Share Transfer Agent (RTA) at sharepro@shareproservices.com to enable the Company to send all notices/documents through email and also advice any changes in their email address from time to time to the RTA.

Plant Locations: Not applicable.

Pursuant to the SEBI Circular No. MIRSD/DPS III/ Cir-01/07 dated January 22, 2007, the Company has designated an exclusive e-mail ID viz investor.grievances@teamhgs.com, where the investors would be able to register their complaints and also take necessary follow-up actions as necessary.

17. COMPLIANCE OFFICER

Mr. Kanti Mohan Rustagi, Executive Vice President
– Legal & Company Secretary.

For and on behalf of the Board

Place : Mumbai
Date : May 23, 2012

Ramkrishnan P. Hinduja
Chairman

ANNEXURE 'D' TO THE DIRECTORS' REPORT

Auditors' Certificate on Compliance with the Conditions of Corporate Governance under Clause 49 of the Listing Agreement.

To

The Members of Hinduja Global Solutions Limited,

1. We have examined the compliance of conditions of Corporate Governance by Hinduja Global Solutions Limited (the 'Company') for the year ended March 31, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.
2. The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance, as stipulated in the above mentioned Listing Agreement.
4. We state that such compliance is 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 Price Waterhouse

Firm Registration Number: 301112E

Chartered Accountants

Partha Ghosh

Partner

Membership No. F-55913

Place : Mumbai

Date : May 23, 2012

MANAGEMENT DISCUSSION & ANALYSIS REPORT

OVERVIEW

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI) and Generally Accepted Accounting Principles (GAAP) in India. Our Management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein.

The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs, profits and cash flows for the year.

MACROECONOMIC TRENDS

In FY '12, the global economy was expected to mark the completion of the recovery from the global financial crisis and resume its growth path. Instead, the challenges plaguing the business environment intensified. The US economy, which was expected to be one of the key engines for a global recovery, did not evince signs of robust long term recovery. In Europe, the debt crisis of economies such as Italy, Spain and Greece intensified.

Monetary tightening to control inflation and inflationary expectations caused a compression in aggregate demand in both India and China leading to a moderation in their growth rates. Hence, the emerging economies, which have played a more pronounced role in the global economy in the aftermath of the impact of the global financial crisis, could not compensate for diminishing growth in developed economies.

In addition to slowing global growth, India continues to face its own internal challenges. While domestic consumption remains strong, certain segments of industry have been hit hard by the high interest rate regime resulting in declining industrial activity. The slowdown in the economy, coupled with rising costs and narrowing profit margins of the corporate sector led to a lower than budgeted growth in government revenues. The challenges in the global economy in the latter half of FY '12 as well as India's deteriorating fiscal situation led to sharp capital outflows thereby exerting pressure on the domestic currency exchange rate.

However, relative to many other economies in the world, growth of around 6% in India is among the highest. The service sector continues to make a firm contribution to Domestic GDP with service sector growth rate above overall GDP growth. The service sector is estimated to grow at a robust rate of 9.4% in FY '12, which is similar to FY '11.

INDUSTRY OVERVIEW

While the global economy exhibited signs of a recovery, the eventual recovery was less robust than expected. If

anything, recent developments across the globe have increased volatility in economic growth rates, commodity prices, international trade and business spending. This has added to the complexity of the operating environment over the last few quarters and has made outsourcing buyers unsure about the prudence of entering into long-term outsourcing arrangements. This resulted in multiple small size deals, as customers aimed to conserve cash flows while chasing success in new models and service offerings. As a whole, global spending on IT-ITES continued unabated and demand for global sourcing services remained strong.

In a volatile operating environment, the Indian IT-ITES industry has proved to be fairly resilient. While customer needs are continuously evolving, service providers have shown a willingness to change rapidly in order to remain relevant. As a result, FY '12 has been a milestone year for the Indian IT-ITES industry which not only weathered uncertainties in the global business environment, but also crossed a significant landmark – aggregate revenues for FY '12 are expected to cross USD 100 billion (Source: NASSCOM Strategic Review 2012).

Of this USD 100 billion, Export Revenues are estimated at USD 69 billion of which ITES exports are expected to contribute USD 16 billion in FY '12 at a growth rate of 12%. Apart from the ongoing expansion of traditional service lines, growth is expected to come from the emergence of new service lines. Increasing digitization, greater verticalisation and a preference for programs that are transformational in nature are expected to lead the industry's progress.

While the US and Europe are expected to remain the largest markets for global sourcing services, markets in the Asia Pacific and in the Middle East are developing rapidly. The continued maturity of customers and heightened competitiveness among service providers is increasing the depth and scope of services in these geographies.

The domestic IT/ITES market is expected to reach R91,800 crore in FY '12. Within this, the domestic BPO market is expected to reach R14,900 crore, driven by demand from voice-based services (local languages) and increased adoption by both traditional and emerging verticals, including the government. Growth in the domestic ITES market is characterized by rapid advancement in technology infrastructure, increasingly competitive Indian organisations, increasing participation by the government and public sector and emergence of advanced delivery models.

As the markets continue to expand, it is apparent that outsourcing is featuring more prominently on customer agendas. This being driven by corporate profits which are rebounding in many sectors giving companies more capital to work with than in recent years. Further, numerous segments of the outsourcing market are

seeing pent-up demand. After several years of belt-tightening and holding up on large projects and capital investment, many companies need to catch up in terms of improving systems and processes, and outsourcing often provides a vehicle for getting such initiatives started.

The renewed interest in outsourcing is tempered by a definite sense of caution. There are fewer megadeals now. Instead, companies are often engaging in smaller deals, focused on specific, carefully defined areas. Thus, where a large deal a few years ago might have been worth \$1 billion or more, today's larger transactions tend to be valued at \$100 million and above. There are exceptions, of course, but in general, companies are exhibiting caution while moving forward.

In emerging outsourcing markets, the emphasis is on replicating global best practices and outsourcing standards, while in mature markets, it is apparent that customer sophistication is increasing as customers begin to demand more from outsourcing than merely cost arbitrage.

In response, service providers are increasing their onshore and near-shore footprint relative to key customer markets. They have also been actively implementing non-linear growth initiatives that ensure higher realisations while controlling costs, facilitating faster time-to-market and improving satisfaction at the clients' end.

Service providers have begun to combine technology solutions with services as there is an increasing appetite for platform based solutions. This allows service providers to demonstrate greater vertical based expertise while enabling customers to enhance the variabilisation of spends. The barrier of large capital commitments in traditional service solutions are overcome in 'pay per use' or 'as a service' offerings.

In addition, emerging trends like social media, mobility, analytics and cloud computing are affecting the way customers engage with their end users and the way they approach sourcing. There is an increasing thrust on digital interaction and traditional methods of delivery may undergo a change. Providers may be required to offer capabilities across various mediums to meet customer needs.

At the same time, there is emerging competition as several countries in the Asia Pacific region are positioning themselves to be increasingly relevant in order to garner a higher share of potential business. The outsourcing activities in countries like Malaysia, Philippines, Vietnam, Thailand and Indonesia are gaining traction and are slowly inching their way up as attractive destinations for outsourcing while established outsourcing destinations like India are seeking to move up the 'value chain' to retain their piece of the outsourcing market.

The Philippines is already ahead of India in the delivery of voice based services. They are now enhancing their

capabilities for non-voice activities to attract a larger share of the global outsourcing and offshoring industry. China is also undertaking steps to become a major outsourcing player and enhance its presence in the global services market.

BUSINESS OVERVIEW

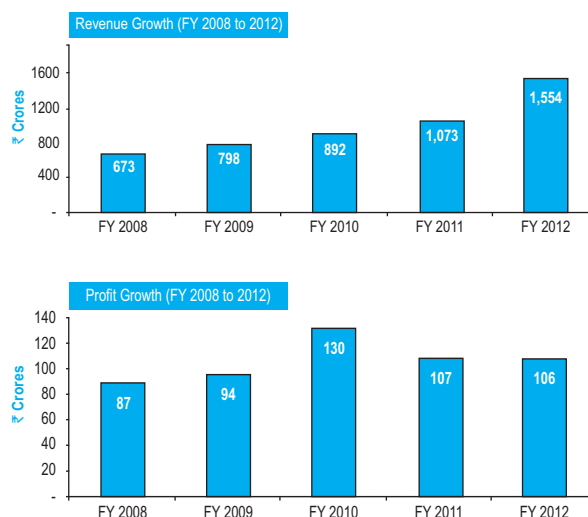
HGS is a leading global Business Process and Customer Relationship Management company and is among the largest listed pure play BPOs in the domestic market. HGS is a leader in providing outsourcing solutions that include Back Office Processing, Contact Center Services and customized ITES solutions to its global clientele comprising several Fortune 500 Companies. HGS employs nearly 24,000 people worldwide. Annual consolidated operating revenues in FY '12 were R1,554.31 crore and consolidated net profits were R106.07 crore.

HGS is in its second decade since inception and is a well-established service provider with demonstrated expertise across multiple verticals. Its endeavour towards making its customers more competitive drives it to adopt agile systems, best practices, highly motivated people and an innovative approach towards its business.

As HGS enters the next stage in its journey, it recognizes the need to combine its demonstrated expertise with additional skills, enhanced recognition, and renewed energy in order to define industry standards to continue to remain a globally preferred business process transformation partner for its clients.

Operational Review

Fiscal year 2012 was a significant year for HGS with consistent organic growth accompanied by two value accretive acquisitions which helped increase its scale, widen capabilities and diversify its offerings. It registered healthy growth as consolidated operating revenues were up around 45 % from R 1,073.07 crore in FY '11 to R 1,554.31 crore in FY '12. Exclusive of the acquisitions, the growth in revenue would have been 20%. Consolidated Net Profit for the year was at R 106.07 crore.



HGS has been able to deliver consistent organic growth across its business verticals and geographies of operations. In its largest market - the US, there has been steady growth in volumes through incremental business from existing clients. One of its leading telecom clients requested enhanced delivery resulting in expansion of the servicing team. It has also added clients in the health insurance vertical.

In November 2011, HGS Inc. purchased 3 buildings in Peoria, Illinois, which were earlier on lease demonstrating its commitment to the US market.

Marking another global footprint, an entity has been set up for onshore and near-shore business in Jamaica and the first delivery centre is expected to go live in the first half of FY '13.

In Europe, Careline Services Limited has reported traction in account wins and a successful pan-European rollout for one of its marquee customers. The program resulted in setting up of centres in Hamburg, Rome, Rotterdam and Paris.

Careline Services has successfully won two outsourcing contracts from the public sector in UK. It is in the process of starting operations at the third centre in UK to handle additional work from an existing client.

During FY '12, HGS completed the construction of its third centre located in Iloilo and commissioned its fourth centre in the Philippines at Manila. The first Manila offshore contract with UK delivery went live during the year. HGS continues to see traction from new client wins, new verticals and new lines of business which bode well for its growth in this region.

In India, increased volumes from the telecom segment due to new client wins, tariff hikes and rollout of value added services like 3G and Mobile Number Portability have aided growth. This has helped diffuse the pressure on pricing which has been a dominant feature in domestic operations in the recent past. HGS continues to add clients from the telecom sector which highlights the quality and reliability of services offered by HGS. There is also healthy traction in emerging areas like Media and BFS.

In order to give greater impetus to your Company's domestic operations, it has streamlined the leadership structure by creating four vertical heads with distinct business responsibility. These verticals are Telecom - Top Client, Telecom - New Business, BFS and Emerging markets.

Acquisitions

During the year, HGS successfully concluded two acquisitions. The first one was On-Line Support Inc. (OLS), a leading contact center provider in Canada

servicing marquee customers across verticals like media, telecom, technology, and BFS. OLS delivers English and French language services and serves Canadian and US clients. OLS's strategy has been to focus on key delivery areas which have created a niche positioning for OLS allowing them to register healthy margins for a pure onshore based business while enjoying significant scale and mind share from each of its five clients.

The OLS acquisition has enabled your Company to create a significant presence in the Canadian market and strengthens its onshore and near-shore capabilities in the North American market.

The competencies and scale of OLS in the Media and BFS verticals will help augment HGS capabilities in these areas. OLS also brings with it 10 delivery centres and a team size of over 2,000 associates. When combined with the existing presence in USA, this makes HGS a formidable player in the North American region.

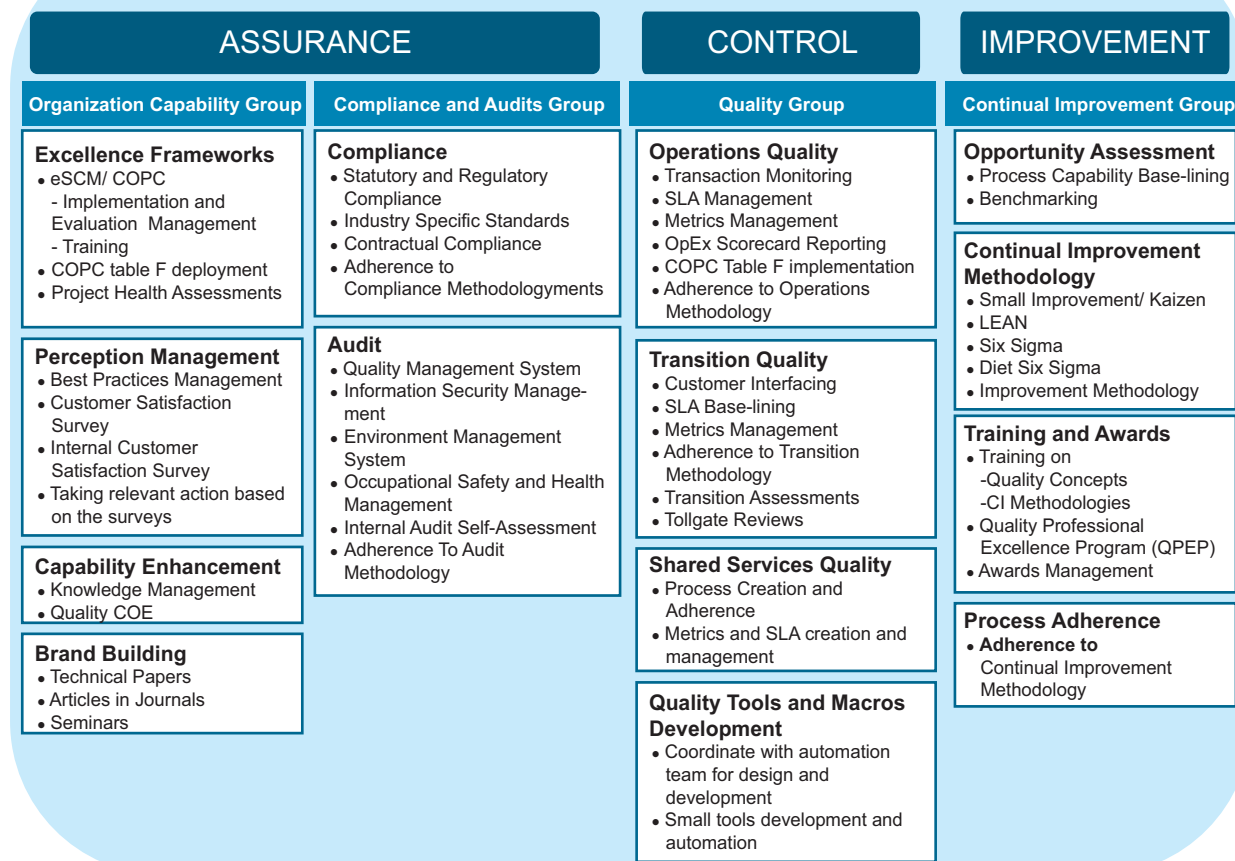
The second acquisition was the purchase of a 100% stake in HGS Business Services Private Ltd. (formerly known as HCCA Business Services Private Ltd.) which is a prominent player in the Human Resource Outsourcing (HRO) domain. HGS Business Services offers payroll, statutory compliance, and employee lifecycle support to over 350 clients in India. This acquisition also includes the payroll processing in UAE and other Gulf Council countries. HGS Business Services also adds four centres and over 600 employees to your Company's global operations.

Equally importantly, this acquisition provides a new avenue for growth. The opportunities in the HRO space are huge and HRO is one of the fastest growing segments with large scale off-shoring opportunities. HGS can now offer HRO expertise to its global clients thereby opening a new window of revenue flow and helping to expand its portfolio of service offerings.

Business Excellence

Outsourcing is no longer only a cost arbitrage. It is maturing towards a value add. In this volatile operational environment, HGS as an organization, prioritizes Business Excellence. To sustain Business Excellence across its multiple geographies, a comprehensive and robust Business Excellence Framework has been developed. The HGS Business Excellence (BE) framework is founded on the classical trilogy of Quality Assurance, Control and Quality Improvement. Quality Assurance is enabled by Organization Capability and Compliance & Audit Groups. Quality Control is monitored by Quality Group and Quality Improvement is ensured by Continual Improvement Group. Each of these four groups is managed by senior quality professionals.

THE HGS BUSINESS EXCELLENCE FRAMEWORK



The Business Excellence framework in HGS works to achieve standardization of processes, uniformity of practices, usage of similar tools and methodologies, and fungibility of people to deliver consistent high quality service and experience to its customers globally. Under the umbrella of BE Framework, many methodologies, initiatives, platforms and models are used in HGS to ensure efficient functioning of processes. Some of the key programs that have been implemented globally are :

- SPARK (Sharing Practices and Replicating Knowledge) is a common platform to share knowledge globally. The portal is a one stop shop for all our knowledge assets. It is now extensively being used by our team globally for sharing, replicating and utilizing the knowledge assets by our Sales team for showcasing them during sales pitches and drafting RFPs and RFIs for prospective clients.
- QPEP (Quality Professionals Excellence Program) is a program to enhance the knowledge base of our quality professionals. All our employees working in the Business Excellence/Quality function go through a structured training program that leads to a certification at the end of the successful completion.
- AIM (All Ideas Matter) - an idea generation portal was launched globally to leverage on the immense knowledge of our employees. This is based on

the principles of KAIZEN, the Toyota methodology for small improvement. This involves the frontend employees of HGS in our Excellence journey.

- ICSAT (Internal Customer Satisfaction Survey) is our half-yearly survey where feedback is sought on the performance of the support functions. The survey enables us to continuously improve on service levels and make changes to existing practices and processes.

eSCM-SP (eSourcing Capability Model for Service Providers)

HGS sites across India, Philippines and United States have now achieved eSourcing Capability Level 4 Certification. HGS is the first service provider to be eSCM-SP certified in the Philippines, and HGS is the first service provider in the United States to have acquired eSCM-SP Capability Level 4 Certification. This achievement is unique - HGS is the only Company to get certified multi-location and multi-geography viz. India, Philippines and USA.

eSourcing Capability Model is a model specifically created for the BPO and Contact Center industry, by a research consortium led by Carnegie Mellon University's Information Technology Services Qualification Center (ITSqc). Published in 2004, it provides guidance to

service providers that will equip them to improve their capability across the sourcing life cycle.

HGS expects eSCM-SP to attain competitive edge through increased efficiencies and enhance the existing credibility and reliability that HGS has across the industry globally.

Customer Additions

During FY '12 your Company successfully added 39 new clients organically and 362 clients through the acquisitions of OLS and HGS Business Services. The Company has 44 clients, with annual billings in excess of USD one million.

Your Company takes pride in the high quality of its client base—of its 485 clients, many are Fortune 500 names.

Customer Satisfaction (CSAT) Survey

HGS also enjoys customer relationships that are over a decade old. HGS (USA), LLC (formerly Affina LLC) has been serving one of its customers for nearly 4 decades. In the Philippines, HGS celebrated the 10 year anniversary of two separate relationships with marquee clients. These multi-year client relationships are an indication of the stability of its business and speak of the high levels of customer satisfaction that HGS delivers.

During the year, HGS initiated its first ever global customer satisfaction survey, conducted by an independent third-party organization. The response rate was over 77%, a response rate that is considerably above industry average. The survey obtained feedback on 4 key outcome measures of Satisfaction, Loyalty, Advocacy and Value for Money. HGS has been rated highly on all key outcome measures. HGS was rated "best-in-class" on Loyalty.

The high response rates and ratings on key outcome measures are a validation that our customers have stopped looking at HGS as vendor and consider us as a partner who creates value for them.

One HGS / Branding / Logo

HGS has initiated steps to overcome brand confusion in various geographies. The operations at Careline, OLS and HGS Business Services (formerly known as HCCA) are being rebranded to project the 'One HGS' concept across all geographies. A common brand will lead to greater recall, enhanced visibility and improved positioning. This will improve perception across customers and employees alike.

Delivery Infrastructure

At the start of the year, HGS had 32 centres across 5 countries. During the year, it added 10 centres in Canada through the acquisition of OLS and 4 centres in India through the acquisition of HGS Business Services. In addition, 4 new centres were set up in Europe. As of March 31, 2012, it has 50 centres across its global operations.

The Company continues to see growth in its business and will undertake to increase its delivery infrastructure

in line with business requirements. The Company is implementing steps to add centres in UK, Canada and Jamaica. In India, the Company proposes to set up a second SEZ in Bangalore as well as expand the offshore and onshore delivery capacity in Bangalore.

HGS enjoys a stable financial position with healthy generation of internal accruals. It has the backing of a large, well established promoter group with diverse interests and enjoys good relations with several banks and financial institutions. It has adequate resources for any investments it may require to expand capacity and establish additional delivery centres.

Human Capital

During the year, HGS increased its headcount from 19,442 employees to 23,899 employees. This was driven by hiring across all regions of operations to support business growth. The Company also added approximately 2,261 employees through the acquisition of OLS and around 623 employees through the acquisition of HGS Business Services. The Company also focused on expanding and diversifying its leadership and management teams.

As HGS is in the services business, its associates are crucial assets as they contribute to the achievement of business objectives. Apart from strong hiring processes, HGS is equally focused on retaining high quality associates. It ensures that employees have a sense of belonging, are comfortable with the work environment and have enough freedom and flexibility to express themselves. Leadership at all levels is involved in this process and encouraged to focus on positive feedback and appraisal.

As a truly global organization with operations in several countries, the employee base is represented by individuals from diverse cultures. HGS endeavors to develop an environment that enhances employee morale, facilitates effective performance and challenges employee potential.

SWOT ANALYSIS

Strengths

Domain Expertise: Domain expertise in the client's industry is a key differentiator in the industry. HGS has established itself in key verticals of healthcare, telecom and consumer goods through deep expertise and has been able to attract marquee clients in key specialties. HGS is able to enhance domain expertise through adoption of new technologies and recognition of emerging trends. HGS is focused on widening its domain expertise through a mix of acquisitions and organic growth.

Quality of business: HGS has a single minded focusing on comprehensive and high quality delivery. It has well defined systems and processes in place to define, measure and assess business performance. A steadfast focus on business excellence and customer satisfaction has resulted in stable, multi-year customer relationships. HGS is also highly rated by industry assessment bodies

as evidenced by its Level 4 Certification in eSCM-SP Capability across its global operations.

Global delivery model: With presence in 10 countries, HGS is able to offer its customers a mix of onshore, offshore and near-shore delivery options. Customers are free to select delivery models that appropriately suit their requirements of competencies, specialization, location and pricing. With a demonstrated track record and multiple client relationships, clients are assured of quality, reliability and safety no matter which location they select. This elevates HGS's competitiveness when bidding for new business.

Diversified operations: HGS offers a global delivery model that spans multiple geographies. It serves various clients in distinct verticals and offers expertise in multiple processes. Its revenues are earned in multiple currencies and it offers a mix of voice, data and analytical services. This diversified business model protects HGS from overt reliance on a single customer, industry, geography or currency.

Strong & Credible Leadership: HGS is backed by a reputed promoter group with various global interests. The Board of Directors comprises of eminent independent professionals. The Management team of the Company consists of competent and well qualified individuals with rich experience in the industry and in the functions they represent. This offers HGS excellence, stability and drive and are a significant factor behind the impressive track record of the Company.

Track Record: HGS has a demonstrated track record. From serving one client in a single process eleven years ago, it now runs a diversified global operation and can be compared with the best in the industry. HGS also has a credible track record of inorganic growth. It has absorbed three significant acquisitions in the last two financial years characterized by seamless integration and demonstrated improvements. HGS is well placed to compete in a dynamic and evolving business environment.

Weaknesses

Focus on key segments: While the Company runs a diversified business model, Customer Relationship Management (CRM) accounts for around 85% of its total revenues. Through a mix of organic and inorganic initiatives over the last few years, HGS is working on scaling up its competencies in new segments and delivery methods to overcome any disproportionate representation in its business model.

Linear Business Model: The Company's business model currently requires upfront investments in infrastructure and people to deliver growth. HGS is working on the adoption of emerging trends like increasing digitization and different delivery model (home agents) to increase flexibility in its business. Further, new capabilities like HRO allow scaling up of business without proportionate business investments. The Company is actively working towards strategies to overcome these deficiencies.

Brand Confusion: The Company is recognized by different names in different geographies. Further, the inorganic initiatives of the last few years have resulted in a blend of companies with different names and identities some of which have been retained in their home markets. HGS is working towards overcoming brand confusion in the various geographies to ensure that it enjoys a single identity across its global operations.

High rate of Attrition: HGS operations are people intensive and reliant on the strength of its human capital. While it implements various policies and industry leading standards in its human resource function, the industry is characterized by a high rate of attrition within its employee base. HGS has undertaken steps which will enable it to cope up with these challenges as well as ensure business continuity. Further, HGS has been able to keep attrition among its senior and middle management to minimum levels.

Susceptibility to Currency Fluctuation: HGS caters to multiple clients across multiple locations and incurs revenues and costs in multiple currencies. Where revenues and costs are incurred in the same currency (around 71 % of the revenues), there is a natural hedge. In case of the Offshore business (which account for 29% of the revenues), revenues and costs are incurred in different currencies and exchange rate variations affect the overall financial performance. HGS takes suitable measures such as forward covers to reduce the impact of such fluctuations.

Opportunities

New Business: HGS is focused on growing relationships with existing clients while simultaneously developing new long-term relationships with marquee clients across its focused verticals. HGS invests in building relationships with industry leaders where potential opportunities can be large and where HGS will be able to create a meaningful impact on client's businesses through its differentiated service offerings.

New Markets: Historically, service providers have focused on the US market. However, with the increasing relevance of the Asia Pacific and Middle East Markets, service providers have expanded their presence across geographies. Further, an increasing preference for onshore or near-shore delivery in developed markets is leading to business opportunities in newer markets. HGS has consolidated its presence in Canada and is establishing a centre in Jamaica. Other markets which are being evaluated include Middle East and China.

New Verticals: HGS has traditionally been focussed on sectors such as Telecom, Technology, Healthcare and Consumer (Products & Services) which were the industries that took to outsourcing more aggressively. However, the increased prevalence of outsourcing is resulting in increasing opportunities in verticals such as Media, BFS, FMCG and Government. Further, HGS is looking to enhance its presence in the provider space in the healthcare vertical to complement its strengths in payer service offerings.

New Media: The increasing preference for digital interaction is opening up new opportunities for HGS. Today, with increasing use of mobility and social media, industries are communicating with their users in different ways. This is driving a change in the CRM industry as well as leading to changing in the delivery methods. HGS is undertaking significant investments to offer cutting edge services in these areas.

Threats

Competition from other countries: Emerging countries having low cost labour at their disposal are proving to be tough competition and are tweaking laws and regulations to make outsourcing more effective. Philippines has surpassed India in voice segment and China continues to grow its clout in the BPO market. These countries have recognized the attractiveness and benefits offered by our industry to their domestic economies and are undertaking several initiatives to increase their competitiveness and represent themselves as favorable alternatives for prospective customers.

Regulatory and Political risks: Protectionist measures adopted by developed countries like introduction of tariff or non-tariff barriers to outsourcing or the BPO industry to spur growth in their economies, would seriously affect the industry. Also uncertain political environment resulting in policy flip flops having adverse effects on clients will seriously impact their outsourcing contracts.

Disruptive technologies: The pace of technological change has increased and industries can be impacted by disruptive technology. Any new technologies that impact our customers industries could also affect our business volumes and growth catering to those industries.

BUSINESS OUTLOOK

According to NASSCOM, IT-ITES services will be instrumental in the economic and social rise of India in the coming decade. The domestic IT-BPO market is expected to grow in parallel with the growth of the Indian economy. The upbeat domestic IT-BPO (excluding hardware) spending trend will continue in FY '13 as the industry is expected to grow at 13-16%. IT-ITES exports are expected to grow 11-14% in FY '13. These emerging opportunities both in the global and domestic markets can help India reach USD 100 billion in IT-ITES (excluding hardware) revenues by FY '13, an overall growth of 12-15%.

Companies see the use of several providers as a way not only to cut costs, but also to have greater flexibility to tap the marketplace for different skills as needs evolve. A multi-sourcing approach lets companies take advantage of the cost-effectiveness related to the commoditization of certain services, thus reducing the overall sourcing costs.

Worldwide ITES spending is expected to be driven by increasing consumerisation of delivery models. Growth will be driven by new markets. Focus of buyers to differentiate through business innovation is likely to drive domain/micro-vertical expertise. Customers will require

different value propositions, service offerings large in scale and complexity and the inclusion of a different mix of employees.

Even in the face of stiff competition from other locations, India retains its position as the world's leading global sourcing destination for IT-ITES services with its share expanding from 55% in FY '10 to 58% in FY '11. Continued focus on optimal cost efficiency coupled with unparalleled human capital has helped India maintain this position. Leading industry players have been able to deliver continuous value to customers.

Further, the India supply base has also begun to look for expansion across various non-metros both to control costs and have access to a large talent pool. These smaller cities offer advantages such as availability of talent at a lower cost, low attrition rate and affordable real estate.

The emergence of digitization, social media, mobility and analytics is changing the way customers and service providers approach the business. These trends are resulting in an evolution of customer requirement as well as delivery models and are expected to have an increasing impact in defining the growth of the industry.

FINANCIAL OVERVIEW

Sr No	Particulars (R crore)	2011	2012
1	Net Sales	1073.1	1554.3
2	Total Expenditure	962.7	1431.5
3	EBITDA	155.5	184.1
	EBITDA Margin (%)	0.1	0.1
4	PBIT	139.4	151.6
	PBIT Margin (%)	0.1	0.1
5	PAT	107.3	106.1
	PAT Margin (%)	0.1	0.1
6	Basic EPS	52.12	51.52

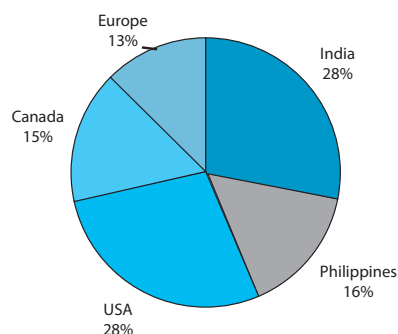
HGS reported strong revenue growth in FY '12 through a mix of organic and inorganic initiatives. Income from Operations was up by around 45% from R 1073.24 crore in FY '11 to R 1554.31 crore in FY '12. Revenue growth of 25% was accounted for by the acquisitions of OLS and HGS Business Services during the year. Exclusive of the acquisitions, the growth in revenue would have been 20%.

The Company reported an increase of 18.4% in EBITDA from R 155.5 crore in FY '11 to R 184.1 crore in FY '12. While absolute EBITDA increased due to the growth in the business, the EBITDA margin moderated over the year. This was due to several reasons – the incremental business during the year includes a large share of onsite delivery based business which impacted the blended margin; increase in expenditure due to inflation and cost pressures and incurring of set up costs for new business and ramp up costs for growth which resulted in booking of expenditure upfront while revenues will follow in ensuing quarters.

The increased scale of the business also resulted in higher depreciation while interest costs were higher due to financing of the acquisitions undertaken during the year. As a result, Consolidated Net Profit for the year of R 106.07 crore was largely stable compared to the previous year.

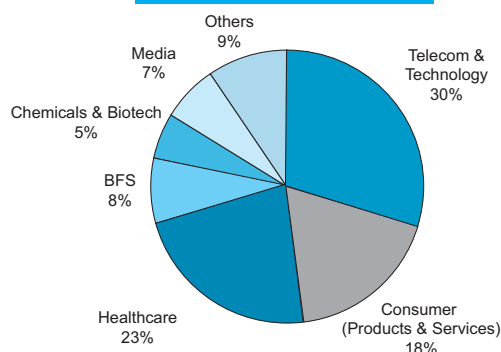
The Company has a mix of offshore and onshore business. Offshore delivery consists of business where clients are in one country and delivery takes place in a different country. In our offshore business, clients are in USA and UK while the delivery centres are in India, Philippines and Mauritius. In onshore delivery, the clients and delivery centres are in the same country – as characterized by HGS operations in USA, Canada, Europe as well as partly in India.

Revenue Exposure by Delivery Geography



Our revenues by delivery location are now well diversified as no single region accounts for more than 30% of total revenues. Revenues from the United States and India contributed 28% each, Philippines contributed 16% while Canada and the Europe contributed 15% and 13% respectively. With the acquisition of OLS, our dependence on revenues from the US has reduced to under 30%. Europe has performed exceptionally well and revenues have contributed an increased share even on an enhanced revenue base.

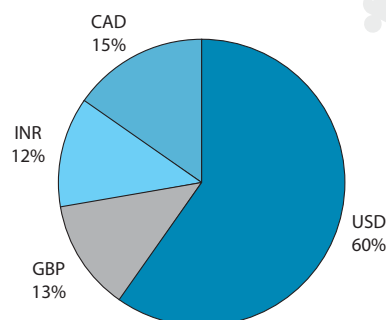
Revenue by Vertical



Revenue contribution from the 'telecom and technology' was the highest at 30% of FY '12 revenues. The 'Healthcare' and 'Consumer (Products & Services)' verticals also continue to dominate our vertical mix with a contribution of 23% and 18% respectively. The

BFS vertical has reported an increased contribution while verticals like Media and Chemicals & Biotech are demonstrating improved relevance with a share of 7% and 5% respectively. We are undertaking concerted efforts to scale up revenues from the three high potential verticals.

Revenue Exposure by Currency



In terms of currency exposure, the USD remains the largest currency with 60% of revenues generated in the US through a mix of onsite and India offshore and Philippines offshore. However, following the acquisition of Carline Services, UK in FY '11 and OLS in Canada in the current fiscal, our basket of currencies is now well diversified. We generate 15% of our revenues in Canadian Dollars and 13% of revenues in the GBP. India domestic operations contributed 12% of total revenues.

RISK MANAGEMENT

The ITES Industry is subject to stringent customer requirements on information and data security, impact of rapid technological changes, financial exposures due to rapid exchange fluctuations and ever increasing regulatory compliance requirements. These factors demand for an extremely robust risk management practice to be adopted by global ITES service providers.

In fact, it is estimated that customers will begin to accord heightened significance to risk management. While risk has always been one of the components considered by investors in deciding locations, it has often been overshadowed by more primary concerns such as costs and availability of skilled labor. However, events of the past year have shown how the effects of sudden negative changes in the political, social, and natural aspects of a location can drastically and radically influence business operations. Rampant political turmoil in Egypt disarmed Cairo's capacity and led to slippages in growth of BPO activities.

As a prudent business practice, HGS has established a robust enterprise risk management framework comprising of practices related to developing risk strategy, identification, assessment and monitoring of risks to our business objectives. The Company's Risk Management framework focuses on minimizing impact of risks on our business objective and enables us to leverage on the opportunities effectively. Our risk objectives address risks associated with

the economy, regulatory environment, business environment, competition, foreign exchange, interest rates, operations, etc.

The Management presents the Risk Assessment and Minimization Procedures to the Audit Committee and Board on a quarterly basis.

Internal Controls

HGS has ensured that adequate systems for internal control commensurate with its size and complexity are in place. These ensure that its assets and interests are carefully protected; checks and balances are in place to determine the accuracy and reliability of accounting data. Well documented processes have been implemented throughout the organization to ensure that policies are promoted and adhered to. There are clear demarcation of roles and responsibilities at various levels of operations. The Internal Control system aims to make sure that the business operations function

efficiently, applicable laws, rules, regulations, policies of the Company are followed and there is reliability of financial reporting. The Finance Department implements and monitors the internal control environment and compliance with statutory requirements. The internal audit function periodically performs audits of various processes and activities.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, expectations, predictions and assumptions may be 'forward looking' within the meaning of applicable Securities Laws and Regulations. Actual results may differ materially from those expressed herein, important factors that could influence the Company's operations include global and domestic economic conditions affecting demand, supply, price conditions, change in Government's regulations, tax regimes, other statutes and other factors such as litigation and industrial relations.

Annexure 'F1' to the Directors' Report

ESOP DISCLOSURE

Hinduja Global Employees Stock Option Plan 2008, earlier known as HTMT Global Employees Stock Option Plan 2008

Your Company has implemented the Hinduja Global Employees Stock Option Plan 2008 ("ESOP 2008"), earlier known as HTMT Global Employees Stock Option Plan 2008 during 2009-2010 in terms of approval accorded by the members of the Company at their Meeting held on September 27, 2008.

The Compensation Committee have on July 31, 2009 granted 2,05,380 options at the exercise price of R 400.10 giving the optionee the right to be allotted one fully paid up share of the Company upon exercise, post vesting.

1. Vesting Period:

- 1/6th of the options granted will vest on the first anniversary of the grant date.
- 1/3rd of the options granted will vest on the second anniversary of the grant date.
- 1/2 of the options granted will vest on the third anniversary of the grant date.

2. Time Limit of Exercise of option: The optionee may exercise his/her vested options, in part or in whole, at any moment after the earliest applicable vesting date and prior to the completion of the 48th month from the grant date.

As required under Clause 12 of the SEBI (ESOP) Guidelines, 1999, your Directors disclose the following details of the above Scheme as at March 31, 2012.

	Subject	Details																					
	Particulars	Hinduja Global Employees Stock Option Plan 2008, earlier known as HTMT Global Employees Stock Option Plan 2008																					
(a)	i) Total Options granted ii) Options granted during the year	On July 31, 2009: 2,05,380 On June 1, 2011: 33,160 (out of lapsed options reverted to the Company as per clause 8.2.1 of ESOP 2008)																					
(b)	The pricing formula	Latest available closing price prior to the date of the meeting of the Compensation Committee, in which options are granted, on the Stock Exchange where there is higher trading volume on the said date																					
(c)	Options vested	On July 31, 2010 : 34230 On July 31, 2011 : 68460 Total : 102690																					
(d)	Options exercised	Nil																					
(e)	The total number of shares arising as a result of exercise of option	Nil																					
(f)	Options lapsed	33,160+36,365 = 69,525 (Out of which on June 1, 2011, 33,160 options which were reverted to Company have been granted again by the Company)																					
(g)	Variation of terms of options	Nil																					
(h)	Money realised by exercise of options	Nil																					
(i)	Total number of options in force	1,35,855 + 33,160 (Granted on June1, 2011 out of lapsed options reverted back to Company) = 1,69,015																					
(j)	Employee-wise details of options granted during the year to:	<table> <tr> <th>Name</th><th>Designation</th><th>No of options granted</th></tr> <tr> <td>Mr. Anthony Joseph</td><td>EVP - Global Head-HR</td><td>5,026</td></tr> <tr> <td>Mr. Kanti Mohan Rustagi</td><td>EVP - Legal & Company Secretary</td><td>5,026</td></tr> <tr> <td>Mr. Ramesh Gopalan</td><td>EVP - International Operations & Healthcare Vertical</td><td>5,026</td></tr> <tr> <td>Mr. Sanjay Sinha</td><td>EVP - M&A (HR) & New Initiatives</td><td>5,026</td></tr> <tr> <td>Mr. Sridhar Krishnamurthy</td><td>EVP - Strategic Initiatives</td><td>5,026</td></tr> <tr> <td>Mr. Srinivas Palakodeti</td><td>Chief Financial Officer</td><td>8,030</td></tr> </table>	Name	Designation	No of options granted	Mr. Anthony Joseph	EVP - Global Head-HR	5,026	Mr. Kanti Mohan Rustagi	EVP - Legal & Company Secretary	5,026	Mr. Ramesh Gopalan	EVP - International Operations & Healthcare Vertical	5,026	Mr. Sanjay Sinha	EVP - M&A (HR) & New Initiatives	5,026	Mr. Sridhar Krishnamurthy	EVP - Strategic Initiatives	5,026	Mr. Srinivas Palakodeti	Chief Financial Officer	8,030
Name	Designation	No of options granted																					
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Mr. Sanjay Sinha	EVP - M&A (HR) & New Initiatives	5,026																					
Mr. Sridhar Krishnamurthy	EVP - Strategic Initiatives	5,026																					
Mr. Srinivas Palakodeti	Chief Financial Officer	8,030																					
	(i) Senior Managerial personnel																						

	Subject	Details																						
	(ii) Any other employee who receives a grant in any one year of option amounting to 5 per cent or more of options granted during that year. (iii) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	None None																						
(k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with International Accounting Standard (IAS) 33.	Nil																						
(l)	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	The stock-based compensation cost calculated as per the intrinsic value method for the financial year 2011-12 is Nil. If the cost based compensation cost was calculated as per fair value method prescribed by SEBI, the total cost to be recognized in the financial statement for the year 2011-12 would be higher by R 33.67 Lacs and net profit after taxes would have been lower by the like amount and consequently both the Basic as well as Diluted EPS would have been lower by R 0.16																						
(m)	Weighted average exercise price and weighted average fair value of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	1 a) Weighted average exercise price : R 400.10 per share for options granted on July 31, 2009 b) Weighted average exercise price : R 400.65 per share for options granted on June 1, 2011 2 a) Weighted average Fair Value of options for grant date July 31, 2009 was R178.04 per share b) Weighted average Fair Value of options for grant date June 1, 2011 was R161.45 per share																						
(n)	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information: <table><tr><td>i.</td><td>Risk free interest rate</td></tr><tr><td>ii.</td><td>Expected life</td></tr><tr><td>iii.</td><td>Expected volatility</td></tr><tr><td>iv.</td><td>Expected dividends, and</td></tr><tr><td>v.</td><td>The price of the underlying share in market at the time of option grant.</td></tr></table>	i.	Risk free interest rate	ii.	Expected life	iii.	Expected volatility	iv.	Expected dividends, and	v.	The price of the underlying share in market at the time of option grant.	The fair value of the options have been calculated using the Black Scholes Options Pricing Model. Each tranche of vesting have been considered as a separate grant for the purpose of valuation. The assumption used in the estimation is as under: <table><tr><td>Options granted on July 31, 2009</td><td>Options granted on June 1, 2011</td></tr><tr><td>5.72%</td><td>8.43% to 8.44%</td></tr><tr><td>2 years to 4 years</td><td>3 years to 5 years</td></tr><tr><td>75.86%</td><td>56% to 60.13 %</td></tr><tr><td>4.56%</td><td>4.99%</td></tr><tr><td>R 400.10</td><td>R 400.65</td></tr></table>	Options granted on July 31, 2009	Options granted on June 1, 2011	5.72%	8.43% to 8.44%	2 years to 4 years	3 years to 5 years	75.86%	56% to 60.13 %	4.56%	4.99%	R 400.10	R 400.65
i.	Risk free interest rate																							
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R 400.10	R 400.65																							

For and on behalf of the Board

Place: Mumbai
Date: May 23, 2012

Ramkrishan P. Hinduja
Chairman

Annexure 'F2' to the Directors' Report

ESOP DISCLOSURE

Hinduja Global Solutions Limited Employees Stock Option Plan 2011

Your Company has implemented the Hinduja Global Solutions Limited Employee Stock Option Plan 2011 ("ESOP 2011") during 2011-2012 in terms of approval accorded by the members of the Company at their Meeting held on August 1, 2011.

The Compensation Committee have on November 11, 2011, granted 2,74,100 options at the exercise price of R 340.20 per share giving the optionee the right to be allotted one fully paid up share of the Company upon exercise, post vesting.

1. Vesting Period:

- 0.16 of the options granted will vest at the end of one year from the grant date.
- 0.17 of the options granted will vest at the end of 18 months from the grant date.
- 0.17 of the options granted will vest at the end of 24 months from the grant date.
- 0.25 of the options granted will vest at the end of 30 months from the grant date.
- 0.25 of the options granted will vest at the end of 36 months from the grant date.

2. Time Limit of Exercise of option: The optionee may exercise his/her vested options, in part or in whole, any day after the earliest applicable vesting date and prior to the completion of the 24th month from the earliest applicable vesting date of such vested options.

As required under Clause 12 of the SEBI (ESOP) Guidelines, 1999, your Directors disclose the following details of the above Scheme as at March 31, 2012.

	Subject	Details																																				
	Particulars	Hinduja Global Solutions Limited Employees Stock Option Plan 2011																																				
(a)	i) Total Options granted	2,74,100																																				
	ii) Options granted during the year	On November 11, 2011: 2,74,100																																				
(b)	The pricing formula	Latest available closing price prior to the date of the meeting of the Compensation Committee in which options are granted, on the Stock Exchange where there is higher trading volume on the said date																																				
(c)	Options vested	Nil																																				
(d)	Options exercised	Nil																																				
(e)	The total number of shares arising as a result of exercise of option	Nil																																				
(f)	Options lapsed	3,500																																				
(g)	Variation of terms of options	Nil																																				
(h)	Money realised by exercise of options	Nil																																				
(i)	Total number of options in force	2,70,600																																				
(j)	Employee-wise details of options granted during the year to:	<table> <tr> <th>Name</th><th>Designation</th><th>No of options granted</th></tr> <tr> <td>Mr. B.N.Narasimha Murthy</td><td>President, HGS Inc.</td><td>6,550</td></tr> <tr> <td>Mr. Sanjay Sinha</td><td>EVP - M&A (HR) & New Initiatives</td><td>7,550</td></tr> <tr> <td>Mr. Anthony Joseph</td><td>EVP - Global Head-HR</td><td>7,550</td></tr> <tr> <td>Mr. Sridhar Krishnamurthy</td><td>EVP - Strategic Initiatives</td><td>7,550</td></tr> <tr> <td>Mr. Srinivas Palakodeti</td><td>Chief Financial Officer</td><td>7,550</td></tr> <tr> <td>Mr. Kanti Mohan Rustagi</td><td>EVP - Legal & Company Secretary</td><td>7,550</td></tr> <tr> <td>Mr. Ramesh Gopalan</td><td>EVP - International Operations & Healthcare Vertical</td><td>6,550</td></tr> <tr> <td>Mr. Pushkar Misra</td><td>President & CEO, HGS Philippines</td><td>7,550</td></tr> <tr> <td>Mr. Charles Cooper-Driver</td><td>CEO, Europe & UK</td><td>4,950</td></tr> <tr> <td>Mr. Harish Chopra</td><td>CEO - HGS Business Services Pvt. Ltd.</td><td>4,300</td></tr> <tr> <td>Mr. Ross Beattie</td><td>President & CEO, Canada</td><td>6,550</td></tr> </table>	Name	Designation	No of options granted	Mr. B.N.Narasimha Murthy	President, HGS Inc.	6,550	Mr. Sanjay Sinha	EVP - M&A (HR) & New Initiatives	7,550	Mr. Anthony Joseph	EVP - Global Head-HR	7,550	Mr. Sridhar Krishnamurthy	EVP - Strategic Initiatives	7,550	Mr. Srinivas Palakodeti	Chief Financial Officer	7,550	Mr. Kanti Mohan Rustagi	EVP - Legal & Company Secretary	7,550	Mr. Ramesh Gopalan	EVP - International Operations & Healthcare Vertical	6,550	Mr. Pushkar Misra	President & CEO, HGS Philippines	7,550	Mr. Charles Cooper-Driver	CEO, Europe & UK	4,950	Mr. Harish Chopra	CEO - HGS Business Services Pvt. Ltd.	4,300	Mr. Ross Beattie	President & CEO, Canada	6,550
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	(i) Senior Managerial personnel																																					

	(ii) Any other employee who receives a grant in any one year of option amounting to 5 per cent or more of options granted during that year.	None															
	(iii) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	None															
(k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with International Accounting Standard (IAS) 33.	Nil															
(l)	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	The stock-based compensation cost calculated as per the intrinsic value method for the financial year 2011-12 is Nil. If the cost based compensation cost was calculated as per fair value method prescribed by SEBI, the total cost to be recognized in the financial statement for the year 2011-12 would be higher by R 51.48 Lacs and net profit after taxes would have been lower by the like amount and consequently both the Basic as well as Diluted EPS would have been lower by R 0.25.															
(m)	Weighted average exercise price and weighted average fair value of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	1) Weighted average exercise price: R 340.20 per share 2) Weighted average Fair value of options for grant date 11/11/2011 was R 101.21 per share															
(n)	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information:	The fair value of the options have been calculated using the Black Scholes Options Pricing Model. Each tranche of vesting have been considered as a separate grant for the purpose of valuation. The assumption used in the estimation is as under:															
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2 years to 4 years																	
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5.88%																	
R 340.20																	

For and on behalf of the Board

Place : Mumbai
Date : May 23, 2012

Ramkrishan P. Hinduja
Chairman

SECTION 212 STATEMENT

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 (FORMING PART OF THE DIRECTORS' REPORT)

Name of the Subsidiary Company	Holding Company	Extent of Holding Company's Interest	Face Value of Equity Shares held by the Holding Company	Number of shares held by Holding Company	Net Aggregate amount of Subsidiary Company's Profit/ (Loss) so far as not dealt with in the Company's Accounts	Net Aggregate amount of Subsidiary Company's Profit/ (Loss) so far as not dealt with in the Company's Accounts for previous financial years since it became Company's Subsidiary	Net Aggregate amount of Subsidiary Company's Profit/ (Loss) so far as dealt with in the Company's Accounts	Net Aggregate amount of Subsidiary Company's Profit/ (Loss) so far as dealt with in the Company's Accounts for previous financial years since it became Company's Subsidiary
HGS International, Mauritius (formerly known as Pacific Horizon Limited, Mauritius)	Hinduja Global Solutions Limited	100%	USD 1	32,514,228	USD 2,863,781	USD 22,867,206	-	-
Hinduja Outsourcing Solutions India Private Limited	Hinduja Global Solutions Limited	100%	INR 10	950,000	INR 65,017,703	INR (12,142,525)	-	-
HCCA Business Services Private Limited, India	Hinduja Global Solutions Limited	100%	INR 10	52,932	INR 15,061,870	-	-	-
Hinduja Global Solutions Inc., U.S.A.	HGS International	100%	USD 0.01	1,000	USD (8,118,353)	USD (10,371,181)	-	-
HGS Properties LLC, U.S.A.	Hinduja Global Solutions Inc.	100%	-	-	USD 355,781	-	-	-
Hinduja TMT France S.A.R.L	Hinduja Global Solutions Inc.	51%	Euro 10	408	Euro (20,001)	Euro (156,974)	-	-
HGS (USA), LLC (formerly known as Affina L.L.C, U.S.A)	Hinduja Global Solutions Inc.	100%	USD 1	5,300,000	USD 2,874,825	USD 12,735,607	-	-
RMT LLC, U.S.A	HGS (USA), LLC	100%	USD 1	1,000	-	-	-	-
Affina Company, Canada	RMT LLC	100%	USD 1	206	USD (157,000)	-	-	-
HGS Canada Holdings LLC, U.S.A.	Hinduja Global Solutions Inc.	100%	USD 1	27,560,000	-	-	-	-
Online Support Inc., Canada	Hinduja Global Solutions Inc.	100%	CAD 1	26,370,010	CAD (314,363)	-	-	-
Hinduja Global Solutions Europe Limited, U.K. (formerly known as HTMT Europe Limited, U.K.)	HGS International	100%	GBP 1	961,378	GBP 145,143	GBP 8,171	-	-
Careline Services Limited, UK	Hinduja Global Solutions Europe Limited	100%	GBP 0.01	1,452,800	GBP 1,467,012	GBP 820,810	-	-
HGS Italy, S.A.R.L	Hinduja Global Solutions Europe Limited	100%	Euro 1	10,000	Euro 23,893	-	-	-
C-Cubed (Antilles) N.V, Curacao	HGS International	100%	USD 1	6,000	USD (7,838)	USD 195,234	-	-
C-Cubed B.V, Netherlands	C-Cubed (Antilles) N.V.	100%	Euro 100	227	Euro (328,953)	Euro 1,126,253	-	-
Customer Contact Centre Inc, Manila	C-Cubed B.V.	100%	Php 10	10,000,000	Php (1,243,253)	Php (13,915,489)	-	-
HGS St. Lucia Limited, Jamaica	HGS International	100%	USD 1	1	-	-	-	-
Team HGS Limited, Jamaica	HGS St. Lucia Limited	100%	USD 1	1	-	-	-	-

Notes:

- The financial year of all the subsidiaries ended on March 31, 2012.
- Information on Subsidiaries is provided in compliance with the Circular no.2/2011 dated February 8, 2011 of the Ministry of Corporate Affairs, Government of India. We undertake to make available the audited annual accounts and related information of subsidiaries, where applicable, upon request by any of our shareholders. The annual accounts will also be available for inspection during business hours at our registered office Mumbai, India.

For and on behalf of the Board

Partha DeSarkar

Chief Executive Officer and Manager

Place : Mumbai

Date : May 23, 2012

Ramkrishnan P. Hinduja

Chairman

Anil Harish

Director

Kanti Mohan Rustagi

EVP-Legal & Company Secretary

Srinivas Palakodeti

Chief Financial Officer

CONSOLIDATED AUDITORS' REPORT

Auditors' Report on the Consolidated Financial Statements of Hinduja Global Solutions Limited

The Board of Directors of Hinduja Global Solutions Limited

1. We have audited the attached consolidated balance sheet of Hinduja Global Solutions Limited (the "Company") and its subsidiaries; hereinafter referred to as the "Group" as at March 31, 2012, the related consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of 18 subsidiaries included in the consolidated financial statements, which constitute total assets of ₹ 172,348.84 Lacs and net assets of ₹ 95,795.28 Lacs as at March 31, 2012, total revenue of ₹ 116,704.36 Lacs, net profit of ₹ 6,533.82 Lacs and net cash inflows amounting to ₹ 9,989.44 Lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;
 - (b) in the case of the consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date: and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Price Waterhouse

Firm Registration Number: 301112E
Chartered Accountants

Partha Ghosh

Partner
Membership Number: F-55913

Place : Mumbai
Date : May 23, 2012

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2012

		(₹ in Lacs)	
	Note	As at 31.03.2012	As at 31.03.2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	3	2,058.92	2,058.92
Reserves and Surplus	4	112,766.88	97,824.44
		114,825.80	99,883.36
Minority Interest			
	41	1.23	—
		1.23	—
Non-Current Liabilities			
Long-term borrowings	5	37,367.42	9,412.32
Deferred tax liabilities (Net)	33	996.65	1,774.45
Long term provisions	6	184.75	1,926.81
		38,548.82	13,113.58
Current Liabilities			
Short-term borrowings	7	30,099.58	5,196.84
Trade payables	8	7,748.69	4,026.73
Other current liabilities	9	16,791.52	7,621.62
Short term provisions	10	7,105.57	6,192.28
		61,745.36	23,037.47
TOTAL		215,121.21	136,034.41
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	11A	31,008.94	20,726.62
- Intangible assets	11B	57,783.22	16,922.36
- Capital work-in-progress		30.39	2.82
Non-current investments	12A	627.81	490.84
Long term loans and advances	13	10,936.91	8,665.45
Other non-current assets	14	945.60	44.90
		101,332.87	46,852.99
Current assets			
Current investments	12B	12.05	11.49
Trade receivables	15	27,264.57	17,850.54
Cash and Bank balances	16	71,976.59	61,847.06
Short-term loans and advances	17	5,223.37	4,020.70
Other current assets	18	9,311.76	5,451.63
		113,788.34	89,181.42
TOTAL		215,121.21	136,034.41

The accompanying notes are an integral part of these financial statements.

In terms of our report of even date.

For Price Waterhouse
Firm Registration No: 301112E
Chartered Accountants

Partha Ghosh
Partner
Membership No: F-55913

For and on behalf of the Board

Partha DeSarkar
Chief Executive Officer and Manager

Anil Harish
Director

Kanti Mohan Rustagi
EVP-Legal and Company Secretary

Ramkrishnan P. Hinduja
Chairman

Srinivas Palakodeti
Chief Financial Officer

Place : Mumbai
Date : May 23, 2012

Place : Mumbai
Date : May 23, 2012

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lacs)

	Note	Year ended 31.03.2012	Year ended 31.03.2011
Revenue from operations	19	155,430.79	107,306.51
Other Income	20	2,881.73	2,912.24
Total Revenue		158,312.52	110,218.75
EXPENDITURE			
Employee Benefit Expense	21	103,478.81	68,663.46
Finance costs	22	2,922.60	932.45
Depreciation and Amortisation Expenses	11C	6,128.86	4,521.61
Other Expenses	23	33,541.67	23,089.58
Total Expenses		146,071.94	97,207.10
Profit before tax		12,240.58	13,011.65
Tax expense			
Current tax [Net of reversal of prior year's provision ₹ 655.56 Lacs (Previous Year: ₹ Nil)]		1,908.14	2,844.24
MAT Credit Availed pertaining to earlier years		—	(681.78)
Net Current tax		1,908.14	2,162.46
Deferred tax [Net of reversal of prior year's provision ₹ 253.00 Lacs (Previous Year: ₹ Nil)]		(274.63)	117.11
Profit After Tax		10,607.07	10,732.08
Minority Interest		—	—
Profit After Tax and Minority Interest		10,607.07	10,732.08
Earnings per share	30		
- Basic (Rupees)		51.52	52.12
- Diluted (Rupees)		51.52	52.09
(Face value of Equity share ₹ 10/- each)			

The accompanying notes are an integral part of these financial statements.
In terms of our report of even date.

For Price Waterhouse
Firm Registration No: 301112E
Chartered Accountants

Partha Ghosh
Partner
Membership No: F-55913

For and on behalf of the Board

Partha DeSarkar
Chief Executive Officer and Manager

Anil Harish
Director

Kanti Mohan Rustagi
EVP-Legal and Company Secretary

Ramkrishan P. Hinduja
Chairman

Srinivas Palakodeti
Chief Financial Officer

Place : Mumbai
Date : May 23, 2012

Place : Mumbai
Date : May 23, 2012

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lacs)

A Cash Flow from Operating Activities :

	Year Ended 31.03.2012	Year Ended 31.03.2011
Profit before tax	12,240.58	13,011.65
Adjustments for :		
Depreciation and Amortisation Expenses	6,128.86	4,521.61
Bad Debts/ Advances Written off (net)	36.28	10.05
Profit on Sale of Long-term Investment	(288.00)	—
Provisions for Doubtful Debts/ Advances	66.32	20.04
Liabilities/ Provisions no longer Payable Written Back	(206.15)	(211.16)
Loss on Sale of Assets	3.37	4.02
Interest Income	(2,096.31)	(1,935.06)
Dividend from Current Investment	(0.55)	(0.46)
Interest Expense	2,922.60	932.45
Unrealised Foreign Exchange (Gain)/ Loss (Net)	4.47	109.60
Provision for Gratuity and Leave Encashment	409.43	26.21
Operating profit before working capital changes	19,220.90	16,488.95
Adjustments for :		
Trade and Other receivables	(6,065.52)	(8,073.28)
Trade and Other payables	6,253.81	3,117.42
	188.29	(4,955.86)
Operating Profit after working capital changes	19,409.19	11,533.09
Direct Taxes Paid	(3,660.52)	(2,015.95)
Net Cash from/ (used in) Operating Activities	(A) 15,748.67	9,517.14

B Cash Flow from Investing Activities :

Purchase of Fixed Assets	(9,048.40)	(6,489.70)
Consideration paid for acquisition of business	(39,864.55)	(5,450.85)
Sale of Fixed Assets	43.21	302.49
Investments Made - Others	(177.53)	(10.49)
Investments Sold - Others	328.00	9.98
Bank Deposits (net)	(15,580.02)	(366.92)
Interest Income	2,146.18	1,920.03
Dividend from Current Investment	0.55	0.46
Net Cash from/ (used in) Investing Activities	(B) (62,152.56)	(10,085.00)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lacs)

C Cash Flow from Financing Activities :

	Year Ended 31.03.2012	Year Ended 31.03.2011
Proceeds/ (Repayment) from/ of Secured Loans	63,706.05	(1,567.85)
Proceeds/ (Repayment) from/ of Unsecured Loans	(6,625.01)	5,166.62
Dividend Paid and tax thereon	(4,782.17)	(4,796.82)
Interest Expense	(2,844.05)	(927.59)
Net Cash from/ (used in) Financing Activities (C)	49,454.82	(2,125.64)
Net Increase/ (Decrease) in Cash and Cash Equivalents (A + B + C)	3,050.93	(2,693.50)
Cash and Cash Equivalents as at the beginning of the year	8,402.72	10,426.17
Cash and Cash Equivalents taken over pursuant to acquisition of business	226.35	674.04
Effect of exchange differences on translation of foreign currency	(983.79)	(3.99)
Cash and Cash Equivalents during the year		
Cash and Cash Equivalents as at the end of the year	10,696.21	8,402.72
	As at 31.03.2012	As at 31.03.2011
Cash and Cash Equivalents comprise :		
Cash on Hand	36.87	2.55
Balances with banks		
- Current Account	7,999.53	5,504.19
- Deposit Account	2,638.04	2,878.77
- EEFC (Exchange Earners' Foreign Currency Account)	21.77	17.21
	10,696.21	8,402.72

Notes :

- The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statement.
- In view of acquisitions referred in Note 32, the current year figures are not comparable with the corresponding previous year's figures.
- Previous Year's figures have been regrouped/ rearranged, wherever necessary, to conform to the current year's classification.

In terms of our report of even date.

For Price Waterhouse
Firm Registration No: 301112E
Chartered Accountants

Partha Ghosh
Partner
Membership No: F-55913

Place : Mumbai
Date : May 23, 2012

For and on behalf of the Board

Partha DeSarkar
Chief Executive Officer and Manager

Anil Harish
Director

Kanti Mohan Rustagi
EVP-Legal and Company Secretary

Place : Mumbai
Date : May 23, 2012

Ramkrishan P. Hinduja
Chairman

Srinivas Palakodeti
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

1. General Information

Hinduja Global Solutions Limited ("HGS"), is engaged in the business of Information Technology/ Information Technology Enabled Services. HGS with its subsidiaries offer voice and non-voice based services such as contact centre solutions and back office transaction processing across North America, Europe and Asia. HGS is a public limited company, listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in India.

2. Significant Accounting Policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under historical cost convention on accrual basis. These financial statements have been prepared to comply with the Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956 ('the Act') and the relevant provisions of the Act.

2.2 Changes in Accounting Policy

- i. Up to September 30, 2011, the forward exchange contracts other than those covered under Accounting Standard 11 - "The Effects of Changes in Foreign Exchange Rates", were valued on mark to market basis at the period-end and any loss on valuation was recognised in the Statement of Profit and Loss, on a portfolio basis and any gain arising on this valuation was not recognised in line with the principle of prudence as enunciated in Accounting Standard 1 - "Disclosure of Accounting Policies".

Effective October 1, 2011, the Group has adopted the principles of accounting for derivatives and hedge accounting as prescribed in Accounting Standard 30 - "Financial Instruments – Recognition and Measurement" to the extent they do not conflict with the requirements of the existing accounting standards notified under u/s 211(3C) of the Companies Act, 1956 and/or other regulatory requirements. Under such principles, for qualifying hedge relationships, mark to market gain/ loss at the period-end on derivatives are accounted for in the Hedging Reserves. In respect of derivatives which do not qualify for hedge relationships, the mark to market gain/ loss at the period-end are recognised in the Statement of Profit and Loss.

Had the Group followed its previous accounting policy, the profit before tax for the year ended March 31, 2012 would have been lower by ₹ 275.92 Lacs.

- ii. The Group has opted to avail the option provided under paragraph 46A of AS 11 - "The Effects of changes in Foreign Exchange Rates" inserted vide Notification dated December 29, 2011. Consequently, the foreign exchange differences on long-term Foreign Currency Monetary Items which were until now being recognised in the Statement of Profit and Loss is now being accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of such long term asset/liability. The Group does not have any long-term foreign currency monetary items related to acquisition of depreciable assets.

Had the Group followed its previous accounting policy, the foreign exchange loss recognised in the Statement of Profit and Loss would have been higher and profit before tax for the year ended March 31, 2012 would have been lower by ₹ 997.90 Lacs.

2.3 Use of Estimates

The preparation of the financial statements in conformity with the Generally Accepted Accounting Principles in India requires the Management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) and the reported Income and Expenses during the year. The Management believes that the estimates used in preparation of financial statements are prudent and reasonable. Future results could differ than these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/ materialise.

2.4 Principles of Consolidation

The Consolidated Financial Statements relate to Hinduja Global Solutions Limited ('the Company') and its subsidiaries (collectively referred to as 'the Group'). The consolidated financial statements have been prepared using uniform accounting policies and on the following basis:

- The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group transactions and intra-group balances and resultant unrealised profits/ losses.
- The excess of cost to the Group of its investments in subsidiary companies over its share of the equity of the subsidiary companies at the dates on which the investments in the subsidiary companies are made, is recognised as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Group, it is recognised as 'Capital Reserve' in the consolidated financial statements.

Refer Note 31 for details of subsidiaries considered in consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

2.5 Fixed Assets

a) Tangible Assets

Tangible Assets are stated at cost of acquisition less accumulated depreciation/ impairment losses, if any. Cost comprises of cost of acquisition, cost of improvements and any attributable cost of bringing the asset to its working condition for intended use.

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

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

Depreciation is provided on a pro-rata basis on the Straight Line Method over the estimated useful lives of the assets as follows:

Particulars	Useful life
Leasehold Land, Leasehold building and Leasehold improvement	Over the period of Lease
Building	Upto 61 years
Office Equipment	Upto 21 years
Computers	Upto 21 years
Furniture and Fixtures	Upto 16 years
Vehicles	11 years

Assets costing less than ₹ 5,000 each are depreciated fully in the year of acquisition.

Assets given to employees on contractual obligations are depreciated to the extent of 50% of the value over a period of four years, at the end of which these assets are transferred to the respective employees at the residual book value.

b) Intangible Assets

Intangible Assets are stated at cost of acquisition less accumulated amortisation/ impairment losses, if any.

Computer Software having benefit of more than one year is capitalised and amortised over the period of 3 to 6 years.

Commercial rights are amortised over a period of 10 years and Non-compete fee is amortised over a period of non-compete agreement (i.e. five years).

Goodwill arising on consolidation is tested for impairment at each Balance Sheet date.

Gains or Losses arising from the retirement or disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of asset and recognised as income or expense in the Statement of Profit and Loss.

2.6 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

2.7 Impairment of Assets

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

2.8 Investments

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

2.9 Foreign Currency Translations

Initial Recognition

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

Subsequent Recognition

As at the reporting date, non-monetary items, which are carried in terms of historical cost, denominated in a foreign currency are reported using the exchange rate at the date of the transaction. All non-monetary items, which are carried at fair value or other similar valuation, denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

All foreign currency monetary assets and liabilities as at Balance Sheet date are translated at the exchange rate prevailing on the Balance Sheet date. With respect to foreign exchange difference on long-term foreign currency monetary items, the Group has adopted the following policy from April 1, 2011 onwards:

- Foreign exchange difference relating to the acquisition of a depreciable asset is adjusted in the cost of the depreciable asset, which would be depreciated over the balance life of the asset.
- In other cases, the foreign exchange difference is accumulated in a Foreign Currency. Monetary Item Translation Difference Account, and amortised over the balance period of such long term asset/ liability.

A monetary asset or liability is termed as a long-term foreign currency monetary item, if the asset or liability is expressed in a foreign currency and has a term of 12 months or more at the date of origination of the asset or liability. Refer note 2.2(ii) for the effect of change in accounting policy.

Exchange differences on restatement of all other monetary items are recognised in the Statement of Profit and Loss.

Translation of foreign operations

Foreign operations are classified as either 'integral' or 'non-integral' operation. Exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation are accumulated in the "Cumulative Foreign Currency Translation Reserve" until the disposal of the net investment, at which time they are recognised as income or as expenses.

In case of integral foreign operations, all revenue and expense transactions reflected in the Statement of Profit and Loss have been translated into Indian Rupees at an average exchange rate. Monetary assets and liabilities are translated at the exchange rate prevailing on the Balance Sheet date. The non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. The net foreign exchange gain/ loss are recognised in Statement of Profit and Loss.

In case of non-integral foreign operations, all revenue and expense transactions reflected in Statement of Profit and Loss have been translated into Indian Rupees at an average exchange rate. The year-end assets and liabilities have been translated into Indian Rupees at the closing exchange rate at the year-end. The resultant foreign exchange gain/ loss have been accumulated in "Cumulative Foreign Currency Translation Reserve".

Forward Exchange Contracts

The premium or discount arising at the inception of forward exchange contracts entered into to hedge an existing asset/liability, is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or losses arising on cancellation or renewal of such a forward exchange contract are recognised as income or as expense for the period.

In accordance with its risk management policies and procedures, the Group uses derivative instruments such as foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecasted transactions. The derivatives that qualify for hedge accounting and designated as cash flow hedges are initially measured at fair value and are re-measured at a subsequent reporting date and the changes in the fair value of the derivatives i.e. gain or loss is recognised directly in Shareholders' Funds under hedging reserve account to the extent considered highly effective. Gain or loss on derivative instruments that either does not qualify for hedge accounting or not designated as cash flow hedges or designated cash flow hedges to the extent considered ineffective are recognised in Statement of Profit and Loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Hedge accounting is discontinued when the hedging instrument expires, sold, terminated, or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss on the hedging instrument recognised in Shareholders' Funds under hedging reserve account is retained there until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction in the Statement of Profit and Loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in Shareholders' Funds is transferred to the Statement of Profit and Loss in the same period.

2.10 Revenue Recognition

- a. In Contact Centre Activity, revenue is recognised as the related services are performed, based on actual utilisation or minimum utilisation level, as appropriate, specified in the agreements.

In Claim Processing Activity, revenue is recognised based on number of claims processed, at contractual rates.

In respect of other ITES services, revenue is accrued as per terms of specific contracts once the related services are rendered.

In cases where services are rendered to customers during the year but invoices are yet to be raised at the year end, revenue is accrued and classified under 'Other Current Assets – Note 18'.

- b. Interest income is accounted on accrual basis and dividend income is accounted on right to receipt basis.
- c. In respect of other heads of income, the Group follows the practice of accounting of such income on accrual basis.

2.11 Employee Benefits

(i) Defined Contribution Plan

The Group has Defined Contribution plans for post employment benefits namely Provident Fund, Superannuation Fund and other funds.

Under the Provident Fund Plan, the Group contributes to a Government administered provident fund on behalf of its employees and has no further obligation beyond making its contribution.

The Superannuation Fund applicable to certain employees, constitutes an insured benefit, which is classified as a defined contribution plan as the Group makes contributions to an insurance company and has no further obligation beyond making the payment to the insurance company.

The Group makes contributions to State plans namely Employee's State Insurance Fund and Employee's Pension Scheme 1995 and has no further obligation beyond making the payment to them.

There are contributory plans at certain overseas branches/ subsidiaries and contributions are made as per their policies/ local regulations.

The Group's contributions to the above funds are charged to revenue every year.

(ii) Defined Benefit Plan

The Group provides for retirement benefits in the form of gratuity for all its employees in India and pension benefit plan at certain foreign branches. The gratuity scheme is funded through Group Gratuity Policy with Life Insurance Corporation of India ('LIC') for certain employees of the Group. The pension benefit plan at certain foreign branches is funded for certain employees through payment in trustee administered funds as determined by periodic actuarial calculation.

The liability for the defined benefits plan of Gratuity and Pension is determined on the basis of an actuarial valuation carried out by an independent actuary at the year end using Projected Unit Credit Method.

Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Statement of Profit and Loss as income or expense.

The Group does not have Defined Benefits Plans at its overseas subsidiaries.

(iii) Other Employee Benefits

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

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year are treated as other long term employee benefits. The Group's liability is actuarially determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

(iv) Termination benefits

Termination benefits in the nature of voluntary retirement benefits are recognised in the Statement of Profit and Loss as and when incurred.

2.12 Taxation

- a. Provision for Income Tax is made after considering exemptions and deductions available under the Income Tax Laws of the respective countries of incorporation of the Company and its subsidiaries and as per legal advice received from time to time.
- b. Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company and/ or its subsidiary to whom MAT is applicable will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company and/ or its subsidiary will pay normal income tax during the specified period.
- c. Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company or its subsidiaries has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

2.13 Provisions and Contingent Liabilities

Provisions: Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Contingent Liabilities: Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

2.14 Leases

As Lessee

- a. Leases of assets under which all the risks and benefits of ownership are substantially transferred to the lessee are classified as finance leases. Finance leases are capitalised at the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in Long-term borrowings. The interest element of the finance charge is charged to the Statement of Profit and Loss over the lease period.
- b. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease.

2.15 Accounting for Employee Stock Options

Stock options granted to employees under the Employee Stock Option Scheme are accounted as per the accounting treatment prescribed by Employee stock option scheme and Employee stock purchase Guidelines, 1999, issued by Securities and Exchange Board of India ('SEBI') and Guidance Note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India.

2.16 Cash and Cash Equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

3 Share Capital

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Authorised:		
25,000,000 (Previous Year - 25,000,000) Equity Shares of ₹ 10 each	2,500.00	2,500.00
	2,500.00	2,500.00
Issued, Subscribed and Paid up:		
20,589,223 (Previous Year - 20,589,223) Equity Shares of ₹ 10 each, fully paid-up	2,058.92	2,058.92
	2,058.92	2,058.92

a. Rights, preferences and restrictions attached to equity shares:

The Company has one class of Equity Shares having a par value of ₹ 10 each. Each Shareholder is eligible for one vote per share held.

The dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting, except in case of Interim Dividend.

In the event of liquidation, the Equity Shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion to their shareholding.

b. 20,538,003 Equity Shares issued for consideration other than cash pursuant to the Scheme of Arrangement and Reconstruction for demerger of IT/ITES business into the Company, sanctioned by Honourable High Court of Bombay effective March 7, 2007.

c. Number of shares reserved for issue under the Employee Stock Option Plan

	As at 31.03.2012	As at 31.03.2011
i) Hinduja Global Solutions Limited Employee Stock Option Plan 2008	169,015	172,220
ii) Hinduja Global Solutions Limited Employee Stock Option Plan 2011	270,600	—

Refer Note 37 for details.

d. The details of Shareholder holding more than 5%

Name of the Shareholder	As at 31.03.2012		As at 31.03.2011	
	Number of Shares	% held	Number of Shares	% held
Harsha A. Hinduja Jointly with S. P. Hinduja HUF (Bigger) and A. P. Hinduja	—	—	1,497,202	7.27
Aasia Management and Consultancy Private Limited	5,224,729	25.38	5,224,729	25.38
Aasia Management and Consultancy Private Limited jointly with Hinduja Realty Ventures Private Limited (as the Demat account holder and partner of Aasia Exports)	1,497,202	7.27	—	—
Aasia Management and Consultancy Private Limited Jointly with Aasia Properties Development Limited	—	—	1,227,288	5.96
Aasia Management and Consultancy Private Limited Jointly with Hinduja Realty Ventures Private Limited (as the Demat account holder and partners of Aasia Corporation)	2,056,900	9.99	—	—
Amas Mauritius Limited	2,761,427	13.41	2,761,427	13.41
Credit Suisse (Singapore) Limited	1,894,810	9.20	1,894,810	9.20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

4 Reserves and Surplus

	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
Capital reserve		
As per last Balance Sheet	24,235.00	24,235.00
Securities Premium Account		
As per last Balance Sheet	181.27	181.27
General Reserve		
As per last Balance Sheet	50,783.06	50,031.15
Add: Transfer from Statement of Profit and Loss	691.17	751.91
	51,474.23	50,783.06
Cumulative Foreign Currency Translation Reserve		
As per last Balance Sheet	(2,141.96)	(1,157.33)
Add: Adjustment on Consolidation	9,397.25	(984.63)
	7,255.29	(2,141.96)
Hedging Reserve Account [Refer Note 2.2 (i)]		
As per last Balance Sheet	—	—
Add/ (Less): Adjustment for the year	(275.92)	—
	(275.92)	—
Surplus in Statement of Profit and Loss		
As per last Balance Sheet	24,767.07	19,556.85
Add: Profit for the year	10,607.07	10,732.08
Less: Proposed Dividend*	4,117.84	4,117.84
Less: Dividend Tax (net)	668.12	652.11
Less: Transfer to General Reserve	691.17	751.91
	29,897.01	24,767.07
	112,766.88	97,824.44

* During the year ended March 31, 2012 and March 31, 2011, the amount of per share dividend proposed as distribution to Equity Shareholder was ₹ 20 and recognised in respective years.

5 Long-term borrowings

	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
Secured		
Term Loan from a Bank (Refer Note 39)	37,077.76	2,927.08
Finance Lease Obligation (Secured by hypothecation of assets underlying the lease)	90.05	—
Unsecured		
Term Loan from a Bank	—	6,485.24
Others	199.61	—
	37,367.42	9,412.32

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

6 Long term provisions

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Provision for Employee Benefits:		
- Pension/ Gratuity	57.95	375.74
Others (Refer Note 35)	126.80	1,551.07
	184.75	1,926.81

7 Short-term borrowings

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Secured:		
Term Loan from a Bank (Loan is taken by a Subsidiary of the Company and is secured by a pledge in favour of the bank with respect to all the claims, securities and custody account held with Hinduja Bank (Switzerland) Limited. The Loan bears a fixed interest rate of 3.1% p.a and matures in April 2012.)	16,024.05	—
Loans repayable on demand from banks (Secured by a primary pari passu first charge on the current assets of the Company both present and future and collateral pari passu first charge on the movable fixed assets of the Company and loan repayable on demand by a Subsidiary is secured by all of its assets)	9,300.29	196.84
Unsecured:		
Term Loan from a Bank	—	5,000.00
Other loans and advances from Banks towards:		
- Packing Credit Facilities	3,094.28	—
- Bill Discounting Facilities*	680.96	—
Inter-corporate Deposits	1,000.00	—
* The amount payable is presently under dispute and is being discussed with the concerned bank.	30,099.58	5,196.84

(₹ in Lacs)

8 Trade payables

	As at 31.03.2012	As at 31.03.2011
	7,748.69	4,026.73
	7,748.69	4,026.73

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

9 Other current liabilities

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Current maturities of long-term debt	5,803.50	467.79
Current maturities of finance lease obligations	22.46	4.43
Interest accrued and due on borrowings	104.28	25.73
Unpaid Dividend	17.50	13.81
Others:		
- Advance from customers	382.31	84.61
- Statutory dues including Provident Fund and Tax deducted at Source	1,594.70	1,790.63
- Employee benefits payable	4,078.67	3,341.37
- Payable for Capital Purchases	471.94	633.92
- Additional consideration for acquisition of Careline Services Limited	3,949.41	1,069.23
- Other Payables	366.75	190.10
	16,791.52	7,621.62

10 Short term provisions

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Provision for Employee Benefits:		
- Compensated Absences	1,133.49	535.82
- Pension/ Gratuity	639.22	462.02
Others:		
- Provision for Mark-to-Market losses on Derivatives (Refer Note 36)	260.55	-
- Proposed Dividend	4,117.84	4,117.84
- Dividend tax	668.12	668.02
- Provision for Income Tax (net of Advance Tax)	286.35	408.58
	7,105.57	6,192.28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

11 FIXED ASSETS

A Tangible Assets

(₹ in Lacs)

	Land*	Leasehold Land	Buildings	Leasehold Building	Furniture and Fixtures	Vehicles	Office Equipment	Computers	Leasehold Improve-ments	Total
<u>Owned Assets:</u>										
Gross Block										
As at 01.04.2010	100.97	232.97	2,775.78	2,343.02	3,621.51	151.86	4,693.30	14,020.76	8,313.43	36,253.60
Taken over on acquisitions#	–	–	–	–	47.34	–	155.79	1,348.33	37.25	1,588.71
Additions during the Year	–	–	–	–	545.59	59.86	1,115.67	1,661.66	1,582.95	4,965.73
Deductions	–	–	–	–	(25.22)	(39.65)	(81.38)	(742.30)	(28.10)	(916.65)
As at 31.03.2011	100.97	232.97	2,775.78	2,343.02	4,189.22	172.07	5,883.38	16,288.45	9,905.53	41,891.39
Taken over on acquisitions#	74.21	–	1,185.75	–	620.88	31.98	1,011.59	92.33	1,283.06	4,299.80
Additions during the Year	610.74	38.20	3,512.13	–	1,074.45	21.21	874.06	2,665.81	1,659.59	10,456.19
Deductions	–	–	–	–	(28.80)	(21.92)	(219.50)	(244.80)	(21.07)	(536.09)
As at 31.03.2012	785.92	271.17	7,473.66	2,343.02	5,855.75	203.34	7,549.53	18,801.79	12,827.11	56,111.29
Depreciation										
As at 01.04.2010	–	4.66	71.90	93.05	1,574.66	62.95	1,528.39	9,828.82	3,310.86	16,475.29
Taken over on acquisitions#	–	–	–	–	40.32	–	146.60	1,243.18	23.28	1,453.38
Charge for the year	–	2.35	45.25	39.39	226.49	22.52	563.81	1,885.12	1,325.74	4,110.67
Deductions	–	–	–	–	(12.93)	(19.77)	(62.12)	(567.36)	(28.10)	(690.28)
As at 31.03.2011	–	7.01	117.15	132.44	1,828.54	65.70	2,176.68	12,389.76	4,631.78	21,349.06
Taken over on acquisitions#	–	–	–	–	11.84	6.55	4.71	30.75	–	53.85
Charge for the year	–	2.49	133.82	39.39	392.19	15.57	949.14	1,833.94	1,595.10	4,961.64
Deductions	–	–	–	–	(22.45)	(1.56)	(217.30)	(229.61)	(21.07)	(491.99)
As at 31.03.2012	–	9.50	250.97	171.83	2,210.12	86.26	2,913.23	14,024.84	6,205.81	25,872.56
<u>Leased Assets:</u>										
Gross Block										
As at 01.04.2010	–	–	–	–	–	–	–	110.05	–	110.05
Additions during the Year	–	–	–	–	–	–	–	–	–	–
Deductions	–	–	–	–	–	–	–	(105.68)	–	(105.68)
As at 31.03.2011	–	–	–	–	–	–	–	4.37	–	4.37
Taken over on acquisitions#	–	–	–	–	–	–	–	–	–	–
Additions during the Year	–	–	–	–	–	–	–	116.28	–	116.28
Deductions	–	–	–	–	–	–	–	–	–	–
As at 31.03.2012	–	–	–	–	–	–	–	120.65	–	120.65
Depreciation										
As at 01.04.2010	–	–	–	–	–	–	–	87.85	–	87.85
Charge for the year	–	–	–	–	–	–	–	4.55	–	4.55
Deductions	–	–	–	–	–	–	–	(88.03)	–	(88.03)
As at 31.03.2011	–	–	–	–	–	–	–	4.37	–	4.37
Charge for the year	–	–	–	–	–	–	–	16.15	–	16.15
Deductions	–	–	–	–	–	–	–	–	–	–
As at 31.03.2012	–	–	–	–	–	–	–	20.52	–	20.52

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	Land*	Leasehold Land	Buildings	Leasehold Building	Furniture and Fixtures	Vehicles	Office Equipment	Computers	Leasehold Improve-ments	Total
Net Block:										
As at 31.03.2012	100.97	225.96	2,658.63	2,210.58	2,360.68	106.37	3,706.70	3,898.69	5,273.75	20,542.33
Exchange fluctuation										184.29
	100.97	225.96	2,658.63	2,210.58	2,360.68	106.37	3,706.70	3,898.69	5,273.75	20,726.62
As at 31.03.2012	785.92	261.67	7,222.69	2,171.19	3,645.63	117.08	4,636.30	4,877.08	6,621.30	30,338.86
Exchange fluctuation										670.08
	785.92	261.67	7,222.69	2,171.19	3,645.63	117.08	4,636.30	4,877.08	6,621.30	31,008.94

* The Company has executed an agreement in respect of an undivided share in land at Chennai aggregating ₹100.97 Lacs, which is pending registration.

B Intangible Assets

(₹ in Lacs)

	Goodwill on Consolidation	Computer Software	Commercial Rights	Non-Compete Fees	Total
Gross Block:					
As at 01.04.2010	8,812.66	3,539.74	105.45	—	12,457.85
Additions during the Year**	5,995.83	1,552.41	—	—	7,548.24
Deductions		(89.65)	(105.45)	—	(195.100)
As at 31.03.2011	14,808.49	5,002.50	—	—	19,810.99
Taken over on acquisition#	—	230.56	375.33	—	605.89
Additions during the Year**	36.631.00	1,021.43	—	143.00	37,795.43
Deductions	—	(941.57)	—	—	(941.57)
As at 31.03.2012	51,439.49	5,312.92	375.33	143.00	57,270.14
Amortisation:					
As at 01.04.2010	—	2,577.91	105.45	—	2,683.36
Charge for the year	—	406.39	—	—	406.39
Deductions	—	(27.16)	(105.45)	—	(132.61)
As at 31.03.2011	—	2,957.14	—	—	2,957.14
Taken over on acquisition#	—	0.19	162.68	—	162.87
Charge for the year	—	1,106.11	24.99	19.97	1,151.07
Deductions	—	(903.09)	—	—	(939.09)
As at 31.03.2012	—	3,124.35	187.67	19.97	3,331.99

Net Block:

As at 31.03.2011	14,808.49	2,045.36	—	—	16,853.85
Exchange fluctuation	41.47	27.04	—	—	68.51
	14,849.96	2,072.40	—	—	16,922.36
As at 31.03.2012	51,439.49	2,188.57	187.66	123.03	53,938.75
Exchange fluctuation	3,711.20	133.27	—	—	3,844.47
	55,150.69	2,321.84	187.66	123.03	57,783.22

** Includes ₹ 2,218.48 Lacs (Previous Year: ₹ 2,583.97 Lacs) being goodwill on consolidation arising on account of additional consideration (earn-outs) payable to sellers of Careline Services Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

C Depreciation/ Amortisation for the year

(₹ in Lacs)

	Year ended 31.03.2012	Year ended 31.03.2011
Tangible Assets	4,977.79	4,115.22
Intangible Assets	1,151.07	406.39
Total	6,128.86	4,521.61

Represents gross block and accumulated depreciation/ amortisation on the date of acquisition (Refer Note 32).

12 Investments

Sr. No.	Particulars	Face Value Per Share/ Unit	As at 31.03.2012		As at 31.03.2011	
			Quantity Nos.	Amount (₹ in Lacs)	Quantity Nos.	Amount (₹ in Lacs)
[A]	Non-Current Investments:					
(i)	Investment in Equity Instruments (Long-term, Unquoted and Non-Trade):					
	IndusInd Information Technologies Limited	₹ 10	—	—	400,000	40.00
	Ashley Airways Limited	₹ 10	750,000	81.45	750,000	81.45
(ii)	Other Non- Current Investments (Long-term, Unquoted and Non-Trade):					
	Treasury Bills (At Philippines branch) [Deposited with Securities and Exchange Commission in Philippines]		—	546.36	—	369.39
	Aggregate Value of Unquoted Non-Current Investments			627.81		490.84
[B]	Current Investment (Unquoted)					
	Investment in Mutual Funds:					
	PNB Principal Cash Management Fund - Liquid Option -Institutional Plan-Dividend Reinvestment - Daily [N.A.V. per unit - ₹ 1,000.07 (Previous Year - ₹ 10.00)]	₹ 1,000 (Previous Year ₹10)	135	1.36	12,621	1.26
	PNB Principal Income Fund - Short Term Plan (Institutional Monthly Dividend Reinvestment Plan) [N.A.V. per unit - ₹ 12.30 (Previous Year - ₹ 11.90)]	₹ 10	90,775	10.69	86,928	10.23
	Aggregate Value of Unquoted Current Investments			12.05		11.49
	Aggregate Value of Unquoted Investments [A]+[B]			639.86		502.33

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

13 Long term loans and advances

(Unsecured and Considered Good, unless otherwise stated)

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Capital Advances		
- Considered Good	29.00	83.25
- Considered Doubtful	11.85	33.20
	40.85	116.45
Less: Provision for Doubtful Debts	(11.85)	(33.20)
	29.00	83.25
Loans and Advances to related parties [Refer Note 27]	3,750.00	3,150.00
Security Deposits	1,970.93	1,640.75
Other loans and advances:		
- MAT Credit Entitlement	570.81	1,163.72
- Balance with Government Authorities	686.19	665.67
- Loan to a third party	637.56	845.65
- Employee loans and advances	18.90	0.03
- Advance Tax and Tax Deducted at Source (net of Provision for Income Tax*)	3,212.30	1,059.78
- Fringe Benefit Tax (net of Provision for Tax)	21.16	21.16
- Prepaid expenses	22.95	8.82
- Miscellaneous	17.11	26.62
	10,936.91	8,665.45
* The provision for tax is net of utilisation of Minimum Alternate Tax Credit during the year ₹ 522.37 Lacs (Previous Year - ₹ 39.64 Lacs)		

14 Other non-current assets

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Deposits with bank for Margin Money (Under Lien with Banks towards Guarantees issued by them on behalf of the Company)	7.34	44.90
Foreign currency monetary item translation difference account [Refer Note 2.2(ii)]	938.26	—
	945.60	44.90

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

15 Trade receivables (Unsecured)

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Debts outstanding for a period exceeding six months from the date they are due for payment:		
- Considered Good	122.79	9.53
- Considered Doubtful	195.80	281.16
	<u>318.59</u>	<u>290.69</u>
Other Debts (Considered Good)	27,141.78	17,841.01
Less: Provision for Doubtful Debts	(195.80)	(281.16)
	<u>27,264.57</u>	<u>17,850.54</u>

16 Cash and Bank Balances

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Cash and Cash Equivalents:		
Balances with Banks in:		
- Current Account	7,999.53	5,504.19
- Deposit Account	2,638.04	2,878.77
- EEFC (Exchange Earners' Foreign Currency Account)	21.77	17.21
Cash on hand	36.87	2.55
	<u>10,696.21</u>	<u>8,402.72</u>
Other Bank Balances:		
- Deposits with maturity more than 3 months but less than 12 months	13,146.56	53,430.53
- Earmarked balance with bank (Unpaid Dividend)	17.50	13.81
- Deposits with bank for Margin Money*	37.56	—
- Deposits pledged against borrowings	48,078.76	—
	<u>61,280.38</u>	<u>53,444.34</u>
	<u>71,976.59</u>	<u>61,847.06</u>

* Under Lien with Banks towards Guarantees issued by them on behalf of the Company.

17 Short-term loans and advances

(Unsecured and Considered Good, unless otherwise stated)

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Security Deposits	116.05	12.75
Other loans and advances:		
- Balance with Government Authorities	105.38	113.22
- Employee loans and advances	183.97	153.49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	As at 31.03.2012	As at 31.03.2011
- MAT Credit Entitlement (Current portion)	592.91	522.37
- Advance to Vendors	292.39	230.26
- Prepaid expenses	1,345.04	685.53
- Loan to third parties	1,456.92	1,929.79
- Claim Receivable	682.11	—
- Others		
- Considered Good	448.60	373.29
- Considered Doubtful	10.83	38.46
	459.43	411.75
Less: Provision for Doubtful Debts	(10.83)	(38.46)
	448.60	373.29
	5,223.37	4,020.70

18 Other current assets

(Unsecured and Considered good)

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Unbilled Revenue	8,300.98	4,450.61
Interest Accrued on Deposits/ Loans	951.14	1,001.02
Foreign currency monetary item translation difference account [Refer Note 2.2(ii)]	59.64	—
	9,311.76	5,451.63

19 Revenue from operations

(₹ in Lacs)

	Year Ended 31.03.2012	Year Ended 31.03.2011
Sale of Services:		
- Information Technology Enabled Services (ITES)	155,430.79	107,306.51
	155,430.79	107,306.51

20 Other Income

(₹ in Lacs)

	Year Ended 31.03.2012	Year Ended 31.03.2011
Interest Income	2,096.31	1,935.06
Dividend from Current Investment	0.55	0.46
Profit on Sale of long-term Investments	288.00	—
Foreign Exchange Gain (Net)	75.23	727.69
Liabilities/ Provisions no longer payable written-back	206.15	211.16
Other non-operating income	215.49	37.87
	2,881.73	2,912.24

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

21 Employee Benefit Expense

(₹ in Lacs)

	Year Ended 31.03.2012	Year Ended 31.03.2011
Salaries allowances and other benefits	97,007.73	63,661.02
Contribution to Provident and Other Funds	5,278.87	4,294.41
Unfunded Gratuity/ Pension plan	41.37	22.37
Staff Welfare	1,150.84	685.66
	103,478.81	68,663.46

22 Finance Costs

(₹ in Lacs)

	Year Ended 31.03.2012	Year Ended 31.03.2011
Interest on:		
- Term Loan from Banks	1,674.69	749.61
- Cash Credit and Other Facilities	1,086.18	145.72
Other borrowing costs	161.73	37.12
	2,922.60	932.45

23 Other Expenses

(₹ in Lacs)

	Year Ended 31.03.2012	Year Ended 31.03.2011
Power and Fuel	2,714.59	1,752.97
Rent	5,772.04	4,590.06
Repairs and Maintenance - Leased premises	1,655.05	1,211.34
Repairs and Maintenance - Others	1,319.64	998.07
Insurance	627.20	282.78
Rates and Taxes	516.45	227.23
Directors' Sitting Fees	7.10	7.05
Payment to the Auditors:		
- as Auditors	85.48	79.71
[(includes payment to Company's Branch Auditor ₹ 19.98 Lacs (Previous Year ₹ 19.71 Lacs)]		
- for other services	1.00	1.00
- for reimbursement of expenses	0.94	0.98
Connectivity Cost	5,696.46	3,582.83
Advertisement and Business Promotion	382.99	335.71
Communication	1,883.95	900.19

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

		Year Ended 31.03.2012		Year Ended 31.03.2011
Travelling, Conveyance and Car Hire Charges		1,917.30		1,566.75
Legal and Professional		3,907.08		2,458.87
Training and Recruitment		1,255.34		822.06
Commission		2,441.23		1,913.62
Donation		31.58		76.78
Software Expenses		212.94		128.04
Fulfillment Cost		833.46		1,003.64
Bad Debts/ Advances Written off	326.97	—	10.05	—
Less: Provisions for Doubtful Debts/ Advances	(290.69)	36.28	—	10.05
Provisions for Doubtful Debts/ Advances		66.32		20.04
Loss on Sale of Assets (Net)		3.37		4.02
Miscellaneous Expenses		2,173.88		1,115.79
		33,541.67		23,089.58

24. a) Contingent Liabilities

A) Claims against the Group not acknowledged as debts:

(₹ in Lacs)

	Particulars	As at 31.03.2012	As at 31.03.2011
(i)	Service Tax demand raised by authorities against which appeal has been filed by the Company (Refer Note 1 below)	633.08	633.08
(ii)	Income Tax demand raised by authorities against which appeal has been filed by the Company	1,336.31	1,336.31
(iii)	Others (to the extent ascertainable)	832.47	201.46
(iv)	Other matters (Refer Note 2 below)	16,662.50	15,390.48

Notes:

- The Company has deposited an amount of ₹ 633.08 Lacs (Previous year: ₹ 633.08 Lacs) with the service tax authorities, which is included in "Balance with Government Authorities – Note 13".
- Hinduja Ventures Limited has received income tax demand pertaining to IT/ ITES business aggregating ₹16,662.50 Lacs (Previous Year: ₹15,390.48 Lacs) in respect of period prior to October 1, 2006 which is reimbursable by the Company pursuant to the Scheme of Arrangement and Reconstruction for demerger of IT/ITES business into the Company sanctioned by High Court of Judicature of Bombay and made effective on March 7, 2007. In this regard, the Company has paid ₹ 3,750 Lacs (Previous Year: ₹ 3,150 Lacs) to Hinduja Ventures Limited to discharge part payment of disputed Income tax dues pertaining to IT/ ITES business, which is included in the 'Loans and Advances to related parties' under Note 13 – 'Long-term loans and advances'. Hinduja Ventures Limited has filed appeal/ is in process of filing an appeal against the said demand. In view of Management and based on the legal advice obtained, the Company has fairly a strong case for a favourable decision.
- Future cash outflow in respect of above, if any, is determinable only on receipt of judgements/ decisions pending with relevant authorities.
- Subsequent to the demerger of IT/ ITES business from Hinduja Ventures Limited into the Company, certificates in respect of tax deducted at source by the customers under the Income Tax Act, 1961 of India aggregating ₹1,315.03 Lacs (Previous Year: ₹ 1,315.03 Lacs) were received in the name of Hinduja TMT Limited (now

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

known as 'Hinduja Ventures Limited'). In view of the Management, the Company is eligible for the benefits of such tax deducted at source since the services were provided by the Company. Further, certificates of tax deducted at source aggregating ₹1,081.70 Lacs (Previous year: ₹ 1,606.53 Lacs) are in process of being collected from the customers.

B) Guarantees given in favour of:

- Zurich Services Corporation, Schaumburg to secure the performance of Hinduja Global Solutions Inc., a subsidiary company, under the Master Service Agreement, pursuant to which Hinduja Global Solutions Inc. has contracted to perform certain services.
- California Physicians' Service dba Blue Shield of California to secure the performance of Hinduja Global Solutions Inc., a subsidiary company, under the Master Service Agreement, pursuant to which Hinduja Global Solutions Inc. has contracted to perform certain services.

b) Capital and other commitments:

- (i) Estimated Amount of Contracts (net of capital advances) remaining to be executed on Capital Account – ₹ 104.75 Lacs (Previous Year - ₹ 294.69 Lacs).
- (ii) The Group has entered into certain non-cancellable agreements with vendors, the cancellable of which will entail substantial monetary compensation. The future commitments under non-cancellable purchase agreements is USD 6,115,000 (Previous Year – USD 875,000) [equivalent ₹ 3,110.70 Lacs (Previous Year - ₹ 388.50 Lacs)]

25. Disclosures in terms of Accounting Standard 15 (Revised 2005) 'Employee Benefits'.

The Group has classified the various benefits provided to employees as under: -

I Defined Contribution Plans

- a) Provident Fund
- b) Superannuation Fund
- c) State Defined Contribution Plans
 - i. Employers' Contribution to Employee's State Insurance
 - ii. Employers' Contribution to Employee's Pension Scheme 1995
- d) Contribution Plan at overseas branch/ subsidiary

During the year, the Group has recognised the following amounts in the Statement of Profit and Loss

(₹ in Lacs)

	2011-2012	2010-2011
- Employers' Contribution to Provident Fund [includes EDLI charges and Employers' Contribution to Employees' Pension Scheme 1995]*	1,033.18	854.69
- Employers' Contribution to Superannuation Fund*	1.97	1.88
- Employers' Contribution to Employees' State Insurance *	619.65	452.28
- Employers' Contribution to Other Employees' Benefit Scheme and Contribution by Overseas Branch/ Subsidiaries*	3,275.52	2,523.00

* Included in Contribution to Provident and Other Funds (Refer Note 21)

II Defined Benefit Plan

Gratuity and Pension Plan

In accordance with Accounting Standard 15 (Revised 2005), actuarial valuation was carried out in respect of the aforesaid defined benefit plan of gratuity and pension based on the following assumptions: -

	2011-2012	2010-2011
Discount Rate (per annum)	6.86% - 8.56%	7.50% - 8.44%
Rate of increase in Compensation levels	4.50% - 5.00%	6.00%
Rate of Return on Plan Assets	8.00% - 8.60%	8.00% - 8.44%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

A) Changes in the Present Value of Defined Benefit Obligation

(₹ in Lacs)

	2011-2012				2010-2011			
	Gratuity		Pension		Gratuity		Pension	
	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded
Balance at beginning of the year	377.10	0.13	944.77	69.16	321.03	0.13	–	604.91
Add: On acquisition of a Subsidiary	–	38.72	–	–	–	–	–	–
Add/ (Less) Transfer as Funded Plan introduced for certain employees at a foreign branch	–	–	–	–	–	–	557.99	(557.99)
Sub-total	377.10	38.85	944.77	69.16	321.03	–	557.99	46.92
Interest Cost	31.11	3.32	86.91	6.36	31.86	–	53.94	4.77
Current Service Cost	115.25	15.66	259.64	42.63	99.09	0.13	81.70	22.87
Benefits Paid [includes payment made by the Company ₹ 70.45 Lacs (Previous Year – ₹ Nil) and not claimed from Plan Assets]	(74.55)	–	(70.45)	–	(43.69)	–	–	–
Actuarial (gain)/ loss on obligations	35.27	(5.22)	11.02	(21.38)	(31.19)	–	251.14	(5.40)
Balance at end of the year	484.18	52.61	1,231.89	96.77	377.10	0.13	944.77	69.16

B) Changes in the Fair Value of Plan Assets

(₹ in Lacs)

	2011-2012		2010-2011	
	Gratuity	Pension	Gratuity	Pension
Balance at beginning of the year	324.90	228.50	213.66	–
Expected Return on Plan Assets	25.99	109.48	25.82	–
Contribution to the Plan Assets	52.26	446.52	130.95	228.50
Actuarial gain/ (loss) on obligations	2.56	52.62	(1.84)	–
Benefits Paid	(74.55)	–	(43.69)	–
Balance at end of the year	331.16	837.12	324.90	228.50
Actual return on Plan Assets	9.25%	11.74%	9.25%	–

C) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at March 31, 2012

The Plan Assets for Defined Benefit Plan in India are administered by Life Insurance Corporation of India ('LIC') as per Investment Pattern stipulated for Pension and Group Schemes Fund by Insurance Regulatory and Development Authority Regulations. In case of defined benefit plan at a foreign branch, the Plan Assets are administered by the Investment department of Deutsche Bank AG. The Plan Assets consists of deposits with a bank aggregating ₹ 837.12 Lacs (Previous Year ₹ 228.50 Lacs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

D) Amount recognised in the Balance Sheet

(₹ in Lacs)

	2011-2012				2010-2011			
	Gratuity		Pension		Gratuity		Pension	
	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded
Present Value of Defined Benefit Obligation as at end of the year	484.18	52.61	1,231.89	96.77	377.10	0.13	944.77	69.16
Fair Value of Plan Assets as at end of the year	331.16	–	837.12	–	324.90	–	228.50	–
Asset/(Liability) recognised in the Balance Sheet	(153.02)	(52.61)	(394.77)	(96.77)	(52.20)	(0.13)	(716.27)	(69.16)
Recognised under:								
Long-term Provisions (Refer Note 6)	–	52.61	–	5.34	–	–	375.74	–
Short-term Provisions (Refer Note 10)	153.02	–	394.77	91.43	52.20	0.13	340.53	69.16

E) Expenses recognised in the Statement of Profit and Loss

(₹ in Lacs)

	2011-2012				2010-2011			
	Gratuity		Pension		Gratuity		Pension	
	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded
Current Service Cost	115.25	15.66	259.64	42.63	99.09	0.13	81.70	22.87
Interest Cost	31.11	3.32	86.91	6.36	31.86	–	53.94	4.77
Expected Return on Plan Assets	(25.99)	–	(109.48)	–	(25.82)	–	–	–
Net actuarial (gain)/ loss recognised in the year	32.71	(5.22)	(41.60)	(21.38)	(29.35)	–	251.14	(5.40)
Total Expenses recognised in the Statement of Profit and Loss****	153.08	13.76	195.47	27.61	75.78	0.13	386.78	22.24

**** Included in Employee Benefit Expense (Refer Note 21)

F) Experience Adjustments

(₹ in Lacs)

	2011-2012	2010-2011
On Defined Benefit Obligation – Loss/ (Gain)	(33.63)	106.70
On Plan Assets – Loss/ (Gain)	(55.18)	1.84

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

G) Details of Defined Benefit Obligation, Plan Assets and Experience Adjustments

(₹ in Lacs)

Years	Nature	Present Value of Obligation at the end of the year	Fair Value of Plan Assets at the end of the year	Surplus/ (Deficit)	Experience Adjustments on Defined Benefit Obligation - Loss/ (Gain)	Experience Adjustments on Plan Assets - Loss/ (Gain)
2009-2010	Gratuity	321.03	213.66	(107.37)	(66.92)	0.36
	Pension	604.91	–	(604.91)	(56.34)	–
2008-2009	Gratuity	210.98	144.85	(66.13)	(11.42)	1.01
	Pension	605.84	–	(605.84)	3.96	–
2007-2008	Gratuity	137.30	142.31	5.01	(20.03)	0.32
	Pension	385.45	–	(385.45)	15.46	–

H) Expected Contribution for next year

(₹ in Lacs)

	2012-2013	2011-2012
Gratuity and Pension Plan	665.28	462.02

III The liability for compensated absences as at March 31, 2012 aggregates ₹ 1,133.49 Lacs (Previous Year – ₹ 535.82 Lacs)

26. Segment Information

Primary Segment

The Group has identified business segment as its primary segment. In accordance with Accounting Standard 17 "Segmental Reporting", the Group has determined its operations as a single reportable business segment, namely Information Technology/ Information Technology Enabled Services. Hence, it has no other primary reportable segments. Thus, the segment revenue, segment results, total carrying value of segment assets and liabilities, capital expenditure incurred to acquire the assets, the total amount of charge for depreciation are all as reflected in the financial statements as of and for the year ended March 31, 2012.

Secondary Segment

The Group has identified geographical segment as its secondary segment. The details of geographical segment are as follows:

(₹ in Lacs)

Particulars	India		Outside India		Total	
	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
Sales Revenue*	19,034.14	12,995.40	136,396.65	94,311.11	155,430.79	107,306.51
Carrying Amount of Assets	34,893.23	32,583.01	180,227.98	103,451.40	215,121.21	136,034.41
Capital Expenditure	2,185.37	2,166.90	6,863.03	4,322.80	9,048.40	6,489.70

* - There are no Inter Segment Revenues.

27. Related Party Disclosures (as identified by the Management)

I Individual having control with his relatives and associates

Mr. Ashok P. Hinduja

II Key Management Personnel

Mr. Partha DeSarkar

III Enterprises where common control exists

1. Hinduja Group India Limited
2. Aasia Management and Consultancy Private Limited
3. Hinduja Ventures Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

4. IndusInd Media and Communication Limited
5. Hinduja Realty Ventures Limited
6. Hinduja Healthcare Private Limited
7. InEntertainment (India) Limited

IV Relatives of Key Management personnel

Mr. Pabitra DeSarkar

Mrs. Samya Ahmed

The following details pertain to transactions carried out with the related parties in the ordinary course of business and the balances outstanding at the year-end:

(₹ in Lacs)

Nature of Transaction	Parties referred to in II & IV above	Parties referred to in III above	Total
Rendering of Services			
Hinduja Realty Ventures Limited	– [–]	– [0.15]	– [0.15]
Total	– [–]	– [0.15]	– [0.15]
Rent Expense			
Aasia Management and Consultancy Private Limited	– [–]	76.80 [68.58]	76.80 [68.58]
Mr. Pabitra DeSarkar	2.25 [–]	– [–]	2.25 [–]
Mrs. Samya Ahmed	– [2.39]	– –	– [2.39]
Total	2.25 [2.39]	76.80 [68.58]	79.05 [70.97]
Interest on Loan			
InEntertainment (India) Limited	– [–]	41.15 [–]	41.15 [–]
Total	– [–]	41.15 [–]	41.15 [–]
Professional Fees			
Hinduja Group India Limited	– [–]	155.80 [218.93]	155.80 [218.93]
Total	– [–]	155.80 [218.93]	155.80 [218.93]
Connectivity Cost			
IndusInd Media and Communication Limited	– [–]	12.50 [10.77]	12.50 [10.77]
Total	– [–]	12.50 [10.77]	12.50 [10.77]
Executive Remuneration			
Mr. Partha DeSarkar	162.89 [184.58]	– [–]	162.89 [184.58]
Total	162.89 [184.58]	– [–]	162.89 [184.58]
Advance Paid to Key Managerial Personnel			
Mr. Partha DeSarkar	– [0.52]	– [–]	– [0.52]
Total	– [0.52]	– [–]	– [0.52]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lacs)

Nature of Transaction	Parties referred to in II & IV above	Parties referred to in III above	Total
Advance payment for tax matters [Refer foot note 2 of Note 24(a)(A)]			
Hinduja Ventures Limited	– [–]	600.00 [1,800.00]	600.00 [1,800.00]
Total	– [–]	600.00 [1,800.00]	600.00 [1,800.00]
Consultancy charges			
Aasia Management and Consultancy Private Limited	– [–]	28.38 [28.26]	28.38 [28.26]
Total	– [–]	28.38 [28.26]	28.38 [28.26]
Loan received			
InEntertainment (India) Limited	– [–]	1,500.00 [–]	1,500.00 [–]
Total	– [–]	1,500.00 [–]	1,500.00 [–]
Loan Outstanding at the year-end			
InEntertainment (India) Limited	– [–]	1,000.00 [–]	1,000.00 [–]
Total	– [–]	1,000.00 [–]	1,000.00 [–]
Interest Accrued and Due on Borrowings			
InEntertainment (India) Limited	– [–]	4.09 [–]	4.09 [–]
Total	– [–]	4.09 [–]	4.09 [–]
Receivable net of payable as at the year-end			
Hinduja Ventures Limited [Refer footnote 2 in Note 24(a)(A)]	– [–]	3,750.00 [3,150.00]	3,750.00 [3,150.00]
Mr. Partha DeSarkar	– [0.52]	– [–]	– [0.52]
Others	– [–]	– [3.61]	– [3.61]
Total	– [0.52]	3,750.00 [3,153.61]	3,750.00 [3,154.13]
Payable net of receivable as at the year-end			
IndusInd Media and Communications Limited	– [–]	0.22 [9.61]	0.22 [9.61]
Aasia Management and Consultancy Private Limited	– [–]	8.30 [6.52]	8.30 [6.52]
Hinduja Group India Limited	– [–]	1.49 [–]	1.49 [–]
Mr. Pabitra DeSarkar	0.23 [–]	– [–]	0.23 [–]
Total	0.23 [–]	10.01 [16.13]	10.24 [16.13]

Notes:

- There were no transactions with party referred in I above.
- Figures in bracket pertain to the previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

28. Operating Leases

The details of non-cancellable operating leases are as follows:

(₹ in Lacs)

Particulars	Minimum Future Lease Rentals			Amount recognised during the year
	Due within one year	Due later than one year and not later than five years	Due after five years	
Office Premises and Equipments	4,294.24 [3,258.90]	11,812.12 [6,817.83]	13,605.58 [4,717.38]	5,561.90 [4,449.56]

Figures in bracket pertain to the previous year.

The operating lease arrangement relating to office premises and equipments extend up to a maximum of twenty years from the respective dates of inception and are renewable on mutual consent/ at the option of lessee. In addition, the Group has entered into various cancellable leasing arrangements for office and residential premises and equipments towards which an amount of ₹ 210.14 Lacs (Previous Year - ₹ 140.50 Lacs) has been recognised in the Statement of Profit and Loss.

29. Finance Leases

A subsidiary of the Company has taken certain office equipments on finance lease. The details of such equipment are as under:

Minimum lease payments as at year end.

(₹ in Lacs)

Particulars	As at 31.03.2012	As at 31.03.2011
Present Value	112.51	4.43
Finance Charge	2.68	1.11

The minimum lease payment is payable as follows:

(₹ in Lacs)

Particulars	Minimum Future Lease Rentals		
	Due within one year	Due later than one year and not later than five years	Due after five years
Present Value	22.46 [4.43]	90.05 [-]	- [-]
Finance Charges	0.23 [1.11]	2.45 [-]	- [-]
Total	22.69 [5.54]	92.50 [-]	- [-]

Figures in bracket pertain to the previous year.

30. Earnings per Equity Share (Basic and Diluted)

	2011-2012	2010-2011
Profit After Tax and Minority Interest (₹ in Lacs)	10,607.07	10,732.08
Weighted average number of equity shares		
A. For Basic Earnings per share (Nos.)	20,589,223	20,589,223
B. For Diluted Earnings per share (Nos.)		
No. of shares for Basic Earning Per Share as per A.	20,589,223	20,589,223
Add: Weighted Average outstanding employee stock option deemed to be issued for no consideration	-	13,614
No. of shares for Diluted Earnings per share	20,589,223	20,602,837
Nominal Value of an equity share (₹)	10.00	10.00
Earnings per share (Basic) (₹)	51.52	52.12
Earnings per share (Diluted) (₹)	51.52	52.09

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

31. The subsidiaries (including step-down subsidiaries) considered in the consolidated financial statements for the year ended March 31, 2012 with Company's share in voting power in these companies are:

Sr. No.	Name of the Company	Country of Incorporation	Held by	Parent's Shareholding (%)	Company's Share in Voting Power (%)
A	SUBSIDIARIES				
1	HGS International (HGS Intl.) (formerly Pacific Horizon Limited)	Mauritius	HGS	100	100
2	Hinduja Outsourcing Solutions India Private Limited (HOSIPL)	India	HGS	100	100
3	HCCA Business Services Private Limited*	India	HGS	100	100
B	STEP-DOWN SUBSIDIARIES				
1	Hinduja Global Solutions Inc. (HGSi)	United States of America	HGS Intl.	100	100
2	HGS Properties LLC#	United States of America	HGSi	100	100
3	Hinduja TMT France S.A.R.L	France	HGSi	51	51
4	HGS (USA) LLC, (formerly Affina LLC)	United States of America	HGSi	100	100
5	RMT LLC, (RMT)	United States of America	HGS LLC	100	100
6	Affina Company, Canada	Canada	RMT	100	100
7	HGS Canada Holdings LLC# (HGS Canada)	United States of America	HGSi	100	100
8	Online Support Inc.*	Canada	HGS Canada	100	100
9	Hinduja Global Solutions Europe Limited (HGS Europe) (formerly HTMT Europe Limited)	United Kingdom	HGS Intl.	100	100
10	Careline Services Limited	United Kingdom	HGS Europe	100	100
11	HGS Italy S.A.R.L#	Italy	HGS Europe	100	100
12	C-Cubed (Antilles) N.V. (C3-NV)	Curacao, Netherlands Antilles	HGS Intl.	100	100
13	C-Cubed B.V., (C3-BV)	Netherlands	C3-NV	100	100
14	Customer Contact Centre Inc. (C3)	Philippines	C3-BV	100	100
15	HGS St. Lucia Limited#	Mauritius	HGS Intl.	100	100
16	Team HGS Limited, Jamaica#	Kingston, Jamaica (U.S.A)	HGS St. Lucia Limited	100	100

* Acquired during the year.

Incorporated during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

32. The contribution of the subsidiaries acquired during the year is as under:

(₹ in Lacs)

Name of subsidiary	Date of acquisition	Goodwill on Consolidation	Revenue (Post acquisition)	Net profit (Post acquisition)	Net Assets
HCCA Business Services Private Limited	August 12, 2011	2,493.11	2,271.74	251.62	1,608.38
Online Support Inc.	August 2, 2011	31,919.41	23,990.37	2,176.84	9,968.60

33. Break-Up of Deferred Tax Asset/ (Liability)

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
<i>Deferred Tax Liability</i>		
Depreciation on Fixed Assets	(1,145.21)	(1,182.58)
Amortisation of Goodwill	–	(885.78)
Others	(150.09)	–
Total Deferred Tax Liability	(1,295.30)	(2,068.36)
<i>Deferred Tax Asset</i>		
Expenses allowed on payment basis	271.16	195.04
Provision for doubtful debts/ advances	16.91	86.76
Others	10.58	12.11
Total Deferred Tax Asset	298.65	293.91
Net Deferred Tax Liability	(996.65)	(1,774.45)

34. Current tax includes provision for tax of ₹ 704.07 Lacs (Previous Year: ₹ 945.01 Lacs) pertaining to overseas branches/ subsidiaries which is determined as per the laws applicable in the relevant country.

35. Provisions - Others

(₹ in Lacs)

Particulars	Onerous Lease	Building Maintenance	Redundancy Costs	Earn-outs	Total
Opening Provision	9.16 [–]	27.17 [–]	– [–]	1,514.74 [–]	1,551.07 [–]
Add: On acquisition of a subsidiary	– [29.85]	– [27.50]	– [–]	– [–]	– [57.35]
Add: Additional provision during the year	12.59 [–]	16.85 [7.79]	61.03 [–]	– [1,514.74]	90.47 [1,522.53]
Less: Provision utilised/ reversed during the year	– [20.69]	– [8.12]	– [–]	1,514.74 [–]	1,514.74 [28.81]
Closing Provision	21.75 [9.16]	44.02 [27.17]	61.03 [–]	– [1,514.74]	126.80 [1,551.07]

Figures in bracket pertain to the previous year.

Onerous Lease - The onerous lease provision relates to a lease of a premises no longer in use by the business. The Group is not able to reasonably ascertain the timing of the outflow.

Building Maintenance - The provision is in respect of dilapidations of a building at one of the subsidiary company, which the subsidiary is responsible for under the terms of the lease. The outflow depends on actual dilapidations and hence, the Group is not able to reasonably ascertain the timing of the outflow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Redundancy Costs – The provision is in respect of the costs of redundancies following the downscaling of a specific contract for which staff members were employed and are no longer needed. The Group is not able to reasonably ascertain the timing of the outflow.

Earn-outs - In terms of the Share Purchase Agreement dated June 21, 2010 between Hinduja Global Solutions Europe Limited and sellers of Careline Services Limited, an additional consideration (earn-outs) is payable by Hinduja Global Solutions Europe Limited on achievement of pre-determined profits for the year ended December 31, 2011 by Careline Services Limited. During the year, the Group has determined the amount payable to sellers of Careline Services Limited and accordingly, utilised the said provision. Refer Note 9 above for the amount payable at the year-end.

36. Derivative instruments

a) Derivatives Outstanding as at the reporting date

Particulars	Amount (USD)	Type	No. of Contracts	Contract Value (₹ in Lacs)
Forward contract in respect of firm commitment or highly probable forecasted transactions	23,025,000 [15,750,000]	Sell [Sell]	36 [15]	11,718.51 [7,398.83]

Figures in bracket pertain to the previous year.

b) Mark-to-Market losses on outstanding derivatives

Particulars	Amount (₹ in Lacs)
Mark-to-market losses provided for	260.55 [-]

Figures in bracket pertain to the previous year.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. The amount recognised in hedging reserve in equity during the year amounts to ₹ 275.92 Lacs (Previous Year: ₹ Nil).

The ineffective portion recognised in the Statement of Profit and Loss that arises from cash flow hedges amounts to ₹ 0.32 Lacs (Previous Year: ₹ Nil).

Gains and losses recognised in the hedging reserve in equity (Note 4) on forward foreign exchange contracts as of March 31, 2012 would be recognised in the income statement in the period or periods during which the hedged forecast transaction affects the related transaction in the Statement of Profit and Loss.

37. The details of Employee Stock Option Plan [ESOP] of the Company are as follows:

Particulars	ESOP 2008	ESOP 2011
	The Shareholders of the Company at their Annual General Meeting held on September 27, 2008 granted approval to the HTMT Global Solutions Limited Employees Stock Option Plan 2008 (now Hinduja Global Solutions Employees Stock Option Plan 2008) ("ESOP 2008"). Subsequently, the Compensation Committee approved the terms and conditions relating to ESOP 2008 and options were granted on July 31, 2009.	The Shareholders of the Company at their Annual General Meeting held on August 1, 2011 granted approval to the Hinduja Global Solutions Employees Stock Option Plan 2011 ("ESOP 2011"). Subsequently, the Compensation Committee approved the terms and conditions relating to ESOP 2011 and options were granted on November 11, 2011. The Company is in process of obtaining in-principle approval from Stock Exchanges for listing of equity shares to be issued under ESOP 2011 in accordance with SEBI guidelines.
Maximum grant of options	The maximum number of options that could be issued under ESOP 2008 is 205,380 (being 1% of the outstanding equity shares of the Company as at April 1, 2009)	The maximum number of options that could be issued under ESOP 2011 is 274,100.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	ESOP 2008	ESOP 2011
Vesting Period	Options to vest over a period of three years from the date of their grant as under: - 1/6th of the options granted will vest on the first anniversary of the grant date. - 1/3rd of the options granted will vest on the second anniversary of the grant date. - 1/2 of the options granted will vest on the third anniversary of the grant date.	Options to vest over a period of three years from the date of their grant as under: - 1/6th of the options granted will vest at the end of one year from the grant date. - 1/6th of the options granted will vest at the end of 18 months from the grant date. - 1/6th of the options granted will vest at the end of 24 months from the grant date. - 1/4th of the options granted will vest at the end of 30 months from the grant date. - 1/4th of the options granted will vest at the end of 36 months from the grant date.
Exercise Period	Options vested with an employee will be exercisable prior to completion of the 48th month from the date of their grant by subscribing to the number of equity shares in the ratio of one equity share for every option. In the event of cessation of employment due to death, resignation or otherwise the options may lapse or be exercisable in the manner specifically provided for in the Scheme.	Options vested with an employee will be exercisable prior to completion of the 24th month from the date of vesting of options by subscribing to the number of equity shares in the ratio of one equity share for every option. In the event of cessation of employment due to death, resignation or otherwise the options may lapse or be exercisable in the manner specifically provided for in the Scheme.
Exercise Price	₹ 400.10 per share The exercise price per share is determined on the basis of closing price at the National Stock Exchange of India Limited immediately preceding the date of grant.	₹ 340.20 per share The exercise price per share is determined on the basis of closing price at the National Stock Exchange of India Limited immediately preceding the date of grant.
Method of Accounting and Intrinsic Value	The compensation costs of stock options granted to employees are accounted using the intrinsic value method. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. In view of exercise price being equal to closing market price on the day prior to the date of the grant, the intrinsic value of the option is ₹ Nil.	The compensation costs of stock options granted to employees are accounted using the intrinsic value method. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. In view of exercise price being equal to closing market price on the day prior to the date of the grant, the intrinsic value of the option is ₹ Nil.
Fair Value and Model Used	₹ 178.04 per option. The fair value of stock option has been calculated using Black-Scholes Option Pricing Model.	₹ 101.21 per option. The fair value of stock option has been calculated using Black-Scholes Option Pricing Model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	ESOP 2008	ESOP 2011
Re-grant of Options under the Scheme	The Compensation Committee on June 1, 2011 approved the re-grant of lapsed options under ESOP 2008, which were subsequently granted to specific employees on the said date. The number of stock options granted is 33,160 at an exercise price of ₹ 400.65 per share Stock Options. The exercise price per share is determined on the basis of closing price at the National Stock Exchange of India Limited immediately preceding the date of grant. The Intrinsic value is Nil and fair value of stock options determined using Black – Scholes Option Pricing model is ₹ 161.45 per option. The term for vesting and exercise period are as stated above.	–

The details of options granted are as follows:

	ESOP 2008		ESOP 2011	
Particulars	2011-12	2010-11	2011-12	2010-11
Outstanding at the beginning of the year	172,220	195,730	–	–
Granted during the year	–	–	274,100	–
Re-granted during the year	33,160	–	–	–
Lapsed during the year	36,365	23,510	3,500	–
Exercised/ Allotted during the year	–	–	–	–
Outstanding at the end of the year	169,015	172,220	270,600	–
Exercisable at the end of the year	67,928	30,015	–	–
Weighted Average remaining life in years	2.47	2.33	3.61	–

Had the Company adopted fair value method in respect of options granted, the employee compensation cost would have been higher by ₹ 85.15 Lacs (Previous Year - ₹ 194.39 Lacs), Profit After Tax and Minority Interest and the basic and diluted earning per share would have been lower by ₹ 85.15 Lacs (Previous Year - ₹ 194.39 Lacs) and Re. 0.41 (Previous Year - Re. 0.94), respectively.

38. Cash and Bank Balances – (Note 16) includes ₹ 61,203.22 Lacs (Previous Year – ₹ 43,211.41 Lacs) pertaining to the Company's wholly owned subsidiary HGS International (formerly known as Pacific Horizon Limited), Mauritius which has been deposited by it through its fiduciary bankers Hinduja Bank (Switzerland) Limited in the fixed deposit scheme of Bank of Baroda, London.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

39. Term Loan from Banks (Secured)

(₹ in Lacs)

Sr. No.	Nature of security and terms of borrowing	As at 31.03.2012	As at 31.03.2011
1	Secured by a pari passu first charge on the fixed assets of the Company. The loan was originally repayable in 15 equal quarterly installments beginning July 2008 along with interest of 9.45% p.a. The said loan has been repaid (early payment) in April 2011.	–	900.00
2	Secured by way of charge on all assets of a subsidiary company, HGS Inc., USA. The term loan is repayable in quarterly installments beginning March 31, 2012. The facility matures on March 31, 2017. The rate of interest is USD LIBOR +3.5% p.a.	12,208.80	–
3	Secured by way of charge on all assets of a subsidiary company, Online Support Inc., Canada. The term loan is repayable in quarterly installments beginning December 26, 2012. The term loan matures in full on September 26, 2018. The rate of interest is Canadian Dollar bankers acceptance ('CDOR') plus applicable margin. The loan was obtained in two tranches and margin for one tranche is 3.50% per year and for other tranche is 3.80% per year Also refer Note 40.	23,443.49	–
4	Secured by way of charge on all assets of a subsidiary company, Hinduja Global Solutions Europe Limited. The loan is repayable in 16 equal quarterly installments beginning June 2011. The rate of interest is GBP LIBOR +2.75% p.a.	1,425.47	2,027.08

40. Hinduja Global Solutions Inc, ('HGS'), a step-down subsidiary of the Company, has entered into a credit agreement with ICICI Bank, Canada providing for a Canadian dollar term loan facility. The credit agreement contains various provisions and covenants including maintaining certain financial ratios as at the testing date specified therein. Further, effective March 20, 2012, HGS has entered into a modification of the credit agreement with ICICI Bank, Canada and have mutually agreed on September 30, 2012, as the first covenant testing period.
41. Minority Interest represents preferred stock issued by an overseas subsidiary.
42. In view of the acquisitions referred in Note 32 above, the current year figures are not comparable with the corresponding previous year's figures.
43. The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, these financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI (to the extent considered relevant). Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

Signature to Notes

For Price Waterhouse
Firm Registration No: 301112E
Chartered Accountants

Partha Ghosh
Partner
Membership No: F-55913

Place : Mumbai
Date : May 23, 2012

For and on behalf of the Board

Partha DeSarkar
Chief Executive Officer and Manager

Anil Harish
Director

Kanti Mohan Rustagi
EVP-Legal and Company Secretary

Place : Mumbai
Date : May 23, 2012

Ramkrishnan P. Hinduja
Chairman

Srinivas Palakodeti
Chief Financial Officer

SECTION 212 STATEMENT

STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212 (8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Sr. No.	Name of Subsidiary Company	Functional Currency	Conversion Rate	Paid Up Capital	Reserves	Total Assets	Total Liabilities	Investments (except in case of investment in the subsidiary)	Turnover	Profit/(Loss) before taxation	Provision for taxation	Profit/(Loss) after Taxation	Proposed Dividend
(₹ in Lacs)													
1	HGS International, Mauritius (formerly known as Pacific Horizon Limited, Mauritius)	USD	B/S 50.8700 P/L 48.0288	16,539.99	66,000.83	98,785.55	16,244.73	Nil	2,673.29	1,419.22	43.78	1,375.44	Nil
2	Hinduja Outsourcing Solutions India Private Limited, India	INR	–	95.00	404.39	2,060.02	1,560.63	Nil	2,868.75	803.75	153.57	650.18	95.00
3	HCCA Business Services Private Limited, India	INR	–	5.29	1,502.83	2,109.27	601.15	Nil	2,279.73	222.95	72.33	150.62	Nil
4	Hinduja Global Solutions Inc., U.S.A.	USD	B/S 50.8700 P/L 48.0288	6,395.35	(14,585.01)	69,391.65	77,581.30	Nil	47,996.94	(4,246.88)	*(347.73)	(3,899.15)	Nil
5	HGS Properties LLC, U.S.A.	USD	B/S 50.8700 P/L 48.0288	–	180.99	4,512.60	4,331.61	Nil	239.56	170.88	–	170.88	Nil
6	Hinduja TMT France S.A.R.L	EURO	B/S 67.8810 P/L 66.2873	5.43	(131.26)	68.59	194.42	Nil	52.56	(13.26)	–	(13.26)	Nil
7	HGS Canada Holdings LLC, U.S.A.	USD	B/S 50.8700 P/L 48.0288	14,019.77	–	14,019.77	–	Nil	–	–	–	–	Nil
8	Online Support Inc., Canada	CAD	B/S 50.9337 P/L 48.4873	13,432.45	(160.12)	48,048.45	34,776.12	Nil	23,551.50	(225.43)	(73.00)	(152.43)	Nil
9	HGS (USA), LLC (formerly known as Affina L.L.C, U.S.A)	USD	B/S 50.8700 P/L 48.0288	2,696.11	8,841.21	13,282.67	1,754.35	Nil	40,493.56	1,380.74	–	1,380.74	Nil
10	RMT LLC, U.S.A	USD	B/S 50.8700 P/L 48.0288	0.51	(0.51)	–	–	Nil	–	–	–	–	Nil
11	Affina Company, Canada	USD	B/S 50.8700 P/L 48.0288	0.10	(1,682.78)	73.25	1,755.93	Nil	694.98	(75.41)	–	(75.41)	Nil
12	Hinduja Global Solutions Europe Limited, U.K. (formerly known as HTMT Europe Limited, U.K.)	GBP	B/S 81.4556 P/L 76.9880	783.10	(665.71)	11,445.94	11,328.55	Nil	523.52	111.74	–	111.74	Nil
13	Careline Services Limited, UK	GBP	B/S 81.4556 P/L 76.9880	11.83	2,838.66	6,131.40	3,280.91	Nil	19,233.38	1,531.82	402.40	1,129.42	Nil
14	HGS Italy, S.A.R.L	EURO	B/S 67.8810 P/L 66.2873	6.79	16.22	99.26	76.25	Nil	126.76	15.84	–	15.84	Nil
15	C-Cubed (Antilles) N.V, Curacao	USD	B/S 50.8700 P/L 48.0288	3.05	49.07	2,079.15	2,027.03	Nil	95.71	(3.76)	–	(3.76)	Nil
16	C-Cubed B.V, Netherlands	EURO	B/S 67.8810 P/L 66.2873	15.41	(685.61)	1,472.00	2,142.20	Nil	–	(218.05)	–	(218.05)	Nil
17	Customer Contact Centre Inc, Manila	PHP	B/S 1.1858 P/L 1.1163	1,185.80	1,472.43	2,665.03	6.80	Nil	–	(13.88)	–	(13.88)	Nil
18	HGS St. Lucia Ltd, Jamaica	USD	B/S 50.8700 P/L 48.0288	–	–	–	–	Nil	–	–	–	–	Nil
19	Team HGS Limited, Jamaica	USD	B/S 50.8700 P/L 48.0288	–	–	–	–	Nil	–	–	–	–	Nil

* Represents Federal and State taxes assessed as per US tax laws at a consolidated level.

AUDITORS' REPORT

Auditors' Report to the Members of Hinduja Global Solutions Limited

1. We have audited the attached Balance Sheet of Hinduja Global Solutions Limited (the "Company") as at March 31, 2012, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us. The Branch Auditor's Reports have been forwarded to us and have been appropriately dealt with;
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns received from branches not visited by us;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on March 31, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Partha Ghosh
Partner
Membership Number: F-55913

Place : Mumbai
Date : May 23, 2012

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Hinduja Global Solutions Limited on the financial statements as of and for the year ended March 31, 2012

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. The Company is primarily engaged in the business of Information Technology/ Information Technology Enabled Services and accordingly, it does not hold any inventories. Thus, paragraph 4 (ii) of the Order is not applicable.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b) to (iii)(d) of the paragraph 4 of the Order are not applicable to the Company during the current year.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(f) and (iii)(g) of the paragraph 4 of the Order are not applicable to the Company during the current year.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, no major weakness have been noticed or reported.
5. (a) In our opinion, and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, no comparative prices are available because, as explained to us by the Management, these transactions are of a specialised and exclusive nature.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales tax, wealth tax, service tax, customs duty and excise duty as at March 31, 2012 which have not been deposited on account of a dispute. The particulars of dues of income tax as at March 31, 2012 which have not been deposited on account of a dispute is as follows:

Name of the statute	Nature of dues	Amount (₹ In Lacs)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income Tax liability including interest and penalty, where applicable	1,336.31	Assessment Year 2007-2008	Commissioner of Income Tax (Appeals)

Also, refer Note 24(a)(A)(2) of the Financial Statement.

ANNEXURE TO THE AUDITORS' REPORT

10. The Company has no accumulated losses as at March 31, 2012 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, other than dues of ₹ 680.96 Lacs under dispute with a bank where we are unable to comment, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion, and according to the information and explanations given to us, funds raised on a short-term basis, aggregating ₹ 7,236.68 Lacs, have been used for long-term investment in Non-current assets.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures during the year; and does not have any debentures outstanding as at the year end.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Price Waterhouse

Firm Registration Number: 301112E
Chartered Accountants

Partha Ghosh

Partner
Membership Number: F-55913

Place : Mumbai
Date : May 23, 2012

BALANCE SHEET

AS AT MARCH 31, 2012

		(₹ in Lacs)	
	Note	As at 31.03.2012	As at 31.03.2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	3	2,058.92	2,058.92
Reserves and Surplus	4	63,288.28	62,059.83
		<u>65,347.20</u>	<u>64,118.75</u>
Non-Current Liabilities			
Long-term borrowings	5	—	900.00
Deferred tax liabilities (Net)	30	582.86	835.62
Long term provisions	6	5.36	375.74
		<u>588.22</u>	<u>2,111.36</u>
Current Liabilities			
Short-term borrowings	7	13,061.45	5,195.00
Trade payables	8	3,325.63	2,560.40
Other current liabilities	9	5,147.12	4,806.61
Short term provisions	10	6,104.86	5,663.18
		<u>27,639.06</u>	<u>18,225.19</u>
TOTAL		<u>93,574.48</u>	<u>84,455.30</u>
ASSETS			
Non-current assets			
Fixed assets:			
- Tangible assets	11 A	19,267.44	18,128.46
- Intangible assets	11 B	1,129.62	827.56
- Capital work-in-progress		9.45	—
Non-current investments	12 A	43,447.25	39,459.67
Long term loans and advances	13	9,311.00	7,701.05
Other non-current assets	14	7.34	44.90
		<u>73,172.10</u>	<u>66,161.64</u>
Current assets			
Current investments	12 B	12.05	11.49
Trade receivables	15	9,531.37	9,158.25
Cash and Bank balances	16	1,747.03	2,294.60
Short-term loans and advances	17	2,996.22	2,856.88
Other current assets	18	6,115.71	3,972.44
		<u>20,402.38</u>	<u>18,293.66</u>
TOTAL		<u>93,574.48</u>	<u>84,455.30</u>

The accompanying notes are an integral part of these financial statements.

In terms of our report of even date.

For Price Waterhouse
Firm Registration No: 301112E
Chartered Accountants

Partha Ghosh
Partner
Membership No: F-55913

For and on behalf of the Board

Partha DeSarkar
Chief Executive Officer and Manager

Anil Harish
Director

Kanti Mohan Rustagi
EVP-Legal and Company Secretary

Ramkrishnan P. Hinduja
Chairman

Srinivas Palakodeti
Chief Financial Officer

Place : Mumbai
Date : May 23, 2012

Place : Mumbai
Date : May 23, 2012

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2012

		(₹ in Lacs)	
	Note	Year ended 31.03.2012	Year ended 31.03.2011
Revenue from operations	19	63,135.01	54,470.67
Other Income	20	1,417.05	820.23
Total Revenue		64,552.06	55,290.90
EXPENSES			
Employee Benefit Expense	21	41,299.93	32,484.52
Finance costs	22	1,102.10	595.89
Depreciation and Amortisation Expenses	11 C	3,613.70	3,804.49
Other Expenses	23	11,314.92	9,563.20
Total Expenses		57,330.65	46,448.10
Profit before tax		7,221.41	8,842.80
Tax expense			
Current tax [Net of reversal of prior year's provision ₹ 487.08 Lacs (Previous Year: ₹ Nil)]		1,212.66	2,174.03
MAT Credit Availed pertaining to earlier years		—	(681.78)
Net Current tax		1,212.66	1,492.25
Deferred tax [Net of reversal of prior year's provision ₹ 253.00 Lacs (Previous Year: ₹ Nil)]		(252.76)	(168.51)
Profit for the year		6,261.51	7,519.06
Earnings per share	29		
- Basic (Rupees)		30.41	36.52
- Diluted (Rupees)		30.41	36.50
(Face value of Equity Share ₹ 10/- each)			

The accompanying notes are an integral part of these financial statements.

In terms of our report of even date.

For Price Waterhouse
Firm Registration No: 301112E
Chartered Accountants

Partha Ghosh
Partner
Membership No: F-55913

Place : Mumbai
Date : May 23, 2012

For and on behalf of the Board

Partha DeSarkar
Chief Executive Officer and Manager

Anil Harish
Director

Kanti Mohan Rustagi
EVP-Legal and Company Secretary

Place : Mumbai
Date : May 23, 2012

Ramkrishan P. Hinduja
Chairman

Srinivas Palakodeti
Chief Financial Officer

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lacs)

	Year Ended 31.03.2012	Year Ended 31.03.2011
A Cash Flow from Operating Activities :		
Profit before tax	7,221.41	8,842.80
Adjustments for :		
Depreciation and Amortisation Expenses	3,613.70	3,804.49
Profit on Sale of Long-term Investment	(288.00)	—
Provisions for Doubtful Debts/ Advances	—	20.04
Liabilities/ Provisions no longer payable written-back	(204.83)	(211.16)
Loss on Sale of Assets	3.37	4.02
Interest Income	(72.14)	(47.90)
Dividend from Current Investment	(0.55)	(0.46)
Interest Expense	1,102.10	595.89
Unrealised Foreign Exchange (Gain)/ Loss (Net)	1.95	109.60
Dividend from Subsidiaries	(95.00)	—
Provision for Gratuity and Leave Encashment	(164.66)	162.51
Operating Profit before working capital changes	11,117.35	13,279.83
Adjustments for :		
Trade and Other receivables	(3,251.51)	(4,152.42)
Trade and Other payables	1,316.30	1,021.99
	(1,935.21)	(3,130.43)
Operating Profit after working capital changes	9,182.14	10,149.40
Direct Taxes Paid	(2,039.11)	(1,568.65)
Net Cash from/ (used in) Operating Activities (A)	7,143.03	8,580.75
B Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(5,084.22)	(3,529.45)
Sale of Fixed Assets	43.20	283.51
Investment in a subsidiary	(3,850.62)	(95.00)
Investments Made - Others	(177.52)	(10.49)
Investments Sold - Others	328.00	9.98
Interest Income	56.41	32.86
Dividend from Current Investment	0.55	0.46
Net Cash from/ (used in) Investing Activities (B)	(8,684.20)	(3,308.13)

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lacs)

C Cash Flow from Financing Activities :

	Year Ended 31.03.2012	Year Ended 31.03.2011
Proceeds/(Repayment) from/of Secured Loans	8,191.22	(4,045.60)
Proceeds/(Repayment) from/of Unsecured Loans	(1,339.36)	5,000.00
Dividend Paid and tax thereon	(4,782.17)	(4,796.82)
Interest Expense	(1,117.34)	(600.75)
Net Cash from/ (used in) Financing Activities (C)	952.35	(4,443.17)
Net Increase/ (Decrease) in Cash and Cash Equivalents (A + B + C)	(588.82)	829.45
Cash and Cash Equivalents as at the beginning of the year	2,280.79	1,451.34
Cash and Cash Equivalents as at the end of the year	1,691.97	2,280.79
Cash and Cash Equivalents comprise :	As at 31.03.2012	As at 31.03.2011
Cash on Hand	3.22	2.04
Balances with banks		
- Current Account	719.23	926.82
- Deposit Account	948.64	1,334.72
- EEFC (Exchange Earners' Foreign Currency Account)	20.88	17.21
	1,691.97	2,280.79

Notes :

- The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statement.
- Previous Year's figures have been regrouped/ rearranged, wherever necessary, to conform to the current year's classification.

In terms of our report of even date.

For Price Waterhouse
Firm Registration No: 301112E
Chartered Accountants

Partha Ghosh
Partner
Membership No: F-55913

Place : Mumbai
Date : May 23, 2012

For and on behalf of the Board

Partha DeSarkar
Chief Executive Officer and Manager

Anil Harish
Director

Kanti Mohan Rustagi
EVP-Legal and Company Secretary

Place : Mumbai
Date : May 23, 2012

Ramkrishan P. Hinduja
Chairman

Srinivas Palakodeti
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

1. General Information

Hinduja Global Solutions Limited ("HGS"), is engaged in the business of Information Technology/ Information Technology Enabled Services. HGS with its subsidiaries offer voice and non-voice based services such as contact centre solutions and back office transaction processing across North America, Europe and Asia. HGS is a public limited company, listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in India.

2. Significant Accounting Policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under historical cost convention on accrual basis. These financial statements have been prepared to comply with the Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956 ('the Act') and the relevant provisions of the Act.

2.2 Changes in Accounting Policy

- i. Up to September 30, 2011, the forward exchange contracts other than those covered under Accounting Standard 11 - "The Effects of Changes in Foreign Exchange Rates", were valued on mark to market basis at the period-end and any loss on valuation was recognised in the Statement of Profit and Loss, on a portfolio basis and any gain arising on this valuation were not recognised in line with the principle of prudence as enunciated in Accounting Standard 1 - "Disclosure of Accounting Policies".

Effective October 1, 2011, the Company has adopted the principles of accounting for derivatives and hedge accounting as prescribed in Accounting Standard 30 - "Financial Instruments – Recognition and Measurement" to the extent they do not conflict with the requirements of the existing accounting standards notified under section 211(3C) of the Companies Act, 1956 and/or other regulatory requirements. Under such principles, for qualifying hedge relationships, mark to market gain/ loss at the period-end on derivatives are accounted for in the Hedging Reserves. In respect of derivatives which do not qualify for hedge relationships, the mark to market gain/loss at the period-end are recognised in the Statement of Profit and Loss.

Had the Company followed its previous accounting policy, the profit before tax for the year ended March 31, 2012 would have been lower by ₹ 262.51 Lacs.

- ii. The Company has opted to avail the option provided under paragraph 46A of AS-11 - "The Effects of changes in Foreign Exchange Rates" inserted vide Notification dated December 29, 2011. Refer Note 2.7 for policy regarding accounting treatment of foreign exchange differences on long-term foreign currency items.

In the absence of long-term foreign currency monetary items as at March 31, 2012 and for the year ended thereon, there is no impact on profit before tax for the year ended March 31, 2012.

2.3 Use of Estimates

The preparation of the financial statements in conformity with the Generally Accepted Accounting Principles in India requires, the Management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) and the reported Income and Expenses during the year. The Management believes that the estimates used in preparation of financial statements are prudent and reasonable. Future results could defer than these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/ materialise.

2.4 Fixed Assets

a) Tangible Assets

Tangible Assets are stated at cost of acquisition less accumulated depreciation/ impairment losses, if any. Cost comprises of cost of acquisition, cost of improvements and any attributable cost of bringing the asset to its working condition for intended use.

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

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

Depreciation on assets for own use is provided on Straight Line Method on pro-rata basis at the rates prescribed under Schedule XIV to the Act, except for leasehold land and building and leasehold improvements, which are amortised over the period of the lease. Assets costing less than ₹ 5,000 each are depreciated fully in the year of acquisition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Assets given to employees on contractual obligations are depreciated to the extent of 50% of the value over a period of four years, at the end of which these assets are transferred to the respective employees at the residual book value.

b) Intangible Assets

Intangible Assets are stated at cost of acquisition less accumulated amortisation/ impairment losses, if any.

Computer Software having benefit of more than one year is capitalised and amortised over a period of 3 to 6 years. Non-compete fees is amortised over a period of non-compete agreement (i.e. five years).

Gains or Losses arising from the retirement or disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of asset and recognised as income or expense in the Statement of Profit and Loss.

2.5 **Borrowing Costs**

General and specific borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

2.6 **Impairment of Assets**

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

2.7 **Investments**

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

2.8 **Foreign Currency Translations**

Initial Recognition

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

Subsequent Recognition

As at the reporting date, non-monetary items, which are carried in terms of historical cost, denominated in a foreign currency are reported using the exchange rate at the date of the transaction. All non-monetary items, which are carried at fair value or other similar valuation, denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

All foreign currency monetary assets and liabilities as at Balance Sheet date are translated at the exchange rate prevailing on the Balance Sheet date. With respect to foreign exchange difference on long-term foreign currency monetary items, the Company has adopted the following policy from April 1, 2011 onwards:

- Foreign exchange difference relating to the acquisition of a depreciable asset is adjusted in the cost of the depreciable asset, which would be depreciated over the balance life of the asset.
- In other cases, the foreign exchange difference is accumulated in a Foreign Currency Monetary Item Translation Difference Account, and amortised over the balance period of such long term asset/ liability.

A monetary asset or liability is termed as a long-term foreign currency monetary item, if the asset or liability is expressed in a foreign currency and has a term of 12 months or more at the date of origination of the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Exchange differences on restatement of all other monetary items are recognised in the Statement of Profit and Loss.

Translation of foreign operations

Foreign operations are classified as either 'integral' or 'non-integral' operation. Exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation are accumulated in the "Cumulative Foreign Currency Translation Reserve" until the disposal of the net investment, at which time they are recognised as income or as expenses.

In case of integral foreign operations, all revenue and expense transaction reflected in the Statement of Profit and Loss have been translated into Indian Rupees at an average exchange rate. Monetary assets and liabilities are translated at the exchange rate prevailing on the Balance Sheet date. The non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. The net foreign exchange gain/ loss are recognised in Statement of Profit and Loss.

Forward Exchange Contracts

The premium or discount arising at the inception of forward exchange contracts entered into to hedge an existing asset/liability, is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or losses arising on cancellation or renewal of such a forward exchange contract are recognised as income or as expense for the period.

In accordance with its risk management policies and procedures, the Company uses derivative instruments such as foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecasted transactions. The derivatives that qualify for hedge accounting and designated as cash flow hedges are initially measured at fair value and are re-measured at a subsequent reporting date and the changes in the fair value of the derivatives i.e. gain or loss is recognised directly in Shareholders' Funds under hedging reserve account to the extent considered highly effective. Gain or loss on derivative instruments that either does not qualify for hedge accounting or not designated as cash flow hedges or designated cash flow hedges to the extent considered ineffective are recognised in Statement of the Profit and Loss.

Hedge accounting is discontinued when the hedging instrument expires, sold, terminated, or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss on the hedging instrument recognised in Shareholders' Funds under hedging reserve account is retained there until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction in the Statement of Profit and Loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in Shareholders' Funds is transferred to the Statement of Profit and Loss in the same period.

2.9 Revenue Recognition

- a. In Contact Centre Activity, revenue is recognised as the related services are performed, based on actual utilisation or minimum utilisation level, as appropriate, specified in the agreements.

In Claim Processing Activity, revenue is recognised based on number of claims processed, at contractual rates.

In respect of other ITES services, revenue is accrued as per terms of specific contracts once the related services are rendered.

In cases where services are rendered to customers during the year but invoices are yet to be raised at the year end, revenue is accrued and classified under 'Other Current Assets – Note 18'.

- b. Interest income is accounted on accrual basis and dividend income is accounted on right to receipt basis.
- c. In respect of other heads of income, the Company follows the practice of accounting of such income on accrual basis.

2.10 Employee Benefits

(i) Defined Contribution Plan

The Company has Defined Contribution plans for post employment benefits namely Provident Fund, Superannuation Fund and other funds.

Under the Provident Fund Plan, the Company contributes to a Government administered provident fund on behalf of its employees and has no further obligation beyond making its contribution.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

The Superannuation Fund applicable to certain employees, constitutes an insured benefit, which is classified as a defined contribution plan as the Company makes contributions to an insurance company and has no further obligation beyond making the payment to the insurance company.

The Company makes contributions to State plans namely Employee's State Insurance Fund and Employee's Pension Scheme 1995 and has no further obligation beyond making the payment to them.

There are contributory plans at certain overseas branches of the Company and contributions are made as per their policies/ local regulations.

The Company's contributions to the above funds are charged to revenue every year.

(ii) *Defined Benefit Plan*

The Company provides for retirement benefits in the form of gratuity for all its employees in India and pension benefit plan at certain foreign branches. The gratuity scheme is funded through Group Gratuity Policy with Life Insurance Corporation of India ('LIC'). The pension benefit plan at certain foreign branches is funded for certain employees through payment in trustee administered funds as determined by periodic actuarial calculation.

The liability for the defined benefit plan of Gratuity and Pension is determined on the basis of an actuarial valuation carried out by an independent actuary at the year-end using Projected Unit Credit Method.

Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Statement of Profit and Loss as income or expense.

(iii) *Other Employee Benefits*

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

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

(iv) *Termination benefits*

Termination benefits in the nature of voluntary retirement benefits are recognised in the Statement of Profit and Loss as and when incurred.

2.11 **Taxation**

- a. Provision for Income Tax is made after considering exemptions and deductions available under the Income Tax Act, 1961, of India and legal advice from time to time. Provisions for Income Tax in respect of overseas branches are made as per the tax laws applicable to the relevant country.
- b. Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.
- c. Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

2.12 **Provisions and Contingent Liabilities**

Provisions: Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Contingent Liabilities: Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

2.13 Leases

As Lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease.

2.14 Accounting for Employee Stock Options

Stock options granted to employees under the Employee Stock Option Scheme are accounted as per the accounting treatment prescribed by Employee stock option scheme and Employee stock purchase Guidelines, 1999, issued by Securities and Exchange Board of India ('SEBI') and Guidance Note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India.

2.15 Cash and Cash Equivalents

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

3 Share Capital

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Authorised:		
25,000,000 (Previous Year - 25,000,000) Equity Shares of ₹ 10 each	2,500.00	2,500.00
	2,500.00	2,500.00
Issued, Subscribed and Paid up:		
20,589,223 (Previous Year - 20,589,223) Equity Shares of ₹ 10 each, fully paid-up	2,058.92	2,058.92
	2,058.92	2,058.92

a. Rights, preferences and restrictions attached to equity shares:

The Company has one class of Equity Shares having a par value of ₹ 10 each. Each Shareholder is eligible for one vote per share held.

The dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting, except in case of Interim Dividend.

In the event of liquidation, the Equity Shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion to their shareholding.

- b. 20,538,003 Equity Shares issued for consideration other than cash pursuant to the Scheme of Arrangement and Reconstruction for demerger of IT/ITES business into the Company, sanctioned by Honourable High Court of Bombay effective March 7, 2007.

c. Number of shares reserved for issue under the Employee Stock Option Plan

Particulars	As at 31.03.2012	As at 31.03.2011
i) Hinduja Global Solutions Limited Employee Stock Option Plan 2008	169,015	172,220
ii) Hinduja Global Solutions Limited Employee Stock Option Plan 2011	270,600	—

Refer Note 34 for details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

d. The details of Shareholder holding more than 5%

Name of the Shareholder	As at 31.03.2012		As at 31.03.2011	
	Number of Shares	% held	Number of Shares	% held
Harsha A. Hinduja Jointly with S.P.Hinduja HUF(Bigger) and A.P.Hinduja	–	–	1,497,202	7.27
Aasia Management and Consultancy Private Limited	5,224,729	25.38	5,224,729	25.38
Aasia Management and Consultancy Private Limited jointly with Hinduja Realty Ventures Private Limited (as the Demat account holder and partner of Aasia Exports)	1,497,202	7.27	–	–
Aasia Management and Consultancy Private Limited Jointly with Aasia Properties Development Limited	–	–	1,227,288	5.96
Aasia Management and Consultancy Private Limited Jointly with Hinduja Realty Ventures Private Limited (as the Demat account holder and partners of Aasia Corporation)	2,056,900	9.99	–	–
Amas Mauritius Limited	2,761,427	13.41	2,761,427	13.41
Credit Suisse (Singapore) Limited	1,894,810	9.20	1,894,810	9.20

4 Reserves and Surplus

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Securities Premium Account		
As per last Balance Sheet	181.27	181.27
General Reserve		
As per last Balance Sheet	50,783.06	50,031.15
Add: Transfer from Statement of Profit and Loss	626.15	751.91
	51,409.21	50,783.06
Hedging Reserve Account [Refer Note 2.2 (i)]		
As per last Balance Sheet	–	–
Add/ (Less): Adjustment for the year	(262.51)	–
	(262.51)	–
Surplus in Statement of Profit and Loss		
As per last Balance Sheet	11,095.50	9,098.30
Add: Profit for the year	6,261.51	7,519.06
Less: Proposed Dividend *	4,117.84	4,117.84
Less: Dividend Tax (net)	652.71	652.11
Less: Transfer to General Reserve	626.15	751.91
	11,960.31	11,095.50
* During the year ended March 31, 2012 and March 31, 2011, the amount of per share dividend proposed as distribution to Equity Shareholder was ₹ 20 and recognised in respective years.	63,288.28	62,059.83

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

5 Long-term borrowings

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Secured		
Term Loan from a Bank	—	900.00
(Secured by a pari passu first charge on the fixed assets of the Company, originally repayable in 15 equal quarterly instalments beginning from July 2008 along with interest of 9.45% p.a.)		
(Subsequent to Balance Sheet date, the Company has repaid (early payment) the term loan in April 2011)		
	<u>—</u>	<u>900.00</u>

6 Long term provisions

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Provision for Employee Benefits:		
- Pension	5.36	375.74
	<u>5.36</u>	<u>375.74</u>

7 Short-term borrowings

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Secured:		
Loans repayable on demand from banks [Cash Credit]	9,286.21	195.00
(Secured by a primary pari passu first charge on the current assets of the Company both present and future and collateral pari passu first charge on the movable fixed assets of the Company)		
Unsecured:		
Term Loan from a Bank	—	5,000.00
Other loans and advances from Banks towards:		
- Packing Credit Facilities	3,094.28	—
- Bill Discounting Facilities*	680.96	—
	<u>13,061.45</u>	<u>5,195.00</u>

* The amount payable is presently under dispute and is being discussed with the concerned bank.

(₹ in Lacs)

8 Trade payables

	As at 31.03.2012	As at 31.03.2011
(There are no delays in payments to Micro and Small Enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006. Further, there are no outstanding dues payable to micro and small enterprises at the year-end. This has been determined to the extent such parties have been identified on the basis of information available with the Company.)	3,325.63	2,560.40
	<u>3,325.63</u>	<u>2,560.40</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

9 Other current liabilities

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Interest accrued and due on borrowings	10.49	25.73
Unpaid Dividend *	17.50	13.81
Others :		
- Advance from customers	29.14	84.61
- Statutory dues including Provident Fund and Tax deducted at Source	622.07	716.08
- Employee benefits payable	2,309.48	2,023.85
- Payable for Capital Purchases	1,897.39	1,791.67
- Other Payables	261.05	150.86
	5,147.12	4,806.61

* There are no amounts due for payment to the Investor Education and Protection Fund under Section 205(c) of the Companies Act, 1956.

10 Short term provisions

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Provision for Employee Benefits:		
- Compensated Absences	443.84	415.43
- Gratuity/ Pension	639.20	461.89
Others:		
- Provision for Mark-to-Market losses on Derivatives [Refer Note 31]	251.27	—
- Proposed Dividend	4,117.84	4,117.84
- Dividend tax	652.71	668.02
	6,104.86	5,663.18

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

11 FIXED ASSETS

A Tangible Assets

(₹ in Lacs)

	Land*	Leasehold Land	Buildings	Leasehold Building	Furniture and Fixtures	Vehicles	Office Equipment	Computers	Leasehold Improvements	Total
Gross Block:										
As at 01.04.2010	100.97	232.97	2,775.78	2,343.02	2,976.91	111.06	2,652.29	10,652.67	8,077.65	29,923.32
Additions during the Year	—	—	—	—	494.77	59.86	123.54	1,340.85	1,190.94	3,209.96
Deductions	—	—	—	—	(22.83)	(39.65)	(24.27)	(539.26)	—	(626.01)
As at 31.03.2011	100.97	232.97	2,775.78	2,343.02	3,448.85	131.27	2,751.56	11,454.26	9,268.59	32,507.27
Additions during the Year	—	38.20	—	—	900.59	21.11	78.89	2,055.49	1,354.65	4,448.93
Deductions	—	—	—	—	(19.17)	(21.92)	(3.12)	(244.80)	—	(289.01)
As at 31.03.2012	100.97	271.17	2,775.78	2,343.02	4,330.27	130.46	2,827.33	13,264.95	10,623.24	36,667.19
Depreciation:										
As at 01.04.2010	—	4.66	71.90	93.05	984.04	22.15	489.87	6,411.49	3,156.42	11,233.58
Charge for the year	—	2.35	45.25	39.39	200.18	22.52	133.34	1,820.50	1,282.67	3,546.20
Deductions	—	—	—	—	(11.40)	(19.77)	(5.01)	(364.79)	—	(400.97)
As at 31.03.2011	—	7.01	117.15	132.44	1,172.82	24.90	618.20	7,867.20	4,439.09	14,378.81
Charge for the year	—	2.49	45.25	39.39	267.79	13.15	137.18	1,586.43	1,174.17	3,265.85
Deductions	—	—	—	—	(12.83)	(1.56)	(0.91)	(229.61)	—	(244.91)
As at 31.03.2012	—	9.50	162.40	171.83	1,427.78	36.49	754.47	9,224.02	5,613.26	17,399.75

Net Block:

As at 31.03.2011	100.97	225.96	2,658.63	2,210.58	2,276.03	106.37	2,133.36	3,587.06	4,829.50	18,128.46
As at 31.03.2012	100.97	261.67	2,613.38	2,171.19	2,902.49	93.97	2,072.86	4,040.93	5,009.98	19,267.44

* The Company has executed an agreement in respect of an undivided share in land at Chennai aggregating ₹100.97 Lacs, which is pending registration.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

B Intangible Assets

(₹ in Lacs)

	Computer Software	Commercial Rights	Non-Compete Fees	Total
Gross Block:				
As at 01.04.2010	1,386.27	105.45	—	1,491.72
Additions during the Year	339.37	—	—	339.37
Deductions	(89.65)	(105.45)	—	(195.10)
As at 31.03.2011	1,635.99	—	—	1,635.99
Additions during the Year	509.38	—	143.00	652.38
Deductions	(2.62)	—	—	(2.62)
As at 31.03.2012	2,142.75	—	143.00	2,285.75
Amortisation:				
As at 01.04.2010	577.30	105.45	—	682.75
Charge for the year	258.29	—	—	258.29
Deductions	(27.16)	(105.45)	—	(132.61)
As at 31.03.2011	808.43	—	—	808.43
Charge for the year	327.88	—	19.97	347.85
Deductions	(0.15)	—	—	(0.15)
As at 31.03.2012	1,136.16	—	19.97	1,156.13

Net Block:

As at 31.03.2011	827.56	—	—	827.56
As at 31.03.2012	1,006.59	—	123.03	1,129.62

C Depreciation/ Amortisation for the year

(₹ in Lacs)

	Year ended 31.03.2012	Year ended 31.03.2011
Tangible Assets	3,265.85	3,546.20
Intangible Assets	347.85	258.29
Total	3,613.70	3,804.49

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

12 Investments

Sr. No.	Particulars	Face Value Per Share/ Unit	As at 31.03.2012		As at 31.03.2011	
			Quantity Nos.	Amount (₹ in Lacs)	Quantity Nos.	Amount (₹ in Lacs)
[A]	Non-Current Investments:					
(i)	Investment in Equity Instruments:					
	In Wholly Owned Subsidiaries (Long-term, Unquoted and Trade):					
	HGS International (formerly Pacific Horizon Limited), Mauritius	USD 1	32,514,228	38,880.28	32,514,228	38,880.28
	Hinduja Outsourcing Solutions India Private Limited, India	₹ 10	950,000	95.00	950,000	95.00
	HCCA Business Services Private Limited, India	₹ 10	52,932	3,850.62	—	—
	Others (Long-term, Unquoted and Non-Trade):					
	IndusInd Information Technologies Limited	₹ 10	—	—	400,000	40.00
	Ashley Airways Limited	₹ 10	750,000	75.00	750,000	75.00
(ii)	Other Non- Current Investments (Long-term, Unquoted and Non-Trade):					
	Treasury Bills (At Philippines branch) [Deposited with Securities and Exchange Commission in Philippines]		—	546.35	—	369.39
	Aggregate Value of Unquoted Non-Current Investments			43,447.25		39,459.67
[B]	Current Investment (Unquoted)					
	Investment in Mutual Funds:					
	PNB Principal Cash Management Fund - Liquid Option -Institutional Plan-Dividend Reinvestment - Daily [N.A.V. per unit - ₹ 1,000.07 (Previous Year - ₹ 10.00)]	₹ 1,000 (Previous Year ₹ 10)	135	1.36	12,621	1.26
	PNB Principal Income Fund - Short Term Plan (Institutional Monthly Dividend Reinvestment Plan) [N.A.V. per unit - ₹ 12.30 (Previous Year - ₹ 11.90)]	₹ 10	90,775	10.69	86,928	10.23
	Aggregate Value of Unquoted Current Investments			12.05		11.49
	Aggregate Value of Unquoted Investments [A]+[B]			43,459.30		39,471.16

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

13 Long term loans and advances

(Unsecured and Considered Good, unless otherwise stated)

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Capital Advances		
- Considered Good	27.85	54.39
- Considered Doubtful	11.85	33.20
	<u>39.70</u>	<u>87.59</u>
Less: Provision for Doubtful Debts	(11.85)	(33.20)
	<u>27.85</u>	<u>54.39</u>
Security Deposits	1,649.18	1,405.13
Loans and Advances to related parties #	3,976.98	3,352.29
Other loans and advances:		
- MAT Credit Entitlement	570.81	1,163.72
- Balance with Government Authorities	633.08	633.08
- Advance Tax and Tax Deducted at Source [Net of Provision for Tax* of ₹ 6,024.86 Lacs (Previous Year - ₹ 4,812.20 Lacs)]	2,409.39	1,060.57
- Fringe Benefit Tax [Net of Provision for Tax of ₹ 60.26 Lacs (Previous Year - ₹ 60.26 Lacs)]	21.16	21.16
- Prepaid expenses	18.94	8.82
- Miscellaneous	3.61	1.89
	<u>9,311.00</u>	<u>7,701.05</u>
# Includes receivable from following parties:		
Hinduja Ventures Limited [Refer Note 24(a)(A)(2)]	3,750.00	3,150.00
C-Cubed N.V.	21.08	18.39
C-Cubed B.V.	23.93	22.21
Hinduja Global Solutions Inc.	181.97	161.69
* The provision for tax is net of utilisation of Minimum Alternate Tax Credit during the year ₹ 522.37 Lacs (Previous Year - ₹ 39.64 Lacs)	<u>3,976.98</u>	<u>3,352.29</u>

14 Other non-current assets

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Deposits with bank for Margin Money (Under Lien with Banks towards Guarantees issued by them on behalf of the Company)	7.34	44.90
	<u>7.34</u>	<u>44.90</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

15 Trade receivables (Unsecured)

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Debts outstanding for a period exceeding six months from the date they are due for payment:		
- Considered Good	50.97	9.54
- Considered Doubtful	29.44	280.50
	<u>80.41</u>	<u>290.04</u>
Other Debts (Considered Good)	9,480.40	9,148.71
Less: Provision for Doubtful Debts	<u>(29.44)</u>	<u>(280.50)</u>
	9,531.37	9,158.25

16 Cash and Bank Balances

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Cash and Cash Equivalents:		
Balances with Banks in:		
- Current Accounts	719.23	926.82
- Deposit Accounts	948.64	1,334.72
- EEFC (Exchange Earners' Foreign Currency Account) [USD 41,051 (Previous Year - USD 38,742)]	20.88	17.21
Cash on Hand	3.22	2.04
	<u>1,691.97</u>	<u>2,280.79</u>
Other Bank Balances:		
- Earmarked balance with bank (Unpaid Dividend)	17.50	13.81
- Deposits with bank for Margin Money*	37.56	—
	<u>55.06</u>	<u>13.81</u>
	<u>1,747.03</u>	<u>2,294.60</u>

* Under Lien with Banks towards Guarantees issued by them on behalf of the Company

17 Short-term loans and advances

(Unsecured and Considered Good, unless otherwise stated)

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Share Application Money to Hinduja Outsourcing Solutions India Private Limited, pending allotment	—	857.07
Loans and Advances to related parties#	258.48	203.36
Security Deposits	80.07	12.75
Other loans and advances:		
- MAT Credit Entitlement (Current portion)	592.91	522.37
- Balance with Government Authorities	105.27	105.63

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	As at 31.03.2012	As at 31.03.2011
- Employee loans and advances	171.85	150.03
- Advance to Vendors	292.39	230.26
- Loan to a third party	465.00	500.00
- Claim Receivable	682.11	—
- Prepaid expenses	172.30	175.54
- Others:		
- Considered good	175.84	99.87
- Considered doubtful	10.83	38.46
	186.67	138.33
Less: Provision for Doubtful Advances	(10.83)	(38.46)
	175.84	99.87
	2,996.22	2,856.88

	As at 31.03.2012	As at 31.03.2011
# Includes receivable from following parties:		
Hinduja Outsourcing Solutions India Private Limited		
- Loan	150.00	—
- Others	7.87	—
Hinduja Global Solutions Inc.	48.97	24.02
Careline Services Limited	25.59	—
Hinduja Global Solutions Europe Limited	—	45.21
HGS (USA), LLC	19.38	134.13
HCCA Business Services Private Limited	5.27	—
Team HGS Limited	1.40	—
	258.48	203.36

18 Other current assets

(Unsecured and Considered good)

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
Unbilled Revenue	5,943.67	3,911.13
Interest Accrued on Deposits/ Loans	77.04	61.31
Dividend Receivable from a Subsidiary Company	95.00	—
	6,115.71	3,972.44

19 Revenue from operations

(₹ in Lacs)

	Year Ended 31.03.2012	Year Ended 31.03.2011
Sale of Services:		
- Information Technology Enabled Services (ITES)	63,135.01	54,470.67
	63,135.01	54,470.67

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

20 Other Income

	(₹ in Lacs)	
	Year Ended 31.03.2012	Year Ended 31.03.2011
Interest Income	72.14	47.90
Dividend Income :		
- From Subsidiary (Non-current Investment)	95.00	—
- From Others (Current Investment)	0.55	0.46
Profit on Sale of long-term Investments	288.00	—
Foreign Exchange Gain (Net)	515.84	525.75
Liabilities/ Provisions no longer payable written-back	204.83	211.15
Other non-operating income	240.69	34.97
	1,417.05	820.23

21 Employee Benefit Expense

	(₹ in Lacs)	
	Year Ended 31.03.2012	Year Ended 31.03.2011
Salaries allowances and other benefits	38,255.28	30,177.15
Contribution to Provident and Other Funds	2,401.68	1,827.48
Unfunded Pension plan	27.61	22.24
Staff Welfare	615.36	457.65
	41,299.93	32,484.52

22 Finance Costs

	(₹ in Lacs)	
	Year Ended 31.03.2012	Year Ended 31.03.2011
Interest on:		
- Term Loan from Banks	—	428.43
- Cash Credit and Other Facilities	970.03	130.33
Other borrowing costs	132.07	37.13
	1,102.10	595.89

23 Other Expenses

	(₹ in Lacs)	
	Year Ended 31.03.2012	Year Ended 31.03.2011
Power and Fuel	2,129.41	1,675.78
Rent	2,357.88	1,722.56
Repairs and Maintenance - Leased premises	586.79	488.37
Repairs and Maintenance - Others	871.07	839.82

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	Year Ended 31.03.2012	Year Ended 31.03.2011
Insurance	108.56	169.62
Rates and Taxes	120.23	214.27
Directors' Sitting Fees	7.10	7.05
Payment to the Auditors:		
- as Auditors	80.48	76.71
[(including payments to Branch Auditors ₹ 19.98 Lacs (Previous Year ₹ 19.71 Lacs)]		
- for other services	1.00	1.00
- for reimbursement of expenses	0.94	0.98
Connectivity Cost	765.58	695.61
Advertisement and Business Promotion	115.81	133.05
Communication	394.15	353.99
Travelling, Conveyance and Car Hire Charges	898.06	952.51
Legal and Professional	1,030.48	809.14
Training and Recruitment	733.36	588.88
Donation	1.87	76.24
Software Expenses	33.89	21.93
Bad Debts/ Advances Written off	290.69	—
Less: Provisions for Doubtful Debts/ Advances	(290.69)	—
Provisions for Doubtful Debts/ Advances	—	20.04
Loss on Sale of Assets (Net)	3.37	4.02
Miscellaneous Expenses	1,074.89	711.63
	11,314.92	9,563.20

24. a) **Contingent Liabilities**

A) Claims against the Company not acknowledged as debts:

(₹ in Lacs)

	Particulars	As at 31.03.2012	As at 31.03.2011
(i)	Service Tax demand raised by authorities against which appeal has been filed by the Company (Refer Note 1 below)	633.08	633.08
(ii)	Income Tax demand raised by authorities against which appeal has been filed by the Company	1,336.31	1,336.31
(iii)	Others (to the extent ascertainable)	694.64	80.24
(iv)	Other matters (Refer Note 2 below)	16,662.50	15,390.48

Notes:

- The Company has deposited an amount of ₹ 633.08 Lacs (Previous year: ₹ 633.08 Lacs) with the service tax authorities, which is included in "Balance with Government Authorities – Note 13".
- Hinduja Ventures Limited has received income tax demand pertaining to IT/ ITES business aggregating ₹16,662.50 Lacs (Previous Year: ₹15,390.48 Lacs) in respect of period prior to October 1, 2006 which is reimbursable by the Company pursuant to the Scheme of Arrangement and Reconstruction for demerger of IT/ITES business into the Company sanctioned by High Court of Judicature of Bombay and made effective on March 7, 2007. In this regard, the Company has paid ₹ 3,750 Lacs (Previous Year: ₹ 3,150 Lacs) to Hinduja Ventures Limited to discharge part payment of disputed Income tax dues pertaining to IT/ ITES business, which is included in the 'Loans and Advances

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

to related parties' under Note 13 – 'Long-term loans and advances'. Hinduja Ventures Limited has filed appeal/ is in process of filing an appeal against the said demand. In view of Management and based on the legal advice obtained, the Company has fairly a strong case for a favourable decision.

3. Future cash outflow in respect of above, if any, is determinable only on receipt of judgements/ decisions pending with relevant authorities.
4. Subsequent to the demerger of IT/ ITES business from Hinduja Ventures Limited into the Company, certificates in respect of tax deducted at source by the customers under the Income Tax Act, 1961 of India aggregating ₹1,315.03 Lacs (Previous Year: ₹ 1,315.03 Lacs) were received in the name of Hinduja TMT Limited (now known as 'Hinduja Ventures Limited'). In view of the Management, the Company is eligible for the benefits of such tax deducted at source since the services were provided by the Company. Further, certificates of tax deducted at source aggregating ₹1,081.70 Lacs (Previous year: ₹ 1,606.53 Lacs) are in process of being collected from the customers.

B) Guarantees given in favour of:

- Zurich Services Corporation, Schaumburg to secure the performance of Hinduja Global Solutions Inc., a subsidiary company, under the Master Service Agreement, pursuant to which Hinduja Global Solutions Inc. has contracted to perform certain services.
- California Physicians' Service dba Blue Shield of California to secure the performance of Hinduja Global Solutions Inc., a subsidiary company, under the Master Service Agreement, pursuant to which Hinduja Global Solutions Inc. has contracted to perform certain services.

b) Capital and other commitments:

- (i) Estimated Amount of Contracts (net of capital advances) remaining to be executed on Capital Account - ₹ 98.27 Lacs (Previous Year - ₹ 216.38 Lacs).
- (ii) The Company has issued an Undertaking to provide need based financial support and is committed, if needed, to continue such support to meet the ongoing obligations of its following step-down subsidiaries:
 - i. Hinduja Global Solutions Inc.
 - ii. C-Cubed (Antilles) N.V.
 - iii. C-Cubed B.V.
 - iv. Hinduja Global Solutions Europe Limited

25. Disclosures in terms of Accounting Standard 15 (Revised 2005) 'Employee Benefits'.

The Company has classified various benefits provided to employees as under: -

I Defined Contribution Plans

- a) Provident Fund
- b) Superannuation Fund
- c) State Defined Contribution Plans
 - i. Employers' Contribution to Employee's State Insurance
 - ii. Employers' Contribution to Employee's Pension Scheme 1995

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss –

(₹ in Lacs)

	2011-2012	2010-2011
Employers' Contribution to Provident Fund [Includes EDLI charges and Employers' Contribution to Employees' Pension Scheme 1995]*	953.02	849.92
Employers' Contribution to Superannuation Fund*	1.97	1.88
Employers' Contribution to Employees' State Insurance *	581.84	448.10
Employers' Contribution to Other Employees' Benefit Scheme*	516.30	65.02

*Included in Contribution to Provident and Other Funds (Refer Note 21)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

II Defined Benefit Plan

Gratuity and Pension Plan

In accordance with Accounting Standard 15 (Revised 2005), actuarial valuation was carried out in respect of the aforesaid defined benefit plan of gratuity and pension based on the following assumptions: -

	2011-2012	2010-2011
Discount Rate (per annum)	6.86% - 8.00%	8.00% - 8.44%
Rate of increase in Compensation levels	4.50% - 5.00%	6.00%
Rate of Return on Plan Assets	8.00% - 8.60%	8.00% - 8.44%

A) Changes in the Present Value of Defined Benefit Obligation

(₹ in Lacs)

	2011-2012			2010-2011		
	Gratuity	Pension		Gratuity	Pension	
	Funded	Funded	Unfunded	Funded	Funded	Unfunded
Balance at beginning of the year	377.10	944.77	69.16	321.03	–	604.91
Add/ (Less) Transfer as Funded Plan introduced for certain employees at a foreign branch	–	–	–	–	557.99	(557.99)
Sub-total	377.10	944.77	69.16	321.03	557.99	46.92
Interest Cost	31.11	86.91	6.36	31.86	53.94	4.77
Current Service Cost	115.25	259.64	42.63	99.09	81.70	22.87
Benefits Paid [includes payment made by the Company ₹ 70.45 Lacs (Previous Year – ₹ Nil) and not claimed from Plan Assets]	(74.55)	(70.45)	–	(43.69)	–	–
Actuarial (gain)/ loss on obligations	35.27	11.02	(21.38)	(31.19)	251.14	(5.40)
Balance at end of the year	484.18	1,231.89	96.77	377.10	944.77	69.16

B) Changes in the Fair Value of Plan Assets

(₹ in Lacs)

	2011-2012		2010-2011	
	Gratuity	Pension	Gratuity	Pension
Balance at beginning of the year	324.90	228.50	213.66	–
Expected Return on Plan Assets	25.99	109.48	25.82	–
Contribution to the Plan Assets	52.26	446.52	130.95	228.50
Actuarial gain/ (loss) on obligations	2.56	52.62	(1.84)	–
Benefits Paid	(74.55)	–	(43.69)	–
Balance at end of the year	331.16	837.12	324.90	228.50
Actual return on Plan Assets	9.25%	11.74%	9.25%	–

C) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at March 31, 2012

The Plan Assets for Defined Benefit Plan in India are administered by Life Insurance Corporation of India ('LIC') as per Investment Pattern stipulated for Pension and Group Schemes Fund by Insurance Regulatory and Development Authority Regulations. In case of defined benefit plan at a foreign branch, the Plan Assets are administered by the Investment department of Deutsche Bank AG. The Plan Assets consists of deposits with a bank aggregating ₹ 837.12 Lacs (Previous Year ₹ 228.50 Lacs).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

D) Amount recognised in the Balance Sheet

(₹ in Lacs)

	2011-2012			2010-2011		
	Gratuity	Pension		Gratuity	Pension	
	Funded	Funded	Unfunded	Funded	Funded	Unfunded
Present Value of Defined Benefit Obligation as at end of the year	484.18	1,231.89	(96.77)	377.10	944.77	69.16
Fair Value of Plan Assets as at end of the year	331.16	837.12	–	324.90	228.50	–
Asset/(Liability) recognised in the Balance Sheet	(153.02)	(394.77)	(96.77)	(52.20)	(716.27)	(69.16)
Recognised under:						
Long-term Provisions (Refer Note 6)	–	–	5.36	–	375.74	–
Short-term Provisions (Refer Note 10)	153.02	394.77	91.41	52.20	340.53	69.16

E) Expenses recognised in the Statement of Profit and Loss

(₹ in Lacs)

	2011-2012			2010-2011		
	Gratuity	Pension		Gratuity	Pension	
	Funded	Funded	Unfunded	Funded	Funded	Unfunded
Current Service Cost	115.25	259.64	42.63	99.09	81.70	22.87
Interest Cost	31.11	86.91	6.36	31.86	53.94	4.77
Expected Return on Plan Assets	(25.99)	(109.48)	–	(25.82)	–	–
Net actuarial (gain)/ loss recognised in the year	32.71	(41.60)	(21.38)	(29.35)	251.14	(5.40)
Total Expenses recognised in the Statement of Profit and Loss****	153.08	195.47	27.61	75.78	386.78	22.24

**** Included in Employee Benefit Expense (Refer Note 21)

F) Experience Adjustments

(₹ in Lacs)

	2011-2012	2010-2011
On Defined Benefit Obligation – Loss/ (Gain)	(34.19)	106.70
On Plan Assets – Loss/ (Gain)	(55.18)	1.84

G) Details of Defined Benefit Obligation, Plan Assets and Experience Adjustments

(₹ in Lacs)

Years	Nature	Present Value of Obligation at the end of the year	Fair Value of Plan Assets at the end of the year	Surplus/ (Deficit)	Experience Adjustments on Defined Benefit Obligation - Loss/ (Gain)	Experience Adjustments on Plan Assets - Loss/ (Gain)
2009-2010	Gratuity	321.03	213.66	(107.37)	(66.92)	0.36
	Pension	604.91	–	(604.91)	(56.34)	–
2008-2009	Gratuity	210.98	144.85	(66.13)	(11.42)	1.01
	Pension	605.84	–	(605.84)	3.96	–
2007-2008	Gratuity	137.30	142.31	5.01	(20.03)	0.32
	Pension	385.45	–	(385.45)	15.46	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

H) Expected Contribution for next year

(₹ in Lacs)

	2012-2013	2011-2012
Gratuity and Pension Plan	639.20	461.89

III The liability for compensated absences as at March 31, 2012 aggregates ₹ 443.84 Lacs (Previous Year – ₹ 415.43 Lacs).

26. Segment Information

Primary Segment

The Company has identified business segment as its primary segment. In accordance with Accounting Standard 17 "Segmental Reporting", the Company has determined its operations as a single reportable business segment, namely Information Technology/ Information Technology Enabled Services. Hence, it has no other primary reportable segments. Thus, the segment revenue, segment results, total carrying value of segment assets and liabilities, capital expenditure incurred to acquire the assets, the total amount of charge for depreciation are all as reflected in the financial statements as of and for the year ended March 31, 2012.

Secondary Segment

The Company has identified geographical segment as its secondary segment. The details of geographical segment are as follows:

(₹ in Lacs)

Particulars	India		Outside India		Total	
	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
Sales Revenue*	16,762.40	12,995.40	46,372.61	41,475.27	63,135.01	54,470.67
Carrying Amount of Assets#	33,653.57	26,940.31	59,920.91	57,514.99	93,574.48	84,455.30
Capital Expenditure	1,959.38	1,620.24	3,124.84	1,909.21	5,084.22	3,529.45

* - There are no Inter Segment Revenues.

- Includes Strategic Investment in a subsidiary.

27. Related Party Disclosures (as identified by the Management)

I Individual having control with his relatives and associates

Mr. Ashok P. Hinduja

II Subsidiaries of Hinduja Global Solutions Limited (Includes step-down subsidiaries)

- HGS International, Mauritius (formerly known as Pacific Horizon Limited, Mauritius)
- Hinduja Outsourcing Solutions India Private Limited, India
- HCCA Business Services Private Limited, India (w.e.f. August 12, 2011)
- Hinduja Global Solutions Inc., U.S.A.
- Online Support Inc., Canada (w.e.f. August 2, 2011)
- C-Cubed B.V., Netherlands
- C-Cubed (Antilles) N.V., Curacao
- Customer Contact Centre Inc., Manila
- Hinduja Global Solutions Europe Limited, U.K. (formerly known as HTMT Europe Limited, U.K.)
- Careline Services Limited, U.K.
- Hinduja TMT France, S.A.R.L
- HGS (USA), LLC (formerly known as Affina L.L.C., U.S.A)
- RMT L.L.C., U.S.A

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

14. Affina Company, Canada
15. HGS St. Lucia Ltd, Jamaica
16. Team HGS Limited, Jamaica
17. HGS Properties LLC, U.S.A. (w.e.f. November 28, 2011)
18. HGS Canada Holdings LLC, U.S.A.
19. HGS Italy, S.A.R.L

III Key Management Personnel

Mr. Partha DeSarkar

IV Enterprises where common control exists

1. Hinduja Group India Limited
2. Aasia Management and Consultancy Private Limited
3. Hinduja Ventures Limited
4. IndusInd Media and Communication Limited
5. Hinduja Healthcare Private Limited
6. Hinduja Realty Ventures Limited

V Relatives of Key Management personnel

Mr. Pabitra DeSarkar

Mrs. Samya Ahmed

The following details pertain to transactions carried out with the related parties in the ordinary course of business and the balances outstanding at the year-end:

(₹ in Lacs)

Nature of Transaction	Parties referred to in II above	Parties referred to in III and V above	Parties referred to in IV above	Total
Rendering of Services				
Hinduja Global Solutions Inc.	37,937.30 [34,080.22]	— [—]	— [—]	37,937.30 [34,080.22]
Others	2,516.36 [1,762.25]	— [—]	— [0.15]	2,516.36 [1,762.40]
Total	40,453.66 [35,842.47]	— [—]	— [0.15]	40,453.66 [35,842.62]
Dividend Income				
Hinduja Outsourcing Solutions India Private Limited	95.00 [—]	— [—]	— [—]	95.00 [—]
Total	95.00 [—]	— [—]	— [—]	95.00 [—]
Interest Income				
Hinduja Outsourcing Solutions India Private Limited	6.07 [—]	— [—]	— [—]	6.07 [—]
Total	6.07 [—]	— [—]	— [—]	6.07 [—]
Rent Expense				
Aasia Management and Consultancy Private Limited	— [—]	— [—]	76.80 [68.58]	76.80 [68.58]
Mrs. Samya Ahmed	— [—]	— [2.39]	— [—]	— [2.39]

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Nature of Transaction	Parties referred to in II above	Parties referred to in III and V above	Parties referred to in IV above	Total
Mr. Pabitra DeSarkar	– [–]	2.25 [–]	– [–]	2.25 [–]
Total	– [–]	2.25 [2.39]	76.80 [68.58]	79.05 [70.97]
Professional Fees				
Hinduja Group India Limited	– [–]	– [–]	155.80 [106.00]	155.80 [106.00]
Total	– [–]	– [–]	155.80 [106.00]	155.80 [106.00]
Connectivity Cost				
IndusInd Media and Communication Limited	– [–]	– [–]	12.50 [10.77]	12.50 [10.77]
Total	– [–]	– [–]	12.50 [10.77]	12.50 [10.77]
Executive Remuneration				
Mr. Partha DeSarkar	– [–]	162.89 [184.58]	– [–]	162.89 [184.58]
Total	– [–]	162.89 [184.58]	– [–]	162.89 [184.58]
Advance Paid to Key Managerial Personnel				
Mr. Partha DeSarkar	– [–]	– [0.52]	– [–]	– [0.52]
Total	– [–]	– [0.52]	– [–]	– [0.52]
Advance payment for tax matters [Refer foot note 2 of Note 24(a)(A) above]				
Hinduja Ventures Limited	– [–]	– [–]	600.00 [1,800.00]	600.00 [1,800.00]
Total	– [–]	– [–]	600.00 [1,800.00]	600.00 [1,800.00]
Share Application Money to a Subsidiary during the year				
Hinduja Outsourcing Solutions India Private Limited	– [857.07]	– [–]	– [–]	– [857.07]
Total	– [857.07]	– [–]	– [–]	– [857.07]
Expenses reimbursed to Other Companies				
Customer Contact Centre Inc.	– [5.26]	– [–]	– [–]	– [5.26]
HGS (USA), LLC	45.28 [9.63]	– [–]	– [–]	45.28 [9.63]
Hinduja Global Solutions Inc.	136.01 [49.89]	– [–]	– [–]	136.01 [49.89]
Total	181.29 [64.78]	– [–]	– [–]	181.29 [64.78]
Expenses reimbursed by Other Companies				
Careline Services Limited	20.96 [13.07]	– [–]	– [–]	20.96 [13.07]
HGS (USA), LLC	18.04 [188.83]	– [–]	– [–]	18.04 [188.83]

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Nature of Transaction	Parties referred to in II above	Parties referred to in III and V above	Parties referred to in IV above	Total
On-Line Support Inc.	24.92 [-]	- [-]	- [-]	24.92 [-]
Hinduja Global Solutions Inc.	56.71 [21.99]	- [-]	- [-]	56.71 [21.99]
Hinduja Global Solutions Europe Limited	2.83 [45.02]	- [-]	- [-]	2.83 [45.02]
Hinduja Outsourcing Solutions India Private Limited	6.69 [-]	- [-]	- [-]	6.69 [-]
Customer Contact Centre Inc.	1.45 [-]	- [-]	- [-]	1.45 [-]
Total	131.60 [268.91]	- [-]	- [-]	131.60 [268.91]
Consultancy charges				
Aasia Management and Consultancy Private Limited	- [-]	- [-]	28.38 [28.26]	28.38 [28.26]
Total	- [-]	- [-]	28.38 [28.26]	28.38 [28.26]
Sale of Fixed Assets				
HGS (USA), LLC	- [295.64]	- [-]	- [-]	- [295.64]
Total	- [295.64]	- [-]	- [-]	- [295.64]
Inter-Corporate Deposits given				
Hinduja Outsourcing Solutions India Private Limited	382.00 [-]	- [-]	- [-]	382.00 [-]
Total	382.00 [-]	- [-]	- [-]	382.00 [-]
Receivable net of payable as at the year-end				
Hinduja Global Solutions Inc.	9,107.94 [9,158.70]	- [-]	- [-]	9,107.94 [9,158.70]
Hinduja Ventures Limited [Refer footnote 2 of Note 24(a)(A) above]	- [-]	- [-]	3,750.00 [3,150.00]	3,750.00 [3,150.00]
HGS (USA), LLC	800.25 [439.65]	- [-]	- [-]	800.25 [439.65]
Hinduja Global Solutions Europe Limited	- [45.17]	- [-]	- [-]	- [45.17]
Hinduja Outsourcing Solutions India Private Limited	290.76 [18.87]	- [-]	- [-]	290.76 [18.87]
Careline Services Limited	26.21 [-]	- [-]	- [-]	26.21 [-]
C-Cubed (Antilles) N.V.	21.08 [18.39]	- [-]	- [-]	21.08 [18.39]
C-Cubed B.V.	23.93 [22.21]	- [-]	- [-]	23.93 [22.21]

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Nature of Transaction	Parties referred to in II above	Parties referred to in III and V above	Parties referred to in IV above	Total
HCCA Business Service Private Limited	106.27 [–]	– [–]	– [–]	106.27 [–]
Mr. Partha DeSarkar	– [–]	– [0.52]	– [–]	– [0.52]
Others	0.78 [–]	– [–]	– [3.61]	0.78 [3.61]
Total	10,377.22 [9,702.99]	– [0.52]	3,750.00 [3,153.61]	14,127.22 [12,857.12]
Payable net of Receivables as at year-end				
Customer Contact Centre Inc., Manila	2,659.91 [2,306.32]	– [–]	– [–]	2,659.91 [2,306.32]
Others	– [–]	0.23 [–]	10.01 [16.13]	10.24 [16.13]
Total	2,659.91 [2,306.32]	0.23 [–]	10.01 [16.13]	2,670.15 [2,322.45]
Share Application Money to a Subsidiary, pending allotment				
Hinduja Outsourcing Solutions India Private Limited	– [857.07]	– [–]	– [–]	– [857.07]
Total	– [857.07]	– [–]	– [–]	– [857.07]
Investments				
Hinduja Outsourcing Solutions India Private Limited	95.00 [95.00]	– [–]	– [–]	95.00 [95.00]
HCCA Business Services Private Limited	3,850.62 [–]	– [–]	– [–]	3,850.62 [–]
HGS International	38,880.28 [38,880.28]	– [–]	– [–]	38,880.28 [38,880.28]
Total	42,825.90 [38,975.28]	– [–]	– [–]	42,825.90 [38,975.28]

Notes:

- There are no transactions with parties referred in I above.
- Figures in bracket pertain to the previous year.

28. Operating Leases

The details of non-cancellable operating leases are as follows:

(₹ in Lacs)

Particulars	Minimum Future Lease Rentals			Amount recognised during the year
	Due within one year	Due later than one year and not later than five years	Due after five years	
Office Premises	2,543.39 [1,596.68]	8,849.00 [5,410.58]	13,605.58 [4,717.38]	2,176.28 [1,583.99]

Figures in bracket pertain to the previous year.

The operating lease arrangement relating to office premises extend up to a maximum of twenty years from the respective dates of inception and are renewable on mutual consent/ at the option of lessee. In addition, the Company has entered into other various cancellable leasing arrangements for office and residential premises and towards which an amount of ₹ 181.60 Lacs (Previous Year - ₹ 138.57 Lacs) have been recognised in the Statement of Profit and Loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

29. Earnings per Equity Share (Basic and Diluted)

	2011-2012	2010-2011
Profit After Tax (₹ in Lacs)	6,261.51	7,519.06
Weighted average number of equity shares		
A. For Basic Earnings per share (Nos.)	20,589,223	20,589,223
B. For Diluted Earnings per share (Nos.)		
No. of shares for Basic Earning Per Share as per A.	20,589,223	20,589,223
Add: Weighted Average outstanding employee stock option deemed to be issued for no consideration	–	13,614
No. of shares for Diluted Earnings per share	20,589,223	20,602,837
Nominal Value of an equity share (₹)	10.00	10.00
Earnings per share (Basic) (₹)	30.41	36.52
Earnings per share (Diluted) (₹)	30.41	36.50

30. Break-Up of Deferred Tax Asset/ (Liability)

(₹ in Lacs)

	As at 31.03.2012	As at 31.03.2011
<i>Deferred Tax Liability</i>		
Depreciation on Fixed Assets	(816.02)	(1,094.91)
Total Deferred Tax Liability	(816.02)	(1,094.91)
<i>Deferred Tax Asset</i>		
Expenses allowed on payment basis	205.67	167.97
Provision for doubtful debts/ advances	16.91	81.43
Others	10.58	9.89
Total Deferred Tax Asset	233.16	259.29
Net Deferred Tax Liability	(582.86)	(835.62)

31. Derivative instruments and unhedged foreign currency exposure

a) Derivatives Outstanding as at the reporting date

Particulars	Amount (USD)	Type	No. of Contracts	Contract Value (₹ in Lacs)
Forward contract in respect of firm commitment or highly probable forecasted transactions	21,000,000 [15,750,000]	Sell [Sell]	27 [15]	10,669.51 [7,398.83]

b) Mark-to-Market losses on outstanding derivative

Particulars	Amount (₹ in Lacs)
Mark-to-market losses provided for	251.27 [–]

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

- c) As at the Balance Sheet date, foreign currency receivable (net) that are not hedged by any derivative instrument or otherwise are as under:

Currency	Foreign Currency Amount	Amount (₹ in Lacs)
GBP	30,757.02 [66,358.76]	25.05 [47.25]
Euro	35,257.90 [35,257.90]	23.93 [22.21]
SGD	— [4,974.00]	— [1.75]
USD	21,166,249.72 [14,672,894.43]	10,767.27 [6,356.97]

Figures in bracket pertain to the previous year.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. The amount recognized in hedging reserve in equity during the year amounts to ₹ 262.50 Lacs (Previous Year: ₹ Nil).

The ineffective portion recognized in the Statement of Profit and Loss that arises from cash flow hedges amounts to ₹ 0.26 Lacs (Previous Year: ₹ Nil).

Gains and losses recognized in the hedging reserve in equity (Note 4) on forward foreign exchange contracts as of March 31, 2012 would be recognized in the income statement in the period or periods during which the hedged forecast transaction affects the related transaction in the Statement of Profit and Loss.

32. (a) Earnings in Foreign Exchange:

(₹ in Lacs)

Particulars	2011-2012	2010-2011
Information Technology Enabled Services (ITES)	46,372.61	41,475.27
Sale of Fixed Assets	—	295.64
Other Income earned at overseas branches	52.86	24.65

- (b) Expenditure in Foreign Currency:

(₹ in Lacs)

Particulars	2011-2012	2010-2011
Foreign Travel (including allowances)	36.78	143.14
Connectivity Cost	31.47	88.12
Expenditure incurred at overseas branches	21,520.85	16,541.52
Others	85.60	89.42

- (c) Value of Imports calculated on CIF basis:

(₹ in Lacs)

Particulars	2011-2012	2010-2011
Capital Goods	36.44	80.16

33. Dividend Remitted in Foreign Currency

Particulars	2011-2012	2010-2011
Amount Remitted (₹ in Lacs)	560.72	561.71
Dividend related to financial year	2010-2011	2009-2010
Number of non-resident shareholders	23	30
Number of shares	2,803,582	2,808,527

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

34. The details of Employee Stock Option Plan [ESOP] of the Company are as follows:

Particulars	ESOP 2008	ESOP 2011
	The Shareholders of the Company at their Annual General Meeting held on September 27, 2008 granted approval to the HTMT Global Solutions Limited Employees Stock Option Plan 2008 (now Hinduja Global Solutions Employees Stock Option Plan 2008) ("ESOP 2008"). Subsequently, the Compensation Committee approved the terms and conditions relating to ESOP 2008 and options were granted on July 31, 2009.	The Shareholders of the Company at their Annual General Meeting held on August 1, 2011 granted approval to the Hinduja Global Solutions Employees Stock Option Plan 2011 ("ESOP 2011"). Subsequently, the Compensation Committee approved the terms and conditions relating to ESOP 2011 and options were granted on November 11, 2011. The Company is in process of obtaining in-principle approval from Stock Exchanges for listing of equity shares to be issued under ESOP 2011 in accordance with SEBI guidelines.
Maximum grant of options	The maximum number of options that could be issued under ESOP 2008 is 205,380 (being 1% of the outstanding equity shares of the Company as at April 1, 2009).	The maximum number of options that could be issued under ESOP 2011 is 274,100.
Vesting Period	Options to vest over a period of three years from the date of their grant as under: - 1/6th of the options granted will vest on the first anniversary of the grant date. - 1/3rd of the options granted will vest on the second anniversary of the grant date. - 1/2 of the options granted will vest on the third anniversary of the grant date	Options to vest over a period of three years from the date of their grant as under: - 1/6th of the options granted will vest at the end of one year from the grant date. - 1/6th of the options granted will vest at the end of 18 months from the grant date. - 1/6th of the options granted will vest at the end of 24 months from the grant date. - 1/4th of the options granted will vest at the end of 30 months from the grant date. - 1/4th of the options granted will vest at the end of 36 months from the grant date.
Exercise Period	Options vested with an employee will be exercisable prior to completion of the 48th month from the date of their grant by subscribing to the number of equity shares in the ratio of one equity share for every option. In the event of cessation of employment due to death, resignation or otherwise the options may lapse or be exercisable in the manner specifically provided for in the Scheme.	Options vested with an employee will be exercisable prior to completion of the 24th month from the date of vesting of options by subscribing to the number of equity shares in the ratio of one equity share for every option. In the event of cessation of employment due to death, resignation or otherwise the options may lapse or be exercisable in the manner specifically provided for in the Scheme.
Exercise Price	₹ 400.10 per share The exercise price per share is determined on the basis of closing price at the National Stock Exchange of India Limited immediately preceding the date of grant.	₹ 340.20 per share The exercise price per share is determined on the basis of closing price at the National Stock Exchange of India Limited immediately preceding the date of grant.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	ESOP 2008	ESOP 2011
Method of Accounting and Intrinsic Value	The compensation costs of stock options granted to employees are accounted using the intrinsic value method. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. In view of exercise price being equal to closing market price on the day prior to the date of the grant, the intrinsic value of the option is ₹ Nil.	The compensation costs of stock options granted to employees are accounted using the intrinsic value method. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. In view of exercise price being equal to closing market price on the day prior to the date of the grant, the intrinsic value of the option is ₹ Nil.
Fair Value and Model Used	₹ 178.04 per option. The fair value of stock option has been calculated using Black-Scholes Option Pricing Model.	₹ 101.21 per option. The fair value of stock option has been calculated using Black-Scholes Option Pricing Model.
Re-grant of Options under the Scheme	The Compensation Committee on June 1, 2011 approved the re-grant of lapsed options under ESOP 2008, which were subsequently granted to specific employees on the said date. The number of stock options granted is 33,160 at an exercise price of ₹ 400.65 per share Stock Options. The exercise price per share is determined on the basis of closing price at the National Stock Exchange of India Limited immediately preceding the date of grant. The Intrinsic value is Nil and fair value of stock options determined using Black – Scholes Option Pricing model is ₹ 161.45 per option. The term for vesting and exercise period are as stated above.	–

The details of options granted are as follows:

Particulars	ESOP 2008		ESOP 2011	
	2011-12	2010-11	2011-12	2010-11
Outstanding at the beginning of the year	172,220	195,730	–	–
Granted during the year	–	–	274,100	–
Re-granted during the year	33,160	–	–	–
Lapsed during the year	36,365	23,510	3,500	–
Exercised/ Allotted during the year	–	–	–	–
Outstanding at the end of the year	169,015	172,220	270,600	–
Exercisable at the end of the year	67,928	30,015	–	–
Weighted Average remaining life in years	2.47	2.33	3.61	–

Had the Company adopted fair value method in respect of options granted, the employee compensation cost would have been higher by ₹ 85.15 Lacs (Previous Year - ₹ 194.39 Lacs), Profit After Tax and the basic and diluted earning per share would have been lower by ₹ 85.15 Lacs (Previous Year - ₹ 194.39 Lacs) and Re. 0.41 (Previous Year - Re. 0.94), respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

35. Current tax includes provision for tax of ₹ 256.36 Lacs (Previous Year: ₹ 274.80 Lacs) pertaining to overseas branches which is determined as per the laws applicable in the relevant country.

36. **Loans and advances in the nature of loans to subsidiaries and associates**

(₹ in Lacs)

	2011-12	2010-11
Hinduja Outsourcing Solutions India Private Limited	150.00	—
Maximum amounts outstanding at any time during the year	232.00	—

37. The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

Signature to Notes

For Price Waterhouse
Firm Registration No: 301112E
Chartered Accountants

Partha Ghosh
Partner
Membership No: F-55913

Place : Mumbai
Date : May 23, 2012

For and on behalf of the Board

Partha DeSarkar
Chief Executive Officer and Manager

Anil Harish
Director

Kanti Mohan Rustagi
EVP-Legal and Company Secretary

Place : Mumbai
Date : May 23, 2012

Ramkrishan P. Hinduja
Chairman

Srinivas Palakodeti
Chief Financial Officer

CONTACT US...

Registered Office: Mumbai

Hinduja House
171, Dr. Annie Besant Road, Worli
Mumbai 400 018
Tel: +91-22-2496 0707
Fax: +91-22-2497 4208

Corporate Headquarters: Bangalore

HGS House, No. 614, Vajpayee Nagar, Bommanahalli
Hosur Road, Bangalore 560 068
Tel: +91-80-2573 2620 / 50
Fax: +91-80-2573 1592

United Kingdom:

250 Gunnersbury Avenue, Chiswick
London, W4 5QB
Tel: +0044-845 1949295

North America Head Office:

4355, Weaver Parkway, Suite 310, Warrentonville – IL 60555
Tel: +001-309-229-2840

Philippines:

Cyberpark, 86 E, Rodriguez Jr. Avenue Brgy
Ugong Norte, Quezon City 1110, Philippines
Tel: +00632-434-5130
Fax: +00632-434-5122

Canada:

Prince Edward Island
Charlottetown
82 Hillstrom Avenue
Charlottetown PE C1E 2C6
Tel: +011 -902 -629- 3240

Mauritius:

Wing "A" 3rd Floor, Cyber Tower
Ebene Cyber City
Rose Hill, Mauritius

Email:

Business Enquiry: marketing@teamhgs.com

Careers: careers@teamhgs.com

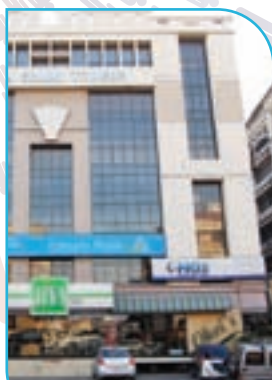
Investor Related: investor.grievances@teamhgs.com

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HGS PRESENCE ACROSS THE GLOBE



INDIA



HYDERABAD



CHENNAI - 1



CHENNAI - 2



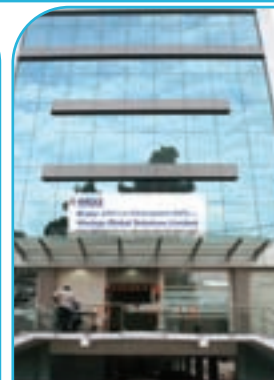
BANGALORE - 1



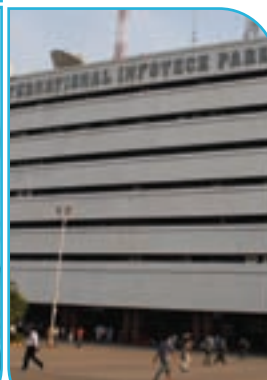
DURGAPUR



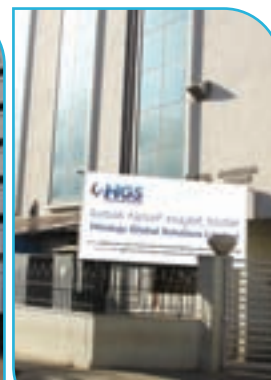
GUNTUR



NAGERCOIL



MUMBAI



BANGALORE - 2



SILIGURI



BANGALORE - 3



DURGAPUR



SEZ



MYSORE

UNITED STATES



WATERLOO



ST. LOUIS



PEORIA



EL PASO



ROSE HILL

MAURITIUS

PHILIPPINES



MANILA



LONDON



ANTIGONISH



KENTVILLE



NORTHBAY

CANADA



ILOILO



SELKIRK



LIVERPOOL



MONTREAL



PEMBROKE



Registered Office:

Hinduja House, Hinduja Global Solutions Ltd., 171, Dr. Annie Besant Road, Worli, Mumbai - 400 018.

Tel: +91 22 2496 0707 **Fax:** + 91 22 2497 4208

Email: investor.grievances@teamhgs.com **Web:** www.teamhgs.com