

**NOTICE OF MEETING OF THE UNSECURED CREDITORS OF
POLARIS CONSULTING & SERVICES LIMITED**

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POLARIS CONSULTING & SERVICES LIMITED**

(Convened pursuant to order dated 25th July, 2019 passed by the National Company Law Tribunal, Chennai Bench)

Meeting of the Unsecured Creditors of Polaris Consulting & Services Limited	
Day	Friday
Date	6th September, 2019
Time	11:00 a.m.
Venue	No. 34, IT Highway, Navallur, Chennai- 600130

INDEX

Sr. No.	Contents	Page Nos.
1)	Notice convening the meeting of the Unsecured Creditors of Polaris Consulting & Services Private Limited as per the directions of Chennai bench of the National Company Law Tribunal	4
2)	Explanatory statement under section 230(3) read with section 102 and other applicable provisions of the Companies Act, 2013 and Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016	7
3)	Annexure 1 Composite Scheme of Arrangement between Polaris Consulting & Services Limited and Virtusa Consulting Services Private Limited and their respective shareholders under section 230 to 232 read with section 66 and section 52 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder ('Scheme')	21
4)	Annexure 2 Valuation report dated 14th March, 2019 submitted by Mrs. R. Bhuvana, Registered valuer	35
5)	Annexure 3 Report adopted by the directors of Polaris Consulting & Services Limited and Virtusa Consulting Services Private Limited explaining effect of the Scheme on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders, laying out in particular the share exchange ratio, if any	52
6)	Annexure 4 Supplementary accounting statements of Polaris Consulting & Services Limited and Virtusa Consulting Services Private Limited as on 31st March, 2019	56
7)	Form of Proxy	17
8)	Attendance Slip	19
9)	Route Map to the meeting venue	20

FORM CAA.2

[Pursuant to section 230(3) and Rule 6 and 7 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016]

BEFORE THE NATIONAL COMPANY LAW TRIBUNAL, CHENNAI BENCH

COMPANY SCHEME APPLICATION NO. CA/695 & 696 /CAA/2019

In the matter of Companies Act, 2013

AND

In the matter of sections 230 to 232 read with section 66 and section 52 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder;

AND

In the matter of Composite Scheme of Arrangement between Polaris Consulting & Services Limited (**'Transferor Company'**) and Virtusa Consulting Services Private Limited (**'Transferee Company'**) and their respective shareholders ('Scheme')

Polaris Consulting & Services Limited, a company)
incorporated under the provisions of the)
Companies Act, 1956 and having)
its registered office at No. 34, IT Highway, Navallur,)
Chennai- 600 130).....Applicant Company

NOTICE CONVENING THE MEETING OF UNSECURED CREDITORS OF THE APPLICANT COMPANY PURSUANT TO THE ORDER DATED 25TH JULY, 2019 BY THE NATIONAL COMPANY LAW TRIBUNAL, CHENNAI BENCH

To,

All the Unsecured Creditors of Polaris Consulting & Services Limited ('the Applicant Company' or 'PCSL' or 'the Transferor Company')

NOTICE is hereby given that by an Order dated 25th July, 2019 ('Order'), the Chennai Bench of the National Company Law Tribunal ('NCLT') has directed that a meeting of unsecured creditors of the Applicant Company be held for the purpose of considering, and if thought fit, approving with or without modification(s), the arrangement embodied in the Composite Scheme of Arrangement between Polaris Consulting & Services Limited and Virtusa Consulting Services Private Limited and their respective shareholders ('Scheme').

In pursuance of the said Order and as directed therein further notice is hereby given that a meeting of unsecured creditors of the Applicant Company will be held at No.34, IT Highway, Navallur, Chennai- 600130 on Friday, 6th day of September, 2019 at 11:00 a.m. at which time and place members are requested to attend. At the meeting, the following resolution will be considered and if thought fit, be passed, with or without modification(s):

'RESOLVED THAT pursuant to the provision of sections 230 to 232 read with section 66 and section 52 of the Companies Act, 2013 and Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), and enabling provisions in the Memorandum and Articles of Association of the Company, and subject to compliance with other applicable laws/regulations/rules, as may be applicable, and subject to the requisite approvals of the shareholders and creditors of the Company and sanction of the National Company Law Tribunal, Chennai bench ('NCLT' or 'Tribunal') and/or such other competent authority, as may be applicable, and subject to such conditions and modifications as may be prescribed or imposed by NCLT or by any regulatory or other authorities, while granting such consents, approvals and permissions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the 'Board', which term shall be deemed to mean and include one or more Committee(s) constituted/to be constituted by the Board or any person(s) which the Board may nominate to exercise its powers including the powers conferred by this resolution), the consent of the unsecured creditors

be and is hereby accorded to the Composite Scheme of Arrangement between Polaris Consulting & Services Limited ('Transferor Company') and Virtusa Consulting Services Private Limited ('Transferee Company') and their respective shareholders ('Scheme'), which inter alia involves (i) reduction of equity share capital of the Transferor Company held by shareholders other than Transferee Company ('Public Shareholders') ('Capital Reduction') followed by (ii) merger of Transferor Company with the Transferee Company with effect from the Appointed Date as defined in the Scheme, placed before this meeting and initialed by the Chairman of the meeting for the purposes of identification.

RESOLVED FURTHER THAT upon the Scheme being confirmed by NCLT and the capital reduction becoming effective and operative, and/or the receipt of such other approvals as may be required being obtained, the Public Shareholders of the Company as on the 'Record Date', to be determined by the Board for the purposes of determining the names of the registered holders of the equity shares of the Company, shall be paid for the equity shares held by them and which are extinguished, a sum of Rs. 480/- (Rupees Four Hundred and Eighty only) per equity share, being the fair value of the equity shares of the Company.

RESOLVED FURTHER THAT upon the Scheme being confirmed by NCLT and the capital reduction becoming effective and operative, without any further act or deed by the Public Shareholders or their nominees (including but not limited to surrendering of share certificates with transfer forms and / or sending appropriate instructions to the Depository Participants), the shares held by the Public Shareholders as on the Record Date shall stand cancelled, extinguished and rendered invalid.

RESOLVED FURTHER THAT the payment of consideration to the Public Shareholders shall be made within such number of days of the Record Date and subject to such approvals, if any, as may be required under the applicable laws or as may be directed by the NCLT, on the capital reduction becoming effective.

RESOLVED FURTHER THAT all such payments as mentioned above be made by electronic transfer of funds, cheque, pay order/warrant or demand draft, NEFT/RTGS/IMPS, after payment of appropriate taxes by the Company.

RESOLVED FURTHER THAT anyone of the Directors of the Company and Chief Financial Officer and Company Secretary of the Company be and is hereby authorized to do all such acts, deeds, matters and things, as it may, in its absolute discretion deem requisite, desirable, appropriate or necessary to give effect to this resolution and effectively implement the arrangement embodied in the Scheme and to accept such modifications, amendments, limitations and/or conditions, if any, which may be required and/or imposed by the Chennai Bench of the National Company Law Tribunal while sanctioning the Scheme or by any authorities under law, or as may be required for the purpose of resolving any doubts or difficulties that may arise in giving effect to the Scheme, as may deem fit and proper.'

Copy of the Scheme, the statement under section 230(3) read with section 102 of the Companies Act, 2013, read with Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ('Rules') along with other annexures, as mentioned in the Index, are annexed to this Notice. Copy of the Scheme and the statement under section 230(3) can also be obtained free of charge at the registered office of the Applicant Company or at the office of its counsel M/s. Cibi Vishnu, Pawan Jhabakh & Abishek Raman, Advocates, New No.115, Luz Church Road, Mylapore, Chennai – 600004.

The Applicant Company has provided the facility of ballot/polling paper at the venue of the meeting.

Voting rights of unsecured creditors shall be in proportion to the outstanding amount due from the Applicant Company as on closure of business hours on 30th June 2019 ('Cut-off Date').

NCLT has appointed Mr. Hari Raju Mahadevu, Director of the Applicant Company, and failing him, Mr. Arvind Sharma, Director of the Applicant Company, and failing him, Mr. Kannan, Company Secretary in Practice, to be the Chairman of the said meeting including for any adjournment or adjournments thereof.

The Scheme, if approved in the aforesaid meeting, will be subject to the subsequent approval of NCLT.

Dated this 25th day of July, 2019

Sd/-

Hari Raju Mahadevu

Chairman appointed for the meeting

Place: Chennai

Registered Office:

No. 34, IT Highway,

Navallur, Chennai- 600130

Notes for the meeting of the Unsecured Creditors of the Applicant Company:

1. Only unsecured creditors of the Applicant Company as on the Cut- off Date are entitled to attend and vote either in person or in proxy (a proxy need not be a unsecured creditor of the Applicant Company) or in the case of a body corporate, by a representative authorised under section 113 of the Companies Act, 2013 at the meeting of the unsecured creditors of the Applicant Company. The authorised representative of a body corporate which is an unsecured creditor of the Applicant Company as on the Cut- off date may attend and vote at the meeting of the unsecured creditors of the Applicant Company provided a copy of the resolution of the board of directors or other governing body of the body corporate authorising such representative to attend and vote at the meeting of the unsecured creditors of the Applicant Company is deposited at the registered office of the Applicant Company not later than 48 (forty eight) hours before the scheduled time of the commencement of the meeting of the unsecured creditors of the Applicant Company.
2. Persons entitled to attend and vote at the meeting, may vote in person or by proxy, provided that all proxies in the prescribed form, duly signed or authorized by the said person, are deposited at the Registered Office of the Applicant Company at No. 34, IT Highway, Navallur, Chennai- 600130 not later than 48 hours before the time fixed for the aforesaid meeting. The form of proxy can be obtained free of charge from the registered office of the Applicant Company.
3. All alterations made in the form of proxy should be initialed.
4. During the period beginning 24 (twenty-four) hours before the time fixed for the commencement of the meeting and ending the conclusion of the meeting, an unsecured creditor would be entitled to inspect the proxies lodged at any time during the business hours of the Applicant Company, provided that not less than 3(three) days of notice in writing is given to the Applicant Company.
5. The unsecured creditors of the Applicant Company as on the Cut- off Date shall be eligible to attend and vote at the meeting of the unsecured creditors of the Applicant Company either in person or by proxies.
6. The Notice convening the meeting will be published through advertisement in 'Business Line' in the English language and translation thereof in 'The Hindu' in the Tamil language (both Chennai Editions).
7. An Unsecured Creditor or his/her Proxy is requested to bring the copy of this notice to the meeting and produce the attendance slip, duly completed and signed, at the entrance of the meeting venue.
8. The notice is being sent to all unsecured creditors of Applicant Company as on the Cut- off Date i.e. 30th June, 2019. This notice of the meeting of the unsecured creditors of the Applicant Company is also displayed / posted on the website of the Applicant Company www.virtusa.com.
9. Voting rights shall be reckoned on the outstanding amount due from the Applicant Company as on the Cut- off Date. Persons who are not unsecured creditors of the Applicant Company as on the Cut-off date should treat this notice for information purposes only.
10. The documents referred to in the accompanying Explanatory Statement shall be open for inspection by the unsecured creditors at the registered office of the Applicant Company between 11.00 a.m.to 4.00 p.m. on all days (except Saturdays, Sundays and Public holidays) up to the date of the meeting.
11. In accordance with the provisions of sections 230 to 232 read with section 66 and section 52 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder, the Scheme shall be acted upon only if majority of persons representing three fourth in value of the unsecured creditors of the Applicant Company, voting in person or by proxy, agree to the Scheme.
12. Mr. Jayanth Viswanathan, Practicing Company Secretary, B.com, M.L.L & L.W & FCS has been appointed as the scrutinizer to conduct the voting at the venue of the meeting in a fair and transparent manner.
13. The Scrutinizer shall immediately after the conclusion of the meeting first count the votes cast at the meeting and make a scrutinizer's report of the votes cast in favour or against, if any, forthwith to the Chairman of the meeting.
14. The scrutinizer will submit his report to the Chairman of the meeting after completion of the scrutiny of the votes cast by the unsecured creditors of the Applicant Company through ballot/ polling paper at the venue of the meeting. The scrutinizer's decision on the validity of the votes shall be final. The results of votes cast through ballot/ polling paper at the venue of the meeting will be announced on or before 9th day of September, 2019 at the registered office of the Applicant Company. The results, together with the scrutinizer's reports, will be displayed on the website of the Applicant Company viz. **www.polarisft.com**.

BEFORE THE NATIONAL COMPANY LAW TRIBUNAL, CHENNAI BENCH

COMPANY SCHEME APPLICATION NO. CA/695 & 696 /CAA/2019

In the matter of Companies Act, 2013

AND

In the matter of sections 230 to 232 read with section 66 and section 52 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder;

AND

In the matter of Composite Scheme of Arrangement between Polaris Consulting & Services Limited ('Transferor Company') and Virtusa Consulting Services Private Limited ('Transferee Company') and their respective shareholders ('Scheme')

Polaris Consulting & Services Limited, a company)
incorporated under the provisions of the)
Companies Act, 1956 and having)
its registered office at No. 34, IT Highway,)
Navallur, Chennai- 600130)..... Applicant Company

EXPLANATORY STATEMENT UNDER SECTION 230(3) OF THE COMPANIES ACT, 2013 READ WITH SECTION 102 OF THE COMPANIES ACT 2013; AND RULE 6 OF THE COMPANIES (COMPROMISES, ARRANGEMENTS AND AMALGAMATION) RULES, 2016 FOR THE MEETING OF UNSECURED CREDITORS OF POLARIS CONSULTING & SERVICES LIMITED CONVENED AS PER THE DIRECTIONS OF THE NATIONAL COMPANY LAW TRIBUNAL, CHENNAI BENCH

1. In this statement, Polaris Consulting & Services Limited is here in after referred to as 'PCSL' or 'the Transferor Company' and Virtusa Consulting Services Private Limited is here in after referred to as 'VCSPL' or 'the Transferee Company' or 'the Applicant Company'. The other definitions contained in the Scheme will also apply to this Explanatory Statement under section 230(3) read with section 102 of the Companies Act, 2013 ('Act') read with Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ("Rules") ('Explanatory Statement').
2. The draft Scheme was placed before audit committee and the Board of Directors of the Applicant Company at their meetings held on 15th March, 2019. Based on the recommendations of the audit committee and on the basis of the evaluations, the Board of Directors of the Applicant Company have come to the conclusion that the Scheme is in the best interest of the Applicant Company and its shareholders.
3. Copy of the Scheme as approved by the Board of Directors of the Transferor Company and Transferee Company is enclosed herewith.
4. Details of the order passed by the Hon'ble National Company Law Tribunal, Chennai Bench ("NCLT/ Tribunal") directing the calling, convening and conducting of the meeting
 - a. Pursuant to the Order dated 25th July, 2019 passed by the NCLT in the Company Application No. CA/695 & 696 /CAA/2019 referred to here in above, a meeting of the Unsecured Creditors of TransferOR Company is being convened and held at No. 34, IT Highway, Navallur, Chennai- 600130 on Friday, the 6th day of September, 2019 at 11:00 A.m. for the purpose of considering and if thought fit, approving with or without modification(s), the proposed Composite Scheme of Arrangement between Polaris Consulting & Services Limited and Virtusa Consulting Services Private Limited and their respective shareholders ('Scheme').
 - b. NCLT has appointed Mr. Hari Raju Mahadevu, Director of the Applicant Company, and failing him, Mr. Arvind Sharma, Director of the Applicant Company, and failing him, Mr. Kannan, Company Secretary in Practice as the Chairman of the meeting.

5. Background of the Companies:

A. Polaris Consulting & Services Limited

- i. Polaris Consulting & Services Limited ('PCSL' or 'the Transferor Company') was originally incorporated as a private limited company under the Companies Act 1956 in the state of Tamil Nadu on 5th January, 1993 under the name and style of 'Polaris Software Lab Private Limited'. On 24th June, 1996 the Transferor Company was converted into a Public limited company and its name was changed to 'Polaris Software Lab Limited'. Subsequently, on 16th November, 2011, it changed its name to 'Polaris Financial Technology Limited' and renamed itself again on 21st October, 2014 to its current name 'Polaris Consulting & Services Limited'. The Corporate Identity Number is U65993TN1993PLC024142.
- ii. The Registered Office of PCSL is situated at No.34, IT Highway, Navallur, Chennai- 600130.
- iii. The e-mail id of PCSL is companysecretary@virtusa.com.
- iv. The Permanent Account Number of PCSL is AAACP4341E.
- v. The main objects of PCSL as set out in the Memorandum of Association are as under:
 1. 'To carry on the business of system study, analysis designs, development and implementation of software systems for usage of computer systems, communication system or combination of computer and communication system for using in Government, Industry, Business or other fields of activity.
 2. To carry on the business of trading, manufacturing, importing & exporting and to act as consultants in software for usage of computer systems, communication systems or combination of both systems and hardware of computer systems, communications systems and providing consultancy related to commercial and non-commercial usage.
 3. To establish bureaus for providing computer services to process data and develop systems of all kind by processing jobs and hiring out machine time and assist to set up operate and supervise the operation of the data processing divisions of other companies or organization in India or elsewhere.
 4. To carry on the business as manufacturers, consultants, designers, fabricators, assemblers, processors and dealers of all kind of computers, accounting and business machines, transistors, transformers, receivers, conductors, magnetic components, microwave components, video games, tapes, discs, fittings, switches and all hardware, software and peripherals thereto.
 5. To collect, process, sell, information, regarding marketing, technical, financial and other matters of various industries to government, Industry, Business or other fields of activity.
- vi. PCSL is primarily engaged in the business of IT services and IT-enabled services delivering customized software solutions and products in the domain of contemporary services which include banking and financial services.
- vii. The authorised, issued, subscribed and paid-up share capital of PCSL as on 31st March, 2018 is as under:

Particulars	Amount in INR
Authorised Capital	
12,00,00,000 equity shares of INR 5	60,00,00,000
each 1,00,00,000 11% preference shares of INR 5 each	5,00,00,000
Total	65,00,00,000
Issued, Subscribed and Paid up Capital	
10,29,41,129 equity shares of INR 5 each	51,47,05,645
Total	51,47,05,645

Subsequent to 31st March, 2018, there have been further allotments and the capital structure of PCSL as on 25th July, 2019 is as follows:

Particulars	Amount in INR
Authorised Capital	
12,00,00,000 equity shares of INR 5 each	60,00,00,000
1,00,00,000 11% preference shares of INR 5 each	5,00,00,000
Total	65,00,00,000
Issued, Subscribed and Paid up Capital**	
103,304,974 equity shares of INR 5 each*	516,524,870
Total	516,524,870

*This includes 36,850 shares lying in Demat Suspense Account / Unclaimed Suspense Account which includes the unclaimed shares. As and when the shareholder approaches PCSL or its Registrar and Transfer Agent, shares will be credited to the demat account of the shareholder or physical shares will be delivered.

** As on 25th July, 2019, there are 1,54,250 outstanding options granted by PCSL that have varied vesting periods extending until 16th February, 2020 the details of which are as under:

Scheme	Options Vested and Unexercised	Yet to Vest	Total
ASOP 2003	5,000	-	5,000
ASOP 2011	70,700	-	70,700
ASOP 2015	56,350	22,200	78,550
Total	1,32,050	22,200	1,54,250

- viii. There has been no change in objects of PCSL during the last 5 years. The name of PCSL has been changed from 'Polaris Financial Technology Limited' to 'Polaris Consulting & Services Limited' on 21st October, 2014. Also, the registered office of PCSL has been changed from No. 244 Anna Salai, Chennai – 600 006 to No. 34 IT Highway, Navallur, Chennai – 600 130 on 10th November 2016. Further, the revised Articles of Association of the Company in accordance with Companies Act, 2013 was adopted by the shareholders in the Annual General Meeting of the Company held on 25th of September 2017.
- ix. The shares of PCSL are currently not listed on any stock exchanges. However, the equity shares of PCSL were listed on National Stock Exchange of India Limited and BSE Limited and permitted to trade on Metropolitan Stock Exchange of India Limited. The equity shares of PCSL were subsequently delisted from BSE Limited and National Stock Exchange of India Limited with effect from 1st August, 2018 in accordance with the Securities and Exchange Board of India (Delisting of equity shares) Regulations, 2009 ('Delisting Regulations'). Consequently, the Metropolitan Stock Exchange of India Limited has withdrawn the 'Permitted to Trade' status of the equity shares granted to PCSL with effect from 25th July 2018.
- x. The Board of Directors of PCSL have at their meeting held on 15th March, 2019 unanimously approved the Scheme. The Directors who voted on the Scheme are as follows:

Sr. No.	Name of Director	Voted in favor/against/did not participate or vote
1.	Mr. Krishan Aruna Canekeratne	Did not participate (LOA)
2.	Ms. Rama Sivaraman	Voted in favor
3.	Mr. Anuranjan Krishan Kalia	Voted in favor
4.	Mr. Hari Raju Mahadevu	Voted in favor
5.	Mr. Arvind Sharma	Voted in favor

xi. The names of the Promoters and the present directors of PCSL along with their addresses are as follows:

Sr. No.	Name	Address
Promoter		
1	Virtusa Consulting Services Private Limited	No. 34, IT Highway, Navallur, Chennai- 600130
Directors		
1	Mr. Krishan Aruna Canekeratne	1, Wyndemere Dr Southborough, Massachusetts 01772, USA
2	Ms. Rama Sivaraman	2, Kasthuribai Nagar 4th Main Road, Adyar, Chennai 600020
3	Mr. Anuranjan Krishan Kalia	92 Breakneck Hill Road, Southborough, MA 01772 USA
4	Mr. Hari Raju Mahadevu	D1204 Ramky Towers, Anjaiah Nagar, Gachibowli, Hyderabad 500032
5	Mr. Arvind Sharma	B-31 Madhuban, Vikas Marg, Delhi 110092

B. Virtusa Consulting Services Private Limited

- i. Virtusa Consulting Services Private Limited ('VCSPL' or 'Transferee Company') was incorporated as a private limited company under the Companies Act, 1956 in the state of Andhra Pradesh on 5th March, 2008 under the name and style of 'Virtusa Consulting Services Private Limited'. The registered office of the Transferee Company is currently situated in the state of Tamil Nadu. The Transferee Company has issued Non-Convertible Debentures which are listed on the wholesale debt segment of National Stock Exchange of India Limited. The Corporate Identification Number is U93000TN2008FTC128079.
- ii. The Registered Office of VCSPL is situated at No.34, IT Highway, Navallur, Chennai- 600130.
- iii. The e-mail Id of VCSPL is companysecretary@virtusa.com.
- iv. The Permanent Account Number of VCSPL is AACCV6797L.
- v. The main objects of VCSPL as set out in the Memorandum of Association are as under:
 1. To undertake development and/or trade in sale, import, Export of Computer Software and all varieties of Information Technology services like Internet services, Intranet Services, Networking like Wide Area Network, Local Area Network and its related protocols, E-Commerce, GIC/GPS mapping, data entries, Data Conversion, forex operation relating to Software, Hardware, Platform changing, Peripherals and related services either on direct contract or sub-contract basis and running and maintaining institute/ school providing computer education, training, information technologies and training covering, inter-alia, relating to Software and Hardware and general management in relating to all aspects thereof.
 2. To carry on the business of Research and development, designing, manufacturing and trading in all types of computer Software and Hardware in all areas including Management information systems, Database services, Data warehousing, Industrial applications, Office systems, Automation systems, artificial intelligence cybernetics, Simulations, Desktop publishing communications, including telecommunications and satellite and all other developments Computer Aided Design/Computer Aided Manufacture, Animations, Operating systems, Utilities and all other developments, in the field of Computers and Information Technology.
 3. To render consultancy services and services in the field of software development, turnkey projects and solutions, software export, Information and data processing computer systems, communication, operations research and technical services including commercial, exploitations, export, import, and to act as distributors, dealers, authorized representatives installers and commissioning agents of the same. To depute personnel to design and develop solutions software in India and abroad and to establish technology parks and offices in India and abroad and to broadly undertake all activities encompassing the field of information technology as may be permitted by law.
 4. To carry on the business of research and development, designing, manufacturing and training in computers, computer related products, Peripherals, sub-Systems, presentation devices, PBX and Telecom equipment, Communication products and any other electrical and electronic items relating to the field of computers of information technology.
- vi. VCSPL is primarily engaged in the business of providing software development and Information Technology enabled services.
- vii. The authorised, issued, subscribed and paid-up share capital of VCSPL as on 31st March, 2018 is as under:

Particulars	Amount in INR
Authorised Capital 53,00,000 equity shares of INR 10 each	5,30,00,000
Total	5,30,00,000
Issued, Subscribed and Paid up Capital 10,100 equity shares of INR 10 each	1,01,000
Total	1,01,000

Subsequent to 31st March,2018, there has been allotment of shares due to approval of the Scheme of Merger of Virtusa Software Services Private Limited and Virtusa Technologies India Private Limited with the Transferee Company. The capital structure of the Transferee Company as on 25th July, 2019 is as follows:

Particulars	Amount in INR
Authorised Capital 53,00,000 equity shares of INR 10 each	5,30,00,000
Total	5,30,00,000
Issued, Subscribed and Paid up Capital 10,202 equity shares of INR 10 each	1,02,020
Total	1,02,020

- viii. There has been no change in the name and objects of VCSPL during the last five years. But there has been a change in the registered office of VCSPL. The registered office of VCSPL has been shifted from Survey No 115/Part, Plot No.10, Nanakramguda Village, Serilingampally, Telangana 500008, India to No. 34, IT Highway, Navallur, Chennai- 600130, Tamil Nadu with effect from 18th February, 2019.
- ix. The shares of VCSPL are not listed on any stock exchange. The Non Convertible Debentures issued by VCSPL are listed on the wholesale debt market segment of the National Stock Exchange of India Limited.
- x. The Board of Directors of VCSPL have at their meeting held on 15th March, 2019 unanimously approved the Scheme. The Directors who voted on the Scheme are as follows:

Sr. No.	Name of Director	Voted in favor/against/did not participate or vote
1	Arvind Sharma	Voted in favor
2	Hari Raju Mahadevu	Voted in favor
3	Vasu Pendyala	Voted in favor
4	Hema Mohandas	Voted in favor

- xi. The names of the Promoters and the present directors of VCSPL along with their addresses are as follows:

Sr. No.	Name	Address
Promoter		
1	Virtusa International BV, Netherlands	Papendorpseweg 100, 3528BJ, Utrecht, the Netherlands
	Virtusa Corporation, USA	132 Turnpike, Suite 300 Southborough, MA 01772
	Virtusa UK Limited	26 Finsbury Square, London, EC2A 1DS, United Kingdom
Directors		
1	Arvind Sharma	B-31 Madhuban, Vikas Marg, Delhi 110092
2	Hari Raju Mahadevu	D1204 Ramky Towers, Anjaiah Nagar, Gachibowli, Hyderabad 500032
3	Vasu Pendyala	31-124, Rama Krishna Puram, Secunderabad, Medchal, Secunderabad 500056
4	Hema Mohandas	C704 Radiance Mandarin, 200 Feet Pallavaram Radial Road, Oggiam Thuraipakkam, Kancheepuram Chennai 600097

6. Relationship between the Companies involved in the Scheme:

The Transferor Company is the subsidiary of the Transferee Company as on the date of approval of the Scheme by the Board of Directors.

7. Rationale/Benefits of the Scheme:

- VCSPL acquired a majority controlling stake in PCSL in March 2016. As PCSL was a listed company, whose securities were listed on stock exchanges, the said acquisition was undertaken in accordance with the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended ('Takeover Regulations').
- The ultimate holding company of VCSPL is Virtusa Corporation, USA which is headquartered in 132 Turnpike Road, Suite 300 South borough, MA 01772, USA and is listed on NASDAQ. It has operations in North America, Europe and Asia ('Virtusa Group'). Except Virtusa Corporation, USA, no other Virtusa Group entities is listed and has any public shareholders. Consistent with generally accepted practises world-wide, Virtusa Group's corporate policy is to have only the ultimate holding company to be listed on stock exchanges.
- In view of above policy, in January 2018, VCSPL, who is the promoter of PCSL and acquirer in accordance with the provisions of Delisting Regulations, made a public announcement to acquire the entire public shareholding of PCSL ['Delisting Offer'] with a primary intent to obtain full ownership of PCSL, which would in turn provide enhanced operational flexibility to the acquirer i.e. VCSPL. The Delisting Offer and process was undertaken by VCSPL, being the acquirer, and completed in accordance with the provisions of Delisting Regulations. Consequently, the equity shares of PCSL were delisted from the stock exchanges i.e. BSE Limited and National Stock Exchange of India Limited with effect from 1st August 2018. Consequently, the Metropolitan Stock Exchange of India Limited has withdrawn the 'Permitted to Trade' status of the equity shares granted to PCSL with effect from 25th July 2018. As per Delisting Regulations, VCSPL, being an acquirer, has provided exit option to the remaining shareholders of PCSL for a period of one year from the date of delisting.
- Further, as on the date of approval of the Scheme by the Board of Directors, PCSL had 19,882 Public Shareholders holding 3.21% in equity shares of PCSL. The capital reduction of equity shares held by the Public Shareholders of PCSL, will result into following:
 - a. Alignment with Virtusa Group's corporate policy;
 - b. It will provide exit mechanism and liquidity to all the Public Shareholders subsequent to closure of exit window of one year from the date of delisting i.e. 31st July, 2019;
 - c. It will achieve the overall objective of the Virtusa Group to have only one wholly owned subsidiary operating in any geography below its ultimate holding company i.e. Virtusa Corporation, USA. Also, from US tax laws perspective, it is imperative that overseas subsidiary i.e. VCSPL remains a 100% owned private limited company
 - The capital reduction followed by merger of PCSL with VCSPL will also result in achieving the following:
 - a. Simplification of group structure;
 - b. Business and administrative synergies;
 - c. Greater financial strength and flexibility for the Transferee Company, which would result in maximizing overall shareholder value, and will improve the competitive position of the combined entity;
 - d. Avoid duplication of efforts;
 - e. Reduction in multiplicity of legal and regulatory compliances, reduction in overheads, including administrative, managerial and other administrative costs;
 - f. Ease of doing business with all the stakeholders including customers, vendors, lenders, employees etc. by positioning entire business under one single brand name;
 - g. Synergy benefits, such as, enhancement of net worth of the combined business for future growth and expansion.

8. Salient features of the Scheme:

- i. This Composite Scheme of Arrangement is between Polaris Consulting & Services Limited ("Transferor Company") and Virtusa Consulting Services Private Limited ("Transferee Company") and their respective shareholders under sections 230 to 232 read with section 66 and section 52 of the Companies Act, 2013 ("Act") and other applicable provisions of the Companies Act, 2013 and rules framed thereunder.
- ii. The Transferor Company and the Transferee Company shall, as may be required, make petitions under sections 230 to 232 read with section 66 and section 52 and other applicable provisions of the Act and rules made thereunder, to the Chennai Bench of the National Company Law Tribunal for sanction of the Scheme and all matters ancillary or incidental thereto.
- iii. Part II of the Scheme deals with reduction of share capital of PCSL and Part III of the Scheme deals with amalgamation of PCSL with VCSPL.
- iv. 'Appointed Date' for Part III of the Scheme means 1st April, 2018.
- v. 'Effective Date' in relation to Part II of the Scheme means the date on which the certified copies of the orders sanctioning this Scheme, passed by the National Company Law Tribunal, Chennai Bench, are filed with the Registrar of Companies, Chennai by the Transferor Company but not earlier than 1st August, 2019, being the day after the closing date of the exit period provided by VCSPL, being the acquirer, to the remaining Public Shareholders in accordance with the Delisting Regulations. In relation to Part III of the Scheme, it means last of the dates on which the certified copies of the orders sanctioning this Scheme, passed by the National Company Law Tribunal, Chennai Bench, are filed with the Registrar of Companies, Chennai by the Transferor Company and the Transferee Company but not earlier than the Effective Date of Part II of the Scheme. Any references in this Scheme to the date of 'coming into effect of this Scheme' or 'upon the Scheme becoming effective' shall mean the Effective Date.
- vi. Upon Part II of this Scheme becoming effective and subject to provisions of this Scheme, all equity shares of INR 5 (Indian Rupees Five only) each of the Transferor Company held by Public Shareholders, as defined in the Scheme, including the shareholders whose shares are lying in the Demat Suspense Account / Unclaimed Suspense Account as on Record Date, shall stand cancelled without any further act or deed. The aforesaid reduction of paid-up share capital shall be effected by paying to Public Shareholders of the Transferor Company, including to the Public Shareholders whose shares are lying in the Demat Suspense Account / Unclaimed Suspense Account, as on the Record Date, an amount of INR 480/- (Indian Rupees Four Hundred and Eighty only) per equity share of INR 5/- (Indian Rupees Five only) each. The aforesaid payment to Public Shareholders will be made within 30 days of the Record Date.
- vii. Upon Part II of the Scheme becoming effective, the Transferor Company shall become a wholly owned subsidiary of the Applicant Company and hence on amalgamation, neither any consideration will be paid nor any shares shall be issued by the Transferee Company to the shareholders of the Transferor Company in consideration thereof, and consequent upon the amalgamation, the shares of the Transferor Company held by the Transferee Company shall stand cancelled.
- viii. The Scheme is conditional upon and subject to the following:
 - o The Scheme being approved by the requisite majority of respective members and creditors (wherever applicable) of the Transferor Company and the Transferee Company or dispensing the meetings, as may be directed by the NCLT;
 - o The sanction of the Scheme by NCLT under the provisions of sections 230 to 232 read with section 66 and section 52 of the Act in favour of the Transferor Company and the Transferee Company, as the case may be, under the said provisions and to the necessary order sanctioning the Scheme being obtained;
 - o The certified copy of the order of the NCLT sanctioning the Scheme being filed with the Registrar of Companies by the Transferor Company and the Transferee Company.
 - o Closure of the exit period of one year from the date of delisting i.e. 31st July, 2019 provided by VCSPL, being an acquirer, to the remaining Public Shareholders in accordance with the Delisting Regulations.

It is clarified that approval of Competition Commission of India is not required in respect of the transactions contemplated in this Scheme in view of the exemption available for merger or amalgamation of two enterprises where one enterprise has more than 50% shares or voting rights of the other enterprise.

- ix. The Scheme, inter-alia, provides for the following matters:
- o The transfer of all assets and liabilities of Transferor Company to the Transferee Company.
 - o The transfer of all contracts, deeds, bonds, agreements, schemes, insurance policies, indemnities, guarantees, arrangements and other instruments of whatsoever nature of the Transferor Company to the Transferee Company;
 - o The transfer of all employees of Transferor Company to the Transferee Company;
 - o The transfer of all legal proceedings by or against the Transferor Company to the Transferee Company;
 - o The transfer of all benefits and liabilities, including under the income tax, excise duty, service tax, applicable State Value Added Tax Laws, Goods & Service tax, etc., to which the Transferor Company are entitled to vest with the Transferee Company;
 - o All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed), incurred in carrying out and implementing this Scheme and matters incidentals thereto, shall be borne by the Transferee Company.

THE FEATURES SET OUT ABOVE BEING ONLY THE SALIENT FEATURES OF THE SCHEME, THE UNSECURED CREDITORS OF THE APPLICANT COMPANY ARE REQUESTED TO READ THE ENTIRE TEXT OF THE SCHEME TO GET THEMSELVES FULLY ACQUAINTED WITH THE PROVISIONS THEREOF.

9. Summary of Valuation Report (Including basis of valuation)

i. Summary of Valuation Report obtained from Mrs. R Bhuvana, registered valuer

The valuer has considered Income Approach method and Market Approach method for the purpose of the valuation exercise. Equity value using the DCF method comes to INR 339/- per share and using the comparable companies method comes to INR 379/- per share. The valuer has assigned a weight of 50% each to DCF method as well as Comparable Companies method. Using these weights, the weighted average equity value of Polaris comes to INR 359/- per share. However, considering that the exit price of INR 480/- (Indian Rupees Four Hundred and Eighty only) per share had been fixed for shareholders tendering the equity shares of the Company in accordance with the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, the Board considers it fair to pay INR 480/- (Indian Rupees Four Hundred and Eighty only) per share to the Public Shareholders of the Company on capital reduction.

ii. The valuation report is available for inspection at the Registered office of the Applicant Company.

iii. A copy of the Valuation Report is enclosed to this notice as Annexure 2.

10. The proposed Scheme was placed before the Audit Committee of the Applicant Company at its meeting held on 15th March, 2019. The Audit Committee recommended the Scheme to the Board of Directors of the Applicant Company for its favorable consideration..

11. Details of approvals, sanctions or no-objection(s), if any, from regulatory or any other governmental authorities required, received or pending for the proposed Scheme:

i. It is confirmed that the copy of the draft Scheme has been filed with the Registrar of Companies, Chennai by the Transferor Company and the Transferee Company.

ii. In compliance with the requirement of section 230(5) of the Companies Act, 2013 and Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, a notice in the prescribed form and seeking approvals, sanctions or no-objections shall be served to the concerned regulatory and government authorities for the purpose of the proposed Scheme, as directed by the Hon'ble Tribunal.

12. Amounts due to Unsecured Creditors as on 30th June 2019 (Provisional)

Particulars of amounts due to Unsecured Creditors from respective Companies involved in the Scheme as at 30th June, 2019 are detailed herein:

Name of Company	Amount in INR
Polaris Consulting & Services Limited	112,046,471
Virtusa Consulting Services Private Limited	190,058,362.16

13. Effect of the Scheme on various parties:

i. Directors and Key Managerial Personnel (KMP)

The Directors and KMP and their respective relatives of the Transferor Company and the Transferee Company may be affected only to the extent of their shareholding in the Transferor Company and/ or Transferee Company, or to the extent that the said Directors/ KMP are the partners, directors, members of the companies, firms, association of persons, bodies corporate and/or beneficiary of trust that hold shares in Transferor Company and/ or Transferee Company, if any. As such there will be no adverse impact consequent to the Scheme.

ii. Promoter and Non-Promoter Members

Promoter members of the Transferor Company and the Transferee Company shall be affected only to the extent of their shareholding in the Transferor Company and Transferee Company. As such there will be no adverse impact consequent to the Scheme.

Non-Promoter members of the Transferor Company shall also not be affected since the Non-Promoter shareholder would be paid fair value post Scheme becoming effective. The Transferee Company does not have any non-promoter members and hence disclosure about effect of the Scheme on them does not arise.

iii. Depositors

As of date, the Transferor Company and /or the Transferee Company have not accepted any deposits, therefore, the effect of the Scheme on any depositors does not arise.

iv. Creditors

The creditors of the Transferor Company will not be affected by the Scheme, since post amalgamation, all the liabilities of the Transferor Company will get transferred to the Transferee Company and the Transferee Company will discharge all such liabilities in the normal course of business with out jeopardizing the rights of the creditors. The creditors of the Transferee Company will not be affected by the Scheme, since post amalgamation, the assets of the Transferee Company will be sufficient to discharge all its liabilities.

v. Debenture holders

As of date, the Transferor Company does not have any debenture holders, therefore, the effect of the Scheme on debenture holders does not arise. The rights of debenture holders of the Transferee Company will not be affected by the Scheme since post amalgamation, the assets of the Transferee Company will be sufficient to discharge all its liabilities.

vi. Deposit trustee and debenture trustee

The Transferor Company does not have any deposit or debenture trustee, therefore, the point of effect of the Scheme on deposit and debenture trustee does not arise. As of date, the Transferee Company has a debenture trustee i.e. Axis Trustee Services Limited. However, the Scheme is not prejudicial to the interest of such debenture trustee.

vii. Employees

All Employees of the Transferor Company shall become the employees of the Transferee Company, on terms and conditions not less favorable than those on which they are engaged by the Transferor Company and without any interruption of or break in service. Hence, the rights and interests of the employees of the Transferor Company and Transferee Company involved in the Scheme will not be prejudicially affected by the Scheme.

14. Effect of the Scheme on material interest of Directors, KMP and Debenture Trustee

None of the Directors, Key Managerial Personnel and Debenture Trustee, if any, of the Transferor Company and the Transferee Company respectively have any material personal interest in the Scheme, save to the extent of shares held by the Directors / KMP in the Transferor Company and the Transferee Company, if any.

15. No investigation or proceedings under the Companies Act, 1956 and /or Companies Act, 2013 have been instituted or are pending in relation to the Transferor Company and the Transferee Company.

16. There are no winding up proceedings pending against the Transferor Company and the Transferee Company as of date.

17. The Transferor Company and Transferee Company have made separate applications before NCLT for the sanction of the Scheme under sections 230 to 232 read with section 66 and section 52 and other applicable provisions of the Act and rules made thereunder.
18. Following documents will be available for obtaining extract from or for making or obtaining copies of or inspection by the unsecured creditors of the Applicant Company at its registered office between 11:00 a.m. to 4:00 p.m. on all working days, except Saturdays, Sundays and Public Holidays, up to 1 (one) day prior to the date of the meeting namely:
 - a. Latest Audited Financial Statements of the Transferor Company and the Transferee Company, including Consolidated Financial Statements;
 - b. Provisional Financial Statements of Transferor Company and Transferee Company as on 31st March, 2019;
 - c. Copy of Memorandum of Association and Articles of Association of Transferor Company and Transferee Company;
 - d. Copy of the order(s) of Tribunal dated 25th July, 2019 in pursuance of which the meeting is to be convened or has been dispensed with;
 - e. Copy of the Scheme;
 - f. Contracts or Agreements material to the Scheme– There are no contracts or agreements material to the Scheme;
 - g. Certificate issued by the Auditor of the Transferor Company and the Transferee Company to the effect that the accounting treatment proposed in the Scheme is in conformity with the Accounting Standards prescribed under section 133 of the Companies Act, 2013;
 - h. Copies of the resolutions passed by the respective Board of Directors of the Transferor Company and the Transferee Company;
 - i. Report of the Audit Committee of Transferor Company and Transferee Company
 - j. Report adopted by the Board of Directors of Transferor Company and Transferee Company at its meeting held on 15th March, 2019 pursuant to the provisions of section 232(2)(c) of the Companies Act, 2013;
 - k. Valuation Report on recommendation of fair value to be paid on capital reduction, dated 14th March, 2019 issued by R Bhavana, registered valuer.
 - l. Such other information or documents as the Board or the management believes necessary and relevant for making decision for or against the Scheme;

This statement may be treated as an Explanatory Statement under sections 230 to 232 of the Companies Act, 2013 read with Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 and section 102 and other applicable provisions of the Companies Act, 2013. A copy of the Scheme, Explanatory Statement and Proxy Form may be obtained from the Registered Office of the Applicant Company.

Dated this 25th day of July, 2019

Place: Chennai

Registered Office:

No. 34, IT Highway,

Navallur, Chennai- 600130

**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL
BENCH, AT CHENNAI**

In the matter of the Companies Act, 2013

And

In the matter of sections 230 to 232 read with section 66 and section 52 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder

And

In the matter of Composite Scheme of Arrangement ('Scheme') between Polaris Consulting & Services Limited ('Transferor Company') and Virtusa Consulting Services Private Limited ('Transferee Company') and their respective shareholders

Polaris Consulting & Services Limited, a company)
incorporated under the provisions of the)
Companies Act, 1956 and having)
its registered office at No. 34, IT Highway, Navallur,)
Chennai- 600 130)
)Applicant Company

PROXY FORM

Name of the Unsecured Creditor	
Registered Address	
Email Id	
Amount of debt (Rs.) as on 30th June 2019	

I/We, being the Unsecured creditor of Polaris Consulting & Services Limited, hereby appoint

1. Name: _____
Address : _____
Email – ID : _____ Signature : _____ or failing him
2. Name: _____
Address : _____
Email – ID : _____ Signature : _____ or failing him
3. Name: _____
Address : _____
Email – ID : _____ Signature : _____

as my/ our proxy to attend and vote (on a poll) for me/ us at the meeting of the Unsecured Creditors, convened pursuant to direction of Chennai Bench of Hon'ble National Company Law Tribunal to be held at No. 34, IT Highway, Navallur, Chennai-600130 on Friday, the 6th day of September, 2019 at 11:00 A.M. and at any adjournment thereof in respect of the proposal as indicated below:

Proposal

Resolution for approval to the Composite Scheme of Arrangement between Polaris Consulting & Services Limited ('Transferor Company') and Virtusa Consulting Services Private Limited ('Transferee Company') and their respective shareholders

Signed this ___ day of ___ 2019

Signature of Unsecured Creditor:

Signature of the proxy holder(s):



Notes:

1. This form in order to be effective must be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not later than 48 hours before the commencement of the meeting.
2. Please affix revenue stamp before putting signature.
3. Alterations, if any, made in the Form of Proxy should be initialed.
4. In case of multiple proxies, the Proxy later in time shall be accepted.
5. Proxy need not be an unsecured creditor of Polaris Consulting & Services Limited.

Polaris Consulting & Services Limited
No. 34, IT Highway, Navallur, Chennai- 600130

Email: companysecretary@virtusa.com

CIN: U65993TN1993PLC024142

ATTENDANCE SLIP

PLEASE FILL THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

I hereby record my/ our presence at the meeting of the Unsecured Creditors of Polaris Consulting & Services Limited, Transferor Company, convened pursuant to an Order dated 25th July, 2019 of Chennai Bench of the National Company Law Tribunal, at No. 34, IT Highway, Navallur, Chennai- 600130 on Friday, the 6th day of September, 2019 at 11:00 A.M.

Name and Address of the Unsecured Creditor	
Signatures	
Name of the Proxy holder(s)/authorized representative*	
Signatures	

*[To be filled in by the Proxy in case he/she attends instead of the unsecured creditor (including unsecured debenture holder)]

Note:

Unsecured Creditors attending the meeting in person or by proxy or through Authorized Representative are requested to complete and bring the attendance slip with them and hand it over at the entrance of the meeting hall.

ROUTE MAP



**COMPOSITE SCHEME OF ARRANGEMENT
BETWEEN
POLARIS CONSULTING & SERVICES LIMITED
(TRANSFEROR COMPANY)
AND
VIRTUSA CONSULTING SERVICES PRIVATE LIMITED
(TRANSFeree COMPANY)
AND
THEIR RESPECTIVE SHAREHOLDERS**

UNDER SECTION 230 TO 232 READ WITH SECTION 66 AND SECTION 52 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND RULES FRAMED THEREUNDER

1. PREAMBLE

This Composite Scheme of Arrangement ('Scheme') is presented under Section 230 to 232 read with Section 66 and Section 52 and other applicable provisions of the Companies Act, 2013 and the rules framed thereunder for:

- a) Reduction of share capital of Polaris Consulting & Services Limited; and
- b) Amalgamation of Polaris Consulting & Services Limited ('Transferor Company') with Virtusa Consulting Services Private Limited ('Transferee Company').

2. DESCRIPTION OF COMPANIES

A. POLARIS CONSULTING & SERVICES LIMITED ('TRANSFEROR COMPANY' OR 'PCSL')

The Transferor Company was originally incorporated as a private limited company under the Companies Act 1956 in the state of Tamil Nadu on 5th January, 1993 under the name and style of 'Polaris Software Lab Private Limited'. On 24th June, 1996 the Transferor Company was converted into a Public limited company and its name was changed to 'Polaris Software Lab Limited'. Subsequently, on 16th November, 2011, it changed its name to 'Polaris Financial Technology Limited' and renamed itself again on 21st October, 2014 to its current name 'Polaris Consulting & Services Limited'. It is primarily engaged in the business of IT services and IT-enabled services delivering customized software solutions and products in the domain of contemporary services which include banking and financial services. The equity shares of the Transferor Company were listed on National Stock Exchange of India Limited and BSE Limited and permitted to trade on Metropolitan Stock Exchange of India Limited. The equity shares of PCSL were subsequently delisted from BSE Limited and National Stock Exchange of India Limited with effect from 1st August, 2018 in accordance with the Securities and Exchange Board of India (Delisting of equity shares) Regulations, 2009 ('Delisting Regulations'). Consequently, the Metropolitan Stock Exchange of India Limited has withdrawn the 'Permitted to Trade' status of the equity shares granted to PCSL with effect from 25th July 2018. The Transferor Company is a subsidiary of the Transferee Company.

B. VIRTUSA CONSULTING SERVICES PRIVATE LIMITED ('TRANSFeree COMPANY' OR 'VCSPL')

The Transferee Company was incorporated as a private limited company under the Companies Act, 1956 in the state of Andhra Pradesh on 5th March, 2008 under the name and style of 'Virtusa Consulting Services Private Limited'. The registered office of the Transferee Company is currently situated in the state of Tamil Nadu. It is primarily engaged in the business of providing software development and Information Technology enabled services. The Transferee Company has issued Non-Convertible Debentures which are listed on the wholesale debt segment of National Stock Exchange of India Limited.

3. RATIONALE OF THE SCHEME

- VCSPL acquired a majority controlling stake in PCSL in March 2016. As PCSL was a listed company, whose securities were listed on stock exchanges, the said acquisition was undertaken in accordance with the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended ('Takeover Regulations').
- The ultimate holding company of VCSPL is Virtusa Corporation, USA which is headquartered in 132 Turnpike Road, Suite 300 Southborough, MA 01772, USA and is listed on NASDAQ. It has operations in North America, Europe and Asia

(‘Virtusa Group’). Except Virtusa Corporation, USA, no other Virtusa Group entities is listed and has any public shareholders. Consistent with generally accepted practises world-wide, Virtusa Group’s corporate policy is to have only the ultimate holding company to be listed on stock exchanges.

- In view of above policy, in January 2018, VCSPL, who is the promoter of PCSL and acquirer in accordance with the provisions of Delisting Regulations, made a public announcement to acquire the entire public shareholding of PCSL [‘Delisting Offer’] with a primary intent to obtain full ownership of PCSL, which would in turn provide enhanced operational flexibility to the acquirer i.e. VCSPL. The Delisting Offer and process was undertaken by VCSPL, being the acquirer, and completed in accordance with the provisions of Delisting Regulations. Consequently, the equity shares of PCSL were delisted from the stock exchanges i.e. BSE Limited and National Stock Exchange of India Limited with effect from 1st August 2018. Consequently, the Metropolitan Stock Exchange of India Limited has withdrawn the ‘Permitted to Trade’ status of the equity shares granted to PCSL with effect from 25th July 2018. As per Delisting Regulations, VCSPL, being an acquirer, has provided exit option to the remaining shareholders of PCSL for a period of one year from the date of delisting.
- Further, as on the date of approval of the Scheme by the Board of Directors, PCSL has 19,882 Public Shareholders holding 3.21% in equity shares of PCSL. The capital reduction of equity shares held by the Public Shareholders of PCSL, will result into following:

- a. Alignment with Virtusa Group’s corporate policy;
 - b. It will provide exit mechanism and liquidity to all the Public Shareholders subsequent to closure of exit window of one year from the date of delisting i.e. 31st July, 2019;
 - c. It will achieve the overall objective of the Virtusa Group to have only one wholly owned subsidiary operating in any geography below its ultimate holding company i.e. Virtusa Corporation, USA. Also, from US tax laws perspective, it is imperative that overseas subsidiary i.e. VCSPL remains a 100% owned private limited company.
 - The capital reduction followed by merger of PCSL with VCSPL will also result in achieving the following:
- a. Simplification of group structure;
 - b. Business and administrative synergies;
 - c. Greater financial strength and flexibility for the Transferee Company, which would result in maximizing overall shareholder value, and will improve the competitive position of the combined entity;
 - d. Avoid duplication of efforts;
 - e. Reduction in multiplicity of legal and regulatory compliances, reduction in overheads, including administrative, managerial and other administrative costs;
 - f. Ease of doing business with all the stakeholders including customers, vendors, lenders, employees etc. by positioning entire business under one single brand name;
 - g. Synergy benefits, such as, enhancement of net worth of the combined business for future growth and expansion.

4. PARTS OF THE SCHEME

This Scheme is divided into following parts:

- a) PART I deals with the Definitions, Interpretations and Share Capital;
- b) PART II deals with reduction of share capital of PCSL;
- c) PART III deals with amalgamation of Transferor Company with the Transferee Company; and
- d) PART IV deals with General Terms and Conditions applicable to this Scheme.

Each part shall be deemed to have taken effect as per the chronology specifically provided for in the Scheme.

PART I –DEFINITIONS, INTRERPRETATIONS AND SHARE CAPITAL

1. DEFINITIONS

In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meanings:

- 1.1. “Act” or “the Act” means the Companies Act, 2013, and ordinances, rules and regulations made thereunder, and shall include any statutory modifications, re-enactments or amendments thereof for the time being in force. References in this Scheme to particular provisions of the Act are references to particular provisions of the Companies Act, 2013, unless stated otherwise.
- 1.2. “Applicable Law” shall mean any statute, notification, bye laws, rules, regulations, guidelines, rule of common law, policy, code, directives, ordinance, orders or instructions having the force of law enacted or issued by the appropriate authority including any statutory modification or re-enactment thereof for the time being in force.
- 1.3. “Appointed Date” for Part III of the Scheme means 1st April, 2018.
- 1.4. “ASOP 2003” means Associate Stock Option Plan 2003 of the Transferor Company pursuant to which shares in the Transferor Company are issued to the eligible employees of the Transferor Company upon exercise of stock options.
- 1.5. “ASOP 2011” means Associate Stock Option Plan 2011 of the Transferor Company pursuant to which shares in the Transferor Company are issued to the eligible employees of the Transferor Company upon exercise of stock options.
- 1.6. “ASOP 2015” means Associate Stock Option Plan 2015 of the Transferor Company pursuant to which shares in the Transferor Company are issued to the eligible employees of the Transferor Company upon exercise of stock options.
- 1.7. “ASOP Schemes” means collectively ASOP 2003, ASOP 2011 and ASOP 2015.
- 1.8. “Board of Directors” means the respective Board of Director of Transferor Company or the Transferee Company, as the case may be and shall include any committee of directors constituted or appointed and authorized for the purposes of matters pertaining to this Scheme or any other matter relating thereto.
- 1.9. “Effective Date” in relation to Part II of the Scheme means the date on which the certified copies of the orders sanctioning this Scheme, passed by the National Company Law Tribunal, Chennai Bench, are filed with the Registrar of Companies, Chennai by the Transferor Company but not earlier than 1st August, 2019, being the day after the closing date of the exit period provided by VCSPL, being the acquirer, to the remaining Public Shareholders in accordance with the Delisting Regulations. In relation to Part III of the Scheme, it means last of the dates on which the certified copies of the orders sanctioning this Scheme, passed by the National Company Law Tribunal, Chennai Bench, are filed with the Registrar of Companies, Chennai by the Transferor Company and the Transferee Company but not earlier than the Effective Date of Part II of the Scheme. Any references in this Scheme to the date of “coming into effect of this Scheme” or “upon the Scheme becoming effective” shall mean the Effective Date.
- 1.10. “NCLT” or “Tribunal” means National Company Law Tribunal, Chennai bench having jurisdiction in relation to the Transferor Company and the Transferee Company and shall be deemed to include, if applicable, a reference to such other forum or authority which may be vested with any of the powers of NCLT to sanction the Scheme under the Act.
- 1.11. “Promoter Shareholder” means Virtusa Consulting Services Private Limited.
- 1.12. “Public Shareholders” means shareholders of PCSL other than Promoter Shareholder who are holding shares of PCSL as on Record Date, whose shares shall be cancelled pursuant to Part II of the Scheme becoming effective.
- 1.13. “Record Date” shall be the Effective Date in relation to Part II of this Scheme.
- 1.14. “Registrar of Companies” means the Registrar of Companies, Chennai, Tamil Nadu.
- 1.15. “Scheme” or “the Scheme” or “this Scheme” means this Composite Scheme of Arrangement in its present form or with any modification(s) made under Clause 20 of this Scheme.
- 1.16. “Transferee Company” or “VCSPL” means Virtusa Consulting Services Private Limited, a company incorporated under the Companies Act, 1956 having its registered office at No. 34, IT Highway, Navallur, Chennai – 600130, Tamil Nadu and having Corporate Identity Number U93000TN2008FTC128079.

1.17. "Transferor Company" or "PCSL" means Polaris Consulting & Services Limited, a company incorporated under the Companies Act, 1956 having its registered office at No. 34, IT Highway, Navallur, Chennai – 600130, Tamil Nadu and having Corporate Identity Number U65993TN1993PLC024142.

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act and other applicable laws, rules, regulations, bye-laws, or any statutory modification or re-enactment thereof from time to time.

2. DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme as set out herein in its present form or with any modifications(s) approved or imposed or directed by the NCLT shall be deemed to have been given effect to as per the following chronology and sequence:

- a) PART II - Reduction of share capital of PCSL;
- b) PART III - Amalgamation of Transferor Company with the Transferee Company

It is expressly clarified that it is the intention of PCSL and VCSPL that each of the transactions contemplated under Part II and Part III of the Scheme constitute a separate transaction and the Scheme may be implemented in parts, if required.

3. SHARE CAPITAL

3.1. The share capital of the Transferor Company as on 31st March, 2018 was as under:

Particulars	Amount in INR
Authorised Capital	
12,00,00,000 equity shares of INR 5 each	60,00,00,000
1,00,00,000 11% preference shares of INR 5 each	5,00,00,000
Total	65,00,00,000
Issued, Subscribed and Paid up Capital	
10,29,41,129 equity shares of INR 5 each	51,47,05,645
Total	51,47,05,645

Subsequent to 31st March, 2018, there have been further allotments and the capital structure of the Transferor Company as on the date of approval of this Scheme by the Board of Directors is as under:

Particulars	Amount in INR
Authorised Capital	
12,00,00,000 equity shares of INR 5 each	60,00,00,000
1,00,00,000 11% preference shares of INR 5 each	5,00,00,000
Total	65,00,00,000
Issued, Subscribed and Paid up Capital**	
10,32,60,584 equity shares of INR 5 each*	51,63,02,920
Total	51,63,02,920

*This includes 40,450 shares lying in Demat Suspense Account / Unclaimed Suspense Account which includes the unclaimed shares. As and when the shareholder approaches PCSL or its Registrar and Transfer Agent, shares will be credited to the demat account of the shareholder or physical shares will be delivered.

** As on the date of approval of this Scheme by the Board of Directors, there are 207,690 outstanding options granted by PCSL that have varied vesting periods extending until 16th February, 2020 the details of which are as under:

Scheme	Options Vested and Unexercised	Yet to Vest	Total
ASOP 2003	5,000	-	5,000
ASOP 2011	98,890	-	98,890
ASOP 2015	34,800	69,000	103,800
Total	1,38,690	69,000	207,690

The exercise of stock options before the Effective Date, under and in accordance with the ASOP Schemes, would result in an increase in the issued, subscribed and paid-up equity share capital of the Transferor Company.

The Transferor Company is a subsidiary of the Transferee Company. As on the date of approval of this Scheme by the Board of Directors, Transferee Company holds 96.79% of share capital of the Transferor Company.

3.2. The share capital of the Transferee Company as on 31st March, 2018 was as under:

Particulars	Amount in INR
Authorised Capital 53,00,000 equity shares of INR 10 each	5,30,00,000
Total	5,30,00,000
Issued, Subscribed and Paid up Capital 10,100 equity shares of INR 10 each	1,01,000
Total	1,01,000

Subsequent to 31st March, 2018, there has been allotment of shares due to approval of the Scheme of Merger of Virtusa Software Services Private Limited and Virtusa Technologies India Private Limited with the Transferee Company. The capital structure of the Transferee Company as on the date of approval of this Scheme by the Board of Directors is as under:

Particulars	Amount in INR
Authorised Capital 53,00,000 equity shares of INR 10 each	5,30,00,000
Total	5,30,00,000
Issued, Subscribed and Paid up Capital 10,202 equity shares of INR 10 each	1,02,020
Total	1,02,020

PART II- REDUCTION OF SHARE CAPITAL OF POLARIS CONSULTING & SERVICES LIMITED

4. REDUCTION OF SHARE CAPITAL OF PCSL

- 4.1 Upon Part II of this Scheme becoming effective and subject to provisions of this Scheme, all equity shares of INR 5 (Indian Rupees Five only) each of PCSL held by Public Shareholders as on Record Date, including shares lying in the Demat Suspense Account / Unclaimed Suspense Account, shall stand cancelled.
- 4.2 On reduction of the aforesaid paid-up share capital, PCSL shall pay to Public Shareholders as on the Record Date, including to the Public Shareholders whose shares are lying in the Demat Suspense Account / Unclaimed Suspense Account, an amount of INR 480/- (Indian Rupees Four Hundred and Eighty only) per equity share of INR 5/- (Indian Rupees Five only) each in proportion to their shareholding within 30 days of the Record Date.
- 4.3 The reduction of paid up equity share capital of PCSL as aforesaid would not involve diminution of liability in respect of unpaid share capital, if any, but payment of paid-up equity share capital to the Public Shareholders of PCSL. The proposed reduction of share capital of PCSL would not in any way adversely affect the operations of PCSL or the ability of PCSL to honor its commitment or to pay its debts in ordinary course of business. Further, no compromise or arrangement is contemplated to be made with the creditors of PCSL under the Scheme.
- 4.4 With respect to the equity shares of PCSL held by Public Shareholders in dematerialised form, as on the Record Date, necessary corporate action shall be executed with Registrar and Transfer agent for effecting the aforesaid reduction of capital. With respect to the equity shares of PCSL held by Public Shareholders in physical form, the share certificates of such equity shares of PCSL shall without any further application, act, instrument or deed, be deemed to have been automatically cancelled pursuant to the Scheme.
- 4.5 The reduction in the paid-up share capital, as mentioned above, shall be effected as an integral part of this Scheme and in accordance with Explanation to Section 230 of the Act, hence the procedure under Section 66 of the Act is not required to be followed separately. The order of the NCLT sanctioning the Scheme shall be deemed to be also the order under Section 66 of the Act for the purposes of confirming the reduction of share capital.

- 4.6 Notwithstanding the reduction in the paid-up share capital of PCSL, PCSL will not be required to add the suffix “And Reduced” to its name.
- 4.7 Where the monies to be paid-out have not been claimed by or received by the Public Shareholders, including of the shares lying in the Demat Suspense Account / Unclaimed Suspense Account, on account of cheques returned and / or undelivered, cheques not deposited or shareholders being untraceable or for any other reason, PCSL shall retain such monies in the special bank account for a period of 7 (seven) years on behalf of such Public Shareholders. The amount outstanding in the special bank account after the said period shall be utilized in a manner as may be permitted under any law then in force or shall be transferred to the Investor Education and Protection Fund as per the applicable provisions of the Act.

5. ACCOUNTING TREATMENT IN THE BOOKS OF PCSL

- 5.1 On Part II of this Scheme becoming effective, PCSL shall account for capital reduction in its books of accounts as per the applicable Indian Accounting Standards as notified under Section 133 of the Act read with relevant rules issued thereunder and other generally accepted accounting principles.

The accounting treatment for the capital reduction based on the generally accepted accounting principles is as follows:

- PCSL will credit the amount payable to the Public Shareholders pursuant to reduction of the paid-up share equity share capital as per clause 4 of the Scheme to a separate account namely ‘Shareholders Control Account’;
 - The issued, subscribed and paid-up equity share capital of PCSL shall be debited by the face value of the equity shares cancelled; and
 - The difference between the face value of the equity shares cancelled and the Shareholders’ Control Account shall be adjusted against the securities premium account and the shortfall, if any, against the retained earnings.
- 5.2 Upon payment to Public Shareholders for cancellation of equity shares i.e. upon issuance of account payee cheque to the Public Shareholders, amount paid will be adjusted against the Shareholders’ Control Account.
- 5.3 The utilisation of the securities premium account of the Transferor Company shall be effected as an integral part of this Scheme without having to follow the process under Section 52 read with section 66 of the Act.

PART III- AMALGAMATION OF TRANSFEROR COMPANY WITH THE TRANSFEREE COMPANY

6. TRANSFER AND VESTING

- 6.1 Upon the Scheme becoming effective, and with effect from the Appointed Date and subject to provisions of this Scheme, the entire business of the Transferor Company shall under the provisions of Section 230 to 232 and other applicable provisions, if any, of the Act, and pursuant to the orders of the Tribunal or other appropriate authority, if any, sanctioning the Scheme shall without any further act, deed, matter or thing stand transferred to and vested in and/or deemed to be transferred to and vested in the Transferee Company so as to become the properties and liabilities of the Transferee Company in accordance with the provisions of Section 2(1B) of the Income- tax Act, 1961.
- 6.2 With effect from the Appointed Date and upon the Scheme becoming effective, the whole of the business of the Transferor Company, as a going concern, including its business, all secured and unsecured debts, liabilities, duties and obligations and all the assets, properties, rights, titles and benefits, whether movable or immovable, real or personal, in possession or reversion, corporeal or incorporeal, tangible or intangible, present or contingent and including but without being limited to land and building, whether owned, leased, licensed (Details of immovable properties of PCSL are more particularly listed in Schedule 1), all fixed and movable plant and machinery, vehicles, fixed assets, work in progress, current assets, investments, reserves, provisions, funds, licenses, registrations, copyrights, patents, trademarks and other rights and licenses in respect thereof, applications for copyrights, patents, trademarks, leases, licenses, tenancy rights, premise, ownership flats, hire purchase and lease arrangements, lending arrangements, joint venture agreements, benefits of security arrangements, computers, office equipment, telephones, telexes, facsimile connections, communication facilities, equipment and installations and utilities, electricity, water and other service connections, benefits of agreements, contracts and arrangements, powers, authorities, permits (including the licenses and permits granted by any appropriate authority like Special Economic Zone authorities, Software Technology Park of India authorities), allotments, approvals (including approvals from Special Economic Zone authorities, Software Technology Park of India authorities), consents, privileges, liberties, advantages, easements and all rights, title, interest, goodwill, benefit and advantage, deposits, reserves, provisions, advances, receivables, deposits, funds, cash, bank balances accounts and all other rights, benefits of all agreements, subsidies, grants, tax credits [including but not limited to benefits

of tax relief under the Income-tax Act, 1961 such as credit for advance tax, minimum alternate tax, taxes deducted at source, etc, benefits under the Sales Tax Act, sales tax set off, benefits of any unutilised MODVAT/CENVAT/Service tax credits, unutilised input tax credit of Central Goods and Services Tax ('CGST'), Integrated Goods and Services Tax ('IGST'), State Goods and Services Tax ('SGST'), Goods and Services Tax Compensation cess ('GST Compensation Cess'), Professional Tax etc.], software license, domain / website etc. all files, papers, records engineering and catalogues, data quotations sales / advertisement materials and former customers (price information) / suppliers (credit information) other records whether in physical, electronic form in connection / relating to the Transferor Company and other claims and powers, of whatsoever nature and wheresoever situated belonging to or in the possession of or granted in favour of or enjoyed by the Transferor Company, whether in India or abroad as on the Appointed Date, shall, under the provisions of Section 230 to 232 of the Act and all other applicable provisions, if any, of the Act, and without any further act or deed, be transferred to and vested in and / or be deemed to be transferred to and vested in the Transferee Company as a going concern so as to become from the Appointed Date, the business of the Transferee Company and to vest in the Transferee Company all the rights, title, interest or obligations of the Transferor Company therein.

- 6.3 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licences, permissions (including permits and licenses from authorities like Special Economic Zone authorities, Software Technology Park of India authorities etc.), approvals (including approvals from Special Economic Zone authorities, Software Technology Park of India authorities), quotas or consents to carry on the respective operations and business of the Transferor Company shall stand vested in or transferred to the Transferee Company without any further act or deed and shall be appropriately mutated by the Statutory Authorities concerned in favour of the Transferee Company. The benefit of all statutory and regulatory permissions, factory licences, environmental approvals and consents, sales tax, service tax, excise registrations, CGST, SGST, IGST or other licences and consents shall vest in and shall be in full force and effect against or in favour of the Transferee Company and may be enforced as fully and effectually as if instead of the Transferor Company, the Transferee Company had been the party thereto or the beneficiary or obligee thereof pursuant to this Scheme. In so far as the various incentives, subsidies, rehabilitation Schemes, special status and other benefits or privileges enjoyed, granted by any Government body, local authority or by any other person, or availed of by the Transferor Company, as the case may be, are concerned, the same shall vest with and be available to the Transferee Company on the same terms and conditions.
- 6.4 With effect from the Appointed Date and upon the Scheme becoming effective, all respective debts, liabilities (including contingent liabilities), duties and obligations of every kind, nature and description of the Transferor Company, shall be deemed to have been transferred to the Transferee Company and to the extent they are outstanding on the Effective Date shall, without any further act, deed, matter or thing be and stand transferred to the Transferee Company and shall become the liabilities and obligations of the Transferee Company which undertakes to meet, discharge and satisfy the same and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities and obligations have arisen in order to give effect to the provisions of this Clause.
- 6.5 Where any of the respective debts, liabilities (including contingent liabilities), duties and obligations of the Transferor Company as on the Appointed Date, deemed to be transferred to the Transferee Company have been discharged by the Transferor Company, after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on account of the Transferee Company.
- 6.6 All the assets and properties which are acquired by the Transferor Company, on or after the Appointed Date but prior to the Effective Date shall be deemed to be and shall become the assets and properties of the Transferee Company and shall under the provisions of Section 230 to 232 and all other applicable provisions if any of the Act, without any further act, instrument or deed, be and stand transferred to and vested in and be deemed to have been transferred to and vested in the Transferee Company upon the coming into effect of this Scheme pursuant to the provisions of Section 230 to 232 of the Act.
- 6.7 Loans, advances and other obligations if any, due or which may at any time in future become due between the Transferor Company and the Transferee Company shall stand cancelled and there shall be no liability in that behalf on either party.
- 6.8 The transfer and vesting of the entire business of the Transferor Company as aforesaid shall be subject to the existing securities, charges, mortgages and other encumbrances if any, subsisting over or in respect of the property and assets or any part thereof to the extent such securities, charges, mortgages, encumbrances are created to secure the liabilities forming part of the Transferor Company. Provided always that this Scheme shall not operate to enlarge the scope of security for any loan, deposit or facility availed of by the Transferor Company and the Transferee Company shall not be obliged to create or provide any further or additional security therefore after the Effective Date or otherwise.

- 6.9 Without prejudice to the provisions of the foregoing clauses and upon the effectiveness of this Scheme, the Transferor Company and the Transferee Company shall execute all such instruments or documents or do all the acts and deeds as may be required, including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies to give formal effect to the above provisions.
- 6.10 Upon the Scheme being sanctioned and taking effect, the Transferee Company shall be entitled to operate all bank accounts related to the Transferor Company and all cheques, drafts, pay orders, direct and indirect tax balances and/or payment advices of any kind or description issued in favour of the Transferor Company, either before or after the Appointed Date, or in future, may be deposited with the bank of the Transferee Company and credit of all receipts thereunder will be given in the accounts of the Transferee Company

7. PERMITS

With effect from the Appointed Date, Permits (including the licenses granted by any appropriate authority like Special Economic Zone/ Software Technology Park of India authorities) relating to the Transferor Company shall be transferred to and vested in the Transferee Company. Pursuant to obtaining approval from the appropriate authorities, wherever required, as per the relevant regulations pertaining to such permits, the concerned licensor and grantors of such permits shall endorse where necessary, and record the Transferee Company on such permits so as to empower and facilitate the approval and vesting of the Transferor Company in the Transferee Company and continuation of operations pertaining to the Transferor Company in the Transferee Company without any hindrance and shall stand transferred to and vested in and shall be deemed to be transferred to and vested in the Transferee Company without any further act or deed and shall be appropriately mutated by the appropriate authorities concerned therewith in favor of the Transferee Company as if the same were originally given by, issued to or executed in favor of the Transferee Company and the Transferee Company shall be bound by the terms thereof, the obligations and duties thereunder and the rights and benefits under the same shall be available to the Transferee Company.

8. LEGAL PROCEEDINGS

- 8.1 All suits, appeals or other legal proceedings of whatsoever nature pending by or against the Transferor Company on or before the Effective Date, the same shall not abate or be discontinued or be in any way prejudicially affected by reason of the Scheme or by anything contained in this Scheme, but shall be continued and enforced by or against the Transferee Company in the same manner and to the same extent as would or might have been continued and enforced by or against the Transferor Company, as if this Scheme had not been made.
- 8.2 The Transferee Company undertakes to have all legal or other proceedings initiated by or against the Transferor Company referred to in Clause 8.1 above transferred in its name respectively and to have the same continued, prosecuted and enforced by or against the Transferee Company, to the exclusion of the Transferor Company.

9. CONTRACTS, DEEDS AND OTHER INSTRUMENTS

- 9.1 Upon the coming into effect of this Scheme and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, schemes, insurance policies, indemnities, guarantees, arrangements and other instruments, whether pertaining to immovable properties or otherwise, of whatsoever nature to which the Transferor Company are a party or to the benefit of which the Transferor Company may be eligible, and which are subsisting or have effect immediately before the Effective Date, shall continue in full force and effect on or against or in favour of, as the case may be, the Transferee Company and may be enforced as fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary or obligee thereto or there under.
- 9.2 For the avoidance of doubt and without prejudice to the generality of the foregoing, it is clarified that upon the coming into effect of this Scheme, all consents, permissions, licenses, certificates, clearances, authorities, power of attorney given by, issued to or executed in favour of the Transferor Company shall stand transferred to the Transferee Company, as if the same were originally given by, issued to or executed in favour of the Transferee Company and the Transferee Company shall be bound by the terms thereof, the obligations and duties there under, and the rights and benefits under the same shall be available to the Transferee Company. The Transferee Company shall make applications and do all such acts or things which may be necessary to obtain relevant approvals from the concerned governmental authorities as may be necessary in this behalf.
- 9.3 The Transferee Company, at any time after the Scheme becoming effective in accordance with the provisions hereof, if so required under any law or otherwise, will execute deeds of confirmation or other writings or arrangements with any party to any contract or arrangement to which the Transferor Company are a party in order to give formal effect to the above provisions. The Transferee Company shall, under the provisions of this Scheme, be deemed to be authorised to execute any such writings on behalf of the Transferor Company and to carry out or perform all such formalities or compliances, referred to above, on behalf of the Transferor Company.

10. TREATMENT OF STAFF, WORKMEN AND EMPLOYEES

- 10.1 Upon the coming into effect of this Scheme, all staff, workmen, employees of the Transferor Company who are in service on the date immediately preceding the Effective Date, shall become the staff, workmen, employees of the Transferee Company, without any break or interruption in their services, on terms and conditions not less favourable than those on which they are engaged by the Transferor Company and without any interruption of or break in service as a result of the merger of the Transferor Company with the Transferee Company. The Transferee Company further agrees that, for the purpose of payment of all retirement benefits/compensation, such immediate uninterrupted past services of such employees with the Transferor Company shall be taken into account from the date of their appointment with the Transferor Company and such benefits to which the employees are entitled in the Transferor Company shall also be taken into account and paid (as and when payable) by the Transferee Company.
- 10.2 The accounts/ funds of staff, workmen and employees, past or present, relating to pension and/or superannuation, provident fund, gratuity fund or any other special fund or trusts created or existing for the benefit of staff, workmen and employees of the Transferor Company shall be identified, determined and transferred to the respective Trusts / Funds of the Transferee Company and such employees shall be deemed to have become members of such Trusts / Funds of the Transferee Company.

11. ASSOCIATE STOCK OPTION SCHEMES

- 11.1 The Transferor Company has existing ASOP Schemes in place for eligible employees. On and from the date of filing of this Scheme with the NCLT, the Transferor Company shall not bring into effect any employee / associate stock option plan, issue or enter into any agreements/ arrangements for issuance of employee / associate stock options or grant any options.
- 11.2 Upon the coming into effect of Part III of this Scheme, the existing ASOP Schemes shall automatically stand cancelled. On and from the date of filing of the Scheme with the NCLT, any options granted to eligible employees of PCSL, which is either pending vesting or exercise, shall be extinguished and the payment, after deduction of applicable taxes, shall be made to such eligible employees which shall not be less favourable than the terms of the respective ASOP Schemes.
- 11.3 The cancellation of ASOP Schemes and extinguishment of the options granted to eligible employees of PCSL pursuant to clause 11.2 of this Scheme shall form an integral part of the Scheme and the consent of the shareholders of the Transferor Company to this Scheme shall be deemed to be their consent in relation to all matters pertaining to the Transferor's ASOP Plans and all related matters.
- 11.4 The Transferor Company and the Transferee Company and the Board of Directors of the Transferor Company and the Transferee Company shall take such actions and execute such further documents as may be necessary or desirable for the purpose of giving effect to the provisions of this Clause.

12. TREATMENT OF TAXES

- 12.1. The provisions of this Scheme as they relate to the amalgamation of the Transferor Company with Transferee Company, have been drawn up to comply with the conditions relating to "Amalgamation" as defined under Section 2(1B) of the Income-tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the said Section of the Income-tax Act, 1961, at a later date including resulting from an amendment of law or for any other reason whatsoever, the provisions of the said Section of the Income-tax Act, 1961, shall prevail and the Scheme shall stand modified to the extent determined necessary to comply with Section 2(1B) of the Income-tax Act, 1961.
- 12.2. Any tax liabilities under the Income-tax Act, 1961, Wealth Tax Act, 1957, Customs Act, 1962, Central Excise Act, 1944, Central Sales Tax Act, 1956, any other state Sales Tax / Value Added Tax (VAT) laws, Chapter V of Finance Act, 1994, The Integrated Goods and Services Tax Act, 2017, The Central Goods and Services Tax Act, 2017, and any other state Goods and Services Tax Act, 2017, The Goods and Services Tax (Compensation to States) Act, 2017, Stamp Laws or other applicable laws/ regulations (hereinafter in this Clause referred to as "Tax Laws") dealing with taxes/ duties/ levies allocable or related to the business of the Transferor Company to the extent not provided for or covered by tax provision in the accounts made as on the date immediately preceding the Appointed Date shall be transferred to Transferee Company.
- 12.3. All taxes (including income tax, wealth tax, sales tax, excise duty, customs duty, service tax, CGST, SGST, IGST, GST Compensation Cess, value added tax, professional tax etc. paid or payable by the Transferor Company in respect of the operations and/or the profits of the business on and from the Appointed Date, shall be on account of the Transferee Company and, in so far as it relates to the tax payment (including without limitation income tax, wealth tax, sales tax,

excise duty, customs duty, service tax, CGST, SGST, IGST, GST Compensation Cess, VAT, etc.), whether by way of deduction at source, advance tax or otherwise howsoever, by the Transferor Company in respect of the profits or activities or operation of the business on and from the Appointed Date, the same shall be deemed to be the corresponding item paid by the Transferee Company, and, shall, in all proceedings, be dealt with accordingly.

- 12.4. Any refund under the Tax Laws due to the Transferor Company consequent to the assessments made on the Transferor Company and for which no credit is taken in the accounts as on the date immediately preceding the Appointed Date shall belong to and be received by the Transferee Company.
- 12.5. Without prejudice to the generality of the above, all benefits including under the Income Tax Act, 1961, sales tax, excise duty, customs duty, service tax, CGST, SGST, IGST, GST Compensation Cess, VAT, etc., to which the Transferor Company are entitled to in terms of the applicable Tax Laws of the Union and State Governments, shall be available to and vest in the Transferee Company.
- 12.6. The Transferee Company shall be entitled to file / revise its income-tax returns, TDS certificates, TDS returns, GST returns, and other statutory returns, if required, and shall have the right to claim refunds, advance tax credits, credits of all taxes paid / withheld, if any, as may be required, consequent to implementation of this Scheme.

13. CONDUCT OF BUSINESSES UNTIL EFFECTIVE DATE

With effect from the Appointed Date and up to and including the Effective Date:

- 13.1. The Transferor Company undertakes to preserve and carry on its business, with reasonable diligence and business prudence and shall not undertake financial commitments or sell, transfer, alienate, charge, mortgage, or encumber or otherwise deal with or dispose of any undertaking or any part thereof save and except in each case:
 - a) If the same is in its ordinary course of business as carried on by it as on the date of filing this Scheme with the Tribunal; or
 - b) If the same is expressly permitted by this Scheme; or
 - c) If the prior written consent of the Board of Directors of the Transferee Company has been obtained.
- 13.2. The Transferor Company shall carry on and be deemed to have carried on all business and activities and shall stand possessed of all the assets, rights, title and interest for and on account of, and in trust for the Transferee Company.
- 13.3. All profits and cash accruing to or losses arising or incurred (including the effect of taxes, if any thereon), by the Transferor Company, shall for all purposes, be treated as the profits and cash, taxes or losses of the Transferee Company.

14. SAVING OF CONCLUDED TRANSACTIONS

The transfer and vesting of the assets, liabilities and obligations pertaining/relating to the Transferor Company, pursuant to this Scheme, and the continuance of the proceedings by or against the Transferee Company, under Clause 8 of this Scheme shall not affect any transactions or proceedings already completed by the Transferor Company, on and after the Appointed Date to the end and intent that the Transferee Company accepts all acts, deeds and things done and executed by and/or on behalf of the Transferor Company, as acts, deeds and things done and executed by and on behalf of the Transferee Company.

15. CONSIDERATION

Upon Part II of the Scheme becoming effective, the Transferor Company shall become a wholly owned subsidiary of the Transferee Company and hence on amalgamation, neither any consideration will be paid nor any shares shall be issued by the Transferee Company to the shareholders of the Transferor Company in consideration thereof, and consequent upon the amalgamation, the shares of the Transferor Company held by the Transferee Company shall stand cancelled.

16. ACCOUNTING TREATMENT

- 16.1. Upon Part III of the Scheme becoming effective, the Transferee Company shall account for the amalgamation in its books of accounts as per the applicable accounting principles and as prescribed under Indian Accounting Standards (Ind-AS) 103 notified under section 133 of the Companies Act, 2013 read along with the Companies (Indian Accounting Standards) Rules, 2015, and other generally accepted accounting principles, as applicable.
- 16.2. The Transferor Company shall also account, upon the scheme becoming effective, in its books of accounts, in accordance with the applicable accounting standards notified under section 133 of the Companies Act, 2013 read along with the Companies (Indian Accounting Standards) Rules, 2015, and other generally accepted accounting principles, as applicable.

17. AGGREGATION OF AUTHORISED SHARE CAPITAL

17.1. Upon this Scheme becoming effective, the authorized share capital of the Transferor Company shall stand consolidated and vested in and be merged with the authorised share capital of the Transferee Company without any further act, instrument or deed on the part of the Transferee Company, including without payment of stamp duty and fees payable to Registrar of Companies and the Memorandum of Association and Articles of Association of the Transferee Company (relating to the authorised share capital) shall, without any further act, instrument or deed, be and stand altered, modified and amended, pursuant to Section 13, Section 14, Section 61 and Section 232(3)(i) respectively of the Act or any other applicable provisions of the Act, as the case may be and for this purpose the stamp duties and fees paid on the authorised share capital of the Transferor Company shall be utilised and applied to the increased authorised share capital of the Transferee Company and no payment of any extra stamp duty and/or fee shall be payable by the Transferee Company for increase in the authorised share capital to that extent. Further, in the event of any increase in the authorised share capital of Transferor Company and/ or Transferee Company before the Effective Date, such increase shall be given effect to while aggregating the authorised share capital.

17.2. Consequent upon the amalgamation, the Authorised Share Capital of the Transferee Company will be amended/ altered/ modified as under:

Authorised Share Capital	Amount in Rs.
7,03,00,000 Equity shares of Rs.10/- each	70,30,00,000/-

17.3. 'Clause V' of the Memorandum of Association of the Transferee Company shall be amended by deleting the existing clause and replacing it by the following:

"V. The authorized Share Capital of the Company is Rs.70,30,00,000/- (Rupees Seventy Crores Thirty Lakhs only) divided into 7,03,00,000(Seven Crore Three Lakh) Equity of Rs.10/- (Rupees Ten only) each with rights, privileges and conditions attached thereto as or provided by the regulations of the Company for the time being with power to increase or reduce the Capital of the Company and to divide the shares in the Capital for the time being into several classes and to attach thereto respectively subject to the laws for the time being such preferential, deferred or special rights, privileges or conditions as may be determined by or in accordance with the regulation of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the company subject to the provisions of the Companies Act, 1956."

17.4. It is clarified that the consent of the shareholders to the Scheme shall be deemed to be sufficient for the purposes of effecting this amendment, and no further resolution(s) under Sections 13, 14 and 61 of the Act or any other applicable provisions of the Act, would be required to be separately passed.

PART IV- GENERAL TERMS AND CONDITIONS

18. DISSOLUTION WITHOUT WINDING UP OF THE TRANSFEROR COMPANY

The Transferor Company shall be dissolved without winding up, on an order made by the NCLT under Section 230 of the Act.

19. APPLICATION TO THE NCLT OR SUCH OTHER COMPETENT AUTHORITY

The Transferor Company and the Transferee Company shall make, as applicable, joint or separate applications and petitions, under Section 230 to 232 read with Section 66 and section 52 and other applicable provisions of the Act to the NCLT for seeking approval of this Scheme.

20. MODIFICATION / AMENDMENT TO THE SCHEME

20.1. Subject to approval of the NCLT, the Transferor Company and/or the Transferee Company, through their respective Board of Directors may assent to any modifications/amendments to the Scheme or to any conditions or limitations that the NCLT and /or any other statutory or regulatory authority may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them (i.e. the Board of Directors). The Transferee Company's Board be and is hereby authorized to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whether by reason of any directive or orders of any statutory or regulatory authorities or otherwise howsoever arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith and to do all acts, deeds, matters and things and take all such steps as may be necessary, desirable or expedient for putting the Scheme into effect.

- 20.2. For the purpose of giving effect to this Scheme or to any modification thereof, the Board of Directors of the Transferee Company may give and are authorised to give such directions including directions for settling any question of doubt or difficulty that may arise.
- 20.3. In the event of any of the conditions imposed by the Tribunal or other authorities, which the Transferor Company and/ or the Transferee Company may find unacceptable for any reason, or if found desirable or proper by the Board of Directors of Transferor Company and Transferee Company, then the Transferor Company and/ or the Transferee Company are at liberty to withdraw the Scheme either in whole or in part.

21. CONDITIONALITY OF THE SCHEME

The Scheme is conditional upon and subject to the following:

- 21.1. The Scheme being approved by the requisite majority of respective members and creditors (wherever applicable) of the Transferor Company and the Transferee Company or dispensing the meetings, as may be directed by the NCLT;
- 21.2. The sanction of the Scheme by NCLT under the provisions of Sections 230 to 232 read with Section 66 and section 52 of the Act in favour of the Transferor Company and the Transferee Company, as the case may be, under the said provisions and to the necessary order sanctioning the Scheme being obtained;
- 21.3. The certified copy of the order of the NCLT sanctioning the Scheme being filed with the Registrar of Companies by the Transferor Company and the Transferee Company;
- 21.4. Closure of the exit period of one year from the date of delisting i.e. 31st July, 2019 provided by VCSPL, being the acquirer, to the remaining Public Shareholders of PCSL in accordance with the Delisting Regulations.

It is clarified that approval of Competition Commission of India is not required in respect of the transactions contemplated in this Scheme in view of the exemption available for merger or amalgamation of two enterprises where one enterprise has more than 50% shares or voting rights of the other enterprise.

22. EFFECT OF NON-RECEIPT OF APPROVALS/ SANCTION

- 22.1. In the event of any of the said sanctions and approvals referred to in the preceding Clause 21 not being obtained and/ or the Scheme not being sanctioned by NCLT, this Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/ or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law. Each party shall bear and pay its respective costs, charges and expenses for and or in connection with the Scheme.
- 22.2. The Boards of Directors of the Transferor Company and the Transferee Company shall be entitled to revoke, cancel and declare the Scheme of no effect if they are of the view that the coming into effect of the Scheme could have adverse implications on the Transferor Company and/ or the Transferee Company.

23. BINDING EFFECT

Upon the Scheme becoming effective, the same shall be binding on the Transferor Company and the Transferee Company and all concerned parties without any further act, deed, matter or thing.

24. COSTS, CHARGES & EXPENSES

All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed), incurred in carrying out and implementing this Scheme and matters incidentals thereto, shall be borne by the Transferee Company.

25. MISCELLANEOUS

If any part of this Scheme hereof is invalid, ruled illegal by any Court of competent jurisdiction or unenforceable under present or future laws, then it is the intention of the parties to the Scheme that such part shall be severable from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become materially adverse to any party, in which case the parties to the Scheme shall attempt to bring about a modification in the Scheme, as will best preserve for such parties the benefits and obligations of the Scheme, including but not limited to such part.

SCHEDULE 1

Following are the lists of the immovable properties of the Transferor Company as on the date of approval of the Scheme by the Board of Directors of Transferor Company that are owned or being used by the Transferor Company, including through all contractual arrangements by way of lease, licence, business arrangements, franchisee or otherwise. The list below is indicative and shall not be deemed to be exhaustive.

Sr. No.	Address
1	34 IT Highway, Navalur, Chennai – 600130
2	“The Capital”, Survey 203, Manikonda IT Park, Off Gachibowli Main Road, RR District, Hyderabad – 500019
3	7th Floor (Level 10), G-Corp Tech Park, Ghodbunder Road, Thane (W), Thane – 400601, Maharashtra
4	Property in the revenue estate of village Shikohpur, Tehsil & District Gurgaon (Haryana), Manesar

Leasehold Properties

Sr. No.	Document Date	Lessor / Licensor	Description of the property
1	19.11.2013	EON Kharadi Infrastructure Private Limited, Pune	All the piece or parcel of land known as Plot No. PL -1 in the Kharadi Knowledge Park village limit of Kharadi and within the limits of Pune Municipal Corporation, Taluka and Registration Sub-District Haveli District and Registration District Pune containing by admeasurements 1,80,000 sq. mtrs. or thereabouts and bounded by red coloured boundary lines and all those premises bearing Unit No. 501 located on fifth floor situated in Wing-3 of Cluster-D of Eon Free Zone and having area of 15,570 sq ft.
2	19.11.2013	EON Kharadi Infrastructure Private Limited, Pune	All the piece or parcel of land known as Plot No. PL -1 in the Kharadi Knowledge Park village limit of Kharadi and within the limits of Pune Municipal Corporation, Taluka and Registration Sub-District Haveli District and Registration District Pune containing by admeasurements 1,80,000 sq. mtrs. or thereabouts and bounded by red coloured boundary lines and all those premises bearing Unit No. 502 located on fifth floor situated in Wing-3 of Cluster-D of Eon Free Zone and having area of 10,000 sq ft.
3	28.11.2017	Prestige Estates Projects Limited, Bengaluru	Office space located on the 15th floor admeasuring 12,277 square feet of super built up in the multistoried building known as ‘Tower B’ in Prestige Shantiniketan, together with 12 car parking spaces, situated on Sy. Nos. 70, 71, 72, 73, 74/1, 74/2, 77/1A, 77/1B, 77/2B and 78/1 of Sadaramanagala Village and Sy. No. 129/2 and 130 of Hoodi Village, Krishnarajapuram Hobli, Bangalore, South Taluk, Bangalore totally measuring 105 Acres 20 guntas.
4	26.02.2018	Khajrana Ganesh Properties Private Limited, Gurugram	SP Infocity – The Industrial Plot No. 243, Udyog Vihar Phase 1, Dundahera, Gurgaon – 122016, Haryana admeasuring approximately 4.60 acres
5	06.03.2019	EON Kharadi Infrastructure Private Limited, Pune	Office space admeasuring approximately 33,485.88 sq. ft. of chargeable area on the first floor in Wing 1 of Cluster C with Eon Free Zone, located at Plot No-1, S.No. 77 MIDC, Kharadi Knowledge Park, Pune – 411014, Maharashtra
6	01.04.2018	SEEPZ Special Economic Zone, Mumbai	Unit No. 133, Unit No. 129, Unit No. 136, Unit No. 137, Unit No. 140 under SDF – V and Unit No. 184 under SDF – VI SEEPZ SEZ, Andheri East, Mumbai – 400 096

POLARIS CONSULTING & SERVICES LIMITED
REPORT ON VALUATION OF POLARIS CONSULTING & SERVICES LIMITED
MARCH 14, 2019

VALUATION REPORT FOR POLARIS CONSULTING & SERVICES LIMITED

I have carried out the valuation of Polaris Consulting & Services Limited (“Polaris” or the “Company”) to determine the fair market value (FMV) of the Equity shares of the Company, in compliance with provisions of Section 230 to 232 read with Section 66 and Section 52 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder.

I have computed the Valuation based on the 2 approaches – Income and Market. Details of the valuation methods attached herewith and valuation works out to INR 359 per share.

Polaris Value per share	INR
DCF	339
Trading Multiple	379
Value per share	359

My valuation is based on analysis of the Audited financials for FY16 to FY18, 9MFY19 and management estimates of FY19 and projections from FY20 to FY24. I have applied reasonable prudence to the said figures as provided by the management of the Company. I have relied on reasonable representations received from management of the Company.

Valuation analysis and its outcome are inter-alia based on market / economy trends and valuation parameters prevailing as at the valuation date. Changes in circumstances and valuation parameters after value analysis date could affect the value. I assume no responsibility to update the report for events, transactions and circumstances relating to the Company or changes in market / economy trends and valuation parameters occurring after the value analysis date.

Detailed valuation report along with valuation methodology, approach and assumptions attached herewith form an integral part of this report.

R Bhuvana

Registered Valuer

Registration No.:IBBI/RV/05/2018/10036

Dated :14th March, 2019

DISCLAIMER

This report is being issued in respect of shares of M/s POLARIS CONSULTING & SERVICES LIMITED under Section 230 to 232 read with Section 66 and Section 52 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder, by a Registered Valuer who is a member of ICMAI RVO duly engaged by the company for this purpose, pursuant to Section 247 of Chapter XVII (Registered Valuers) of the Companies Act, 2013.

The Registered Valuer has carried out this engagement in line with globally acceptable valuation standards, methodologies and approach, as applicable and suited for the Indian context.

CONTENTS

DISCLAIMER.....	3
EXECUTIVE SUMMARY.....	6
INTRODUCTION.....	7
INSTRUCTION.....	7
BASIS OF VALUATION.....	7
LEGAL REQUIREMENT FOR VALUATION.....	7
PECUNIARY INTEREST DECLARATION.....	7
OBJECTIVE AND CONFIDENTIALITY.....	7
ASSUMPTIONS AND LIMITING CONDITIONS.....	8
FULL & FRANK DISCLOSURE BY THE CLIENT RELIED UPON BY US.....	9
COMPANY DETAILS.....	10
ABOUT THE COMPANY.....	10
PURPOSE OF VALUATION.....	10
VALUATION.....	11
VALUATION APPROACH AND METHODOLOGIES.....	11
VALUATION APPROACH AND METHODOLOGIES APPLIED FOR POLARIS.....	12
FINANCIAL ANALYSIS AND PROJECTIONS.....	13
REVENUE FROM OPERATIONS.....	13
COSTS.....	14
WORKING CAPITAL.....	16
CAPEX & DEPRECIATION.....	16
VALUATION ASSUMPTIONS AND CONSIDERATIONS.....	17
VALUATION ARRIVED AT USING THE DISCOUNTED CASH FLOW METHOD.....	18
ESTIMATING THE FREE CASH FLOW.....	18
ESTIMATING THE DISCOUNT RATE.....	18
TERMINAL VALUE.....	19
DCF SUMMARY.....	19
VALUATION ARRIVED AT USING THE COMPARABLE COMPANIES MULTIPLE METHOD.....	20
VALUATION SUMMARY.....	20
APPENDIX.....	21
INCOME STATEMENT.....	21
BALANCE SHEET.....	22
COMPANY COMPARABLE DATA.....	23
COMPARABLE COMPANY BETA.....	23
REFERENCES.....	24

EXECUTIVE SUMMARY

Assets Valued	Equity shares of Polaris Consulting & Services Limited
Purpose of Valuation	Valuation in relation to the proposed Composite Scheme of Arrangement between Polaris Consulting & Services Limited and Virtusa Consulting Services Private Limited and their respective shareholders under Section 230 to 232 read with Section 66 and Section 52 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder
Name of the Client	Polaris Consulting & Services Limited
Period of Review	FY16 to FY18 and 9MFY19 (Actuals),FY19 Estimates, FY20 to FY24 (Projections)
Date of Valuation	14th March, 2019
Valuation	Equity share – Rs.359/- per Equity share of Face value of Rs.5/- each

R Bhuvana

Registered Valuer

Registration No. :IBBI/RV/05/2018/10036

Dated: 14th March, 2019

This valuation has been prepared in accordance with the Section 230 to 232 read with Section 66 and Section 52 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder. The information in this summary is derived from and should be read in conjunction with the full context of our Valuation report contained herein.

VALUATION REPORT FOR POLARIS CONSULTING & SERVICES LIMITED

INTRODUCTION

INSTRUCTION

Mrs. R Bhuvana (Registered Valuer bearing registration number (IBBI/RV/05/2018/10036) has been engaged by M/s Polaris Consulting & Services Limited (the Company) to carry out a valuation of the equity shares of the Company vide letter dated 12th February, 2019.

BASIS OF VALUATION

This Valuation exercise is carried out essentially to arrive at the Equity share value of the Company pursuant to proposed Composite Scheme of Arrangement between Polaris Consulting & Services Limited and Virtusa Consulting Services Private Limited and their respective shareholders ('Scheme') to be entered into by the Company.

To determine the Equity share value, the audited financials of the Company for the year FY16 to FY18, financials of 9MFY19, management estimates of FY19 and projections from FY20 to FY 24, as provided by the Company are considered. Valuation has been done based on Income approach using Discounted Cash flow Method as well as the Market Multiples approach which has been described in detail in this report.

LEGAL REQUIREMENT FOR VALUATION

As per section 232 of the Companies Act, 2013, the report of the expert with regard to valuation, if any, shall be circulated for the meetings so ordered by the National Company Law Tribunal, Chennai Bench. Consequently, this valuation report has been sought by the Company as part of the proposed Scheme.

PECUNIARY INTEREST DECLARATION

The valuer has no pecuniary interest in the Company, past, present or prospective, and the opinion expressed is free of any bias in this regard. The valuer strictly follows the code of conduct of Registered Valuer Organization (ICMAI) of IBBI. However, the valuer hereby discloses that her Associate has handled few assignments for Polaris Consulting & Services Limited in his professional capacity as a Practicing Company Secretary which have been at Arm's length and as part of a professional engagement.

OBJECTIVE AND CONFIDENTIALITY

This report provides an indicative valuation solely for the use of the Company for the purpose of valuation as required under Section 230 to 232 read with Section 66 and Section 52 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder and, not for any other purpose. This report is strictly confidential to the recipient and may not be distributed to anyone in any form and copies may not be taken and transmitted, unless required by law. Any reproduction of this report in any form would require our prior permission in writing.

ASSUMPTIONS AND LIMITING CONDITIONS

During the course of this Valuation exercise/process, the following limitations and assumptions were made, which require a special mention.

As a part of general practice, the valuer had shared a preliminary list of information to be provided before commencement of the valuation exercise by email. Subsequently, the valuer had requested (verbal/ in writing) for additional information from the Company in order to carry out this exercise. This report has been prepared based on such information (verbal / in writing) provided to the valuer. The verification of the information in terms of correctness, reliability, accuracy and completeness has been effected to the extent possible. The Company has also confirmed that they have provided correct, accurate, reliable and complete information relevant for the said valuation engagement and have made full and frank disclosure of all relevant facts material to this valuation engagement.

The inputs for this valuation are also based on publicly available information, Industry Benchmark/ Standards, Professional Judgment, as the case may be, wherever information has not been furnished by the Company. For the purpose of this exercise, reliance is placed on the audited financials of FY16 to FY18, YTD actuals for 9 months of FY19 estimates and projections provided by the company for FY19 and FY20 to FY24 respectively, after due validation (though this cannot be in any manner construed as an audit or due diligence on the business or financial affairs and position of the company), for arriving at the Equity share value.

Visits to assess the availability of assets with the Company have not been carried out and reliance has been placed on the signed Audited Financials of the Statutory Auditor confirming physical verification of the Assets.

The effects of transfer pricing if any, on the results have not been reviewed by us for the purpose of valuation.

This Valuation is valid only for the limited purpose mentioned in this report and neither intended nor valid to be used for any other purposes.

Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Whilst the conclusions are considered to be both reasonable and defensible based on the information made available, others may place a different value based on the same information.

FULL & FRANK DISCLOSURE BY THE CLIENT RELIED UPON BY US

Sr. No.	Item	Disclosure
1	Does the structure and management bandwidth currently in the Company, have any limitation to offer the services that are being offered today and is consistent with the future plan of the company?	No limitations considering current market offerings and the business plan
2	Does the projection include required capital expenditure to technically put the company in a position to offer the services as envisaged in the business plan which is provided for valuation purposes?	Yes. Management has appraised this and confirmed the capital expenditure factored in the business plan
3	Any specific marketable intellectual properties created that needs to be valued?	No
4	Does the Company have full complement of staff for all the functions covered by the business cycle?	Yes
5	Is the Company fully independent to execute all the activities required for its business cycles? List out dependencies if any	Yes.
6	Is the cost structure of the Company likely to change materially?	No
7	Any legal disputes or other litigation and its impact on FS of the company?	As disclosed in audited financial statements
8	Any regulatory restrictions that are currently affecting the performance of Company or would potentially affect the future performance?	None
9	Intercompany and Group Transactions and any other related party transactions included in the business plan	All transactions are at Arm's Length Pricing and are not significant to materially impact valuation
10	Any contingent liabilities and other impediments in running company during the business plan period	As disclosed in Audited financial statements
11	Any other disclosure that a qualified commercial investor would consider affecting the valuation	As disclosed in Audited financial statements

COMPANY DETAILS

ABOUT THE COMPANY

"Polaris Consulting & Services Limited" (hereinafter referred to as the "Company" or "Polaris") a company incorporated under the Companies Act, 1956 having its registered office situated at No. 34, IT Highway, Navallur, Chennai – 600 130. The Company is primarily engaged in the business of IT services and IT-enabled services delivering customized software solutions and products in the domain of contemporary services which include banking and financial services.

Polaris is a company with specialists in digital technology, data analytics & fin-tech (risk, payments). "The client always comes first" is the central credo of Polaris.

The capital structure as on 14th March, 2019 is as under:

Amount in INR	Equity	Preference	Total
Authorised Share capital	60,00,00,000	5,00,00,000	65,00,00,000
Issued, Subscribed and paid up share capital	51,63,02,920	-	51,63,02,920
Number of share*	10,32,60,584	-	10,32,60,584
Nominal Value	INR 5/-	INR 5/-	-

**Note: The Company has 207,690 ESOPs (vested, pending exercise and yet to vest) as of 14th March 2019. However, the impact of the same has not been factored in the projections as it is insignificant.*

PURPOSE OF VALUATION

Virtusa Consulting Services Private Limited (Virtusa) had entered into an agreement in March 2016 with Polaris Consulting & Services Limited (then a listed company), to acquire 52.9% of the Equity shares of the Company. Consequently, obligation to make an open offer was triggered under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Accordingly, on completion of the open offer, Virtusa acquired 79% of the voting rights in Polaris. As per Securities Contracts (Regulations) Rules, 1957, the Company shall offer at least 25 per cent of each class or kind of securities to the public for subscription. In order to comply with the said regulation, Virtusa has reduced its stake in Polaris to 74.22% by December 2016 through an offer for sale.

With an intent to make Polaris a closely held Company, Virtusa made a public announcement under the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 ('SEBI Delisting Regulations') to acquire the public shareholding of Polaris, which represented 25.78% of its paid-up equity share capital as on the Date of Offer ('Delisting Offer').

Pursuant to the reverse book building process, the delisting was successfully closed in February 2018 and Virtusa acquired 92.5% of the equity share capital of Polaris. The exit price was determined as Rs 480/- per share ('Delisting Price').

Subsequently, Polaris made an application to the stock exchanges for final approval for delisting of its shares and on receipt of these approvals, trading in equity shares of Polaris was discontinued from July 25, 2018 ('Delisting Date').

Now, the Company is proposed to enter into a Composite Scheme of arrangement for capital reduction of share capital of Polaris held by public shareholders and subsequent amalgamation of Polaris with Virtusa, citing synergy of benefits and rationalisation of costs under Sections 230 to 232 read with Section 66 and Section 52 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder. Accordingly, the Company has sought this valuation report.

VALUATION

VALUATION APPROACH AND METHODOLOGIES:

The following three main valuation approaches are adopted to perform the business valuation:

- (a) Market approach;
- (b) Income approach; and
- (c) Cost approach

MARKET APPROACH

Market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.

The following are the common methodologies for the market approach:

- (a) Comparable Companies Multiple Method; and
- (b) Comparable Transaction Multiple Method

INCOME APPROACH

Income approach is the valuation technique that converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

The following are the common methodologies for Income approach:

- (a) Discounted Cash Flow (DCF) Method;
- (b) Price Earning Capitalization Method; and
- (c) Dividend Discount Method

COST APPROACH

Cost approach is a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The following are the commonly used valuation methods under the Cost approach:

- (a) Replacement Cost Method; and
- (b) Reproduction Cost Method

VALUATION APPROACH AND METHODOLOGIES APPLIED FOR POLARIS

In this engagement, considering the following factors, discounted cash flow has been chosen as the appropriate method for valuation:

- a) The Company is a going concern generating positive cash flows
- b) The Company is expected to generate higher growth in the following few years

We have also used Trading Multiples due to the following factors:

- a) The Company was listed on the Indian stock exchange until recently
- b) The size, business model of the Company is comparable to the listed mid-sized companies in the IT sector

The Company being in significant business operation, the net asset method was not considered appropriate and accordingly, cost approach was not considered.

FINANCIAL ANALYSIS AND PROJECTIONS

The Company provided us with key financial data as well as their expectation of the business over the next few years. Following is our summary of the financial statements analysis and projections used:

Table1

Key Financial Information of Polaris Consulting & Services Limited

Consolidated Balance Sheet (INR in Lacs)

Balance Sheet	FY 16	FY 17	FY 18	9MFY19
Share Capital	5,068	5,106	5,147	5,163
Reserves and Surplus	88,359	104,024	128,021	146,588
Loan Funds	-	-	-	-
Net Fixed Assets	15,854	14,432	15,563	22,457
Current Assets	91,832	112,324	141,525	156,017
Current Liabilities	36,447	35,418	44,241	52,856

Table2

**Key Financial Information of Polaris Consulting & Services Limited
Consolidated Income Statement (INR in Lacs)**

Income Statement	FY 16	FY 17	FY 18	9MFY 19
Revenue	207,051	211,585	264,300	235,016
Operating Coast	181,590	185,283	226,876	205,971
EBITDA	25,461	26,302	37,424	29,045
EBITDA Margin	12.3%	12.4%	14.2%	12.4%
Profit After Tax	10,205	16,245	22,635	18,082
Net Profit Margin	4.9%	7.7%	8.6%	7.7%

REVENUE FROM OPERATIONS

There is a positive trend in the Revenue (from operations) growth of the Company. Revenue from operations increased from Rs 2,051 Cr in FY16 to Rs 2,627 Cr in FY18, a CAGR of 13.18%. In my view, this has been driven primarily by consultant bill rate which saw a growth due to favourable currency movement. Number of Consultants have also increased in the analysis period.

Chart 1

**Key Financial Information of Polaris Consulting & Services Limited
Revenue from Operations (INR Cr)**

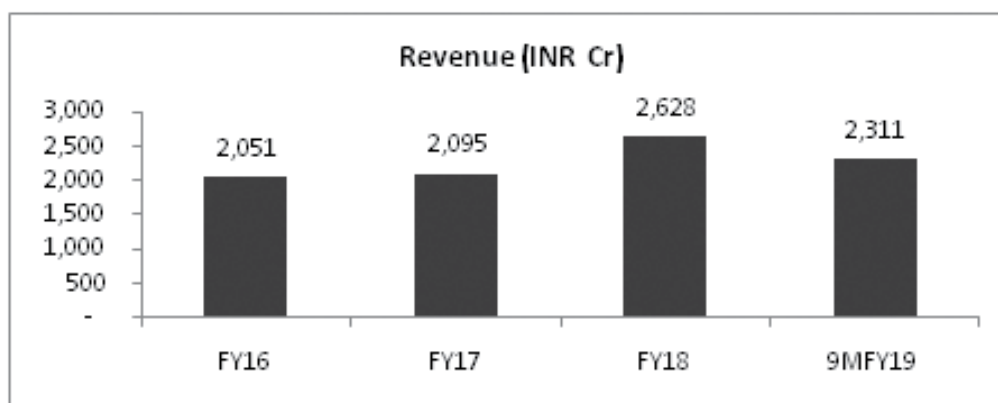


Table 3

**Key Financial Information of Polaris Consulting & Services Limited
Number of Consultants (Nos)**

Number of Consultants	FY16	FY17	FY18
Onsite	1,538	1,634	1,624
Offshore	6,003	5,693	6,158
Total Consultants	7,541	7,327	7,782

Projections

Since FY19 is almost about to conclude, I have relied on estimates by the management for FY19. Management has estimated the number of consultants to remain stable in FY19 except for `300 employees being moved to Virtusa as part of the internal movement. However, because of better FX rates, the rate per consultant is higher and therefore the overall revenue from operations for FY19 is estimated to grow by 19.3%.

From FY20 onwards, I have assumed the consultant growth rate of 10.5% tapering down to 8.5% from FY20 to FY24. Given the intense competition in the industry, Consultant bill rate is USD term is expected to grow only nominally.

Table 4

**Key Financial Information of Polaris Consulting & Services Limited
Number of Consultants (Nos)**

Revenue Assumption	Unit	FY19	FY20	FY21	FY22	FY23	FY24
Number of Consultants	No.	7,536	8,327	9,118	9,985	10,833	11,754
Growth in Number of Consultants	%	-3.2%	10.5%	9.5%	9.5%	8.5%	8.5%
Consultants Utilization	%	87.0%	87.0%	87.1%	87.1%	87.1%	87.2%
Consultants Bill Rate	Rs	2,345	2,373	2,394	2,414	2,432	2,449
Growth in Consultants Bill Rate	%	22.7%	1.2%	0.9%	0.8%	0.7%	0.7%

COSTS

COST OF CONSULTANTS

The total number of consultants in FY16 were 7541 which increased to 7782 in FY18. Of these, the ratio of onsite and offshore consultants has been in the 20:80 range (refer table 3 for data).

Projections

For FY19, the management has guided for 7549 consultants, of which 25% are onsite and 75% are offshore. I have assumed the number of onsite consultants to increase over the next 5 years basis management guidance. Management had also guided for the overall consultant cost to go down nominally for the following reasons:

- Replacement of contract employees with permanent headcount
- Replacement of onsite attrition with resources from Asia (this will achieve cost leverage as Asian associates are expected to have 10% lower cost base compared to onsite citizens in America and Europe)
- Entry level hiring
- Replacement of attrition through a lower level hiring

Given the industry scenario, I believe the management estimates for the next 5 years are reasonable and therefore have relied on them. While the cost per consultant is reducing for both online as well as offshore consultants, the blended average cost of consultant is increasing because of the increase in the mix of onsite v/s offshore consultants.

Table 5

**Key Financial Information of Polaris Consulting & Services Limited
Cost of Consultant Assumptions**

Cost of Consultant Assumption	Unit	FY19	FY20	FY21	FY22	FY23	FY24
<u>Number of Consultants</u>							
Onsite	No.	25%	25%	26%	26%	27%	27%
Offsite	%	75%	75%	74%	74%	73%	73%
Total Consultants	No.	7,536	8,327	9,118	9,985	10,833	11,754
<u>Average Cost per Hour per Consultant</u>							
Onsite	Rs.	4,000	3,952	3,948	3,944	3,934	3,923
Change in Rate per consultant	%	-	-1.20%	-0.10%	-0.10%	-0.25%	-0.30%
Offsite	Rs.	550	523	523	522	521	520
Change in Rate per consultant	%	-	-4.82%	0.10%	-0.10%	-0.25%	-0.30%
Average Consultants Cost	Rs.	1,397	1,390	1,405	1,420	1,433	1,428

OTHER OPERATING COSTS

All other expenses have been forecasted based on trend over the last 3 years. Following table lists down the assumptions regarding other expenses:

Table 6

Key Financial Information of Polaris Consulting & Services Limited Other Operating Cost Assumptions

Other Operating Expenses Assumption	Unit	FY19	FY20	FY21	FY22	FY23	FY24
Travelling Exp-As a % of Revenue	%	3.4%	3.2%	3.2%	3.2%	3.1%	3.1%
Sub-contracting Exp-As a % of Revenue	%	13.0%	13.0%	13.0%	12.5%	12.5%	12.5%
Increase in Head office Staff Salaries	%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Other Exp-As a % of Revenue	%	6.0%	6.0%	5.5%	5.5%	5.0%	5.0%

WORKING CAPITAL

Working Capital has been forecasted based on trend over the last 3 years. Following table lists down the assumptions regarding the Working Capital:

Table 7

Key Financial Information of Polaris Consulting & Services Limited Working Capital Assumptions

Working Capital Assumption	Unit	FY19	FY20	FY21	FY22	FY23	FY24
Trade Receivables	Days	46	46	46	46	46	46
Unbilled Revenue	Days	40	40	40	40	40	40
Other Current Asset	%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Number of days of Creditors	Days	37	37	37	37	37	37
Other Current Liabilities as a % of Total expenses	%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
Provision for employee benefit as a % of employee benefit expenses	%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%

CAPEX & DEPRECIATION

Depreciation has been forecasted based on trend over the last 3 years. Capex for FY19 is based on the management's input as the Company has already incurred this Capex. For FY20 to FY24, projections are based on the historical trend. These projections are also in line with the guidance provide by the management. Following table lists down the assumptions regarding the Capex and Depreciation:

Table 8

Key Financial Information of Polaris Consulting & Services Limited Capex and Depreciation Assumptions

Depreciation and Capex Assumption	Unit	FY19	FY20	FY21	FY22	FY23	FY24
Capex - As a % Revenue	%	2.8%	0.8%	0.8%	0.7%	0.6%	0.5%
Dep - As a % of Beginning Gross Block	%	11.2%	10.0%	10.0%	10.0%	10.0%	10.0%
Intangibles - Additions - As a % of Revenue	%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Amortization - As a % of Beginning Value	%	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%

VALUATION ASSUMPTIONS AND CONSIDERATIONS

Parameter	Assumption	Comments
Valuation Object	100% Equity	100% of the Equity of Polaris is to be valued
Scenario	Going Concern	For the purpose of this valuation I have assumed that Polaris will be able to independently continue its business activities in future
Valuation Date		Valuation of our analysis is dated 14th March 2019
Tax rate	30% + surcharge	Effective tax rate of the company is expected to be 32%.
Cost of Equity (Discount Rate)	16.08%	Cost of Equity is built up considering risk free rate of 7.5% based on the 10-year Government bond yield. Equity Risk Premium of 8.6% and beta of 1 which is the average beta of comparable companies. Thus, the Cost of Equity used in the valuation is 16.08%
Market Risk Premium	8.6%	Equity Risk Premium of 8.6% is used.
Company Risk Premium	0%	0%
Terminal Value	Terminal Value -INR 3,780/- Cr Present Value of Terminal Value – INR 1,794/- Cr	For arriving at the terminal value, Perpetuity Method has been used assuming a stable growth rate of 6.5%
Cost of Debt	Nil	No debt company and assumed to continue as such

VALUATION ARRIVED AT USING THE DISCOUNTED CASH FLOW METHOD

ESTIMATING THE FREE CASH FLOW

The consolidated financial projections of Polaris have been used for the DCF analysis for FY20 to FY24. For forecasting the data, I have used my estimates as well as management guidance. Accordingly, the cash flow projections on a Free Cash Flow to Equity (FCFE) basis are summarized in the Table 9.

Table 9

Key Financial Information of Polaris Consulting & Services Limited Consolidated Free Cash Flow to Equity of Polaris (INR Lacs)

DCF Valuation(INR in Lacs)	Unit	FY19	FY20	FY21	FUY22	FY23	FY24
EBIT	INR Lacs	33,564	33,744	37,827	42,299	47,645	54,524
NOPAT	INR Lacs	22,824	22,946	25,723	28,763	32,399	37,076
Add: Depreciation & Amortization	INR Lacs	2,919	3,611	3,951	4,323	4,689	5,038
Changes in NWC	INR Lacs	(687)	(3,232)	(3,417)	(3,929)	(3,811)	(4,645)
Less: Capex	INR Lacs	(9,243)	(3,452)	(3,801)	(3,766)	(3,651)	(3,484)
FCFE	INR Lacs	15,812	19,873	22,456	25,391	29,627	33,986

ESTIMATING THE DISCOUNT RATE

Since FCFE is being used for valuation, the discount rate that should be used is the Cost of Equity (“ke”). Cost of Equity is the shareholder’s required rate of return on an equity investment. Capital Asset Pricing model (CAPM) as shown below has been used to compute the cost of equity:

$$k_e = r_f + \beta (R_m - R_f) \text{ where}$$

- k_e = Cost of Equity
- r_f = Risk Free Return
- β = Beta, a measure of stock’s volatility
- R_m = Return on Equity Markets

Cost of Equity (ke) for Polaris has been estimated at 16.08% using the following factors:

- Risk Free Return (rf) – rf is considered at 7.5% (10-year government bond yield).
- Beta (β) – The beta considered for Polaris is the average beta of similar listed companies. The average beta of similar listed companies is 1.0
- Market Risk premium (Return on Equity Market (Rm) – Rf) is considered at 8 - 6%¹

TERMINAL VALUE

The terminal value refers to the present value of the business as a going concern beyond the explicit period of forecasts up to perpetuity. This value is estimated taking into consideration the past growth rates of the product / service, economic life cycle of the product / service, expected growth rates in future, capital investments made in the business as well the estimated growth rate of the industry and economy. For estimating the terminal value of Polaris, I have used perpetual growth method assuming stable growth of 6.5%. The base of 6.5% is based on my view that the IT sector will continue to grow at a high rate globally and also the fact that the Company is incorporated in India serving clients globally.

Based on the stable growth assumption of 6.5%, I arrive at Terminal Value of INR 3780 Cr. PV of Terminal Value is INR 1794 Cr.

DCF SUMMARY

Under DCF method, I have discounted the FCFE using Cost of Equity and have arrived at per share value of INR 339 per share. Overseas cash and cash equivalents are reduced by 17.47% as the tax cost for getting such funds to India. Table below summarizes the DCF valuation:

Table 10
Valuation Summary of Polaris – DCF Approach

Summary Of DCF Values	Unit	
PV of Discounted Cash Flows - explicit period	INR Lacs	82,472
PV of TV	INR Lacs	179,386
Value From FCFE	INR Lacs	261,858
Add		
Cash & Cash Equivalents - India	INR Lacs	44,480
Cash & Cash Equivalents - Overseas	INR Lacs	35,529
Investment Property	INR Lacs	5,325
Investment in JV	INR Lacs	1,005
Investment & Other Financial Assets	INR Lacs	1,468
Equity Value (Rs Lacs)	INR Lacs	349,665
No of Shares (Nos.)	Nos	103,260,584
Per Share Value (INR)	INR Lacs	339

VALUATION ARRIVED AT USING THE COMPARABLE COMPANIES MULTIPLE METHOD

I have used 7 mid-size comparable publicly listed companies in India for arriving at the value of Polaris using the Comparable Companies Multiple Method. Median TTM P/E of these companies is 18.46x. This is adjusted with a 15% illiquidity discount given that the Company is not traded on any stock exchange. The discount of 15% takes into consideration various parameters like size of the Company, ease of finding an investor for the company, ease with which the company can get listed. Thus, the adjusted P/E multiple used for valuing Polaris is 15.7x. Thus, using the TTM (Trailing Twelve Months) Net Profit of INR 24,943 Lacs, Polaris is valued at INR 379 per share.

Table 11**Valuation Summary of Polaris – Market Multiple Approach**

Market Multiples	Unit	
P/E (TTM)	x	18.5x
Illiquidity Discount	%	15%
Adj. P/E (TTM)	x	15.7x
Earnings-TTM	INR Lacs	24,943
Equity Value	INR Lacs	391,321
Per Share Value	INR	379

VALUATION SUMMARY

Equity Value using the DCF method comes to INR 339 and using the Comparable Companies Method comes to INR 379. I assign a weight of 50% each to DCF method as well as Comparable Companies method. Using these weights, the weighted average equity value of Polaris comes to INR 359/- per share.

Table 12**Valuation Summary of Polaris**

Polaris Value Per share	Weight	INR
DCF	50%	339
Trading Multiple	50%	379
Value Per share		359

Sd/-

R Bhuvana

Registered Valuer

Registration No.:IBBI/RV/05/2018/10036

Dated: 14th March, 2019

APPENDIX

INCOME STATEMENT

Polaris Consulting & Services Limited

	Actual	Actual	Actual	Estimate	Projected	Projected	Projected	Projected	Projected
Income Statement (Rs in Lacs)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue from operations	205,135	209,499	262,787	313,539	344,468	379,252	417,383	455,092	496,136
Growth	8.3%	2.1%	25.4%	19.3%	9.9%	10.1%	10.1%	9.0%	9.0%
Other Income	1,916	2,087	1,513	4,503	1,502	1,502	1,502	1,502	1,502
Total Income	207051	211585	264300	318042	345970	380,754	418,884	456,594	497,637
Consultant Cost	136,244	132,509	162,069	202,113	222,194	245,932	272,173	297,977	322,335
Sub Contacting Exp	17,578	23,436	32,594	40,760	44,781	49,303	52,173	56,887	62,017
Travelling Exp	7,296	7,930	8,263	10,660	11,023	12,136	13,356	14,108	15,380
Total Direct Exp	161,117	163,875	202,925	253,534	277,998	307,371	337,702	368,972	399,733
Other Expenses	13,302	14,434	15,421	18,812	20,668	20,859	22,956	22,755	24,807
Other Employee Cost	7,171	6,974	8,530	9,212	9,949	10,745	11,605	12,533	13,536
Total SG&A Exp	20,473	21,408	23,951	28,025	30,617	31,604	34,561	35,288	38,343
EBITDA	25,461	26,302	37,424	36,483	37,355	41,778	46,621	52,334	59,562
<i>EBITDA Margin</i>	<i>12.3%</i>	<i>12.4%</i>	<i>14.2%</i>	<i>11.5%</i>	<i>10.8%</i>	<i>11.0%</i>	<i>11.1%</i>	<i>11.5%</i>	<i>12.0%</i>
Depreciation and amrtisation expenses	2,643	2,384	2,517	2,919	3,611	3,951	4,323	4,689	5,038
Finance costs	-	-	-	-	-	-	-	-	-
Impairment Loss on Financial Asset	(186)	(230)	(1,150)	-	-	-	-	-	-
Exceptional items	(2,184)	-	-	-	-	-	-	-	-
Profit before share of loss of equity accounted investees and income tax expense	20,449	23,688	33,757	33,564	33,744	37,827	42,299	47,645	54,524
share of loss from joint venture	(8)	(63)	(76)	-	-	-	-	-	-
Profit before income tax expense	20,441	23,626	33,682	33,564	33,744	37,827	42,299	47,645	54,524
Income Tax Expense	10,236	7,381	11,047	10,741	10,798	12,105	13,536	15,246	17,448
Effective Tax Rate	50.1%	31.2%	32.8%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
Profit After Tax	10,205	16,245	22,635	22,824	22,946	25,723	28,763	32,399	37,076
PAT Margin	5.0%	7.8%	8.6%	7.3%	6.7%	6.8%	6.9%	7.1%	7.5%

BALANCE SHEET

Polaris Consulting & Services Limited

	Actual	Actual	Actual	Estimate	Projected	Projected	Projected	Projected	Projected
Balance Sheet (Rs in Lacs)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Non Current Assets									
Property, Plant and equipment	15,854	14,432	15,563	21,982	21,729	21,478	20,812	19,662	17,989
Capital Work in Progress	-	-	195	-	-	-	-	-	-
Investment Property	5,309	5,309	5,325	5,325	5,325	5,325	5,325	5,325	5,325
Intangible Assets	276	481	786	885	980	1,080	1,190	1,301	1,419
Investment in JV	1,533	1,471	1,025	1,025	1,025	1,025	1,025	1,025	1,025
Investment & Other Financial Assests	7,019	2,466	2,143	2,143	2,143	2,143	2,143	2,143	2,143
Income Tax Assests	5,915	7,847	8,216	8,216	8,216	8,216	8,216	8,216	8,216
Deferred Tax Assets	1,886	137	1,610	1,610	1,610	1,610	1,610	1,610	1,610
Other Non Current Assets	397	216	1,095	1,097	1,206	1,327	1,461	1,593	1,736
Total Non Current Assets	38,190	32,359	35,957	42,284	42,233	42,204	41,780	40,874	39,463
Current Assets									
Cash & bank balance	27,024	39,655	70,035	85,861	105,626	127,960	153,218	182,713	216,555
Other cash equivalents	16,235	17,642	2,060	2,060	2,060	2,060	2,060	2,060	2,060
Trade receivables	25,184	31,555	28,932	40,079	44,033	48,479	53,353	58,174	63,420
Unbilled revenue	19,888	21,501	35,492	34,975	38,425	42,305	46,558	50,765	55,343
Other current Assets	2,927	1,970	5,007	4,465	4,906	5,401	5,944	6,481	7,066
Assets held for sale	574								
Total Current Assets	91,832	112,324	141,525	167,440	195,049	226,205	261,133	300,192	344,444
Total Assets	130,022	144,683	177,482	209,723	237,282	268,409	302,914	341,066	383,907
Current Liabilities									
Creditors	13,465	16,820	20,598	25,735	28,218	31,200	34,278	37,452	40,575
Other Current Liabilites	9,606	7,153	12,812	15,900	17,428	19,143	21,022	22,829	24,739
Provision for employee benefit	3,465	3,948	4,929	6,106	6,707	7,416	8,199	8,972	9,704
Other financial liabilites	8,660	6,891	3,739	3,739	3,739	3,739	3,739	3,739	3,739
Current tax liabilites	878	606	2,163	2,163	2,163	2,163	2,163	2,163	2,163
Assets held for sale	374	-	-	-	-	-	-	-	-
Total Current Liabilites	36,447	35,418	44,241	53,643	58,256	63,661	69,402	75,156	80,920
Non Current Liabilites									
Deferred Tax Liability	148	135	73	73	73	73	73	73	73
Long Term Borrowings	-	-	-	-	-	-	-	-	-
Total Non current Liabilites	148	135	73	73	73	73	73	73	73
Equity									
Equity share capital	5,068	5,106	5,147	5,163	5,163	5,163	5,163	5,163	5,163
Reserve & Surplus	88,359	104,024	128,021	150,844	173,790	199,513	228,276	260,674	297,751
Total Equity	93,427	109,130	133,168	156,007	178,953	204,676	233,439	265,837	302,914
Total Liabilities & Equity	130,022	144,683	177,482	209,723	237,282	268,409	302,914	341,066	383,907

COMPANY COMPARABLE DATA

Company Name	Market Cap (INR BN)	EV (INR BN)	EV/ S (LTM)	EV/ EBITDA (LTM)	P/E (LTM)
Larsen &Toubro Infotech Limited	297	275	3.1x	16.3x	20.8x
Mphasis Limited	193	181	2.4x	14.0x	18.5x
Mindtree Limited	153	143	2.2x	14.1x	20.8x
Hexaware Technologies Limited	107	99	2.1x	13.6x	18.3x
NIIT Technologies Limited	82	74	2.1x	12.6x	21.3x
Persistent System Limited	53	42	1.3x	7.8x	15.7x
Sonata Software Limited	36	33	1.2x	10.5x	15.0x
Median			2.1x	13.6x	18.5x

Comparable Company Beta

Company Name	BETA
Larsen &Toubro Infotech Limited	0.81
Mphasis Limited	0.74
Mindtree Limited	1.07
Hexaware Technologies Limited	0.91
NIIT Technologies Limited	1.12
Persistent System Limited	0.89
Sonata Software Limited	1.44
Average Beta of Mid Cap stocks	1.00

References:

1) http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF VIRTUSA CONSULTING SERVICES PRIVATE LIMITED AT THEIR MEETING HELD ON 15TH MARCH 2019 EXPLAINING THE EFFECT OF THE COMPOSITE SCHEME OF ARRANGEMENT BETWEEN POLARIS CONSULTING & SERVICES LIMITED AND VIRTUSA CONSULTING SERVICES PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS ON EACH CLASS OF SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS AND NON-PROMOTER SHAREHOLDERS

Background

- i. The proposed Composite Scheme of Arrangement between Polaris Consulting & Services Limited ('Transferor Company') and Virtusa Consulting Services Private Limited ('Transferee Company' or 'the Company') and their respective shareholders ('Scheme') under Sections 230 to 232 read with Section 66 and section 52 and other applicable provisions of the Companies Act, 2013 and the rules framed thereunder was considered and approved by the Board of Directors of the Company at its meeting held on 15th March 2019
- ii. As per Section 232(2)(c) of the Companies Act, 2013, a report adopted by the directors explaining the effect of the Scheme on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders is required to be circulated along with the notice convening the meeting to all the shareholders and/or creditors or any class of them, wherever meetings have been ordered to be convened by the National Company Law Tribunal, Chennai Bench.
- iii. At the board meeting, following documents were placed before the Board of Directors for their consideration:
 - a. Scheme;
 - b. Memorandum of Association and Article of Association of the Transferor Company and the Transferee Company;
 - c. Audited accounts of the Transferor Company and the Transferee Company as on 31st March, 2018;
 - d. Unaudited accounts of the Transferor Company and the Transferee Company as on 31st December, 2018;
 - e. Auditor's Certificate issued by the statutory auditors of the Transferor Company and Transferee Company confirming the compliance of the accounting treatment specified in the Scheme;
 - f. Report of the Audit committee dated 15th March 2019 recommending the Scheme to the board for approval

Benefits of the Scheme

- i. The capital reduction of equity shares of Transferor Company will provide exit mechanism and liquidity to all the public shareholders, including untraceable shareholders, subsequent to closure of exit window of one year from the date of delisting.
- ii. The capital reduction followed by merger of Transferor Company with Transferee Company will inter-alia have the following benefits:
 - a. Simplification of group structure;
 - b. Business and administrative synergies;
 - c. Greater financial strength and flexibility for the Transferee Company, which would result in maximizing overall shareholder value, and will improve the competitive position of the combined entity;
 - d. Avoid duplication of efforts;
 - e. Reduction in multiplicity of legal and regulatory compliances, reduction in overheads, including administrative, managerial and other administrative costs;
 - f. Ease of doing business with all the stakeholders including customers, vendors, lenders, employees etc. by positioning entire business under one single brand name;
 - g. Synergy benefits, such as, enhancement of net worth of the combined business for future growth and expansion.

Valuation

- i. Post the effectiveness of the reduction of equity share capital of the Transferor Company, the Transferor Company will become a wholly owned subsidiary of the Transferee Company. Accordingly, no shares will be issued by the Transferee Company on the Scheme becoming effective.

Impact of Key Stakeholders

- i. As the entire business of Transferor Company shall stand transferred to the Transferee Company, the rights and interests of the shareholders and/or the creditors of the Transferee Company shall not be affected and the Scheme shall also not be prejudicial to the interest of the shareholders and/or creditors of the Transferor Company.
- ii. The effect of the proposed Scheme on the stakeholders of the Company would be as follows:

Effect of the Scheme on:	
(a) key managerial personnel	No effect
(b) directors	No effect
(c) promoters	No effect
(d) non-promoter members	Not Applicable
(e) depositors	Not Applicable
(f) creditors	No effect
(g) debenture holders	No effect
(h) deposit trustee and debenture trustee	No effect
(i) employees	No effect

Taking into consideration the effects of the Scheme as mentioned above, the board of directors of the Company noted that there will be no adverse effect of the said Scheme on abovementioned stakeholders.

For and on behalf of Board of Directors

Virtusa Consulting Services Private Limited

Place: Gurgaon

Date: 15th March 2019

Hema Mohandas

Director

DIN:07934500

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF POLARIS CONSULTING & SERVICES LIMITED AT THEIR MEETING HELD ON 15TH MARCH 2019 EXPLAINING THE EFFECT OF THE COMPOSITE SCHEME OF ARRANGEMENT BETWEEN POLARIS CONSULTING & SERVICES LIMITED AND VIRTUSA CONSULTING SERVICES PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS ON EACH CLASS OF SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS AND NON-PROMOTER SHAREHOLDERS

Background

- i. The proposed Composite Scheme of Arrangement between Polaris Consulting & Services Limited ('Transferor Company' or 'the Company') and Virtusa Consulting Services Private Limited ('Transferee Company') and their respective shareholders ('Scheme') under Sections 230 to 232 read with Section 66 and section 52 and other applicable provisions of the Companies Act, 2013 and the rules framed thereunder was considered and approved by the Board of Directors of the Company at its meeting held on 15th March 2019
- ii. As per Section 232(2)(c) of the Companies Act, 2013, a report adopted by the directors explaining the effect of the Scheme on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders is required to be circulated along with the notice convening the meeting to all the shareholders and/or creditors or any class of them, wherever meetings have been ordered to be convened by the National Company Law Tribunal, Chennai Bench.
- iii. At the board meeting, following documents were placed before the Board of Directors for their consideration:
 - a. Scheme;
 - b. Valuation Report dated 14th March 2019 obtained from Mrs. R Bhuvana, Registered Valuer and Mrs. S Pitchammal, Cost Accountant recommending the fair valuation of the Company to determine the consideration to be paid upon the proposed capital reduction of equity shares held by the public shareholders of the Company;
 - c. Memorandum of Association and Article of Association of the Transferor Company and the Transferee Company;
 - d. Audited accounts of the Transferor Company and the Transferee Company as on 31st March, 2018;
 - e. Unaudited accounts of the Transferor Company and the Transferee Company as on 31st December, 2018;
 - f. Auditor's Certificate issued by the statutory auditors of the Transferor Company and Transferee Company confirming the compliance of the accounting treatment specified in the Scheme;
 - g. Report of the Audit committee dated 15th March 2019 recommending the Scheme to the board for approval

Benefits of the Scheme

- i. The capital reduction of equity shares of Transferor Company will provide exit mechanism and liquidity to all the public shareholders, including untraceable shareholders, subsequent to closure of exit window of one year from the date of delisting.
- ii. The capital reduction followed by merger of Transferor Company with Transferee Company will inter-alia have the following benefits:
 - a. Simplification of group structure;
 - b. Business and administrative synergies;
 - c. Greater financial strength and flexibility for the Transferee Company, which would result in maximizing overall shareholder value, and will improve the competitive position of the combined entity;
 - d. Avoid duplication of efforts;
 - e. Reduction in multiplicity of legal and regulatory compliances, reduction in overheads, including administrative, managerial and other administrative costs;
 - f. Ease of doing business with all the stakeholders including customers, vendors, lenders, employees etc. by positioning entire business under one single brand name;
 - g. Synergy benefits, such as, enhancement of net worth of the combined business for future growth and expansion.

Valuation

- i. The Valuation Report has been obtained from Mrs. R Bhuvana, Registered Valuer, and Mrs. S Pitchammal, Cost Accountant Chennai. The Valuation Report does not mention any special difficulties faced in the valuation.

- ii. As per the Valuation Report submitted by the valuer, the value of the equity share of the Company is Rs. 339/- (Rupees Three Hundred and Thirty Nine only) per share as per the Discounted Cash Flow Method and Rs. 379/- (Rupees Three Hundred and Seventy Nine only) per share as per the Trading Multiples Method. After providing weighted average of 50% for each method, the value of the Company has been arrived at Rs. 359/- (Rupees Three Hundred and Fifty Nine only) per share. Considering that the exit price of Rs. 480/- (Rupees Four Hundred and Eighty only) per share had been fixed for shareholders tendering the equity shares of the Company in accordance with the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, the Board considers it fair to pay Rs. 480/- (Rupees Four Hundred and Eighty only) per share to the Public Shareholders of the Company on capital reduction.
- iii. Post the effectiveness of the reduction of equity share capital of the Transferor Company, the Transferor Company will become a wholly owned subsidiary of the Transferee Company. Accordingly, no shares will be issued by the Transferee Company on the Scheme becoming effective

Impact of Key Stakeholders

- i. As the entire business of Transferor Company shall stand transferred to the Transferee Company, the rights and interests of the shareholders and/or the creditors of the Transferor Company shall not be affected and the Scheme shall also not be prejudicial to the interest of the shareholders and/or creditors of the Transferee Company.
- ii. The effect of the proposed Scheme on the stakeholders of the Company would be as follows:

Effect of the Scheme on:	
(a) key managerial personnel	No effect
(b) directors	No effect
(c) promoters	No effect
(d) non-promoter members	No effect since fair value would be paid to the non-promoter members upon capital reduction becoming effective
(e) depositors	Not applicable
(f) creditors	No effect
(g) debenture holders	Not applicable
(h) deposit trustee and debenture trustee	Not applicable
(i) employees	No effect

Taking into consideration the effects of the Scheme as mentioned above, the board of directors of the Company noted that there will be no adverse effect of the said Scheme on abovementioned stakeholders.

For and on behalf of Board of Directors

Polaris Consulting & Services Limited

Sd/-

Rama Sivaraman

Director

DIN: 07425519

Place: Gurgaon

Date: 15th March 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Virtusa Consulting Services Private Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Virtusa Consulting Services Private Limited ("the Company"), which comprise the balance sheet as at 31st March 2019, and the statement of Profit and Loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and loss, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Information Other than the Standalone Financial Statements and Auditor's Report Thereon

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect

a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

We give in “Annexure A” a detailed description of Auditor’s responsibilities for Audit of the Standalone Financial Statements.

Other Matter

The standalone Ind AS financial statements of the Company for the year ended 31st March, 2018, were audited by another auditor whose report dated November 13, 2018 expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor’s Report) Order, 2016 (“the Order”), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in “Annexure B” a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, 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.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
 - (c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 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 with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure C”.
 - (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 Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 2.22(b) to the standalone financial statements;
 - ii. The Company did not have any long - term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
3. In our opinion, according to information, explanations given to us, the provisions of Section 197 of the Act and the rules thereunder are not applicable to the Company as it is a private Company.

For MSKA & Associates

Chartered Accountants

ICAI Firm Registration No. 105047W

Ananthkrishnan G

Partner

Membership No. 205226

Place: Hyderabad

Date: 29th May 2019

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF VIRTUSA CONSULTING SERVICES PRIVATE LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For MSKA & Associates

Chartered Accountants

ICAI Firm Registration No. 105047W

Ananthkrishnan G

Partner

Membership No. 205226

Place: Hyderabad

Date: 29th May 2019

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF VIRTUSA CONSULTING SERVICES PRIVATE LIMITED FOR THE YEAR ENDED 31st March 2019

[Referred to in paragraph under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

- i. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets (Property, Plant and Equipment).

(b) All the fixed assets (Property, Plant and Equipment) have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties as disclosed in Note 2.01 (a) are held in the name of the Company.
- ii. The Company is involved in the business of rendering services. Accordingly, the provisions stated in paragraph 3(ii) of the Order are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships (LLP) or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions stated in paragraph 3 (iii) (a) to (c) of the Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, in respect of investments made. Further, the company has not granted any Loans or provided any guarantees or securities to the parties covered under Section 185 and 186 of the Act.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and rules framed under during the year.
- vi. The provisions of sub-section (1) of section 148 of the Act are not applicable to the Company as the Central Government of India has not specified the maintenance of cost records for any of the products of the Company. Accordingly, the provisions stated in paragraph 3 (vi) of the Order are not applicable to the Company.
- vii. (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 with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of customs, cess and any other statutory dues applicable to it.

(b) According to the information and explanation given to us and the records of the Company examined by us, there are no dues of income tax, goods and service tax, customs duty, cess and any other statutory dues which have not been deposited on account of any dispute.

However, the company disputes the following dues of Income Tax:

Name of the statute	Nature of dues	Amount (Rs in lacs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	4.12	A Y 2004-05	High Court
Income Tax Act, 1961	Income Tax	385.08	A Y 2007-08	High Court
Income Tax Act, 1961	Income Tax	275.50	A Y 2009-10	ITAT

- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to debenture holders.
- ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions stated in paragraph 3 (ix) of the Order are not applicable to the Company.

- x. During the course of our audit, examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees.
- xi. According to the information and explanations given to us, since the Company is a Private Company, the provisions of section 197 of the Act will not be applicable. Accordingly, the provisions stated in paragraph 3(xi) of the Order are not applicable to the Company.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has made private placement of fully convertible debentures during the year and the requirements of Section 42 of the Act have been complied with. The amount raised has been used for the purposes for which they were raised. Further the company has not made any preferential allotment of shares (or) partly convertible debentures during the year.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.
- xvi. In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi) of the Order are not applicable to the Company.

For MSKA & Associates

Chartered Accountants

ICAI Firm Registration No. 105047W

Ananthkrishnan G

Partner

Membership No. 205226

Place: Hyderabad

Date: 29th May 2019

ANNEXURE C TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF VIRTUSA CONSULTING SERVICES PRIVATE LIMITED

[Referred to in paragraph under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

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

We have audited the internal financial controls with reference to standalone financial statements of Virtusa Consulting Services Private Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, 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 internal financial controls with reference to standalone financial statements 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 internal financial controls with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of internal financial controls with reference to standalone financial statements, 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 judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls With Reference to Standalone Financial Statements

A Company's internal financial control with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to standalone financial statements 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 standalone 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 standalone financial statements.

Inherent Limitations of Internal Financial Controls With Reference to Standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to standalone financial statements, 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 with reference to standalone financial statements to future periods are subject to the risk that the internal financial control with reference to standalone

financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2019, based on the internal control with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For MSKA & Associates

Chartered Accountants

ICAI Firm Registration No. 105047W

Ananthkrishnan G

Partner

Membership No.205226

Place : Hyderabad

Date : 29th May 2019

Virtusa Consulting Services Private Limited
Balance sheet
(All amounts are in Lakhs of Indian Rupees lakhs, unless otherwise stated)

Particulars	Notes	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.01(a)	12,724.38	13,608.15
Intangible assets	2.01(b)	686.53	1,204.74
Capital work-in-progress	2.01(c)	143.25	49.57
Financial assets			
Investments	2.02	291,562.20	269,148.47
Loans	2.03	1,795.06	1,707.90
Other financial assets	2.04	2.69	2.65
Deferred tax assets, net	2.21(d)	1,429.90	1,165.02
Other assets	2.05	980.94	984.06
Other tax assets, net	2.21(f)	-	922.87
Total non-current assets		309,324.95	288,793.43
Current assets			
Financial assets			
Trade receivables	2.06	27,708.98	22,017.81
Cash and cash equivalents	2.07 (a)	4,239.68	11,355.63
Other bank balances	2.07 (b)	23.64	329.00
Loans	2.03	107.38	-
Other financial assets	2.04	1,056.29	1,809.98
Other assets	2.05	2,059.62	1,487.68
Total current assets		35,195.59	37,000.10
Total assets		344,520.54	325,793.53
EQUITY AND LIABILITIES			
Equity			
(a) Share capital	2.08	1.02	1.01
(b) Equity shares to be issued pursuant to scheme of amalgamation and arrangement	2.09	-	0.01
(c) Other equity	2.10	102,812.81	94,336.95
		102,813.83	94,337.97
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	2.11 (a)	222,004.36	213,439.04
Others	2.11 (b)	604.02	604.02
Provisions	2.12	2,007.79	1,835.30
Other liabilities	2.13	161.41	182.82
Total non-current liabilities		224,777.58	216,061.18
Current liabilities			
Financial liabilities			
Trade payables	2.14	4,158.89	4,057.76
Other financial liabilities	2.15	9,997.54	9,238.57
Provisions	2.12	278.69	225.59
Other liabilities	2.13	2,145.06	1,828.49
Current tax liabilities, net	2.21(f)	348.95	43.97
Total current liabilities		16,929.13	15,394.38
Total liabilities		241,706.71	231,455.56
Total equity and liabilities		344,520.54	325,793.53

Significant accounting policies

1.3

The notes referred to above form an integral part of the standalone financial statements.

As per our report of even date attached

for MSKA & Associates
 Chartered Accountants
 ICAI Firm Registration No. : 105047W

Ananthkrishnan.G
 Partner
 Membership No.: 205226

Place: Hyderabad
 Date: 29 May 2019

for and on behalf of the Board of Directors of

Virtusa Consulting Services Private Limited
 CIN: U93000TN2008FTC128079

Vasu Pendyala
 Director
 DIN: 07538355

Christina Pauline Beulah
 Company Secretary

Hari Raju Mahadevu
 Director
 DIN: 03262516

Place: Hyderabad
 Date: 29 May 2019

Virtusa Consulting Services Private Limited

Statement of profit and loss

(All amounts are in Lakhs of Indian Rupees lakhs, unless otherwise stated)

Particulars	Notes	For the year ended 31 March 2019	For the year ended 31 March 2018
Revenue			
Revenue from operations	2.16	127,271.58	106,785.51
Other income	2.17	1,225.91	2,361.85
Total revenue		128,497.49	109,147.36
Expenses			
Employee benefits expense	2.18	79,903.18	64,424.38
Finance costs	2.19	19,339.06	13,571.61
Depreciation and amortisation	2.01(a) & 2.01(b)	4,266.98	4,539.23
Other expenses	2.20	23,167.14	19,791.52
Total expenses		126,676.36	102,326.74
Profit before tax		1,821.13	6,820.62
Income-tax expense			
- Current tax	2.21	3,929.43	3,887.30
- Deferred tax credit	2.21	(447.14)	(464.34)
(Loss) / Profit for the year		(1,661.16)	3,397.66
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gains / (losses) on defined benefit plans		58.69	(195.10)
Income tax effect of remeasurement on defined benefit plans		(10.25)	33.76
Net other comprehensive gain / (loss) not to be reclassified subsequently to profit or loss		48.44	(161.34)
Total comprehensive (loss) / income for the year		(1,612.72)	3,236.32
(Loss) / Earnings per equity share - par value of INR 10 per share (Refer note 2.23)			
Basic and Diluted (in INR)		(14,088.37)	32,799.11
Significant accounting policies	1.3		
The notes referred to above form an integral part of the standalone financial statements.			

As per our report of even date attached

for MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. : 105047W

Ananthkrishnan.G
Partner
Membership No.: 205226

Place: Hyderabad
Date: 29 May 2019

for and on behalf of the Board of Directors of
Virtusa Consulting Services Private Limited
CIN: U93000TN2008FTC128079

Vasu Pendyala
Director
DIN: 07538355

Christina Pauline Beulah
Company Secretary

Hari Raju Mahadevu
Director
DIN: 03262516

Place: Hyderabad
Date: 29 May 2019

Virtusa Consulting Services Private Limited

Statement of changes in equity
(All amounts are in Lakhs of Indian Rupees lakhs, unless otherwise stated)

Particulars	Other equity						Total	
	Equity share capital	Equity component of convertible debentures (refer 2.10)	Reserves and surplus					Retained earnings
			Capital reserve	General reserve	Debt redemption reserve	SEZ reinvestment reserve		
Balance as at 1 April 2018	1.01	13,939.01	1,523.53	292.61	1,084.29	-	77,497.51	94,336.95
Loss for the year	-	-	-	-	-	-	(1,661.16)	(1,661.16)
Issue of shares based on scheme of amalgamation (Refer Note 2.34)	0.01	-	-	-	-	-	-	-
Transfer to SEZ reinvestment reserve	-	-	-	-	-	4,644.57	(4,644.57)	-
Utilization from SEZ reinvestment reserve	-	-	-	-	-	(1,733.57)	1,733.57	-
Equity component of convertible debentures issued	-	10,088.58	-	-	-	-	-	10,088.58
Remeasurement of defined benefit liability	-	-	-	-	-	-	58.69	58.69
Income tax relating to remeasurement of defined benefit liability	-	-	-	-	-	-	(10.25)	(10.25)
Balance as at 31 March 2019	1.02	24,027.59	1,523.53	292.61	1,084.29	2,911.00	72,973.79	102,812.81

Particulars	Other equity							Total
	Equity share capital	Equity component of convertible debentures (refer 2.10)	Reserves and surplus				Retained earnings	
			Capital reserve	General reserve	Debenture redemption reserve	Securities premium*		
Balance as at 1 April 2017	1.01	-	1,523.53	292.61	404.76	-	74,940.72	77,161.62
Profit for the year	-	-	-	-	-	-	3,397.66	3,397.66
Transfer to Debenture Redemption Reserves	-	-	-	-	679.53	-	(679.53)	-
Equity component of convertible debentures issued	-	13,939.01	-	-	-	-	-	13,939.01
Remeasurement of defined benefit liability	-	-	-	-	-	-	(195.10)	(195.10)
Income tax relating to remeasurement of defined benefit liability	-	-	-	-	-	-	33.76	33.76
Balance as at 31 March 2018	1.01	13,939.01	1,523.53	292.61	1,084.29	0.00	77,497.51	94,336.95
* Refer note 2.10 and note 2.34.								
The accompanying notes form an integral part of the standalone financial statements.								

As per our report of even date attached

for **MSKA & Associates**
Chartered Accountants

ICAI Firm Registration No. : 105047W

Ananthkrishnan.G

Partner

Membership No.: 205226

Place: Hyderabad

Date: 29 May 2019

for and on behalf of the Board of Directors of

Virtusa Consulting Services Private Limited

CIN: U93000TN2008FTC128079

Vasu Pendyala

Director

DIN: 07538355

Christina Pauline Beulah

Company Secretary

Hari Raju Mahadevu

Director

DIN: 03262516

Place: Hyderabad

Date: 29 May 2019

Virtusa Consulting Services Private Limited

Statement of Cash Flows

(All amounts are in Lakhs of Indian Rupees lakhs, unless otherwise stated)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Net profit before tax	1,821.13	6,820.62
Adjustments:		
Depreciation and amortisation	4,266.98	4,539.23
Interest income	(332.55)	(1,201.01)
Finance costs	19,339.06	13,571.61
Profit on sale of property, plant and equipment, net	(16.08)	(42.84)
Gain on sale of mutual funds	-	(21.80)
Unrealised loss on foreign exchange differences	154.10	4.61
Operating cash flows before working capital changes	25,232.64	23,670.42
Increase in trade receivables	(5,845.27)	(2,289.61)
Increase in trade payables	101.13	1,501.88
Increase in Loans	(145.52)	(197.24)
Decrease in other financial assets	749.20	126.06
(Increase) / Decrease in other assets	(453.82)	156.12
Increase in other liabilities and provisions	395.01	1,753.09
Cash generated from operations	20,033.37	24,720.72
Income-taxes paid	(2,529.57)	(3,197.36)
Net cash provided by operating activities (A)	17,503.80	21,523.36
Cash flows from investing activities		
Purchase of property, plant and equipment, intangible assets, capital work-in-progress, intangible assets under development and capital advances	(3,511.03)	(3,060.89)
Proceeds from sale of property, plant and equipment	435.05	118.42
Bank deposits redeemed	305.36	2,556.00
Investments in equity shares	(22,414.64)	(103,661.01)
Proceeds from sale of shares	0.91	-
Investment in mutual funds	-	(750.00)
Proceeds from sale of mutual funds	-	771.80
Interest received	287.98	1,218.08
Net cash used in investing activities (B)	(24,896.37)	(102,807.60)
Cash flows from financing activities		
Proceeds from issue of Non-convertible debentures	-	63,879.59
Proceeds from issue of Compulsory convertible debentures	20,733.33	28,646.49
Finance costs paid	(20,442.63)	(12,938.45)
Proceeds from finance lease obligations	20.60	97.47
Repayment of finance lease obligations	(34.68)	(139.89)
Net cash provided by financing activities (C)	276.62	79,545.21
Net decrease in cash and cash equivalents (A+B+C)	(7,115.95)	(1,739.03)
Cash and cash equivalents at the beginning of the year	11,355.63	13,094.66
Cash and cash equivalents at the end of the year (Note 1)	4,239.68	11,355.63
Note 1:		
Components of cash and cash equivalents as at [Refer note 2.07]	As at 31 March 2019	As at 31 March 2018
Cash on hand	0.68	0.42
Balance with banks:		
- Current accounts	1,019.88	1,890.05
- EEFC accounts	3,219.12	6,134.54
- Deposit accounts with original maturity of 3 months or less	-	3,330.62
	4,239.68	11,355.63
The accompanying notes form an integral part of the standalone financial statements.		

As per our report of even date attached

for **MSKA & Associates**
Chartered Accountants
ICAI Firm Registration No. : 105047W

Ananthkrishnan.G
Partner
Membership No.: 205226

Place: Hyderabad
Date: 29 May 2019

for and on behalf of the Board of Directors of

Virtusa Consulting Services Private Limited
CIN: U93000TN2008FTC128079

Vasu Pendyala
Director
DIN: 07538355

Christina Pauline Beulah
Company Secretary

Hari Raju Mahadevu
Director
DIN: 03262516

Place: Hyderabad
Date: 29 May 2019

Notes to the standalone financial statements for the year ended 31 March 2019 (continued)

*(All amounts are in Lakhs of Indian Rupees lakhs, unless otherwise stated)***2.01 (a) Property, plant and equipment ('PPE')**

Particulars	Leasehold improvements	Buildings	Plant and machinery	Computers	Office equipment	Furniture and fixtures	Vehicles	Leasehold land	Vehicles under lease*	Total
Cost										
Balance as at 1 April 2017	2,540.81	4,116.45	2,734.90	5,858.71	1,267.02	3,667.90	151.12	182.84	218.21	20,737.96
Additions	555.79	-	51.49	1,492.24	175.03	396.65	12.79	-	32.75	2,716.74
Disposals	-	-	-	(36.61)	(0.14)	(7.71)	(13.32)	-	(139.89)	(197.67)
Balance as at 31 March 2018	3,096.60	4,116.45	2,786.39	7,314.34	1,441.91	4,056.84	150.59	182.84	111.07	23,257.03
Balance as at 1 April 2018	3,096.60	4,116.45	2,786.39	7,314.34	1,441.91	4,056.84	150.59	182.84	111.07	23,257.03
Additions	411.71	-	27.43	2,190.62	338.55	162.70	-	-	20.60	3,151.61
Disposals	(473.05)	-	(33.03)	(569.64)	(186.74)	(119.50)	(40.00)	-	(3.69)	(1,425.65)
Balance as at 31 March 2019	3,035.26	4,116.45	2,780.79	8,935.32	1,593.72	4,100.04	110.59	182.84	127.98	24,982.99
Accumulated Depreciation										
Balance as at 1 April 2017	924.59	323.68	623.05	2,113.74	448.37	1,498.87	30.32	4.02	111.12	6,077.76
Depreciation for the year	736.06	169.25	304.78	1,478.58	277.56	650.67	32.02	2.01	42.27	3,693.20
Disposals	-	-	-	(32.81)	(0.14)	(7.67)	(13.32)	-	(68.14)	(122.08)
Balance as at 31 March 2018	1,660.65	492.93	927.83	3,559.51	725.79	2,141.87	49.02	6.03	85.25	9,648.88
Balance as at 1 April 2018	1,660.65	492.93	927.83	3,559.51	725.79	2,141.87	49.02	6.03	85.25	9,648.88
Depreciation for the year	659.06	169.25	276.25	1,586.69	285.91	574.58	27.23	2.01	35.43	3,616.41
Disposals	(473.05)	-	(7.93)	(344.84)	(107.75)	(56.76)	(12.67)	-	(3.68)	(1,006.68)
Balance as at 31 March 2019	1,846.66	662.18	1,196.15	4,801.36	903.95	2,659.69	63.58	8.04	117.00	12,258.61
Carrying amount - net										
As at 31 March 2019	1,188.60	3,454.27	1,584.64	4,133.96	689.77	1,440.35	47.01	174.80	10.98	12,724.38
As at 31 March 2018	1,435.95	3,623.52	1,858.56	3,754.83	716.12	1,914.97	101.57	176.81	25.82	13,608.15

* Leased assets comprise of vehicles which are pledged as security for the related finance lease.

2.01 (b) Intangible assets

Particulars	Computer software
Cost/ deemed cost	
Cost	
Balance as at 1 April 2017	3,180.97
Additions	482.59
Disposals	-
Balance as at 31 March 2018	3,663.56
Balance as at 1 April 2018	3,663.56
Additions	132.36
Disposals	-
Balance as at 31 March 2019	3,795.92
Accumulated Depreciation	
Balance as at 1 April 2017	1,612.79
Depreciation for the year	846.03
Disposals	-
Balance as at 31 March 2018	2,458.82
Balance as at 1 April 2018	2,458.82
Depreciation for the year	650.57
Disposals	-
Balance as at 31 March 2019	3,109.39
Carrying amount - net	
As at 31 March 2019	686.53
As at 31 March 2018	1,204.74

Virtusa Consulting Services Private Limited
Notes to the standalone financial statements for the year ended 31 March 2019 (continued)
(All amounts are in Lakhs of Indian Rupees lakhs, unless otherwise stated)

Particulars	As at 31 March 2019	As at 31 March 2018
2.01 (c) Capital work-in-progress		
Opening balance	49.57	90.35
Additions during the year	3,245.29	2,675.96
Capitalised during the year	(3,151.61)	(2,716.74)
Closing balance	143.25	49.57
2.02 Investments		
<i>(At cost, unless otherwise specified)</i>		
Investment in equity instruments		
"Of subsidiaries (Investments - unquoted)"		
100,036,592 (31 March 2018: 95,366,876) equity shares of Polaris Consulting & Services Limited of INR 5 each, fully paid up	281,838.06	259,423.42
9,999 (31 March 2018: 10,000) equity shares of Etouch Systems (India) Private Limited of INR 10 each, fully paid up	9,724.14	9,725.05
	291,562.20	269,148.47
Aggregate book value of the quoted investment	-	259,423.42
Aggregate market value of the quoted investment	-	446,460.03
Aggregate book value of the unquoted investment	291,562.20	9,725.05
Aggregate provision for impairment in value of investments	-	-
2.03 Loans		
Non - current		
<i>(Unsecured, considered good)</i>		
Security deposits	1,795.06	1,707.90
	1,795.06	1,707.90
Current		
<i>(Unsecured)</i>		
Considered good		
Security deposits	107.38	-
Considered doubtful		
Security deposits	25.67	25.67
Less: Allowances for doubtful deposits	(25.67)	(25.67)
	107.38	-
2.04 Other financial assets		
Non - Current		
<i>(Unsecured, considered good)</i>		
Bank deposits*	2.65	2.21
Interest accrued but not due	0.04	0.44
	2.69	2.65

Particulars	As at 31 March 2019	As at 31 March 2018
Current		
<i>(Unsecured, considered good)</i>		
From related parties (refer note 2.24(B)(ii))		
- Other receivables from related parties	190.10	50.79
From other than related parties		
- Unbilled revenue	758.21	1,724.17
- Interest accrued but not due	4.56	9.05
- Others	103.42	25.97
	1,056.29	1,809.98
* Fixed deposits with banks represents security deposit against bank guarantees.		
Included in other receivables to related parties (refer note 2.24(B)(ii))		
Due from companies in which any director is a partner or a director or a member		
Polaris Consulting Services Limited	5.17	-
eTouch Systems India Private Limited	5.75	-
2.05 Other assets		
Non - Current		
<i>(Unsecured, considered good)</i>		
Capital advances	115.00	-
Others		
- Service tax receivable	646.48	691.04
- VAT receivable	128.91	157.13
- Prepaid expenses	90.55	135.89
	980.94	984.06
Current		
<i>(Unsecured, considered good)</i>		
Advances other than capital advances	61.65	14.77
Others		
- Prepaid expenses	1,864.73	1,376.38
- GST receivable	133.24	91.23
- Travel advance	-	5.30
- Other advances	-	-
	2,059.62	1,487.68
	3,040.56	2,471.74
2.06 Trade receivables		
<i>(Unsecured)</i>		
Considered good		
- From related parties (refer note 2.24(B)(ii))	24,676.85	20,550.83
- Other than related parties	3,032.13	1,466.98
Considered doubtful		
From other than related parties	149.51	227.80
Less : Allowance for doubtful debts, net	(149.51)	(227.80)
	27,708.98	22,017.81

Particulars	As at 31 March 2019	As at 31 March 2018
Included in trade receivables from related parties		
Due from companies in which any director is a partner or a director or a member		
Polaris Consulting Services Limited	2,770.91	1,067.34
Notes:		
(i) No trade receivables are due from directors or other officers of the Company either severally or jointly with any other person nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member, other than those disclosed above.		
(ii) The company's exposure to credit risk and currency risk and loss allowances related to trade receivables are disclosed in Note 2.33 B (a) and 2.33 B (c) respectively.		
2.07 Cash and bank balances		
(a) Cash and cash equivalents		
Cash on hand	0.68	0.42
Balance with banks:		
- Current accounts	1,019.88	1,890.05
- EEFC accounts	3,219.12	6,134.54
- Deposit accounts with original maturity of 3 months or less*	-	3,330.62
	4,239.68	11,355.63
(b) Other bank balances		
- Restricted bank balance**	23.64	29.00
- Bank deposits with remaining maturity of 12 months or less*	-	300.00
	23.64	329.00
*The deposits maintained by the Company with banks comprise of time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.		
** Restricted bank balance of INR 23.64 Lakhs as at 31 March 2019 represents escrow deposits related to acquisition of the balance minority interest of Polaris Consulting & Services Limited and restricted bank balance of INR 29 Lakhs as at 31 March 2018 represents the bank guarantee given to Iffco Tokio and can be withdrawn on satisfaction of the conditions in the contract.		
2.08 Share Capital	As at 31st March 2019	As at 31st March 2018
Authorised*		
5,300,000 (31 March 2018: 5,300,000) equity shares of INR 10 each	530.00	530.00
Issued, subscribed and paid-up**		
10,202 (31 March 2018: 10,100) equity shares of INR 10 each, fully paid-up	1.02	1.01
	1.02	1.01
* Pursuant to the scheme of amalgamation the Company has cancelled 700 shares held by Virtusa Software Services Private Limited, transferor company 1 (refer note 2.34). Further, subsequent to the year ended 31 March 2018, the Company has issued and allotted 102 shares in terms of the scheme of amalgamation and arrangement as approved by the National Company Law Tribunal, Hyderabad (refer note 2.09)		

(i) Rights, preferences and restrictions attached to equity shares

The Company has single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.

Failure to pay any amount called up on shares may lead to forfeiture of the shares. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

(ii) Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period:

Particulars	31 March 2019		31 March 2018	
	No.of shares	Amount	No.of shares	Amount
Shares outstanding at the beginning of the year	10,100	1.01	10,100	1.01
Shares issued during the year	102	0.01	-	-
Shares outstanding at the end of the year	10,202	1.02	10,100	1.01

(iii) Equity shares held by holding or ultimate holding company, including shares held by subsidiaries of the holding company or the ultimate holding company in aggregate:

Particulars	31 March 2019		31 March 2018	
	No.of shares	Amount	No.of shares	Amount
Equity shares of INR 10 each, fully paid up held by				
a) Virtusa Netherlands B.V, holding company	9,990	1.00	9,990	1.00
b) Virtusa Corporation, USA, ultimate holding company	201	0.02	100	0.01
c) Virtusa UK Limited, fellow subsidiary company	11	0.00	10	0.00
	10,202	1.02	10,100	1.01

(iv) Particulars of shareholders holding more than 5% of total number of equity shares

Particulars	31 March 2019		31 March 2018	
	No.of shares	Amount	No.of shares	Amount
Equity shares of INR 10 each, fully paid up held by				
a) Virtusa Netherlands B.V, holding company	9,990	97.92%	9,990	98.91%

(v) No shares have been allotted without payment being received in cash or by way of bonus shares during the period of five years immediately preceding the Balance sheet date of five years immediately preceding the balance sheet date other than those issued as per the Scheme of amalgamation and arrangement as approved by the National Company Law Tribunal, Hyderabad bench

2.09 Equity shares to be issued pursuant to the scheme of amalgamation and arrangement

Particulars	As at	As at
	31 March 2019	31 March 2018
Nil Equity shares to be issued pursuant to the scheme of amalgamation and arrangement (previous year: 102) equity shares of INR 10 each fully paid up as per scheme of amalgamation and arrangement as approved by the National Company law Tribunal (refer note 2.34). The said shares are allotted on 13 June 2018.	-	0.01

2.10 Other Equity

Capital Reserve

Virtusa Corporation, the parent entity formulates a Group share-based payment scheme and awards its shares to the employees in its subsidiaries. The award will be settled through issuance of shares. The parent entity has an obligation to deliver the shares and there is no such obligation on its subsidiaries. Since the subsidiaries does not have any obligation to settle the award, the award is treated as an equity-settled plan in the subsidiaries' financial statements. The subsidiary recognises an expense for the grant date fair value of the award over the vesting period. The corresponding credit is given to equity because the award represents in substance equity contribution by the parent. The amount represents stock compensation cost of stock options and restricted stock awards, issued upto 31 March 2013 by the parent to the employees of the Company.

Further, pursuant to the scheme of amalgamation (Refer note 2.34) the difference between the value of consideration and carrying value of assets and liabilities is debited to capital reserves as on 31 March 2017.

General Reserve

The general reserve is used time to time to transfer profits from retained earnings for appropriation purposes. There is no policy of regular transfer. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.

Securities premium reserve

Securities premium reserve is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Act. The securities premium account has decreased on account of amalgamation of Virtusa Software Services Private Limited and Virtusa Technologies India Private Limited into the Company. Refer Note. 2.34.

Debenture redemption reserve

The Company has issued Non-convertible debentures. As per the provisions of Section 71(4) of the Act and Sub-Rule 7 of Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014, the Company is required to create debenture redemption reserve out of the profits of the Company available for payment of dividend to its shareholders.

Special Economic Zone (SEZ) Reinvestment Reserve Account

Section 10AA(1)(ii) of the Act provides for mechanism of creation of SEZ Reinvestment Reserve. As per the provision, a SEZ Reinvestment reserve is created by transferring the profits of the previous year to a special reserve account, by way of a debit to the profit and loss account and credit to the "Special Economic Zone Reinvestment Reserve Account". Section 10AA(1)(ii) provides that the SEZ Reinvestment Reserve should be utilised for the purpose of business of the assessee as below:

- (a) For the purpose of acquiring machinery and plant which is first put to use before the expiry of a period of three years following the previous year in which the reserve was created; and
- (b) until the acquisition of the machinery or plant as aforesaid, for the purposes of the business of the undertaking other than for distribution by way of dividends or profits or for remittance outside India as profits or for the creation of any asset outside India

Particulars	As at 31 March 2019	As at 31 March 2018
2.11 (a) Borrowings		
A. Secured		
From others		
Finance lease obligations (refer note i below)	1.98	9.61
B. Unsecured		
From related parties		
Liability component of compound financial instrument		
Compulsory convertible debentures (refer note iii below)	22,254.96	13,739.43
Non-convertible debentures		
8%, 3,100 (31 March 2018: 3,100) Non-convertible debentures of INR 1,000,000 each (refer note ii below)	30,963.98	30,955.47
8%, 3,300 (31 March 2018: 3,300) Non-convertible debentures of INR 1,000,000 each (refer note ii below)	32,958.09	32,949.00
9%, 13,600 (31 March 2018: 13,600) Non-convertible debentures of INR 1,000,000 each (refer note ii below)	135,825.35	135,785.53
	222,004.36	213,439.04

Notes:**i. Finance lease obligations:**

Finance lease obligations includes assets (motor vehicles) obtained on finance lease. These finance lease obligations are secured by way of hypothecation of vehicles taken on lease. The rate of interest for finance lease obligation outstanding as at 31 March 2019 ranges from 12.35% to 12.36% p.a. The number of repayment installments (monthly) for lease obligation ranges from 36 to 48 and the period of maturity of lease obligation ranges from 1 months to 24 months [refer note 2.27(a)]

ii. Non-convertible debentures:

During the year ended 31 March 2016, the Company had issued non-convertible debentures (NCDs) to Virtusa Cooperatief U.A., Netherlands for an amount of INR 136,000 lakhs. The amount recognised is net off transaction costs. The NCDs were listed on the wholesale debt segment of National Stock Exchange, India. The NCDs are repayable in full on 15 April 2023 and carry an interest rate of 9% per annum due on 1 March of every year starting from 1 March 2017.

During the year ended 31 March 2018, the Company has issued non-convertible debentures (NCDs) to Virtusa Cooperatief U.A., Netherlands for an amount of INR 64,000 lakhs in two tranches. The amount recognised is net off transaction costs. The NCDs are listed on the wholesale debt segment of National Stock Exchange, India. The interest on 8% NCDs which is issued on 26 December 2017 is due on quarterly basis starting from 26 March 2018 till 26 December 2024 and the interest on 8% NCDs which is issued on 6 February 2018 is due on quarterly basis starting from 6 May 2018 till 6 February 2025. Further, 8% NCDs issued on 26 December 2017 and 8% NCDs issued on 6 February 2018 are due for repayment in full on 26 December 2024 and 6 February 2025, respectively.

iii. Compulsory convertible debentures:

(a) During the year ended 31 March 2018, the Company has issued 1,100 Compulsory convertible debentures (CCDs) having a face value of INR 2,604,226 each to Virtusa International B.V, Netherlands for an amount of INR 28,646.49 lakhs on 8 February 2018 which is having a maturity period of 10 years. On the date of maturity, i.e 8 February 2028, one CCD shall be converted into one equity share having a face value of INR 10.

(b) During the year ended 31 March 2019, the Company has issued 800 Compulsory convertible debentures (CCDs) having a face value of INR 2,591,666 each to Virtusa International B.V, Netherlands for an amount of INR 20,733.33 lakhs on 21 August 2018 which is having a maturity period of 10 years. On the date of maturity, i.e 21 August 2028, one CCD shall be converted into one equity share having a face value of INR 10.

Particulars	As at 31 March 2019	As at 31 March 2018
Proceeds from issue of compulsory convertible debentures (1,100 debentures of INR 2,604,226 par value)	49,379.81	28,646.49
Amount classified as equity	(24,027.59)	(13,939.01)
Interest Payouts during the FY 2018-19	(2,901.41)	-
Accrued interest (net off TDS)	1,883.78	184.95
Carrying amount of liability at 31 March 2019	24,334.59	14,892.43
Current portion (refer note 2.15)	2,079.63	1,153.00
Non current portion	22,254.96	13,739.43

Particulars	As at 31 March 2019	As at 31 March 2018
2.11 (b) Others		
Deferred consideration	604.02	604.02
	604.02	604.02

Particulars	As at 31 March 2019	As at 31 March 2018
2.12 Provisions		
Non-current		
Provision for employee benefits:		
- Gratuity (refer note 2.28)	251.07	462.17
- Compensated absences (un-funded)	1,343.18	1,086.36
Others		
- Asset retirement obligation	413.54	286.77
	2,007.79	1,835.30
Current		
Provision for employee benefits:		
- Compensated absences (un-funded)	278.69	225.59
	278.69	225.59

2.13 Other liabilities

Particulars	As at 31 March 2019	As at 31 March 2018
Non-current		
Deferred rent	161.41	168.34
Deferred revenue	-	14.48
	161.41	182.82
Current		
Statutory dues	2,101.18	1,779.41
Deferred rent	43.88	49.08
	2,145.06	1,828.49

2.14 Trade payables

Particulars	As at 31 March 2019	As at 31 March 2018
Total outstanding dues of micro and small enterprises (refer note 2.30)	264.63	387.03
Total outstanding dues of other than micro and small enterprises *	3,894.26	3,670.73
	4,158.89	4,057.76
* Include amount payable to related parties [refer note 2.24(B)(ii)]		

2.15 Other financial liabilities

Particulars	As at 31 March 2019	As at 31 March 2018
Current		
Current maturity of finance lease obligations (refer note 2.11(a))	12.38	25.88
Current maturity of compulsory convertible debentures (refer note 2.11(a))	2,079.63	1,153.00
Interest accrued but not due on NCDs(refer note 2.24(B)(ii))	1,370.58	1,353.81
Due to capital creditors	105.79	288.84
Employee payables	5,285.78	4,780.55
Provision for expenses	754.40	817.50
Payables to related parties (refer note 2.24(B)(ii))	388.97	743.13
Other payables	0.01	75.86
	9,997.54	9,238.57

2.16 Revenue from operations

Particulars	for the year ended 31 March 2019	for the year ended 31 March 2018
Income from software development services (refer note 2.24(B)(i))	127,271.58	106,785.51
	127,271.58	106,785.51

2.17 Other income

Particulars	for the year ended 31 March 2019	for the year ended 31 March 2018
Interest income		
- on fixed deposits with banks	283.53	1,173.92
Interest income from financial assets carried at amortised cost	49.02	27.09
Foreign exchange gain, net	727.49	1,079.88
Profit on sale of property, plant and equipment, net	16.08	42.84
Gain on sale of mutual funds	-	21.80
Provision for doubtful debts / deposits no longer required	77.99	1.00
Miscellaneous income	71.80	15.32
	1,225.91	2,361.85

2.18 Employee benefits expense

Particulars	for the year ended 31 March 2019	for the year ended 31 March 2018
Salaries, wages and bonus	74,605.61	59,870.53
Contribution to provident and other funds (refer note 2.28)	3,632.90	2,768.33
Employee stock compensation expense (refer note 2.29)	553.05	703.03
Staff welfare expenses	1,111.62	1,082.49
	79,903.18	64,424.38

2.19 Finance costs

Particulars	for the year ended 31 March 2019	for the year ended 31 March 2018
Interest expense		
- Non-convertible debentures	17,417.42	13,362.44
- Compulsory convertible debentures	1,896.81	184.95
- Finance lease obligation	6.45	7.65
- Others	18.38	16.57
	19,339.06	13,571.61

2.20 Other expenses

Particulars	for the year ended 31 March 2019	for the year ended 31 March 2018
Software license fee	4,137.49	3,213.56
Rent (refer note 2.27)	2,839.50	2,440.10
Travelling and conveyance	5,270.29	4,857.07
Power and fuel	914.35	839.90
Legal and professional (refer note 2.26)	3,877.82	3,156.90
Repairs and maintenance		
- Plant and machinery	594.98	633.91
- Buildings	1,539.20	1,604.82
- Others	5.73	0.37
Communication	1,026.46	533.14
Training	426.88	226.50
Recruitment	783.36	562.09
Insurance	28.95	29.08
Security services	636.22	558.18
Rates and taxes	121.11	65.62
Provision for doubtful trade receivables	-	94.71
Corporate social responsibility (refer note 2.31)	50.00	41.70
Miscellaneous	914.80	933.87
	23,167.14	19,791.52

Particulars	for the year ended 31 March 2019	for the year ended 31 March 2018
2.21 Income taxes		
(a) Amount recognised in statement of profit and loss		
Current tax		
Current Period	3,939.68	3,853.53
Changes in estimate pertaining to prior years	(10.16)	33.77
Deferred tax:		
Attributable to origination and reversal of temporary differences	(447.14)	(464.34)
Income tax expense reported in the statement of profit and loss	3,482.38	3,422.96
(b) Reconciliation of effective tax rate		
Profit/ (loss) before tax	1,821.13	6,820.62
Enacted tax rates	34.94%	34.61%
Tax expense at enacted rates	636.38	2,360.48
Tax effect of :		
Interest on debentures - disallowed under Income-tax Act, 1961	6,576.80	4,688.48
Corporate social responsibility expenses	(17.47)	0.15
Loss on sale of investment	-	-
Effect of lower tax rates	(2,783.20)	(3,738.77)
Impact of change in rate of tax		6.72
Impact of Depreciation		(192.62)
Actuary gain / (losses) considered in OCI	10.25	(33.76)
80JJAA deduction	(102.42)	(17.49)
Other items	(837.96)	349.77
	3,482.38	3,422.96

(c) Amount recognised in other comprehensive income

	For the year ended 31 March 2019			For the year ended 31 March 2018		
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Re-measurement on defined benefit plans	58.69	(10.25)	48.44	(195.10)	33.76	(161.34)
	58.69	(10.25)	48.44	(195.10)	33.76	(161.34)

Particulars	for the year ended 31 March 2019	for the year ended 31 March 2018
(d) Deferred tax assets, net		
Deferred tax assets and liabilities are attributable to the following:		
Property, plant and equipment	814.43	457.35
Employee benefits, net	262.51	200.00
Provisions for doubtful receivables and deposits	52.25	79.60
Deferred rent	39.69	32.18
Statutory dues	165.38	98.50
Reclassification of MAT credit entitlement	-	263.22
Others	95.64	34.16
Deferred tax assets, net	1,429.90	1,165.02

(e) Movement in temporary differences

	As at 1 April 2018	Recognised in statement of profit and loss	Recognised in OCI	Recognised directly in equity	Other	As at 31 March 2019
Property, plant and equipment	457.35	357.08	-	-	-	814.43
Employee benefits, net	200.00	62.51	-	-	-	262.51
Provisions for doubtful receivables and deposits	79.60	(27.35)	-	-	-	52.25
Deferred rent	32.18	7.51	-	-	-	39.69
Statutory dues	98.50	66.88	-	-	-	165.38
Reclassification of MAT credit entitlement	263.22	-	-	-	(263.22)	0.00
Others	34.16	61.48	-	-	-	95.64
	1,165.02	528.11	-	-	(263.22)	1,429.90

	As at 1 April 2017	Recognised in statement of profit and loss	Recognised in OCI	Recognised directly in equity	Other	As at 31 March 2018
Property, plant and equipment	16.61	440.74	-	-	-	457.35
Employee benefits, net	166.48	33.52	-	-	-	200.00
Provisions for doubtful receivables and deposits	46.06	33.54	-	-	-	79.60
Deferred rent	43.05	(10.87)	-	-	-	32.18
Statutory dues	121.74	(23.24)	-	-	-	98.50
Reclassification of MAT credit entitlement	-	-			263.22	263.22
MAT	1,275.90				(1,275.90)	-
Others	43.56	(9.40)	-	-	-	34.16
	1,713.40	464.30	-	-	(1,012.68)	1,165.02

(f) The following table provides the details of income tax assets and income tax liabilities:

Particulars	As at 31 March 2019	As at 31 March 2018
Income tax assets, net	-	922.87
Current tax liabilities, net	(348.95)	(43.97)
Net current income tax asset at the end of the year	(348.95)	878.90

The gross movement in the net income tax assets is as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Net income tax assets at the beginning of the year	878.90	522.36
Income tax paid	2,529.57	3,197.36
Income tax expense for the year	(3,929.43)	(3,887.30)
MAT credit utilisation	263.26	1,012.72
Income tax expense on other comprehensive income	(10.25)	33.76
Others	(81.00)	
Net income tax assets at the end of the year	(348.95)	878.90

2.22 (a) Commitments

Particulars	As at 31 March 2019	As at 31 March 2018
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	1,361.74	230.89

(b) Pending Litigations

Particulars	As at 31 March 2019	As at 31 March 2018
Income tax demand related matters No provision in respect thereof has been made*	664.70	835.48
Income tax refund related matters	40.73	32.07
Service tax refund related matters (provision made in the books: INR 4.42 [31 March 2018: INR 4.42])*	135.78	147.38
Karnataka VAT related matters No provision in respect thereof has been made. (INR 28.33 has been paid under protest). The amount paid under protest has been refunded by the authorities during the month of March 2019.	-	94.42

In addition to those mentioned above in (b), the Company is subject to litigations which have arisen in the ordinary course of business towards trade receivables. The Company's Management does not reasonably expect that these litigations, when ultimately concluded and determined, will have a material and adverse effect on the Company's results of operations or financial condition.

*Claims against the Company not acknowledged as debts in respect of tax matters, pending decisions on various appeals made by the Company and by the regulatory authorities at various levels. The Company is contesting the demands and the Management believes that its position will likely be upheld in the appellate process. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Company's financial position and results of operations

2.23 Earnings per share

Particulars	As at 31 March 2019	As at 31 March 2018
<i>Earnings</i>		
Net (loss) / profit attributable to equity shareholders for calculation of Basic EPS and Diluted EPS (A)	(1,661.16)	3,397.66
<i>Shares</i>		
Number of shares at the beginning of the year	10,100	10,100
Add: Equity shares issued pursuant to the scheme of amalgamation and arrangement (refer note 2.34)	102	-
Total number of equity shares outstanding at the end of the year	10,202	10,100
<i>Compulsory Convertible Debentures</i>		
Number of potential equity shares at the beginning of the year	1,100	-
Add: Potential Equity shares issued during the year	800	1,100
Add: Equity shares to be issued pursuant to the scheme of amalgamation and arrangement (refer note 2.34)		102
Total number of potential equity shares at the end of the year	1,900	1,202
Weighted average number of equity shares for Basic EPS and Diluted EPS (B)	11,791	10,359
Basic and Diluted EPS - par value of INR 10 per share (A/B) (in INR)	(14,088.37)	32,799.11

The Company does not have any potentially dilutive equity shares outstanding during the year. The stock options, stock appreciation rights and restricted stock awards granted to the employees of the Company pertains to the shares of the ultimate holding company and hence, have no dilutive effect on the EPS of the Company.

2.24 Related Parties

A) Parties where control exists or where significant influence exists and with whom transactions have taken place during the current and previous year:

Sl.No	Name of the party	Relationship
1	Virtusa Corporation, USA	Ultimate holding company
2	Virtusa International, B.V., Netherlands	Holding company
	Where control exists:	
1	Polaris Consulting & Services Limited, India (Polaris India)	Subsidiary company
2	Polaris Consulting & Services Limited, US (Polaris US)	Subsidiary company
3	Polaris Consulting & Services Pte Ltd, Singapore (Polaris SG)	Subsidiary company
4	Polaris Consulting & Services FZ-LLC, Dubai (Polaris AE)	Subsidiary company
5	Polaris Consulting & Services Japan K.K, Japan (Polaris JP)	Subsidiary company
6	Polaris Consulting & Services Pty Ltd, New Zealand (Polaris NZ)	Subsidiary company
7	Polaris Consulting & Services Inc, Canada (Polaris CA)	Subsidiary company
8	Polaris Consulting & Services Pty Ltd, Australia (Polaris AU)	Subsidiary company
9	Polaris Consulting & Services B.V, Netherlands (Polaris NL)	Subsidiary company
10	Polaris Consulting & Services Limited, UK (Polaris UK)	Subsidiary company
11	Polaris Consulting & Services SA (Polaris SZ)	Subsidiary company
12	Polaris Consulting & Services Ireland Ltd (Polaris IE)	Subsidiary company
13	Virtusa Malaysia SDN BHD, Malaysia (VM)	Subsidiary company
14	Polaris Consulting & Services Limited, HK (Polaris HK)	Subsidiary company
15	eTouch Systems India Private Limited, India (eTouch India)	Subsidiary company

Sl.No	Name of the party	Relationship
	Other related parties:	
1	Virtusa UK Limited, United Kingdom (VUL)	Fellow subsidiary
2	Virtusa Private Limited, Sri Lanka (VPL)	Fellow subsidiary
3	Virtusa Singapore Private Limited, Singapore (VSPL)	Fellow subsidiary
4	Virtusa Germany GmbH, Germany (VG)	Fellow subsidiary
5	Virtusa Hungary KFT, Hungary (VHKT)	Fellow subsidiary
6	Virtusa AB, Sweden (VAB) (formerly known as Trade Tech consulting Scandinavia AB)	Fellow subsidiary
7	Virtusa Philippines (VPHP)	Fellow subsidiary
8	Virtusa Cooperatief U.A., Netherlands (VCUA)	Fellow subsidiary
9	Virtusa Canada, Inc. (VC)	Fellow subsidiary
10	eTouch Systems Corp (eTouch US)	Fellow subsidiary

Key Managerial Personnel:

1	Vasu Pendyala	Director & CFO
2	Hema Mohandas	Director
3	Christina Pauline Beulah	Company Secretary
4	Arvind Sharma	Independent Director
5	Hari Raju Mahadevu	Independent Director

B) Particulars of related party transactions

i) Following is the summary of related party transactions:

Particulars	As at March 2019	As at March 2018
- Ultimate holding company	58,579.05	53,246.65
- Holding company	452.33	420.48
- Subsidiary company – Polaris India	7,504.29	5,216.00
- Subsidiary company – Polaris US	422.65	1,022.11
- Subsidiary company – Polaris SG	2.25	68.04
- Subsidiary company – Polaris UK	3,915.12	1,876.54
- Subsidiary company – Polaris AU	109.61	108.41
- Subsidiary company – Polaris SZ	138.54	10.59
- Subsidiary company – Polaris NL	14.31	49.88
- Subsidiary company – Polaris AE	71.31	14.48
- Subsidiary company – Polaris CA	1,039.08	478.19
- Subsidiary company – Polaris IE	0.78	-
- Subsidiary company – Polaris Japan	11.75	-
- Fellow subsidiary – VUL	41,177.75	32,525.73
- Fellow subsidiary – eTouch US	37.38	-
- Fellow subsidiary – VSPL	5,086.61	2,972.16
Software services received from		
- Fellow subsidiary – VUL	0.02	-
- Subsidiary company – Polaris India	466.60	412.94
- Subsidiary company – Polaris JP	18.84	-
Particulars	As at March 2019	As at March 2018
Expenses paid on behalf of		
- Ultimate holding company	2,306.25	2,695.55
- Holding company	138.30	48.02
- Fellow subsidiary – VUL	808.00	1,131.39
- Fellow subsidiary – VPL	448.40	108.52
- Fellow subsidiary – VSPL	314.93	187.55
- Fellow Subsidiary – VC	-	2.29
- Fellow Subsidiary – VHKT	12.18	7.72
- Fellow Subsidiary – VAB	10.84	-
- Fellow Subsidiary – etouch US	1.82	-
- Subsidiary company – VM	15.78	14.25
- Subsidiary company – Polaris India	290.86	21.41
- Subsidiary company – Polaris HK	2.39	-
- Subsidiary company – Polaris CA	11.19	3.32
- Subsidiary company – Polaris JP	-	16.57
- Subsidiary company – Polaris AU	35.67	2.38

- Subsidiary company – Polaris NZ	-	6.25
- Subsidiary company – Polaris AE	79.43	31.99
- Subsidiary company – Polaris IE	1.62	-
- Subsidiary company – Polaris UK	88.00	2.39
- Subsidiary company – eTouch India	80.78	-
Issue of Non-convertible debentures		
- Fellow subsidiary – VCUA	-	64,000.00
Issue of Compulsory convertible debentures		
- Holding company	20,733.33	28,646.49
Expenses reimbursed		
- Ultimate holding company	553.04	616.44
- Fellow Subsidiary – VSPL	2.68	8.26
- Fellow subsidiary – VPL	2.17	42.53
- Fellow subsidiary – VAB	-	1.54
- Subsidiary company – Polaris SG	1.42	3.81
- Subsidiary company – Polaris India	27.60	-
- Subsidiary company – eTouch India	57.97	-
- Subsidiary company – Polaris NZ	1.06	-
- Subsidiary company – Polaris AE	-	0.32
Interest on Non-convertible debentures		
- Fellow subsidiary – VCUA	17,417.42	13,362.44
Interest on compulsory convertible debentures		
- Holding company	1,896.81	184.95
Investments made		
- Subsidiary company – Polaris India	22,414.64	94,539.98
- Subsidiary company – Etouch India	-	9,643.88
Investments Sold		
- Subsidiary company – Etouch India (Refer Note 2.37)	0.91	-
Remuneration to Key managerial personnel*		
Vasu Pendyala		
- Salary and allowances	48.40	39.57
- Contribution to Provident Fund	1.19	1.03
Hema Mohandas		
- Salary and allowances	52.38	28.51
- Contribution to Provident Fund	2.13	1.07

*The managerial personnel are covered by the Company's gratuity policy and are eligible for leave encashment along with other employees of the Company. The proportionate amount of gratuity and leave encashment pertaining to the managerial personnel has not been included in the aforementioned disclosures as these are determined on an actuarial basis for the Company as a whole.

ii) The Company has the following amounts due to/ from related parties:

Particulars	As at 31st March 2019	As at 31st March 2018
Due from related parties (included in trade receivables)		
- Ultimate holding company	10,553.69	9,201.67
- Holding company	48.60	250.33
- Fellow subsidiaries – VUL	8,989.70	7,655.71
- Fellow subsidiaries – VSPL	1,147.63	1,300.58
- Fellow subsidiaries – eTouch US	7.13	-
- Subsidiary company – Polaris India	2,750.42	938.75
- Subsidiary company – Polaris US	20.49	128.59
- Subsidiary company - Polaris SG	-	16.40
- Subsidiary company - Polaris UK	920.76	908.21
- Subsidiary company – Polaris CA	116.73	86.42
- Subsidiary company – Polaris AU	7.51	42.54
- Subsidiary company – Polaris AE	62.22	6.10
- Subsidiary company – Polaris SZ	42.85	10.49
- Subsidiary company – Polaris NL	6.41	5.04
- Subsidiary company – Polaris IE	1.60	-
- Subsidiary company – Polaris Japan	1.10	-
Investments made		
- Subsidiary company – Polaris India	281,838.06	259,423.42
- Subsidiary company – E-touch India	9,724.14	9,725.05
Due from related parties (included in other financial assets)		
- Subsidiary company – Polaris NZ	-	2.35
- Subsidiary company – Polaris India	5.17	-
- Subsidiary company – eTouch India	5.75	
- Subsidiary company – VM	7.61	6.92
- Fellow subsidiary – VPL	165.44	36.80
- Fellow subsidiary – VC	-	2.27
- Fellow subsidiary – VAB	3.03	-
- Fellow subsidiary – VHKT	3.11	3.97
Due to related parties (included in trade payables)		
- Subsidiary company – Polaris India	113.41	231.98
Due to related parties (included in other financial liabilities)		
- Ultimate holding company	359.98	473.88
- Fellow subsidiaries – VPL	-	42.86
- Fellow subsidiaries – VSPL	-	8.09
- Fellow subsidiaries – VAB	-	1.50
- Subsidiary company – Polaris SG	-	3.98
- Subsidiary company – Polaris AE	-	0.32
- Subsidiary company – eTouch India	28.99	-
- Fellow subsidiaries – VCUA	-	1,353.81
Due to related parties (included in long term borrowings)		
- Holding company	49,379.81	28,646.49
- Fellow subsidiaries – VCUA	200,000.00	200,000.00

Terms and conditions:

All transactions with these related parties are priced on an arm's length basis and resulting outstanding receivables and payables including financial assets and financial liabilities balances are settled in cash within a range of 30-120 days of the transaction date. None of the balances are secured.

For terms and conditions relating to long-term borrowings (NCDs), refer Note 2.11 (ii).

2.25 Segment information

The Chief Operating Decision Maker (CODM) evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by industry classes. The operating segment of the Company is identified to be "Software development and information technology enabled services" as the CODM reviews business performance at an overall Company level as one segment.

Further, in accordance with Ind AS - 108 "Segment Reporting", segment information has been given in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.

2.26 Legal and professional charges include auditor's remuneration (excluding taxes) as given below

Particulars	As at 31st March 2019	As at 31st March 2018
Statutory audit	10.00	27.06
Tax audit	2.00	5.19
Other audit services	-	3.99
Consolidation audit	3.00	5.70
Reimbursement of out-of-pocket expenses	-	2.93
Total	15.00	44.87

2.27 Leases**a. Finance lease in the capacity of lessee**

Motor vehicles have been obtained on finance lease. The total future minimum lease payments at the balance sheet date, element of interest included in such payments, present value of these minimum lease payments (MLP) are as follows:

As at 31 March 2019

Particulars	Present value of MLP	Interest not due	Future MLP
Due within one year	12.38	0.78	13.16
Due later than one year and not later than five years	1.98	0.11	2.09
Total	14.36	0.89	15.25

As at 31 March 2018

Particulars	Present value of MLP	Interest not due	Future MLP
Due within one year	25.88	2.91	28.79
Due later than one year and not later than five years	9.61	0.84	10.45
Total	35.49	3.75	39.24

b. Operating lease in the capacity of lessee

The Company has certain operating leases for office facilities under cancellable as well as non-cancellable operating lease agreements. The operating lease arrangements, are renewable on a periodic basis and the lease term ranges from 24 months to 60 months from their respective dates of inception. Some of these lease agreements have price escalation clauses. Total rental expense under cancellable operating lease was INR 1,156.44 (previous year: 849.35). Total rental expense under non-cancellable operating lease was INR 1,683.06 (previous year: INR 1,590.75). The future minimum lease payments (MLP) on the non-cancellable operating leases as per the lease agreements are as follow:

Particulars	As at 31 March 2019	As at 31 March 2018
Due within one year	1,852.09	1,309.92
Due later than one year and not later than five years	8,427.78	2,374.03
Total	10,279.87	3,683.95

2.28 Employee benefit plans

a. Post-retirement benefits: Defined contribution plans

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards provident fund and employee state insurance, which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount recognised as an expense towards contribution to provident fund and employee state insurance for the year aggregated to INR 2,911.72 (previous year: INR 2,156.96) and is included in "contribution to provident and other funds".

b. Post-retirement benefits: Defined benefit plans

The Company operates the following post-employment defined benefit plan:

The Company has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act, 1972. The Gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive half month's salary for each year of completed service (service of six months and above is rounded off as one year) at the time of retirement/ exit, restricted to the maximum amount payable as per the Payment of Gratuity Act, 1972. This defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

The defined benefit plan for gratuity is administered by a single gratuity fund that is legally separate from the Company. The trust of the gratuity fund comprises two trustees. The trust of the gratuity fund is required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g. investment and contribution policies) of the fund under employee benefit expenses.

The Company accrues gratuity as per the provisions of the payment of Gratuity Act, 1972 as applicable as at the balance sheet date and accordingly the maximum payment is restricted to INR 20 Lakhs.

Funding

A The gratuity plan is fully funded by the Company. The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in (E). The actuarial valuation for the funding purpose is done by the respective fund.

The Company has determined that the present value of refund or reduction in future contributions is not lower than the balance of the total fair value of the plan assets less than the total present value of obligations. As such, no decrease in the defined benefit asset is necessary at 31 March 2019 (31 March 2018: no decrease in defined benefit asset).

The Company expects to pay INR 1,182.01 in contributions to its defined benefit plans in 2019-20.

B Reconciliation of the net defined benefit (asset)/ liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit (asset)/ liability and its components.

Movement in the present value of the defined benefit obligation:

Particulars	As at 31 March 2019	As at 31 March 2018
Opening defined benefit obligation	3,062.29	2,183.85
Benefits paid	(169.20)	(102.82)
Service cost	697.30	415.56
Past service cost		171.97
Interest cost	218.88	139.00
Actuarial (gains)/ losses		
- Changes in demographic assumptions		15.29
- Changes in financial assumptions	(26.21)	(6.59)
- Changes in experience adjustments	(119.81)	246.03
Net transfer out	135.68	-
Closing defined benefit obligation (PVO)	3,798.93	3,062.29

Reconciliation of present value of plan assets:

Particulars	As at 31 March 2019	As at 31 March 2018
Fair value of plan assets at 1 April	2,600.12	1,690.90
Expected return on plan assets	194.99	115.15
Contributions	1,009.28	837.26
Benefits paid	(169.20)	(102.82)
Actuary gains	(87.33)	59.63
Fair value of plan assets (FVP)	3,547.86	2,600.12

Net amount recognised in the balance sheet

Particulars	As at 31 March 2019	As at 31 March 2018
PVO at the end of year	3,798.93	3,062.29
FVP at the end of year	3,547.86	2,600.12
Net liability recognised in the balance sheet	251.07	462.17

C i. Expense recognized in statement of Profit and Loss

Particulars	As at 31 March 2019	As at 31 March 2018
Current service cost	697.30	415.56
Past service cost	-	171.97
Interest expense on defined benefit obligation	218.88	139.00
Expected return on plan assets	(194.99)	(115.15)
Total included in 'employee benefits expense'	721.19	611.38

ii. Re-measurements recognised in other comprehensive income

Particulars	As at 31 March 2019	As at 31 March 2018
Actuarial loss/ (gain) on defined benefit obligation	(146.02)	254.73
Return on plan assets excluding interest income	87.33	(59.63)
Loss/ (gain) recognised in other comprehensive income	(58.69)	195.10

D Plan assets

Category of asset	As at 31 March 2019	As at 31 March 2018
Insurer managed funds	100%	100%

E Actuarial assumptions

Particulars	As at 31 March 2019	As at 31 March 2018
Discount rate	7.60%	7.50%
Expected return on plan assets	7.00%	7.50%
Salary escalation rate	8.00%	8.00%

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

F Sensitivity analysis

The sensitivity analysis of significant actuarial assumption as at end of reporting period is shown below:

Particulars	As at 31 March 2019	As at 31 March 2018
A. Discount rate		
Discount rate – 50 basis points	3,933.29	3,183.45
Assumptions	7.10%	7.00%
Discount rate + 50 basis points	3,672.63	2,970.83
Assumptions	8.10%	8.00%
B. Salary escalation rate		
Salary rate – 50 basis points	3,699.70	2,991.16
Assumptions	7.50%	7.50%
Salary rate + 50 basis points	3,899.36	3,157.33
Assumptions	8.50%	8.50%
C. Withdrawal rate		
Withdrawal rate – 100 basis points	3,812.16	3,063.64
Withdrawal rate + 100 basis points	3,783.57	3,082.59

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

2.29 Share based payments

Ind AS 102 “Share Based Payments” establishes financial and reporting principles for employees share based payment plans. The Ind AS applies to employee share based payment plans and also applies to transfers of shares or stock options of the parent of the enterprise, or shares or stock options of another enterprise in the same group as the enterprise, to the employees of the enterprise.

A Description of share-based payment arrangements

Employees of the Company are entitled to shares of Virtusa Corporation, the ultimate holding company under an equity-settled share-based compensation plan and cash settled stock appreciation plan operated by Virtusa Corporation. Employees of the Company have been issued stock option, restricted stock and stock appreciation rights under three plans operated by Virtusa Corporation. Details of these plans are given below.

I 2000 Stock Option Plan (“the 2000 Plan”)

Under this plan an initial amount of common stock was reserved for issuance to employees (including officers and employee directors), directors and consultants or advisor of the Company or any subsidiary. The maximum aggregate number of shares of Common Stock reserved and available for issuance under the Plan shall be 6,000,000 shares. The 2000 Plan was amended over the years to increase the number of shares reserved for issuance. Options granted under the 2000 plan could be either incentive stock options, non-qualified stock options, restricted stock and unrestricted stock, or any combination of the above. Incentive stock can be granted only to employees. In May 2007, Virtusa Corporation Board of Directors determined that no further grants would be made under the 2000 Plan.

II 2007 Stock Option and Incentive Plan (“the 2007 Plan”)

In May 2007, Virtusa Corporation adopted the 2007 Plan. The 2007 Plan permits to make grants of incentive stock options, non-qualified stock options, deferred stock awards, restricted stock awards, unrestricted stock awards, cash-based awards and dividend equivalent rights. Virtusa Corporation reserved 830,670 shares of its common stock for the issuance of awards under the 2007 Plan. The 2007 Plan provides that the number of shares reserved and available for issuance under the plan will be automatically increased each 1st April, beginning in 2008 and thereafter, by 2.9% of the outstanding number of shares of common stock on the immediately preceding 31st March or such lower number of shares of common stock as determined by the Board of Directors. This number is subject to adjustment in the event of a stock split, stock dividend or other change in Virtusa Corporation capitalisation. Generally, shares that are forfeited or cancelled from awards under the 2007 Plan also will be available for future awards. In addition, available shares under the 2000 Plan and the Stock Appreciation Rights Plan (“the SARs Plan”), including as a result of the forfeiture, expiration, cancellation, termination or net issuances of awards, are automatically made available for issuance under the 2007 Plan. In May 2015, Virtusa Corporation board of directors determined that no further grants would be made under the 2007 Plan.

III 2015 Stock Option Plan (“the 2015 Plan”)

In May 2015, Virtusa Corporation adopted the 2015 Stock Option and Incentive Plan (“2015 Plan”). The 2015 Plan replaces the 2007 Plan and permits the granting of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock units, unrestricted stock awards, and performance share awards, performance-based awards to covered employees, cash-based awards and dividend equivalent rights. Virtusa Corporation reserved 3,000,000 shares of its common stock for the issuance of awards under the 2015 Plan as well as the number of shares of stock as is equal to the shares underlying any stock options and awards that are returned to Virtusa Corporation 2007 Plan after the 2015 Plan’s effective date as a result of the expiration, forfeiture, acquisition by Virtusa Corporation prior to vesting, cancellation or termination of such stock options and awards (other than by exercise) as set forth in the 2007 Plan. Additionally, shares that are forfeited or cancelled or otherwise terminated (other than by exercise) or held back by Virtusa Corporation or tendered by the grantee of any equity award to settle applicable taxes on any equity award under the 2015 Plan shall be added back to the shares of common stock available for future issuance under the 2015 Plan.

B Measurement of Fair Values:

i Equity-settled share-based payment arrangements:

Share-based compensation cost is determined by estimating the fair value at the grant date of the holding company’s common stock. No stock options have been granted during the fiscal years ended 31 March 2019 and 31 March 2018. For, restricted stock awards and restricted stock units, fair value is determined based on the market price at the date of grant.

ii Cash-settled share-based payment arrangement:

No cash-settled SARs have been granted during the fiscal years ended 31 March 2019 and 31 March 2018.

C Reconciliation of outstanding share options

a. Stock Options

There were no stock option grants during the year ended 31 March 2019 and previous year ended 31 March 2018.

The following table summarises stock option activity under the 2000 Plan and the 2007 Plan for the fiscal years ended 31 March 2019 and 31 March 2018:

Particulars	As at 31 March 2019		As at 31 March 2018	
	Number of options	Weighted average exercise price (INR)*	Number of options	Weighted average exercise price (INR)*
Outstanding at the beginning of the year	-	-	19,505	997.66
Transfers out during the year	-	-	15,205	1,031.49
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	4,300	878.05
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

There were no stock options outstanding and exercisable at 31 March 2019 and 31 March 2018.

*The weighted average exercise price has been converted into rupees using exchange rate of Rs. 64.47 as at 31 March 2018.

b Restricted stock awards

There were no restricted stock awards granted during the years ending 31 March 2019 and 31 March 2018.

The following table summarises restricted stock awards activity under the 2007 Plan and 2015 Plan for the fiscal years ended 31 March 2019 and 31 March 2018:

Particulars	As at 31 March 2019		As at 31 March 2018	
	Number of options	Weighted average exercise price (INR)*	Number of options	Weighted average exercise price (INR)*
Outstanding at the beginning of the year	3,946	2,985.16	18,805	2,270.75
Transfers out during the year	(711)	3,133.15	(9,833)	2,084.89
Transfers in during the year	-	-	457	1,650.38
Awarded during the year	-	-	-	-
Vested during the year	(2,302)	2,792.20	(5,296)	2,169.86
Forfeited during the year	(327)	3,348.47	(187)	3,090.59
Outstanding at the end of the year	606	3,348.47	3,946	2,755.26

*The weighted average exercise price has been converted into rupees using exchange rate of Rs. 69.85 as at 31 March 2019 and Rs. 64.47 as at 31 March 2018.

c Restricted stock units

The relevant terms of the restricted stock units granted are summarised below:

Particulars	For the year ended 31 March 2019		
	13-Nov-18	17-May-18	17-May-18
Grant Date			
Number of shares granted	740	29,580	16,350
Vesting Period	Over a period of 48 months	Over a period of 48 months	If conditionally vested, then 33% vest on 1 Sept 2018 and 67% vest on 1 March 2020
Conditions	Service during the vesting period	Service during the vesting period	Performance based on achievement of specified targets.

Particulars	For the year ended 31 March 2018					
	12-Feb-18	10-Nov-17	10-Aug-17	10-Aug-17	18-May-17	18-May-17
Grant Date						
Number of Shares Granted	837	2,700	13,146	10,571	9,077	13,616
Vesting Period	Over a period of 48 months	Over a period of 48 months	Over a period of 48 months	If conditionally vested, then 33% vest on 1 Sept 2018 and 67% vest on 1 March 2020	If conditionally vested, then 33% vest on 1 Sept 2018 and 67% vest on 1 March 2020	Over a period of 48 months
Conditions	Service during the vesting period	Service during the vesting period	Service during the vesting period	Performance based on achievement of specified targets.	Performance based on achievement of specified targets.	Service during the vesting period

The following table summarises restricted stock units activity under the 2007 Plan and 2015 Plan for the fiscal years ended 31 March 2019 and 31 March 2018:

Particulars	As at 31 March 2019		As at 31 March 2018	
	Number of options	Weighted average exercise price (INR)*	Number of options	Weighted average exercise price (INR)*
Outstanding at the beginning of the year	76,936	2,236.29	170,332	1,893.99
Transfers in during the year	-	-	1,143	1,448.60
Transfers out during the year	(5,340)	2,162.81	(107,917)	1,727.84
Awarded during the year*	46,670	3,305.08	49,947	2,085.09
Vested during the year	(20,034)	2,366.33	(18,704)	2,087.27
Forfeited during the year	(49,764)	2,463.52	(17,865)	2,468.55
Outstanding at the end of the year	48,468	2,986.48	76,936	2,064.07

The weighted average remaining recognition period of the restricted stock units is 2.02 years as at 31 March 2019 and 1.40 years as at 31 March 2018.

*The weighted average exercise price has been converted into rupees using exchange rate of Rs. 69.85 as at 31 March 2019 and Rs. 64.47 as at 31 March 2018.

The total expense, based on fair value method recognised for the year ended 31 March 2019 under employee share-based payment plans which has been recorded as a part of employee stock compensation expense under employee benefits amounts to INR 553.05 (previous year: INR 703.03).

2.30 Dues to micro and small enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008, which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers, the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2018 has been made in the standalone financial statements based on information received and available with the Company. Further, in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 ('the MSMED Act') is not expected to be material. The Company has not received any claim for interest from any supplier under the Act.

Particulars	As at 31 March 2019	As at 31 March 2018
The principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year;	264.63	387.03
The amount of interest paid by the buyer in terms of Section 16 of the MSMED Act, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act;	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year;	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under Section 23 of the MSMED Act.	-	-

Note: The list of undertakings covered under MSMED Act was determined by the Company on the basis of information available with the Company and has been relied upon by the auditors.

2.31 Corporate social responsibility

Consequent to the requirements of Section 135 of the Companies Act 2013, the Company has made contributions as stated below. The same is in line with activities specified in Schedule VII of the Companies Act, 2013 and activities approved by the CSR committee:

Particulars	As at 31 March 2019	As at 31 March 2018
Gross amount required to be spent by the Company during the year	183.22	145.83
Amount spent during the year		
(i) Construction/acquisition of any assets	-	-
(ii) On purpose other than (i) above:	50.00	41.70

2.32 Capital Management

The Company's policy is to maintain a strong capital base so as to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and for the future development of the Company. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return on capital to shareholders or issue of new shares.

The Company monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Company's adjusted year on year net debt to equity ratio are as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Total liabilities	241,706.71	231,455.56
Less: Cash and cash equivalents	4,239.68	11,355.63
Adjusted net debt	237,467.03	220,099.93
Total adjusted equity	102,813.83	94,337.97
Adjusted net debt to adjusted equity ratio	2.31	2.33

The Company aims to manage its capital efficiently so as to safeguard its ability to continue going concern and to optimize return to all its shareholders.

2.33 Financial instruments – fair values and risk management

A Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities:

As at 31 March 2019

Particulars	Notes	Other financial assets -amortised cost	Other financial liabilities - amortised cost	FVOCI – equity instruments	Total carrying amount
Financial assets not measured at fair value					
Investments	2.02	291,562.20			291,562.20
Other financial assets	2.04	1,058.98			1,058.98
Trade receivables	2.06	27,708.98			27,708.98
Cash and cash equivalents	2.07 (a)	4,239.68			4,239.68
Other bank balances	2.07 (b)	23.64			23.64
		324,593.48	-	-	324,593.48
Financial assets measured at fair value					
Loans	2.03	1,795.06			1,795.06
		1,795.06	-	-	1,795.06
Financial liabilities not measured at fair value					
Borrowings	2.11 (a)		208,868.95		208,868.95
Trade payables	2.14		4,158.89		4,158.89
Other financial liabilities	2.15		9,997.54		9,997.54
		-	223,025.38	-	223,025.38
Financial liabilities measured at fair value					
Borrowings	2.11 (a)		13,739.43		13,739.43
		-	223,025.38	-	223,025.38

As at 31 March 2018

Particulars	Notes	Other financial assets -amortised cost	Other financial liabilities - amortised cost	FVOCI – equity instruments	Total carrying amount
Financial assets not measured at fair value					
Investments	2.02	269,148.47			269,148.47
Other financial assets	2.04	1,812.63			1,812.63
Trade receivables	2.06	22,017.81			22,017.81
Cash and cash equivalents	2.07 (a)	11,355.63			11,355.63
Other bank balances	2.07 (b)	329.00			329.00
		269,148.47	223,025.38	-	492,173.85
Financial assets measured at fair value					
Loans	2.03	1,707.90			1,707.90
		1,707.90	-	-	1,707.90
Financial liabilities not measured at fair value					
Borrowings	2.11 (a)		191,788.10		191,788.10
Trade payables	2.14		4,057.76		4,057.76
Other financial liabilities	2.15		9,238.57		9,238.57
		-	205,084.43	-	205,084.43
Financial liabilities measured at fair value					
Borrowings	2.11 (a)		22,254.96		22,254.96
		-	22,254.96	-	22,254.96

The Company has not disclosed the fair values for financial instruments such as short-term trade receivables or short-term trade payables because their carrying amounts are a reasonable approximation of fair values

B Financial risk management

The Company has exposure to the following risks arising from financial instruments

- a) Credit risk
- b) Liquidity risk
- c) Market risk

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

The carrying amounts of financial assets represent the maximum credit risk exposure.

Trade receivables:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Company analyses each new customer individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings (if they are available), financial statements, credit agency information, industry information and in some cases bank references.

Majorly the Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three months for customers.

The Company's exposure to credit risk from trade receivables is as follows:

Particulars	Carrying Amounts	
	As at 31 March 2019	As at 31 March 2018
Receivables from related parties	24,676.85	20,550.83
Others	3,032.13	1,466.98

Movement in the allowance for impairment in trade receivables

Particulars	Carrying Amounts	
	As at 31 March 2019	As at 31 March 2018
Opening balance	227.80	133.10
Provision made / (reversed) during the year	(78.29)	94.70
Amount written back		
Net measurement of loss allowance	149.51	227.80

Cash and bank balances

The Company holds cash and bank balance of INR 4,263.32 at 31 March 2019 (31 March 2018: INR 11,684.63). The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

b. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount to meet operational needs on an on-going basis. Any short term surplus cash generated, over and above the amount required for working capital management and other operational requirements, is retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits with appropriate maturities to optimise the cash returns on investments while ensuring sufficient liquidity to meet its liabilities. As at 31 March 2019, the expected cash flows from trade receivables are INR 27,708.98 (31 March 2018: INR 22,017.30). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

As at 31 March 2019

Particulars	Carrying Amount	Contractual cashflows		
		0-1 year	1-5 years	More than 5 years
Non-derivative financial liabilities				
Non-convertible debentures	199,747.42	17,407.56	262,288.22	-
Finance lease obligations	14.36	12.38	1.98	-
Trade payables	4,158.89	4,158.89	-	-
Other financial liabilities	8,509.55	7,905.53	604.02	-
Liability component of convertible debentures	24,334.59	2,079.63	19,751.93	15,380.57
Total	236,764.81	31,563.99	282,646.15	15,380.57

As at 31 March 2018

Particulars	Carrying Amount	Contractual cashflows		
		0-1 year	1-5 years	More than 5 years
Non-derivative financial liabilities				
Non-convertible debentures	199,690.00	17,360.00	211,627.62	68,068.16
Finance lease obligations	35.49	25.88	35.49	-
Trade payables	4,057.76	4,057.76	-	-
Other financial liabilities	8,663.71	8,059.69	604.02	-
Liability component of convertible debentures	14,892.43	1,153.00	9,166.88	11,458.59
Total	227,339.39	30,656.33	221,434.01	79,526.75

c. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company operates internationally and a major portion of the business is transacted in several currencies. Consequently, the Company is exposed to foreign exchange risk through its services in the United States and elsewhere. The exchange rate between the rupee and foreign currencies has changed substantially in the future. Consequently, the results of the operations are adversely affected as the rupee appreciates/ depreciates against these currencies.

The year-end foreign currency exposures that have not been hedged by derivative instrument or otherwise are given below:

Particulars	As at 31 March 2019		As at 31 March 2018	
	Amount in foreign currency	Amount in INR	Amount in foreign currency	Amount in INR
Receivables in foreign currency				
USD	194.44	13,502.92	151.16	9,817.24
GBP	109.50	9,910.46	94.1	8,563.92
EUR	0.77	59.72	3.24	259.34
SGD	22.40	1,147.63	26.6	1,316.98
SEK	0.41	3.03	-	-
AED	3.29	62.22	0.34	6.1
AUD	0.15	7.51	0.85	42.54
CAD	2.24	116.73	1.76	88.69
JPY	1.76	1.10	-	-
NZD	-	-	0.05	2.35
MYR	0.45	7.61	0.41	6.92
CHF	0.61	42.85	0.15	10.49
Payables in foreign currency				
USD	5.18	359.98	10.44	678.07
SGD	-	-	0.24	12.07
AED	-	-	0.02	0.32
SEK	-	-	0.19	1.5

d. Interest rate risk

Interest rate risk primarily arises from the Company's long-term borrowings and short-term investments with banks.

The interest rate profile of the Companies interest bearing financial instruments is as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Fixed rate instruments		
Deposit accounts with remaining maturity of more than 12 months	2.65	2.21
Deposit accounts with original maturity of 3 months or less	-	3,330.62
Deposit accounts with remaining maturity of 12 months or less	-	329.00
NCDs	199,747.42	199,690.00
Liability component of compound financial instrument	24,334.59	14,892.43
Finance lease obligation	14.36	35.49

e. Sensitivity analysis:

A reasonably possible strengthening / weakening of the INR, against all other foreign currencies at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit and loss by the amounts shown below. This analysis assumes that other variables, in particular interest rates, remain constant and ignores any impact of forecast services obtained and rendered by the Company.

Particulars	Profit or Loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
31 March 2019				
USD (1% Movement)	131.43	(131.43)	108.47	(108.47)
GBP (1% Movement)	99.10	(99.10)	81.79	(81.79)
EUR (1% Movement)	0.60	(0.60)	0.50	(0.50)
SGD (1% Movement)	11.48	(11.48)	9.47	(9.47)
31 March 2018				
USD (1% Movement)	91.39	(91.39)	75.86	(75.86)
GBP (1% Movement)	85.64	(85.64)	70.53	(70.53)
EUR (1% Movement)	2.59	(2.59)	2.43	(2.43)
SGD (1% Movement)	13.05	(13.05)	10.95	(10.95)

2.34 Scheme of amalgamation and arrangement

During the previous year ending 31 March 2018, the Board of the Directors of entities mentioned below approved a Scheme of amalgamation and arrangement (“the Scheme”) for amalgamation of Virtusa Software Services Private Limited (“the Transferor Company 1”) and Virtusa Technologies India Private Limited (“the Transferor Company 2”) with Virtusa Consulting Services Private Limited (“the Transferee Company” or “the Company”) under Section 232 read with section 230 of the Companies Act, 2013 and the rules made thereunder relevant provisions of the Companies Act, 2013 in the Board meetings held on:

Name of the Entity	Board of Directors meeting date
Virtusa Software Services Private Limited	10-Mar-17
Virtusa Technologies India Private Limited	10-Mar-17
Virtusa Consulting Services Private Limited	10-Mar-17

The Company had filed a petition for approval of the Scheme with National Company Law Tribunal, Hyderabad Bench (“NCLT”) on 5 June 2017. The Scheme became operative from appointed date (i.e., 01 April 2017) after receiving sanction of the NCLT vide its order dated 03 April 2018. The certified true copy of the Scheme was filed with the Registrar of Companies on 13 June 2018. The Company has given effect to the Scheme as approved by the NCLT in the financial statements for the year ended 31 March 2018 and has restated the amount for the year ended 31 March 2017. As per Ind AS 103, the accounting of business combination under common control requires the financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. Hence, the Management has given effect of the amalgamation from 01 April 2016.

The Transferor Companies and the Transferee Company were incorporated to engage in business relating to IT and software sectors. The Transferor Companies were a fellow subsidiaries of the Transferee Company. The entire business and undertaking of the Transferor Companies including its assets and liabilities, as a going concern, are transferred to and vested in the Transferee Company and the Transferor Companies stand dissolved.

Salient features of the Schemes are as follows:

The amalgamation had been accounted under the ‘Pooling of Interest’ method in accordance with accounting principles generally accepted in India, including those specified under Section 133 of the Act, i.e. Ind AS 103 Business Combinations and Rule 3 of the Companies (Indian Accounting Standard) Rules, 2015 made thereunder. The salient features of the Scheme are as follows:

The Transferee Company shall, upon the Scheme coming into effect, record the assets and liabilities of the Transferor Companies vested in it pursuant to this Scheme at their respective book values. No adjustment shall be made to the carrying amounts of assets and liabilities as reflected in the books of Transferor Companies on the Appointed Date, to reflect fair values or recognise any new assets or liabilities including any new deferred tax assets or liabilities.

The Transferee Company shall record all the Reserves (including the balance in the statement of profit and loss) of the Transferor Companies, in the same form and at the same values as they appeared in the financial statements of the Transferor Companies.

The carrying amount of investments in the shares of the Transferee Company to the extent held by the Transferor Company 1 and in the shares of Transferor Company 2 to the extent held by Transferor Company 1, shall stand cancelled in the books of the Transferee Company, without any further act or deed.

To the extent of and with respect to inter-corporate loans or balances between the Transferor Company 1, Transferor Company 2 and the Transferee Company, the rights and obligations shall come to an end.

In case of any differences in accounting policy between the Transferor Company 1, Transferor Company 2 and the Transferee Company, the accounting policies of the Transferee Company will prevail and the difference will be quantified and adjusted in the reserves to ensure that the financial statements of the Transferee Company reflect the financial position on the basis of consistent accounting policy.

The difference between the value of net assets of the Transferor Companies to be taken over by the Transferee Company and the amount of shares to be issued and allotted shall be as per the scheme is as under:

Entity	No. of shares held before amalgamation	Exchange ratio	No. of shares to be issued by transferor Company*
Transferor Company 1	10,000	1:100	100
Transferor Company 2	10,000	1:1000	10
			110

* Pursuant to the scheme of amalgamation, 9,000 equity shares of INR 10 each held by Transferor Company 1 in Transferor Company 2 shall stand cancelled in the books of the Transferee Company, without any further act or deed. Therefore, the Transferor Company has issued only 102 shares towards purchase consideration.

Details of assets, liabilities and reserves of the Transferor Company 1 taken over along with the consideration to be paid are given below:

Particulars as at 31 March 2017	Amount in INR Lakhs
Assets transferred	
Non-current assets	
Property, plant and equipment	1,456.16
Intangible assets	3.55
Capital work-in-progress	72.48
Intangible assets under development	-
Financial assets	
Investments	6,807.13
Loans	562.04
Other financial assets	-
Deferred tax assets, net	1,088.86
Other assets	163.14
Non-current tax assets, net	40.41
Total non-current assets	10,193.77
Current assets	
Financial assets	
Investments	-
Trade receivables	4,091.57
Cash and cash equivalents	4,544.39
Other bank balances	1,125.00
Loans	-
Other financial assets	90.73

Other assets	301.16
Total current assets	10,152.85
Total assets (A)	20,346.62
Liabilities acquired	
Non-current liabilities	
Financial liabilities	
Borrowings	3.59
Provisions	380.87
Other liabilities	39.90
Total non-current liabilities	424.36
Current liabilities	
Financial liabilities	
Trade payables	383.60
Other financial liabilities	1,394.06
Provisions	52.21
Other liabilities	330.88
Current tax liabilities, net	-
Total current liabilities	2,160.75
Total liabilities (B)	2,585.11
Reserves and surplus (C)	17,760.51
Net assets taken over (A-B-C)	1
Less: Purchase consideration	
101 equity shares with face value Rs. 10 each fully paid up to be issued as per the Scheme as approved by the NCLT	0.0101
Capital reserve account	0.99

Further, Transferor Company 1 held 700 shares of INR 10 at a premium of INR 972,308 per share. Pursuant to the scheme of amalgamation as mentioned above, the investment is cancelled and the net impact of the cancellation is as below:

Particulars	Impact	Amount (INR in Lakhs)
Share capital of the transferee	Decrease	0.07
Securities premium account of the transferee	Decrease	6,806.16
Investment	Decrease	6,806.23

Details of assets, liabilities and reserves of the Transferor Company 2 taken over along with the consideration to be paid are given below

Particulars as at 31 March 2017	Amount in INR Lakhs
Assets transferred	
Non-current assets	
Property, plant and equipment	438.98
Deferred tax assets, net	338.10
Other assets	4.76
Non-current tax assets, net	4.77
Total non-current assets	786.61
Current assets	
Financial assets	
Trade receivables	977.04
Cash and cash equivalents	579.75
Other financial assets	20.00
Other assets	35.68
Total current assets	1,612.47
Total assets (A)	2,399.08
Liabilities acquired	
Non-current liabilities	
Financial liabilities	
Borrowings	1.98
Provisions	45.51
Other liabilities	50.24
Total non-current liabilities	97.73
Current liabilities	
Financial liabilities	
Trade payables	142.04
Other financial liabilities	436.60
Provisions	9.64
Other liabilities	84.92
Current tax liabilities, net	-
Total current liabilities	673.20
Total liabilities (B)	770.93
Reserves and surplus (C)	1,627.15
Net assets taken over (A-B-C)	1
Less: Purchase consideration	
1 equity shares with face value of Rs. 10 each fully paid up to be issued as per the Scheme as approved by the NCLT	0.0001
Less: Shares cancelled pursuant to scheme of amalgamation*	0.90
Capital reserve account	0.09

* 9 shares to be allotted to Transferor Company 1 have been cancelled pursuant to the scheme of amalgamation and therefore not considered in the purchase consideration

2.35 The Company vide its letter dated October 26, 2017 made a proposal ('Delisting proposal') to the Board of Directors of Polaris Consulting and Services Limited ("Polaris") to voluntarily delist the equity shares of Polaris, which were listed on National Stock Exchange, Bombay Stock Exchange and Metropolitan Stock Exchange of India Limited, in accordance with the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, by purchasing the shares held by the minority shareholders. The Delisting proposal was approved by the Board of Polaris on November 14, 2017 and subsequently by the Shareholders of Polaris on December 27, 2017. Subsequent to obtaining in-principle approval from the aforesaid stock exchanges, the Company made a public offer announcement and letter of offer to the public shareholders of Polaris on January 24, 2018. The bidding for the tendering of shares closed on February 5, 2018 and the Company acquired further stake of 18.77% (19,285,807 equity shares) in Polaris on February 12, 2018 at a price of INR 480 per share, increasing its shareholding to 92.80%. Polaris has delisted from the stock exchanges with effect from 01 August 2018. During the year, the Company acquired further stake of 4.52% (4,669,716 equity shares) in Polaris at a price of INR 480 per share, increasing its share holding to 96.87%.

2.36 During the previous year ended 31 March 2018, the Company has filed a scheme of amalgamation on 28 March 2018 with National Company Law Tribunal (NCLT), of Polaris Consulting Services Limited with the Company in terms of relevant provisions of the Companies Act, 2013. The scheme has been approved by the Board of Directors of the Company in its meeting held on 15 March 2018 and is subject to approval from NCLT.

2.37 During the year ended 31 March 2018, the Company had acquired 10,000 equity shares of INR 10/- each, fully paid-up, aggregating to INR 9,725.05 lakhs (including stamp duty of INR 18.25 lakhs) from shareholders of eTouch Systems India Private Limited ("eTouch"). The acquisition constituted 100% of the equity share capital of eTouch and was completed on 11th March 2018. The acquisition was approved by the Board of Directors on 08 March 2018. During the year ended 31 March 2019, the Company has transferred 1 equity share of INR 10/-, fully paid-up to Mr. N M Vaidyanathan for a consideration of INR 0.91 Lakhs. Subsequently, the same has been transferred to Virtusa International B.V.

2.38 As at 31 March 2019, (31 March 2018: Nil) the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

2.39 Previous Year figures have been regrouped/ reclassified wherever necessary to correspond with the current year classifications / disclosures.

As per our report of even date attached

for MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. : 105047W

Ananthkrishnan.G
Partner
Membership No.: 205226

Place: Hyderabad
Date: 29 May 2019

for and on behalf of the Board of Directors of

Virtusa Consulting Services Private Limited
CIN: U93000TN2008FTC128079

Vasu Pendyala
Director
DIN: 07538355

Christina Pauline Beulah
Company Secretary

Hari Raju Mahadevu
Director
DIN: 03262516

Place: Hyderabad
Date: 29 May 2019

Polaris Consulting & Services Limited

Provisional Balance Sheet as at March 31, 2019

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non-current assets			
Property, plant and equipment		22,627.88	15,259.02
Capital work-in-progress		(21.14)	194.66
Investment property		-	5,324.54
Other intangible assets		896.58	786.10
Intangibles under development		-	-
Financial assets			
Investments	1A	3,276.00	3,989.01
Other financial assets	7	638.74	578.92
Income tax asset, net		10,756.94	7,621.57
Deferred tax assets, net		1,839.65	1,409.40
Other non-current assets	8	524.19	193.47
Total non-current assets		40,538.84	35,356.69
Current assets			
Financial assets			
Investments	1B	9,032.16	1,007.40
Trade receivables	2	18,318.76	22,155.61
Unbilled revenue	3	22,397.77	20,865.22
Cash and cash equivalents	4A	36,875.62	37,300.19
Other bank balances	4B	112.52	130.33
Derivative financial instruments	5	-	226.60
Loans	6	105.05	222.93
Other financial assets	7	368.26	454.81
Other current assets	9	8,444.51	4,109.99
Total current assets		95,654.65	86,473.08
Disposal group - assets held for sale		5,324.54	
Total assets		141,518.03	121,829.77
EQUITY AND LIABILITIES			
Equity			
Equity share capital	10	5,163.21	5,147.06
Other equity		104,869.08	87,906.05
Equity attributable to owners of the parent		110,032.29	93,053.11
Total equity		110,032.29	93,053.11
Liabilities			
Non-current liabilities			
Deferred tax liabilities (net)		53.51	58.36
Total non-current assets		53.51	58.36
Current liabilities			
Financial Liabilities			
Trade payables	12		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		17,637.40	13,445.17
Derivative financial instruments	13	27.06	-
Other financial liabilities	14	812.59	2,278.26
Current tax liabilities		1,920.65	1,807.22
Provision for employee benefits	11	4,006.21	2,920.82
Other current liabilities	15	7,028.32	8,266.83
Total current liabilities		31,432.23	28,718.30
Total equity and liabilities		141,518.03	121,829.77

The notes from 1 to 19 are an integral part of these financial statements

As per our report of even date attached

Virtusa Consulting Services Private Limited

Statement of profit and loss

(All amounts are in Lakhs of Indian Rupees lakhs, unless otherwise stated)

Particulars	Notes	For the year ended 31 March 2019	For the year ended 31 March 2018
Revenue from operations		201,017.36	181,730.87
Other income	16	3,000.26	2,837.31
Total income		204,017.62	184,568.18
Expenses			
Employee benefits expense	17	149,208.82	129,793.73
Depreciation and amortisation expense	18	2,964.91	2,372.33
Other expenses	19	27,060.20	24,760.26
Total expenses		179,233.93	156,926.32
Profit before income tax expense		24,783.69	27,641.86
Current tax		9,278.83	9,813.53
Deferred tax		(207.27)	(253.75)
Income tax expense		9,071.56	9,559.78
Profit after tax		15,712.13	18,082.08
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit liability / (asset)		(472.14)	157.09
Equity investments through other comprehensive income - net change in fair value		(41.09)	30.54
Gain on disposal of equity shares by trust		12.43	2.97
Income tax relating to items that will not be reclassified to profit or loss		142.60	(54.89)
Net other comprehensive income not to be reclassified subsequently to profit or loss		(358.20)	135.71
Items that will be reclassified subsequently to profit or loss			
Exchange differences in translating financial statements of foreign operations		800.13	4.33
Effective portion of gains (losses) on hedging instruments in cash flow hedges		(253.66)	(3,696.41)
Gain/(Loss) on securities classified as fair value through other comprehensive income			
Income-tax relating to items that will be reclassified to profit or loss		88.64	1,278.49
Net other comprehensive income to be reclassified subsequently to profit or loss		635.11	(2,413.59)
Other comprehensive income for the year, net of income tax expense		276.91	(2,277.88)
Total comprehensive income		15,989.04	15,804.20
Earnings per share			
Basic earnings per share (INR)		15.23	17.67
Diluted earnings per share (INR)		15.21	17.60

The notes from 1 to 34 are an integral part of these financial statements. As per our report of even date attached

for and on behalf of

Polaris Consulting & Services Limited
CIN: U65993TN1993PLC024142

Polaris Consulting & Services Limited

Provisional Notes to the financial statements

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

1 Investments

See accounting policies in Note 2(c)(i)-(iii), (c)(v) and (g)(i)

A Non-current investments

Particulars	31 March 2019	31 March 2018
Quoted instruments		
Preference shares at FVTPL		
8,000 (March 31,2018: 8,000) 15.95% Cumulative Non-convertible Redeemable preference shares of Infrastructure Leasing & Financial Services Limited	130.48	1,075.74
<i>Equity shares at FVOCI</i>		
45,808 (March 31,2018: 83,808) equity shares of Intellect Design Arena Limited (refer note below)	93.15	138.53
Preference shares at cost		
Preference shares at FVTPL		
1,492,030 (March 31, 2018: 1,492,030) Optimus Global Services Limited, less impairment of INR 29.84 Lakhs (March 31, 2018: INR 29.84 Lakhs)	-	-
Unquoted equity instruments		
2,07,295 (March 31,2018: 1,51,000) equity shares of Hexa Wind Farm Private Limited at Rs 10 each, less impairment of INR 15.10 Lakhs (March 31,2018: INR 15.10 lakhs)	5.63	-
Equity shares at cost		
600,000 (March 31, 2017: 6,00,000) Polaris Consulting & Services GmbH (Germany)	261.99	261.99
25,000 (March 31, 2017: 25,000) Polaris Consulting & Services Pty Ltd (Australia)	8.11	8.11
176,186 (March 31, 2017: 176,186) Polaris Consulting & Services Ireland Ltd (Ireland)	88.96	88.96
400 (March 31, 2017: 400) Polaris Consulting and Services Japan K.K (Japan)	79.04	79.04
296,350 (March 31, 2017: 296,350) Polaris Consulting & Services Inc (Canada)	109.38	109.38
235,072 (March 31, 2017: 250,010) Polaris Consulting & Services Pte Ltd (Singapore)	112.69	112.69
5,001 (March 31, 2017: 5,001) Polaris Consulting & Services Limited (UK)	4.92	4.92
1,500 (March 31, 2017: 1,500) Polaris Consulting and Services FZ- LLC (Dubai)	261.00	261.00
200,000 (March 31, 2017: 200,000) Polaris Consulting & Services SA (Swiss)	685.30	685.30
849,997 (March 31, 2017: 849,997) Optimus Global Services Limited, less impairment of INR 17 lakhs (March 31, 2017 : INR 17 lakhs)	272.00	-
Investment in Joint Venture		
50 (March 31, 2018: 50) Intellect Polaris Design LLC, USA	1,163.35	1,163.35
	3,276.00	3,989.01
Aggregate book value of quoted investments	223.63	1,214.27
Aggregate market value of quoted investments	223.63	1,214.27
Aggregate value of unquoted investments	3,052.37	2,774.74
Aggregate amount of impairment in value of investments	61.94	61.94

Note: Investment in equity shares of Intellect Design Arena Limited, relates to equity shares held for employees, to be issued on exercise of stock options. Accordingly, the Company has made an irrevocable election to measure investment in equity shares as fair value through other comprehensive income.

B Current investments

Particulars	As at 31 March 2019	As at 31 March 2018
Investment in mutual funds		
Quoted		
2,34,457 (March 31,2018: Nil) units in Birla Sun Life Cash Plus Fund	701.04	-
26,103 (March 31,2018: Nil) units in Kotak Money Market Bond	803.14	-
1,94,349 (March 31,2018: Nil) units in ICICI Prudential Money Market Fund	503.04	-
33,838 (March 31,2018: Nil) units in Reliance Liquid-Treasury Plan(G)	1,535.96	-
44,218 (March 31,2018: Nil) units in HDFC Liquid Fund	1,618.51	-
1,16,50,819 (March 31,2018: Nil) units in IDFC Corporate Bond Fund	1,488.21	-
13,357 (March 31,2018: Nil) units in IDFC Cash Fund-Reg(G)	301.52	-
27,191 (March 31,2018: Nil) units in Kotak Liquid Fund	1,025.82	-
Nil (March 31,2018: 10,000,000) units in Reliance Fixed Horizon Fund	-	1,007.40
3,83,025 (March 31,2018: Nil) units in ICICI Prudential Liquid Fund	1,054.92	-
	9,032.16	1,007.40
All units are in absolute numbers		
Aggregate book value of quoted investments	9,032.16	1,007.40
Aggregate market value of quoted investments	9,032.16	1,007.40
Aggregate value of unquoted investments	-	-
Aggregate amount of impairment in value of investments	-	-

Polaris Consulting & Services Limited

Provisional Notes to the financial statements

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

2. Trade receivables

Particulars	As at 31 March 2019	As at 31 March 2018
Trade receivables		
Unsecured, considered good	18,318.76	22,155.61
Doubtful	1,671.55	1,478.76
	19,990.31	23,634.37
Allowance for credit loss	(1,671.55)	(1,478.76)
Net trade receivables	18,318.76	22,155.61

3. Unbilled revenue

Particulars	As at 31 March 2019	As at 31 March 2018
Unbilled revenue	22,397.77	20,865.22
	22,397.77	20,865.22

4. Cash and bank balances

Particulars	As at 31 March 2019	As at 31 March 2018
A. Cash and cash equivalents		
Cash on hand	-	-
Balance with banks in current accounts	33,875.62	37,300.19
Deposits with original maturity of less than three months	3,000.00	-
	36,875.62	37,300.19
B. Other bank balances		
Deposits with banks	26.59	26.59
Unclaimed dividend accounts	85.93	103.74
	112.52	130.33

C. Disclosure required pursuant to G.S.R. 307(E) and G.S.R. 308(E) dated March 30, 2017

The Company did not have any holdings or dealings in specified bank notes during the period from November 8, 2016 to December 30, 2016. Accordingly, no disclosure has been made in this regard.

5. Derivatives - Assets

Particulars	As at 31 March 2019	As at 31 March 2018
Forward exchange contracts used for hedging	-	226.60
	-	226.60
Non-current		-
Current	-	226.60
	-	226.60

6. Loans

(Unsecured, considered good unless otherwise stated)

Particulars	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018	As at March 31, 2018
	Current	Non current	Current	Non current
Loans to employees	106.33	-	222.51	-
Employee advance	(1.28)		0.42	
	105.05	-	222.93	-

7. Other financial assets

Particulars	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018	As at March 31, 2018
	Current	Non current	Current	Non current
Security deposits	171.47	617.66	213.14	559.09
Deposits with banks	-	21.08	-	19.83
Interest receivable	36.36	-	11.68	-
Other advances	160.43	-	229.99	-
	368.26	638.74	454.81	578.92

8. Other non-current assets

Particulars	As at March 31, 2019	As at March 31, 2018
Capital advances	150.84	158.89
Prepaid expenses	373.35	34.58
	524.19	193.47

9. Other current assets

Particulars	As at March 31, 2019	As at March 31, 2018
Balance to statutory authorities	6,686.14	2,445.43
Prepaid expenses	1,113.68	1,113.68
Prepaid Gratuity	-	138.33
Other advances	644.69	412.55
	8,444.51	4,109.99

10. Equity share capital

Particulars	As at March 31, 2019	As at March 31, 2018
Authorised		
120,000,000 (March 31, 2018: 120,000,000) equity shares of INR 5 each	6,000.00	6,000.00
10,000,000 (March 31, 2018: 10,000,000) 11% preference shares of INR 5 each	500.00	500.00
Issued, subscribed and paid-up		
102,941,129 equity shares of INR 5 each (March 31, 2017:102,941,129) equity shares of INR 5 each) fully paid up	5,163.21	5,147.06
	5,163.21	5,147.06

All issued shares are fully paid up.

Reconciliation of shares outstanding at the beginning and at the end of the reporting period

Particulars	As at March 31, 2019		As at March 31, 2018	
	Number	Amount	Number	Amount
Equity shares				
At the commencement of the period	102,941,129	5,147.06	102,120,754	5,106.04
Shares issued on exercise of employee stock options	323,055	16.15	820,375	41.02
At the end of the period	103,264,184	5,163.21	102,941,129	5,147.06

The Company has also issued share options to its employees. (see Note 19)

11. Provision for employee benefits

Particulars	As at March 31, 2019	As at March 31, 2018
Net defined benefit liability - Gratuity plan	553.61	-
Liability for compensated absences	3,452.60	2,920.82
	4,006.21	2,920.82
Non-current	-	-
Current	4,006.21	2,920.82
	4,006.21	2,920.82

12. Trade and other payables

Particulars	As at March 31, 2019	As at March 31, 2018
Trade payables to related parties	12,184.54	8,231.06
Other trade payables	5,452.86	5,214.11
	17,637.40	13,445.17

13. Derivatives - Liability

Particulars	As at March 31, 2019	As at March 31, 2018
Forward exchange contracts used for hedging	27.06	-
	27.06	-
Non-current		
Current	27.06	-
	27.06	-

14. Other financial liabilities

Particulars	As at March 31, 2019	As at March 31, 2018
Liabilities for restricted stock units	726.66	2174.52
Unclaimed dividend	85.93	103.74
	812.59	2,278.26

15. Other current liabilities

Particulars	As at March 31, 2019	As at March 31, 2018
Employee related payables	3,791.77	4258.67
Deferred revenue	1,449.07	2,273.24
Statutory tax payable	1,597.07	1,271.82
Others	190.41	463.10
	7,028.32	8,266.83

16. Other income

Particulars	Nine months ended	Year ended
	March 31, 2019	March 31, 2019
Interest income under effective interest method on		
Cash and bank balances	60.13	62.78
Gain on sale of investments (net)	771.54	2,345.08
Financial assets at FVTPL-net change in fair value:		
Mandatorily measured at FVTPL	-	-
Dividend income	-	-
Net gain on sale of property, plant and equipment	167.96	29.15
Net gain on foreign currency transactions	2,429.15	-
Miscellaneous income	(428.52)	400.29
	3,000.26	2,837.31

17. Employee benefits expense

See accounting policies in Note 2(h)

	Nine months ended	Year ended
Particulars	March 31, 2019	March 31, 2019
Salaries, wages and bonus	140,474.42	122,559.88
Contribution to provident fund and other funds	2,549.81	2,171.89
Gratuity	357.25	345.34
Share based payments (Equity-settled)	842.20	878.71
Staff welfare expense	4,985.14	3,837.91
	149,208.82	129,793.73

18. Depreciation and amortisation expense

See accounting policies in Note 2(d) and (e)

	Nine months ended	Year ended
Particulars	March 31, 2019	March 31, 2019
Depreciation of property, plant and equipment	2,547.08	2,057.82
Amortisation of intangible assets	417.83	314.51
	2,964.91	2,372.33

19. Other expenses

	Nine months ended	Year ended
Particulars	March 31, 2019	March 31, 2019
Power and fuel	1,047.22	909.63
Rent	1,078.89	844.73
Subcontracting Expenses	4,552.29	5,302.10
Repairs and maintenance	3,217.80	2,396.78
Rates and taxes	73.88	103.01
Travelling expenses	7,584.59	6,745.94
Legal and professional charges	870.51	2,267.96
Payment to the auditors (see note (i) below)	99.89	99.89
Business promotion	1,197.45	875.07
Expenditure on corporate social responsibility (see note (ii) below)	176.00	312.37
Communication expenses	934.30	1,109.12
Office maintenance	1,505.20	1,264.90
Impairment loss on financial assets	518.51	1,046.15
Insurance	251.31	329.70
Printing and stationery	81.87	63.91
Cost of software packages, consumable and maintenance	-	3.47
Directors' sitting fees	43.15	75.25
Bank charges & commission	-	-
Discount on Revenue	-	-
Net Loss on foreign currency transactions	-	328.70
Miscellaneous expenses	3,827.34	681.59
	27,060.20	24,760.26

