

# SASTRI & SHAH

Chartered Accountants

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## Independent Auditors' Report on the Consolidated Financial Statements

### Independent Auditors' Report

#### To The Members of

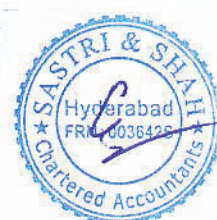
#### Kellton Tech Solutions Limited

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kellton Tech Solutions Limited (hereinafter referred to as 'the Company') and its subsidiaries (the Company and its subsidiaries together referred to as 'the Group'), comprising the Consolidated Balance Sheet as at March 31, 2018, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as 'the Act') that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Company, as aforesaid.





## **Auditors' Responsibility**

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

## **Other Matters**

We did not audit the financial statements / financial information of 2 subsidiaries, for the year ended on that date, as considered in the consolidated financial statements. As disclosed in Note No.44 forming part of accounts, these financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

We did not audit the financial statements / financial information of 1 subsidiary, for the year ended on that date, as considered in the consolidated financial statements. As disclosed in Note No.44 forming part of accounts, these financial statements / financial information are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the aforesaid subsidiaries, is based solely on such unaudited financial statements / financial information given to us by the Management.





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

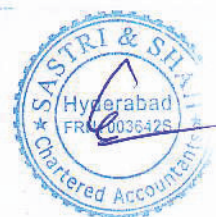
## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Ind AS and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2018, and its consolidated profit, consolidated total comprehensive income, consolidated statement of changes in equity and its consolidated cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
- (e) On the basis of the written representations received from the Directors of the Company as on March 31, 2018 taken on record by the Board of Directors of the Company and its subsidiary incorporated in India and the reports of the statutory auditor of its subsidiary company incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate report in 'Annexure A' which is based on the auditor's reports of the Company and its subsidiary company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the internal financial controls over financial reporting of those companies, for the reasons stated therein.



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

- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
- ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company and its subsidiary company incorporated in India.

**For Sastri&Shah**

Chartered Accountants

FRN: 003642S

Sd/- *Chavali*

(C.Pavan Kumar)

**Managing Partner**

M.NO.205896



Place: Hyderabad

Date: 30/05/2018



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Chartered Accountants

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## **Annexure A to the Independent Auditors' Report**

(Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Kellton Tech Solutions Limited of even date)

### **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of Kellton Tech Solutions Limited (hereinafter referred to as 'the Company') and its subsidiary company, which are companies incorporated in India, as of that date.

#### **Management's Responsibility for Internal Financial Controls**

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

#### **Auditor's Responsibility**

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





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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Company and its subsidiary company, which are companies incorporated in India.

### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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





## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Company and its subsidiary company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Sastri&Shah**

Chartered Accountants

FRN: 003642S

(C.Pavan Kumar)

**Managing Partner**

M.NO.205896



Place: Hyderabad

Date: 30/05/2018



## KELLTON TECH SOLUTIONS LIMITED.

### Kellton Tech Solutions Limited Statement of Consolidated Audited Financial Results for the quarter and year ended 31st March 2018

Sr. No.	Particulars	Quarter Ended			Year ended	
		31.03.2018	31.12.2017	31.03.2017	31.03.2018	31.03.2017
		Audited	Unaudited	Audited	Audited	Audited
	<b>Income from Operations</b>					
I	Revenue From Operations	21,492.65	20,972.59	16,536.06	78,348.00	61,476.99
II	Other Income	-	105.46	167.20	274.43	372.24
III	<b>Total Income (I+II)</b>	<b>21,492.65</b>	<b>21,078.05</b>	<b>16,703.26</b>	<b>78,622.43</b>	<b>61,849.23</b>
IV	<b>Expenses</b>					
	Cost of materials consumed	744.37	2,363.30	8.07	3,515.46	102.83
	Purchases of Stock-in-Trade	-	-	-	-	-
	Changes in inventories of finished goods, Stock-in -Trade and work-in-progress	-	-	-	-	-
	Employee benefits expense	9,188.88	8,599.40	7,964.03	34,966.39	30,365.72
	Finance costs	488.91	434.61	320.93	1,628.44	1,028.86
	Depreciation and amortization expense	169.71	140.10	163.63	537.19	422.76
	Other expenses	7,907.18	6,955.65	6,354.31	28,028.49	22,810.79
	<b>Total expenses (IV)</b>	<b>18,499.05</b>	<b>18,493.06</b>	<b>14,810.96</b>	<b>68,675.97</b>	<b>54,730.95</b>
V	<b>Profit/(loss) before exceptional items and tax (I- IV)</b>	<b>2,993.60</b>	<b>2,584.99</b>	<b>1,892.30</b>	<b>9,946.46</b>	<b>7,118.28</b>
VI	Exceptional Items					
VII	<b>Profit/(loss) before tax (V-VI)</b>	<b>2,993.60</b>	<b>2,584.99</b>	<b>1,892.30</b>	<b>9,946.46</b>	<b>7,118.28</b>
VIII	Tax expense:					
	(1) Current tax	744.95	864.48	523.05	3,017.84	1,849.70
	(2) Deferred tax	17.16	16.74	(44.10)	89.14	(37.67)
IX	<b>Profit (Loss) for the period from continuing operations (VII-VIII)</b>	<b>2,231.49</b>	<b>1,703.77</b>	<b>1,413.35</b>	<b>6,839.48</b>	<b>5,306.25</b>
X	Profit/(loss) from discontinued operations					
XI	Tax expense of discontinued operations					
XII	<b>Profit/(loss) from Discontinued operations (after tax) (X-XI)</b>					
XIII	<b>Profit/(loss) for the period (IX+XII)</b>	<b>2,231.49</b>	<b>1,703.77</b>	<b>1,413.35</b>	<b>6,839.48</b>	<b>5,306.25</b>
XIV	Other Comprehensive Income					
	A (i) Items that will not be reclassified to profit or loss	29.34	-	-	28.91	
	(ii) Income tax relating to items that will not be reclassified to profit or loss	(10.15)	-	-	(10.00)	
	B (i) Items that will be reclassified to profit or loss	(457.93)	(95.90)	(41.45)	(499.72)	(170.39)
	(ii) Income tax relating to items that will be reclassified to profit or loss		-			
	<b>Total Other Comprehensive Income</b>	<b>(438.74)</b>	<b>(95.90)</b>	<b>(41.45)</b>	<b>(480.81)</b>	<b>(170.39)</b>
XV	<b>Total Comprehensive Income for the period (XIII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)</b>	<b>1,792.75</b>	<b>1,607.87</b>	<b>1,371.90</b>	<b>6,358.67</b>	<b>5,135.86</b>
XVI	Earnings per equity share (for continuing operation):					
	(1) Basic	1.86	1.70	1.44	6.60	5.39
	(2) Diluted	1.86	1.67	1.44	6.58	5.38

1 The Financial results are in compliance with Ind AS pursuant to Ministry of Company Affairs notification notifying the Companies Act (Accounting Standards) Rules, 2015. The Company has adopted Ind AS with effect from April 01, 2017 with the transition date of April 1, 2016 comparatives being restated. These financial results have been prepared in accordance with Ind AS prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued there - under and in terms of Regulation 33 of SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.

2 The Statutory Auditors of the Company has conducted audit of the financial results for the year ended Mar 31, 2018 pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015 and have given an unqualified opinion in their report. These financial results have been reviewed by the Audit Committee and thereafter approved by Board of Directors at their respective meetings held on May 30, 2018.

For KELLTON TECH SOLUTIONS LIMITED  
HYD.

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CIN: L72200TG1993PLC016819





## KELLTON TECH SOLUTIONS LIMITED.

3 Reconciliation of NetProfit after tax for the quarter ended and year March 31, 2017 previously reported under Indian GAAP with Ind AS is as under

Benefit/(Charge):

Particulars	Quarter ended 31-March-2017	Year ended 31- March-2017
<b>Net profit for the period (As per IGAAP)</b>	<b>1,431.06</b>	<b>5,375.44</b>
Benefit/(Charge):		
Recognition of Stock compensation cost	(31.55)	(126.19)
Others comprehensive income	(42.00)	(170.39)
Others	5.33	20.58
Recognition of deferred tax on Ind AS adjustments	9.06	36.42
<b>Net profit for the period (As per Ind-AS)</b>	<b>1,371.90</b>	<b>5,135.86</b>

4 Segment Information:-

Sr.No	Particulars	(Rs. In Lakhs)		
		Quarter Ended	Quarter Ended	Year Ended
		Mar 31, 2018	Dec 31, 2017	Mar 31, 2018
1	Segment Revenue			
	Digital Transformation			
	Enterprise Solutions	15,276.85	15,021.44	52,969.29
	Consulting	3,519.96	3,133.94	13,778.96
	Total	2,696.75	2,816.29	11,599.75
2	Less: Intersegment revenue	21,493.57	20,971.67	78,348.00
3	Net Sales /Income from operations			
4	Segment results profit / (loss) before tax, interest and depreciation	21,493.57	20,971.67	78,348.00
	Digital Transformation			
	Enterprise Solutions	6,077.53	5,971.60	23,235.58
	Consulting	1,079.88	973.13	3,826.62
	Total	841.50	797.95	3,365.51
5		7,998.91	7,742.68	30,427.71
	Less: Unallocable Expenses	4,514.55	4,829.90	19,126.74
	Finance Cost	448.91	474.61	1,628.44
6	Unallocable Income	-	105.46	274.43
7	Total Profit Before tax	3,035.44	2,543.63	9,946.96

a) The Group reorganized itself into 3 business segments, whose results are evaluated regularly by the chief operating decision maker. Discrete financial information for these business units /operating segments for the earlier period is not available. Hence the comparative information for the quarter ended March 2017 is not provided

b) Segment wise Capital Employed

Assets and liabilities used in the company's business are not identified to any of the reportable segment, as these are used interchangeably between segment. The Management believes that it is not practicable to provide segment disclosures relating to total assets and liabilities since meaningful segregation of the available data is onerous.

5 Figures of the corresponding previous periods are regrouped and reclassified wherever considered necessary to correspond with current period's presentation.

Place Hyderabad  
Date 30-May-18

For KELLTON TECH SOLUTIONS LIMITED  
Director

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## KELLTON TECH SOLUTIONS LIMITED.

### Kellton Tech Solutions Limited Consolidated Statement of Assets and Liabilities

	Particulars	Rs. in Lacs	
		31.03.2018 Audited	31.03.2017 Audited
<b>1 ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment		809.23	890.02
Capital work-in-progress		-	102.14
Goodwill		21,124.13	20,923.84
Other Intangible assets		823.92	374.16
<b>Financial Assets</b>			
(i) Loans		125.30	113.91
(ii) Deferred tax liabilities (Net)			113.83
Other non-current assets		1,141.56	57.15
<b>Total Non-Current Assets</b>		<b>24,024.15</b>	<b>22,575.05</b>
<b>2 Current assets</b>			
Inventories		242.10	239.20
<b>Financial Assets</b>			
(i) Trade receivables		18,731.42	14,677.26
(ii) Cash and cash equivalents		2,055.18	1,613.08
(iii) Loans		38.01	13.09
(v) Other financial assets		8,071.27	4,896.20
Other current assets		4,922.72	1,148.90
<b>Total Current Assets</b>		<b>34,060.71</b>	<b>22,587.73</b>
<b>Total Assets</b>		<b>58,084.86</b>	<b>45,162.78</b>
<b>EQUITY AND LIABILITIES</b>			
Equity Share capital		4,819.12	2,357.23
Other Equity		21,195.14	15,381.20
<b>Total Equity</b>		<b>26,014.26</b>	<b>17,738.43</b>
<b>LIABILITIES</b>			
<b>1 Non-current liabilities</b>			
<b>Financial Liabilities</b>			
(i) Borrowings		3,199.06	4,378.13
(ii) Other financial liabilities *		6,128.98	6,529.82
Provisions		132.58	116.55
Deferred tax liabilities (Net)		199.37	-
<b>Total Non-Current Liabilities</b>		<b>9,659.99</b>	<b>11,024.50</b>
<b>2 Current liabilities</b>			
<b>Financial Liabilities</b>			
(i) Borrowings		6,699.26	5,381.89
(ii) Trade payables		4,691.64	2,051.76
Other financial liabilities		1,497.76	2,226.69
Other current liabilities		1,906.42	918.73
Provisions		4,822.74	4,442.94
Current Tax Liabilities (Net)		2,792.78	1,377.84
<b>Total Current Liabilities</b>		<b>22,410.60</b>	<b>16,399.86</b>
<b>Total Equity and Liabilities</b>		<b>58,084.86</b>	<b>45,162.78</b>

\* Contingent earnouts towards acquisition of subsidiaries is accounted under other financial liabilities

For KELLTON TECH SOLUTIONS LIMITED



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