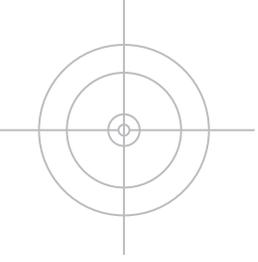


THE WAY IS IN THE TRAINING



being there...

**ZEN TECHNOLOGIES LIMITED**



## THE WAY IS IN THE TRAINING



Zen (zen) n. [[Jpn <Chin ch'an, ult. <Sans dhyāna, thinking, meditation]] a sect of Buddhism, seeks to attain an intuitive illumination of mind and spirit through meditation.

- FROM WEBSTER'S NEW WORLD DICTIONARY

## being there...

Our training simulators project situations realistically. The combat situations are patterned in such a way that the trainee benefits immensely. It is said that the best training is actual combat experience in a battlefield. Zen simulators artificially duplicate the actual combat scenarios so realistically that personnel trained get the feeling of actually **being there...**





# Our products

Zen has been at the forefront of applying new technologies and developing new products and is actively involved in the indigenisation of technologies, which are helpful for security forces in India and other friendly countries.

## Defence

- 81mm Mortar Integrated Simulator
- Zen Advanced Weapons Simulator (Zen AWeSim®)
- Air-to-Ground Firing Range Scoring System
- Zen Anti-Aircraft Air Defence Simulator (Zen 3ADS)
- Zen Anti-Tank Guided Missile Simulator (Zen ATGM® Sim)
- Zen Armour Combat Training System (ZEN ACTS™)
- Zen Artillery Forward Observers Simulator (Zen ArtyFOS)
- Zen Automatic Grenade Launcher Simulator (Zen AGL Sim)
- Zen Infantry Combat Vehicle Driving Simulator (Zen BMP II DS)
- Zen BMP II Integrated Missile Simulator (Zen BMP II IMS)
- Zen Carrier Mortar Tracked Simulator (Zen CMT Sim)
- Zen Combat Training Centre (Zen CTC)
- Zen Combat Training Simulation System (Zen CTSS)
- Zen Containerised Indoor Shooting Range (Zen CISR)
- Zen Containerised Tubular Shooting Range (Zen CTSR)
- Zen Driver Aptitude Testing System (ZEN DATS™)
- Zen Driving Training Simulator (ZEN DTS®)
- Zen Hand Grenade Simulator (Zen HE36S®)
- Zen Infantry Weapons Training Simulator (Zen IWTS®)
- Zen Master Control Station for Live-Firing Ranges (Zen MCS)
- Zen Medium Machine Gun Simulator (Zen MMG Sim)
- Zen Multi-Functional Target System (Zen MFTS®)
- Zen Robotic Targets
- Zen Rotary Wing Simulator (Zen RWS)
- Zen ShootEdge®
- Zen Shoot House for Live and Simulated Indoor Tactical Training
- Zen Small Arms Training Simulator - Stand Alone (Zen SATS® SL)
- Zen Smart Target System (ZEN STS®) - LOMAH®
- Zen Tactical Engagement Simulator (Zen TacSim®)
- Zen TacSim® with Indoor Tracking System (ITS)
- Tank Simulators
  - Tank targets
  - T72 Crew Gunnery Simulator
  - T72 Tank Driving Simulator
  - T72 Tank Gunnery Simulator
  - T90 Crew Gunnery Simulator
  - T90 Tank Driving Simulator
  - T90 Tank Gunnery Simulator
- Zen Tank Zeroing System (Zen TZS)
- Zen UAV Mission Simulator (Zen UAV Sim)
- Zen War Gaming Solutions (Zen WGS)

## Homeland security

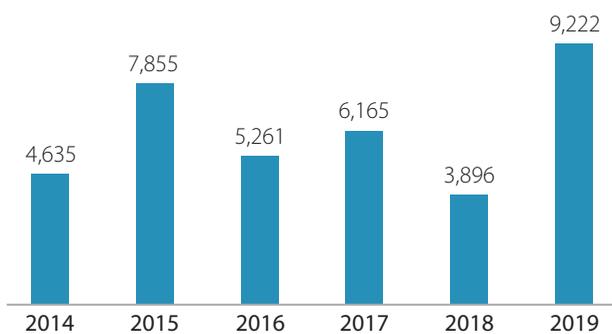
- Zen 81mm Mortar Integrated Simulator (Zen 81mm MIS)
- Zen Advanced Weapons Simulator (Zen AWeSim®)
- Zen Air-to-Ground Firing Range Scoring System
- Zen Artillery Forward Observers Simulator (Zen ArtyFOS)
- Zen Automatic Grenade Launcher Simulator (Zen AGL Sim)
- Zen Carrier Mortar Tracked Simulator (Zen CMT Sim)
- Zen Combat Training Centre (Zen CTC)
- Zen Containerised Indoor Shooting Range (Zen CISR)
- Zen Containerised Tubular Shooting Range (Zen CTSR)
- Zen Driver Aptitude Testing System (ZEN DATS™)
- Zen Driving Training Simulator (ZEN DTS®)
- Zen Hand Grenade Simulator (ZEN HE36S®)
- Zen Master Control Station for Live-Firing Ranges (Zen MCS)
- Zen Medium Machine Gun Simulator (Zen MMG Sim)
- Zen Multi-Functional Target System (Zen MFTS®)
- Zen Robotic Targets
- Zen Rotary Wing Simulator (Zen RWS)
- Zen ShootEdge®
- Zen Shoot House for Live and Simulated Indoor Tactical Training
- Zen Small Arms Training Simulator - SL (Zen SATS® SL)
- Zen Smart Target System (ZEN STS®) - LOMAH®
- Zen Tactical Engagement Simulator (Zen TacSim®)
- Zen TacSim® with Indoor Tracking System (ITS)
- Zen UAV Mission Simulator (Zen UAV Sim)

## Driving

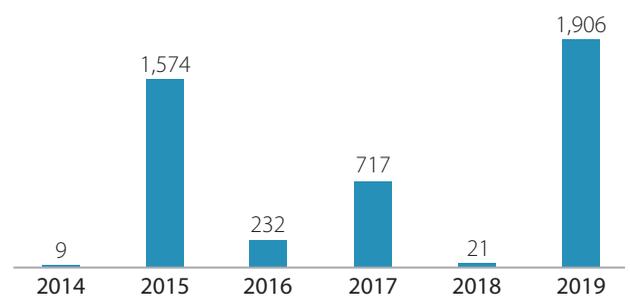
- Zen Automated Driving Simulator (ZEN ADS™)
- Zen Driving Simulator (Zen DS)
- Zen Bus Driving Simulator (Zen BusSim)
- Zen Driver Aptitude Testing System (ZEN DATS™)
- Zen Driving Training Simulator (ZEN DTS®)
- Zen Tatra Driving Simulator (Zen TDS)

# Performance of the Company at a Glance

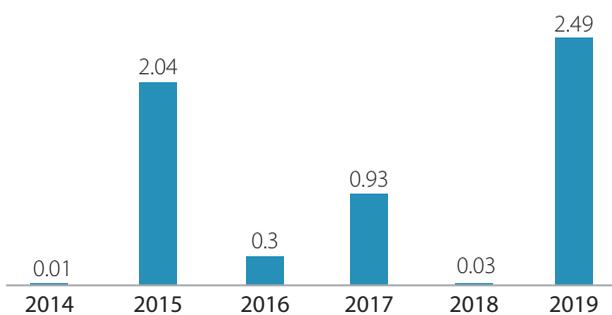
TOTAL INCOME (₹ in lakhs)



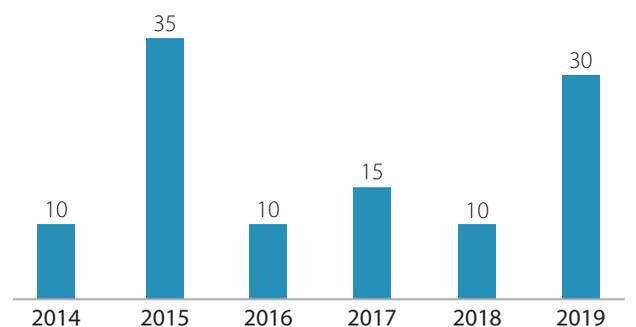
PROFIT AFTER TAX (₹ in lakhs)



EPS (₹)



DIVIDEND (%)





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# Chairman and Managing Director's Overview

## Overview

Strengthening my view last year, the Indian defence procurement is moving decisively towards encouraging indigenization. It is favourably transforming the prospects of companies like Zen that have spent huge amount of resources on R&D and have created world-class products with complete ownership of IP. Zen had to pay costs in terms of lesser short term profits in search of long-term sustainable advantages. We are reaping the benefits now.

Orders from the Indian Government will continue to be lumpy, but a decisive journey has indeed begun. Going ahead, the volume of Defence procurement from the private sector is only likely to grow and will be spread across a wider range of products. The stress on a growing proportion of indigenous content in systems/sub-systems being procured is heartening news for research-driven players like Zen.

The principal message that I wish to communicate is that Zen Technologies is attractively placed to capitalise on the watershed moment in transformation of India from the ignominy of being the largest importer of defence equipment to an aspiring, definitive and large player in the defence exports market. The support from Indian Govt will make it possible. Ignore the negativities being felt, the reality hasn't been more comfortable for Zen until now.

## Positioning

Over the years, Zen selected to specialize in the security training solutions niche that is core to the security preparedness of any country – few meters wide but a miles-deep positioning, which is in contrast to the inch-deep and mile-wide strategy of other Defence players. In line with the Zen philosophy of less is more, the Company will continue to focus on training solutions. We have also developed some other products like ShootEdge that fulfil the operation needs of Special Forces. Application of AI techniques, including Adaptive Learning technologies in training solutions will help our customers learn smarter and faster.

The result of a proactive research-led investment approach is that Zen is among a handful of global companies that can provide holistic full-fledged cutting-edge solutions.

## Governance

Zen recognises that it is engaged in a business where its principal customer is the government; it is in the critical business of combat readiness against internal and external threats that a country might face; the effectiveness of its solutions helps protect the lives of millions.

Over the years, the Company strengthened its governance through a long-term mind set, focus on processes and systems as the basis of its working, placing a premium on customer satisfaction and confidentiality, strengthening the technocrat-driven environment with extensive investment in research, investing in the quality-enhancing practices of its eco-system, strengthening its Board of Directors, protecting the integrity of its Balance Sheet and communicating its story transparently to the shareholders and other stakeholders.

## Customer value

Zen provides value to the customer by stressing "to bleed less in war, sweat more in peace" by training. The value of Zen's combat training is beyond doubt. We understand from an officer that simulators bought from Zen for around ₹ 100 Crores resulted in the savings of about ₹ 3,300 Crores. But even after such savings Zen hasn't got as many orders as we would expect.

Integrated individual and team training is an indispensable requirement for all security forces. The right solution is a technology-driven Combat Training Centre solution that can be customised around specific customer needs. Zen provides a range of solutions for its customers – Indian armed forces, state police forces and paramilitary forces as well as their counterparts in other friendly countries. The result of our prompt service, sustained improvements, and continuous support provided through the product lifecycle is what customers prefer and why they engage with us on long-term basis. An unusual feature in a space generally very transactional by nature.

## Global market

The push being provided by the Indian government continues to transform the opportunity landscape for Zen. The Company is actively engaged in many countries with large tickets size and chance of they engaging Zen for their training solutions - this is the result of a carefully thought out exports strategy. The vast exports potential is expected to yield some very large orders in the near future.



During the year under review, the wholly-owned subsidiary in US along with its CEO, Pratih Shah, continued to reach out to prospective customers across the US and its friendly countries. The response has been very encouraging and we expect some small orders to come our way as an auspicious beginning soon.

Zen India, continues to focus on the growing opportunities arising out of India, the Middle East, CIS and Africa. Besides, the Company is engaging with small countries where solutions like combat training centres are being welcomed and Zen intends to fill this niche. This will be achieved by providing superior technologies at a price point acceptable to customers. We are also looking at attractive financing options, including EXIM Bank, where the customer needs it. The Company will ride the wave of growing global credibility of Indian Defence vendors with active government support.

### Indian market

Two significant changes that he single-handedly introduced in the Defence Procurement Policy of 2016 are Buy India (IDDM) and Make II initiatives. On the export front late Mr Parikkar, while inaugurating Foreign Defence Attaches conclave in Delhi, said that India was an erratic market and all indigenous defence equipment innovators should protect themselves by diversifying through exports. The policy set by him will take India into the position of leadership in the coming decade. Two-minutes of silence for the greatest Defence Minister that India ever had.

Consequent to the changes initiated by him, the government had relaxed the need for any equipment to have at least three vendors. The exception is when the Indian vendor has developed the intellectual property through in-house research, they are willing to buy through single-vendor situation; it is also receptive to innovative products being shown to the Indian forces. The Indian defence innovators are now slowly developing confidence in the system to invest in new product development and productisation. Research-driven, we have our strengthened a business moat through proactive investment in R&D.

The Company provides a family of more than 40 products and has filed more than 93 patents till date. These patents help us protect the R&D and help us in doing further research while helping us address the training needs of an army and internal security forces comprehensively. The Company's research commitment was validated through an investment of ₹ 65 cr+ across five years (around 20% of revenues) ending 2018-19, a period when the sectoral cycle was relatively depressed.

### IP-Play

The world of products is divided into pure hardware to pure software. By pure hardware, I mean, hardware with no IP content, like nuts and bolts, where the bill of materials is almost equivalent to the selling cost. The margins in it are very very slim. And then take cloud-based software on the other end, where the bill of materials and true

variable costs are almost zero, and the sales are all contribution. Zen is attractively biased towards the software end of the spectrum. Most of the hardware that we need to supply to the customers, though designed and prototyped in-house, is outsourced for manufacturing. Therefore the plant & machinery investment required for incremental orders is almost non-existent. Over the years, the Company has strengthened its business around such asset-lightness. This approach makes it possible to ramp up its production with reasonable flexibility without a corresponding increase in the capex. The Company's business growth has been facilitated by a robust eco-system of component and sub-system vendors in and around Hyderabad. More than 85 per cent of the Company's manufacturing functions can be outsourced, transforming a fixed cost into a variable expense. Besides, this dependable eco-system possesses adequate spare capacity, making it possible for the Company to accept large orders while protecting customer schedules.

### Annuity revenues

Our niche market is distinguished by its lumpy revenues. At Zen, we recognise that such lumpiness can severely impact company's liquidity when order inflows are low. Over the years, the Company strengthened revenues derived from annual maintenance contracts. These AMC contracts provide the Company with annuity revenues derived from product sales made in the past. While only a subset of customers enter into AMC contracts, they can potentially generate revenues equivalent to around 120 per cent of the initial product sales value generally extended across a 10 to 15 year horizon. The Company is progressing towards a critical mass of AMC revenues to adequately cover the fixed costs to sustain. In addition, we at Zen have been relentless at eliminating unnecessary costs and spending more on profit generating expenses.

### Optimism

The global addressable market of more than USD 8 bn on the one hand and a relatively low supplier presence because of huge entry barriers provide a large sustainable business opportunity. As the world invests more in training and preparedness, preferring eco-friendly and effective methodologies over crude and environment destructive training methodologies, the market for our products will only increase.

While the performance of the company for FY19 has been adequate, we expect the numbers of FY20 to far outstrip this performance, both in terms of top-line and bottom-line. And based on the sales funnel, and the aggressive promotion of Indian defence industry by the Govt of India, we expect the coming years to be the best for Zen. And, as usual, we tend to put our money where our mouth is.

**Ashok Atluri**

Chairman and Managing Director  
Zen Technologies Limited

# CORPORATE INFORMATION

<b>CIN</b>	L72200TG1993PLC015939	
<b>Board Of Directors</b>	<p><a href="#">Mr Ashok Atluri</a> (DIN: 00056050) - Chairman and Managing Director</p> <p><a href="#">Mr Midathala Ravi Kumar</a> (DIN: 00089921) - Whole Time Director</p> <p><a href="#">Mr Venkat Samir Kumar Oruganti</a> (DIN: 06699271) - Independent Director</p> <p><a href="#">Ms Madati Sridevi</a> (DIN: 02446610) - Independent Director</p> <p><a href="#">Mr Amreek Singh Sandhu</a> (DIN: 08064880) - Independent Director</p> <p><a href="#">Dr Ravindra Kumar Tyagi</a> (DIN: 01509031) - Independent Director (Co-opted w.e.f. April 01, 2019)</p>	
<b>President</b>	<a href="#">Mr Kishore Dutt Atluri</a>	
<b>Chief Financial Officer</b>	<a href="#">Mr Ravi Kiran Mallela</a> (Appointed w.e.f February 01, 2019)	
<b>Company Secretary</b>	<p><a href="#">CS M Satish Choudhury</a> (Resigned w.e.f. July 09, 2019)</p> <p><a href="#">CS Hansraj Singh Rajput</a> (Appointed w.e.f. August 3, 2019)</p>	
<b>Registered Office</b>	<p>B-42, Industrial Estate Sanathnagar, Hyderabad-500018, Telangana, INDIA CIN: L72200TG1993PLC015939 Phone: +91- 40 - 23813281, 23812894 Fax: +91- 40 – 23813694 Email id: info@zentechnologies.com Website: www.zentechnologies.com</p>	
<b>Statutory Auditors</b>	<p><a href="#">M/s. Sekhar &amp; Co.,</a> Chartered Accountants Hyderabad (Resigned w.e.f. June 28, 2019)</p> <p><a href="#">M/s. Ramasamy Koteswara Rao and Co LLP.</a> Chartered Accountants Hyderabad (Appointed w.e.f. June 28, 2019)</p>	
<b>Secretarial Auditors</b>	<p><a href="#">M/s. P. S. Rao &amp; Associates</a> Company Secretaries Hyderabad</p>	
<b>Banker</b>	<p>Indian Bank State Bank of India</p>	
<b>Registrar and Share Transfer Agents</b>	<p><a href="#">Karvy Fintech Private Limited</a> (formerly known as Karvy Computershare Private Limited) Unit: Zen Technologies Limited Karvy Selenium Tower B, Plot No 31 &amp; 32, Gachibowli, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500 032 Phone: +91 -40 - 67161605 Fax: + 91- 40 - 23001153 Email id: einward.ris@karvy.com</p>	
<b>Listed With</b>	<p><a href="#">BSE Limited, Mumbai</a> (BSE) <a href="#">National Stock Exchange of India Limited, Mumbai</a> (NSE)</p>	



## BOARD COMMITTEES

Audit Committee	Mr Amreek Singh Sandhu	-	Chairman
	Mr Venkat Samir Kumar Oruganti	-	Member
	Mr Ashok Atluri	-	Member
	Ms Madati Sridevi	-	Member
	Dr Ravindra Kumar Tyagi	-	Member
Stakeholders Relationship Committee	Mr Venkat Samir Kumar Oruganti	-	Chairman
	Mr Ashok Atluri	-	Member
	Ms Madati Sridevi	-	Member
Nomination and Remuneration Committee	Mr Venkat Samir Kumar Oruganti	-	Chairman
	Mr Amreek Singh Sandhu	-	Member
	Ms Madati Sridevi	-	Member
Corporate Social Responsibility Committee	Ms Madati Sridevi	-	Chairperson
	Mr Ashok Atluri	-	Member
	Mr M Ravi Kumar	-	Member
Risk Management Committee	Mr Ashok Atluri	-	Chairman
	Mr M Ravi Kumar	-	Member



## ZEN TECHNOLOGIES LIMITED

CIN: L72200TG1993PLC015939

Registered Office: B-42, Industrial Estate, Sanathnagar,  
Hyderabad – 500018, Telangana, India

# NOTICE TO SHAREHOLDERS

Notice is hereby given that the **26<sup>th</sup> Annual General Meeting** (AGM) of the members of **Zen Technologies Limited** (CIN: L72200TG1993PLC015939) (the Company) will be held on **Saturday the 21 September 2019 at 10.00 a.m.** at 11th Floor, Signature Towers, Opp. Botanical Garden, Kondapur, Hyderabad - 500 084, Telangana, India, to transact the following businesses:

### ORDINARY BUSINESS:

#### 1. Adoption of Audited Standalone Financial Statements.

To receive, consider and adopt the audited financial statements of the Company for the financial year ended 31 March 2019 and the Reports of the Board of Directors and Auditors thereon and in this regard, pass the following resolution as Ordinary Resolution:

“RESOLVED THAT the audited financial statements of the Company for the financial year ended 31 March 2019 and the reports of the Board of Directors and Auditors thereon laid before this meeting, be and are hereby considered and adopted.”

#### 2. Adoption of Audited Consolidated Financial Statements.

To receive, consider and adopt the audited consolidated financial statements of the Company for the financial year ended 31 March 2019 and the Report of the Auditors thereon and in this regard, pass the following resolution as Ordinary Resolution.

“RESOLVED THAT the audited consolidated financial statements of the Company for the financial year ended 31 March 2019 and the report of Auditors thereon laid before this meeting, be and are hereby considered and adopted.”

#### 3. Declaration of Dividend on the equity shares.

To declare Dividend on equity shares for the financial year ended y 2019 and in this regard, pass the following resolution as an Ordinary Resolution:

“RESOLVED THAT a dividend at the rate of ₹ 0.30/- (Thirty Paise Only) per equity share of ₹ 1/- (one rupee) each fully paid-up equity share be and is hereby declared for the financial year ended 31 March 2019 and the same be paid as recommended by the Board of Directors of the Company, out of the profits of the Company for the financial year ended 31 March 2019.”

#### 4. Appointment of Mr Ashok Atluri as Director, liable to retire by rotation.

To appoint a Director in place of Mr. Ashok Atluri (DIN: 00056050), who retires by rotation and being eligible, offers himself for re-appointment and in this regard, pass the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. Ashok Atluri (DIN: 00056050), who retires by rotation at this meeting and being eligible offers himself for re-appointment, be and is hereby re-appointed as a Director of the Company, liable to retire by rotation.”

#### 5. Appointment of Statutory Auditors.

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution by (a) approving the appointment of M/s. Ramasamy Koteswara Rao and Co LLP, Chartered Accountants, as Statutory Auditors of the Company from 28 June 2019 till the conclusion of this Annual General Meeting arising out of

the casual vacancy caused by the resignation of M/s. Sekhar & Co., Chartered Accountants; and (b) appointing them as Statutory Auditors of the Company for a term of up to 5 years and fixing their remuneration:

**“RESOLVED THAT** pursuant to Section 139(8) and other applicable provisions, if any, of the Companies Act, 2013 and Rules framed thereunder, as amended, the appointment of M/s. Ramasamy Koteswara Rao and Co LLP, Chartered Accountants (ICAI Firm Registration No. 010396S/S200084) as statutory auditors by the Board of Directors (Board) to hold office from 28 June 2019 till the conclusion of 26<sup>th</sup> Annual General Meeting (AGM), for filling the casual vacancy caused by the resignation of M/s. Sekhar & Co., Chartered Accountants (Firm Registration No. 003695S) be and is hereby approved.

**RESOLVED FURTHER THAT** pursuant to Section 139, 140 and other applicable provisions, if any, of the Companies Act, 2013 and Rules framed thereunder, as amended, M/s. Ramasamy Koteswara Rao and Co LLP, Chartered Accountants (ICAI Firm Registration No. 010396S/S200084), be and are hereby appointed as Statutory Auditors of the Company for a term of up to 5 years to hold office from the conclusion of this AGM till the conclusion of the 31<sup>st</sup> AGM and on such remuneration, , as recommended by the Audit Committee and approved by the Board of Directors.”

#### SPECIAL BUSINESS:

##### 6. Appointment of Dr. Ravindra Kumar Tyagi as Independent Director of the Company.

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

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 152, 160 and other applicable provisions of the Companies Act, 2013 and the Rules framed thereunder read with Schedule IV to the Act and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and recommendation of Nomination and Remuneration Committee, the consent of members of the Company be and is hereby accorded to appoint Dr. Ravindra Kumar Tyagi (DIN: 01509031), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 01 April 2019 and who has submitted a declaration that he meets the criteria of Independence under Section 149 of the Companies Act, 2013 and is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for 3 (Three) consecutive years i.e., from 01 April 2019 to 31 March 2022.

##### 7. Re-appointment of Mr. M. Ravi Kumar as Whole-time Director and fixing remuneration.

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

**“RESOLVED THAT** pursuant to Sections 196, 197, 203 and all other applicable provisions of the Companies Act, 2013, read with Schedule V to the said Act, recommendation of the Nomination and Remuneration Committee and subject to other approvals as are necessary, Mr. Ravi Kumar Midathala (DIN: 00089921) be and is hereby reappointed as Whole Time Director of the Company for a period of Three years from 29 June 2019 to 28 June 2022 on the terms and conditions and at a remuneration as set out in the statement herein below:

**SALARY:** ₹ 3,00,000/- (Rupees Three Lakh only) per month.

**PERQUISITES:** In addition to the above, he shall be entitled to the following perquisites classified into three categories A, B & C as follows:

#### CATEGORY – A

The following perquisites given in this Category will be allowed in addition to the salary and restricted to a maximum amount of ₹ 20,27,000/- (Rupees Twenty Lakh Twenty Seven Thousand only) per annum.

- a) House Rent Allowance: House Rent Allowance at the rate of forty percent of salary (40%). The expenditure incurred by the Company on gas, electricity, water and furnishing shall be evaluated as per the Income Tax Rules, 1962 subject to a ceiling of ten percent of the salary (10%).
- b) Medical Reimbursement: Expenses incurred for self and family, subject to a ceiling of one month's salary in a year or three month's salary over a period of three years or as is provided by the companies' group medical insurance policy.
- c) Leave Travel Concession: For self and family, once in a year incurred in accordance with the rules specified by the Company.
- d) Club Fee: Fee of clubs subject to maximum of two clubs. This will not include admission and life membership fees.
- e) Personal Accident Insurance: As per Company's policy.

#### CATEGORY – B

- f) The Company's contribution to provident fund, superannuation fund or annuity fund shall be in accordance with the rules and regulations of the Company. Such

contribution will not be included in the computation of the ceiling on perquisites to the extent either singly or put together are not taxable under the Income Tax Act, 1961.

- g) Gratuity as per the Gratuity Act, 1972.

#### CATEGORY – C

- h) Car for the purpose of Company's business and telephone(s) at residence will be provided. The Company will bill personal long distance calls on the telephone(s) and use of car for personal purposes. The provisions for car and telephone will not be considered as perquisites.

#### OTHER TERMS:

- i) One month's leave with full pay and allowance for every eleven months of service. Leave accumulated but not availed in the previous financial year will be carried forward to next financial year.
- j) Reimbursement of reasonable entertainment and other expenses actually and properly incurred in connection with the business of the Company.
- k) Mr. M Ravi Kumar shall not, so long as he functions as the Whole Time Director, be entitled to receive any fee for attending any meeting of the Board or Committee thereof.

**RESOLVED FURTHER THAT** Mr. Ashok Atluri, Managing Director of the Company or any other director of the Company be and are hereby authorized to do all such acts, deeds, matters, things and take all such steps as may

be necessary, proper or expedient to give effect to this resolution.

**RESOLVED FURTHER THAT** the aggregate remuneration inclusive of salary and other benefits to Mr. M Ravi Kumar shall always be within the overall ceiling laid down in Section 196, 197 and 203 and other applicable provisions of the Companies Act 2013.

**RESOLVED FURTHER THAT** in the event of loss or inadequacy of profits, the above remuneration shall be paid as minimum remuneration under Schedule V read with Section 196, 197 and 203 of the Companies Act 2013.

**RESOLVED FURTHER THAT** Mr. M Ravi Kumar shall not be subject to retirement by rotation during his tenure as Whole-time Director.

**RESOLVED FURTHER THAT** the consent of shareholders under this resolution is also deemed to be consented under the provisions of Regulation 17(6) of the SEBI (LODR) Regulations, 2015."

**By Order of the Board  
For Zen Technologies Limited**

**Hansaj Singh Rajput**  
Company Secretary  
M. No. A38213

Dated: 03 August 2019  
Place: Hyderabad



# Notes

1. The explanatory statement pursuant to Section 102 of the Companies Act, 2013, is annexed hereto.
2. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself / herself and such proxy need not be a member of the Company.
3. The instrument appointing the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting. A Proxy Form for the Annual general meeting is enclosed.
4. Members/proxies/authorized representatives should bring the duly filled Attendance Slip attached herewith to attend the meeting.
5. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board resolution to the Company, authorizing their representative to attend and vote on their behalf at the meeting.
6. The register of directors and key managerial personnel and their shareholding maintained under Section 170 and the register of contracts or arrangements in which directors are interested maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the annual general meeting.
7. The Company has fixed Friday, September 13, 2019, as the 'Record Date' for the purpose of AGM and for determining entitlement of Members to dividend for the financial year ended 31 March 2019.
8. The dividend for the year ended 31 March 2019 as recommended by the Board, i.e. 30% @ ₹ 0.30 (Thirty paise only) per equity share of Re. 1/- each, if declared at the meeting, will be paid to those members whose names appear in the Company's register of members after effecting valid transfers received upto the close of business hours on Friday, September 13, 2019. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details provided as at the close of business hours on Friday, September 13, 2019 by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose. The dividend on equity shares, if declared at the meeting, will be credited / dispatched within one month from the date of this meeting.
9. The unclaimed equity dividend for the year ended 31 March 2012 will be transferred on 02 November, 2019 to the 'Investor Education and Protection Fund (IEPF)' on expiry of 7 years from the date of transfer to the Unpaid Dividend Account, pursuant to Section 124 of the Companies Act, 2013. Members who have not encashed their Dividend Warrants for the said financial year or subsequent year(s) are requested to send the same to the Company or its Registrars and Share Transfer Agents for issue of fresh demand drafts.
10. As per the provisions of Section 124(6) of the Act read with Rule 6 of 'Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amended Rules, 2017' ('the Rules'), as amended, all shares, in respect of which dividend has not been paid or claimed for seven consecutive years or more (relevant shares), will be transferred by the Company to IEPF along with statement containing such details as directed by Ministry of Corporate Affairs from time to time.
11. 75,910 shares in respect of which dividend has not been paid or claimed for seven consecutive years or more (relevant shares) were transferred by the Company in the name of IEPF and the statement containing such details as may be prescribed is placed on Company's website [www.zentechnologies.com](http://www.zentechnologies.com) under investors section.
12. Members holding shares in physical form are requested to notify/send any change in their address and bank account details to Registrar and Share Transfer Agents, M/s Karvy Fintech Private Limited (Karvy) or the Company. Members whose shareholding is in electronic mode are requested to direct change of address notifications and updates of bank account details / PAN to their respective depository participant(s). Members are encouraged to utilize Electronic Clearing System (ECS) for receiving dividends.
13. Members are requested to address all correspondence, including on dividends, to the Registrar and Share Transfer Agents, Karvy Fintech Private Limited (formerly known as Karvy Computershare Private Limited), Unit : Zen Technologies Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad 500 032.
14. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts (till date of last Annual General Meeting) on the website of the Company at <https://www.zentechnologies.com/unpaid-unclaimed-dividend>.
15. All relevant documents referred in the accompanying Notice and explanatory statement are open for inspection to the Members at the Registered Office of the Company during business hours between 11.00 a.m. to 1.00 p.m. on all days except Saturdays, Sundays and Public Holidays up to the date of the AGM.
16. Pursuant to SEBI circular dated 20 April 2018, shareholders whose ledger folios do not have or having incomplete details with regard to PAN and Bank particulars are requested to furnish the details to the Karvy or to the Company for registration in the folio.

17. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with Karvy/Depository Participant to enable the Company to send communications electronically.
18. The Notice of the AGM along with the Annual Report 2018-19 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/ Depository Participant, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
19. Members may also note that the Notice of the 26<sup>th</sup>AGM and the Annual Report 2018-19 will be available on the Company's website, [www.zentechnologies.com](http://www.zentechnologies.com). The physical copies of the documents will also be available at the Company's registered office for inspection during normal business hours on working days. Members desiring any information as regards accounts are requested to write to the Company to: [investors@zentechnologies.com](mailto:investors@zentechnologies.com), at least seven days before the date of the meeting to enable the management to keep the information ready at the meeting.
20. Additional information, pursuant to Regulation 36 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the stock exchanges, in respect of the directors seeking appointment / re-appointment at the AGM is annexed as **Annexure-A** to this Notice. The Directors have furnished consent / declaration for their appointment / re-appointment as required under the Companies Act, 2013 and the Rules thereunder.

#### 21. Voting by electronic means:

In terms of the provisions of Section 108 of the Companies Act, 2013 (the Act) read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (hereinafter called "the Rules" for the purpose of this Section of the Notice) and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing facility to exercise voting rights on the items of business given in the Notice through electronic voting system, to Members holding shares as on Friday, September 13, 2019 (End of Day) being the Cut-off date fixed for determining voting rights of Members, entitled to participate in the e-voting process, through the e-voting platform provided by Karvy. The Members may cast their votes using an electronic voting system from a place other than the venue of the Meeting (remote e-voting).

A person whose name is recorded in the register of members or in the register of beneficial owners maintained by the Depositories (holding shares either in physical form or in dematerialized form) as on Friday, September 13, 2019 the "Cut-off date" shall be entitled to avail the facility of remote e-voting as well as voting in the general meeting.

The instructions for remote E-Voting are as under:

1. A) In case a member receives an e-mail from Karvy [for members whose e-mail addresses are registered with the Company/Depository Participant(s)]:
  - (a) Launch internet browser by typing the URL: <https://evoting.karvy.com>.
  - (b) Enter the login credentials i.e. User ID and password which is sent separately.  
  
The e-voting event number + Folio No. or DP ID Client ID will be your User ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote. If required, please visit <https://evoting.karvy.com> or contact toll free number 1-800-3454-001 for your existing password.
  - (c) After entering these details appropriately click on "LOGIN".
  - (d) You will now reach password change menu wherein you are required to mandatorily change your password. The new password shall comprise minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$,etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
  - (e) You need to login again with the new credentials.
  - (f) On successful login, the system will prompt you to select the e-voting event number for the Company i.e. Zen Technologies Limited.
  - (g) On the voting page, enter the number of shares (which represents the number of votes) as on the cut-off date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/AGAINST" taken together should not exceed your total shareholding as on the cutoff date i.e. Friday, September 13, 2019. You may also choose the option "ABSTAIN". If the shareholder does not include either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
  - (h) Shareholders holding multiple folios/demat accounts shall choose the voting process separately for each of the folios/demat accounts. Voting has to be done for each resolution of the notice of 26<sup>th</sup> AGM separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.



- (i) You may then cast your vote by selecting an appropriate option and click on "Submit".
  - (j) A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, members can login any number of times till they have voted on the resolution(s).
  - (k) Corporate/Institutional members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (pdf format) of the Board Resolution/Power of Attorney/Authority Letter, etc., together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at e-mail ID: [rao\\_ds7@yahoo.co.in](mailto:rao_ds7@yahoo.co.in) with a copy marked to [evoting@karvy.com](mailto:evoting@karvy.com) and may also upload the same in the e-voting in their login. The scanned image of the above mentioned documents should be in the naming format "ZENETECHNOLOGIES\_EVENT NO."
- B) In case a member receives physical copy of the notice by courier / post [for members whose e-mail ids are not registered with the Company/Depository Participant(s)]:
- (a) User ID and initial password – as provided overleaf.
  - (b) Please follow all steps from sr. no. (a) to (k) as mentioned in (1A) above, to cast your vote.
2. Any person, who acquires shares and becomes Member of the Company after the dispatch of the Notice and holds shares as on the Cut-off date i.e. Friday, September 13, 2019, may write to Karvy on the email Id: [evoting@karvy.com](mailto:evoting@karvy.com) or to Mr V Raghunath, Deputy Manager Ph: 040-67161606, at Karvy Fintech Private Limited, Unit: Zen Technologies Limited, Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500 032, requesting for User ID and Password. After receipt of the above credentials, please follow all the steps explained in 1 above, to cast the vote.
  3. Once the vote on a resolution is cast by a member, the member shall not be allowed to change it subsequently or cast the vote again.
  4. In case of any query pertaining to e-voting, please visit help & FAQ's section available at Karvy's website <https://evoting.karvy.com>.
  5. Members can cast their vote online **from Monday, September 16, 2019 from 09.00 A.M. to Friday, September 20, 2019 up to 05.00 P.M.** During this period, Members of the Company holding shares either in physical form or in dematerialized form, as on the cut-off date, i.e., Friday, September 13, 2019, may cast their vote electronically. The remote e-voting module will be disabled by Karvy for voting thereafter.
  6. Only those Members, whose names appear in the Register of Members / List of beneficial owners as on Friday, September 13, 2019 (Cut-off date), shall be entitled to vote (through remote e-voting / physical ballot paper) on the resolutions set-forth in the Notice of the 26<sup>th</sup> Annual General Meeting (AGM) and their voting rights shall be in proportion to their shares in the paid up equity share capital of the Company as on the Cut-off date.
  7. Since the Company is required to provide members the facility to cast their vote by electronic means, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of Friday, September 13, 2019 and who have not already cast their votes by remote e-voting shall be able to exercise their right to vote at the AGM.
  8. Members can opt for only one mode of voting i.e. either by physical ballot paper or remote e-voting. However, if Members cast their vote through both mode of voting, then the voting through remote e-voting shall prevail.
  9. The Members who have cast their vote by remote e-voting may also attend the AGM but shall not be entitled to cast their vote again.
  10. The Board of Directors has appointed Mr D S Rao, Practicing Company Secretary, (M. No. 12394), as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
  11. The members who are entitled to vote but have not exercised their right to vote through remote e-voting may vote at the AGM through Ballot Paper explained in AGM Notice, for all businesses specified in the accompanying Notice.
  12. The Scrutinizer shall, immediately after the conclusion of voting at the AGM, will first count the votes cast at the meeting through Ballot Paper thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and will make, not later than 48 hours from the conclusion of the AGM, a consolidated scrutiniser's report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing who will countersign the same. The Chairman or a person authorised by him in writing will declare the result of voting forthwith.
  13. The Results on resolutions shall be declared not later than 48 hours from the conclusion of the AGM of the Company and the resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolutions.
  14. The Results declared along with the Scrutinizer's Report(s) will be available on the website of the Company ([www.zentechologies.com](http://www.zentechologies.com)) and on Service Provider's website (<https://evoting.karvy.com>) and communication of the same to the BSE Limited and the National Stock Exchange of India Limited within 48 hours from the conclusion of the AGM.

## Explanatory Statement pursuant to Sec. 102 of the Companies Act 2013 read with the Rules made thereunder.

### Item No. 5: Appointment of Statutory Auditors.

#### In terms of Regulation 36(5) of Listing Regulations, 2015

Your Company's Auditors, M/s. Sekhar & Co., Chartered Accountants (Firm Registration No. 003695S) were appointed at the 24<sup>th</sup> AGM to hold office until the conclusion of the 29<sup>th</sup> AGM. However, vide their letter dated June 28, 2019 they have expressed their inability to continue as Statutory Auditors of your Company up to the conclusion of the 29<sup>th</sup> AGM. The Board thus appointed M/s. Ramasamy Koteswara Rao and Co LLP, Chartered Accountants (ICAI Firm Registration No. 010396S/S200084) as Statutory Auditors of your Company to fill the casual vacancy caused by the said resignation effective from June 28, 2019 till the conclusion of the forthcoming AGM.

Ramasamy Koteswara Rao and Co LLP is a Chartered Accountants firm established in 2003 with registration no. 010396S/S200084. Ramasamy Koteswara Rao and Co LLP was co-founded by Mr. Ramasamy Radhakrishnan and Mr. C.V. Koteswara Rao. The founders are associated in the field for chartered accountancy for over 30 years. Besides Taxation and Statutory Audit, the firm's practice has grown steadily in the areas of Internal Audit, Concurrent Audit/ Stock Audit, Management Audit, FEMA and Taxation of Non Residents. The firm has a strong team of 10 partners and 40+ professional staff (qualified and semi-qualified Chartered Accountants).

The Audit Committee considered various parameters like capability to serve the business landscape of the Company, audit experience in the Company's operating segments, market standing of the firm, clientele served, technical knowledge etc., and found Ramasamy Koteswara Rao and Co LLP to be best suited to handle the scale, diversity and complexity associated with the audit of the financial statements of the Company.

In accordance with the Companies Act, 2013 and on the recommendation of the Audit Committee, the Board of Directors on June 28, 2019, have considered and recommended the proposed appointment of M/s. Ramasamy Koteswara Rao and Co LLP, Chartered Accountants as Statutory Auditors of the Company and to hold office for a period of up to 5 consecutive years from the conclusion of the 26<sup>th</sup> AGM till the conclusion of the 31<sup>st</sup> AGM.

Your Company has obtained consent of M/s. Ramasamy Koteswara Rao and Co LLP and a certificate in accordance with Section 139, 141 and other applicable provisions of the Act to the effect that their appointment, if made, shall be in accordance with the conditions prescribed and that they are eligible to hold office as Statutory Auditors of the Company. The detail of the proposed remuneration to be paid to M/s. Ramasamy Koteswara Rao and Co LLP, Chartered

Accountants for the financial year is ₹ 3 lakhs (Three lakhs) plus GST and out of pocket expenses. They may be paid separately for other certification services, if any, as may be allowed and agreed between the company and the statutory auditors from time to time. Further, there is no material change in the proposed fee payable to M/s. Ramasamy Koteswara Rao and Co LLP from that paid to the outgoing auditor.

None of the Directors, Key Managerial Personnel of your Company and their relatives is in any way concerned or interested, financially or otherwise in the said appointment.

The Board commends the Resolution set out at Item No. 5 of the notice for approval by the members.

### Item No. 6: Appointment of Dr Ravindra Kumar Tyagi as Independent Director of the Company

Dr Ravindra Kumar Tyagi was appointed as Additional Director (Independent Director) of the Company with effect from 01 April 2019 pursuant to Section 161 of the Companies Act, 2013 read with Articles of Association of the Company and holds office up to the date of ensuing Annual General Meeting.

The Nomination and Remuneration Committee (NRC) has recommended appointment of Dr Ravindra Kumar Tyagi as Independent Director of the Company.

The Board on the recommendation of NRC, proposed to appoint Dr Ravindra Kumar Tyagi as an independent Director of the Company, for a period of 3 (three) years on the Board .

Dr Ravindra Kumar Tyagi has given his consent to act as director and declaration to the effect that he is not disqualified under Sub-section (2) of Section 164 of the Companies Act, 2013. He further submitted a declaration that he meets the criteria of independence as prescribed under both under Section 149(6) of the Companies Act, 2013 and under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

The Board of Directors of the Company, after reviewing the documents submitted by Dr Ravindra Kumar Tyagi are of the opinion that he fulfills the conditions specified in the Companies Act, 2013 and Listing Regulations and he is independent of the Management.

Details of Dr Ravindra Kumar Tyagi are provided in the 'Annexure-A' to the Notice. The terms and conditions of appointment of Dr Ravindra Kumar Tyagi shall be open for inspection by the Members at the Registered Office of the Company during the business hours on any working day, up to the date of Annual General Meeting and during the Annual General Meeting.



The resolution seeks the approval of members for the appointment of Dr Ravindra Kumar Tyagi as Independent Director of the Company as detailed in the resolution.

Dr Ravindra Kumar Tyagi is interested in the resolution set out at Item No. 6 of the Notice with regard to his appointment. Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives is interested in or concerned with the said Resolution.

The Board commends the Resolution set out at Item No. 6 of the notice for approval by the members.

**Item No. 7: To consider reappointment of Mr. M. Ravi Kumar as Whole-time Director and fixing remuneration.**

Mr M Ravi Kumar, who is 58 years old and has been on the Board of the Company since incorporation i.e. (29/06/1993), is key and instrumental in developing the technology and products of the Company. He is basically adept in systems programming, Systems Integration, robotics and main guiding force behind the progress of Zen Technologies Limited. He worked in Bureau of Data Processing Services (BDPS) (1979-85), Nova Computers Private Limited (1986-90). He also served for the Institute of Engineers as a director. He is actively involved in the design and development of the present range of simulators for the company in his role as Head, R&D Division. He is the person behind the successful development of Zen-SATS and currently administers the development of Zen TacSim® among other projects. His vision, foresightedness and planning have always been giving a good path to the Company in its new ventures.

As the term of Mr M Ravi Kumar as the whole-time director would end on 28 June 2019 the Board opined that his services should continue to be available to the Company to achieve still greater heights, by reappointing him as whole time Director, for a period of 3 years w.e.f 29 June, 2019. The Board of Directors at their meeting held on 18 May 2019 has reappointed Mr M Ravi Kumar as a Whole Time Director of the Company based on the recommendations of Nomination and Remuneration Committee subject to the approval of shareholders. The said appointment and remuneration are within the stipulations of Section 196,197, 198 and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Schedule V and other applicable provisions, if any, of the Companies Act, 2013 as amended from time to time. In the previous year, he was paid ₹ 40.52 lakhs as remuneration and taking into consideration the duties and responsibilities of the whole time Director, the prevailing managerial remuneration in industry and on the recommendation of the Nomination and Remuneration Committee, the Board at their meeting held on 18 May 2019, approved the remuneration, terms and conditions of the re-appointment of Mr M Ravi Kumar, subject to approval of the shareholders.

Notwithstanding anything contained contrary to herein, above in case, in any financial year during the tenure of Mr M Ravi Kumar,

the Company has either no profits or its profits are inadequate, the remuneration as specified in the resolution will be paid as minimum remuneration to Mr M Ravi Kumar.

Mr M Ravi Kumar holds 794,000 equity shares individually. He has attended all the 6 (six) Board meetings held during 2018-19. He is a Director on the Board of Version 2 Games Limited. He does not have Directorships in any other company He is the member of Corporate Social Responsibility Committee and Risk Management Committee. Other details of Mr. M Ravi Kumar are provided in the 'Annexure-A' to the Notice.

As required by the Companies Act, 2013, approval of the members is being sought, for the re-appointment and remuneration of Mr M Ravi Kumar, Whole Time Director.

Except Mr M Ravi Kumar being the appointee, none of the other Directors, Key Managerial Personnel of the Company and their relatives is concerned or interested in the Resolution.

The Board commends the Resolution set out at Item No. 7 of the notice for approval by the members.

**STATEMENT OF INFORMATION PURSUANT TO SCHEDULE V, PART- II OF THE COMPANIES ACT, 2013**

**I. GENERAL INFORMATION:**

- (1) Nature of industry: Manufacturing of Training Simulators and allied products.
- (2) Date of commencement of commercial production: 9 July 1993
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable
- (4) Financial performance based on given indicators:

Financial performance	2016-17	2017-18	2018-19
Turnover (₹ in lakhs)	6,165.00	3,896.00	9,222.00
Net profit /(loss) as per profit and loss account (₹ in lakhs)	717.00	21.00	1,906.00
Amount of dividend paid (excluding dividend tax) (₹ in lakhs)	77.16	115.74	77.16
Rate of dividend declared	10%	15%	10%

- (5) Foreign investments or collaborators, if any: NIL

**II. INFORMATION ABOUT THE APPOINTEE:**

- (1) Background details:

Mr M Ravi Kumar, aged 58 years is a Diploma holder in Computer Applications. He worked in Bureau of Data Processing Services (BDPS), Nova Computers Private Limited and as Systems Director at the Institute of Engineers. He is

an adept in Systems Programming, Systems Integration and Robotics. He is actively involved in the design and development of the present range of Simulators for the company in his role as Head, R&D Division.

- (2) Past remuneration: ₹ 40.52 lakhs per annum
- (3) Recognition or awards: NIL
- (4) Job profile and suitability:

Mr M Ravi Kumar is one of the first directors of the Company and has been Whole Time Director since incorporation and has played an important role in the growth of Zen Technologies Limited. He has over 28 years of experience in defence Industry.

- (5) Remuneration proposed:

As set out in the resolution for the item No. 7 of the Notice, the remuneration was recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.

- (6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)

Taking into consideration of the size of the Company, the profile of Mr M Ravi Kumar and the responsibilities shouldered on him, the aforesaid remuneration package is commensurate with the remuneration package paid to managerial position in other companies.

- (7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:

Mr. M Ravi Kumar is holding 794,000 equity shares of the Company.

### III. OTHER INFORMATION:

- (1) Reasons of loss or inadequate profits: Nil.
- (2) Steps taken or proposed to be taken for improvement:

Delay in orders from the Govt. is the main cause of the low performance. We expect that orders will materialize during the current year. Additionally, the company is focusing on developing the export market to ensure continuous flow of orders.

### IV. DISCLOSURES:

All elements of remuneration package of the Directors have been given in the Report on Corporate Governance under the head Remuneration paid to Directors for the Financial Year 2018-19.

**By Order of the Board  
For Zen Technologies Limited**

**Hansaj Singh Rajput**  
Company Secretary  
M. No. A38213

### Registered Office:

B-42, Industrial Estate  
Sanathnagar, Hyderabad-500018, Telangana, INDIA  
CIN: L72200TG1993PLC015939  
Phone: +91- 40 - 23813281, 23812894  
Fax: +91- 40 - 23813694  
Email id: info@zentechnologies.com  
Website: www.zentechnologies.com

Dated: 03 August 2019

Place: Hyderabad



## Annexure A

### Details of Directors seeking appointment /re-appointment at the Annual General Meeting (Pursuant to Regulation 36 of SEBI (Listing obligations and disclosure Requirements) Regulations, 2015)

Name of the Director	Mr Ashok Atluri	Dr Ravindra Kumar Tyagi	Mr Ravi Kumar Midathala
Date of Birth	31 December 1965	06 January 1955	12 August 1961
Date of Appointment	01 October 2007	01 April 2019	29 June 2008
Relationship with Directors	Not related to any Director	Not related to any Director	Not related to any Director
Expertise in specific functional Area	He served the Company for more than two decades as CMD and he has exceptional knowledge of all functional and marketing areas. He has been instrumental in the growth of the Company over the years and key management decisions, including helping in designing the simulators from the users prospective.	He has 42 years of experience including 8 years of leading the boards/ organisations including as 1) Chairman, Hindustan Aeronautics Ltd. (a Navratna company) from March 2012 to Jan 2015; 2) CMD, Pawan Hans Helicopters Ltd. (a Mini Navratna company) from May 2007 to Mar 2012; 3) Served ONGC in various fields like IT Networks, Setcom, Infocom, Marketing and rose to the position of Head Marketing and Head Air Logistics (from April, 1976 to May 2007).	He has 28 years of experience in the defence industry. He is basically an adept in Systems Programming and Robotics. He is actively involved in the design and development of the present range of simulators for the company in his role as Head, R&D Division.
Qualification	PG Diploma holder in Applied Computer Science, Bachelor's degree in Commerce	Ph.D (Doctorate in Management Studies), Advanced Leadership Course, (I.S.B.), Hyderabad, MBA (Marketing), B.Engg. (Electronics & Communication) – I.I.T.,Roorkee.	Diploma holder in Computer Applications
®Board Membership of other companies	1. Version 2 Games Limited 2. Zen SkillProc Private Limited	1. Air India Limited 2. Indamer Aviation Private Limited 3. Indamer Mjets Airport Services Private Limited	1.Version 2 Games Limited
Chairman/ Member of the Committee of the Board of Directors	Audit, Stakeholders Relationship, CSR Committees	Audit Committee	CSR and Risk Management Committees.
Chairman/ Member of the committee of Directors of other companies in which he is a director	Nil	Nil	Nil
a) Audit Committee	Nil	Member – Air India Limited	Nil
b) Stakeholders' Relationship Committee	Nil	Nil	Nil
c) Nomination and Remuneration Committee	Nil	Member – Air India Limited	Nil
Number of shares held in the Company as on 31 March 2019	2,02,11,250 equity shares	Nil	7,94,000 equity shares

**Note:** @ - This does not include position in foreign companies, position as an advisory board member and position in companies under section 8 of Companies Act, 2013.

# Board's Report

*Dear members*

Your Directors have great pleasure in presenting the report on the Business and Operations of your Company ('the Company' or 'Zen'), along with the audited financial statements, for the financial year ended 31 March, 2019. The consolidated performance of your Company and its Subsidiaries has been referred to wherever required.

## FINANCIAL HIGHLIGHTS

The financial highlights of the Company are as follows:

(₹ in lakhs)

Particulars	Consolidated		Standalone	
	2018-19	2017-18	2018-19	2017-18
Total Income	9,532.84	--	9,532.84	4,336.43
Total Operating Expenditure	7,554.79	--	6,967.54	4,082.07
Operating Profit (PBIDT)	1,978.05	--	2,565.30	254.36
Less: Interest	481.12	--	478.88	240.76
Less: Depreciation & Amortization	379.69	--	376.81	282.39
Profit/(Loss) before tax	1,117.24	--	1,709.61	(268.80)
Current Tax	368.40	--	368.40	--
Deferred Tax	(582.50)	--	(582.50)	(229.89)
Share of Profit / (Loss) from Associates	0.35	--	--	--
Add: Other Comprehensive Income / (Expense)	(16.35)	--	(18.13)	59.71
Profit after Tax	1,315.34	--	1,905.58	20.80
Earnings per Share (₹) (face value ₹ 1/- per share)	1.73	--	2.49	0.03

## DIVIDEND

The Board of Directors of your Company in its meeting held on 18 May 2019 recommended a final dividend @ 30% on the paid-up equity share capital i.e., ₹ 0.30 per equity share of ₹ 1/- each, for the year 2018-19 which will be paid upon the approval of shareholders at the ensuing Annual General Meeting. Accordingly, the total dividend amount comes to ₹ 2,31,48,018/- excluding the dividend distribution tax.

## PREFERENTIAL ISSUE OF CONVERTIBLE WARRANTS

The Board of Directors allotted 23,49,940 Convertible Warrants at an issue price of ₹ 76/- per warrant, aggregating to an amount of

₹ 17,85,95,440/-, on a preferential basis, in accordance with the applicable provisions of the Companies Act, 2013 and SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

## STATE OF THE COMPANY'S AFFAIRS

During the year under review, your Company achieved total income of ₹ 9,532.84 lakhs as against ₹ 4,336.43 lakhs during the previous year. The Net profit after tax stood at ₹ 1,905.58 lakhs as against ₹ 20.80 lakhs for the previous year.

The order book size as on 31 March 2019 is around ₹ 282.20 Crores, including AMCs of worth ₹ 111.17 Crores, as against ₹ 348.78 Crores, including AMCs of worth ₹ 125.13 Crores for the previous year.



During the year, the R&D expenditure (capital and revenue) is ₹ 12.33 Crores (previous year ₹ 16.10 Crores). The R&D products developed during the year have substantial scope for revenue generation and are expected to become commercially viable in the next few years.

## SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

The Company has one subsidiary and one associate company as on 31 March 2019. There are no joint ventures within the meaning of Section 2(6)(b) of the Companies Act, 2013 ("Act"). There has been no material change in the nature of the business of the subsidiaries.

Pursuant to the provisions of Section 129(3) of the Act, a statement containing the salient features of the financial statements of the Company's subsidiary and associate company, in Form AOC-1, is attached as **Annexure I** to this report.

Further, pursuant to the provisions of Section 136 of the Act, the financial statements of the Company, including the consolidated financial statements, along with the relevant documents and the separate audited financial statements in respect of subsidiaries, are available on the website of the Company <https://www.zentechologies.com/investors>.

### ZEN TECHNOLOGIES USA, INC.

During the year, the Company formed ZEN TECHNOLOGIES USA, INC., a wholly owned subsidiary, for exploring opportunities in the USA to enter into joint ventures and to foray into the American and South American markets.

### UNISTRING TECH SOLUTIONS PRIVATE LIMITED

The Company invested in Unistring Tech Solutions Private Limited (UTS), a company engaged in the business of development of electronic warfare (EW) solutions, advanced communication systems for defence, telemetry systems and Simulators for radar and EW system evaluation.

The Company completed acquiring 2,88,794 (no. of equity shares) aggregating to 51% of shareholding of UTS on 08 May 2019 and accordingly, UTS became a subsidiary of the Company w.e.f. 08 May 2019.

### CONSOLIDATED FINANCIAL STATEMENTS (CFS)

During the year, the Board of Directors reviewed the affairs of its subsidiaries. Your Company has prepared its consolidated financial statements in accordance with the requirements of IND AS-27 issued by the Institute of Chartered Accountants of India (ICAI) and as per the provisions of Section 129(3) of the Companies Act, 2013. The Consolidated Financial Statements together with the Auditors' Report form part of this Annual Report. Further, this year being the first year of consolidation, comparative figures for the corresponding previous year where not available.

In accordance with Section 136 of the Companies Act, 2013, the financial statements of the Company, including the consolidated

financial statements, and all other documents required to be attached to this report are available for inspection by the members at the registered office of the Company during the business hours on all days, except Saturdays, Sundays and public holidays, up to the date of the Annual General Meeting ('AGM'). Any member desirous of obtaining a copy of the said financial statements may write to the Company Secretary of the Company. The above-mentioned documents have also been uploaded on the website of the Company ([www.zentechologies.com](http://www.zentechologies.com)).

### EXTRACT OF ANNUAL RETURN

In accordance with Section 92(3) of the Companies Act, 2013, read with Companies (Management and Administration) Rules, 2014, an extract of the Annual Return in Form MGT-9 is annexed as **Annexure – II**.

### NUMBER OF MEETINGS OF THE BOARD

The Board met six times during the year 2018-19 viz on 26 May 2018, 06 June 2018, 14 August 2018, 10 November 2018, 27 December 2018 and 28 January 2019.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 134 of the Companies Act, 2013, the Directors confirm that:

- i. In the preparation of Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- ii. they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period.
- iii. they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. they had prepared the annual accounts on a going concern basis.
- v. they had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- vi. they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

### STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS UNDER SUB-SECTION (6) OF SECTION 149

As required under Section 149(7) of the Companies Act, 2013, the Independent Directors have submitted the declaration affirming that they meet the criteria of independence as provided in Section

149(6) of the Act and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### **POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION AND OTHER DETAILS**

The Company's policy on directors' appointment and remuneration and other matters provided in Section 178(3) of the Act has been disclosed in the Corporate Governance Report forming part of this Report and is also available on <https://www.zentechnologies.com/investors>.

#### **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

Particulars of loans given, guarantees provided and investments made by the Company during the year 2018-19, as required under the provisions of Section 186 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014, are disclosed in the notes to Financial Statements which may be read as a part of this Report.

#### **PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES**

Particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013, in the prescribed Form AOC-2, is appended as **Annexure III** to this Report.

All Related Party Transactions were placed before the Audit Committee and the Board for approval. The Board of Directors has framed a policy on Related Party Transactions to ensure a process for approval and reporting of transactions between the Company and its related parties. The policy is posted under the Investors section of the Company's website at: [http://www.zentechnologies.com/investor\\_relations/Related-Party-Transaction-Policy.pdf](http://www.zentechnologies.com/investor_relations/Related-Party-Transaction-Policy.pdf).

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 with respect to Conservation of Energy, Technology Absorption, and Foreign Exchange Earnings and Outgo are provided in **Annexure IV** to this Report.

#### **DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY**

The Board has formulated a Risk Management Policy which includes identification therein of various elements of risk, including those that may threaten the existence of the Company, and the measures adopted to contain and mitigate such risks.

A Risk management process has been established across the organization and is designed to identify, assess and frame a response to threats that affect the achievement of its objectives.

The Board has constituted a Risk Management Committee which meets regularly to monitor and review the Risk Management Policy.

The Audit Committee and Board reviews and evaluates the internal financial controls and risk management systems of the Company.

Mitigation plans are finalized, owners are identified and the progress of mitigation actions are monitored and reviewed.

The Risk Management Policy is also posted under the Investors' section of the Company's website at: [http://www.zentechnologies.com/investor\\_relations/Zen-Risk-Management-Policy.pdf](http://www.zentechnologies.com/investor_relations/Zen-Risk-Management-Policy.pdf).

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The Corporate Social Responsibility Committee (CSR Committee) constituted by the Board has formulated a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company.

The Corporate Social Responsibility Policy is posted under the Investors section of the Company's website at: [http://www.zentechnologies.com/investor\\_relations/CSR-Policy.pdf](http://www.zentechnologies.com/investor_relations/CSR-Policy.pdf).

However, your Company was not required to expend any amount towards CSR during the year under review as it did not fall under the purview of the provisions of Section 135(1) of the Act during the said year.

#### **ANNUAL EVALUATION OF PERFORMANCE OF BOARD, COMMITTEES AND INDIVIDUAL DIRECTORS**

The Board of Directors evaluated the annual performance of the Board as a whole, its Committees and the directors individually, in accordance with the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, with specific focus on the performance and effective functioning of the Board and individual directors.

A separate meeting of Independent Directors was held on 28 January, 2019 to review the performance of the Non-Independent Directors and the Board as a whole, review the performance of Chairperson of the Company and assess the quality, quantity and timeliness of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

#### **CRITERIA FOR PERFORMANCE EVALUATION**

- a. Ability of the candidate to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.
- b. Adherence to the Code of Conduct in letter and in spirit by the Independent Directors.
- c. Bringing objectivity and independence of view to the Board's discussions in relation to the Company's strategy, performance, and risk management.
- d. Statutory compliance and ensuring high standards of financial probity and Corporate Governance.



- e. Responsibility towards requirements under the Companies Act, 2013, responsibilities of the Board and accountability under the Director's Responsibility Statement.

### FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

All Independent Directors inducted into the Board attended an orientation programme. The details of training and familiarization programme are available on the website at <https://www.zentechologies.com/investors>.

### DIRECTORS

The Board of Directors consists of six directors, four of whom are independent directors and the remaining two, executive directors.

In accordance with the provisions of Companies Act, 2013 and the Articles of Association of the Company, Mr. Ashok Atluri, who is the Chairman and Managing Director, retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment. The aforesaid appointment/reappointment as Chairman and Managing Director is subject to the shareholders' approval.

Dr Ravindra Kumar Tyagi has been co-opted as an Additional Director w.e.f. 01 April 2019 to act as an Independent Director, subject to the approval of shareholders by way of a resolution at the ensuing Annual General Meeting.

As the tenure of Mr. M Ravi Kumar as the Whole-time Director ended on 28 June 2019, the Board reappointed him w.e.f. 29 June 2019, which is subject to the approval of the shareholders at the ensuing Annual General Meeting.

### DIRECTORS OR KEY MANAGERIAL PERSONNEL (KMP) WHO WERE APPOINTED OR HAVE RESIGNED OR CEASED DURING THE YEAR

- Mr. Venkata Samir Kumar Oruganti, Independent Director, was re-appointed for a second term of 3 years w.e.f. 14 August, 2018.
- Mr. N. Ramesh Kumar ceased and Mr M. Ravi Kiran was appointed as Chief Financial Officer of the Company w.e.f. 01 February 2019.
- Dr. Ravindra Kumar Tyagi was co-opted as an Additional Director to act as Independent Director w.e.f. 01 April 2019.
- Mr. M. Ravi Kumar was re-appointed as the Whole-time Director w.e.f. 29 June 2019 for a period of 3 years which is subject to approval of the shareholders in the ensuing Annual General Meeting.
- In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Ashok Atluri, Managing Director, retires by rotation and being eligible, offers himself for re-appointment.
- Mr. M. Satish Choudhury resigned as Company Secretary w.e.f. 09 July 2019.
- Mr. Hansraj Singh Rajput was appointed as Company Secretary w.e.f. 03 August 2019.

In compliance with Regulation 36(3) of the Listing Regulations, brief resume of all the directors proposed to be appointed / re-appointed are attached along with the Notice of the ensuing Annual General Meeting.

Apart from the above, there have been no changes in Directors and KMP.

### NAMES OF COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES DURING THE YEAR:

Zen Technologies USA INC became a subsidiary of the Company during the year.

### DETAILS IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

Your Company has established and maintained a framework of internal financial controls and compliance systems. Based on the framework of internal financial controls and compliance systems established and maintained by the Company, the work performed by the internal, statutory and secretarial auditors and external consultants, including the audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by management and the relevant board committees, including the audit committee, the Board is of the opinion that the Company's internal financial controls were adequate and your Company is constantly endeavoring to improve the standards of internal control in various areas and taking steps to strengthen the internal control system to make it commensurate and effective with the nature of its business.

Further, the statutory auditors of your Company have also issued an attestation report on internal control over financial reporting (as defined in section 143 of Companies Act, 2013) for the financial year ended 31 March 2019, which forms part to the Statutory Auditor's Report.

### VIGIL MECHANISM

The Board of Directors, on the recommendation of the Audit Committee, established a vigil mechanism for directors and employees called "Whistle Blower Policy", pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, to report genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct or Ethics Policy and to provide adequate safeguards against victimization of persons who use such mechanism and to provide direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases.

The Whistle Blower Policy is posted under the Investors section of the Company's website at: [http://www.zentechologies.com/investor\\_relations/Whistle-Blower-Policy-2014.pdf](http://www.zentechologies.com/investor_relations/Whistle-Blower-Policy-2014.pdf).

## SEXUAL HARASSMENT POLICY

The Company has adopted a policy on Prevention of Sexual Harassment of Women at Workplace in accordance with The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Company has taken several initiatives across the organization to build awareness amongst employees about the Policy and the provisions of the Prevention of Sexual Harassment of Women at Workplace Act.

During the financial year ended 31 March 2019, the Company has not received any complaints pertaining to Sexual Harassment. The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

## ZEN TECHNOLOGIES LIMITED'S CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

The Board of Directors has adopted the Insider Trading Policy in accordance with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 2015. The Insider Trading Policy of the Company lays down guidelines and procedures to be followed and disclosures to be made while in possession of Unpublished Price Sensitive Information and while dealing in the shares of the Company, as well as the consequences of violations. The Policy has been formulated to regulate, monitor and ensure reporting of trading by insiders by employees and to maintain the highest ethical standards while dealing in the company's securities.

The Insider Trading Policy of the Company, covering the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information and Code of Conduct for prevention of insider trading is available on our website (<http://www.zentechnologies.com>).

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

A Report on Management Discussion & Analysis forms part of the Annual Report as per the requirements of Regulation 34 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

## INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the applicable provisions of the Companies Act, 2013, read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('the Rules'), all unpaid or unclaimed dividend are required to be transferred by the Company to the IEPF established by the Central Government, after the completion of seven years. Further, according to the Rules, the shares in respect of which dividend has not been paid or claimed by the shareholders for seven consecutive years or more shall also be transferred to the demat account created by the IEPF Authority. Accordingly, the Company has transferred the unclaimed and unpaid dividend of ₹ 99,090/- pertaining to the FY 2010-11. Further, 11,360 corresponding shares were also transferred as per the requirement of IEPF Rules. The details are also available on the Company's website i.e. [www.zentechnologies.com](http://www.zentechnologies.com).

## AUDITORS

### a) STATUTORY AUDITORS:

M/s Sekhar & Co, Chartered Accountants, (Registration number 0036955), Secunderabad, were appointed as Statutory Auditors to hold office from the conclusion of the 24<sup>th</sup> Annual General Meeting and till the conclusion of 29<sup>th</sup> Annual General Meeting. However, M/s Sekhar & Co resigned as Statutory Auditors of the Company w.e.f. 28 June 2019 owing to their internal reasons, which includes one of their partners dissociating and other partners being busy with income tax assignments and their inability to devote time for the quarterly audits of the Company.

The Board of Directors noted the resignation of M/s Sekhar & Co. as the Statutory Auditors in the Board meeting held on 28 June 2019 and upon recommendation of the Audit Committee, recommended the appointment of M/s. Ramasamy Koteswara Rao and Co LLP., Chartered Accountants, as the Statutory Auditors of the Company to fill the casual vacancy and for a period of 5 years. The said recommendation is forming part of the Notice to the 26<sup>th</sup> Annual General Meeting for approval of members of the Company.

Ramasamy Koteswara Rao and Co LLP is a Chartered Accountants firm established in 2003 with Registration No. 010396S/S200084. Ramasamy Koteswara Rao and Co LLP was co-founded by Mr. Ramasamy Radhakrishnan and Mr. C.V. Koteswara Rao. The founders have been associated in the field for Chartered Accountancy for over 30 years. Besides Taxation and Statutory Audit, the firm's practice has grown steadily in the areas of Internal Audit, Concurrent Audit/ Stock Audit, Management Audit, FEMA and Taxation of Non-residents. The firm has a strong team of 10 partners and 40+ professional staff (qualified and semi-qualified Chartered Accountants).

The Audit Committee considered various parameters like capability to serve the business landscape of the Company, audit experience in the Company's operating segments, market standing of the firm, clientele served, technical knowledge etc., and found Ramasamy Koteswara Rao and Co LLP to be best suited to handle the scale, diversity and complexity associated with the audit of the financial statements of the Company.

The financial statements of the year ended 31 March 2019 were audited by M/s Sekhar & Co, Chartered Accountants. The standalone and consolidated financial statements of the Company have been prepared in accordance with the Indian Accounting Standards prescribed under Section 133 of the Act read with the relevant rules issued thereunder (Ind AS) and other accounting principles generally accepted in India.

The Auditor's Report on the financial statements of the Company does not contain any reservation, qualification or adverse remark and the Notes on the financial statements referred to therein are self-explanatory, thereby not requiring any further comments on the same.



## SECRETARIAL AUDITORS:

M/s. P S Rao & Associates, Practicing Company Secretaries were appointed to conduct the secretarial audit for the financial year 2018-19. Pursuant to Section 204 of the Companies Act, 2013 and Rules made thereunder, the Secretarial Audit Report for the financial year ended 31 March 2019, in Form MR-3, is annexed to this Annual Report as **Annexure V**. The Board has appointed M/s P S Rao & Associates, Practicing Company Secretaries, as the Secretarial Auditors of the Company for the financial year 2019-20.

## AUDIT COMMITTEE

Audit Committee has been reconstituted w.e.f. 18 May 2019 pursuant to inducting Dr. RK Tyagi as a member of the Committee. The details of the composition of the Audit Committee as required under the provisions of Section 177(8) of the Companies Act, 2013 is given in the Corporate Governance Report furnished as part of the Annual Report. During the year under review, the Board has accepted all the recommendations of the Audit Committee.

## NOMINATION AND REMUNERATION COMMITTEE

The details of the composition of the Committee are given in the Corporate Governance Report furnished as a part of the Annual Report.

## STAKEHOLDERS RELATIONSHIP COMMITTEE

The detail of the composition of the Committee is given in the Corporate Governance Report furnished as part of the Annual Report.

## PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

The remuneration paid to your directors is in accordance with the Nomination and Remuneration Policy formulated in accordance with Section 178 of the Companies Act, 2013 and Regulation 19 of the Listing Regulations.

The information required under Section 197 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) in respect of directors/employees of the Company is appended as **Annexure VI** to this Report.

## CORPORATE GOVERNANCE

Your Company is committed to maintain high standards of corporate governance and adhere to the corporate governance requirements set out by Securities and Exchange Board of India. The Report on Corporate Governance as stipulated under the Listing Regulations, forms part of the Annual Report. The requisite certificate from the Practicing Company Secretary confirming compliance with the conditions of corporate governance as stipulated under the aforesaid Regulations forms part of this Report.

## GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the financial year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of shares (including sweat equity shares) to employees of your Company under any scheme.
3. The company did not transfer any amount to the reserves.
4. Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.
5. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
6. The maintenance of cost records is not applicable to the Company.
7. There is no change in the nature of the business of the Company.
8. During the period under review, none of the Auditors of the Company have reported any fraud as specified under the second proviso of Section 143 (12) of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force).
9. The Company has complied with Secretarial Standards, i.e. SS-1, SS-2 and SS-3, relating to Meetings of the Board of Directors, General Meetings and Dividend, respectively, issued by the Institute of Company Secretaries of India.
10. There were no material changes/commitments affecting the financial position of your Company between the end of the financial year (31 March 2019) and the date of this Report (August 03, 2019).

## ACKNOWLEDGMENTS

Your directors thank various departments of Central and State Government, Organizations and Agencies for the continued help and co-operation extended by them to your Company. Your directors also gratefully acknowledge all stakeholders of the Company viz. members, customers, dealers, vendors, financial institutions, banks and other business partners for the excellent support received from them during the year. Your directors place on record their sincere appreciation to all employees of the Company for their unstinted commitment and continued contribution to the Company.

For and on behalf of the Board

**Ashok Atluri**

Place: Hyderabad  
Date: 03 August 2019

Chairman and Managing Director  
DIN: 00056050

Annexure-I

**Form No. AOC – 1**

Statement containing salient features of the financial statement of Subsidiaries/associate companies/joint ventures  
(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Part “A”: Subsidiaries**

(₹ In lakhs)

1	Name of the subsidiary	Zen Technologies USA, INC.
2	Date since it is subsidiary	09 May 2018
3	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	April-March
4	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	USD = INR 69.44
5	Share capital	561.43
6	Reserves & surplus	592.37
7	Total assets	55.83
8	Total Liabilities	84.98
9	Investments	0.00
10	Turnover	0.00
11	Profit before taxation	(592.37)
12	Provision for taxation	0.00
13	Profit after taxation	(592.37)
14	Proposed Dividend	0.00
15	% of shareholding	100% held by Parent

**Part “B”: Associates and Joint Ventures**

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies

S. No	Name of Associates/Joint Ventures	Unistring Tech Solutions Private Limited (UTS)
1	Latest audited Balance Sheet Date	31 March 2019
2	<b>Shares of Associate/Joint Ventures held by the company on the year end:</b>	
	No.	2,26,888 equity shares of ₹ 10/- each fully paid-up
	Amount of Investment in Associates/Joint Venture	₹ 550 lakhs
	Extend of Holding %	40.06%*
3	Description of how there is significant influence	Pursuant to holding 40.06% shareholding.
4	Reason why the associate/joint venture is not consolidated	Not Applicable
5	Networth attributable to Shareholding as per latest audited Balance Sheet	232.82
6	<b>Profit / Loss for the year</b>	
	i. Considered in Consolidation	0.35
	ii. Not Considered in Consolidation	0.00

\* The Company completed acquiring 2,88,794 (no. of equity shares) aggregating to 51% of shareholding of UTS on 08 May 2019 and accordingly, UTS became a subsidiary of the Company w.e.f. 08 May 2019.

For and on behalf of the Board

Place: Hyderabad  
Date: 03 August 2019

**Ashok Atluri**  
Chairman and Managing Director  
DIN: 00056050



Annexure-II

**Form No. MGT-9**

**EXTRACT OF ANNUAL RETURN**

As on the financial year ended on 31 March 2019

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

**I. REGISTRATION AND OTHER DETAILS:**

i)	CIN:	L72200TG1993PLC015939
ii)	Registration Date:	29 June 1993
iii)	Name of the Company:	Zen Technologies Limited
iv)	Category / Sub-Category of the Company:	Company Limited by Shares
v)	Address of the Registered office and contact details:	B-42, Industrial Estate, Sanathnagar, Hyderabad - 500018, Telangana Ph: 040-23813281; Fax: 040-23813694 Email: investors@zentechnologies.com Website: www.zentechnologies.com
vi)	Whether listed company	Yes BSE Limited National Stock Exchange of India Limited
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Fintech Private Limited (Formerly known as Karvy Computershare Private Limited) Unit: Zen Technologies Limited Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad - 500 032 Ph: 040-67161605 Fax: 040-23001153 Email id: einward.ris@karvy.com

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:**

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

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Sale of Simulators	8549	75.78
2	Sale of Product Services	8549	24.22

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:**

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	<b>Zen Technologies USA INC.</b> 2200 Pennsylvania Avenue, N.W. 4th Floor, East Washington DC 20037-1701	Foreign Company	Subsidiary	100	Section 2(87)
2	<b>Unistring Tech Solutions Private Limited*</b> 8th Floor, SLN Terminus, Survey No.133 Beside Botanical Gardens, Gachibowli, Hyderabad – 500032, Telangana, India	U72200TG2007PTC052628	Associate	40.06	Section 2(6)

\* Unistring Tech Solutions Private Limited became a subsidiary of the Company w.e.f. 08 May 2019 upon acquisition of 51% of shareholding.

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	4,58,67,340	0	4,58,67,340	59.44	4,59,02,340	0	4,59,02,340	59.49	+0.05
b) Central Government	0	0	0	0.00	0	0	0	0.00	0
c) State Government(s)	0	0	0	0.00	0	0	0	0.00	0
d) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0
f) Any Other	0	0	0	0.00	0	0	0	0.00	0
<b>Sub-total (A) (1):-</b>	<b>4,58,67,340</b>	<b>0</b>	<b>4,58,67,340</b>	<b>59.44</b>	<b>4,59,02,340</b>	<b>0</b>	<b>4,59,02,340</b>	<b>59.49</b>	<b>+0.05</b>
<b>(2) Foreign</b>									
a) NRIs - Individuals	0	0	0	0.00	0	0	0	0.00	0
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0
c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0
e) Any Other	0	0	0	0.00	0	0	0	0.00	0
<b>Sub-total (A) (2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>4,58,67,340</b>	<b>0</b>	<b>4,58,67,340</b>	<b>59.44</b>	<b>4,59,02,340</b>	<b>0</b>	<b>4,59,02,340</b>	<b>59.49</b>	<b>+0.05</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	0	0	0	0.00	0	0	0	0.00	0
b) Banks / FI	1,39,345	0	1,39,345	0.18	61,691	0	61,691	0.08	-0.10
c) Central Government	0	0	0	0.00	0	0	0	0.00	0
d) State Government(s)	0	0	0	0.00	0	0	0	0.00	0
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0
f) Insurance Companies	0	0	0	0.00	0	0	0	0.00	0
g) FIs	0	0	0	0.00	0	0	0	0.00	0
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0
i) Others a)Foreign Portfolio Investors	94,637	0	94,637	0.12	8,350	0	8,350	0.01	-0.11
b) Foreign Nationals	0	0	0	0.00	0	0	0	0.00	0
<b>Sub-total (B)(1):-</b>	<b>2,33,982</b>	<b>0</b>	<b>2,33,982</b>	<b>0.30</b>	<b>70,041</b>	<b>0</b>	<b>70,041</b>	<b>0.09</b>	<b>-0.21</b>
<b>2. Non-Institutions</b>									
a) Bodies Corporate									
i) Indian	56,22,384	0	56,22,384	7.29	49,79,305	0	49,79,305	6.45	-0.84
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0
b) Individuals									

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
i) Individual shareholders holding nominal share capital upto ₹ 2 lakh	1,74,05,935	3,55,300	1,77,61,235	23.02	1,80,49,676	2,14,300	1,82,63,976	23.67	0.65
ii) Individual shareholders holding nominal share capital in excess of ₹ 2 lakh	62,54,590	5,000	62,59,590	8.11	66,38,452	5,000	66,43,452	8.61	0.50
c) Others (NBFC Registered with RBI)	24,200	0	24,200	0.03	27,419	0	27,419	0.04	0.01
Clearing Members	1,47,029	0	1,47,029	0.19	99,333	0	99,333	0.13	-0.06
Non Resident Indians	8,83,852	0	8,83,852	1.15	7,02,135	0	7,02,135	0.91	-0.24
NRI-non repatriable	2,95,898	0	2,95,898	0.38	3,96,149	0	3,96,149	0.51	0.13
IEPF	64,550	0	64,550	0.08	75,910	0	75,910	0.10	0.02
<b>Sub-total (B)(2):-</b>	<b>3,06,98,438</b>	<b>3,60,300</b>	<b>3,10,58,738</b>	<b>40.25</b>	<b>3,09,68,379</b>	<b>2,19,300</b>	<b>3,11,87,679</b>	<b>40.42</b>	<b>0.17</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>3,09,32,420</b>	<b>3,60,300</b>	<b>3,12,92,720</b>	<b>40.56</b>	<b>3,10,38,420</b>	<b>2,19,300</b>	<b>3,12,57,720</b>	<b>40.51</b>	<b>-0.04</b>
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0
<b>Grand Total (A+B+C)</b>	<b>7,67,30,740</b>	<b>4,29,320</b>	<b>7,71,60,060</b>	<b>100</b>	<b>7,69,40,760</b>	<b>2,19,300</b>	<b>7,71,60,060</b>	<b>100</b>	<b>0</b>

#### ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Mr Ashok Atluri	2,01,76,250	26.15	19.44	2,02,11,250	26.19	19.44	+0.05
2	Mr Kishore Dutt Atluri	1,75,56,250	22.75	0	1,75,56,250	22.75	0	0
3	Ms Tara Dutt Atluri	28,00,000	3.63	0	28,00,000	3.63	0	0
4	Ms A Rama Devi	26,70,000	3.46	0	26,70,000	3.46	0	0
5	Mr Satish Atluri	11,84,000	1.53	0	11,84,000	1.53	0	0
6	Mr Ravi Kumar Midathala	7,94,000	1.03	0	7,94,000	1.03	0	0
7	Ms Beena Atluri	3,95,000	0.51	0	3,95,000	0.51	0	0
8	Mr Nagarjunudu Kilaru	1,21,840	0.16	0	1,21,840	0.16	0	0
9	Ms Indira Garapati	1,20,000	0.16	0	1,20,000	0.16	0	0
10	Ms Nandita Sethi	50,000	0.06	0	50,000	0.06	0	0
<b>Total</b>		<b>4,58,67,340</b>	<b>59.44</b>	<b>19.44</b>	<b>4,59,02,340</b>	<b>59.49</b>	<b>19.44</b>	<b>+0.05</b>

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

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total Shares of the company	No. of shares	% of total Shares of the company
1	At the beginning of the year	4,58,67,340	59.44	4,58,67,340	59.44
2	Changes during the year	35,000	0.05	4,59,02,340	59.49
3	At the end of the year	4,59,02,340	59.49	4,59,02,340	59.49

iv) Shareholding Pattern of top ten Shareholders:

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

Sl. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total Shares of the company	No. of shares	% of total Shares of the company
1	<b>Ravi Kamepalli</b>				
	At the beginning of the year	21,44,951	2.78	21,44,951	2.78
	Changes during the year	-	-	-	-
	At the end of the year	-	-	21,44,951	2.78
2	<b>Ajay Upadhyaya</b>				
	At the beginning of the year	8,50,000	1.10	8,50,000	1.10
	Changes during the year				
	13/04/2018	19,325	0.00	8,69,325	1.13
	20/04/2018	81,075	0.00	9,50,400	1.23
	08/06/2018	26,000	0.00	9,76,400	1.27
	15/06/2018	1,73,600	0.00	11,50,000	1.49
	29/06/2018	24,998	0.00	11,74,998	1.52
	06/07/2018	2	0.00	11,75,000	1.52
	10/08/2018	25,000	0.00	12,00,000	1.56
	17/08/2018	1,50,000	0.00	13,50,000	1.75
	17/08/2018	-1,50,000	0.00	12,00,000	1.56
	31/08/2018	25,000	0.00	12,25,000	1.59
	05/10/2018	10,75,000	0.00	23,00,000	2.98
	05/10/2018	-10,75,000	0.00	12,25,000	1.59
	12/10/2018	17,275	0.00	1,24,2275	1.61
	19/10/2018	7,725	0.00	12,50,000	1.62
	At the end of the year	-	-	12,50,000	1.62
3	<b>Moturu Chandra Sekhar</b>				
	At the beginning of the year	4,50,000	0.58	4,50,000	0.58
	Changes during the year				
	27/04/2018	-50,000	0.00	4,00,000	0.52
	04/05/2018	-30,000	0.00	3,70,000	0.48
	11/05/2018	-10,000	0.00	3,60,000	0.47
	18/05/2018	-41,148	0.00	3,18,852	0.41
22/06/2018	-2,500	0.00	3,16,352	0.41	

Sl. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total Shares of the company	No. of shares	% of total Shares of the company
	At the end of the year	-	-	3,16,352	0.41
4	<b>Vimal Sagarmal Jain</b>				
	At the beginning of the year	4,48,000	0.58	4,48,000	0.58
	Changes during the year				
	08/06/2018	-1,35,000	0.00	3,13,000	0.41
	15/06/2018	-3,13,000	0.00	0	0.00
	At the end of the year	-	-	0	0.00
5	<b>Mukul Agrawal</b>				
	At the beginning of the year	4,26,399	0.55	4,26,399	0.55
	Changes during the year				
	06/04/2018	-76,399	0.00	3,50,000	0.45
	13/04/2018	-50,000	0.00	3,00,000	0.39
	15/06/2018	-3,00,000	0.00	0	0.00
	At the end of the year	-	-	0	0.00
6	<b>Sanjay Jagdish Poddar</b>				
	At the beginning of the year	3,40,000	0.44	3,40,000	0.44
	Changes during the year	-	-	-	-
	At the end of the year	-	-	3,40,000	0.44
7	<b>Nitin Radheshyam Agarwal</b>				
	At the beginning of the year	95,000	0.12	95,000	0.12
	Changes during the year				
	25/05/2018	6,000	0.00	1,01,000	0.13
	01/06/2018	824	0.00	1,01,824	0.13
	08/06/2018	9,000	0.00	1,10,824	0.14
	15/06/2018	35,000	0.00	1,45,824	0.19
	22/06/2018	33,680	0.00	1,79,504	0.23
	29/06/2018	10,000	0.00	1,89,504	0.25
	30/06/2018	1,328	0.00	1,90,832	0.25
	06/07/2018	25,437	0.00	2,16,269	0.28
	24/08/2018	3,000	0.00	2,19,269	0.28
	05/10/2018	731	0.00	2,20,000	0.29
	14/12/2018	2,801	0.00	2,22,801	0.29
	21/12/2018	35,578	0.00	2,58,379	0.33
	31/12/2018	307	0.00	2,58,686	0.34
	18/01/2019	9,902	0.00	2,68,588	0.35
	25/01/2019	7,500	0.00	2,76,088	0.36
	08/02/2019	8,562	0.00	2,84,650	0.37
	15/02/2019	42,155	0.00	3,26,805	0.42

Sl. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total Shares of the company	No. of shares	% of total Shares of the company
8	At the end of the year	-	-	3,26,805	0.42
	<b>Navin Sood</b>				
	At the beginning of the year	3,01,900	0.39	3,01,900	0.39
	Changes during the year				
	25/05/2018	7,500	0.00	3,09,400	0.40
	29/06/2018	12,100	0.00	3,21,500	0.42
	29/09/2018	25,600	0.00	3,47,100	0.45
	30/11/2018	1,133	0.00	3,48,233	0.45
	07/12/2018	9,167	0.00	3,57,400	0.46
At the end of the year	-	-	3,57,400	0.46	
9	<b>Deepti Agrawal</b>				
	At the beginning of the year	0	0.00	0	0.00
	Changes during the year				
	15/06/2018	60,000	0.00	60,000	0.08
	22/06/2018	55,327	0.00	1,15,327	0.15
	29/06/2018	59,673	0.00	1,75,000	0.23
	30/06/2018	10,000	0.00	1,85,000	0.24
	06/07/2018	15,000	0.00	2,00,000	0.26
	20/07/2018	20,000	0.00	2,20,000	0.29
	27/07/2018	20,000	0.00	2,40,000	0.31
	24/08/2018	30,000	0.00	2,70,000	0.35
	07/09/2018	7,148	0.00	2,77,148	0.36
	21/09/2018	21,740	0.00	2,98,888	0.39
	02/11/2018	1,112	0.00	3,00,000	0.39
	At the end of the year	-	-	3,00,000	0.39
10	<b>Nilu Poddar</b>				
	At the beginning of the year	2,98,000	0.39	2,98,000	0.39
	Changes during the year	-	-	-	-
At the end of the year	-	-	2,98,000	0.39	
11	<b>Utpal H Sheth</b>				
	At the beginning of the year	2,74,700	0.36	2,74,700	0.36
	Changes during the year				
	22/03/2019	-46,924	0.00	2,27,776	0.30
	29/03/2019	-2,27,776	0.00	0	0.00
At the end of the year	-	-	0	0.00	
12	<b>Ghisulal D Rathod</b>				
	At the beginning of the year	2,62,000	0.34	2,62,000	0.34
	Changes during the year	-	-	-	-
At the end of the year	-	-	2,62,000	0.34	
13	<b>Rajeev Manilal Sangoi HUF</b>				
	At the beginning of the year	2,55,000	0.33	2,55,000	0.33
	Changes during the year	-	-	-	-
At the end of the year	-	-	2,55,000	0.33	

#### v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Change in shareholding and reason	Cumulative Shareholding during the year		Shareholding at the end of the year	
		No. of shares	% of total Shares of the company		No. of shares	% of total Shares of the company	No. of shares	% of total Shares of the company
<b>At the beginning of the year</b>								
<b>Directors</b>								
1	Mr Ashok Atluri	2,01,76,250	26.15	+35,000 (transfer)	2,02,11,250	26.19	2,02,11,250	26.19
2	Mr M Ravi Kumar	7,94,000	1.03	0	7,94,000	1.03	7,94,000	1.03
3	Ms Sridevi Madati	0	0.00	0	0	0.00	0	0.00
4	Mr Venkat Samir Oruganti	0	0.00	0	0	0.00	0	0.00
5	Mr Amreek Singh Sandhu	0	0.00	0	0	0.00	0	0.00
<b>Key Managerial Personnel</b>								
3	Mr M Satish Choudhury, Company Secretary	0	0.00	0	0	0.00	0	0.00
4	Mr N Ramesh Kumar, CFO (Ceased w.e.f. 01/02/2019)	0	0.00	0	0	0.00	0	0.00
5	Mr M Ravi Kiran, CFO (Appointed w.e.f. 01/02/2019)	0	0.00	0	0	0.00	0	0.00

#### V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(₹ in lakhs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	982.88	-	-	982.88
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	27.52	-	-	27.52
<b>Total (i+ii+iii)</b>	<b>1,010.40</b>	<b>-</b>	<b>-</b>	<b>1,010.40</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	3,849.60	-	-	3,849.60
Reduction	680.35	-	-	680.35
<b>Net Change</b>	<b>3,169.25</b>	<b>-</b>	<b>-</b>	<b>3,169.25</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	4,157.10	-	-	4,157.10
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	22.55	-	-	22.55
<b>Total (i+ii+iii)</b>	<b>4,179.65</b>	<b>-</b>	<b>-</b>	<b>4,179.65</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

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

(₹ in lakhs)

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		Ashok Atluri	M Ravi Kumar	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	50.40	39.60	90.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	1.38	0.92	2.30
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- as 3 % of net profits (Calculated as per Section 198 of the Companies Act, 2013)	30.55	-	30.55
	- Others, specify	-	-	-
5	Others, please specify	-	-	-
	<b>Total (A)</b>	<b>82.33</b>	<b>40.52</b>	<b>122.85</b>
	Ceiling as per Section 197 of the Companies Act, 2013			239.68

### B. Remuneration to other directors

(In ₹)

Sl. No.	Particulars of Remuneration	Name of Directors			Total Amount
		Venkat Samir Kumar Oruganti	Sridevi Madati	Amreek Singh Sandhu	
1	Independent Directors				
	Fee for attending board committee meetings	2,50,000	2,50,000	2,50,000	7,50,000
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	<b>Total (1)</b>	<b>2,50,000</b>	<b>2,50,000</b>	<b>2,50,000</b>	<b>7,50,000</b>
2	Other Non-Executive Directors	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total (B)=(1+2)</b>	<b>2,50,000</b>	<b>2,50,000</b>	<b>2,50,000</b>	<b>7,50,000</b>



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

(₹ in lakhs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		Company Secretary	Chief Financial Officer		
		M Satish Choudhury	N Ramesh Kumar	M Ravi Kiran	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	12.28	18.00	1.39	31.67
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	Others, specify	-	-	-	-
5	Others, please specify	-	-	-	-
	<b>Total</b>	<b>12.28</b>	<b>18.00</b>	<b>1.39</b>	<b>31.67</b>

Note: Mr. N Ramesh Kumar ceased and Mr M Ravi Kiran was appointed as Chief Financial Officer of the Company w.e.f. 01 February 2019.

**VII. PENALTIES/PUNISHMENTS/COMPOUNDING OF OFFENCES:**

There were no penalties, Punishment or Compounding of offences during the year ended 31 March 2019.

For and on behalf of the Board

Place: Hyderabad  
Date: 03 August 2019

**Ashok Atluri**  
Chairman and Managing Director  
DIN: 00056050

Annexure-III

**Form No. AOC-2**

**Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013**

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

- There are no contracts or arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are not at arm's length basis.
- Contracts or arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are at arm's length basis:

S. No	(a) Name(s) of the related party and nature of relationship	(b) Nature of contracts/ arrangements/ transactions	(c) Duration of the contracts / arrangements/ transactions	(d) Salient terms of the contracts or arrangements or transactions including the value, if any:	(e) Date(s) of approval by the Board, if any:	(f) Amount paid as advances, if any:
1	Mr Kishore Dutt Atluri - Brother of Mr Ashok Atluri, Chairman and Managing Director of the Company	Appointed to office or place of profit in the Company	Ongoing	During the year 2018-19, he received remuneration ₹ 31.37 lakhs (including perks) and Commission of ₹ 72.27 lakhs.	14-08-2016	Nil
2.	Mrs A Rama Devi	Leasing of property of any kind	*01 June 2019 to 31 May 2022 (Renewal with mutual consent of the parties)	Taking on lease 3 bedroom fully furnished flat jointly owned by Mr Kishore Dutt Atluri, President of the Company and his wife Mrs A Rama Devi for use as Guest House for Company executives and business clients for ₹ 53,555/- per month plus maintenance charges ₹ 4,700/- per month with an annual escalation on tariff at 5%.  During the year 2018-19, ₹ 6.08 Lacs was paid as the rent to the related party.	24-08-2017 & 03-08-2019	Security deposit – lease rent of two months
3.	Mr Arjun Atluri, Son of Mr. Kishore Dutt Atluri, President of the company	Appointed to office or place of profit in the Company	Ongoing	During the year 2018-19, he received remuneration of ₹ 5.78 lakhs (including perks).	16-08-2016, 18-11-2017 & 03-08-2019	Nil
4.	Ms Anisha Atluri, Daughter of Mr. Kishore Dutt Atluri, President of the company	Appointed to office or place of profit in the Company	Ongoing	During the year 2018-19, she received remuneration of ₹ 5.30 lakhs (including perks).	26-05-2018	Nil

\*Renewed for a period of 3 years w.e.f. 01 June 2019.

For and on behalf of the Board

Place: Hyderabad  
Date: 03 August 2019

**Ashok Atluri**  
Chairman and Managing Director  
DIN: 00056050



Annexure-IV

**Statement of particulars of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo pursuant to the provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of Companies (Accounts) Rules, 2014**

**A. Conservation of Energy**

(i) The steps taken or impact on conservation of energy:

The Company does not use energy-intensive equipment for its operations. Besides, due to significant awareness campaigns within the Company, the employees are averse to wasting power. Consequently, power consumption is one of the lowest per employee. The computers, air-conditioners and other equipment being used by the Company are energy-efficient and environment-friendly.

(ii) The steps taken by the company for utilizing alternate sources of energy:

- a. The Company is energy conscious. All types of driving simulators manufactured by the Company work with high-rated, power-saving servo motors.
- b. The employees are disciplined on saving energy. Systems are switched on only when it is to be used and switched off as soon as the scheduled work is completed.
- c. The Company has made a policy decision of buying systems that are rated high in power saving. Employees work on LED monitors. Their energy consumption is less. They also release less heat compared to CRT and LCD monitors enabling the centralized air-conditioner maintain the temperature with ease. The air-conditioner too has a regulator to save power.
- d. Plans are afoot to buy eco-friendly vehicles for intra-office movement at the Hardware Park Plant and between the research wing and production wings.
- e. Also there is a move to harness solar energy for lighting and wire fencing. The roof of the plant is about 70 feet from ground and there are enough provisions for the day light to seep into the plant to enable technical hands to work without switching on electrical lights especially in day time.
- f. Air conditioners are fitted with controllers to cut off power at the set temperature. The present MH lamps and mercury lamps are replaced with LED lamps which consume only 40% of CFL and its minimum life is 50,000 burning hours.
- g. The street lights at the Hardware Park are replaced with LED bulbs.
- h. The company is certified with ISO 14001:2015 latest version of Environmental Management system. And as part of EMS we had installed energy meters to our

30Kva, 40 Kva & 60 Kva UPS for monitoring Electric consumption for our IT infrastructure.

(iii) The capital investment on energy conservation equipments: The capital investment was made on controllers used for air conditioners, LED bulbs and green generators.

**B. Technology absorption**

(i) The efforts made towards technology absorption:

The Company has indigenously developed significant technologies that are useful in various products. The technologies nurtured within the Company have been incorporated into various products.

(ii) The benefits derived like product improvement, cost reduction, product development or import substitution:

We expect such technologies will give us an unbeatable edge in evolving our products into advanced, reliable, and robust simulators.

(iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):

The Company has not imported any technology during the past 3 years.

(iv) The expenditure incurred on Research and Development:

The Company has incurred ₹ 12.33 Crores as R&D expenditure (capital and revenue) for the financial year 2018-19 for the development of various products. Out of ₹ 12.27 Crores, was for R&D Revenue expenditure and ₹ 0.05 Crores for R&D Capital Expenditure. The Company has incurred 13.37% as R&D expenditure of Sales Turnover. The Company will continue to make big bets for long-term national interests which may impact short-term profitability of the Company.

**C. Foreign Exchange Earnings and Outgo**

(₹ in lakhs)

Particulars	FY 2018-2019	FY 2017-2018
Earned during the year	475.93	97.67
Used during the year	511.64	524.49

For and on behalf of the Board

Place: Hyderabad  
Date: 03 August 2019

**Ashok Atluri**  
Chairman and Managing Director  
DIN: 00056050

Annexure-V

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

*[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To,  
The Members,  
**Zen Technologies Limited**  
Hyderabad

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Zen Technologies Limited (hereinafter referred to as "the Company"). The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of the Secretarial Audit, we hereby report that, in our opinion, the company has, during the audit period covering the financial year ended 31 March 2019, complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended 31 March 2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) (applicable sections as on date) and the Rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder by the Securities and Exchange Board of India (SEBI);
- (iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

- (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (e) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996;
- (vi) Provisions of the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') were not applicable to the Company during the financial year under report:-
  - (a) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (b) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (c) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (vii) The industry specific laws that are applicable to the company are as follows:
  - a) The Factories Act, 1948
  - b) The Employees Provident Fund and other miscellaneous provisions Act, 1952
  - c) The Bonus Act, 1965
  - d) The Employees' State Insurance Act, 1948
  - e) The Information Technology Act, 2008
  - f) The e-waste (Management and Handling) Rules, 2011
  - g) The Official Secrets Act, 1923
  - h) Security Manual, Category B, Ministry of Defence

We have also examined compliance with the applicable clauses of the following:

- a. Secretarial Standards SS-1, SS-2 and SS-3 with respect to Meetings of the Board of Directors, General Meetings and Dividend, respectively, issued by The Institute of Company Secretaries of India and notified by the Ministry of Corporate Affairs.

During the period under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc. mentioned hereinabove.



### We further report that

The Board of Directors of the Company is duly constituted with a proper balance of Executive, Non-Executive and Independent Directors. During the year under review:

- a) The appointment of Mr. Amreek Singh Sandhu has been approved by the shareholders at the 25<sup>th</sup> Annual General Meeting held on 29<sup>th</sup> September, 2018. As per the resolution, he will continue to be the Independent Director upto 2<sup>nd</sup> February, 2021.
- b) Mr. Samir Kumar Oruganti has been re-appointed for another term of three years, to be Independent Director w.e.f 14<sup>th</sup> August, 2018.
- c) Mr. Ravindra Kumar Tyagi has been co-opted as an Additional Director w.e.f 01 April 2019 to act as an Independent Director.

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

As a general practice of the Board, decisions were taken on unanimous consent.

We further report that, during the year under review, the Company has issued 23,49,940 share warrants at a price of ₹ 76/-, after obtaining the necessary approvals.

We further report that, during the year under review, as per the provisions of Section 124(6) of the Act, 11,360 equity shares of ₹ 1/- each held by 12 shareholders were transferred to the Investor Education and Protection Fund.

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

**For P.S. Rao & Associates**  
Company Secretaries

**N.Vanitha**  
Company Secretary  
M. No: 26859  
C P No: 10573

Place: Hyderabad

Date: 03 August, 2019

Note: This report is to be read with our letter of even date which is annexed as '**Annexure A**' and forms an integral part of this report.

'Annexure A'

To  
The Members  
**Zen Technologies Limited**  
Hyderabad

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations and standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For P.S. Rao & Associates**  
Company Secretaries

**N.Vanitha**  
Company Secretary  
M. No: 26859  
C P No: 10573

Place: Hyderabad  
Date: 03 August, 2019



Annexure-VI

**Details in accordance with the provisions of Section 197(12) of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

(i) The ratio of remuneration of each director to the median remuneration of the employees of the Company for the financial year:

S. No	Name of the Director, Designation	Ratio of remuneration to the median remuneration of the employees
1	Mr Ashok Atluri, Chairman and Managing Director	27.92:1
2	Mr M Ravi Kumar, Whole-time Director	13.74:1
3	Ms Sridevi Madati, Independent Director	Nil
4	Mr Venkat Samir Kumar Oruganti, Independent Director	Nil
5	Mr Amreek Singh Sandhu, Independent Director	Nil

Note: Independent Directors were paid sitting fees for attending the Meetings.

(ii) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

S. No	Name of the Director / KMP, Designation	Percentage increase in remuneration
1	Mr Ashok Atluri, Chairman and Managing Director	NA*
2	Mr M Ravi Kumar, Whole-time Director	NA*
3	Ms Sridevi Madati, Independent Director	Nil
4	Mr Venkat Samir Kumar Oruganti, Independent Director	Nil
5	Mr Amreek Singh Sandhu, Independent Director	Nil
6	Mr N Ramesh Kumar, Chief Financial Officer**	NA
7	Mr M Satish Choudhury, Company Secretary	8.33%
8	Mr M Ravi Kiran, Chief Financial Officer**	NA

\* There was no increase in the remuneration paid to Mr. Ashok Atluri, Managing Director and Mr. Ravi Kumar Midathala, Whole Time Director during the financial year 2018-19.

\*\* Mr. N Ramesh Kumar ceased and Mr. M Ravi Kiran was appointed as Chief Financial Officer of the Company w.e.f. 01 February 2019.

(iii) The percentage increase in the median remuneration of employees in the financial year:

During the year under review, there was no increase in median remuneration of employees.

(iv) The number of permanent employees on the rolls of company:

There are 237 permanent employees on the rolls of the Company.

(v) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year: -0.10%

Percentile increases in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration: Nil

(vi) The key parameters for any variable component of remuneration availed by the directors:

The key parameters for the variable component of remuneration availed by the directors are considered by the Board of Directors based on the recommendations of the Nomination and Remuneration Committee as per the Remuneration Policy of the Company.

(vii) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy of the Company.

(viii) Particulars of Employees in accordance with the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment of Remuneration of Managerial Personnel) Rules, 2014:

S No	Employee Name	Designation & Nature of Employment	Educational Qualifications	Age	Experience	Date of Joining	Gross Remuneration Paid ₹ In Lacs)	Previous Employment and Designation, if any	No. of share held, if any	Remarks
1	Ashok Atluri	Chairman and Managing Director on Contractual employment	B.COM, P.G Diploma	53 yrs	Over 27 yrs	29-Jun-93	82.33	Nil	2,02,11,250 equity shares	Promoter & Managing Director
2	Kishore Dutt Atluri	President on Contractual employment	Master of Computer Application	58 yrs	34 yrs	29-Jun-93	103.63	Nil	1,75,56,250 equity shares	Promoter and Brother of Mr Ashok Atluri, Chairman and Managing Director
3	M Ravi Kumar	Whole-time Director on Contractual employment	PG Diploma in computer science	57 yrs	Around 30 yrs	29-Jun-93	40.52	Nil	7,94,000 equity shares	Promoter & Whole-time Director
4	H J Kamath	Sr Vice President (Business Development), Permanent Employee	PGDM-IM, Calcutta, Btech-Electronics & Communications, IIT Madras	61 yrs	38 yrs	8-Nov-14	35.78	Mahindra Defence Systems Ltd, VP & CEO	12,934 equity shares	-
5	Brig Anjum Shahab	Vice President (Projects & Coordination), Permanent Employee	Msc In Physics (Electronics), Msc in Defence studies, PG Diploma in Software Technology and System Administration	66 yrs	44 yrs	7-Feb-13	28.12	Indian Army, retired as Brigadier.	-	-
6	Ravi Manchu	SR ARCHITECT-SIMULATION (SOFTWARE), Permanent Employee	M.Tech (Computational Techniques), M.Sc (Physics)	43 yrs	17 yrs	22-Dec-06	24.57	Matrix View Technologies India Pvt.Ltd, Team Head R&D security.	-	-
7	M Vijaya Rama Rao	SR MANAGER (R&D-ELECTRONICS), Permanent Employee	BE-Electronics	42 yrs	17 yrs	3-Apr-02	21.02	-	4,000 equity shares	-
8	Surya Prakash Koti	Project Lead (Software), Permanent Employee	M.Sc-Electronics	37 yrs	13 yrs	26-Dec-05	21.09	-	100 equity shares	-
9	AVM Arvind Verma	Advisor	M Sc Military Sciences	61 yrs	39 yrs	4-Oct-16	21.00	Indian Air Force from 1978 to 2015	-	-
10	V Srinivasa Iyer	QA & Product Trails Manager	B E (Computer Science)	35 yrs	14 yrs	25-Aug-04	20.00	-	-	-

For and on behalf of the Board

Place: Hyderabad

Date: 03 August 2019

**Ashok Atluri**  
Chairman and Managing Director  
DIN: 0005605



# Management Discussion and Analysis

## Global economic overview and outlook

Overall there is more receptivity to alternate sources for defence equipment from various countries. The conventional view of the past few years, that defence equipment needs to be sourced only from well-known defence vendors and the usual countries is no longer the reality. For good reasons, as the quality, the price, and the after-sales support from these companies has been very poor. This spells good opportunity for companies from countries like India that have cutting-edge defence products at great prices.

## Indian economic overview and outlook

We feel that the outlook for Indian economy has never been brighter. While it is tempting to judge a Government in absolute terms, it may be appropriate that we look at an alternative reality from the choices that India had.

The western Governments eliminated Saddam Hussein and Qaddafi and they wanted to replace it with "democracy". What the people got was ISIS. With more mayhem, more victimization of minority, and more fundamentalism than ever. The cure was worse than the disease. Sometimes looking at the alternative reality should sober us up to the good luck we have.

Currently, the Indian Govt is stressing buying Designed, Developed and Made in India products. We feel the outlook for Indian defence industry is very favourable. In fact, we have never been so optimistic about Indian economy since the inception of the company. The new direction that the economy is taking under the new Government, will help companies like Zen, that have created world-class products.

## India's defence industry

India's defence industry, under the aggressive policies favouring indigenization, is expected to grow leaps and bounds in the next few years. The Ministry of Defence has started aggressively promoting schemes that help the defence sector indigenize the defence equipment rapidly. This indigenization is happening at component, sub-system and system level.

In pursuance of 'Make in India' initiative of the Government, following measures have been taken to achieve substantive self-reliance in defence production and to accelerate indigenization in Indian defence industry: -

- Defence Procurement Procedure (DPP) has been revised in 2016 wherein specific provisions have been introduced for stimulating growth of the domestic defence industry.
- A new category of procurement 'Buy (Indian-IDD (Indigenously Designed, Developed and Manufactured))' has been introduced in DPP-2016 to promote indigenous design and development of defence equipment. It has been accorded top most priority for procurement of capital equipment. Besides this, preference has been accorded to 'Buy (Indian)', 'Buy and Make (Indian)' & 'Make' categories of capital acquisition over 'Buy (Global)' & 'Buy & Make (Global)' categories.
- Government has notified the 'Strategic Partnership (SP)' Model which envisages establishment of long-term strategic partnerships with Indian entities through a transparent and competitive process, wherein they would tie up with global Original Equipment Manufacturers (OEMs) to seek technology transfers to set up domestic manufacturing infrastructure and supply chains.
- The 'Make' Procedure has been simplified with provisions for funding of 90% of development cost by the Government to Indian industry and reserving projects not exceeding development cost of ₹ 10 Crore (Government funded) and ₹ 3 Crore (Industry funded) for MSMEs.
- Separate procedure for 'Make-II' sub-category has been notified wherein a number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering proposals suggested by industry/individual etc., have been introduced. Upto March 2019, 35 proposals for development by industry have been given 'In-principle' approval under Make-II.
- Government has decided to establish two defence industrial corridors to serve as an engine of economic development and growth of defence industrial base in the country. These are spanning across Chennai, Hosur, Coimbatore, Salem and Tiruchirappalli in Tamil Nadu and spanning across Aligarh, Agra, Jhansi, Kanpur and Lucknow in Uttar Pradesh (UP).
- An innovation ecosystem for Defence titled Innovations for Defence Excellence (iDEX) has been launched in April 2018.

iDEX is aimed at creation of an ecosystem to foster innovation and technology development in Defence and Aerospace by engaging Industries including MSMEs, Start-ups, Individual Innovators, R&D institutes and Academia and provide them grants/funding and other support to carry out R&D which has potential for future adoption for Indian defence and aerospace needs.

- The Ministry has instituted a new framework titled 'Mission Raksha Gyan Shakti' which aims to provide boost to the IPR culture in indigenous defence industry.
- Government has notified a Policy for indigenisation of components and spares used in Defence Platforms in March 2019 with the objective to create an industry ecosystem which is able to indigenize the imported components (including alloys & special materials) and sub-assemblies for defence equipment and platform manufactured in India.
- Defence Investor Cell has been created in the Ministry to provide all necessary information including addressing queries related to investment opportunities, procedures and regulatory requirements for investment in the sector.
- FDI Policy has been revised and under the revised policy, FDI is allowed under automatic route upto 49% and beyond 49% through Government route wherever it is likely to result in access to modern technology or for other reasons to be recorded.
- The Defence Products List for the purpose of issuing Industrial Licenses (ILs) under IDR Act has been revised and most of the components, parts, sub-systems, testing equipment and production equipment have been removed from the list, so as to reduce the entry barriers for the industry, particularly small & medium segment. The initial validity of the Industrial Licence granted under the IDR Act has been increased from 03 years to 15 years with a provision to further extend it by 03 years on a case-to-case basis.
- The process for export clearance has been streamlined and made transparent & online.
- Offset guidelines have been made flexible by allowing change of Indian Offset Partners (IOPs) and offset components, even in signed contracts. Foreign Original Equipment Manufacturers (OEMs) are now not required to indicate the details of IOPs and products at the time of signing of contracts. 'Services' as an avenue of offset have been re-instated.
- Government has set up the Technology Development Fund (TDF) to encourage participation of public/private industries especially MSMEs, through provision of grants, so as to create an eco-system for enhancing cutting edge technology capability for defence applications.

### Simulation industry structure and developments

Simulators represent a combination of equipment, controlled environments and specially developed implements or modules to recreate or imitate scenarios with the intention of helping users learn, train and equip themselves to address real-life situations.

In India alone, the size of the simulators market is estimated at USD 2 billion. The Make II policy (DPP 2016) initiatives, in which Indian companies can suo motu propose development projects to the Armed Forces, are expected to put India's indigenization efforts on fast track. The concept of Make II procedure is proving to be catalytic for the defence sector. Products developed under Make II get tremendous testing and validation support from the armed forces. Once proven, in addition to the Indian armed forces, these products can be marketed to friendly foreign countries, thus increasing the opportunity size.

The Indian Armed Forces' are fully supporting the indigenization programs and are keen to induct as much of Indian made defence equipment as possible. They are working hard to balance the near-term security concerns with long-term defence self-reliance objectives.

### Opportunities and threats

Simulators and other advanced training equipment are becoming increasingly critical in national defence preparedness. Simulators spare real-world equipment from wear and tear and exposure to the elements, as well as enable training in situations that would be difficult to practice in the field.

For example, the engine life of a tank has a limited number of hours. After the said hours the engine needs overhaul, which could cost upto a million dollars. As per Wikipedia, India has about 4,000 tanks. Which means an expenditure of 4 Billion dollars. Zen tank solutions can easily replace at least 80% of the training time with simulators. That is Zen solutions can save as much as 3.2 Billion dollars. And the investment required is less than \$100 Mn. Multiply this solution across the spectrum of all defence equipment to understand the significant savings that will result due to modernization of training equipment. Obviously, there are entrenched interests that don't want such savings to happen. Some right-thinking officers have started pushing for modern training equipment, and we expect that will help Indian forces train better.

Moreover, solutions like virtual simulators, can be used in all weather conditions and around the clock. Faster learning curve, cost-effectiveness and personnel safety are some of the key benefits of these modern training solutions, which have led to wider acceptance of simulation based training solutions.

Market size for simulators is dependent on current stock and future acquisition of defense equipment. Increasing equipment purchase will translate into higher demand for simulators over time and these simulators also need to adequately maintained and periodically upgraded to incorporate technology advancements. Given an average simulator life-span of about 10-15 years, Annual Maintenance Contracts



(AMC), where contracted by the customer with the company, are also becoming an increasingly lucrative opportunity.

The entry of foreign defense companies in India through alliances could help widen the market but such increased competition may also reduce the profit margins. While increasing competition is a threat, the company is addressing them through customized features, a superior leverage of technological advancements and faster deployment and delivery.

The company is further pro-actively expanding its horizon by-

- Focusing on the large export opportunities in Middle East, CIS and Africa
- Dedicated team to pursue business opportunities in USA and friendly countries
- Growing the AMC revenue stream which is non-cyclical

### Product-wise performance

Zen Technologies has been engaged in the development and manufacture of training simulators utilizing cutting-edge technology for over a quarter of a century. The Company developed expertise in the design, development and manufacture of simulators addressing the training requirements of defense, homeland security and driving sectors. These cost-effective solutions are delivered to customers across the country's defense, services, state police forces, para-military forces and navy. Simulators that have done extremely well in the current year pertain to tanks. And we expect that there is lot of mileage we can still derive from these simulators.

Over the years, products that attracted the highest traction comprised the proprietary Zen Tank Simulators, Zen Smart Target Systems, Zen Multi-Function Target Systems, Zen Shooting Ranges, Zen Containerised Tubular Shooting Range, (Zen CTSR), Zen Containerised Indoor Shooting Range (Zen CISR), Indoor Shooting Ranges, Outdoor Shooting Ranges, Hand Grenade Simulator (Zen HE36S®), Advanced Weapons Simulator (Zen AWeSim™), and Tactical Engagement Simulator (Zen TacSim®), among others.

Zen's latest development which is attracting customers is Zen Combat Training Centre (Zen CTC). This is a one-stop training solution for Armed Forces and State police. It is designed as a secure facility with modern combat training infrastructure to provide the best possible performance-oriented training in a safe, productive and realistic environment. Combining live-fire, instrumented training and virtual training, the set-up is designed as an all-encompassing solution which enable co-ordinated team training under various realistic threat scenarios. Such integrated solutions capability has increased the competitive edge company has over its domestic and international competitors. Zen is amongst a handful of global players who can offer such tailored training solution and we are hopeful that this product would generate significant revenues in coming years.

Your company executed part of its largest ever order worth ₹ 224 crore in FY19 and the rest of the order is expected to be executed in the Q1 and Q2FY20. The major contribution of the revenues came from Tank simulators. Annual maintenance contracts (AMCs) are increasingly emerging as an important contributor to overall revenues and we expect some significant orders to come in the next few months. Sale of simulators carries a potential of generating upto 120% of the equipment sale value as AMC revenues over the product lifespan. AMC revenues would continue to grow as installation base of simulators increase and these steady revenues would help decrease the volatility in annual revenues.

### Outlook

Simulators and defence training present an attractive and growing opportunity for the company and we are well placed to fully capitalise on these opportunities. Our business model stands validated and we feel optimistic about the future for several reasons.

In domestic markets, conducive regulatory regime has opened erstwhile closed single vendor opportunities where we earlier struggled due to absence of other vendors in those niche segments. Government's IDDM policy that explicitly prefers indigenously designed and developed equipment will benefit players like Zen, which invest in R&D and develop their own IP and products. Offset clauses in defence procurement also forces global players to partner with domestic manufacturers and this could continue to boost company's prospects.

Exports represent a large opportunity for us. With proactive support from Indian Government, the company will continue to focus on potentially underserved export markets in the Middle-East, CIS and African countries. Company is creating tailored solutions to address the training requirements of these countries by providing superior technologies at an acceptable price point. We are also looking at supporting such sales through attractive financing options, with the help of Govt of India. We have participated in some of the biggest Defense Expositions and Conferences in FY19 including IDEX at Abu Dhabi and have seen extremely encouraging response.

The Company continues to invest in Zen Technologies USA, INC., a wholly owned subsidiary of the company. We believe that this would further strengthen our global business with a dedicated team targeting US and friendly countries.

Conclusion: Zen expects orders from exports, Indian armed forces, Central Police Organizations, and State police organizations during the H2FY20 and H1FY21. We expect to do better in FY20 than in FY19. And we expect FY21 will be much better than FY20.

### Risks and concerns

The principal risk faced by Zen is that of increasing competition which may lead to drop in margins. Your Company is committed to developing cutting-edge simulators for Security Forces. These simulators have been typically developed with feedback from the

end-users but with no commitment from them to buy the resulting system. Such a line of action, where you develop critical training technologies for security forces entails definite expenditure and no promise of matching income. The government's policy of buying the system from the lowest bidder may harm us if any foreign supplier, with the development costs already amortized, competes with us and dumps the simulators at a cost far below what they have charged overseas. Fortunately, the Government now has the Buy Indian, IDDM (Indigenously Designed, Developed and Manufactured) policy (Defence Procurement Procedures, 2016), that explicitly prefers indigenously designed and developed equipment. We feel companies like Zen, which invest in R&D and develop their own IP and products, rather than just contract manufacturers, will benefit tremendously from this initiative. As part of our business contract, we give performance guarantee to our clients. In the unlikely event that such a claim for guarantee is invoked, adequate provision for the same will be required. Some of the other risks that your Company faces are dependence on Government for substantial portion of business, high R&D costs with no certainty that the product will be accepted by the customer, stricter user acceptance and high marketing costs.

### Financial and operational performance

During FY19, the Company's total income stood at ₹ 95.32 Cr as against ₹ 43.36 Cr in FY18. Net profit stood at ₹ 19.05 Cr compared to ₹ 0.20 Cr in FY18. Zen has an order book of ₹ 282.20 Cr as on 31 March 2019 compared with ₹ 349 Cr as on 31 March 2018.

### Key Financial Ratios:

[Pursuant to Schedule V (B) to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015].

S. No	Particulars	2019	2018
1.	Operating Profit Margin (%)	33.67%	20.92%
2.	Net Profit Margin (%)	20.66%	0.51%
3.	Debtors Turnover (no of times)	1.92	1.81
4.	Inventory Turnover	3.94	4.00
5.	Current Ratio *	1.84	2.18
6.	Return on Net worth (%)	13.51%	0.17%
7.	Interest Coverage Ratio *	4.57	(0.12)
8.	Debt Equity Ratio	0.59	0.39

\* FY - 2018-19, for Executing Major Contract, company has utilized existing working capital limits.

### Internal control systems and their adequacy

Your Company has in place an adequate system of internal controls commensurate with its size & nature of operations, along with well-defined organization structure & documented policy guidelines & procedures, predefined delegation of authority covering all corporate functions. These internal controls are designed to provide reasonable assurance regarding the effectiveness and efficiency of operations,

the adequacy of protecting your Companies assets from unauthorized use or losses, the reliability of financial controls, and compliance with applicable laws and regulations.

Zen's internal control systems are in line with its size, operations and complexity. These systems are verified and tested routinely by certified auditors as well as internal audits, covering all key business areas. An internal audit system reviews the effectiveness and adequacy of the control environment and manages appropriate safeguards. The Company conducts periodic audits in compliance with certifications AS9100C from DQS Inc., ISO 9001:2008 (QMS), ISO 14001:2004 (EMS), ISO/IEC 27001:2013 (ISMS). An ongoing monitoring system ensures that all data or information is secured from unauthorized access.

The effectiveness of internal controls is reviewed through the internal audit process, which is undertaken for and all major corporate support functions under the direction of the Head Internal Audit. The focus of these reviews is as follows:

- Identify weaknesses and areas of improvement
- Compliance with defined policies and processes
- Safeguarding of tangible and intangible assets
- Management of business and operational risks
- Compliance with applicable statutes
- Compliance with the Zen Code of Conduct

The Audit Committee of the Board oversees the adequacy of the internal control environment through regular reviews of the audit findings and monitoring implementations of internal audit recommendations through the action taken reports submitted to them.

A gist of the significant features of the internal controls is as follows:

- The Audit Committee comprising of independent directors entirely, regularly reviews the audit plans, significant audit findings, implementations of internal audit recommendations, adequacy of internal controls, compliance with accounting standards as well as reasons for changes in accounting policies and practices, if any;
- A well-established and independent Internal Audit team consisting of professionally qualified accountants and functional specialists who are empowered to examine/audit the adequacy, relevance and effectiveness of the control systems, compliance with policies, plans and statutory requirements;
- Continual programmes to reinforce the Code of Conduct are done regularly across the organisation.

The Board takes responsibility for the overall process of risk management throughout the organisation. During the financial reporting period ending March 2019, your Company has conducted an assessment of the effectiveness of the internal financial control over financial reporting and it has in place, adequate internal financial



controls with reference to financial statements, commensurate with the size, scale and complexity of its operations. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

#### **Human resource development and industrial relations**

People form the foundation of organisations and their growth. The Company engages in developing its talent pool through training and workshops, strengthening core competence and performance. Over the year under review, the Company engaged with various industries, suppliers, partners, customers, workers and employees; relations remained harmonious. The total employee strength stood at 237 people compared to 246 people in FY18. The average employee age stood at 34, indicating a prudent balance of the young and the experienced. Attrition of 29% was below sectoral standards, a result of the invigorating workplace, attractive remuneration and an engaged management.

#### **Cautionary statement**

This statement made in this section describes the Company's objectives, projections, expectation and estimations which may be 'forward looking statements' within the meaning of applicable Securities Laws and Regulations. Forward looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised by the Company. Actual results could differ materially from those expressed in the statements or implied due to the influence of external factors which are beyond the control of the Company. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent development, information or events.

# Corporate Governance Report

This report is prepared in accordance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), and the report contains the details of Corporate Governance systems and processes at Zen Technologies Limited ('Zen' or 'the Company').

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way a company is directed, administered or controlled. It is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers.

Corporate governance is based on principles such as conducting the business with all integrity and fairness, being transparent with regard to all transactions, making all the necessary disclosures and decisions, complying with all the laws of the land, accountability and responsibility towards the stakeholders and commitment to conducting business in an ethical manner.

## 1) Company's Philosophy on Code of Governance

Zen is committed to good corporate governance. Zen aims to achieve the objective of enhancing the shareholders' value by ensuring effective relationship with stakeholders and protecting

their interests. Zen believes that the Company's business strategy and plans should be consistent with the welfare of all its stakeholders which will bring sustained corporate growth and long term benefit to all.

Zen has been practicing the principles of good corporate governance with a great zeal of commitment and sincerity. Zen's principle of corporate governance comes from the belief that the high standards of ethics, timely disclosures, accountability and transparency go a long way in preserving shareholders' trust and creating wealth.

## 2) Board of Directors

### a. Composition and Category of Directors.

The Board of Directors of the Company consists of six (6) Directors. To ensure transparent and professional conduct of board procedures in all aspects and related thereto, more than fifty percent i.e., 4 out of 6 Directors are Independent Directors. The Chairman of the Board is an Executive Director. The composition of the Directors is in accordance with Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The brief profiles of the Directors can be found on the Company's website [www.zentechnologies.com](http://www.zentechnologies.com).

The constitution of the Board is as follows:

S. No	Name of the Director	Designation	Date of Appointment	Category
1	Mr Ashok Atluri	Chairman and Managing Director	14-06-1994	Promoter & Executive Director
2	Mr M Ravi Kumar	Whole Time Director	29-06-1993	Promoter & Executive Director
3	Ms Sridevi Madati	Director	05-02-2014 <sup>&amp;</sup>	Independent Non-Executive Director
4	Mr Venkat Samir Kumar Oruganti	Director	14-08-2015 <sup>#</sup>	Independent Non-Executive Director
5	Mr Amreek Singh Sandhu	Director	03-02-2018	Independent Non-Executive Director
6	Dr. Ravindra Kumar Tyagi <sup>*</sup>	Additional Director	01-04-2019	Independent Non-Executive Director

<sup>\*</sup>Appointed as Independent Director w.e.f 01 April 2019.

<sup>#</sup> Reappointed for another term of 3 years w.e.f. 14 August 2018.

<sup>&</sup> Reappointed for another term of 3 years w.e.f. 29 May 2017.

**b. Attendance of each Director at the Board Meetings and the last AGM**

The table hereunder gives the attendance record of the Directors at the six (6) Board Meetings held during the year 2018-19 and the last Annual General Meeting (AGM) held on 29 September 2018:

Name of the Director	Number of Board meetings attended		Attendance at AGM held on 29 September 2018
	Held / Eligible to attend	Attended	
Mr Ashok Atluri	6	6	Yes
Mr M Ravi Kumar	6	6	Yes
Ms Sridevi Madati	6	6	Yes
Mr Venkat Samir Kumar Oruganti	6	6	Yes
Mr Amreek Singh Sandhu	6	6	Yes

**c. Number of other Boards or Board Committees in which the director of the company is a member or Chairperson.**

S. No	Name of the Director	Number of other Directorships*	Board Committees*	
			Membership	Chairmanship
1	Mr Ashok Atluri	1	-	-
2	Mr M Ravi Kumar	1	-	-
3	Ms Sridevi Madati	-	-	-
4	Mr Venkat Samir Kumar Oruganti	-	-	-
5	Mr Amreek Singh Sandhu	-	-	-
6	Dr. Ravindra Kumar Tyagi	1	1	-

\*Excluding Private Limited Companies and Foreign Companies.

\*Only membership of Audit and Shareholders Grievances Committees are considered.

None of the Directors on the Board is a member on more than 10 committees or Chairman of more than 5 committees as specified in Regulation 26 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, across all the Companies in which he/she is a Director. Necessary disclosures regarding Committee positions have been made by the Directors. None of the Directors of the Company are directors in any other listed company.

**d. Number of Board meetings held, dates on which held.**

Six Board Meetings were held during the financial year ended 31 March 2019. The maximum gap between any two consecutive meetings did not exceed 120 days.

The dates on which the Board meetings were held are 26 May 2018, 05 June 2018, 14 August 2018, 10 November 2018, 27 December 2018, and 28 January 2019.

**e. Meeting of Independent Directors.**

A separate meeting of Independent Directors was held on 28 January 2019 inter-alia to review the performance of the Non-Independent Directors and the Board as a whole, review the performance of Chairperson of the Company and assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

All the Independent Directors were present at the meeting.

**f. Disclosure of relationship between Directors inter-se.**

Mr Ashok Atluri, Managing Director is the brother of Mr Kishore Dutt Atluri who has been appointed as President of the Company as per the provisions of Section 188 of the Companies Act.

None of the Directors are related to each other.

**g. Shares held by Non-Executive Independent Directors.**

S. No.	Name of the Director	Number of Equity Shares (face value of ₹ 1/- each held in the Company)
1	Ms Sridevi Madati	Nil
2	Mr Venkat Samir Kumar Oruganti	Nil
3	Mr Amreek Singh Sandhu	Nil
4	Dr Ravindra Kumar Tyagi	Nil

**h. The detail of Familiarization programmes imparted to Independent Directors is given below.**

The details of programs for familiarization of the Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are available on the website of the Company at the Web link:[http://www.zen-technologies.com/investor\\_relations/Familiarisation-program.pdf](http://www.zen-technologies.com/investor_relations/Familiarisation-program.pdf).

**i. The Board has identified the following skills/expertise/competencies fundamental for the effective functioning of the Company which are currently available with the Board:**

Understanding about the Business and simulators industry	Understanding about the dynamics of the Simulation and training industry.
Research and Development	Understanding about the technology in the industry and focusing on next-gen technologies for simplifying the simulation and training solutions developed.
Marketing and Strategy	Understanding about the marketing model and strategy planning for tapping untapped markets and exploring further opportunities in the existing markets.
Corporate Governance	Experience in implementation of the statutory laws, rules, regulations etc. for effective implementation and ensuring proper corporate governance.

**j.** Independent Directors are non-executive directors as defined under Regulation 16(1)(b) of the SEBI Listing Regulations read with Section 149(6) of the Act along with rules framed thereunder. In terms of Regulation 25(8) of SEBI Listing Regulations, they have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties. Based on the declarations received from the Independent Directors, the Board of Directors has confirmed that they meet the criteria of independence as mentioned under Regulation 16(1)(b) of the SEBI Listing Regulations and that they are independent of the management.

**k. Code of Conduct.**

The Board has laid down two separate Codes of Conduct, one for all the Board Members and the other for Senior Management of the Company. These Codes have been posted on the Company's website [http://www.zentechnologies.com/about\\_us/zen-code-of-conduct.php](http://www.zentechnologies.com/about_us/zen-code-of-conduct.php). All the Board Members and Senior Management Personnel have affirmed compliance with these Codes. A declaration signed by the Chairman and Managing Director to this effect is enclosed at the end of this Report. The Code of Conduct for the Board Members of the Company has been amended in line with the provisions of the Companies Act, 2013, which includes Code for Independent Directors, which is a guide to professional conduct for Independent Directors of the Company pursuant to section 149(8) and Schedule IV of the Companies Act, 2013.

**l. CEO/CFO Certification.**

As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Chairman and Managing Director and CFO of the Company have certified the Financial Statements for the year ended 31 March 2019 before their submission to the Board. The Chairman and Managing Director and CFO also furnish quarterly certification on Financial Statements while placing the Financial Statements before the Board in terms of Regulation 17(8). The Annual Certificate given by the Chairman and Managing Director and CFO forms part of the Annual Report.

**3) Audit Committee.**

**i. Brief description of terms of reference.**

The Committee is empowered with the role and powers as prescribed under Regulation 18 of SEBI (LODR) Regulations, 2015 and section 177 of the Companies Act, 2013. The Committee also acts in terms of reference and directions of the Board from time to time.

**ii. Composition, Name of Members and Chairperson.**

The Audit Committee of the Board is constituted with five (5) Directors comprising of four (4) Independent Directors forming a majority. All of the members of the Committee are financially literate and have adequate accounting knowledge. Accordingly, the Composition of the Audit Committee is in conformity with Regulation 18 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Composition, Meetings and Attendance of Members of Audit Committee, is given below:

S. No	Name of the Director	Designation	No. of meetings held	No. of meetings attended
1	Mr Amreek Singh Sandhu	Chairman	4	4
2	Mr Venkat Samir Kumar Oruganti	Member	4	4
3	Mr Ashok Atluri	Member	4	4
4	Ms Sridevi Madati	Member	4	4
5	Dr. Ravindra Kumar Tyagi*	Member	-	-

\*Appointed as Audit Committee member w.e.f 18 May 2019.



During the Financial Year 2018-19, the Audit Committee met 4 times on the following dates:

26 May 2018, 14 August 2018, 10 November 2018 and 28 January 2019.

The Statutory Auditor, Internal Auditor, Chief Financial Officer and Senior Manager (Finance and Accounts) are invited to the meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Audit Committee.

The Chairman of the Audit Committee is always present at the Annual General Meeting (AGM) to give clarifications, if any, required by the members.

#### 4) Nomination and Remuneration Committee.

##### i. Brief description of terms of reference.

The Committee is empowered with the role and powers as prescribed under Regulation 19 of SEBI (LODR) Regulations, 2015, section 178 of the Companies Act, 2013 and in the Nomination & Remuneration Policy of the Company. The Committee also acts in terms of reference and directions of the Board from time to time.

##### ii. Composition, name of members and Chairperson.

The Nomination and Remuneration Committee of the Board is constituted with three Independent Directors. During financial year 2018-19 Nomination and Remuneration committee met three (3) times on 26 May 2018, 14 August 2018 and 28 January 2019.

The Composition, Meetings and Attendance of Members of Nomination and Remuneration Committee, is given below:

S. No	Name of the Director	Designation	No. of meetings held	No. of meetings attended
1	Mr Venkat Samir Kumar Oruganti	Chairperson	3	3
2	Ms Sridevi Madati	Member	3	3
3	Mr Amreek Singh Sandhu	Member	3	3

##### iii. Nomination and Remuneration policy.

The Nomination and Remuneration Policy is available on the Company's website at [http://www.zentechologies.com/investor\\_relations/Nomination-Remuneration-Policy.pdf](http://www.zentechologies.com/investor_relations/Nomination-Remuneration-Policy.pdf).

The Policy ensures that:

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully.
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks and
- Remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

##### iv. Performance Evaluation.

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an annual evaluation of its own performance and that of its Committees as well as performance of the Directors individually. The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairman of the Company was also carried out by the Independent Directors, taking into account the views of the Executive Director and Non-Executive Directors. The Directors expressed their satisfaction with the evaluation process.

#### 5) Remuneration of Directors.

- There are no pecuniary transactions with any non-executive director of the Company.
- Non-Executive Directors are paid sitting fee for attending the Board and Committee meetings.

The details of sitting fee paid to the Independent Directors during the financial year 2018-19 are as follows:

Name of the Director	Amount (₹)
Mr Venkat Samir Kumar Oruganti	2,50,000
Ms Sridevi Madati	2,50,000
Mr Amreek Singh Sandhu	2,50,000

The details of remuneration paid to Executive Directors during the year are as follows:

Name of the Director and Designation	Salary	Benefits	Bonus	Pension	Commission	Service Contracts	Amount (₹)
							Notice Period
Mr Ashok Atluri, Chairman and Managing Director	50,40,000	1,37,791	-	-	30,55,000	Appointed for a period of 3 years w.e.f 1 October 2017.	As per the Company Rules
Mr M Ravi Kumar, Whole Time Director	39,60,000	92,608	-	-	-	Appointed for a period of 3 years w.e.f 29 June 2016*	As per the Company Rules

\*Mr. M Ravi Kumar was reappointed as the whole-time director for a period of 3 years w.e.f. 29 June 2019 by the Board of Directors in their meeting held on 18 May 2019 and the same is subject to approval of shareholders in the ensuing AGM.

There were no severance fees, stock option plan or performance linked incentive for Executive / Non-Executive Directors. The Chairman and Managing Director was appointed for a period of 3 years and the Whole Time Director for a period of 3 years as per the terms and conditions mentioned in the respective resolutions passed by the Members of the Company in the General Meetings.

## 6) Stakeholders Relationship Committee.

### i. Composition

The Stakeholders Relationship Committee (SRC) of the Board is constituted with the following Directors:

S. No	Name of the Director	Designation
1	Mr Venkat Samir Kumar Oruganti	Chairman
2	Mr Ashok Atluri	Member
3	Ms Sridevi Madati	Member

The Committee has been delegated with following powers:

- To review and redress shareholder / investor's complaints etc. relating to transfer of shares, non-receipt of balance sheet/ annual reports, non-receipt of declared dividends etc.
- To approve transfer and transmission and issue of duplicate/fresh share certificates.
- To consolidate and sub-division of share certificates etc.
- To redress, approve and dispose of any other complaint, transaction and request etc. received from any shareholder of the Company and investor in general

M/s. Karvy Fintech Private Limited, the Registrar and Share Transfer Agents has been delegated the power to process the transfer and transmission of shares.

### ii. Name and designation of Compliance Officer

In pursuance of the resignation of Mr. M Satish Choudhury, Company Secretary & Compliance Officer w.e.f July 9, 2019 (Close of Business Hours), the Board of Directors appointed Mr. Hansraj Singh Rajput, a qualified Company Secretary, as the Compliance Officer of the company w.e.f. July 10, 2019, as per Regulation 6 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Email id for investor grievances: [investors@zentechnologies.com](mailto:investors@zentechnologies.com)

### iii. Number of shareholders' complaints received so far

During the year ended 31 March 2019, the Company has received and resolved 8 Investor Complaints and there were no pending complaints as at the year end.

### iv. Number not solved to the satisfaction of shareholders: Nil

### v. Number of pending complaints: Nil



## 7) General Body Meetings.

### i. Location and time, where last three AGMs held:

The following are the details of the last three Annual General Meetings held:

Financial Year	Date	Time	Venue
2015-16	24-09-2016	9.30 a.m	B - 42, Industrial Estate, Sanathnagar, Hyderabad – 500018, Telangana, India
2016-17	28-09-2017	9.30 a.m.	B - 42, Industrial Estate, Sanathnagar, Hyderabad – 500018, Telangana, India
2017-18	29-09-2018	9.00 a.m.	11 <sup>th</sup> Floor, Signature Towers, Opp. Botanical Garden, Kondapur, Hyderabad – 500084, Telangana, India

### ii. Special Resolutions passed in the previous three AGMs:

- **23<sup>rd</sup> AGM:** 1. Reappointment and revision in terms of appointment of Mr. M. Ravi Kumar, Whole Time Director, 2. Revision Remuneration paid to Mr Ashok Atluri.
- **24<sup>th</sup> AGM:** 1. Reappointment of Ms Sridevi Madati as Independent director for second term of 3 years; 2. Alteration of Articles of Association; 3. Reappointment of Mr Ashok Atluri as Managing Director for 3 years.
- **25<sup>th</sup> AGM:** 1. Appointment of Mr Venkat Samir Kumar Oruganti as Independent Director of the Company for a second term of 3 years; 2. Approval of loans, guarantees, security and investment by the Company as per section 186 of the Companies Act, 2013 upto an amount of ₹ 500 crores; 3. Consent of members for allocation of sub-limits for Portfolio Investment for Registered Foreign Portfolio Investor/s (RFPIs) including Qualified Foreign Investor/s (QFIs) and Foreign Institutional Investor/s (FIIs), Foreign Venture Capital Investor/s (FVCIs) and Non Resident Indian/s (NRIs) upto 49%.

### iii. Special Resolution passed last year through postal ballot – details of voting pattern

There was no Special Resolution passed during the year 2018-19 through Postal ballot.

However, a special resolution for issue of 23,49,940 convertible warrants on preferential basis was duly passed in the Extraordinary General Meeting (EGM) of Zen Technologies Limited held on Tuesday, the 22 January, 2019.

## 8) Means of Communication.

### 1. Quarterly results:

The quarterly results of the Company are published in accordance with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### 2. Newspapers wherein results normally published:

Quarterly/Half Yearly / Annual Audited Results are generally published in widely circulated newspapers viz., Business Standard (English daily) and Nava Telangana (Regional Newspaper – Telugu Daily).

### 3. Any website, where displayed:

Quarterly/Half Yearly / Annual Audited Results, Annual Reports, Announcements, Investor information, Policies etc. are displayed on the Company's website: [www.zentechnologies.com](http://www.zentechnologies.com) under the section Investors.

### 4. Whether it also displays official news releases:

Official news releases along with the quarterly results are displayed on the Company's website: [www.zentechnologies.com](http://www.zentechnologies.com).

### 5. Presentations made to institutions investors or to the analysts:

The presentations made to the investors/ analysts are placed on the Company's website [www.zentechnologies.com](http://www.zentechnologies.com). Investors Presentations are hosted on the website under Investors Section.

## 9) General Shareholder Information.

- |                                     |   |   |
|-------------------------------------|---|---|
| a. Annual General Meeting           | : | 26 <sup>th</sup> Annual General Meeting   |
| Day, Date & Time                    | : | Saturday, 21 September, 2019, at 10.00 a.m.   |
| Venue                               | : | 11th Floor, Signature Towers, Opp. Botanical Garden Road, Kondapur, Hyderabad - 500 084, Telangana, India                 |
| Last Date of Proxy forms submission | : | 19 <sup>th</sup> September 2019 at 10.00 a.m.   |
| Period Date for exercising e-voting | : | from Monday, 16 <sup>th</sup> September, 2019 from 09.00 a.m. to Friday, 20 <sup>th</sup> September, 2019 up to 5.00 p.m. |

- b. Financial Year : 1 April 2018 to 31 March 2019.
- c. Record Date for the purpose of Dividend & AGM : Friday, 13<sup>th</sup> September, 2019
- d. Dividend Payment Date : Within 30 days from the date of declaration of dividend in AGM i.e., on or before 21 October 2019.
- e. Listing on Stock Exchanges : BSE Limited, Mumbai  
National Stock Exchange of India Limited, Mumbai

The Equity Shares of the Company are listed on BSE Limited, Mumbai and National Stock Exchange of India Limited, Mumbai. The Company confirms that it has paid annual listing fees to the Stock Exchanges for the year 2019-20.

**f. Stock Code:**

Demat ISIN No. for NSDL & CDSL: INE251B01027

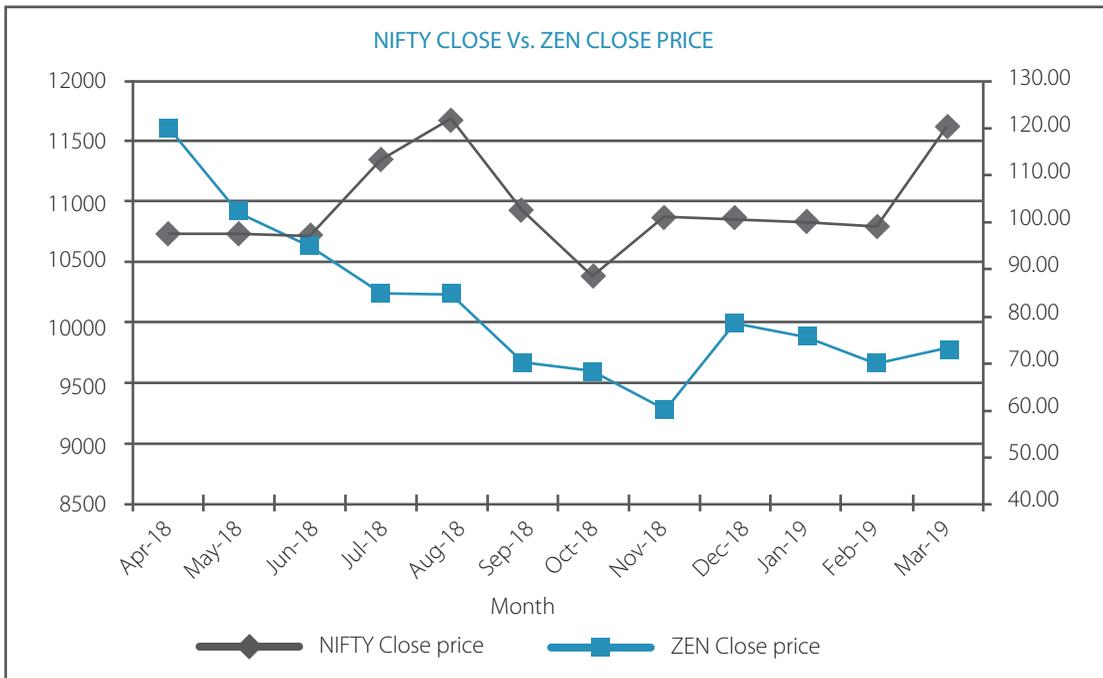
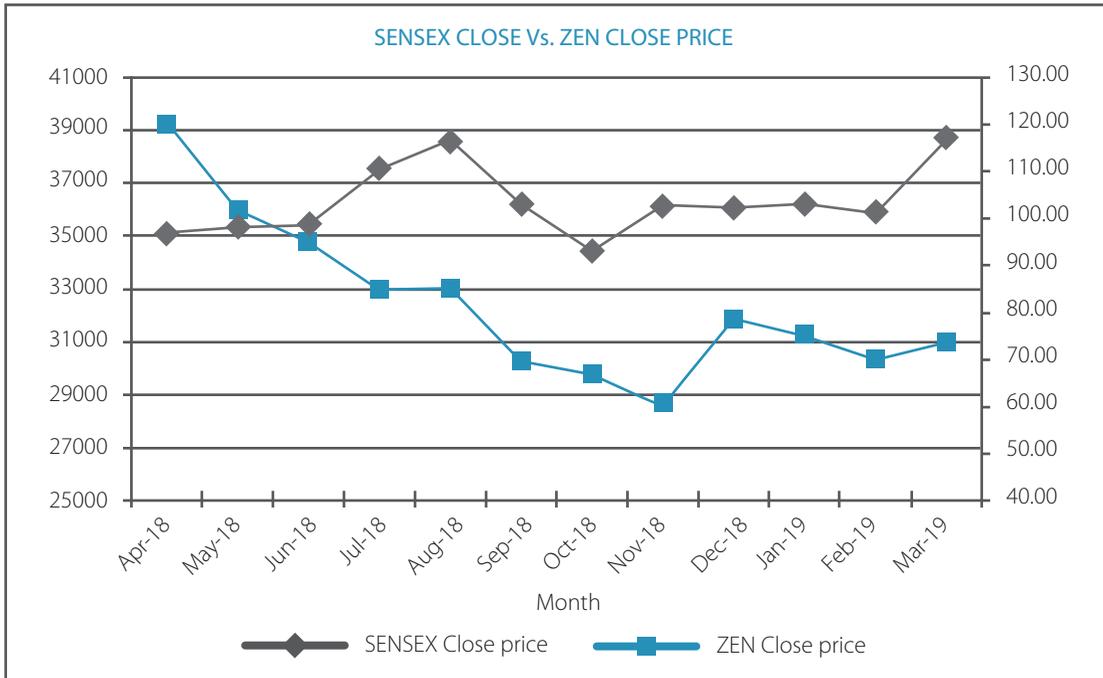
Name of the Stock Exchange	Stock / Scrip Code
BSE Limited	5333339
National Stock Exchange of India Limited	ZENTEC

**g. Market Price Data: High, Low during each month in financial year 2018-2019.**

Month	BSE			NSE		
	High (₹)	Low (₹)	No. of Shares traded	High (₹)	Low (₹)	No. of Shares traded
Apr-18	131.00	113.20	6,74,821	131.40	113.85	39,26,163
May-18	123.70	100.00	3,45,224	123.80	98.85	22,24,788
Jun-18	115.00	81.00	11,63,888	115.40	81.65	90,62,679
Jul-18	98.25	78.35	1,77,768	98.35	78.15	9,93,195
Aug-18	93.70	78.00	2,47,407	94.00	77.45	9,52,790
Sep-18	86.70	68.10	1,51,052	88.80	68.20	10,56,685
Oct-18	72.90	53.00	1,72,356	73.20	55.00	9,46,025
Nov-18	78.85	55.60	2,10,355	77.95	56.20	7,09,452
Dec-18	84.55	60.50	2,65,804	84.80	60.05	21,43,607
Jan-19	93.70	70.00	3,25,188	94.00	71.95	25,48,281
Feb-19	76.05	66.10	3,66,904	76.60	66.30	6,97,494
Mar-19	86.40	68.50	1,47,336	86.30	68.15	21,62,152



**h. Performance of the share price of the Company in comparison to the broad based indices BSE SENSEX and NSE NIFTY:**



- i. There was no suspension of trading in Securities of the Company during the year under review.**
- j. Registrars and Share Transfer Agents:**

During the year, pursuant to the order of the National Company Law Tribunal, the operations of our Registrars and Transfer Agents i.e. Karvy Computershare Private Limited (KCPL) have been transferred to Karvy Fintech Private Limited (KFPL) w.e.f. 07.11.2018. Pursuant to the NCLT order, all the existing arrangements which KCPL is a party (including the agreements entered by our Company) shall be in full force and vest with Karvy Fintech Private Limited. The address of Karvy Fintech Private Limited, Registrars and transfer Agents of the Company is as under:

#### Karvy Fintech Private Limited

Unit: Zen Technologies Limited  
Karvy Selenium Tower B, Plot No 31 & 32,  
Gachibowli, Financial District, Nanakramguda,  
Serilingampally Mandal, Hyderabad – 500 032  
Phone: +91 -40 - 67161605, Fax: + 91- 40 - 23001153  
Email id: einward.ris@karvy.com

#### k. Share Transfer system

The Company has appointed Karvy Fintech Private Limited (Formerly known as Karvy Computershare Private Limited), Hyderabad as Registrar and Share Transfer Agents for the purpose of carrying on the work relating to share transfers both physical and demat form. The requests received for transfer of shares from the shareholders are normally completed within prescribed time, subject to the documents being valid and complete in all respects. The Company obtains from Mr. DS Rao, Practicing Company Secretary, Hyderabad, half-yearly Certificate of Compliance with share transfer for-

malties as required under Regulation 40(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, and files a copy of the said Certificate with BSE Ltd and National Stock Exchange of India Limited.

As per recently amended SEBI (Listing Obligations and Disclosure Requirements) Regulations requests for effecting transfer of equity shares in physical form shall not be accepted by Karvy Fintech Private Limited, Registrars and Transfer Agents/Company, w.e.f. 01.04.2019 unless the equity shares are held in the dematerialized form with a Depository. This was communicated to the members who hold the shares in physical form. The shareholders need to convert the shares to demat form compulsorily, if they wish to effect any transfer. However, the restriction is not applicable to the requests received for transmission or transposition of physical shares. All the shareholders, who hold the shares in physical form, are requested to dematerialize the shares at the earliest to avoid inconvenience in future, for transferring the shares.

#### l. Distribution of Shareholding

Distribution of Shareholding as on 31 March 2019 is as follows:

Shareholding of nominal value of (₹)		Shareholders		Share Amount	
		Number	% to Total	In (₹)	% to Total
1	5,000	11369	93.72	66,62,890.00	8.64
5,001	10,000	330	2.72	25,48,725.00	3.30
10,001	20,000	184	1.52	26,99,149.00	3.50
20,001	30,000	94	0.77	23,75,080.00	3.08
30,001	40,000	32	0.26	11,05,291.00	1.43
40,001	50,000	26	0.21	12,01,815.00	1.56
50,001	1,00,000	44	0.36	31,84,225.00	4.13
1,00,001 and Above		52	0.43	5,73,82,885.00	74.37
<b>TOTAL</b>		<b>12131</b>	<b>100.00</b>	<b>7,71,60,060.00</b>	<b>100.00</b>

Shareholding Pattern as on 31 March 2019:

S. No	Description	Shares	% Equity
1	Promoter Individuals	4,59,02,340	59.49
2	Resident Individuals	2,39,44,818	31.03
3	Bodies Corporates	49,79,305	6.45
4	H U F	9,62,610	1.25
5	Non Resident Indians (NRIs)	7,02,135	0.91
6	NRI Non-Repatriation	3,96,149	0.51
7	Clearing Members	99,333	0.13
8	I E P F	75,910	0.10
9	Indian Financial Institutions	55,338	0.07
10	NBFC	27,419	0.04
11	Foreign Portfolio Investors	8,350	0.01
12	Banks	6,353	0.01
	<b>Total:</b>	<b>7,71,60,060</b>	<b>100.00</b>

**m. Dematerialization of shares and liquidity**

The Company has made necessary arrangements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialization facility. As on 31 March 2019, a total of 7,69,40,760 equity shares were dematerialized which constitute 99.72% of the total paid up capital. The ISIN No/Code for the Company's Equity Shares is INE251B01027.

**n. Outstanding ADRs/GDRs/Warrants or any convertible instruments, conversion date and likely impact on equity:**

The Company has issued 23,49,940 convertible warrants pursuant to preferential issue approved by the shareholders in the Extra-ordinary General Meeting held on 22 January 2019. The Warrants were allotted to the respective allottee mentioned in the EGM resolution on 04 February 2019. The Warrants are convertible into 1 equity share each on payment of the exercise money within a period of 18 months from the date of allotment of the Warrants.

The pre and post shareholding pattern considering full conversion of the said Warrants is as follows:

S. No	Category of Shareholder	Pre-Issue		Post-Issue	
		Shares held	% of Total Holding	Shares held	% of Total Holding
1	Promoters and Promoter Group	4,59,02,340	59.49	4,81,02,280	60.50
2	Public holding	3,12,57,720	40.51	3,14,07,720	39.50
	<b>Total</b>	<b>7,71,60,060</b>	<b>100.00</b>	<b>7,95,10,000</b>	<b>100.00</b>

**o. Commodity Price Risk or Foreign Exchange risk and hedging activities:**

The Company is not carrying on any Commodity Business and has also not undertaken any hedging activities; hence same are not applicable to the Company.

**p. Plant Locations:**

**Maheswaram Manufacturing Unit:**

Plot No.35, 36 & 37, Kancha Imarath, Near Ravirala Village, Hardware Park, Ranga Reddy District - 501 510, Telangana, India

**q. Address for correspondence Company:**

The Company Secretary,  
Zen Technologies Limited, B-42, Industrial Estate,  
Sanathnagar, Hyderabad - 500 018, Telangana, India  
Phone : +91-40 - 23814894, 23813294  
Fax : +91-40 - 23813694  
Email id: cosec@zentechnologies.com

**Registrar and Share Transfer Agents:**

**Karvy Fintech Private Limited**

*(Formerly Known as Karvy Computershare Private Limited)*

Unit: Zen Technologies Limited

Karvy Selenium Tower B, Plot No 31 & 32,

Gachibowli, Financial District, Nanakramguda,

Serilingampally Mandal, Hyderabad – 500 032

Phone: +91 -40 - 67161606, Fax: + 91- 40 - 23001158

Email id: einward.ris@karvy.com

**r. Corporate Identity Number: L72200TG1993PLC015939**

**s. Credit rating:**

The Company obtained credit rating from CARE Ratings Limited for bank facilities of the Company. The following is the ratings assigned by along with revisions thereto during the financial year and status as on the date of this report:

Facilities/Instruments	Long-term Bank Facilities	Short-term Bank Facilities	Long-term/Short-term Bank Facilities
At the beginning of year	CARE BBB; Stable (Triple B; Outlook-Stable)	CARE A3+ (A Three Plus)	CARE BBB; Stable/CARE A3+ (Triple B; Outlook-Stable / A Three Plus)
Changes during the year	CARE BBB-; Stable (Triple B Minus; Outlook- Stable)	CARE A3 (A Three)	CARE BBB-; Stable/CARE A3 (Triple B Minus; Outlook- Stable / A Three)
At the end of the financial year	CARE BBB-; Stable (Triple B Minus; Outlook- Stable)	CARE A3 (A Three)	CARE BBB-; Stable/CARE A3 (Triple B Minus; Outlook- Stable / A Three)
*Changes after the closure of the financial year	CARE BBB; Stable (Triple B; Outlook-Stable)	CARE A3+ (A Three Plus)	CARE BBB; Stable/CARE A3+ (Triple B; Outlook-Stable / A Three Plus)

\*Credit rating upgraded w.e.f. 21 June 2019.

## 10) Disclosures.

### i. Disclosures on materially significant related party transactions that may have potential conflict with the interests of company at large.

During the year 2018-19, there was no materially significant related party transaction which had potential conflict with the interests of the Company at large. The details of the related party transactions are disclosed in the notes on accounts forming part of the Annual Report. In terms of Regulation 23 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Board has formulated a Related Party Transaction Policy.

The Related Party Transaction Policy is uploaded on the website of the Company at [http://www.zentechnologies.com/investor\\_relations/Related-Party-Transaction-Policy.pdf](http://www.zentechnologies.com/investor_relations/Related-Party-Transaction-Policy.pdf)

### ii. Details of Non-Compliance and Penalties.

There were no instances of non-compliance, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.

### iii. Whistle Blower policy and affirmation that no personnel have been denied access to the Audit Committee.

The Company has framed a Whistle Blower Policy with a view to provide a vigil mechanism for Directors and Employees of the Company to report genuine concerns about unethical behavior, any wrongdoings, actual or suspected fraud or violation of the Company's Code of Conduct, legal or regulatory requirements and to provide direct access to the Chairperson of the "Audit Committee" in appropriate or exceptional cases, to provide adequate safeguards for protection of Employees and Directors from victimization or unfair treatment and ensure that frivolous accusations are not made.

The Audit Committee periodically reviews the functioning of the Whistle Blower Mechanism.

No personnel have been denied access to the Audit Committee. Whistle Blower Policy is uploaded on the website of the Company at:

[http://zentechnologies.com/investor\\_relations/Whistle-Blower-Policy-2014.pdf](http://zentechnologies.com/investor_relations/Whistle-Blower-Policy-2014.pdf)

The Whistle Officer has not received any complaint for the financial year ended 31 March 2019.

### iv. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements

The Company has complied with all the mandatory requirements of SEBI (Listing Obligations and Disclosure Re-

quirements) Regulations, 2015 entered into with the Stock Exchanges. During the year under review, there is no audit qualification in your Company's financial statements. Your Company continues to adopt best practices to ensure regime of unqualified financial statements from non-mandatory requirements.

### v. Policy for determining 'material subsidiaries'

Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 defines a "material non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid-up capital and free reserves) exceeds 10% of the consolidated income or net worth respectively, of the listed holding Company and its subsidiaries in the immediately preceding accounting year. Under this definition, the Company did not have any "material non-listed Indian subsidiary" during the year under review.

The weblink of Policy for determining Material Subsidiaries updated on the website of the Company is [http://www.zentechnologies.com/investor\\_relations/Policy-on-material-subsiidiary.pdf](http://www.zentechnologies.com/investor_relations/Policy-on-material-subsiidiary.pdf)

### vi. SEBI Complaints Redress System (SCORES):

The investors' complaints are also being processed through the centralized web base complaint Redressal system of SEBI. The salient features of SCORES are availability of centralized database of the complaints, uploading online action taken reports by the Company. Through SCORES the investors can view online, the action taken and current status of the complaints. SEBI vide its Circular dated 26th March, 2018 have streamlined the process of filing investor grievances in the SCORES in order to ensure speedy and effective resolution of complaints filed therein. The said Circular can be accessed on the website of SEBI at [https://www.sebi.gov.in/legal/circulars/mar-2018/investor-grievance-redressmechanism-new-policy-measures\\_38481.html](https://www.sebi.gov.in/legal/circulars/mar-2018/investor-grievance-redressmechanism-new-policy-measures_38481.html).

### vii.

A certificate has been received from M/s. PS. Rao and Associates, Practicing Company Secretaries, that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such statutory authority.

### viii.

The Board has accepted the recommendations of all the Committees during the year 2018-19.

### ix.

M/s. Sekhar & Co, Chartered Accountants, (Registration number 0036955) have been appointed as the Statutory Auditors of the Company. The particulars of payment of Statutory Auditors' fees, on consolidated basis is given below:



Particulars	Amount (₹ In lakhs)
Services as statutory auditors	3.00
Other matters (including quarterly audits)	1.45
<b>Total</b>	<b>4.45</b>

x. The Company has adopted a policy on prevention, prohibition and Redressal of Sexual harassment at workplace and has duly constituted an Internal Complaints Committee in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. During FY 2018-19, the Company has not received any complaints in this regard.

**xi. Disclosure of Accounting Treatment in preparation of Financial Statements:**

The Company has followed the Indian Accounting Standards and Accounting Principles Generally Accepted in India in preparation of its Financial Statements.

**xii. Code for Prevention of Insider Trading Practices**

Pursuant to the SEBI Prohibition of Insider Trading) Regulations, 2015 (Regulations), the Company has formulated a Code of Fair Disclosure and Code of Conduct to Regulate, Monitor and Report Trading by Insiders. The Code has been formulated to regulate, monitor and ensure reporting of trading by the Employees and Connected Persons designated on the basis of their functional role in the Company towards achieving compliance with the Regulations and is designed to maintain the highest ethical standards of trading in Securities of the Company by persons to whom it is applicable.

The Code of Conduct is posted on the website of the Company under Investors Section at: [http://www.zentechnologies.com/investor\\_relations/Code-of-Conduct-to-Regulate-Monitor-and-Report-Trading-by-Insiders.pdf](http://www.zentechnologies.com/investor_relations/Code-of-Conduct-to-Regulate-Monitor-and-Report-Trading-by-Insiders.pdf).

**xiii. Management Discussion and Analysis Report**

The Report on Management Discussion and Analysis is annexed to the Directors' Report and forms part of this Annual Report.

**xiv. Proceeds from public issues, rights issue, preferential issues, etc.**

During the year, the Company issued 23,49,940 convertible warrants on preferential basis to promoters and other than promoters. The Company received an amount of ₹ 4,46,48,860/- towards warrant subscription at the time of allotment of warrants, which is used towards research and development (R&D), acquisitions and working capital.

Except the above, there were no proceeds from public issues, rights issues, etc.

**xv. Disclosures in respect of demat suspense account/unclaimed suspense account as on 31.03.2019 – Nil.**

**DECLARATION BY THE MANAGING DIRECTOR UNDER SEBI  
(LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

To  
**The Members of Zen Technologies Limited**

I, Ashok Atluri, Chairman and Managing Director of Zen Technologies Limited declare that all Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for Directors and Senior Management for the year ended 31 March 2019.

Place: Hyderabad  
Date: 03 August 2019

**Ashok Atluri**  
Chairman and Managing Director  
DIN: 00056050

## PRACTICING COMPANY SECRETARIES' CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members  
**ZEN TECHNOLOGIES LIMITED**  
B-42, Industrial Estate, Sanathnagar  
Hyderabad- 500018

We have examined the compliance of the conditions of Corporate Governance by Zen Technologies Limited (hereinafter referred to as "the Company") for the year ended 31 March 2019, as stipulated in Chapter IV of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We conducted our examination of the Corporate Governance Report in accordance with the established systems and procedures selected by us depending on our judgment, including assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. The procedures include, but are not limited to, verification of secretarial records and other information of the Company, as we deem necessary to arrive at an opinion.

Based on the procedures performed by us as mentioned above and according to the information and explanations provided to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations as applicable for the year ended 31 March 2019.

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

**For P.S. Rao & Associates**  
Company Secretaries

**D.S. RAO**  
Company Secretary  
ACS No: 12394  
CP No: 14487

Place: Hyderabad  
Date: 03 August 2019



## COMPLIANCE CERTIFICATE

### CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

We, Ashok Atluri, Chairman and Managing Director and Ravi Kiran M, Chief Financial Officer of Zen Technologies Limited, certify that:

1. We have reviewed financial statements and the cash flow statement for the financial year ended 31 March 2019 and that to the best of our knowledge and belief:
  - These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - These statements together present a true and fair view of Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or in violation of Company's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and Audit Committee:
  - a) Significant changes in internal control over financial reporting during the year.
  - b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements and
  - c) That there have been no instances of significant fraud of which we have become aware, involving of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For **Zen Technologies Limited**

Place: Hyderabad  
Date: 18 May 2019

**Ashok Atluri**  
Chairman and Managing Director  
DIN: 00056050

**Ravi Kiran M**  
Chief Financial Officer

### CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI  
(Listing Obligations and Disclosure Requirements) Regulations, 2015)

To

The Members

**ZEN TECHNOLOGIES LIMITED**

B-42, Industrial Estate, Sanathnagar

Hyderabad- 500018

We have examined the relevant registers, records, forms, returns and disclosures received from the directors of Zen Technologies Limited having CIN: L72200TG1993PLC015939 and having registered office at B-42, Industrial Estate, Sanathnagar, Hyderabad, Telangana- 500018 (hereinafter referred to as "the Company"), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Clause 10(i) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Director Identification Number (DIN) status at the portal www.mca.gov.in as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the directors on the Board of the Company as stated below, for the financial year ending on 31 March 2019, have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other statutory authority.

Sr. No.	Name of Director	Nature/ Category of Directorship	Director Identification Number (DIN)
1	Ashok Atluri	Managing Director	00056050
2	Ravi Kumar Midathala	Whole-time Director	00089921
3	Ravindra Kumar Tyagi	Independent Director	01509031
4	Sridevi Madati	Independent Director	02446610
5	Oruganti Venkat Samir Kumar	Independent Director	06699271
6	Amreek Singh Sandhu	Independent Director	08064880

Ensuring eligibility for the appointment/ continuity of every director on the Board is the responsibility of the management of the Company. Our responsibility is to express and opinion on these, based on our verification. This certificate is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For P.S. Rao & Associates**  
Company Secretaries

Place: Hyderabad

Date: 03-08-2019

**D.S. RAO**  
Company Secretary  
ACS No.: 12394  
CP. No.: 14487



# Standalone Financial Statements

## Independent Auditor's Report

To The Members of  
Zen Technologies Limited

### Report on the Audit of the Standalone Financial Statements Opinion

We have audited the standalone financial statements of Zen Technologies Limited ("the Company"), which comprise the balance sheet as at 31 March 2019, and the statement of profit and loss, statement of changes in equity and statement of cash flows for the year ended, and notes to the 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 Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and its profit and total comprehensive income, 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, as 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 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 together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the Key Audit Matters to be communicated in our report.

S. No	Key Audit Matter	Auditor's Response
1	Share purchase agreement with Unistring Tech Solutions Private Limited to acquire its shares to the extent of 51%	<ul style="list-style-type: none"> <li>Obtained the details of transaction.</li> <li>Reviewed the share purchase agreement</li> <li>Verified the dates of acquisition and total acquisition as at 31.03.2019</li> </ul>
2.	Closure of operations of branch at Himachal Pradesh	<ul style="list-style-type: none"> <li>Copy of the minutes of the Board meeting held on 18.05.2019 was provided and the same was verified.</li> </ul>
3.	Effective 01 April 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as of 01 April 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted. Accordingly, the effect has been made prospectively and an amount of ₹ 7.15 cr has been recognised in the Revenue which was already accounted as revenue during FY 2017-18 by reversing the corresponding effect in Opening Balance of Reserves of FY 2018-19	<ul style="list-style-type: none"> <li>Copy of agreements were provided and verified.</li> <li>Corresponding invoices and receipts in the bank statements have also been verified</li> </ul>

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

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's information but does not include the standalone financial statements and our 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 during the course of our 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 the 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, total comprehensive income and changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. 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 statements 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 management 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 standalone 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 financial controls 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 adequate internal financial controls system 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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 standalone 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.

#### 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 in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, based on our audit we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (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 including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.
  - (d) In our opinion, the aforesaid standalone financial statements comply with the IndAS 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 31 March 2019 taken on record by the Board of Directors of the Company, none of the directors are disqualified as on 31 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended: In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is accordance with the provisions of Section 197 of the Act.
- (h) 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, as amended 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.
  - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
  - (iii) There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Company.

**For Sekhar & Co**  
Chartered Accountants  
(Firm's Registration No.003695S)

Date: 18 May 2019  
Place: Secunderabad

**K.C.Devdas**  
(Membership No.014966)



## “Annexure A” to the Independent Auditors’ Report

Referred to in Paragraph 1 under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the financial statements for the year ended 31 March 2019:

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, the fixed assets have been physically verified by the management in a phased manner designed to cover all the fixed assets over the year. In respect of fixed assets verified according to this program, which we consider reasonable, no material discrepancies were noticed on such verification .
- c) The title deeds of immovable properties are held in the name of the Company.
- ii. a) As explained to us, the management has conducted the physical verification of inventory at reasonable intervals.
- iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the Register maintained under Section 189 of the Companies Act 2013. Accordingly, the provisions of clause 3 (iii) (a) to (c) of the Order are not applicable to Company and hence not commented upon.
- 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 Companies Act, 2013 in respect of loans, investments, guarantees and security.
- v. The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under with regard to the deposits accepted from the public are not applicable.
- vi. As informed to us, the maintenance of Cost Records has not been specified by the Central Government under sub-section (1) of Section 148 of the Act, in respect of the activities carried on by the company.
- vii. According to information and explanations given to us and on the basis of our examination of the books of accounts and records, the Company has been generally regular in depositing undisputed statutory dues with appropriate authorities.
- viii. Based on our audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions, banks, Government and dues to debenture holders.
- ix. According to the information and explanations given by the management, the Company has utilized the money raised by way of term loans for the purpose for which the loan was obtained. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments).
- x. Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the company or on the company by its officers or employees has been noticed or reported during the year.
- xi. Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- xii. In our opinion, the Company is not a Nidhi company. Therefore, the provisions of clause 3 (xii) of the Order are not applicable to the Company.
- xiii. In our opinion, all transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us, the Company has not made any preferential allotment or private placement during the period under review. Accordingly, the provisions of Section 42 of the Companies Act, 2013 is not applicable.
- xv. Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons concerned with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the company and hence not commented upon.
- 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 of clause 3 (xvi) of the Order are not applicable to the company and hence not commented upon.

**For Sekhar & Co.,**  
Chartered Accountants  
FRN: 003695-S

**K.C.Devdas**  
(Partner)

Secunderabad  
Date: 18 May 2019

M.No.:014966

## “Annexure B” to the Independent Auditor’s Report of even date on the Financial Statements of M/s Zen Technologies Limited

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

We have audited the internal financial controls over financial reporting of **M/s Zen Technologies Limited**, (“the Company”) as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditors’ Responsibility

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

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

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

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

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

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

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

#### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019.

**For Sekhar & Co.,**  
Chartered Accountants  
FRN: 003695-S

Secunderabad  
Date: 18 May 2019

**K.C.Devdas**  
(Partner)  
M.No.:014966



## Standalone Balance Sheet as at 31 March 2019

(₹ In lakhs)

S. Particulars No	Note No	As at 31 March 2019	As at 31 March 2018
<b>I ASSETS</b>			
<b>Non-current assets</b>			
(a) Property plant and Equipment	3	6,276.94	6,464.13
(b) Intangible assets	3	9.89	22.93
(c) Capital Work Inprogress	3	40.40	-
(d) Financial assets			
(i) Investments	4	1,335.65	163.77
(ii) Other financial assets	5	57.30	222.32
(e) Deferred Tax Assets(Net)	6	812.40	229.89
(f) Other non current assets	7	483.15	266.39
<b>Total Non Current Assets</b>		<b>9,015.73</b>	<b>7,369.43</b>
<b>II Current assets</b>			
(a) Inventories	8	3,528.38	1,155.47
(b) Financial assets			
(i) Trade receivables	9	7,335.27	2,261.13
(ii) Cash and cash equivalent	10	368.76	1,179.67
(iii) Bank Balances Other Than Cash and Cash Equivalent	11	858.83	3121.66
(iv) Other financial assets	12	759.98	784.55
(c) Other current assets	13	486.25	605.30
<b>Total Current Assets</b>		<b>13,337.47</b>	<b>9,107.78</b>
<b>Total Assets (I + II)</b>		<b>22,353.20</b>	<b>16,477.21</b>
<b>I EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity Share Capital	14	771.60	771.60
(b) Other Equity	15	13,329.47	11,070.42
<b>Total Equity</b>		<b>14,101.07</b>	<b>11,842.02</b>
<b>II Liabilities</b>			
<b>Non-current liabilities</b>			
(a) Financial Liabilities			
(i) Long Term Borrowings	16	880.15	327.86
(b) Long Term Provisions	17	140.60	129.94
<b>Total Non Current Liabilities</b>		<b>1,020.75</b>	<b>457.80</b>
<b>Current liabilities</b>			
(a) Financial Liabilities			
(i) Short Term Borrowings	18	2,613.63	228.47
(ii) Trade payables	19	752.58	346.75
(iii) Other Financial liabilities	20	740.94	509.12
(b) Other current liabilities	21	2,906.49	3,093.05
(c) Short Term Provisions	22	217.74	-
<b>Total Current Liabilities</b>		<b>7,231.38</b>	<b>4,177.39</b>
<b>Total Equity and Liabilities (I + II)</b>		<b>22,353.20</b>	<b>16,477.21</b>

Significant Accounting Policies

2

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **Sekhar & Co**

Chartered Accountants

FRN: 003695-S

**K.C.Devdas**

Partner

MNo: 014966

Place: Hyderabad

Date: 18 May 2019

For and on behalf of the Board

**Ashok Atluri**

Chairman & Managing Director

DIN: 00056050

**M Satish Choudhury**

Company Secretary

M.No. A30204

**M. Ravi Kumar**

Whole Time Director

DIN: 00089921

**M. Ravi Kiran**

Chief Financial Officer

## Statement of Profit and Loss for the year ended 31 March 2019

(₹ In lakhs)

S. No	Particulars	Note No	Year ended 31 March 2019	Year ended 31 March 2018
<b>1</b>	<b>Income</b>			
	Revenue From Operations	23	9,222.06	3,896.33
	Other Income	24	310.78	440.10
	<b>Total Income</b>		<b>9,532.84</b>	<b>4,336.43</b>
<b>2</b>	<b>Expenses</b>			
	Cost of Materials and Components consumed	25	3,725.61	482.97
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	26	(1,160.99)	(125.59)
	Manufacturing Expenses	27	501.30	307.60
	Employee Benefits Expense	28	1,566.42	1,549.08
	Finance Costs	29	478.88	240.76
	Depreciation and Amortization Expense	3	376.81	282.39
	Other Expenses	30	2,335.21	1,868.00
	<b>Total Expenses</b>		<b>7,823.23</b>	<b>4,605.23</b>
<b>3</b>	<b>Profit/(Loss) before exceptional and extraordinary items (1 - 2)</b>		<b>1,709.61</b>	<b>(268.80)</b>
4	Exceptional Items		-	-
<b>5</b>	<b>Profit/(Loss) before extra-ordinary items and tax (3-4)</b>		<b>1,709.61</b>	<b>(268.80)</b>
6	Extraordinary items		-	-
<b>7</b>	<b>Profit / (Loss) before Tax (5-6)</b>		<b>1,709.61</b>	<b>(268.80)</b>
<b>8</b>	<b>Tax expense</b>			
	(i) Current tax		368.40	-
	(ii) Deferred tax		(582.50)	(229.89)
	<b>Total Tax</b>		<b>(214.10)</b>	<b>(229.89)</b>
<b>9</b>	<b>Net Profit/(Loss) from continuing operations (7- 8)</b>		<b>1,923.71</b>	<b>(38.90)</b>
10	Profit / (Loss) from discontinuing operations		-	-
11	Tax expense of discontinuing operations		-	-
<b>12</b>	<b>Net Profit/(Loss) from discontinuing operations (10 - 11)</b>		<b>-</b>	<b>-</b>
<b>13</b>	<b>Net Profit/(Loss) for the period (9+ 12)</b>		<b>1,923.71</b>	<b>(38.90)</b>
<b>14</b>	<b>Other Comprehensive Income</b>			
	Items that will not be reclassified subsequently to statement of profit or loss		(18.13)	59.71
	Income tax relating to items that will not be reclassified to profit / loss		-	-
	<b>Total Other Comprehensive Income</b>		<b>(18.13)</b>	<b>59.71</b>
<b>15</b>	<b>Total Comprehensive Income for the year (13+14)</b>		<b>1,905.58</b>	<b>20.80</b>
	Earning per Equity Share of Face Value of ₹ 1/- Each	31		
	Basic (In ₹) -		2.49	0.03
	Diluted (In ₹) -		2.49	0.03

Significant Accounting Policies

2

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **Sekhar & Co**  
Chartered Accountants  
FRN: 003695-S

**K.C.Devdas**  
Partner  
MNo: 014966

Place: Hyderabad  
Date: 18 May 2019

For and on behalf of the Board

**Ashok Atluri**  
Chairman & Managing Director  
DIN: 00056050

**M Satish Choudhury**  
Company Secretary  
M.No. A30204

**M. Ravi Kumar**  
Whole Time Director  
DIN: 00089921

**M. Ravi Kiran**  
Chief Financial Officer



## Standalone Cash Flow Statement for the year ended 31 March 2019

(₹ In lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
<b>Cash Flows from Operating Activities</b>		
Net profit before tax (A)	1,709.61	(268.80)
<b>Adjustments for :</b>		
Depreciation and amortization expense	376.81	282.39
Provision for doubtful debts/advances/ impairment	-	59.71
Bad Debts Written off	-	5.27
Profit/ Loss on Sale of Vehicle	(4.41)	0.72
Interest Income	(96.76)	(171.53)
Deferred Income Grant Benefit	(24.00)	(177.95)
Finance Cost	478.88	240.76
Other Comprehensive Income	(18.13)	-
<b>Operating profit before working capital changes (B)</b>	<b>2,422.00</b>	<b>(29.43)</b>
<b>Movements in Working Capital:</b>		
(Increase)/Decrease in Trade Receivables	(5,074.14)	(57.40)
(Increase)/Decrease in Other financial assets	189.58	(241.86)
(Increase)/Decrease in Inventories	(2,372.91)	(363.68)
(Increase)/Decrease in Other Current Assets	119.05	67.82
(Increase)/Decrease in Other Non Current Assets	29.45	361.47
Increase/(Decrease) in Trade Payables	405.83	48.62
Increase/(Decrease) in Other financial liabilities	231.82	(37.86)
Increase/(Decrease) in Other Current liabilities	(186.57)	2,228.90
Increase/(Decrease) in Provisions	10.66	(6.95)
<b>Changes in Working Capital (C)</b>	<b>(6,647.22)</b>	<b>1,999.06</b>
<b>Cash generated from operations (B+C)</b>	<b>(4,225.22)</b>	<b>1,969.63</b>
Direct Taxes Paid (Advance Tax)	(150.66)	(62.55)
<b>Net Cash from operating activities (D)</b>	<b>(4,375.88)</b>	<b>1,907.08</b>
<b>Cash flows from Investing Activities:(E)</b>		
Purchase of Fixed Assets	(184.73)	(624.54)
Investment in Capital Work in Progress	(40.40)	-
Sale of Fixed Assets	12.56	8.00
Interest Income	96.76	171.53
(Increase)/Decrease in Other Bank Balances	2,262.83	(601.36)
Advances given for Capital Goods	(246.21)	-
Purchase/Sale of Investment	(1,171.88)	(124.55)
<b>Net Cash used in Investing Activities</b>	<b>728.94</b>	<b>(1,170.92)</b>

## Standalone Cash Flow Statement for the year ended 31 March 2019

(₹ In lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
<b>Cash flows from/(used in) Financing Activities:(F)</b>		
Proceeds from Long term borrowings	576.29	(89.90)
Dividend paid	(77.16)	(115.74)
Interest Expense	(478.88)	(240.76)
Amount received towards Share warrants	446.49	-
Corporate Dividend tax	(15.86)	(23.56)
<b>Net Cash used in Financing Activities</b>	<b>450.88</b>	<b>(469.97)</b>
<b>Net Increase/(Decrease) in cash and cash equivalents (D+E+F)</b>	<b>(3,196.07)</b>	<b>266.19</b>
Cash and Cash equivalents at the beginning of the year	951.20	685.01
<b>Cash and Cash equivalents at the ending of the year (Refer Note 11)</b>	<b>(2,244.87)</b>	<b>951.20</b>

**Note:**

- The above cash flow statement has been prepared under "indirect method" as set out in Indian Accounting Standard (Ind AS 7)- Statement of cash flows.
- Under IND-AS, the Bank overdrafts repayable on demand and which form an integral part of the cash management process are included in cash and cash equivalents for the purpose of presentation of statement of cash flows.

Significant Accounting Policies Note No : 2

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **Sekhar & Co**  
Chartered Accountants  
FRN: 003695-S

**K.C.Devdas**  
Partner  
MNo: 014966

Place: Hyderabad  
Date: 18 May 2019

For and on behalf of the Board

**Ashok Atluri**  
Chairman & Managing Director  
DIN: 00056050

**M Satish Choudhury**  
Company Secretary  
M.No. A30204

**M. Ravi Kumar**  
Whole Time Director  
DIN: 00089921

**M. Ravi Kiran**  
Chief Financial Officer



## Notes on Financial Statements for the year ended 31 March 2019

### 1 Corporate Information:

**Zen Technologies Limited** is a Public Limited Company incorporated under the provisions of the Companies Act, 1956 having its corporate office at B-42, Industrial Estate, Sanathnagar, Hyderabad-500018, Telangana, India. The equity shares of the Company are listed on Bombay Stock Exchange (BSE) and National Stock Exchange Ltd (NSE) in India. The company is engaged in design, development and manufacture of Training Simulators for Police and Para-military Forces, Armed Forces, Security Forces, Government Departments like Transport, Mining, Infrastructure and Civilian market. The products of the company are belonging to 3 categories viz. Land-based Military Simulators, Driving Simulators and Mining & Special Equipment Simulators. The company caters to both domestic and international market. The Company's manufacturing unit is located at Hardware Park, Maheswaram Mandal, Telangana, India.

### 2 Basis of preparation and Presentation of Financial Statements:

#### 2.1 Statement of Compliance:

These financial statements are prepared in accordance with Indian Accounting Standards ("Ind AS"), as per the Companies (Indian Accounting Standards) Rules, 2015 and other relevant rules as notified by the SEBI as required under Section 133 of the Companies Act, 2013 ("The Act"). The presentation of financial statements is based upon Ind AS Schedule III of Companies Act, 2013.

#### 2.2 Basis for Measurement:

These financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the balance sheet:

- a. Certain financial assets & liabilities are measured either at fair value or at amortized cost depending on the classification;
- b. Employee defined benefit assets/(liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation.

All assets and liabilities are classified into current and non-current based on the operating cycle of less than twelve months or based on the criteria of realization/settlement within twelve months period from the balance sheet date.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing standard requires a change in accounting policy either to use.

The Financials statements were authorized for issue in accordance with a resolution of the Board of Directors on 18 May 2019.

#### 2.3 Use of Estimates and Judgements:

The preparation of the financial statements in conformity with Ind AS requires the management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period.[ The application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note no. 2.4] accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

#### 2.4 Critical Accounting Estimates:

##### a. Employee Benefits

The present value of the employee benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) includes the discount rate, wage escalation and employee attrition. 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.

##### b. Depreciation & Amortisation

Depreciation and amortization is based on management estimates of the future useful lives of certain class of property, plant and equipment and intangible assets.

##### c. Provisions & Contingencies

Provisions and contingencies are based on the Management's best estimate of the liabilities based on the facts known at the balance sheet date.

##### d. Fair Valuation:

All financial instruments are required to be fair valued as at the balance sheet date, as provided in Ind AS 109 and Ind AS 113. Being a critical estimate, judgement is exercised to determine the carrying values. The fair value of financial instruments that are

## Notes on Financial Statements for the year ended 31 March 2019

unlisted and not traded in an active market is determined at fair values assessed based on recent transactions entered into with third parties, based on valuation done by external appraisers etc., as applicable.

### 2.5 Functional & Presentation Currency:

These financial statements are presented in Indian rupees, which is also the functional currency of the Company. All financial information presented in Indian rupees has been rounded to the nearest lakhs.

### 2.6 Current Vs Non-Current Classification:

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

**Assets:** An asset is classified as current when it satisfies any of the following criteria:

- a. It is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b. It is held primarily for the purpose of being traded;
- c. It is expected to be realized within twelve months after the reporting date; or
- d. It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

**Liabilities:** A liability is classified as current when it satisfies any of the following criteria:

- a. It is expected to be settled in the Company's normal operating cycle;
- b. It is held primarily for the purpose of being traded;
- c. It is due to be settled within twelve months after the reporting date; or
- d. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counter party, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

### 2.7 Foreign Currency Transaction:

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date (closing rate). Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the statement of profit and loss in the period in which they arise.

### 2.8 Property, Plant & Equipment:

#### *Recognition & Measurement*

Property, Plant and Equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment loss, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset i.e., freight, duties and taxes applicable and other expenses related to acquisition and installation. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part will be derecognized. The costs of repairs and maintenance are recognized in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.



## Notes on Financial Statements for the year ended 31 March 2019

### Depreciation

Depreciation is recognized in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment based on to the Companies Act, 2013 ("Schedule II"), which prescribes the useful lives for various classes of tangible assets. For assets acquired or disposed off during the year, depreciation is provided on pro-rata basis. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

The estimated useful lives are as follows:

Type of Asset	Estimated useful life in years
<b>Buildings</b>	
i) Factory Buildings	30
ii) Other Buildings	60
iii) Lease Buildings	6
Plant & Machinery	15
Office Equipment	5
Furniture & Fixtures	10
Testing Equipment	10
Vehicles	10
Computers	3

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets.

### Capital work in progress

The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

The Company assesses at each balance sheet date, whether there is objective evidence that an asset or a group of assets is impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Recoverable amount is higher of the value in use or fair value less cost to sell.

### 2.9. Intangible Asset:

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

#### Amortization

Amortization is recognized in the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the

asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use. The estimated useful lives are as follows:

Type of Asset	Estimated useful life
<b>Intangible Assets</b>	
Computer Software	3

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date.

### 2.10 Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### a. Financial assets

##### Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

##### Subsequent measurement

###### Debt instrument at FVTPL

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss. The Company has not designated any debt instrument as at FVTPL.

###### Investment in equity instruments

All equity investments in scope of Ind AS 109 are measured at Fair Value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to the statement of profit and loss, even

## Notes on Financial Statements for the year ended 31 March 2019

on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

### *Investments in subsidiaries and Associates*

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and associates, the difference between net disposal proceeds and the carrying amounts are recognized in the statement of profit and loss.

### *De-recognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's balance sheet) when:

- a. The rights to receive cash flows from the asset have expired, or
- b. The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

### **b. Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value i.e., loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts.

### *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

#### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR (Effective Interest Rate) method. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

#### *Fair value measurement*

The Company classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

- i) **Level 1:** The fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date.
- ii) **Level 2:** The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.
- iii) **Level 3:** The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs).

### **2.11 Government Grants:**

#### *Recognition & Measurement*

Grants & Subsidies received from the Governments are recognised only when there is reasonable assurance that:

- a. The Company will comply with the conditions attached to the grant
- b. There is a reasonable certainty that the grant will be received.

Government grants related to assets are treated as deferred income and are recognized in net profit in the statement of Profit & Loss on a systematic and rational basis over the useful life of the asset.

## Notes on Financial Statements for the year ended 31 March 2019

Government grants related to revenue are recognized on a systematic basis in net profit in the Statement of Profit & Loss over the periods necessary to match them with the related costs which they are intended to compensate.

When loans or similar assistance are provided by Governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a Government grant. The loan or assistance is initially recognized and measured at fair value and the Government grant is measured as the difference between the fair value of the loan and the proceeds received. It is recognized as deferred income and released to statement of Profit & Loss in proportionate over the loan tenure and presented within other income. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

### 2.12 Inventories:

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods are measured at the lower of cost or net realizable value. However raw materials which are used in the process of production are not written down below the cost if the finished goods produced from consumption of such material are sold at or above the cost. The cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### 2.13 Impairment of non Financial Assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at March 31.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of

the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized in the statement of profit and loss if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### 2.14 Cash & Cash Equivalents:

Cash and bank balances comprise of cash balance in hand, balance in current accounts with banks, demand deposit, short-term deposits, margin money deposits and unclaimed dividend accounts. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. The margin money deposits and unclaimed dividend balances shall be disclosed as restricted cash balances.

### 2.15 Employee Benefits:

#### a. *Short term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### b. *Defined Contribution Plan*

The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

#### c. *Defined Benefit Plans*

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected

## Notes on Financial Statements for the year ended 31 March 2019

unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates based on prevailing market yields of Indian Government Bonds and that have terms to maturity approximating to the terms of the related defined benefit obligation. The current service cost of the defined benefit plan, recognized in the statement of profit and loss in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognized immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

**d. Termination benefits**

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

**e. Other long-term employee benefits**

The Company's net obligation in respect of other long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value. Re-measurements are recognized in the statement of profit and loss in the period in which they arise.

### 2.16 Provisions, Contingent Assets & Contingent Liabilities:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the

time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

*Contingent liabilities*

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no such disclosure is made.

*Contingent assets*

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

### 2.17 Revenue Recognition:

*Sale of Goods and Service Income:*

Effective 01 April 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as of 01 April 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted. Except, as stated in **Note no.41** the Impact on adoption of Ind AS 115 was insignificant.

Revenue from goods and services is recognized, when the company satisfies a performance obligation by transferring a promised good or service to its customers. The Company considers the terms of the contract and its customary business practices to determine the transaction price. Performance obligations are satisfied at the point of time when the customer obtains controls of the asset.

Revenue is measured based on transaction price, which is the fair value of the consideration received or receivable, stated net of discounts, returns and Goods & services Tax. Transaction price is recognised based on the price specified in the contract, net of the estimated sales incentives/ discounts. Accumulated experience is used to estimate and provide for the discounts/ right of return, using the expected value method.

*Contract Asset:*

In a contract, if the entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, it shall be presented as a contract asset, excluding any amounts presented as receivable. A contract asset is an entity's right to consideration in exchange for goods and services that the entity has transferred to the customer.



## Notes on Financial Statements for the year ended 31 March 2019

### **Contract Liability:**

If a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (ie a receivable), before the entity transfers a good or service to the customer, it shall be presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

### **Other Income**

#### *Interest Income*

Interest Income mainly comprises of interest on margin money deposit relating to bank guarantee and Deposits against Bank Overdraft with banks. Interest income should be recorded using the effective interest rate (EIR). However, the amount of margin money deposits relating to bank guarantee and Over draft are purely current in nature, hence effective interest rate has not been applied. Interest is recognized using the time-proportion method, based on rates implicit in the transactions.

#### *Export Benefits*

##### *Export Incentives*

The Company receives export incentives in the form of MEIS (Merchandise Exports from India scheme) scripts which do not fall under the scope of Ind AS 115 and are accounted for in accordance with the provisions of Ind AS 20 considering such incentives as Government Assistance. Accordingly government grant recognised as other Income in Profit and Loss statement

### **2.18 Borrowing Cost:**

Borrowing costs consist of interest, ancillary and other costs that the Company incurs in connection with the borrowing of funds and interest relating to other financial liabilities. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed to Profit & Loss statement in the period in which they occur.

### **2.19 Research and Development Costs (Product Development)**

Research and development expenditure is recognized as an expense when it is incurred. Expenditure on development which does not meet the criteria for recognition as an intangible asset is recognized as an expense when it is incurred.

Items of property, plant and equipment and acquired Intangible Assets utilized for Research and Development are capitalized and depreciated in accordance with the policies stated for Property, Plant and Equipment and Intangible Assets

### **2.20 Tax Expense:**

Tax Expense comprises of Income Tax, Deferred Tax and MAT credit

#### **Income Tax**

Income tax expense is recognized in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

#### **Deferred Tax**

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base i.e., the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred Tax Asset is also provided on MAT tax paid during the Previous years which can be set off against future tax liability.

#### **Minimum Alternate Tax (MAT) Credit**

Minimum alternate tax (MAT) credit is recognised in accordance with tax laws in India as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. The Company reviews the MAT credit at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

## Notes on Financial Statements for the year ended 31 March 2019

### 2.21 Dividend Declared:

The Company recognizes a liability to make cash distributions to equity holders when the distribution is Authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity's.

### 2.22 Earnings per Share:

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic earnings per share is computed by dividing the net profit attributable to shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit attributable to shareholders by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Options and warrants are dilutive when they would result in the issue of ordinary shares for less than the average market price of ordinary shares during the period. The amount of the dilution is the average market price of ordinary shares during the period minus the issue price.

### 2.23 Determination of Fair Value:

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

#### (i) Property, plant and equipment

Property, plant and equipment, if acquired in a business combination or through an exchange of non-monetary assets, is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

#### (ii) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

#### (iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

#### (iv) Investments in equity and debt securities and units of mutual funds

The fair value of marketable equity and debt securities is determined by reference to their quoted market price at the reporting date. For debt securities where quoted market prices are not available, fair value is determined using pricing techniques such as discounted cash flow analysis.

In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors.

Accordingly, such net asset values are analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.

### 2.24 Recent Accounting Pronouncements:

#### Ind AS 116 Leases :

Ind AS 116, Leases: The Ministry of Corporate Affairs has notified the Ind AS 116, Leases which will be effective from 1 April 2019. Ind AS 116 would replace the existing leases standard Ind AS 17. The standard sets out the principles for the recognition, measurement, presentation and disclosures for both parties to a contract, i.e. the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of profit and loss. The Company is currently evaluating the effect of Ind AS 116 on the financial statements

#### Amendment to Ind AS 12 'Income Taxes':

On 30 March 2019, the Ministry of Corporate Affairs has notified limited amendments to Ind AS 12 'Income Taxes'. The amendments require an entity to recognise the income tax consequences of dividends as defined in Ind AS 109 when it recognises a liability to pay a dividend. The income tax consequences of dividends are



## Notes on Financial Statements for the year ended 31 March 2019

linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The amendment will come into force for accounting periods beginning on or after 1 April 2019. The Company is evaluating the effect of the above in the financial statements.

### **Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments:**

On 30 March 2019, Ministry of Corporate Affairs (“MCA”) has notified the Companies (Indian Accounting Standards) Amendment Rules, 2019 containing Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments which clarifies the application and measurement requirements in Ind AS 12 when there is uncertainty over income tax treatments. The current and deferred tax asset or liability shall be recognized and measured by applying the requirements in Ind AS 12 based on the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this appendix. The amendment is effective for annual periods beginning on or after 1 April 2019. The Company is evaluating the effect of the above in the financial statements.

**Amendment to Ind AS 19 ‘Employee Benefits’:** On 30 March 2019, the Ministry of Corporate Affairs has notified limited amendments to Ind AS 19 ‘Employee Benefits’ in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendment will come into force for accounting periods beginning on or after 1 April 2019. The Company is evaluating the effect of the above in the financial statements.

### **2.25 Subsequent Events:**

#### **Investment in Associate:**

During the year, the company entered into an agreement with UTS for acquisition of 51% of its total shares out of which 40% has been acquired till the end of the year and the balance 11% has been acquired on 08<sup>th</sup> May 2019 i.e., after the end of Financial Year 2018-19 but before the approval of Financial Statements by Board of Directors.

## Notes on Financial Statements for the year ended 31 March 2019

### 3. Property, Plant & Equipment

(₹ In lakhs)

Particulars	Property, Plant and Equipment										Other Intangible Assets	
	Land	Buildings	Computers	Plant & Machinery	Office Equipment	Testing Equipment	Demo equipment	Furniture & Fixtures	Vehicles	Total	Computer Software	Total
Gross Block												
As at 01 April 2018	648.95	5,309.34	361.44	325.80	505.36	82.47	192.23	518.58	364.40	8,308.57	1,033.79	1,033.79
Additions	-	0.85	30.94	6.06	30.60	1.40	-	72.75	42.14	184.73	-	-
Deductions/Retirement During the Year	-	-	-	30.97	4.34	9.52	-	-	25.54	70.38	5.95	5.95
Balance As at 31 March 2019	648.95	5,310.19	392.38	300.89	531.61	74.35	192.23	591.33	381.00	8,422.92	1,027.84	1,027.84
Accumulated Depreciation/Amortization												
Balance As at 01 April 2018	-	682.67	309.93	167.46	293.44	51.61	67.31	105.14	166.87	1,844.43	1,010.86	1,010.86
For the year	-	123.39	31.61	17.31	62.47	6.85	38.13	48.29	32.86	360.91	13.04	13.04
Deductions/Adjustments During the Year	-	-	-	20.44	4.15	9.23	-	-	25.54	59.35	5.95	5.95
Balance As at 31 March 2019	-	806.06	341.54	164.33	351.77	49.23	105.44	153.43	174.19	2,145.98	1,017.95	1,017.95
Net Carrying Amount												
Balance As at 01 April 2018	648.95	4,626.67	51.51	158.34	211.92	30.86	124.92	413.44	197.53	6,464.14	22.93	22.93
Balance As at 31 March 2019	648.95	4,504.14	50.83	136.56	179.85	25.12	86.79	437.90	206.82	6,276.94	9.89	9.89



## Notes on Financial Statements for the year ended 31 March 2019

### 3 - Capital Work-In-Progress

(₹ In lakhs)

Description	Buildings	Total
<b>Deemed Cost</b>		
Balance as at 01 April 2018	-	-
Additions	40.40	40.40
Deletions / Transfer	-	-
<b>Balance as at 31 March 2019</b>	<b>40.40</b>	<b>40.40</b>
<b>Accumulated Depreciation</b>		
Balance as at 01 April 2018	-	-
Depreciation charge during the year	-	-
Deletions / Transfer	-	-
<b>Balance as at 31 March 2019</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>		
Balance as at 01 April 2018	-	-
<b>Balance as at 31 March 2019</b>	<b>40.40</b>	<b>40.40</b>

### Net Book Value

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Property, Plant & Equipment	6,286.83	6,487.07
Capital Work in Progress	40.40	-

### 4 Investments (Non Current)

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Unquoted investments:</b>		
<b>Investment in Subsidiaries:</b>		
<i>Zen Technologies USA ,INC</i>	561.43	-
8,00,001 Equity shares (31 March 2019)		
<b>Investment in Associates:</b>		
<i>Unistring Tech Solutions Pvt Ltd</i>	550.00	-
2,26,888 Equity shares of ₹10/- each, ₹10 fully paid up(31 March 2019)		
<b>Investment in Others:</b>		
<i>Paladin Paradigm Knowledge Solutions INC.,</i>	224.22	163.77
17,500 Equity shares (31 March 2019)		
2,139 Class Seed Preferred shares(31 March 2019)		
<b>Aggregated Value of Unquoted investments</b>	<b>1,335.65</b>	<b>163.77</b>

### 5 Other financial assets

(Unsecured, considered good)

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Security deposits	40.63	112.46
Deposits with government, public bodies and others	16.67	109.86
	<b>57.30</b>	<b>222.32</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 6 Deferred Tax Asset / (Liability) (NET)

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Deferred Tax Asset</b>		
Tax on Losses Carry Forward	256.56	557.32
Deferred Tax Asset on MAT credit entitlement	1,110.48	
<b>Deferred Tax Liability</b>		
Accelerated depreciation for tax purposes	(554.64)	(327.43)
<b>Net Deferred tax Asset</b>	<b>812.40</b>	<b>229.89</b>

### 7 Other Non Current Assets

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Prepaid expenses	43.65	80.69
Capital Advances	338.21	92.00
Loans and Advances to Employees	13.17	10.99
Income Tax refund	88.12	0.49
Advance Income Tax (Net of Provision)	-	82.22
	<b>483.15</b>	<b>266.39</b>

### 8 Inventories

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Raw material	1,827.64	615.72
Work in progress	1,624.86	463.87
Inventory Others	75.88	75.88
	<b>3,528.38</b>	<b>1,155.47</b>
Inventories are valued at cost or net realisable value whichever is lower.		

### 9 Trade receivables (Unsecured)

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Unsecured, considered good</b>		
Trade Receivables	7,335.27	2,261.13
Receivables from Related Parties	-	-
Less :Allowances for credit Losses	-	-
<b>Total</b>	<b>7,335.27</b>	<b>2,261.13</b>
Current Portion	6,283.97	1,029.02
Non Current Portion:	1,051.30	1,232.11
<b>Total</b>	<b>7,335.27</b>	<b>2,261.13</b>

**Note: Trade Receivables are Non Interest Bearing**

**Note:**

- Receivables do not include any amount due and recoverable from directors or other officers of the Company, or Companies under the same management.
- Trade Receivables are Non Interest Bearing

## Notes on Financial Statements for the year ended 31 March 2019

### Breakup of Security Details of Trade receivables:

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Trade Receivables considered good - Secured	-	-
Trade Receivables considered good - Unsecured	7,335.27	2,261.13
Trade Receivables - credit impaired	-	-
Less: Allowance	-	-
<b>Total</b>	<b>7,335.27</b>	<b>2,261.13</b>

### 10 Cash and Cash Equivalents

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Cash on hand	18.53	9.04
Balances with banks:		
- In current accounts	350.23	428.53
- In Fixed Deposits with original maturity Less than 3 months	-	742.10
	<b>368.76</b>	<b>1,179.67</b>

### 11 Other bank balances:

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Balances with banks for unclaimed dividend	8.13	5.57
- Fixed Deposits with original maturity More than 3 months & Less than 12 months	-	652.95
- Deposits against BG's	606.64	953.04
- Deposits against OD's	100.00	1,510.10
- Other Fixed Deposits	144.06	-
	<b>858.83</b>	<b>3,121.66</b>

**Note :** All Fixed deposits were kept with Scheduled banks only

### Cash and Cash Equivalents include the following for Cash flow purpose

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Cash and Cash Equivalents/ Bank Balances	368.76	1,179.67
Less: OD/CC accounts forming part of Cash & Cash Equivalents	(2,613.63)	(228.47)
<b>Cash and Cash Equivalents/ Bank Balances</b>	<b>(2,244.87)</b>	<b>951.20</b>

### 12 Other Financial assets (Current)

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
<b>To Others - Unsecured, Considered good</b>		
Interest accrued but not due on deposits	30.11	69.90
Accrued Income but not due	729.87	714.65
	<b>759.98</b>	<b>784.55</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 13. Other Current Assets

(₹ In lakhs)

Particulars	As at	
	31 March 2019	31 March 2018
<b>To Others- Unsecured, considered good</b>		
Prepaid Expenses	64.90	149.94
Balance with Statutory Authorities	76.26	88.72
Advance to material suppliers(Creditors)	299.26	366.64
Other Assets (Duty Scripts)	45.83	-
	<b>486.25</b>	<b>605.30</b>

### 14 Share Capital

(₹ In lakhs)

Particulars	As at	
	31 March 2019	31 March 2018
<b>Authorised Capital</b>		
20,00,00,000 Equity shares of ₹.1/- each	2,000.00	2,000.00
	<b>2,000.00</b>	<b>2,000.00</b>
<b>Issued, subscribed and fully paid-up capital</b>		
7,71,60,060 Equity shares of ₹.1/- each fully paid-up	771.60	771.60
	<b>771.60</b>	<b>771.60</b>

#### a) Reconciliation of the shares and amount outstanding at the beginning and at the end of the reporting year

(₹ In lakhs)

Particulars	As at 31 March 2019		As at 31 March 2018	
	No of Shares	Amount	No of Shares	Amount
At the beginning of the Year	77,160,060	771.60	77,160,060	771.60
Add/Less: Changes During the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>77,160,060</b>	<b>771.60</b>	<b>77,160,060</b>	<b>771.60</b>

b) The company has only one class of equity shares with voting rights having par value of ₹ 1/- each. The rights, preferences and restrictions attached to such equity shares is in accordance with the terms of issue of equity shares under the Companies Act, 2013, the Articles of Association of the Company and relevant provisions of the listing agreement.

#### c) List of Persons holding more than 5 Percent equity shares in the Company

Name of the share holder	As at 31 March 2019		As at 31 March 2018	
	No of Shares	%	No of Shares	%
Ashok Atluri	20,211,250	26.19	20,176,250	26.15
Kishore Dutt Atluri	17,556,250	22.75	17,556,250	22.75

## Notes on Financial Statements for the year ended 31 March 2019

### 15 Statement of Other Equity

#### Other Equity

(₹ In lakhs)

Particulars	Note no	As at 31 March 2019	As at 31 March 2018
Securities premium reserve	15.1	891.85	891.85
Capital redemption reserve	15.2	117.24	117.24
General reserve	15.3	3,525.01	3,525.01
Retained earnings	15.4	8,307.30	6,476.61
Share Warrants	15.5	446.49	-
Other Comprehensive Income	15.6	41.58	59.71
		<b>13,329.47</b>	<b>11,070.42</b>

#### 15.1 Securities premium reserve

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Opening balance	891.85	891.85
Add: Additions during the year	-	-
less: Utilised for issue expenses		
	<b>891.85</b>	<b>891.85</b>

Amount received on issue of shares in excess of the par value has been classified as security share premium

#### 15.2 Capital redemption reserve

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Opening balance	117.24	117.24
Add: Additions during the year		-
	<b>117.24</b>	<b>117.24</b>

Note: Capital Redemption Reserve represents amount transferred from profit and loss account on buy back of Equity shares during the FY 13-14.

#### 15.3 General reserve

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Opening balance	3,525.01	3,525.01
Add: Additions during the year		
	<b>3,525.01</b>	<b>3,525.01</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 15.4 Retained earnings

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Opening balance	6,476.61	6,654.82
Add: Net profit for the year	1,923.71	(38.90)
(A)	8,400.32	6,615.92
Less: Allocations/ Appropriations		
Transfer to General reserve		
Dividend distributed to equity shareholders	77.16	115.74
Dividend distribution tax on dividend	15.86	23.56
(B)	93.02	139.30
(A-B)	<b>8,307.30</b>	<b>6,476.61</b>

### 15.5 Share Warrants

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Opening balance	-	-
Add: Additions during the year	446.49	
	<b>446.49</b>	<b>-</b>

### 15.6 Other Comprehensive Income

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Actuarial Gain or Loss:		
Opening balance	59.71	-
Add: Additions during the year	(18.13)	59.71
	<b>41.58</b>	<b>59.71</b>

### 16. Borrowings (Non Current)

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Secured		
- Term Loan from TDB (Ref Note)	-	271.81
- Vehicle loan	25.66	21.24
SBI Term Loan A/c	843.68	-
- Deferred Revenue TDB (Govt. grant)	10.81	34.81
	<b>880.15</b>	<b>327.86</b>

#### Details of security:

**Note:** The Loan taken from Technology Development Board (TDB), Ministry of Science and Technology, Govt. of India, for ₹ 1,160 lakhs has utilized for part financing the project "Development and Commercialization of Unmanned Aerial Vehicle Mission Simulator". The loan carries interest @ 5% (simple interest) per annum and is repayable in 9 half yearly installments commencing from 01 October 2015. The loan is secured by equitable mortgage of immovable properties and other fixed assets pari-passu with SBI & Indian Bank. The loan is also guaranteed by the Company's own guarantee and pledging of 1,50,00,000 equity shares of ₹ :1/- each owned by the Chairman & Managing Director of the Company.

## Notes on Financial Statements for the year ended 31 March 2019

### 17. Long Term Provisions

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
- Provision for gratuity (Ref Note)	140.60	129.94
- Provision for decline, other than temporary, in the value of long term investments	-	-
	<b>140.60</b>	<b>129.94</b>

#### Defined Benefit plan – Gratuity

In accordance with applicable laws, the Company has a defined benefit plan which provides for gratuity payments (the "Gratuity Plan") and covers certain categories of employees in India. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Life Insurance Corporation of India (LIC). The provision is estimated by an independent consulting actuary as per requirements of IND AS 19 which is as follows:

(₹ In lakhs)

S.No	Particulars	As at 31 March 2019	As at 31 March 2018
<b>I</b>	<b>Changes in present value of obligations</b>		
	PVO at beginning of the period	258.47	262.52
	Interest cost	16.9	16.58
	Current Service Cost	32.84	36.56
	Past service Cost - (Vested Benefits)	0	30.04
	Benefits Paid	-39.42	-29.27
	Benefits Paid directly by the company	-29.21	
	Actuarial (Gain)/ Loss on Obligation	18.19	-57.96
	PVO at end of the period	257.77	258.47
<b>II</b>	<b>Changes in Fair Value of plan Assets</b>		
	Fair value of plan assets beginning of the period	128.53	130.63
	Adjustment to Opening Fair value plan of asset	-0.58	-0.31
	Return on Plan assets excluding Interest Income	0.06	1.75
	Interest Income	8.9	8.32
	Contribution by Employer	19.67	17.41
	Contribution by Employee		-
	Benefits Paid	-39.42	-29.27
	Fair Value of plan Assets at end of the period	117.16	128.53
<b>III</b>	<b>Net Status of Plan</b>	-140.61	129.94
<b>IV</b>	<b>Net Amount Recognised</b>	-140.61	129.94
<b>V</b>	<b>Actual return on plan assets</b>	8.96	10.07
	Less Interest income included above	8.90	8.32
	Return on plan assets excluding interest income	0.06	1.75
<b>VI</b>	<b>Expenses recognised in the Statement of Profit and Loss Account</b>		
	Current service cost	32.83	36.56

## Notes on Financial Statements for the year ended 31 March 2019

(₹ In lakhs)

S.No	Particulars	As at 31 March 2019	As at 31 March 2018
	Interest cost	8.00	9.7
	Past Service Cost -(vested benefits)	-	30.04
	Expense recognized in the statement of Profit and loss Account	40.83	76.3
<b>VII</b>	<b>Other Comprehensive Income (OCI)</b>		
	Actuarial (Gain)/Loss recognized for the period	18.19	-57.96
	Return on Plan Assets excluding net interest	-0.06	-1.75
	Total Actuarial (Gain)/Loss recognized in (OCI)	18.13	-59.71

### VIII The principal assumptions used in determining Gratuity Group plan are shown below:

#### Description of Risk Exposures:

Valuations are performed on certain basic set of predetermined assumptions and other regulatory frame work which may vary over time. Thus, the Company is exposed to various risks in providing the above gratuity benefit which are as follows:

**Interest Rate risk:** The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

**Salary Escalation Risk:** The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

**Demographic Risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience compared to the assumption.

**Regulatory Risk:** Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (e.g. if Increase in the maximum limit of gratuity more than ₹ 20 lakhs).

**Discount Rate:** The discount rate has decreased from 7.54% to 7.32% and hence there is a increase in liability leading to actuarial loss due to change in discount rate.

**Description of Plan Assets and Reimbursement Conditions:**100% of the Plan Asset is entrusted to LIC of India under their Group Gratuity Scheme. The reimbursement is subject to LIC's Surrender Policy.

Assumption as at	As at 31 March 2019	As at 31 March 2018
Mortality	IALM (2006-08)Ult	IALM (2006-08)Ult
Increase / discount Rate	7.32%	7.54%
Rate of Increase in Compensation	6.00%	6.00%
Expected Average remaining Service	6.59	6.51
Employee Attrition Rate (Past Service (PS) )	PS: 0 to 42: 12%	PS: 0 to 42: 12%

### Sensitivity Analysis

	Discount Rate (DR)		Salary Escalation Rate (ER)	
	PVO DR +1%	PVO DR -1%	PVOER +1%	PVOER -1%
PVO	245.28	271.72	268.79	247.55



## Notes on Financial Statements for the year ended 31 March 2019

### Expected Payouts

(₹ In lakhs)

Year	First	Second	Third	Fourth	Fifth	Six - Ten
Payouts	46.98	30.31	43.35	36.29	22.56	94.46

### Asset Liability Comparisons

(₹ In lakhs)

Year	31.03.2015	31.03.2016	31.03.2017	31.03.2018	31.03.2019
PVO at the end of period	196.45	221.63	262.52	258.47	257.77
Plan Assets	112.70	136.05	130.63	128.53	117.17
Surplus/(Deficit)	(83.75)	(85.57)	(131.89)	(129.94)	(140.60)
Experience adjustment on plan assets	(0.01)	(0.07)	1.03	1.75	0.06

### 18. Short Term Borrowings

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Bank Over Draft part of Cash & Cash Equivalents (Ref Note)	2,613.63	228.47
	<b>2,613.63</b>	<b>228.47</b>

### Overdrafts

(₹ In lakhs)

Particulars	For the Year Ended 31 March	
	2019	2018
7.90% (PY 9.50%) OD II against Fixed Deposits from Indian Bank	-	25.80
7.90% (PY Nil) OD IV against Fixed Deposits from Indian Bank	-	0.01
10% (PY 10%) against Indian Bank OCC account	1,299.19	2.57
SBI OD I account	-	200.09
SBI OCC account	1,314.44	-
Total Over Draft	<b>2,613.63</b>	<b>228.47</b>

#### Details of security:

The above mentioned overdraft facilities are 100% secured by way of pledge of fixed deposits with 10% margin. Working Capital facilities (₹ 30 Crs ) from SBI and Indian Bank are secured against hypothecation of Stocks and Book Debts and equitable mortgage of immovable properties and other fixed assets pari-passu charge with TDB

### 19. Trade Payables

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Trade payables		
- Dues to Micro and Small Enterprises	-	-
- Trade Payables Others	752.58	346.75
	<b>752.58</b>	<b>346.75</b>

Trade payable are non interest bearing and normally settled in 30 - 45 days

## Notes on Financial Statements for the year ended 31 March 2019

- (i) The amount remaining unpaid as at 31 March 2019 in respect of enterprises covered under the “Micro, Small and Medium Enterprises Development Act, 2006” (MSMED) is ₹ 6.6 lakhs (31 March 2018: ₹ Nil).
- (ii) 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 this Act is ₹ Nil (31 March 2018 : ₹ Nil).

### 20. Other Financial Liabilities (Current)

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Current maturities of long-term debts (Ref. note 20(a))	685.87	454.07
Unclaimed dividends	8.13	5.58
Provision for expenses	46.94	49.47
	<b>740.94</b>	<b>509.12</b>

**Note: 20 (a):** Current maturities of long term debts includes Technology Development Board (TDB), Vehicle Loan & SBI Term loan payable within one year. During the financial year 2017-18, State Bank Of India (SBI) Overseas Branch, Hyderabad Sanctioned Secured Term Loan of ₹ 20.00 Crore towards R & D Expenditure of ₹ 14.00 Crore and ₹ 6.00 Cr for Ongoing Capital expenditure, which is repayable in next FIVE years.

The above Loan is secured inter - alia by suitable charge on 04 flats located in Common wealth games village- New Delhi, B-42 Sanathnagar & Plot no.36 Hardware Park - Hyderabad properties which are offered as collateral securities.

### 21. Other Current Liabilities

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Income billed but not due	374.38	103.90
Salaries and benefits	111.46	113.37
Bonus and incentives	150.25	83.83
Taxes payable	452.57	92.30
Advance from customers	1,723.31	2,699.65
Other Payables	94.52	-
	<b>2,906.49</b>	<b>3,093.05</b>

### 22. Short Term Provisions

(₹ In lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Provision for Income Tax	217.74	-
	<b>217.74</b>	<b>-</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 23. Revenue From Operations

(₹ In lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
a) Sale of Products	6,988.83	1,842.90
b) Sale of Product Services	2,233.23	2,053.43
	<b>9,222.06</b>	<b>3,896.33</b>

### 24. Other Income

(₹ In lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Interest income	96.76	171.53
Net gain/(loss) on foreign currency exchange fluctuation	51.24	177.95
Profit/(Loss) on Sale of Assets	4.41	(0.72)
Deferred Income (Grant)-Benefit	24.00	36.01
Miscellaneous income	134.37	55.33
	<b>310.78</b>	<b>440.10</b>

### 25. Cost Of Materials And Components Consumed

(₹ In lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Opening stock of raw materials	615.72	377.63
Add : Purchases	4,937.53	721.06
	<b>5,553.25</b>	<b>1,098.69</b>
Less : Closing stock	1,827.64	615.72
	<b>3,725.61</b>	<b>482.97</b>

### 26. Changes In Inventories Of Finished Goods, Work-In-Progress and Stock-In-Trade

(₹ In lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Opening work in progress	463.87	303.26
Opening traded goods	-	35.02
	<b>463.87</b>	<b>338.28</b>
Closing work in progress	1,624.86	463.87
	1,624.86	463.87
<b>Net (increase) / decrease in stock</b>	<b>(1,160.99)</b>	<b>(125.59)</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 27. Manufacturing Expenses

(₹ In lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Power and fuel	34.63	24.84
Spares and Stores	17.28	11.31
Freight inward	85.71	16.31
Travel expenses - Production	5.51	4.49
System Installation & Maintenance	79.58	119.12
Factory Maintenance	203.47	52.67
Training Charges	1.47	-
Salaries -Production	73.65	78.87
	<b>501.30</b>	<b>307.60</b>

### 28. Employee Benefits Expense

(₹ In lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Salaries, wages and bonus	1,375.66	1,364.24
Contribution to provident and other funds	55.12	55.19
Gratuity expense	12.59	76.31
Staff welfare expenses	123.05	53.34
	<b>1,566.42</b>	<b>1,549.08</b>

### 29. Finance Costs

(₹ In lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Bank Charges	18.98	41.11
BG Commission	70.86	32.45
Processing Charges	62.78	-
Interest on borrowings		
- interest on bank OD loans	273.57	85.14
- interest on TDB loan	46.54	71.27
- interest on Vehicle loan	6.15	9.10
- interest Others	-	1.70
	<b>478.88</b>	<b>240.76</b>

### 3 Depreciation & Amortisation

(₹ In lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Depreciation on Fixed Assets	376.81	282.39
	<b>376.81</b>	<b>282.39</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 30. Other Expenses

(₹ In lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Selling & Distribution expenses		
Business Promotion	97.37	120.51
Club expenses	-	2.85
Electricity Charges	-	0.04
Exhibition expenses	469.32	190.63
Freight	62.89	34.82
Guest House Rent & Maintenance	-	14.29
Hotel Boarding & Lodging	-	0.30
Service Charges	-	3.27
	<b>629.58</b>	<b>366.71</b>

(₹ In lakhs)

Travelling expenses	Year ended 31 March 2019	Year ended 31 March 2018
Domestic Travel	289.68	273.56
Foreign Travel	110.09	128.59
<b>Total Travel expenses</b>	<b>399.77</b>	<b>402.15</b>

(₹ In lakhs)

Administrative & General expenses	Year ended 31 March 2019	Year ended 31 March 2018
Advertisement	65.18	52.77
Bad Debts	-	5.27
Conveyance	41.67	25.65
Donation CSR	-	21.16
Electricity Charges-General	38.24	32.03
Insurance	27.38	18.86
Office Maintenance	124.29	115.85
Postage & Telephone	37.13	40.76
Printing & Stationary	28.54	13.04
Professional Charges	436.85	202.42
Rates & Taxes	37.21	74.21
Rent	64.39	75.52
Security expenses	32.68	34.41
Vehicle Maintenance	30.04	26.54
Computer Maintenance	6.85	16.57
Spares & Stores-R&D	275.95	281.98
Other Expenses	55.01	58.72
Payment to auditors		
For Statutory Audit fee (Net of GST)	3.00	3.00
For Other Services	1.45	0.40
<b>Total of Administrative &amp; General expenses</b>	<b>1,305.86</b>	<b>1,099.14</b>
<b>Total of Other Expenses</b>	<b>2,335.21</b>	<b>1,868.00</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 31. Earnings per Share

(₹ In lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Earnings</b>		
Profit attributable to equity holders	1,923.71	20.80
<b>Shares</b>		
Number of shares at the beginning of the year	771.60	771.60
Add: Equity shares issued	-	-
Less: Buy back of equity shares	-	-
<b>Total number of equity shares outstanding at the end of the year</b>	<b>771.60</b>	<b>771.60</b>
<b>Weighted average number of equity shares outstanding during the year – Basic</b>	<b>771.60</b>	<b>771.60</b>
Add: Weighted average number of equity shares arising out of outstanding stock options (net of the stock options forfeited) that have dilutive effect on the EPS	-	-
<b>Weighted average number of equity shares outstanding during the year – Diluted</b>	<b>771.60</b>	<b>771.60</b>
Earnings per share of par value ₹ 1/- – Basic (₹)	2.49	0.03
Earnings per share of par value ₹ 1/- – Diluted (₹)	2.49	0.03

\* During the year, company issued 23,49,940 share warrants at the rate of ₹ 76 each warrant convertible into Equity share of one each. As the average market value of the shares during FY 2018-19 is below the exercise price, accordingly warrant does not have dilutive effect on Earnings per share during the year.

### 32. Related party disclosure

#### List of Subsidiaries:

Zen Technologies USA Inc

#### List of Associates:

Unistring Tech Solutions Private Limited

In accordance with the provisions of Ind AS 24 "Related Party Disclosures" and the Companies Act, 2013, Company's Directors, members of the Company's Management Council and Company Secretary are considered as Key Management Personnel. List of Key Management Personnel of the Company is as below:

- Mr. Ashok Atluri, Chairman & Managing Director
- Mr. Kishore Dutt Atluri, President
- Mr. M Ravi Kumar, Whole Time Director
- Mrs. Sridevi Madati, Independent Director
- Mr. O Venkata Samir Kumar, Independent Director
- Mr. Amreek Singh Sandhu, Independent Director
- Mr. M Ravi Kiran, Chief Financial Officer
- Mr. M Satish Choudhury, Company Secretary

#### Relatives of Key Managerial Persons having transactions with the Company:

- Mr. Arjun Dutt Atluri, Management Engineer, Son of Mr. Kishore Dutt Atluri
- Mrs. Rama Devi Atluri, Spouse of Mr. Kishore Dutt Atluri
- Ms. Anisha Atluri, HR Manager, Daughter of Mr. Kishore Dutt Atluri
- Veer Sammaan Foundation, Founder Trustee

## Notes on Financial Statements for the year ended 31 March 2019

The following is a summary of significant related party transactions:

(₹ in lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
a) Key managerial personnel		
<i>Remuneration &amp; Commission</i>		
Mr. Ashok Atluri	51.78	51.96
Mr. Ashok Atluri	30.55	-
Mr. Kishore Dutt Atluri	31.37	30.97
Mr. Kishore Dutt Atluri	72.27	18.43
Mr. M Ravi Kumar	40.52	40.24
Mr. N Ramesh Kumar-CFO@	18.00	4.75
Mr. G Shankara Rao-CFO#	-	6.08
Mr. M Ravi Kiran-CFO*	1.39	-
Mr. M Jagadeesh Reddy-CS**	-	1.10
Mr. M Satish Choudhury-CS	12.28	8.27
b) Non-whole time Directors		
<i>Sitting Fee</i>		
Mrs. Sridevi Madati	2.50	2.25
Mr. O Venkata Samir Kumar	2.50	2.25
Mr. Amreek Singh Sandhu	2.50	0.75
Mr. Katragdda Rajesh	-	0.50
c) Relatives of Key Managerial Personnel		
<i>Remuneration</i>		
Mr. Arjun Dutt Atluri	5.78	4.73
Ms. Anisha Atluri	5.30	-
<i>Rent</i>		
Mrs. Rama Devi Atluri	6.08	5.25
<i>Donation</i>		
Veer Sammaan Foundation		21.16
<b>TOTAL</b>	<b>282.82</b>	<b>198.69</b>

Note:

@Ceased with effective from 01 February 2019.

#Ceased with effective from 06 October 2017.

\*With effective from 01 February 2019.

\*\*Ceased with effective from 01 August 2017.

## Notes on Financial Statements for the year ended 31 March 2019

### Transactions with Subsidiaries & Associates:

(₹ in lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<i>Zen Technologies USA Inc</i>		
Equity Investment	561.43	-
<b>TOTAL</b>	<b>561.43</b>	<b>-</b>
<i>Unistring Tech Solutions Private Limited</i>		
Equity Investment	550.00	-
Purchases	133.34	-
Sales	-	-
<b>TOTAL</b>	<b>683.34</b>	<b>-</b>

### 33. Earnings/expenditure in foreign currency and Value of Raw materials Consumed

#### a) Expenditure in Foreign currency:

(₹ in lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Capital goods	3.00	3.28
Raw Materials and Components	19.87	80.37
Stores & Spares	58.00	49.42
Foreign Travel (Exclusive of tickets purchased)	44.56	99.36
Membership	-	5.77
Professional charges	26.00	9.56
Exhibition Expenses	299.76	75.89
Training charges	-	-
Others	60.45	200.84
<b>Total</b>	<b>511.64</b>	<b>524.49</b>

#### b) Earnings in Foreign currency:

(₹ in lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
FOB Value of Exports	332.17	-
Dividend	-	-
<b>Total</b>	<b>332.17</b>	<b>-</b>

#### c) Value of Raw Material Consumed

(₹ in lakhs)

Particulars	2018-19		2017-18	
	Amount	%	Amount	%
Indigenous raw materials and stores	3,705.74	99.47	402.60	83.36
Imported raw materials and stores	19.87	0.53	80.37	16.46

### 34. Segment Reporting:

The Company concluded that there is only one operating segment i.e, Training & Simulation. Hence, the disclosure requirements specified in IND AS 108 paragraphs 22 to 30 are not applicable.

## Notes on Financial Statements for the year ended 31 March 2019

### 35. Income Taxes:

#### a. Income tax expense/ (benefit) recognized in the statement of profit and loss:

Income tax expense/ (benefit) recognized in the statement of profit and loss consists of the following: (₹ in lakhs)

Particulars	For the Year Ended 31 March	
	2019	2018
<i>Current taxes expense</i>		
Domestic	368.40	-
<i>Deferred taxes expense/(benefit)</i>		
Domestic	(582.50)	(229.89)
<b>Total income tax expense/(benefit) recognized in the statement of profit and loss</b>	<b>(214.10)</b>	<b>(229.89)</b>

#### b. Reconciliation of Effective tax rate:

(₹ in lakhs)

Particulars	For the Year Ended 31 March	
	2019	2018
<b>Profit before income taxes</b>	<b>1,709.61</b>	<b>(268.80)</b>
Enacted tax rate in India	21.55%	
<b>Computed expected tax (benefit)/expense</b>	<b>368.40</b>	<b>-</b>
<b>Effect of:</b>		
Expenses not deductible for Tax purposes	0.00	0.00
Expenses deductible for Tax purposes	0.00	0.00
Taxable at Special Rates	0.00	0.00
Others	0.00	0.00
<b>Income tax (benefit)/expense</b>	<b>368.40</b>	<b>-</b>
<b>Effective tax rate</b>	<b>21.55%</b>	<b>-</b>

The Company's average effective tax rate for the years ended 31 March 2019 and 2018 were 21.55% and Nil, respectively.

#### c. Deferred tax assets & Liabilities:

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

(₹ in lakhs)

Particulars	For the Year Ended 31 March	
	2019	2018
<i>Deferred tax assets/(liabilities):</i>		
Property, plant and equipment	(554.64)	(327.43)
Carry Forward Losses	256.56	557.32
MAT credit entitlement	1,110.48	0.00
<b>Net deferred tax assets/(liabilities)</b>	<b>812.40</b>	<b>229.89</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 36. Contract Asset & Contract Liability:

#### a). Contract Asset:

(₹ in lakhs)

Particulars	For the Year Ended 31 March	
	2019	2018
Contract Assets	759.98	784.55
<b>Total</b>	<b>759.98</b>	<b>784.55</b>

\* Contract asset means asset as defined in Note 2.17 of Significant Accounting Policies

#### b). Contract Liability:

(₹ in lakhs)

Particulars	For the Year Ended 31 March	
	2019	2018
Contract Liability	1,723.31	2,699.65
<b>Total</b>	<b>1,723.31</b>	<b>2,699.65</b>

\* Contract Liability means liability as defined in Note 2.17 of Significant Accounting policies.

### 37. Financial Risk Management:

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk and Market risk. The Company's risk management assessment and policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors, risk management committee and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes.

#### a. Market Risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, investments and financial instruments.

#### b. Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

#### c. Foreign Currency Risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company exposure to the risk of changes in foreign exchange rates relates primarily to the Company operating activities (when revenue or expense is denominated in a foreign currency) and investments in foreign companies.

#### d. 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 and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business

#### e. Trade Receivables

Customer credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management. The Company major customers are Government, Government Bodies and Government Controlled Agencies. Delay in payment may occur on account of disbursement process. The company mitigates the above keeping regular follow up. Trade receivables are non-interest bearing and are generally on 30 days to 45 days credit term. Outstanding customer receivables are regularly monitored. Credit risk on receivables is also mitigated by securing the letter of credit and advance payment against the same.



## Notes on Financial Statements for the year ended 31 March 2019

(₹ in lakhs)

Particulars	0-90	91-180	181-365	> 365 days	Total
Expected Credit Loss rate	0%	0%	0%	0%	0%
On supply	4,071.83	1,478.34	0.00	906.45	6,456.62
On Service	638.93	69.99	24.90	144.83	878.65
<b>Total</b>	<b>4,710.76</b>	<b>1,548.33</b>	<b>24.90</b>	<b>1,051.28</b>	<b>7,335.27</b>

### f. Liquidity Risks:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

As of 31 March 2019, the Company have the following unutilized credit limits:

(₹ in lakhs)

Name of the Bank	Sanctioned Credit Limits	Unutilized credit Limits
Indian Bank OCC Account	1,500.00	200.81
SBI OCC Account	1,500.00	185.56
<b>Total</b>	<b>3,000.00</b>	<b>386.37</b>

As of 31 March 2019, the Company had working capital (current assets less current liabilities) of ₹ 6,106.69 lakhs including cash and cash equivalents of ₹ 1,257.70 lakhs. As of 31 March 2018, the Company had working capital (current assets less current liabilities) of ₹ 4,930.39 lakhs including cash and cash equivalents of ₹ 4,371.23 lakhs

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019:

(₹ in lakhs)

Particulars	2020	2021	2022	Thereafter	Total
Trade payables	752.58	-	-	-	752.58
Long term borrowings	461.37	407.52	8.21	3.05	880.15
Bank overdraft, short-term loans and borrowings*	2,613.63	-	-	-	2,613.63
Other liabilities*	3,865.17	-	-	-	3,865.17

\* Note: The bank overdraft and other liabilities are payable on demand.

### g. Capital Management:

The Company's objective for capital management is to maximize shareholder wealth, safeguard business continuity and support the growth of the Company. The Company determines the capital management requirement based on annual operating plans and long term and other strategic investment plans. The funding requirement are met through equity, borrowings and operating cash flows require

### Gearing ratio

The Company monitors its capital using gearing ratio, which is net debt to total equity as given below:

(₹ in lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Total Debt	8,252.13	4,635.19
Less: Cash and Cash equivalents	368.76	1,179.67
<b>Adjusted Net Debt (A)</b>	<b>7,883.37</b>	<b>3,455.52</b>
Total Equity	14,101.07	11,842.02
<b>Adjusted Net Equity (B)</b>	<b>14,101.07</b>	<b>11,842.02</b>
<b>Adjusted Net Debt to Adjusted Equity (A/B)</b>	<b>0.56:1</b>	<b>0.29:1</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 38. Contingent Liabilities and Commitments:

The following are the details of contingent liabilities and commitments:

(₹ in lakhs)

Particulars	For the Year Ended 31 March	
	2019	2018
<i>Contingent Liabilities</i>		
a) Claims against the company/disputed liabilities not acknowledged as debts		
Income Tax		
Central Excise (Refer note below)	749.43	749.43
b) Guarantees		
Bank Guarantees/Letter of Credits	4,820.18	5,945.36
<b>Total</b>	<b>5,569.61</b>	<b>6,694.79</b>

#### Note:

- The above Excise Duty case pertains to demands raised by the Excise Department for subsequent periods on the issue mentioned below and the Commissioner confirmed the demand vide order number HydExcus- 002-Com-030-15-16 dated 27.11.2015 and the company has filed an appeal before CESTAT and is awaiting for hearing.
- The above dispute was relating to inclusion of customized software in the valuation of simulators supplied by the company during the period from 01.04.2006 to 31.07.2011. The Commissioner confirmed the demand against the company and the company filed an appeal before CESTAT, Hyderabad and paid ₹ 56.21 lakhs and awaiting for hearing.
- The company based on the discussions with solicitors & tax advisors believes that there is a fair chance of winning the case in its favour in the process and hence no provision has been made for the same.

### 39. Corporate Social Responsibility:

As per Section 135 of the Companies Act, 2013 ('Act'), a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. Since the company does not meet the applicability criteria as set out in section 135(1) of Companies Act 2013 as amended by Companies (Amendment) Act 2017 notified on 19.09.2018, provision for CSR is not required to be made for FY 2018-19.

### 40. Research & Development Expenditure:

(₹ in lakhs)

Particulars	For the Year Ended 31 March	
	2019	2018
<i>Expenditure incurred on Research &amp; Development:</i>		
Salaries	660.80	713.75
Bonus & Gratuity	116.91	97.15
Electricity Charges	25.08	27.54
Travelling Expenses	17.64	41.02
Spares & Stores	277.23	281.98
Consultancy Charges	30.45	13.05
Depreciation	46.36	33.83
Interest on TDB loan	46.54	71.27
Rates & Taxes	0.94	-
Repairs & Maintenance	5.46	4.08
<b>Total Research &amp; Development Expenses</b>	<b>1,227.41</b>	<b>1,283.67</b>

Note: The above expenditure of research and development has been determined on the basis of information available with the company and as certified by the management.



## Notes on Financial Statements for the year ended 31 March 2019

The following are the details of the assets related to R&D division:

(₹ in lakhs)

Particulars	Gross Block			Accumulated Depreciation				Net Block		
	As at 01 April, 2018	Additions	Disposals	As at 31 March, 2019	As at 01 April, 2018	Additions	Disposals	As at 31 March, 2019	As at 31 March, 2019	As at 01 April, 2018
Tangible Assets										
Land	51.50	-	-	51.50	-	-	-	-	51.50	51.50
Building - Sanathnagar	481.88	-	-	481.88	56.40	8.09	-	64.50	417.39	425.48
Shed -B42	5.12	-	-	5.12	0.30	0.09	-	0.38	4.74	4.82
Computers	106.74	-	-	106.74	98.80	4.91	-	103.71	3.03	7.94
Plant and machinery	141.55	-	-	141.55	101.73	4.59	-	106.32	35.23	39.82
Office Equipment	79.59	5.15	-	84.74	60.96	4.93	-	65.89	18.85	18.63
Furniture, fixtures	148.51	-	-	148.51	40.28	11.01	-	51.28	97.23	108.24
Testing Equipment	55.79	-	-	55.79	37.31	5.04	-	42.35	13.43	18.47
Intangible Assets	-	-	-	-	-	-	-	-	-	-
Software	306.01	-	-	306.01	306.01	-	-	306.01	-	-
Software (RKT)	601.81	-	-	601.81	591.08	7.70	-	598.79	3.02	10.73
<b>Total</b>	<b>1,978.50</b>	<b>5.15</b>	<b>-</b>	<b>1,983.65</b>	<b>1,292.87</b>	<b>46.36</b>	<b>-</b>	<b>1,339.23</b>	<b>644.42</b>	<b>685.63</b>

### 41. Impact on adoption of Ind AS 115:

The company on April 1, 2018 while evaluating the impact of Ind AS 115 in respect of certain contracts with customers had reversed ₹ 714.65 lakhs of service income that was accrued and recognized during FY 2017-18 on account of certain pending procedural obligations. As on 31 March 2019, the company has now evaluated and recognized revenue for such contracts with customers based on satisfaction of performance obligations under the contracts in accordance with Ind AS 115. In light of this, the position taken on 01 April 2018 has been revised. The net impact is the decrease of reported revenue by ₹ 0.45 lakhs. The details of such revised revenue recognition are tabulated as under:

(₹ in lakhs)

Particulars	Total Year	Quarter ended 30 June 2018	Quarter ended 30 September 2018	Quarter ended 31 December 2018	Quarter ended 31 March 2019
Revenue relating to performance obligations satisfied in FY 2017-18 reported in FY 2018-19 now de-recognized	714.65	261.07	298.05	139.86	15.67
Revenue for performance obligations satisfied in FY 2018-19	714.20	341.41	139.47	101.91	131.41
<b>Impact on Reported revenue</b>	<b>(0.45)</b>	<b>80.34</b>	<b>(158.58)</b>	<b>(37.95)</b>	<b>115.74</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 42. Subsequent Events:

#### Investment in Associate:

The company entered into an agreement with the UTS to acquire 51% of total shares of the company at a price of ₹ 242.41 per share out of which 40% have been acquired till the closure of FY 2018-19 by investing a total amount of ₹ 5.50 crore and the balance 11% have been acquired after the end of Financial year 2018-19 but before the approval of Financial Statements by Board of Directors.

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of the Board

**For Sekhar & Co**  
Chartered Accountants  
FRN:003695-S

**Ashok Atluri**  
Chairman & Managing Director  
DIN: 00056050

**M. Ravi Kumar**  
Whole Time Director  
DIN: 00089921

**K.C. Devdas**  
Partner  
MNo: 014966

**M Satish Choudhury**  
Company Secretary  
M.No. A30204

**M. Ravi Kiran**  
Chief Financial Officer

Place: Hyderabad  
Date: 18 May 2019



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# CONSOLIDATED Financial Statements



## Independent Auditor's Report

To The Members of  
Zen Technologies Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Zen Technologies Limited ("the Company"), which comprise the consolidated balance sheet as at 31 March 2019, and the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended, and notes to the 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 consolidated 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 Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and its consolidated profit and consolidated total comprehensive income, consolidated changes in equity and its consolidated 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 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 together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the Key Audit Matters to be communicated in our report.

S. No	Key Audit Matter	Auditor's Response
1	Share purchase agreement with Unistring Tech Solutions Private Limited to acquire its shares to the extent of 51%	<ul style="list-style-type: none"> <li>Obtained the details of transaction.</li> <li>Reviewed the share purchase agreement</li> <li>Verified the dates of acquisition and total acquisition as at 31.03.2019</li> </ul>
2.	Closure of operations of branch at Himachal Pradesh	<ul style="list-style-type: none"> <li>Copy of the minutes of the Board meeting held on 18.05.2019 was provided and the same was verified.</li> </ul>
3.	Effective 01 April 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as of 01 April 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted. Accordingly, the effect has been made prospectively and an amount of ₹ 7.15 crore has been recognised in the Revenue which was already accounted as revenue during FY 2017-18 by reversing the corresponding effect in Opening Balance of Reserves of FY 2018-19	<ul style="list-style-type: none"> <li>Copy of agreements were provided and verified.</li> <li>Corresponding invoices and receipts in the bank statements have also been verified</li> </ul>

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

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's information but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our 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 the 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 consolidated financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income and changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the respective Board of Directors of Company included in the group 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 stand alone 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 financial controls 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 adequate internal financial controls system 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.



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 consolidated 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.

#### Other Matter

We did not audit the financial statements/ information of Zen Technologies USA Inc. included in the consolidated financial statements of the company whose financial statements/financial information reflect total assets of USD. 80,650 as at 31 March 2019 and the total revenue of USD. NIL for the year ended on that date, as considered in the standalone financial statements/information of Zen Technologies USA Inc. have been audited by the auditors whose report has been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in Zen Technologies USA Inc., is based solely on the report of such auditors.

Our opinion is not modified in respect of these matters.

#### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (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 Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, Consolidated Statement of Changes in Equity and

the Consolidated Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

- (d) In our opinion, the aforesaid consolidated financial statements comply with the IndAS 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 31 March 2019 taken on record by the Board of Directors of the Company, none of the directors are disqualified as on 31 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is accordance with the provisions of Section 197 of the Act.

- (h) 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, as amended 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 consolidated financial statements.
  - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
  - (iii) There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Company.

**For Sekhar & Co**  
Chartered Accountants  
(Firm's Registration No.003695-S)

Date: 18 May 2019  
Place: Secunderabad

**K.C.Devdas**  
(Membership No.014966)

## “Annexure B” to the Independent Auditor’s Report of even date on the Financial Statements of M/s Zen Technologies Limited

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

We have audited the internal financial controls over financial reporting of M/s Zen Technologies Limited, (“the Company”) as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditors’ Responsibility

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

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

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

### Meaning of Internal Financial Controls Over Financial Reporting

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

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

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

### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019.

For Sekhar & Co.,  
Chartered Accountants  
FRN: 003695-S

Secunderabad  
Date: 18 May 2019

K.C.Devdas  
(Partner)  
M.No.:014966



## Consolidated Balance Sheet as at 31 March 2019

(₹ in lakhs)

Particulars	Note.No	As at 31 March 2019
<b>I ASSETS</b>		
<b>Non-current assets</b>		
(a) Property plant and Equipment	3	6,296.44
(b) Intangible assets	3	9.89
(c) Capital Work In progress	3	40.40
(d) Financial assets		
(i) Investments	4	774.57
(ii) Other financial assets	5	57.30
(e) Deferred Tax Assets(Net)	6	812.40
(f) Other non current assets	7	483.15
<b>Total Non Current Assets</b>		<b>8,474.15</b>
<b>II Current assets</b>		
(a) Inventories	8	3,528.38
(b) Financial assets		
(i) Trade receivables	9	7,335.27
(ii) Cash and cash equivalent	10	370.47
(iii) Bank Balances Other Than Cash and Cash Equivalent	11	858.83
(iv) Other financial assets	12	759.98
(c) Other current assets	13	520.86
<b>Total Current Assets</b>		<b>13,373.80</b>
<b>Total Assets (I + II)</b>		<b>21,847.95</b>
<b>I EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
(a) Equity Share Capital	14	771.60
(b) Other Equity	15	12,739.24
<b>Total Equity</b>		<b>13,510.84</b>
<b>II Liabilities</b>		
<b>Non-current liabilities</b>		
(a) Financial Liabilities		
(i) Long Term Borrowings	16	880.15
(b) Long Term Provisions	17	140.60
<b>Total Non Current Liabilities</b>		<b>1,020.75</b>
<b>Current liabilities</b>		
(a) Financial Liabilities		
(i) Short Term Borrowings	18	2,613.63
(ii) Trade payables	19	813.97
(iii) Other Financial liabilities	20	740.94
(b) Other current liabilities	21	2,930.09
(c) Short Term Provisions	22	217.74
<b>Total Current Liabilities</b>		<b>7,316.36</b>
<b>Total Equity and Liabilities (I + II)</b>		<b>21,847.95</b>

Significant Accounting Policies

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **Sekhar & Co**  
Chartered Accountants  
FRN: 003695-S

**K.C.Devdas**  
Partner  
MNo: 014966

Place: Hyderabad  
Date: 18 May 2019

For and on behalf of the Board

**Ashok Atluri**  
Chairman & Managing Director  
DIN: 00056050

**M Satish Choudhury**  
Company Secretary  
M.No. A30204

**M. Ravi Kumar**  
Whole Time Director  
DIN: 00089921

**M.Ravi Kiran**  
Chief Financial Officer

## Consolidated Statement of Profit and Loss for the Year Ended 31 March 2019

(₹ in lakhs)

S.No	Particulars	Notes.No	Year ended 31 March 2019
<b>1</b>	<b>Income</b>		
	Revenue From Operations	23	9,222.06
	Other Income	24	310.78
	<b>Total Income</b>		<b>9,532.84</b>
<b>2</b>	<b>Expenses</b>		
	Cost of Materials and Components consumed	25	3,725.61
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	26	(1,160.99)
	Manufacturing Expenses	27	501.30
	Employee Benefits Expense	28	1,661.45
	Finance Costs	29	481.12
	Depreciation and Amortization Expense	3	379.69
	Other Expenses	30	2,827.42
	<b>Total Expenses</b>		<b>8,415.60</b>
<b>3</b>	<b>Profit/(Loss) before exceptional and extraordinary items (1 - 2)</b>		<b>1,117.24</b>
4	Exceptional Items		-
<b>5</b>	<b>Profit / (Loss) before extra-ordinary items and tax (3-4)</b>		<b>1,117.24</b>
6	Extraordinary items		-
<b>7</b>	<b>Profit / (Loss) before Tax (5-6)</b>		<b>1,117.24</b>
<b>8</b>	<b>Tax expense</b>		
	(i) Current tax		368.40
	(ii) Deferred tax		(582.50)
	<b>Total Tax</b>		<b>(214.10)</b>
<b>9</b>	<b>Net Profit/(Loss) from continuing operations (7- 8)</b>		<b>1,331.34</b>
10	Profit / (Loss) from discontinuing operations		-
11	Tax expense of discontinuing operations		-
<b>12</b>	<b>Net Profit / (Loss) from discontinuing operations (10 - 11)</b>		<b>-</b>
<b>13</b>	<b>Net Profit / (Loss) for the period (9+ 12)</b>		<b>1,331.34</b>
14	Share of Profit/(Loss) from a Subsidiary or an Associate		0.35
<b>15</b>	<b>Net Profit or Loss for the period (13+14)</b>		<b>1,331.69</b>
<b>16</b>	<b>Other Comprehensive Income</b>		
	Items that will not be reclassified subsequently to statement of profit or loss		(16.35)
	Income tax relating to items that will not be reclassified to profit / loss		-
	<b>Total Other Comprehensive Income</b>		<b>(16.35)</b>
<b>17</b>	<b>Total Comprehensive Income for the year (15+16)</b>		<b>1,315.34</b>
	Earning per Equity Share of Face Value of ₹ 1/- Each	31	
	Basic Value (In ₹)		1.73
	Diluted (In ₹)		1.73

### Significant Accounting Policies

The accompanying notes are an integral part of the financial statements

As per our report of even date

For Sekhar & Co

Chartered Accountants

FRN: 003695-S

K.C.Devdas

Partner

MNo: 014966

Place: Hyderabad

Date: 18 May 2019

For and on behalf of the Board

Ashok Atluri

Chairman & Managing Director

DIN: 00056050

M Satish Choudhury

Company Secretary

M.No. A30204

M. Ravi Kumar

Whole Time Director

DIN: 00089921

M.Ravi Kiran

Chief Financial Officer

## Consolidated Cash Flow Statement for the Year ended 31 March 2019

Particulars	Year ended 31 March 2019
<b>Cash Flows from Operating Activities</b>	
Net profit before tax (A)	1,117.24
<b>Adjustments for :</b>	
Depreciation and amortization expense	379.65
Provision for doubtful debts/advances/ impairment	-
Profit/ Loss on Sale of Vehicle	(4.41)
Interest Income	(96.76)
Deferred Income Grant Benefit	(24.00)
Finance Cost	478.88
Other Comprehensive Income	(16.35)
<b>Operating profit before working capital changes (B)</b>	<b>1,834.25</b>
<b>Movements in Working Capital:</b>	
(Increase)/Decrease in Trade Receivables	(5,074.14)
(Increase)/Decrease in Other financial assets	189.58
(Increase)/Decrease in Inventories	(2,372.91)
(Increase)/Decrease in Other Current Assets	84.44
(Increase)/Decrease in Other Non Current Assets	29.45
Increase/(Decrease) in Trade Payables	467.22
Increase/(Decrease) in Other financial liabilities	231.82
Increase/(Decrease) in Other Current liabilities	(162.97)
Increase/(Decrease) in Provisions	10.66
<b>Changes in Working Capital (C)</b>	<b>(6,596.85)</b>
<b>Cash generated from operations (B+C)</b>	<b>(4,762.80)</b>
Direct Taxes Paid (Advance Tax)	(150.66)
<b>Net Cash from operating activities (D)</b>	<b>(4,913.26)</b>
<b>Cash flows from Investing Activities:(E)</b>	
Purchase of Fixed Assets	(207.07)
Investment in Capital Work in Progress	(40.40)
Sale of Fixed Assets	12.56
Interest Income	96.76
(Increase)/Decrease in Other Bank Balances	2262.83
Advances given for Capital Goods	(246.21)
Purchase/Sale of Investment	(610.44)
<b>Net Cash used in Investing Activities</b>	<b>1,268.03</b>

## Consolidated Cash Flow Statement for the Year ended 31 March 2019

Particulars	Year ended 31 March 2019
<b>Cash flows from/(used in) Financing Activities:(F)</b>	
Proceeds from Long term borrowings	576.29
Dividend paid	(77.16)
Interest Expense	(478.88)
Amount received towards Share warrants	446.49
Corporate Dividend tax	(15.86)
<b>Net Cash used in Financing Activities</b>	<b>450.88</b>
<b>Net Increase/(Decrease) in cash and cash equivalents (D+E+F)</b>	<b>(3,194.35)</b>
Cash and Cash equivalents at the beginning of the year	951.20
<b>Cash and Cash equivalents at the ending of the year (Refer Note 11)</b>	<b>(2,243.15)</b>

**Note:**

- The above cash flow statement has been prepared under "indirect method" as set out in Indian Accounting Standard (Ind AS 7)- Statement of cash flows.
- Under IND-AS, the Bank overdrafts repayable on demand and which form an integral part of the cash management process are included in cash and cash equivalents for the purpose of presentation of statement of cash flows.

Significant Accounting Policies Note No : 2

The accompanying notes are an integral part of the financial statements

**As per our report of even date**

For **Sekhar & Co**  
Chartered Accountants  
FRN: 003695-S

**K.C.Devdas**  
Partner  
MNo: 014966

Place: Hyderabad  
Date: 18 May 2019

**For and on behalf of the Board**

**Ashok Atluri**  
Chairman & Managing Director  
DIN: 00056050

**M Satish Choudhury**  
Company Secretary  
M.No. A30204

**M. Ravi Kumar**  
Whole Time Director  
DIN: 00089921

**M.Ravi Kiran**  
Chief Financial Officer



## Notes on Financial Statements for the year ended 31 March 2019

### 1 Corporate Information:

Zen Technologies Limited is a Public Limited Company incorporated under the provisions of the Companies Act, 1956 having its corporate office at B-42, Industrial Estate, Sanathnagar, Hyderabad-500018, Telangana, India. The equity shares of the Company are listed on Bombay Stock Exchange (BSE) and National Stock Exchange Ltd (NSE) in India. The company is engaged in design, development and manufacture of Training Simulators for Police and Para-military Forces, Armed Forces, Security Forces, Government Departments like Transport, Mining, Infrastructure and Civilian market. The products of the company are belong to 3 categories viz. Land-based Military Simulators, Driving Simulators and Mining & Special Equipment Simulators. The company caters to both domestic and international market. The Company is having manufacturing unit located at Hardware Park, Maheswaram Mandal, Telangana, India.

### 2 Basis of preparation and Presentation of Financial Statements:

#### 2.1 Statement of Compliance:

These financial statements are prepared in accordance with Indian Accounting Standards ("Ind AS"), as per the Companies (Indian Accounting Standards) Rules, 2015 and other relevant rules as notified by the SEBI as required under Section 133 of the Companies Act, 2013 ("The Act"). The presentation of financial statements is based upon Ind AS Schedule III of Companies Act, 2013.

#### 2.2 Basis for Measurement:

These financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the balance sheet:

- Certain financial assets & liabilities are measured either at fair value or at amortized cost depending on the classification;**
- Employee defined benefit assets/(liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses, **less actuarial gains and the present value of the defined benefit obligation.**

All assets and liabilities are classified into current and non-current based on the operating cycle of less than twelve months or based on the criteria of realization/settlement within twelve months period from the balance sheet date.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing standard requires a change in accounting policy hitherto to use.

The Financials statements were authorized for issue in accordance with a resolution of the Board of Directors on 18 May 2019.

#### 2.3 Basis for Consolidation:

The Consolidated Financial Statements have been prepared on the following basis:

##### *Subsidiary Entity:*

Subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to variable returns from its involvement with the entity and has ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is acquired by the Group and ceases to be consolidated when the Group loses control over the subsidiary. Full consolidation means recognition of like items of assets, liabilities, equity, income and expense.

Inter Company transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated if there is a profit on ultimate sale of goods. When necessary, amounts reported by subsidiaries have been adjusted to confirm to Group Accounting policies.

##### List of Subsidiaries included in Consolidation:

(₹ In lakhs)

Name of the Enterprise	Amount Invested	Country of Incorporation	Nature of Business	% of Share Holding
Zen Technologies USA Inc.	561.43	USA	Training Simulators	100%
<b>Total</b>	<b>561.43</b>			<b>100%</b>

##### *Associate Entity:*

Associate is an entity over which the Group is having significant influence but does not have control over such entity.

## Notes on Financial Statements for the year ended 31 March 2019

Associates are consolidated through Equity method of Consolidation in which investment is initially recognised at Cost and adjusted thereafter for the post acquisition change in the Group's share of Associate's Net Assets. Group's Profit or loss statement includes its share of Associate's Profit or Loss.

### List of Associate included in Consolidation:

(₹ In lakhs)

Name of the Enterprise	Amount Invested	Country of Incorporation	Nature of Business	% of Share Holding
Unistring Tech Solutions Private Limited	550.00	India	Development of electronic warfare (EW) solutions and Simulators for radar.	40.07
<b>Total</b>	<b>550.00</b>			<b>40.07</b>

### 2.4 Use of Estimates and Judgements:

The preparation of the financial statements in conformity with Ind AS requires the management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. [The application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note no.2.5.] Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

### 2.5 Critical Accounting Estimates:

#### a. Employee Benefits

The present value of the employee benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) includes the discount rate, wage escalation and employee attrition. 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.

#### b. Depreciation & Amortisation

Depreciation and amortization is based on management estimates of the future useful lives of certain class of property, plant and equipment and intangible assets.

#### c. Provisions & Contingencies

Provisions and contingencies are based on the Management's best estimate of the liabilities based on the facts known at the balance sheet date.

#### d. Fair Valuation:

All financial instruments are required to be fair valued as at the balance sheet date, as provided in Ind AS 109 and Ind AS 113. Being a critical estimate, judgement is exercised to determine the carrying values. The fair value of financial instruments that are unlisted and not traded in an active market is determined at fair values assessed based on recent transactions entered into with third parties, based on valuation done by external appraisers etc., as applicable.

### 2.6 Functional & Presentation Currency:

These financial statements are presented in Indian rupees, which is also the functional currency of the Company. All financial information presented in Indian rupees has been rounded to the nearest lakhs.

### 2.7 Current vs Non-Current Classification:

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.



## Notes on Financial Statements for the year ended 31 March 2019

**Assets:** An asset is classified as current when it satisfies any of the following criteria:

- a. It is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b. It is held primarily for the purpose of being traded;
- c. It is expected to be realized within twelve months after the reporting date; or
- d. It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

**Liabilities:** A liability is classified as current when it satisfies any of the following criteria:

- a. It is expected to be settled in the Company's normal operating cycle;
- b. It is held primarily for the purpose of being traded;
- c. It is due to be settled within twelve months after the reporting date; or
- d. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of noncurrent assets/ liabilities respectively. All other assets/ liabilities are classified as noncurrent. Deferred tax assets and liabilities are always disclosed as non-current.

### 2.8 Foreign Currency Transaction and Translation:

- a. Functional & Presentation Currency:

Items included in the consolidated financial statements of the group's subsidiaries are measured using the currency of the primary economic entity in which the entity operates (functional currency). The consolidated financial statements are presented in Indian rupees which is the functional currency of both the Holding & Subsidiary company.

- b. Foreign Currency Transactions:

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date (closing rate). Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the statement of profit and loss in the period in which they arise.

- c. Group Entities:

The functional currency of a foreign subsidiary is same as of the functional currency of Holding company. The results and financial position of the foreign subsidiary are translated as follows:

- Assets & Liabilities at each balance sheet date presented are translated at the closing exchange rate at the date of balance sheet.
- Each item of Statement of Profit or loss i.e., income and expenses are translated at average monthly exchange rates and
- All resulting exchange differences arising on such translation are recognised in Other Comprehensive Income.

On disposal of a foreign Operation, the associated exchange differences are reclassified to the statement of profit or loss as a part of gain or loss on disposal

### 2.9 Property, Plant & Equipment:

Recognition & Measurement

Property, Plant and Equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment loss, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset i.e., freight, duties and taxes applicable and other expenses related to acquisition and installation. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

## Notes on Financial Statements for the year ended 31 March 2019

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part will be derecognized. The costs of repairs and maintenance are recognized in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

### Depreciation

Depreciation is recognized in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment based on to the Companies Act, 2013 ("Schedule II"), which prescribes the useful lives for various classes of tangible assets. For assets acquired or disposed off during the year, depreciation is provided on pro rata basis. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

The estimated useful lives are as follows:

Type of Asset	Estimated useful life in years
<b>Buildings</b>	
i) Factory Buildings	30
ii) Other Buildings	60
iii) Lease Buildings	6
Plant & Machinery	15
Office Equipment	5
Furniture & Fixtures	10
Testing Equipment	10
Vehicles	10
Computers	3

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other noncurrent assets.

### Capital work in Progress:

The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

The Company assesses at each balance sheet date, whether there is objective evidence that an asset or a group of assets is impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Recoverable amount is higher of the value in use or fair value less cost to sell.

## 2.10 Intangible Asset:

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

### Amortization

Amortization is recognized in the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use. The estimated useful lives are as follows:



## Notes on Financial Statements for the year ended 31 March 2019

Type of Asset	Estimated useful life
Intangible Assets	
Computer Software	3

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date.

### 2.11 Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### a. *Financial assets*

##### *Initial recognition and measurement*

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

##### *Subsequent measurement*

##### *Debt instrument at FVTPL*

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss. The Company has not designated any debt instrument as at FVTPL.

##### *Investment in equity instruments*

All equity investments in scope of Ind AS 109 are measured at Fair Value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to the statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

##### *Investments in subsidiaries and Associates*

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and associates, the difference between net disposal proceeds and the carrying amounts are recognized in the statement of profit and loss.

#### **De-recognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## Notes on Financial Statements for the year ended 31 March 2019

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

### **b. Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value i.e., loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts.

#### *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

#### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR (Effective Interest Rate) method. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

#### *Fair value measurement*

The Company classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

- i) **Level 1:** The fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date.
- ii) **Level 2:** The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.
- iii) **Level 3:** The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs).

### **2.12 Government Grants:**

#### *Recognition & Measurement*

Grants & Subsidies received from the Governments are recognised only when there is reasonable assurance that:

- a. The Company will comply with the conditions attached to the grant
- b. There is a reasonable certainty that the grant will be received.

Government grants related to assets are treated as deferred income and are recognized in net profit in the statement of Profit & Loss on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in net profit in the Statement of Profit & Loss over the periods necessary to match them with the related costs which they are intended to compensate.



## Notes on Financial Statements for the year ended 31 March 2019

When loans or similar assistance are provided by Governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a Government grant. The loan or assistance is initially recognized and measured at fair value and the Government grant is measured as the difference between the fair value of the loan and the proceeds received. It is recognized as deferred income and released to statement of Profit & Loss in proportionate over the loan tenure and presented within other income. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

### 2.13 Inventories:

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost or net realizable value. However raw materials which are used in the process of production are not written down below the cost if the finished goods produced from consumption of such material are sold at or above the cost. The cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### 2.14 Impairment of non Financial Assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at March 31.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized in the statement of profit and loss if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### 2.15 Cash & Cash Equivalents:

Cash and bank balances comprise of cash balance in hand, balance in current accounts with banks, demand deposit, short-term deposits, margin money deposits and unclaimed dividend accounts. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. The margin money deposits and unclaimed dividend balances shall be disclosed as restricted cash balances.

### 2.16 Employee Benefits:

#### a. Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## Notes on Financial Statements for the year ended 31 March 2019

**b. Defined Contribution Plan**

The Company's contributions to defined contribution plans are charged to the statement- of profit and loss as and when the services are received from the employees.

**c. Defined Benefit Plans**

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates based on prevailing market yields of Indian Government Bonds and that have terms to maturity approximating to the terms of the related defined benefit obligation. The current service cost of the defined benefit plan, recognized in the statement of profit and loss in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognized immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

**d. Termination benefits**

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

**e. Other long-term employee benefits**

The Company's net obligation in respect of other long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value. Re-measurements are recognized in the statement of profit and loss in the period in which they arise.

### 2.17 Provisions, Contingent Assets & Contingent Liabilities:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**Contingent liabilities**

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no such disclosure is made.

**Contingent assets**

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

### 2.18 Revenue Recognition:

*Sale of Goods and Service Income:*

Effective 01 April 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as of 01 April 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted. Except, as stated in Note no.41 the Impact on adoption of Ind AS 115 was insignificant.

Revenue from goods and services is recognized, when the company satisfies a performance obligation by transferring a promised good or service to its customers. The Company considers the terms of the contract and its customary business practices to determine the transaction price. Performance obligations are satisfied at the point of time when the customer obtains controls of the asset.



## Notes on Financial Statements for the year ended 31 March 2019

Revenue is measured based on transaction price, which is the fair value of the consideration received or receivable, stated net of discounts, returns and Goods & services Tax. Transaction price is recognised based on the price specified in the contract, net of the estimated sales incentives/ discounts. Accumulated experience is used to estimate and provide for the discounts/ right of return, using the expected value method.

### **Contract Asset:**

In a contract, if the entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, it shall be presented as a contract asset, excluding any amounts presented as receivable. A contract asset is an entity's right to consideration in exchange for goods and services that the entity has transferred to the customer.

### **Contract Liability:**

If a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (ie a receivable), before the entity transfers a good or service to the customer, it shall be presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

### **Other Income**

#### *Interest Income*

Interest Income mainly comprises of interest on margin money deposit relating to bank guarantee and Deposits against Bank Overdraft with banks. Interest income should be recorded using the effective interest rate (EIR). However, the amount of margin money deposits relating to bank guarantee and Over draft are purely current in nature, hence effective interest rate has not been applied. Interest is recognized using the time-proportion method, based on rates implicit in the transactions.

#### **Export Benefits**

##### *Export Incentives*

The Company receives export incentives in the form of MEIS (Merchandise Exports from India Scheme) scripts which do not fall under the scope of Ind AS 115 and are accounted for in accordance with the provisions of Ind AS 20 considering such incentives as Government Assistance. Accordingly government grant recognised as Other income in Profit and Loss statement.

## **2.19 Borrowing Cost:**

Borrowing costs consist of interest, ancillary and other costs that the Company incurs in connection with the borrowing of funds and interest relating to other financial liabilities. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed to Profit & Loss statement in the period in which they occur.

## **2.20 Research and Development Costs (Product Development)**

Research and Development expenditure is recognized as an expense when it is incurred. Expenditure on development which does not meet the criteria for recognition as an intangible asset is recognized as an expense when it is incurred.

Items of property, plant and equipment and acquired Intangible Assets utilized for Research and Development are capitalized and depreciated in accordance with the policies stated for Property, Plant and Equipment and Intangible Assets

## **2.21 Tax Expense:**

Tax Expense comprises of Income Tax, Deferred Tax and MAT credit

### **Income Tax**

Income tax expense is recognized in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

## Notes on Financial Statements for the year ended 31 March 2019

### Deferred Tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base i.e., the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred Tax Asset is also provided on MAT tax paid during the Previous years which can be set off against future tax liability.

### Minimum Alternate Tax (MAT) Credit

Minimum alternate tax (MAT) credit is recognised in accordance with tax laws in India as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. The Company reviews the MAT credit at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

### 2.22 Dividend Declared:

The Company recognizes a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

### 2.23 Earnings per Share:

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic earnings per share is computed by dividing the net profit attributable to shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit attributable to shareholders by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Options and warrants are dilutive when they would result in the issue of ordinary shares for less than the average market price of ordinary shares during the period. The amount of the dilution is the average market price of ordinary shares during the period minus the issue price.

### 2.24 Determination of Fair Value:

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

(i) Property, plant and equipment

Property, plant and equipment, if acquired in a business combination or through an exchange of non-monetary assets, is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

(ii) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.



## Notes on Financial Statements for the year ended 31 March 2019

### (iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

### (iv) Investments in equity and debt securities and units of mutual funds

The fair value of marketable equity and debt securities is determined by reference to their quoted market price at the reporting date. For debt securities where quoted market prices are not available, fair value is determined using pricing techniques such as discounted cash flow analysis.

In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors.

Accordingly, such net asset values are analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.

## 2.25 Recent Accounting Pronouncements:

### **Ind AS 116 Leases :**

Ind AS 116, Leases: The Ministry of Corporate Affairs has notified the Ind AS 116, Leases which will be effective from 1 April 2019. Ind AS 116 would replace the existing leases standard Ind AS 17. The standard sets out the principles for the recognition, measurement, presentation and disclosures for both parties to a contract, i.e. the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of profit and loss. The Company is currently evaluating the effect of Ind AS 116 on the financial statements

**Amendment to Ind AS 12 'Income Taxes':** On 30 March 2019, the Ministry of Corporate Affairs has notified limited amendments to Ind AS 12 'Income Taxes'. The amendments require an entity to recognise the income tax consequences of dividends as defined in Ind AS 109 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The amendment will come into force for accounting periods beginning on or after 1 April 2019. The Company is evaluating the effect of the above in the financial statements.

**Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments:** On 30 March 2019, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2019 containing Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments which clarifies the application and measurement requirements in Ind AS 12 when there is uncertainty over income tax treatments. The current and deferred tax asset or liability shall be recognized and measured by applying the requirements in Ind AS 12 based on the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this appendix. The amendment is effective for annual periods beginning on or after 1 April 2019. The Company is evaluating the effect of the above in the financial statements.

**Amendment to Ind AS 19 'Employee Benefits':** On 30 March 2019, the Ministry of Corporate Affairs has notified limited amendments to Ind AS 19 'Employee Benefits' in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendment will come into force for accounting periods beginning on or after 1 April 2019. The Company is evaluating the effect of the above in the financial statements.

## Notes on Financial Statements for the year ended 31 March 2019

### 3. Property, Plant & Equipment

Particulars	Property, Plant and Equipment										Other Intangible Assets	
	Land	Buildings	Computers	Plant & Machinery	Office Equipment	Testing Equipment	Demo equipment	Furniture & Fixtures	Vehicles	Total	Computer Software	Total
Gross Block												
As at 01 April 2018	648.95	5,309.34	361.44	325.80	505.36	82.47	192.23	518.58	364.40	8,308.57	1,033.79	1,033.79
Additions	-	0.85	53.28	6.06	30.60	1.40	-	72.75	42.14	207.08	-	-
Deductions/Retirement During the Year	-	-	-	30.97	4.34	9.52	-	-	25.54	70.38	5.95	5.95
<b>Balance As at 31 March 2019</b>	<b>648.95</b>	<b>5,310.19</b>	<b>414.72</b>	<b>300.89</b>	<b>531.61</b>	<b>74.35</b>	<b>192.23</b>	<b>591.33</b>	<b>381.00</b>	<b>8,445.27</b>	<b>1,027.84</b>	<b>1,027.84</b>
Accumulated Depreciation/Amortization												
As at 01 April 2018	-	682.67	309.93	167.46	293.44	51.61	67.31	105.14	166.87	1,844.43	1,010.86	1,010.86
For the year	-	123.39	34.45	17.31	62.47	6.85	38.13	48.29	32.86	363.75	13.04	13.04
Deductions/Adjustments During the Year	-	-	-	20.44	4.15	9.23	-	-	25.54	59.35	5.95	5.95
<b>Balance As at 31 March 2019</b>	<b>-</b>	<b>806.06</b>	<b>344.38</b>	<b>164.33</b>	<b>351.77</b>	<b>49.23</b>	<b>105.44</b>	<b>153.43</b>	<b>174.19</b>	<b>2,148.82</b>	<b>1,017.95</b>	<b>1,017.95</b>
Net Carrying Amount												
Balance As at April 01, 2018	648.95	4,626.67	51.51	158.34	211.92	30.86	124.92	413.44	197.53	6,464.14	22.93	22.93
Balance As at 31 March 2019	648.95	4,504.14	70.34	136.56	179.85	25.12	86.79	437.90	206.82	6,296.44	9.89	9.89



## Notes on Financial Statements for the year ended 31 March 2019

### 3. Capital Work-in-progress

(₹ in lakhs)

Description	Buildings	Total
<b>Deemed Cost</b>		
Balance as at 01 April 2018	-	-
Additions	40.40	40.40
Deletions / Transfer	-	-
<b>Balance as at 31 March 2019</b>	<b>40.40</b>	<b>40.40</b>
<b>Accumulated Depreciation</b>		
Balance as at 01 April 2018	-	-
Depreciation charge during the year	-	-
Deletions / Transfer	-	-
<b>Balance as at 31 March 2019</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>		
Balance as at 01 April 2018	-	-
<b>Balance as at 31 March 2019</b>	<b>40.40</b>	<b>40.40</b>

### Net Book Value

(₹ in lakhs)

Particulars	As at 31 March 2019
Property, Plant & Equipment	6,306.33
Capital Work in Progress	40.40

### 4. Investments (Non Current)

(₹ in lakhs)

Particulars	As at 31 March 2019
<b>Unquoted investments:</b>	
<b>Investment in Associates:</b>	
<i>Unistring Tech Solutions Pvt Ltd</i>	550.35
2,26,888 Equity shares of ₹10/- each, ₹10 fully paid up (31 March 2019)	
<b>Investment in Others:</b>	
<i>Paladin Paradigm Knowledge Solutions INC.,</i>	224.22
17,500 Equity shares (31 March 2019)	
2,139 Class Seed Preferred shares (31 March 2019)	
<b>Aggregated Value of Unquoted investments</b>	<b>774.57</b>

Investment in Paladin Paradigm Knowledge Solutions INC., is valued at cost as in accordance to information available it is the fair value/ amortised cost.

### 5. Other financial assets

(Unsecured, considered good)

(₹ in lakhs)

Particulars	As at 31 March 2019
Security deposits	40.63
Deposits with government, public bodies and others	16.67
	<b>57.30</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 6. Deferred Tax Asset / (Liability) (NET)

(₹ in lakhs)

Particulars	As at 31 March 2019
<b>Deferred Tax Asset</b>	
Tax on Losses Carry Forward	256.56
Deferred Tax Asset on MAT credit Entitlement	1,110.48
<b>Deferred Tax Liability</b>	
Accelerated depreciation for tax purposes	(554.64)
<b>Net Deferred tax Asset</b>	<b>812.40</b>

### 7. Other Non Current Assets

(₹ in lakhs)

Particulars	As at 31 March 2019
Prepaid expenses-	43.65
Capital Advances	338.21
Loans and Advances to Employees	13.17
Income Tax refund	88.12
Advance Income Tax (Net of Provision)	-
	<b>483.15</b>

Note: Prepaid Expenses consist of amount paid in advance for the items that had not yet occurred as of the end of the fiscal year, including Bank Guarantee Commission, Employees Health Insurance and General Insurance expenses.

### 8. Inventories

(₹ in lakhs)

Particulars	As at 31 March 2019
Raw material	1,827.64
Work in progress	1,624.86
Inventory Others	75.88
	<b>3,528.38</b>

Inventories are valued at cost or net realisable value whichever is lower.

### 9. Trade receivables

(₹ in lakhs)

Particulars	As at 31 March 2019
<b>Unsecured, considered good</b>	
Trade Receivables	7,335.27
Receivables from Related Parties	-
Less :Allowances for credit Losses	-
<b>Total</b>	<b>7,335.27</b>
Current Portion	6,283.97
Non Current Portion:	1,051.30
<b>Total</b>	<b>7,335.27</b>

Note:

- Receivables do not include any amount due and recoverable from directors or other officers of the Company, or Companies under the same management.
- Trade Receivables are Non Interest Bearing

## Notes on Financial Statements for the year ended 31 March 2019

### Breakup of Security Details of Trade Receivables:

(₹ in lakhs)

Particulars	As at 31 March 2019
Trade Receivables considered good - Secured	-
Trade Receivables considered good - Unsecured	7,335.27
Trade Receivables - credit impaired	-
Less: Allowance	-
<b>Total</b>	<b>7,335.27</b>

### 10. Cash and Cash Equivalents

(₹ in lakhs)

Particulars	As at 31 March 2019
Cash on hand	20.24
Balances with banks:	
- In current accounts	350.23
- In Fixed Deposits with original maturity Less than 3 months	-
	<b>370.47</b>

### 11. Other bank balances:

(₹ in lakhs)

Particulars	As at 31 March 2019
Balances with banks for unclaimed dividend	8.13
- Fixed Deposits with original maturity More than 3 months & Less than 12 months	-
- Deposits against BG's	606.64
- Deposits against OD's	100.00
- Other Fixed Deposits	144.06
	<b>858.83</b>

Note : All Fixed deposits were kept with Scheduled banks only

### Cash and Cash Equivalents include the following for Cash flow purpose

(₹ in lakhs)

Particulars	As at 31 March 2019
Cash and Cash Equivalents/ Bank Balances	370.47
Less: OD/CC accounts forming part of Cash & Cash Equivalents	(2613.63)
<b>Interest accrued but not due on deposits</b>	<b>(2243.16)</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 12. Other Financial assets (Current)

(₹ in lakhs)

Particulars	As at 31 March 2019
<b>To Others - Unsecured, Considered good</b>	
Interest accrued but not due on deposits	30.11
Accrued Income but not due	729.87
	<b>759.98</b>

### 13. Other Current Assets

(₹ in lakhs)

Particulars	As at 31 March 2019
<b>To Others- Unsecured, considered good</b>	
Prepaid Expenses	99.51
Balance with Statutory Authorities	76.26
Advance to material suppliers(Creditors)	299.26
Other Assets (Duty Scripts)	45.83
	<b>520.86</b>

### 14. Share Capital

Particulars	As at 31 March 2019
<b>Authorised Capital</b>	
20,00,00,000 Equity shares of ₹1/- each	2,000.00
	<b>2,000.00</b>
<b>Issued, subscribed and fully paid-up capital</b>	
7,71,60,060 Equity shares of ₹1/- each fully paid-up	771.60
	<b>771.60</b>

#### a) Reconciliation of the shares and amount outstanding at the beginning and at the end of the reporting year

Particulars	31-Mar-19	
	No of Shares	Amount
At the beginning of the Year	77,160,060	771.60
Add/Less: Changes During the year	-	-
<b>Outstanding at the end of the year</b>	<b>77,160,060</b>	<b>771.60</b>

b) The company has only one class of equity shares with voting rights having par value of ₹1/- each. The rights, preferences and restrictions attached to such equity shares is in accordance with the terms of issue of equity shares under the Companies Act, 2013, the Articles of Association of the Company and relevant provisions of the listing agreement.

## Notes on Financial Statements for the year ended 31 March 2019

c) List of Persons holding more than 5 Percent equity shares in the Company

Name of the share holder	As at 31 March 2019	
	No of Shares	%
Ashok Atluri	20,211,250	26.19
Kishore Dutt Atluri	17,556,250	22.75

### 15 . Other Equity

(₹ in lakhs)

Particulars	Note no	As at 31 March 2019
Securities premium reserve	15.1	891.85
Capital redemption reserve	15.2	117.24
General reserve	15.3	3,525.01
Retained earnings	15.4	7,715.28
Share Warrants	15.5	446.49
Other Comprehensive Income	15.6	43.36
		<b>12,739.24</b>

#### 15.1. Securities Premium Reserve

(₹. In lakhs)

Particulars	As at 31 March 2019
Opening balance	891.85
<b>Add: Additions during the year</b>	-
less: Utilised for issue expenses	
	<b>891.85</b>

Amount received on issue of shares in excess of the par value has been classified as security share premium

#### 15.2 Capital Redemption Reserve

(₹. In lakhs)

Particulars	As at 31 March 2019
Opening balance	117.24
Add: Additions during the year	
	<b>117.24</b>

Note: Capital Redemption Reserve represents amount transferred from profit and loss account on buy back of Equity shares during the FY 13-14.

#### 15.3 . General Reserve

(₹. In lakhs)

Particulars	As at 31 March 2019
Opening balance	3,525.01
Add: Additions during the year	
	<b>3,525.01</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 15.4 Retained Earnings

(₹. In lakhs)

Particulars		As at 31 March 2019
Opening balance		6,476.61
Add: Net profit for the year		1,331.69
	(A)	7,808.30
Less: <b>Allocations/ Appropriations</b>		
Transfer to General reserve		
Dividend distributed to equity shareholders		77.16
Dividend distribution tax on dividend		15.86
	(B)	93.02
	(A-B)	<b>7,715.28</b>

### 15.5 Share Warrants

(₹. In lakhs)

Particulars		As at 31 March 2019
Opening balance		-
Add: Additions during the year		446.49
		446.49

### 15.6 Other Comprehensive Income

(₹. In lakhs)

Particulars		As at 31 March 2019
<b>Actuarial Gain or Loss:</b>		
Opening balance		59.71
Add: Additions during the year		(18.13)
<b>Closing Balance</b>		41.58
<b>Foreign Currency Translation Reserve:</b>		
Opening balance		-
Add: Additions during the year		1.78
<b>Closing Balance</b>		1.78
		<b>43.36</b>

### 16. Long Term Borrowings

(₹. In lakhs)

Particulars		As at 31 March 2019
Secured		
- Term Loan from TDB (Ref Note)		-
- Vehicle loan		25.66
SBI Term Loan A/c		843.68
- Deferred Revenue TDB (Govt. grant)		10.81
		<b>880.15</b>

## Notes on Financial Statements for the year ended 31 March 2019

Details of security:

Note: The Loan taken from Technology Development Board (TDB), Ministry of Science and Technology, Govt. of India, for ₹ 1,160 lakhs has utilized for part financing the project "Development and Commercialization of Unmanned Aerial Vehicle Mission Simulator". The loan carries interest @ 5% (simple interest) per annum and is repayable in 9 half yearly instalments commencing from 01 October 2015. The loan is secured by equitable mortgage of immovable properties and other fixed assets pari-passu with SBI & Indian Bank. The loan is also guaranteed by the Company's own guarantee and pledging of 1,50,00,000 equity shares of ₹ 1/- each owned by the Chairman & Managing Director of the Company.

### 17. Long Term Provisions

(₹ In lakhs)

Particulars	As at 31 March 2019
- Provision for gratuity (Ref Note)	140.60
- Provision for decline, other than temporary, in the value of long term investments	-
	<b>140.60</b>

#### Defined Benefit plan – Gratuity

In accordance with applicable laws, the Company has a defined benefit plan which provides for gratuity payments (the "Gratuity Plan") and covers certain categories of employees in India. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Life Insurance Corporation of India (LIC).

S. No	Particulars	As at 31 March 2019
<b>I</b>	<b>Changes in present value of obligations</b>	
	PVO at beginning of the period	258.47
	Interest cost	16.9
	Current Service Cost	32.84
	Past service Cost - (Vested Benefits)	0
	Benefits Paid	-39.42
	Benefits Paid directly by the company	-29.21
	Actuarial (Gain)/ Loss on Obligation	18.19
	PVO at end of the period	257.77
<b>II</b>	<b>Changes in Fair Value of plan Assets</b>	
	Fair value of plan assets beginning of the period	128.53
	Adjustment to Opening Fair value plan of asset	-0.58
	Return on Plan assets excluding Interest Income	0.06
	Interest Income	8.9
	Contribution by Employer	19.67
	Contribution by Employee	
	Benefits Paid	-39.42
	Fair Value of plan Assets at end of the period	117.16
<b>III</b>	<b>Net Status of Plan</b>	<b>-140.61</b>

## Notes on Financial Statements for the year ended 31 March 2019

S. No	Particulars	As at 31 March 2019
IV	<b>Net Amount Recognised</b>	<b>-140.61</b>
V	<b>Actual return on plan assets</b>	<b>8.96</b>
	Less Interest income included above	8.90
	Return on plan assets excluding interest income	0.06
VI	<b>Expenses recognised in the Statement of Profit and Loss Account</b>	
	Current service cost	32.83
	Interest cost	8.00
	Past Service Cost -(vested benefits)	-
	Expense recognized in the statement of Profit and loss Account	40.83
VII	<b>Other Comprehensive Income (OCI)</b>	
	Actuarial (Gain)/Loss recognized for the period	18.19
	Return on Plan Assets excluding net interest	-0.06
	Total Actuarial (Gain)/Loss recognized in (OCI)	18.13

VIII The principal assumptions used in determining Gratuity Group plan are shown below:

### Description of Risk Exposures:

Valuations are performed on certain basic set of predetermined assumptions and other regulatory frame work which may vary over time. Thus, the Company is exposed to various risks in providing the above gratuity benefit which are as follows:

**Interest Rate risk:** The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

**Salary Escalation Risk:** The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

**Demographic Risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience compared to the assumption.

**Regulatory Risk:** Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (e.g. if Increase in the maximum limit of gratuity more than ₹ 20 lakhs).

**Discount Rate:** The discount rate has decreased from 7.54% to 7.32% and hence there is a increase in liability leading to actuarial loss due to change in discount rate.

**Description of Plan Assets and Reimbursement Conditions:** 100% of the Plan Asset is entrusted to LIC of India under their Group Gratuity Scheme. The reimbursement is subject to LIC's Surrender Policy.

Assumption as at	As at 31 March 2019
Mortality	IALM (2006-08)Ult
Increase / discount Rate	7.32%
Rate of Increase in Compensation	6.00%
Expected Average remaining Service	6.59
Employee Attrition Rate (Past Service (PS) )	PS: 0 to 42: 12%



## Notes on Financial Statements for the year ended 31 March 2019

### Sensitivity Analysis

	Discount Rate (DR)		Salary Escalation Rate (ER)	
	PVO DR +1%	PVO DR -1%	PVOER +1%	PVOER -1%
PVO	245.28	271.72	268.79	247.55

### Expected Payouts

(₹ In lakhs)

Year	First	Second	Third	Fourth	Fifth	Sixth
Payouts	46.98	30.31	43.35	36.29	22.56	94.46

### Asset Liability Comparisons

(₹ In lakhs)

Year	31.03.2015	31.03.2016	31.03.2017	31.03.2018	31.03.2019
PVO at the end of period	196.45	221.63	262.52	258.47	257.77
Plan Assets	112.70	136.05	130.63	128.53	117.17
Surplus/(Deficit)	(83.75)	(85.57)	(131.89)	(129.94)	(140.60)
Experience adjustment on plan assets	(0.01)	(0.07)	1.03	1.75	0.06

### 18. Short Term Borrowings

(₹ In lakhs)

Particulars	As at 31 March 2019
Bank Over Draft part of Cash & Cash Equivalents (Ref Note)	2,613.63
	<b>2,613.63</b>

### Overdrafts

(₹ In lakhs)

Particulars	For the Year Ended 31 March 2019
7.90% (PY 9.50%) OD II against Fixed Deposits from Indian Bank	-
7.90% (PY Nil) OD IV against Fixed Deposits from Indian Bank	-
10% (PY 10%) against Indian Bank OCC account	1,299.19
SBI OD I account	-
SBI OCC account	1,314.44
Total Over Draft	<b>2,613.63</b>

#### Details of security:

The above mentioned overdraft facilities are 100% secured by way of pledge of fixed deposits with 10% margin. Working Capital facilities (₹ 30 Crs) from SBI and Indian Bank are secured against hypothecation of Stocks and Book Debts and equitable mortgage of immovable properties and other fixed assets pari-passu charge with TDB

## Notes on Financial Statements for the year ended 31 March 2019

### 19. Trade Payables

(₹ In lakhs)

Particulars	As at 31 March 2019
Trade payables	
- Dues to Micro and Small Enterprises	-
- Trade Payables Others	813.97
	<b>813.97</b>

Trade payable are non interest bearing and normally settled in 30 - 45 days

- The amount remaining unpaid as at 31 March 2019 in respect of enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" (MSMED) is ₹ 6.6 lakhs (31 March 2018: ₹ Nil).
- 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 this Act is ₹ Nil (31 March 2018 : ₹ Nil).

### 20. Other Financial Liabilities (Current)

(₹ In lakhs)

Particulars	As at 31 March 2019
Current maturities of long-term debts (Ref. note 20(a))	685.87
Unclaimed dividends	8.13
Provision for expenses	46.94
	<b>740.94</b>

Note: 20 (a): Current maturities of long term debts includes Technology Development Board (TDB), Vehicle Loan & SBI Term loan payable within one year. During the financial year 2017-18, State Bank Of India (SBI) Overseas Branch, Hyderabad Sanctioned Secured Term Loan of ₹ 20.00 Crore towards R & D Expenditure of ₹ 14.00 Crore and ₹ 6.00 Cr for Ongoing Capital expenditure, which is repayable in next FIVE years.

The above Loan is secured inter - alia by suitable charge on 04 flats located in Common wealth games village- New Delhi, B-42 Sanathnagar & Plot no.36 Hardware Park - Hyderabad properties which are offered as collateral securities.

### 21. Other Current Liabilities

(₹ In lakhs)

Particulars	As at 31 March 2019
Income billed but not due	374.38
Salaries and benefits	135.06
Bonus and incentives	150.25
Taxes payable	452.57
Advance from customers	1,723.31
Other Payables	94.52
	<b>2,930.09</b>

### 22. Short Term Provisions

(₹ In lakhs)

Particulars	As at 31 March 2019
Provision for Income Tax	217.74
	<b>217.74</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 23. Revenue From Operations

(₹ In lakhs)

Particulars	Year ended 31 March 2019
a) Sale of Products	6,988.83
b) Sale of Product Services	2,233.23
	<b>9,222.06</b>

### 24. Other Income

(₹ In lakhs)

Particulars	Year ended 31 March 2019
Interest income	96.76
Net gain/(loss) on foreign currency exchange fluctuation	51.24
Profit on Sale of Asset	4.41
Deferred Income (Grant)-Benefit	24.00
Miscellaneous income	134.37
	<b>310.78</b>

### 25. Cost Of Materials And Components Consumed

(₹ In lakhs)

Particulars	Year ended 31 March 2019
Opening stock of raw materials	615.72
Add : Purchases	4,937.53
	<b>5,553.25</b>
Less : Closing stock	1,827.64
	<b>3,725.61</b>

### 26. Changes In Inventories Of Finished Goods, Work-In-Progress And Stock-In-Trade

(₹ In lakhs)

Particulars	Year ended 31 March 2019
Opening work in progress	463.87
Opening traded goods	-
	<b>463.87</b>
Closing work in progress	1,624.86
Closing traded goods	-
	<b>1,624.86</b>
<b>Net (increase) / decrease in stock</b>	<b>(1,160.99)</b>

## Notes on Financial Statements for the year ended 31 March 2019

### 27. Manufacturing Expenses

(₹ In lakhs)

Particulars	Year ended 31 March 2019
Power and fuel	34.63
Spares and Stores	17.28
Freight inward	85.71
Travel expenses - Production	5.51
System Installation & Maintenance	79.58
Factory Maintenance	203.47
Training Charges	1.47
Salaries -Production	73.65
	<b>501.30</b>

### 28. Employee Benefits Expense

(₹ In lakhs)

Particulars	Year ended 31 March 2019
Salaries, wages and bonus	1,410.13
Contribution to provident and other funds	55.12
Gratuity expense	12.59
Staff welfare expenses	183.61
	<b>1,661.45</b>

### 29. Finance Costs

(₹ In lakhs)

Particulars	Year ended 31 March 2019
Bank Charges	21.22
BG Commission	70.86
Processing Charges	62.78
Interest on borrowings	
- interest on bank OD loans	273.57
- interest on TDB loan	46.54
- interest on Vehicle loan	6.15
- interest Others	-
	<b>481.12</b>



## Notes on Financial Statements for the year ended 31 March 2019

### 3. Depreciation & Amortisation

(₹ In lakhs)

Particulars	Year ended 31 March 2019
Depreciation on Fixed Assets	379.69
	<b>379.69</b>

### 30. Other Expenses

(₹ In lakhs)

Particulars	Year ended 31 March 2019
<b>Selling &amp; Distribution expenses</b>	
Business Promotion	433.46
Exhibition expenses	469.32
Freight	62.89
	<b>965.67</b>

(₹ In lakhs)

Travelling expenses	Year ended 31 March 2019
Domestic Travel	346.64
Foreign Travel	110.09
<b>Total Travel expenses</b>	<b>456.73</b>

(₹ In lakhs)

Administrative & General expenses	Year ended 31 March 2019
Advertisement	120.60
Conveyance	41.67
Electricity Charges-General	38.24
Insurance	35.29
Office Maintenance	125.56
Postage & Telephone	37.30
Printing & Stationary	28.54
Professional Charges	459.94
Rates & Taxes	37.21
Rent	68.06
Security expenses	32.68
Vehicle Maintenance	30.04
Computer Maintenance	6.85
Spares & Stores-R&D	275.95
Other Expenses	62.64
<b>Payment to auditors</b>	
For Statutory Audit fee (Net of GST)	3.00
For Other Services	1.45
<b>Total of Administrative &amp; General expenses</b>	<b>1,405.02</b>
<b>Total of Other Expenses</b>	<b>2,827.42</b>

## Notes on Financial Statements for the year ended 31 March 2019

## 31. Earnings per Share

(₹ in lakhs)

Particulars	Year ended 31 March 2019
<b>Earnings</b>	
Profit attributable to equity holders	1,331.69
<b>Shares</b>	
Number of shares at the beginning of the year	771.60
Add: Equity shares issued	-
Less: Buy back of equity shares	-
Total number of equity shares outstanding at the end of the year	771.60
<b>Weighted average number of equity shares outstanding during the year – Basic</b>	<b>771.60</b>
Add: Weighted average number of equity shares arising out of outstanding stock options (net of the stock options forfeited) that have dilutive effect on the EPS	-
<b>Weighted average number of equity shares outstanding during the year – Diluted</b>	<b>771.60</b>
<b>Earnings per share of par value ₹1/- – Basic (₹)</b>	<b>1.73</b>
<b>Earnings per share of par value ₹ 1/- – Diluted (₹)</b>	<b>1.73</b>

\* During the year, company issued 23,49,940 share warrants at the rate of ₹ 76 each warrant convertible into Equity share of one each. The average market value of the shares during FY 2018-19 is below the exercise price, accordingly warrant does not have dilutive effect on Earnings per share during the year.

## 32. Related party disclosure

In accordance with the provisions of Ind AS 24 "Related Party Disclosures" and the Companies Act, 2013, Company's Directors, members of the Company's Management Council and Company Secretary are considered as Key Management Personnel. List of Key Management Personnel of the Company is as below:

- Mr. Ashok Atluri, Chairman & Managing Director
- Mr. Kishore Dutt Atluri, President
- Mr. M Ravi Kumar, Whole Time Director
- Mr. Ravindra Kumar Tyagi, Independent Director
- Mrs. Sridevi Madati, Independent Director
- Mr. O Venkata Samir Kumar, Independent Director
- Mr. Amreek Singh Sandhu, Independent Director
- Mr. M Ravi Kiran, Chief Financial Officer
- Mr. M Satish Choudhury, Company Secretary

## Relatives of Key Managerial Persons having transactions with the Company:

- Mr. Arjun Dutt Atluri, Management Engineer, Son of Mr. Kishore Dutt Atluri
- Mrs. Rama Devi Atluri, Spouse of Mr. Kishore Dutt Atluri
- Ms. Anisha Atluri, HR Manager, Daughter of Mr. Kishore Dutt Atluri
- Veer Sammaan Foundation, Founder Trustee



## Notes on Financial Statements for the year ended 31 March 2019

The following is a summary of significant related party transactions:

(₹ in lakhs)

Particulars	Year ended 31 March 2019
<b>a) Key managerial personnel</b>	
<i>Remuneration &amp; Commission</i>	
Mr. Ashok Atluri	51.78
Mr. Ashok Atluri	30.55
Mr. Kishore DuttAtluri	31.37
Mr. Kishore DuttAtluri	72.27
Mr. M Ravi Kumar	40.52
Mr. N Ramesh Kumar-CFO@	18.00
Mr. M Ravi Kiran-CFO#	1.39
Mr. M Satish Choudhury	12.28
<b>b) Non-whole time Directors</b>	
<i>Sitting Fee</i>	
Mrs. Sridevi Madati	2.50
Mr. O Venkata Samir Kumar	2.50
Mr. Amreek Singh Sandhu	2.50
<b>c) Relatives of Key Managerial Personnel</b>	
<i>Remuneration</i>	
Mr. Arjun Dutt Atluri	5.78
Ms. Anisha Atluri	5.30
<i>Rent</i>	
Mrs. Rama Devi Atluri	6.08
<i>Donation</i>	
Veer Sammaan Foundation	
<b>TOTAL</b>	<b>282.82</b>

Note:

@ Ceased with effective from 01 February 2019.

# With effective from 01 February 2019.

## Notes on Financial Statements for the year ended 31 March 2019

### 33. Earnings/expenditure in foreign currency and Value of Materials Consumed:

a) *Expenditure in Foreign currency:*

(₹ in lakhs)

Particulars	Year ended 31 March 2019
Capital goods	3.00
Raw Materials and Components	19.87
Stores & Spares	58.00
Foreign Travel (Exclusive of tickets purchased)	44.56
Membership	-
Professional charges	26.00
Exhibition Expenses	299.76
Training charges	-
Others	60.45
<b>Total</b>	<b>511.64</b>

b) *Earnings in Foreign currency:*

(₹ in lakhs)

Particulars	Year ended 31 March 2019
FOB Value of Exports	332.17
Dividend	-
<b>Total</b>	<b>332.17</b>

c) *Value of Raw Material Consumed*

(₹ in lakhs)

Particulars	2018-19	
	Amount	%
Indigenous raw materials and stores	3705.74	99.47
Imported raw materials and stores	19.87	0.53

### 34. Segment Reporting:

The Company concluded that there is only one operating segment i.e, Training & Simulation. Hence, the disclosure requirements specified in IND AS 108 paragraphs 22 to 30 are not applicable.

### 35. Income Taxes:

a) *Income tax expense/ (benefit) recognized in the statement of profit and loss:*

Income tax expense/ (benefit) recognized in the statement of profit and loss consists of the following:

(₹ in lakhs)

Particulars	Year ended 31 March 2019
<i>Current taxes expense</i>	
Domestic	368.40
<i>Deferred taxes expense/(benefit)</i>	
Domestic	(582.50)
<b>Total income tax expense/(benefit) recognized in the statement of profit and loss</b>	<b>(214.10)</b>



## Notes on Financial Statements for the year ended 31 March 2019

### b. Reconciliation of Effective tax rate:

(₹ in lakhs)

Particulars	Year ended 31 March 2019
Profit before income taxes	1,117.24
Enacted tax rate in India	21.55%
<b>Computed expected tax (benefit)/expense</b>	<b>368.40</b>
<b>Effect of:</b>	
Expenses not deductible for Tax purposes	0.00
Expenses deductible for Tax purposes	0.00
Others	0.00
<b>Income tax (benefit)/expense</b>	<b>368.40</b>
<b>Effective tax rate</b>	<b>21.55%</b>

The Company's average effective tax rate for the year ended 31 March 2019 is 21.55%.

### c. Deferred tax assets & Liabilities:

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

(₹ in lakhs)

Particulars	Year ended 31 March 2019
<i>Deferred tax assets/(liabilities):</i>	
Property, plant and equipment	(554.64)
Carry Forward Losses	256.56
MAT credit entitlement	1110.48
<b>Net deferred tax assets/(liabilities)</b>	<b>812.40</b>

## 36. Contract Asset & Contract Liability:

### a) Contract Asset:

(₹ in lakhs)

Particulars	Year ended 31 March 2019
Contract Assets	759.98
<b>Total</b>	<b>759.98</b>

\* Contract asset means asset as defined in Note 2.18 of Significant Accounting Policies

### b) Contract Liability:

(₹ in lakhs)

Particulars	Year ended 31 March 2019
Contract Liability	1,723.31
<b>Total</b>	<b>1,723.31</b>

\* Contract Liability means liability as defined in Note 2.18 of Significant Accounting policies.

## Notes on Financial Statements for the year ended 31 March 2019

### 37. Financial Risk Management:

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk and Market risk. The Company's risk management assessment and policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors, risk management committee and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes.

#### a. Market Risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, investments and financial instruments.

#### b. Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

#### c. Foreign Currency Risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company exposure to the risk of changes in foreign exchange rates relates primarily to the Company operating activities (when revenue or expense is denominated in a foreign currency) and investments in foreign companies.

#### d. 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 and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

#### e. Trade Receivables

Customer credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management. The Company major customers are Government, Government Bodies and Government Controlled Agencies. Delay in payment may occur on account of disbursement process. The company mitigates the above keeping regular follow up. Trade receivables are non-interest bearing and are generally on 30 days to 45 days credit term. Outstanding customer receivables are regularly monitored. Credit risk on receivables is also mitigated by securing the letter of credit and advance payment against the same.

(₹ in lakhs)

Particulars	0-90	91-180	181-365	> 365 days	Total
Expected Credit Loss rate	0%	0%	0%	0%	0%
On supply	4,071.83	1,478.35	0.00	906.45	6,456.62
On Service	638.93	69.99	24.90	144.83	878.65
<b>Total</b>	<b>4,710.76</b>	<b>1,548.33</b>	<b>24.90</b>	<b>1,051.28</b>	<b>7,335.27</b>

#### f. Liquidity Risks:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

## Notes on Financial Statements for the year ended 31 March 2019

As of 31 March 2019, the Company have the following unutilized credit limits: (₹ in lakhs)

Name of the Bank	Sanctioned Credit Limits	Unutilized credit Limits
Indian Bank OCC Account	1,500.00	200.81
SBI OCC Account	1,500.00	185.56
<b>TOTAL</b>	<b>3,000.00</b>	<b>386.37</b>

As of 31 March 2019, the Company had working capital (current assets less current liabilities) of ₹ 6,057.44 lakhs including cash and cash equivalents of ₹ 1,259.41 lakhs

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019:

Particulars	2020	2021	2022	Thereafter	Total
Trade payables	813.97	-	-	-	813.97
Long term borrowings	461.37	407.52	8.21	3.05	880.15
Bank overdraft, short-term loans and borrowings*	2,613.63	-	-	-	2,613.63
Other liabilities*	3,888.77	-	-	-	3,888.77

\* Note: The bank overdraft and other liabilities are payable on demand.

### g. Capital Management:

The Company's objective for capital management is to maximize shareholder wealth, safeguard business continuity and support the growth of the Company. The Company determines the capital management requirement based on annual operating plans and long term and other strategic investment plans. The funding requirement are met through equity, borrowings and operating cash flows required.

### Gearing ratio

The Company monitors its capital using gearing ratio, which is net debt to total equity as given below: (₹ in lakhs)

Particulars	As at 31 March 2019
Total Debt	8,337.11
Less: Cash and Cash equivalents	370.47
<b>Adjusted Net Debt (A)</b>	<b>7,966.64</b>
Total Equity	13,510.83
<b>Adjusted Net Equity (B)</b>	<b>13,510.83</b>
<b>Adjusted Net Debt to Adjusted Equity (A/B)</b>	<b>0.59:1</b>

### 38. Contingent Liabilities and Commitments:

The following are the details of contingent liabilities and commitments: (₹ in lakhs)

Particulars	For the year ended 31 March 2019
<i>Contingent Liabilities</i>	
a) Claims against the company/disputed liabilities not acknowledged as debts	
Income Tax	
Central Excise (Refer note below)	749.43
b) Guarantees	
Bank Guarantees/Letter of Credits	4,820.18
<b>Total</b>	<b>5,569.61</b>

## Notes on Financial Statements for the year ended 31 March 2019

### Note:

- The above Excise Duty case pertains to demands raised by the Excise Department for subsequent periods on the issue mentioned below and the Commissioner confirmed the demand vide order number HydExcus- 002-Com-030-15-16 dated 27.11.2015 and the company has filed an appeal before CESTAT and is awaiting for hearing.
- The above dispute was relating to inclusion of customized software in the valuation of simulators supplied by the company during the period from 01.04.2006 to 31.07.2011. The Commissioner confirmed the demand against the company and the company filed an appeal before CESTAT, Hyderabad and paid ₹ 56.21 lakhs and awaiting for hearing.
- The company based on the discussions with solicitors & tax advisors believes that there is a fair chance of winning the case in its favour in the process and hence no provision has been made for the same.

### 39. Corporate Social Responsibility:

As per Section 135 of the Companies Act, 2013 ('Act'), a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. Since the company does not meet the applicability criteria as set out in section 135(1) of Companies Act 2013 as amended by Companies (Amendment) Act 2017 notified on 19.09.2018, provision for CSR is not required to be made for FY 2018-19.

### 40. Research & Development Expenditure:

(₹ in lakhs)

Particulars	For the year ended 31 March 2019
<i>Expenditure incurred on Research &amp; Development:</i>	
Salaries	660.80
Bonus & Gratuity	116.91
Electricity Charges	25.08
Travelling Expenses	17.64
Spares & Stores	277.23
Consultancy Charges	30.45
Depreciation	46.36
Interest on TDB loan	46.54
Training Charges	-
Rates & Taxes	0.94
Repairs & Maintenance	5.46
<b>Total Research &amp; Development Expenses</b>	<b>1,227.41</b>

Note: The above expenditure of research and development has been determined on the basis of information available with the company and as certified by the management.



The following are the details of the assets related to R&D division:

(₹ in lakhs)

Particulars	Gross Block			Accumulated Depreciation				Net Block		
	As at 01 April, 2018	Additions	Disposals	As at 31 March, 2019	As at 01 April, 2018	Additions	Disposals	As at 31 March, 2019	As at 31 March, 2019	As at 01 April, 2018
Tangible Assets										
Land	51.50	-	-	51.50	-	-	-	-	51.50	51.50
Building – Sanathnagar	481.88	-	-	481.88	56.40	8.09	-	64.50	417.39	425.48
Shed -B42	5.12	-	-	5.12	0.30	0.09	-	0.38	4.74	4.82
Computers	106.74	-	-	106.74	98.80	4.91	-	103.71	3.03	7.94
Plant and machinery	141.55	-	-	141.55	101.73	4.59	-	106.32	35.23	39.82
Office Equipment	79.59	5.15	-	84.74	60.96	4.93	-	65.89	18.85	18.63
Furniture, fixtures	148.51	-	-	148.51	40.28	11.01	-	51.28	97.23	108.24
Testing Equipment	55.79	-	-	55.79	37.31	5.04	-	42.35	13.43	18.47
Intangible Assets	-	-	-	-	-	-	-	-	-	-
Software	306.01	-	-	306.01	306.01	-	-	306.01	-	-
Software (RKT)	601.81	-	-	601.81	591.08	7.70	-	598.79	3.02	10.73
<b>TOTAL</b>	<b>1,978.50</b>	<b>5.15</b>	<b>-</b>	<b>1,983.65</b>	<b>1,292.87</b>	<b>46.36</b>	<b>-</b>	<b>1,339.23</b>	<b>644.42</b>	<b>685.63</b>

#### 41. Impact on adoption of Ind AS 115:

The company on April 1, 2018 while evaluating the impact of Ind AS 115 in respect of certain contracts with customers had reversed ₹ 714.65 lakhs of service income that was accrued and recognized during FY 2017-18 on account of certain pending procedural obligations. As on 31 March 2019, the company has now evaluated and recognized revenue for such contracts with customers based on satisfaction of performance obligations under the contracts in accordance with Ind AS 115. In light of this, the position taken on 01 April 2018 has been revised. The net impact is the decrease of reported revenue by ₹ 0.45 lakhs. The details of such revised revenue recognition are tabulated as under:

(₹ in lakhs)

Particulars	Total Year	Quarter ended 30 June 2018	Quarter ended 30 September 2018	Quarter ended 31 December 2018	Quarter ended 31 March 2019
Revenue relating to performance obligations satisfied in FY 2017-18 reported in FY 2018-19 now de-recognized	<b>714.65</b>	261.07	298.05	139.86	15.67
Revenue for performance obligations satisfied in FY 2018-19	<b>714.20</b>	341.41	139.47	101.91	131.41
Impact on Reported revenue	<b>(0.45)</b>	<b>80.34</b>	<b>(158.58)</b>	<b>(37.95)</b>	<b>115.74</b>

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **Sekhar & Co**  
Chartered Accountants  
FRN: 003695-S

**K.C.Devdas**  
Partner  
MNo: 014966

Place: Hyderabad  
Date: 18 May 2019

For and on behalf of the Board

**Ashok Atluri**  
Chairman & Managing Director  
DIN: 00056050

**M Satish Choudhury**  
Company Secretary  
M.No. A30204

**M. Ravi Kumar**  
Whole Time Director  
DIN: 00089921

**M.Ravi Kiran**  
Chief Financial Officer

ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM

To <b>Zen Technologies Limited</b> B-42, Industrial Estate, Sanathnagar Hyderabad – 500 018	<b>For Shares held in physical mode</b> Please complete this form and send it to <b>Karvy Fintech Private Limited</b> <b>Unit: Zen Technologies Limited</b> Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500 032 Phone: +91 -40 - 67161605 Fax: + 91- 40 - 23001153 Email id: einward.ris@karvy.com
	<b>For Shares held in Demat mode</b> Please inform your DP's directly
<b>For Shares held in Demat mode form</b> Master Folio No. <input type="text"/>	<b>FOR OFFICIAL USE ONLY</b> ECS Ref. No. <input type="text"/>
Name of First Holder	
Bank Name	
Branch Name & Address	
	<input type="text"/> (9 Digits Code Number appearing on the MICR band of the cheque supplied by the Bank) Please attach a xerox copy of a blank cheque of your bank duly cancelled for ensuring accuracy of the banks name, branch name and code number.

Account type	Savings	Current	Cash Credit
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A/c No. (as appearing In the chequebook)								
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Effective date of this Mandate								
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I, hereby, declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Zen Technologies Limited and Karvy Fintech Private Limited, will not be held responsible. I have read the optional invitation letter and agree to discharge the responsibility expected of me as a participant under the scheme.

I further undertake to inform the Company any change in my Bank/branch and account number.

\_\_\_\_\_  
(Signature of First holder)

Date: \_\_\_\_\_

Note: On de-materialization of existing physical shares, for which you have availed ECS facility, this form needs to be re-submitted to your Depository Participant.



### Payment of Dividend through Electronic Clearing Service (ECS)

The Securities Exchange Board of India (SEBI) has advised the Companies to mandatorily use ECS facility wherever available for distributing dividends or other cash benefits, etc., to the investors. This facility provides instant credit of dividend amount to your Bank Account electronically at no extra cost. ECS also eliminates the delay in postal transit and fraudulent encashment of warrants. Only individual transactions upto ₹ 500,000/- would be covered under the Scheme.

Under this facility the amount of dividend payable to you would be directly credited to your bank account. Your bank's branch will credit your account and indicate the credit entry as 'ECS' in your pass book/statement account. We would be issuing an advice to you directly after the transaction is effected.

In case you wish to have your dividends paid through ECS and are holding the Company's shares in electronic form you may kindly fill in the enclosed ECS mandate Form and submit it to your Depository Participant. However, in case you are holding the company shares in physical form and wish to have your future dividends paid through ECS you may kindly return the said ECS mandate form duly completed and signed by you at our Registered Office address mentioned elsewhere in this report.

If you do not wish to opt for ECS facility, we strongly recommend that you provide the details of your Bank's Name, Bank's Branch, type of Account and Account Number to your depository participant, in cases where shares are held in electronic form and to us in cases where shares are held in physical form for printing the same on the dividend warrants which will be dispatched to you. In the event of any change or correction in the details that might have been provided by you earlier, kindly send revised particulars to your depository participants or to us as the case may be at an early date.

We request you to kindly submit the ECS / Bank details latest by Tuesday the 10 September 2019 to enable us to include the same for the payment of the current year's dividend.



## ZEN TECHNOLOGIES LIMITED

CIN: L72200TG1993PLC015939

Registered Office: B-42, Industrial Estate, Sanathnagar, Hyderabad – 500018, Telangana, India

### Form No. MGT-11

### PROXY FORM

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

Name of the Member(s):	
Registered address:	
Email ID:	
Folio No. / Client ID:	
DP ID:	

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

- Name: \_\_\_\_\_ Address: \_\_\_\_\_  
E-mail Id: \_\_\_\_\_ Signature \_\_\_\_\_ or failing him;
- Name: \_\_\_\_\_ Address: \_\_\_\_\_  
E-mail Id: \_\_\_\_\_ Signature \_\_\_\_\_ or failing him;
- Name: \_\_\_\_\_ Address: \_\_\_\_\_  
E-mail Id: \_\_\_\_\_ Signature \_\_\_\_\_

as my / our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the **26th Annual General Meeting** of the Company, to be held on **Saturday, the 21 September 2019 at 10.00 a.m.** at 11th Floor, Signature Towers, Opp. Botanical Garden, Kondapur, Hyderabad - 500 084, Telangana, India and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolution	Vote*	
		In Favour	Against
<b>Ordinary Business</b>			
1	To receive, consider and adopt the audited financial statements of the Company for the financial year ended 31 March 2019 and the Reports of the Board of Directors and Auditors thereon.		
2	To receive, consider and adopt the audited consolidated financial statements of the Company for the financial year ended 31 March 2019 and the Report of the Auditors thereon.		
3	To declare Dividend on equity shares for the financial year ended 31 March 2019.		
4	To appoint a Director in place of Mr. Ashok Atluri (DIN: 00056050), who retires by rotation and being eligible, offers himself for re-appointment.		
5	To consider and approve the appointment of M/s. Ramasamy Koteswara Rao and Co LLP, Chartered Accountants, as Statutory Auditors of the Company from 28 June 2019 till the conclusion of this Annual General Meeting arising out of the casual vacancy caused by the resignation of M/s. Sekhar & Co., Chartered Accountants; and (b) appointing them as Statutory Auditors of the Company for a term of up to 5 years and fixing their remuneration:		
<b>Special Business</b>			
6	To consider and approve the appointment of Dr. Ravindra Kumar Tyagi as Independent Director of the Company.		
7	To consider and approve the Re-appointment of Mr. M. Ravi Kumar as Whole-time Director and fixing remuneration.		

Signed this ..... day of ..... 2019

\_\_\_\_\_  
Signature of Proxy holder(s)

\_\_\_\_\_  
Signature of Member

Affix  
Revenue  
Stamp of  
Re. 1/- and  
sign across



**Note:**

1. The proxy duly stamped, completed, signed should be deposited at the Registered Office of the Company, not less than 48 (Forty Eight) hours before commencement of the meeting.
2. A Proxy need not be a member of the Company.
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- \*4. It is optional to indicate your preference. Please put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
5. Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes.
6. In the case of joint holders, the signature of any one holder will be sufficient, but names of all the joint holders should be stated.



## ZEN TECHNOLOGIES LIMITED

CIN: L72200TG1993PLC015939

Registered Office: B-42, Industrial Estate, Sanathnagar, Hyderabad – 500018, Telangana, India

### ATTENDANCE SLIP

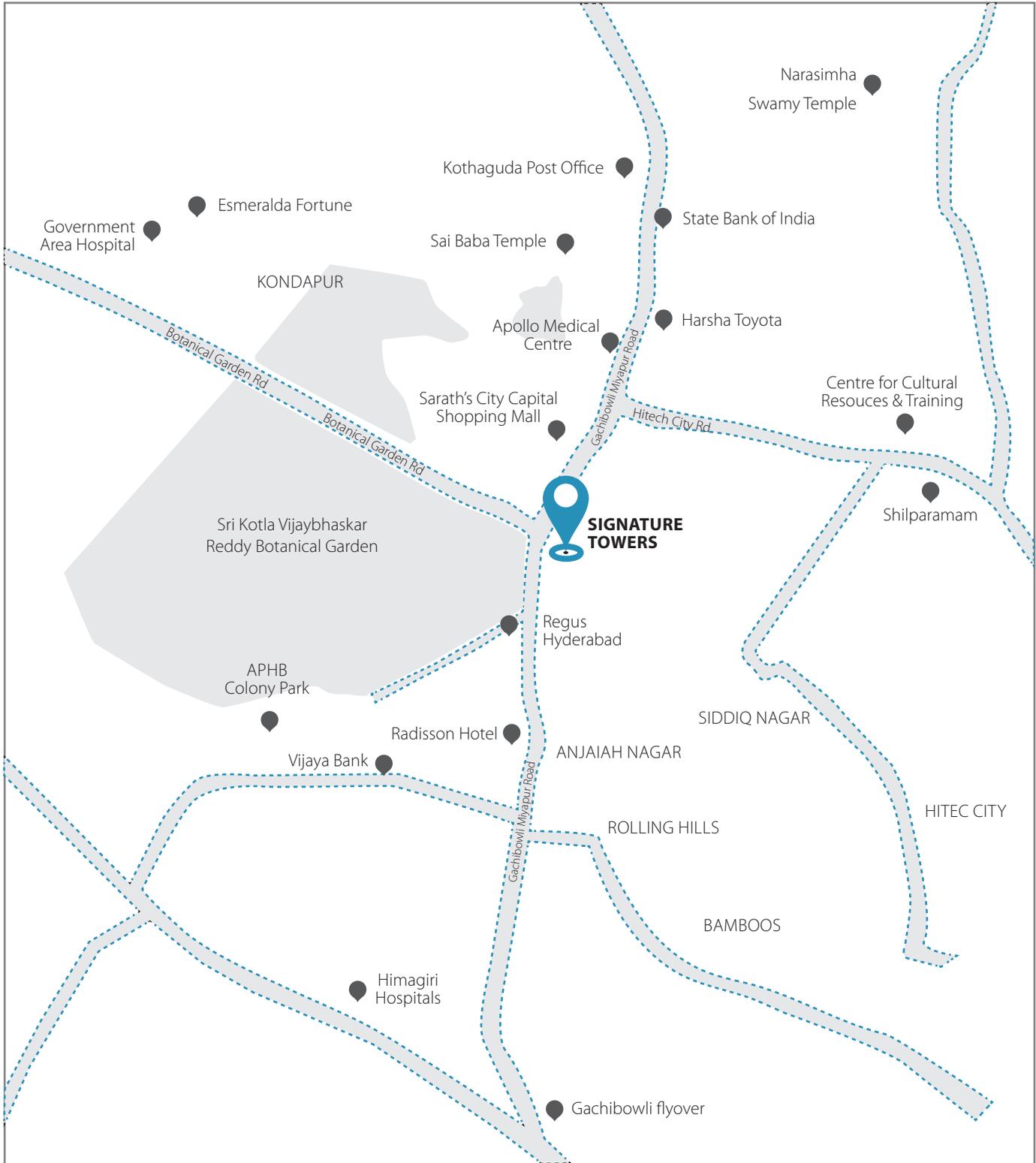
26th Annual General Meeting to be held on Saturday, the 21 September 2019 at 10.00 a.m.

I hereby record my presence at the 26th Annual General Meeting of the Company being held on Saturday, the 21 September 2019 at 10.00 a.m. at 11th Floor, Signature Towers, Opp. Botanical Garden, Kondapur, Hyderabad - 500 084, Telangana, India.

Name of the Shareholder:
Name of the Proxy:
Registered Folio no. /DP ID no. / Client ID no. :
Number of Equity Shares held:
Signature of Shareholder / Proxy:

Note: Please fill up this attendance slip and hand it over at the entrance of the venue. Members are requested to bring their copies of the Annual Report to the AGM.

## ROAD MAP TO THE AGM VENUE





[www.zentechnologies.com](http://www.zentechnologies.com)

*If undelivered, Please return to:*



being there...

**ZEN TECHNOLOGIES LIMITED**

Registered Office: B-42, Industrial Estate, Sanathnagar  
Hyderabad-500018, Telangana, INDIA  
CIN : L72200TG1993PLC015939