



**ZEN TECHNOLOGIES LIMITED** being there...

25<sup>th</sup> Annual Report  
2017-18

# EXPANDING HORIZONS





# EXPANDING HORIZONS

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**AT** Zen Technologies, we believe the words 'Expanding Horizons' neatly encapsulate our business direction and intent.

Because we are expanding our opportunity size even as the size of the global addressable market keeps growing.

Because we are expanding our footprint across a larger number of global markets.

Because we are increasing the proportion of annuity AMC revenues within our income mix.

Because we are targeting to grow our business in the US, the world's largest and most sophisticated market within our sector.

Because we are at the cusp of growing our order book, revenues, margins and profits, strengthening business sustainability.



**Zen Technologies Limited**, incorporated in 1993 and headquartered in Hyderabad, designs, develops manufactures world-class, state-of-the-art training simulators. Its mission is to provide quality products and services to its customers. Zen is at the forefront of applying new technologies and developing new products. It is actively involved in indigenisation of technologies, which are beneficial to Indian armed forces, state police forces and para-military forces. Zen's complement of products and services includes a variety of simulators, which find applications in the defence and homeland security sectors.

## Vision

To be a leading global defence training solutions provider

## Mission

To provide training solutions through innovative and cost effective solutions

# 9 things you need to know about Zen Technologies



### 1. Pioneer in Defence training solutions

Zen is a pioneer in the defence training solutions sector. Over the last 25 years, company has supplied over 1000 simulators to 100+ clients across the country. Owing to the rich experience Zen has aggregated over the years, the Company has emerged as dominant force within its industry.

### 2. R&D-driven company

Zen is a focussed R&D-driven organization employing over 90 in-house researchers with specialized knowledge. It continues to collaborate with leading technical universities to augment capabilities. Continuous large R&D investments have significantly shortened lead times in developing new simulators coupled with its proprietary and extensive data-bank of simulation modules. This continues to be the Company's key competitive edge.

### 3. Wide product range

Zen is in an enviable position to offer a range of training solutions that can be tailored as per the client's training needs. With over 40 simulators, ranging from the small arms training simulator to advanced tank firing simulators, Zen possesses the capability to address most defence and security training requirements.

### 4. Asset Light model

Zen continues to focus on value-added activities like R&D, intellectual property and client engagements. Zen has partnered with reputed vendors to manufacture as per the customer's requirements. This has allowed Zen to continue to scale its business in an asset-light way without commensurate capital expenditure in setting up large manufacturing facilities.

### 5. Net debt-free Balance Sheet

Zen has a strong net debt-free Balance Sheet, which enables it to continue investing for the long-term.

### 6. Strong governance

Zen complies with industry best practices to make itself an ideal long-term business partner for clients and suppliers while also attractively positioning itself among the best employers in the industry. Zen has a strong governance framework encompassing product quality, environmental compliance as well as information & security management.

### 7. Listed on NSE & BSE

Zen went public in 2000 and has since been a profit-making and dividend-paying company. Zen Technologies is listed on the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). Its market capitalisation stood at Rs. 882 crore as on 31 March 2018.

## 8. 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)

## 9. Awards / Recognition

- 'Best Indigenous Products' at the 10th International Security Safety & Fire Exhibition, 2005 India Trade Promotion Organization.
- 'Excellence in Product Innovation (Small Scale Industry)' award from FAPCCI (The Federation of Andhra Pradesh Chambers of Commerce and Industry) for the year 2005-06.
- The Company's in-house R & D unit is recognized by Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India.
- All India Manufacturers' Organization (Andhra Pradesh State Board) had selected Zen Technologies Limited, Hyderabad for Bharat Ratna Dr. M. Visvesvaraya Industrial Award for "Best Technology Effort" for the year 2009.
- Zen Technologies was awarded 1st prize in the category of "Most Innovative / Indigenous Product" for "Portable Simulators" during the IISE -2009.

- Zen Technologies Limited had been awarded 'Certificate of Excellence' by Inc. India in 2010.
- Zen won the Best Innovative Product award at IISE 2014.
- Zen Technologies Ltd was adjudged as one of the top 25 Innovative Companies of the country by CII at the Innovation and Entrepreneurship Summit 2015.

# The global defence sector in numbers



## Milestones

**1993**

Zen Technologies was incorporated

**1996**

First sale of Zen SATS Simulator recorded

**1998**

Zen's R&D efforts were recognised by the Indian Government

**2002**

Launched the Advanced Weapons Simulator (AweSim)

**2011**

Launched the tank simulator

**2012**

Launched the UAV simulator

**2013**

Launched the IWTS, ACTS, TZS, MMG & AGL simulators

**2015**

Launched the flagship Zen Combat Training Centre Zen was listed on the National Stock Exchange of India Limited (NSE)

EXPANDING

\$63.9<sup>bn</sup>

Indian military spending, 2017

\$1.4<sup>tn</sup>

Global military spending, 2007



\$1.7<sup>tn</sup>

Global military spending, 2017

\$1981

Israel's per-capita military expenditure, ranked 2nd globally



\$1879

US per-capita military expenditure, ranked 3rd globally



\$1873

Oman's per-capita military expenditure, ranked 4th globally

13,488

Global terrorism-related incidents, 2016

9,362

Fatalities from terrorism, 2006



34,676

Fatalities from terrorism, 2016

(e)- estimated

**2004**

Zen was listed on the Bombay Stock Exchange

**2006**

Launched the BMP driving and integrated missile simulator

**2008**

Launched live simulation

**2009**

Zen commissioned the Maheshwaram unit

H O R I Z O N S

**2016**

Launched the Containerised Tubular Shooting Range

**2017**

Won the largest export order (Rs. 64 cr)

**2018**

Commissioned new Technology Center in Kondapur, Hyderabad

## 25 years of Zen Technologies



**Ashok Atluri**, *Chairman and Managing Director*

### Overview

India's Defence sector is passing through an inflection point that will favourably transform the prospects of those placed competitively to capitalise on this opportunity.

This is a seminal point for some good reasons: India is the largest importer of defence equipment in the world and any shift towards domestic weapon sourcing represents a sizable opportunity. India also finds itself in the middle of one of the most geo-politically unstable regions in the world, marked by hostile neighbours around and pockets of insurgency within.

With unpredictable threats like #CAATSA from USA hanging like Damocles' sword over India's defence procurement, there is a premium on the need for India to indigenise. We believe that these realities will lead to increased defence spending, strengthening prospects for the country's defence sector.

The decision of the Indian government in accelerating private sector participation in defence R&D and manufacturing, coupled with substantial sectoral investments, represent decisive first steps for the country's Defence sector. Even though orders from the Indian Government could continue to be lumpy, a decisive journey has indeed begun. Going ahead, the volume of Defence procurement from the private sector is likely to grow substantially, spread across a wider products range and centred around a deeper

The principal message that I wish to communicate is that Zen Technologies is attractively placed to capitalise on the sectoral watershed.





technology intensity. The stress on a growing proportion of indigenous content in systems/sub-systems being procured is heartening news for research-driven players like Zen who have focused on patient investments and allocation of a significant share of their revenues in the development of indigenous technologies.

The principal message that I wish to communicate is that Zen Technologies is attractively placed to capitalise on the sectoral watershed.

### 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 unless a significant diversification opportunity presents itself. Following the application of AI techniques, including Adaptive Learning technologies in training solutions, we believe we are attractively placed to reinforce our sectoral leadership across the foreseeable future.

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, based on Adaptive Learning, to security forces of various governments the world over.

### 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, Zen has strengthened its corresponding seriousness warranted by this sensitive sector. The Company's seriousness is principally reflected in its governance commitment. Over the years, the Company strengthened its governance through a long-term outlook, focus on processes and systems as the basis of its working, placing a premium on customer confidentiality, strengthening the technocrat-driven environment with an extensive investment in recruitment and 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 comprehensively to stakeholders. We believe that this governance foundation is a showcase of our commitment to manage our business in a responsible and sustainable manner.

### Customer value

Zen provides outstanding customer value by bringing to the table distinctive capabilities.

These capabilities have been reinforced by its presence in a niche within India's Defence sector for 25 years. The Company's distinctive track record has been manifested in a robust eco-system of knowledge, relationships, products complement and competitiveness.

Zen addresses the vast opportunity in this niche through a technology-driven Combat Training Centre solution that can be customised around specific customer needs. Zen provides solutions around the real needs of its customers, making it a dependable ally in addressing security challenges they face. Zen provides a range of holistic solutions for a range of Defence customers – Indian armed forces, state police forces and paramilitary forces as well as their counterparts in other friendly countries.



8 bn

Estimated size of the global addressable market (US\$).



Zen has focused on emerging opportunities from the field of training solutions for a quarter of a century, marketing customised training solutions and carving out a larger share of the client's wallet. The result of our prompt service, sustained improvements in installed products and continuous support provided through the product lifecycle is that, customers prefer to engage with us at every stage of their investment cycle, which is an unusual feature in a security space generally marked by short-term engagements.

#### Global market

In the past couple of years, the push provided by the Indian government has transformed the opportunity landscape for Zen. The Company is actively engaged in about 20 countries, the result of a comprehensive and responsive transformation in our marketing, positioning and communication capabilities. The vast potential of this reality should reflect in Zen winning export contracts across the foreseeable future. We are optimistic that these wins will provide the Company with the critical mass to showcase its credentials as a dependable global supplier of technology-

driven simulation solutions.

During the year under review, we strengthened our global business by incorporating a wholly-owned subsidiary in US and appointed a new CEO to reach prospective customers across the US and its friendly countries. Going ahead, Zen India will focus on the growing opportunities arising out of India, the Middle East, CIS and Africa. Besides, the Company will address small countries where solutions like combat training centres were out of reach for long. 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 growing global credibility of Indian Defence vendors following active government encouragement, potentially transforming the face of the sector.

#### Indian market

The growth of the Defence sector in India represents a dynamic extension of the Indian government's commitment to take the Make in India manufacturing initiative ahead. The government introduced

significant modifications in its erstwhile procurement approach: it relaxed the need for a procurable product to have at least three vendors; it became increasingly accessible to companies that proposed innovative products unmapped by the government. The eco-system will develop enhanced confidence in the system to invest in new product development and productisation.

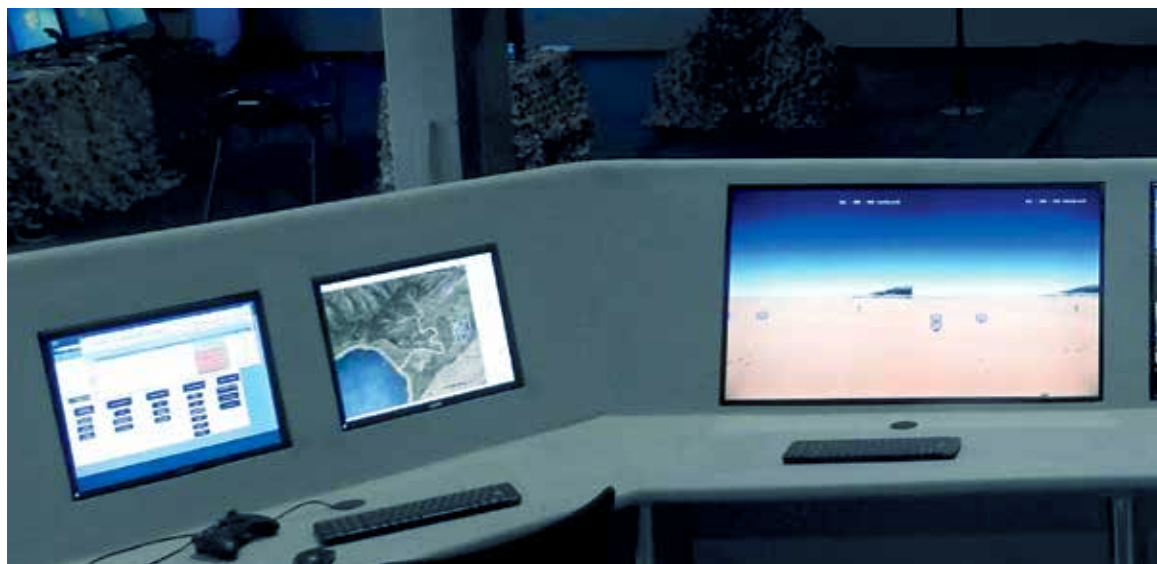
#### Research-driven

Zen has strengthened a business moat through proactive investments in proprietary research. Over the years, the Company has strengthened its brand around the delivery of comprehensive training solutions that address a deep-felt need of customers. The Company is a respected solutions integrator capturing value across the process chain. These simulation training products are technologically advanced and represent absolutely the latest in cutting-edge orientation. The Company provides a family of more than 40 products and has filed 93 patents till date, making it possible to address virtually the complete training needs of



20

The number of countries that the Company is engaged in.



an army and internal security forces. The Company's research commitment was validated through an investment of Rs 65 cr+ across five years (around 24% of revenues) ending 2017-18, a period when the sectoral cycle was relatively depressed.

#### Asset-light

Zen is attractively placed to address the vast market. Over the years, the Company strengthened its business around asset-lightness. This approach is organic, making it possible to ramp up with speed without a corresponding increase in the Company's capex, fixed costs or debt. 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 engage in seamless deliveries even when receiving large orders, protecting customer schedules and strengthening overall dependability.

#### Annuity revenues

The Defence and police training solutions niche is marked by lumpy revenues. At Zen, we recognise that this reality can test Balance Sheet stability across periods 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. Even as not all customers enter into asset maintenance contracts with Zen, those who do can potentially generate revenues equivalent to around 120 per cent of the initial product sales value generally extended across a 15-year horizon. The Company is progressing towards a critical mass of product sales to be able to generate adequate consolidated AMC revenues to more than break-even, making the business sustainable even in depressed market cycles.

#### Optimism

Even as we were disappointed with some orders not materialising during the last financial year - more than Rs 30 Cr of request for proposals

were canceled after we were declared the lowest (L1) bidder following trials - resulting in the performance of the Company under-performing the rich sectoral potential in the short-term, the medium-term and long-term outlooks appear positive.

The global addressable market of more than USD 8 bn on the one hand and a relatively low supplier presence on the other provides a large sustainable business opportunity.

As the world invests more in training and preparedness, the market for our products will only increase. By the virtue of being present in a relatively under-populated niche with a complement of cutting-edge products woven around relevant needs, the Company is optimistic of enhancing value for its stakeholders in a sustainable way.

#### Ashok Atluri

Chairman and  
Managing Director,  
Zen Technologies Limited



65 cr+

Our investment (Rs) in research in the space of 5 years ending 2017-18.



# Management's review of 2017-18

## Q: Was the management pleased with the working of the Company during the last financial year?

**A:** During the last financial year, the Company reported its largest aggregated inflow of orders during any financial year in its existence on the one hand and the largest single order in its existence on the other. These orders – about Rs 300 cr as on 31 March 2018 - validated the Company's projected product potential as well as ability to crack the market. In doing so, the Company created the foundation for an attractive revenues kick-start that promises two years of straight visibility from this point onwards.

However, during the last financial year we potentially missed around Rs 30 cr of orders, which would have translated not just into higher revenues but also an appreciable increase in profits. The Company reported Rs. 38.96 cr in revenues in 2017-18, the proportion of equipment-based revenues being no higher than Rs. 18.43 cr. In doing so, we believe we temporarily under-performed our rich potential.

## Q: What were some of the positive implications in this record order inflow?

**A:** The one positive implication of this order inflow is annual maintenance revenues. Of Rs. 348.78 cr of orders at the close of the last financial year (compared with Rs. 73.99 cr as on 31 March 2017), component orders accounted for Rs. 223.65 cr and annual maintenance contracts (AMC)

accounted for Rs. 125.13 cr. The latter component provides us with annuity revenues and could extend across the next five years, strengthening our revenue visibility. Besides, the component orders will not only address revenues for the year under review; but will also provide us with a platform for scalable AMC revenues across the foreseeable future. So if there is a big message that we would like to send out to our shareholders it would be that the Company has transitioned from a position of vulnerability to the first semblance of sustainability across the foreseeable future that could become increasingly visible from 2018-19.

## Q: What were some of the other creditable developments during the year under review?

**A:** We believe that two creditable developments that could translate into attractive realities across the foreseeable future comprise our launching an office in US during the last financial year and the tremendous interest our marketing team was able to generate in overseas target markets.

From a more critical long-term perspective, we launched an office in USA. This decision was

348.78 cr

Order book (Rs) as on 31<sup>st</sup> March 2018

the result of our confidence that we indeed possess a world-class technology solution that is contemporary and sophisticated. We also believe that the nature of our services is relevant to the US market. Any wins in this competitive and demanding space can also serve as a validation of our capability, which would then make it easier to enter other markets. We are under no illusion that our engagement in the US market is long-term and that we would need to make prudent and sustained investments to achieve long-term goals.

## Q: What is the basis for the management's optimism about its prospects?

**A:** At Zen Technologies, we are optimistic of our prospects for good reasons.

**One,** the Company practices a culture of responsible austerity, reflected in relatively low overheads that make it possible to cover fixed costs quicker even during periods of low sales and sectoral sluggishness.

**Two,** the Company enjoys a first-mover's advantage in a nascent sector, reflected in a number of quality certifications and Ministry approvals, which represent a sizable multi-year head-start over prospective competition.

**Three,** the Company has established its competitiveness in the niche space of simulation training products, extending well beyond a simplistic cost arbitrage argument to a technology-driven superiority. The result is that the Company's

products have established a respect for being ahead of the curve and provide a differentiated solution over competing alternatives.

**Four,** the Company's success is not derived only from product sale; it is derived from the ability to support the after-sales needs of our customers through a 60-member customer support department – almost a quarter of the Company's employee base – spread across pan-India locations that are close to customers.

**Five,** the Company's research competence lies at the heart of its competitiveness. The Company has another 90+ technology professionals dedicated to understanding evolving customer needs and the ongoing adaptation of products and technologies. The Company backed this commitment through an aggregate research investment estimated at around Rs. 40 cr across the three years ending 2017-18, which was estimated at a sizable 26 per cent of revenues. We believe that this sizable investment represents an insurance against the growing demands of the future, ensuring our continued relevance in a dynamic sectoral space.

## Q: How is the Company's financial structure adapted to address the prospects of the business?

**A:** An increase in AMC revenues will sustain the



Company even when the business is lean. Large equipment orders could provide a huge upside. By tapping the export market, the Company would be able to move ahead from one customer to many. The export market is expected to generate larger revenues in the years to come.

**Q: What is the outlook for the Company's working in 2018-19?**

**A:** The Company will focus on clearing a sizable part of the orders backlog, translating into attractive revenues in 2018-19. Meanwhile, the Company has begun participating in international exhibitions with the objective to enhance its sectoral visibility. We believe that this should translate into a couple of large export orders, decisively strengthening our order book from this point onwards. The surplus that we generate will go into widening our international marketing presence with the objective to generate predictable revenues including larger orders from the Indian government.

The Company will focus on clearing a sizable part of the orders backlog translating into attractive revenues in 2018-19.



# Zen's Training Solutions

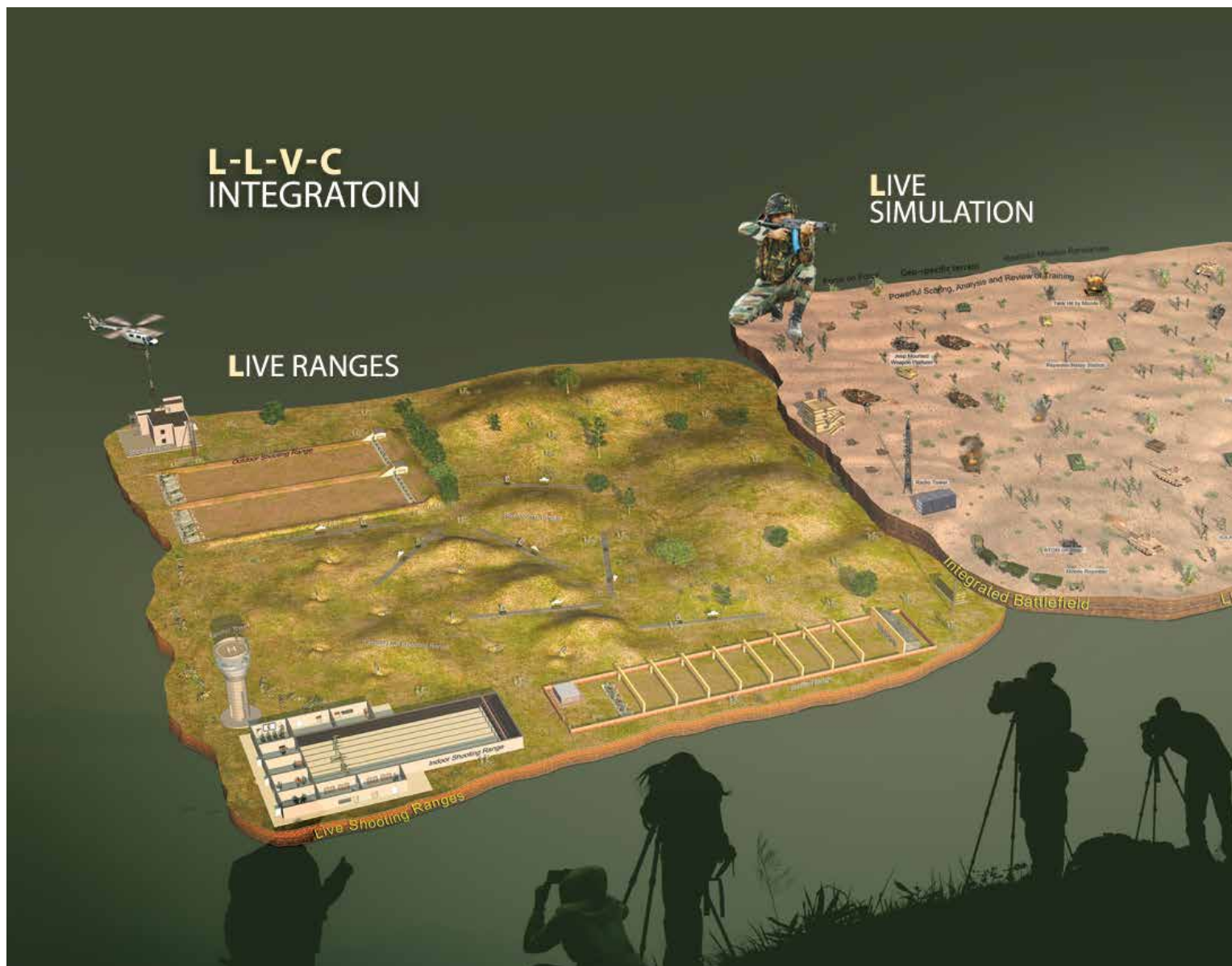
Training represents the core of military preparedness. When done right, superior preparedness can be the deciding factor when two forces of otherwise equal strength are pitted against each other. The result is that when soldier confidence is backed by superior competence, it could be the difference that could help an army prevail.

There is a growing room for training solutions to comprise the use of equipment and simulators. Conventional training comprises large costs and time with low effectiveness and often negative training value. The lack of proper training sites and shooting ranges restrict field exercises as well. Over the last few years, global forces are also taking cognizance of military drills and firing of weapons

leaving significant environmental impacts and are moving towards impact-less training methods.

The concept of simulation technology has attracted growing global attention, numerous countries adopting this form of training to keep its forces combat-ready. Besides, this form of training costs a fraction of live field exercises; they can be modified to address tactical or strategic changes. A

comprehensive training solution is today is a combination of live, virtual and constructive simulations. Simulation has found extensive adoption in military training (indoor and outdoor), and where the integration with virtual cum augmented reality can become increasingly important. This is already evident in the increasing customer interest in Zen's CTC.

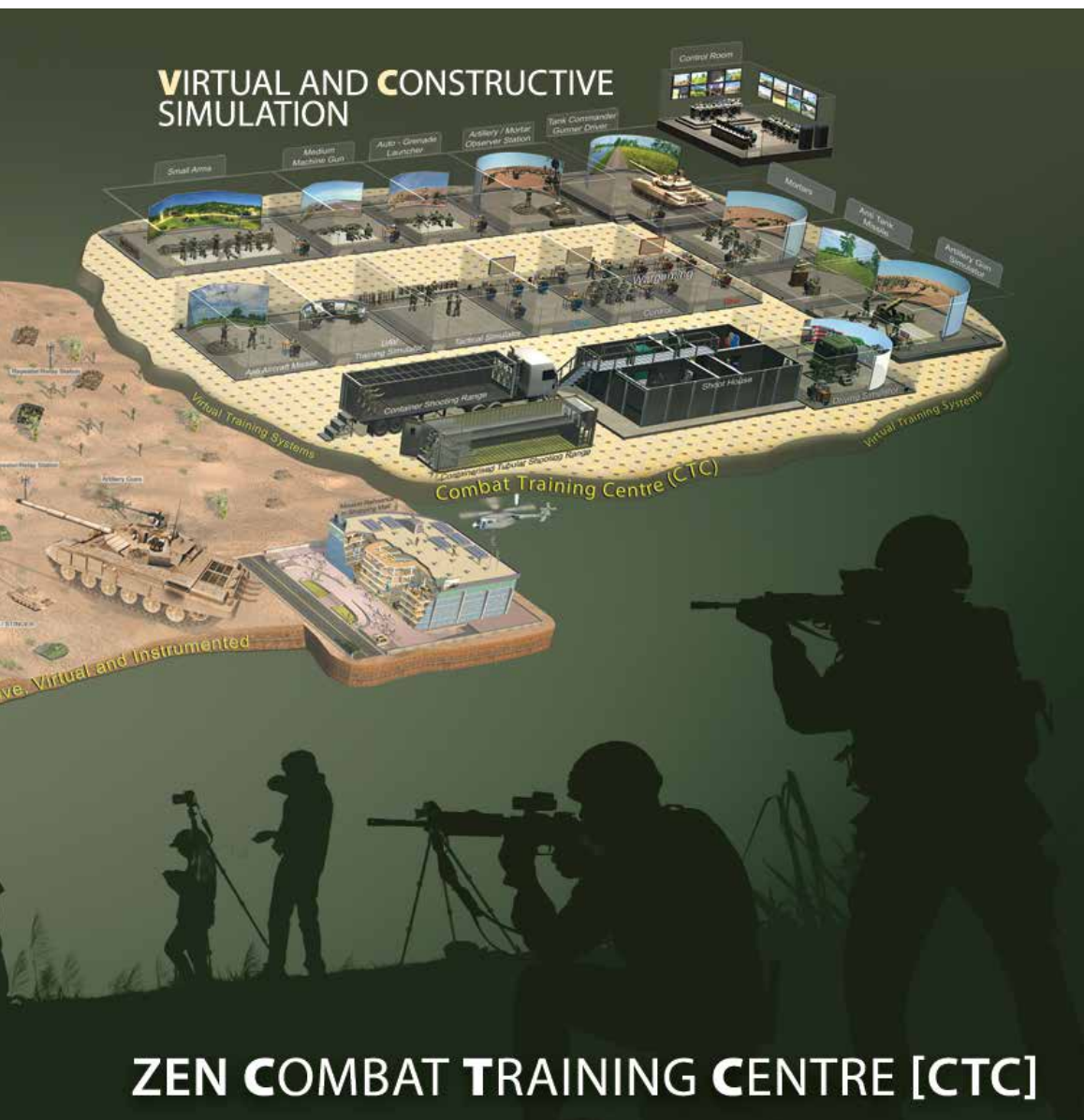




A major impetus for simulated training is derived from a gradual reduction in defence spending by countries. This reduction has moderated the procurement of new hardware, leaving a military force to focus on the timely maintenance of hardware, weapons and vehicles. This priority has also created the need to moderate the use of conventional training, including the costly physical use of tanks

coupled with the moderated number of operations to reduce asset depreciation. The use of simulation provides a ready solution: tank simulators can be used to train a crew that can replace actual driving and firing with virtual driving and simulation-led firing. The use of a tank simulator can train a number of troops at a fraction of the cost of physical driving, firing and drills.

Going forward, the global virtual military training market is expected to grow to US\$ 11300 million by 2023 from US \$ 9930 million in 2017, growing at a CAGR of 2.2% between 2017 and 2023. The Asia-Pacific could carve out a larger market share, driven by growing investments in China, India and ASEAN even as North America, especially United States, continues to play an important role.



2.2%

Estimated CAGR growth of the global military virtual training market from 2017-2023



11.3 bn

Estimated size of the global military virtual training market, 2023 (US\$)

# Research and Development at Zen

**Research** and development resides at the heart of how we do business. The pursuit of cutting-edge research comprises an intrinsic part of our DNA, reflected in the development of new technologies, need to make them commercially viable and assist global defence and security forces.

**In India**, the competition we face is limited; where competition does exist, it is only for few products. Besides, most domestic players enjoy collaborations with global companies and do not possess proprietary research capabilities. Zen is different; our competencies encompass the fields of mechanical engineering, embedded electronics, laser optics, 3D visualisation software and their progressive integration with various technologies. The result is that Zen possesses a rich cumulative R&D experience of around 25 years, showcased in its filing more than 93 patents and having 23 registered patents.

**In** the area of cutting-edge research, an important requirement is the availability of abundant talent at the right cost. In a business-strengthening initiative, Zen

selected to commission its new R&D center in Kondapur (Hyderabad), proximate to prominent universities (IIT, JNTU, IIIT and Central University) and cosmopolitan communities.

Over the years, the Company has built a vibrant team marked by the ability to bring innovative approaches to the table and address problems effectively. The team's skills comprise the domains of mechanical engineering, software, electronics, mathematics, weapons and equipment.

**The** team's competencies also comprise the replication of weapons and systems in form and functionality, sensor systems development and integration with real and simulated weapons, optimizing coding in low level languages, the development of micro controller-based systems and visualization. Since these capabilities require in-depth knowledge across multiple domains, the team remains dynamic with regards to learning new technologies and implementing them across projects.

**Over** the years, the company has demonstrated its R&D capability

through the prudent selection of appropriate technologies addressing customer needs and specifications on the one hand and the facility of productisation at a low cost even in small numbers.

**Zen** has progressively invested in the integrated development of live, virtual, constructive and real training solutions that enhance the preparedness of our customer's units and regiments. Besides, the Company extended into operational equipment, significantly enhancing the capability of defence forces.

**At Zen**, the development process commences with domain experts briefing the rest of the team on customer requirements, aspirations and use cases. Based on these inputs, a first cycle of prototype is developed and intended users invited to test it leading to iterative co-development that culminates in final trials, where 100% compliance is mandated in India or less in other countries.

**Across** the last 10 years, technologies and products addressed individual skills with equipment, which have

gradually evolved into tactical training where entire battles are simulated. Besides, sensor granularity has increased from multi-point on an individual on the one hand coupled with aggregation at large team levels on the other. Earlier the outcome was analysed by experts; today, cutting-edge technologies have enabled the system to analyze with greater accuracies, significantly reducing conventional training costs while enhancing skills many times over.

**At Zen**, from the development of a simple anti-tank guide missile in 2006, where soldiers could enhance their skills in the confinement of rooms, the company has progressed to a point where the user can enact a battle in the real outdoor terrain, where all battle actions are recorded, the system automatically analyses the proceedings and predicts battle outcomes. This objective understanding makes it possible to proactively indicate what needs to be done to enhance capabilities.

**Zen** will invest resources in the field of Artificial Intelligence,





Machine Learning, DSP, Cryptology and RF to make legacy systems 'autonomous' in five years. The training solutions will cover existing weapon platforms and electronic warfare; when AR/VR technologies mature they will also be employed in simulators.

Zen's ongoing initiatives and innovation are directed towards adaptive learning, autonomous tracking and electronic warfare, which enjoy growing traction from Indian and international defence forces.



₹12.8 cr

Investment made into R&D in 2017-18

### The Make II Policy

The Make II Policy of the Ministry of Defence indicates product requirements or component indigenisation, an unprecedented opportunity for Zen.

Zen is attractively placed on account of its low product development cost, opportunity to directly interact with users, develop products through an iterative way and complete procurement assurance.

The Make II category also welcomes suo moto proposals that enhance defence sector efficiency. Zen is attractively placed to capitalise: the company enjoys a successful experience of working with the Indian defence sector and a deep understanding of its training and operational needs.

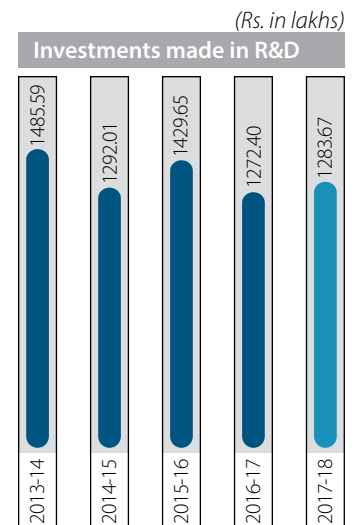
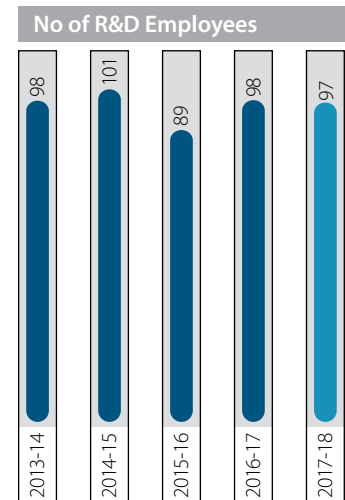
The Company's extensive knowledge of equipment and customer needs are expected to translate into the best suo moto proposals fulfilling the needs of the Indian armed forces

### Project steps

- Understanding the use case
- Product functionality from the user's perspective
- Environment of deployment
- Design and critical design review
- Development of prototype
- First trial runs Iterative changes
- Final trials
- New product deployment (average 18 months)

### Year-wise break up of R&D employee strength

(over 5 years)



The skills required are in the domains of mechanical engineering, Software, Electronics, Mathematics, Domain Expertise in weapons and equipment.



# Governance culture at Zen

Zen believes in complying with the industry best practices that make it an ideal long-term business partner for clients and suppliers, while also attractively positioning itself among the best employers within its industry.

Over the years, the Company strengthened its governance through a long-term outlook, focus on processes and systems as the basis of its working, placing a premium on customer confidentiality, strengthening the technocrat-driven environment with an extensive investment in recruitment and 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 responsibly to stakeholders.

Zen has progressively strengthened its Board of Directors, which ensures that the Company continues to work in the best interest of

all stakeholders. Important committees like Audit, Nomination and Remuneration, Stakeholders' relationship and Corporate Social Responsibility comprise a majority of Independent Director members and are also chaired by Independent directors.

Zen's highest regard for governance and fairness in its dealings has helped deepen relationships with Defence forces, a competitive edge for the Company.

Good governance and following the best industry practices led to deeper relationships with clients and vendors. From our clients, this trust has translated into the combination of repeat business and long-term AMC contracts, helping the Company scale up. Similarly, treating our vendors fairly has made us a preferred client for most of them, which allowing us to scale our business in an asset-light way without compromising product delivery,



quality or timelines. A culture of meritocracy and adequate employee empowerment has helped attract and retain talent, strengthening our technical competence.

This governance foundation is a showcase of company's commitment to manage its business in a responsible and sustainable manner.

#### **5 ways by which we have strengthened our governance**

1. An independent Board of Directors with three out of the five Directors being Independent
2. Regular review meeting of each functional head with the top management to review operations and required actions for continuous improvement
3. Comprehensive MIS for prompt decision-making
4. Lean practices like Kaizen, 5S, Gemba walk, etc.
5. Industry best practices including Information Security Management System, Quality Management System, Environmental Management System

Zen's highest regard for governance and fairness in its dealings have helped it develop deep relationships with defence forces which is a competitive edge for the Company.





## CORPORATE INFORMATION

CIN	L72200TG1993PLC015939	
Board of Directors	Mr Ashok Atluri (DIN: 00056050) Mr Midathala Ravi Kumar (DIN: 00089921) Mr Venkat Samir Kumar Oruganti (DIN: 06699271) Ms Madati Sridevi (DIN: 02446610) Mr Amreek Singh Sandhu (DIN: 08064880)	- Chairman and Managing Director - Whole Time Director - Independent Director - Independent Director - Independent Director (w.e.f. 03.02.2018)
President	Mr Kishore Dutt Atluri	
Chief Financial Officer	Mr N Ramesh Kumar (w.e.f. 03.02.2018)	
Company Secretary	CS M Satish Choudhury (w.e.f. 24.08.2017)	
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	
Statutory Auditors	M/s. Sekhar & Co., Chartered Accountants Hyderabad	
Secretarial Auditors	M/s. P. S. Rao & Associates Company Secretaries Hyderabad	
Banker	Indian Bank State Bank of India	
Registrar and Share Transfer Agents	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 – 67161605, Fax: + 91- 40 - 23001153 Email id: einward.ris@karvy.com	
Listed With	BSE Limited, Mumbai (BSE) National Stock Exchange of India Limited, Mumbai (NSE)	



## STATUTORY SECTION



## 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 25th Annual General Meeting (AGM) of the Company will be held on Saturday the 29 September 2018 at 9.00 a.m. at 11th Floor, Signature Towers, Opp. Botanical Garden, Kondapur, Hyderabad - 500 084, Telangana, India to transact the following business:

#### ORDINARY BUSINESS:

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

To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 31 March 2018 along with the Reports of the Board of Directors and Auditor's thereon.

**2. Declaration of Dividend on the equity shares**

To declare a dividend on the Equity Shares of the Company for the financial year ended 31 March 2018.

**3. 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 reappointment.

#### SPECIAL BUSINESS:

**4. Appointment of Mr Amreek Singh Sandhu 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 Mr Amreek Singh Sandhu (DIN: 08064880), who was appointed as an Additional Director of the Company by the Board of Directors on 03 February 2018 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, as an Independent Director of the Company to hold office for 3 (Three) consecutive years i.e., from 03 February 2018 to 02 February 2021 and he shall not liable to retire by rotation."

**5. Appointment of Mr Venkat Samir Kumar Oruganti as Independent Director of the Company**

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, 160 and other applicable provisions of the Companies Act, 2013 (Act) 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 Mr Venkat Samir Kumar Oruganti (DIN: 06699271), who was appointed as an Additional Director by the Board of Directors on expiry of his tenure of office as Independent Director of the Company on 14 August 2018, having submitted a declaration that he meets the criteria of Independence under Section 149 of the Companies Act, 2013, and is eligible for appointment, as an Independent Director of the Company to hold office for a second term of 3 (Three) consecutive years i.e., from 14 August 2018 to 13 August 2021 and he shall not liable to retire by rotation."

**6. Approval of limits for the Loans, Guarantees, Security and Investment by the Company as per Section 186 of the Companies Act, 2013**

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

"RESOLVED THAT pursuant to the provisions of Section 186 of the Companies Act, 2013 ("the Act") read with the Companies (Meetings of Board and its Powers) Rules, 2014 and other applicable provisions, if any, of the Act (including any modification or re-enactment thereof for the time being in force) and subject to such approvals, consents, sanctions and permissions as may be necessary, consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include, unless the context otherwise requires, any committee of the Board or any officer(s) authorized by the Board to exercise

the powers conferred on the Board under this resolution), to (i) give any loan to any person or other body corporate; (ii) give any guarantee or provide any security in connection with a loan to any other body corporate or person and (iii) acquire by way of subscription, purchase or otherwise, the securities of any other body corporate, as they may in their absolute discretion deem beneficial and in the interest of the Company, subject to however that the aggregate of the loans and investments so far made in and the amount for which guarantees or securities have so far been provided to all persons or bodies corporate along with the additional investments, loans, guarantees or securities proposed to be made or given or provided by the Company, from time to time, in future, shall not exceed a sum of Rs 500 Crores (Rupees Five Hundred Crores only) ) outstanding at any time notwithstanding that such investments, outstanding loans given or to be given and guarantees and security provided are in excess of the limits prescribed under Section 186 of the Companies Act, 2013.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above, Board of Directors of the Company and/or any committee / person authorized by the Board from time to time be and is hereby empowered and authorised to take such steps as may be necessary for obtaining approvals, statutory or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto and to sign and to execute deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution."

**7. 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)**

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

**"RESOLVED THAT** pursuant to the applicable provisions of the Foreign Exchange Management Act, 1999 (which along with the regulations framed thereunder be referred to as "FEMA"), Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, Foreign Direct Investment Policy, Reserve Bank of India (RBI) Circular/s, the Companies Act, 2013 and all other applicable Acts, Circulars, Directions, Rules, Regulations, Notifications, Press Notes, Guidelines, and Laws (including any statutory modification(s), amendment or re-enactment thereof for the time being in force) and subject to all requisite approvals, consents, permissions and sanctions, and subject to such conditions as may be prescribed by any of the concerned authorities while granting such

approvals, consents, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board"), the consent of the Company be and is hereby accorded for investments by Registered Foreign Portfolio Investor/s (RFPIs) (including Qualified Foreign Investor/s (QFIs) and Foreign Institutional Investor/s (FIIs)), Foreign Venture Capital Investor/s (FVCIs), by whatever name called registered with the Securities and Exchange Board of India ("SEBI"), and Non Resident Indian/s (NRIs), in the equity shares of the Company, by purchase or acquisition from the market under the Portfolio Investment Scheme under FEMA, subject to the condition that:

- a) the total holding of all RFPIs (including QFIs and FIIs) and FVCIs put together shall not exceed aggregate limit of 39%; and
- b) the total NRIs holding shall not exceed 10%;

within the RBI specified sectorial cap limit of 49% of the paid-up equity share capital of the Company or such other maximum limit as may be prescribed by RBI from time to time.

**RESOLVED FURTHER THAT** the total holding of all RFPIs (including QFIs and FIIs) and FVCIs and the total NRIs holding shall be interchangeable within the sectorial limits of 49% of paid-up share capital of the Company or such other maximum limit as may be prescribed by RBI from time to time, subject authorization of the Board of Directors authorizing the change of limits by passing a resolution in their meeting.

**RESOLVED FURTHER THAT** the above said limits of the holdings of RFPIs, FVCIs and NRIs be subject to such conditions as may be imposed by Reserve Bank of India or any other Statutory Authority/ies in force, whose permission or sanction may be required under any Law.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper and expedient for the purpose of giving effect to this resolution including intimating the concerned authorities or such other regulatory body and for the matters connected therein or incidental thereto."

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

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

Dated: 14 August 2018  
Place: Hyderabad

## NOTES:

1. The explanatory statement in respect of the special business in the Notice, 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 register of members and share transfer books will remain closed from 22 September 2018 to 29 September 2018 (both days inclusive) in connection with the annual general meeting and dividend.
8. The dividend for the year ended 31 March 2018 as recommended by the Board, i.e. 10% @ ₹0.10 (Ten paise only) per equity share of ₹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 21 September 2018. 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 21 September 2018 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 2011 will be transferred on 08 November, 2018 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 Sec.205A of the Companies Act, 1956 (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'), 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. 64,550 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 (completed on December 23, 2017) and the statement containing such details as may be prescribed is placed on Company's website [www.zentechologies.com](http://www.zentechologies.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 Computershare 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 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 [http://www.zentechologies.com/investor\\_relations/unpaid-unclaimed-dividend-2016-17.php](http://www.zentechologies.com/investor_relations/unpaid-unclaimed-dividend-2016-17.php).
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 2017-18 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 25<sup>th</sup> AGM and the Annual Report 2017-18 will be available on the Company's website, [www.zentechologies.com](http://www.zentechologies.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@zentechologies.com](mailto:investors@zentechologies.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 21 September 2018 (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 Computershare Pvt. Ltd. (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, 21 September 2018 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. 21 September 2018. 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 25th 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 with a copy marked to 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 "ZEN TECHNOLOGIES\_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 (l) 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 the 21 September 2018 may write to Karvy on the email id: evoting@karvy.com or to Mr V Raghunath, Deputy Manager Ph: 040-67161606, at 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, 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 25 September 2018 from 10.00 a.m. to 28 September 2018 up to 5.00 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., 21 September 2018, 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 the 21 September 2018 (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 25th 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 21 September 2018 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.zentechnologies.com](http://www.zentechnologies.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(1) of the Companies Act 2013, read with Rule 15(3) of the Companies (Meetings of Board and Its Powers) Rules, 2014.

### **Item No. 4: Appointment of Mr Amreek Singh Sandhu as Independent Director of the Company**

Mr Amreek Singh Sandhu was appointed as Additional Director (Independent Director) of the Company with effect from 03 February 2018 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 Mr Amreek Singh Sandhu as Independent Director of the Company.

The Board on the recommendation of NRC, proposed to appoint Mr Amreek Singh Sandhu as an independent Director of the Company, not liable to retire by rotation, for a period of 3 (three) consecutive years on the Board of the Company.

Mr Amreek Singh Sandhu 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 Mr Amreek Singh Sandhu 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 Mr Amreek Singh Sandhu are provided in the 'Annexure-A' to the Notice. The terms and conditions of appointment of Mr Amreek Singh Sandhu 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 Mr Amreek Singh Sandhu as Independent Director of the Company as detailed in the resolution.

Mr Amreek Singh Sandhu is interested in the resolution set out at Item No 4 of the Notice with regard to his re-appointment. Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives are interested in or concerned with the said Resolution.

The Board commends the Resolution set out at Item No 4 of the notice for approval by the members.

### **Item No. 5: Appointment of Mr Venkat Samir Kumar Oruganti as Independent Director of the Company**

Mr Venkat Samir Kumar Oruganti was appointed as Independent

Director of the Company for a period of 3 years i.e., from 14 August 2015 to 13 August 2018, by the members in the 22nd Annual General Meeting of the Company held on 26 September 2015. After completion of the afore said period he was co-opted by the Board as Additional Director with effect from 14 August 2018 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) on the basis of the report of performance evaluation, has recommended re-appointment of Mr Venkat Samir Kumar Oruganti as an Independent Director for a second term of 3 (three) consecutive years on the Board of the Company.

The Board based on the performance evaluation and as per the recommendation of NRC, proposed to re-appoint Mr Venkat Samir Kumar Oruganti as an independent Director of the Company, not liable to retire by rotation, for a second term of 3 (three) consecutive years on the Board of the Company, subject to approval of the members by way of a special resolution.

Mr Venkat Samir Kumar Oruganti 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 Mr Venkat Samir Kumar Oruganti 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 Mr Venkat Samir Kumar Oruganti are provided in the 'Annexure-A' to the Notice. The terms and conditions of appointment of Mr Venkat Samir Kumar Oruganti 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 by way of special resolution for the appointment of Mr Venkat Samir Kumar Oruganti as Independent Director of the Company.

Mr Venkat Samir Kumar Oruganti is interested in the resolution set out at Item No 5 of the notice with regard to his re-appointment. Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives are interested in or concerned with the said Resolution.

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

**ITEM No 6: Approval of limits for the Loans, Guarantees, Security and Investment by the Company as per Section 186 of the Companies Act, 2013**

To achieve long term strategic and business objectives including expansion, the Company is required to invest in bodies corporate or grant loans, give guarantees or provide securities to other persons or bodies corporate, including subsidiaries, as and when required.

Pursuant to the provisions of section 186(3) of the Companies Act, 2013 and rules made there under, the Company needs to obtain prior approval of shareholders / members by way of special resolution passed at the General Meeting in case the amount of investment, loan, guarantee or security proposed to be made is more than the higher of sixty percent of the paid up share capital, free reserves and securities premium account or one hundred percent of free reserves and securities premium account.

Accordingly, the Board of Directors of the Company proposes to obtain approval of shareholders by way of special resolution as contained in the notice of the Annual General Meeting for an amount not exceeding Rs 500 Crores (Rupees Five Hundred Crores only) outstanding at any time notwithstanding that such investments, outstanding loans given or to be given and guarantees and security provided are in excess of the limits prescribed under Section 186 of the Companies Act, 2013.

The Directors therefore, recommend the Special Resolution for approval of the shareholders.

None of the Directors/Key Managerial Personnel of the Company/their relatives are interested in or concerned with the said Resolution.

**ITEM No 7: 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)**

**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: 14 August 2018  
Place: Hyderabad

In terms of applicable provisions of the Foreign Exchange Management Act, 1999 (which along with the regulations framed thereunder be referred to as "FEMA"), Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (including any statutory modification(s), amendment or re-enactment thereof for the time being in force), and pursuant to Reserve Bank of India A.P. (DIR Series) Circular No. 46 dated 8 December 2014 on Foreign Direct Investment (FDI) in India – Review of FDI policy –Sector Specific conditions- Defence, the Company is required to pass a special resolution for allocation of sub-limits for Portfolio Investment for Registered Foreign Portfolio Investor/s (including Qualified Foreign Investor/s and Foreign Institutional Investor/s), Foreign Venture Capital Investor/s and for Non Resident Indian/s.

The Board of Directors of the Company, through resolution passed by circulation dated 30 January 2015 and shareholders on 9 March 2015 approved the limits as follows:

- a) the total holding of all RFPIs (including QFIs and FIIs) and FVCIs put together shall not exceed aggregate limit of 20%; and
- b) the total NRIs holding shall not exceed 4%;

within the default portfolio investment limit of 24% of the paid-up equity share capital of the Company or such other maximum limit as may be prescribed from time to time.

However, in view of the revised sectorial limits by RBI to 49%, the Board of Directors of the Company passed a resolution on 14 August 2018, subject to the approval of the Members by way of a Special Resolution, to allocate the limits as detailed in the resolution forming part of the notice within the sectorial limits of 49% of paid-up share capital of the Company as specified by RBI.

None of the Directors/Key Managerial Personnel of the Company/their relatives are interested in or concerned with the said Resolution.

The Directors therefore, recommend the Special Resolution for approval of the shareholders.

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

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



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	Mr Venkat Samir Kumar Oruganti	Mr Amreek Singh Sandhu
Date of Birth	31 December 1965	12 September 1952	24 March 1960
Date of Appointment	01 October 2017	14 August 2015	03 February 2018
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 30 plus years of experience in the field of Project Management - Financing and Execution, Marketing and Government Relations.	He has over 27 years of experience in various facets of Finance & Accounts - Corporate Finance, Treasury, Audit, M & A, Public Issues, Secretarial matters, HR, Administration & Legal functions.
Qualification	PG Diploma holder in Applied Computer Science, Bachelor's degree in Commerce	B.Tech (Hons') from IIT, Kharagpur and PGDM (MBA) from IIM, Calcutta	Qualified Cost & Management Accountant. Qualified Company Secretary Executive Program in Applied Finance, IIM Calcutta Master degree in Commerce Law graduate MBA from IGNOU
@Board Membership of other companies	1. Defence Innovators and Industry Association 2. Version 2 Games Limited 3. Zen SkillProc Private Limited	1. Panchavati Beverages Private Limited 2. Panchavati Entrepreneurs Private Limited	Nil
Chairman/ Member of the Committee of the Board of Directors	Audit, Stakeholders Relationship, CSR Committees	Audit , Stakeholders Relationship and Nomination & Remuneration Committees	Audit, Nomination & Remuneration Committees
Chairman/ Member of the committee of Directors of other companies in which he is a director	Nil	Nil	Nil
a) Audit Committee	Nil	Nil	Nil
b) Stakeholders' Relationship Committee	Nil	Nil	Nil
c) Nomination and Remuneration Committee	Nil	Nil	Nil
Number of shares held in the Company	2,01,76,250 equity shares	Nil	Nil

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*

**Dear Members,**

Your Directors are pleased to present the 25<sup>th</sup> Annual Report of the Company along with the Audited Financial Statements for the financial year ended 31 March 2018.

## FINANCIAL RESULTS

The financial highlights of the Company are as follows:

Particulars	(₹ in Lakhs)	
	FY 2017-18	FY 2016-17
Total Income	4,336.43	6,613.52
Total Operating Expenditure	4,082.07	5,037.06
Operating Profit (PBIDT)	254.36	1,576.46
Interest	240.76	285.61
Depreciation & Amortization	282.39	363.80
Profit/(Loss) before tax	(268.80)	927.05
Provision for Tax		183.54
Deferred Tax Asset	229.89	
Add: Other Comprehensive Income / (Expense)	59.71	(26.88)
Profit after Tax	20.80	716.62
Earnings per Share (₹) (face value ₹1/- per share)	0.03	0.93

## STATE OF THE COMPANY'S AFFAIRS

During the year under review, your Company achieved total income of ₹4,336.43 lacs as against ₹6,613.52 lacs during the previous year. The Net profit after tax stood at ₹20.80 lacs as against ₹716.62 lacs for the previous year.

The order book size as on 31 March 2018 is around ₹348.78 Crores, including AMCs of worth ₹125.13 Crores, as against ₹73.99 Crores, including AMCs of worth ₹70.03 Crores for the previous year.

During the year, the R&D expenditure (capital and revenue) is ₹16.10 Crores (previous year ₹13.51 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.

## DIVIDEND

The Board in its meeting held on 26 May 2018 recommended final dividend @ 10% on the paid-up equity share capital i.e., ₹0.10 per equity share of ₹1/- each, for the year 2017-18. The dividend will be paid subject to the approval of the shareholders at the ensuing Annual General Meeting. On approval of shareholders, the dividend would be paid to the shareholders whose names appear in the Register of Members of the Company as on 21 September 2018.

## PERFORMANCE AND FINANCIAL POSITION OF EACH OF THE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

At the beginning of the year under review, your Company had a subsidiary, Version 2 Games Limited. However, during the year the Company divested its entire stake of Version 2 Games Limited, hence

the Company does not have any subsidiary as on the date of closure of the financial year ended 31 March 2018. There was no associate company within the meaning of Section 2(6) of the Companies Act, 2013("Act").

## SUBSIDIARY

### VERSION 2 GAMES LTD

During the year the Company divested its entire stake of Version 2 Games Limited and accordingly Version 2 Games Limited ceased to be subsidiary of the Company with effect from 24 November 2017.

### ZEN TECHNOLOGIES USA, INC.

The Company formed ZEN TECHNOLOGIES USA, INC., a wholly owned subsidiary in the USA for the US operations of the Company and ZEN TECHNOLOGIES USA, INC became subsidiary of the Company with effect from 7th May 2018.

### EXTRACT OF ANNUAL RETURN

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the annual return in the prescribed format in Form MGT-9 as per the provisions of the Companies Act, 2013 read with Rule 12 of Companies (Management and Administration) Rules, 2014 is appended as **Annexure 1** to this report.

### NUMBER OF MEETINGS OF THE BOARD

The Board met five times during the year 2017-18.

The dates on which the Board meetings were held are 29 May 2017, 24 August 2017, 18 November 2017, 03 February 2018 and 06 March 2018.

However, the Board meeting held on 06 March 2018 was adjourned to 17 March 2018, which was convened accordingly.

### 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. The Directors 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. The Directors 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. The Directors had prepared the annual accounts on a going concern basis.
- v. The Directors 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. The Directors 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

The Independent directors have submitted the declaration of independence, as required under Section 149(7) of the Companies Act, 2013 stating that they meet the criteria of independence as provided in Section 149(6) and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### COMPANY POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

The Board of Directors, on recommendation of the Nomination and Remuneration Committee, framed a Nomination and Remuneration policy on directors' appointment and remuneration, including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Section 178(3) of the Companies Act, 2013. The Policy is posted under the Investors section of the Company's website at: [http://www.zentechnologies.com/investor\\_relations/Nomination-Remuneration-Policy.pdf](http://www.zentechnologies.com/investor_relations/Nomination-Remuneration-Policy.pdf)

### PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Particulars of loans, guarantees and investments 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 provided in the notes to the Financial Statements.

### 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 2** to the Board's Report.

All Related Party Transactions were placed before the Audit Committee and the Board for approval. The Board of Directors framed a policy for 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)



## MATERIAL CHANGES AND COMMITMENTS

There are no material changes and commitments affecting the financial position of the Company from the financial year ended 31 March 2018 to the date of signing of the Director's Report.

## 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 3** to this Report.

## DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY

The Board formulated a Risk Management Policy identifying different kinds of risks which are good and bad and the mitigation measures adopted and to be adopted for dealing with the risks of the Company.

The Board constituted a Risk Management Committee constituting Mr Ashok Atluri, Chairman and Managing Director, Mr M Ravi Kumar, Whole-time Director and Mr N Ramesh Kumar, Chief Financial Officer. The Committee regularly meets 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.

The Risk Management Policy, inter alia, includes identification therein of elements of risk, including those that may threaten the existence of the Company. 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 Risk mitigation measures which are adopting by the Company are posted under the Investors section of the Company's website at: [http://www.zentechologies.com/investor\\_relations/Zen-Risk-Management-Policy.pdf](http://www.zentechologies.com/investor_relations/Zen-Risk-Management-Policy.pdf)

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

## CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

Pursuant to Section 135 of the Companies Act, 2013, the Board constituted Corporate Social Responsibility Committee consisting Ms. Sridevi Madati, Independent Director, Mr Ashok Atluri, Chairman and Managing Director and Mr M Ravi Kumar, Whole-time Director. The Committee was reconstituted with effect from August 24 2017.

The Committee periodically recommends the activities to be taken up under the CSR policy. The Corporate Social Responsibility Policy is posted under the Investors section of the Company's website at: [http://www.zentechologies.com/investor\\_relations/CSR-Policy.pdf](http://www.zentechologies.com/investor_relations/CSR-Policy.pdf)

"Corporate Social Responsibility is the continuing commitment of the Company to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large. The Company believes in undertaking business in such a way that its leads to overall development of all stake holders and society."

As per the CSR policy, during the year 2017-18, the Company implemented CSR activities by providing Financial Assistance of ₹56,00,000/- towards furnishing (i.e. for procuring furniture, kitchen equipment, computer, electronics equipment & security system, etc.) to the War Memorial Boys and Girls Hostel Society at Dehradun, Care of Commandant, Garhwal Rifles Regimental Centre, Lansdowne (Uttarakhand). The object of the War Memorial Boys and Girls Hostel Society is to prepare children of War Widows/ Battle casualties of Army for competitive exam by providing advance level education facilities and has strength of approximate 250 students (125 Boys and Girls each).

As per Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, annual report on CSR is prepared and the same is enclosed as **Annexure 4** to this Report.

## 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 committee's 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 03 February 2018 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.

## CRITERIA FOR PERFORMANCE EVALUATION

- Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.
- Adherence to the Code of Conduct in letter and in spirit by the Independent Directors.
- Bringing objectivity and independence of view to the Board's discussions in relation to the Company's strategy, performance, and risk management
- 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 program are available on website [http://www.zentechnologies.com/investor\\_relations/Details-of-Familiarization-Programmes-imparted-to-Independent-Directors.pdf](http://www.zentechnologies.com/investor_relations/Details-of-Familiarization-Programmes-imparted-to-Independent-Directors.pdf)

#### **CHANGE IN THE NATURE OF BUSINESS**

During the Financial year 2017-18 there is no change in the nature of the business of the Company.

#### **DETAILS OF DIRECTORS OR KEY MANAGERIAL PERSONNEL WHO WERE APPOINTED OR HAVE RESIGNED OR CEASED DURING THE YEAR**

- Ms. Sridevi Madati (DIN: 02446610) has been co-opted as an Additional Director w.e.f. 29 May 2017 and was appointed as independent director for a period of 3 years for the second term in the Annual General Meeting held on 28 September 2017.
- Mr. Chada Jagadish Reddy resigned as Company Secretary w.e.f. 1 August 2017.
- Mr M Satish Choudhury appointed as Company secretary w.e.f. 24 August 2017.
- Mr Rajesh Katragadda was appointed as Independent Director w.e.f. 24 August 2017 and ceased to be Director w.e.f. 18 November 2017 consequent to his disqualification under Section 164(2) of the Companies Act, 2013.
- Mr G Sankara Rao resigned as Chief Financial Officer w.e.f. 06 October 2017.
- Mr Amreek Singh Sandhu was appointed as Independent Director (Additional Director) w.e.f. 03 February 2018.
- Mr N Ramesh Kumar was appointed as Chief Financial Officer of the Company with w.e.f. 03 February 2018.

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

Version 2 Games Limited ceased to be a subsidiary of the Company during the year.

#### **FIXED DEPOSITS**

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.

#### **DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE**

No significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

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

In every quarter during the approval of Financial Statements, Internal Audit Report is presented by the Internal Auditor. The Audit Committee reviews the Internal Audit Report along with the Management Replies.

The internal financial controls are evaluated and reviewed by the Audit Committee and the Board for ensuring orderly and efficient conduct of its business, including adherence to Company's policies safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and the timely preparation of reliable financial statements.

#### **VIGIL MECHANISM**

The Board of Directors, on recommendation of the Audit Committee, established a vigil mechanism for Directors and Employees called "Whistle Blower Policy" pursuant to the provisions of 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 for 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.zentechnologies.com/investor\\_relations/Whistle-Blower-Policy-2014.pdf](http://www.zentechnologies.com/investor_relations/Whistle-Blower-Policy-2014.pdf)

#### **SEXUAL HARASSMENT POLICY**

The Company has adopted 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.

During the financial year ended 31 March 2018, 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 THE 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 dealing with shares of the Company, as well as the consequences of violations. The Policy has been formulated to regulate, monitor and ensure reporting of deals by employees and to maintain the highest ethical standards of dealing in Company Securities.

The Insider trading Policy of the Company covering code of practices and procedures for fair disclosures of unpublished price sensitive information and code of conduct for the 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 with the Stock Exchanges.

## DIRECTORS

In accordance with the provisions of Companies Act, 2013 and the Articles of Association of the Company, Mr Ashok Atluri, who is a 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 your approval.

Mr Venkat Samir Kumar Oruganti whose period of office as director of the Company will be completed on 13 August 2018, was co-opted as an Additional Director w.e.f. 14 August 2018 to act as an Independent Director for another term, subject to the approval of shareholders by way of a special resolution at the ensuing Annual General Meeting.

Mr Amreek Singh Sandhu has been co-opted as an Additional Director w.e.f. 03 February 2018 to act as an Independent Director subject to the approval of shareholders by way of a resolution at the ensuing Annual General Meeting.

The Company has received declarations from all the Independent Directors of the Company confirming that they continue to meet with the criteria of independence as prescribed under sub-section (6) of

Section 149 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 with the Stock Exchanges.

## AUDITORS

Statutory Auditors

M/s Sekhar & Co, Chartered Accountants, (Registration number 003695S), 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.

The ratification of appointment of statutory auditor is not required as per the first proviso of Section 139(1) by the Companies (Amendment) Act, 2017 effective from 07 May 2018, accordingly the ratification of appointment of statutory auditor is not proposed.

The Notes on the Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

## SECRETARIAL AUDITORS

M/s P S Rao & Associates, Practicing Company Secretaries were appointed to conduct secretarial audit for the financial year 2017-18. Pursuant to Section 204 of the Companies Act, 2013 and Rules there under, the Secretarial Audit Report for the financial year ended 31 March 2018 in form MR-3, is annexed to this Annual Report as **Annexure 5**. The Board has appointed M/s P S Rao & Associates, Practicing Company Secretaries, as Secretarial Auditors of the Company for the financial year 2018-19.

## MAINTENANCE OF COST RECORDS

The maintenance of cost records is not applicable to the Company.

## AUDIT COMMITTEE

Audit Committee has been reconstituted w.e.f. 26 May 2018. 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 Nomination and Remuneration Committee was reconstituted with effect from 03 February 2018. The details of the composition of the Committee is given in the Corporate Governance Report furnished as part of the Annual Report.

### STAKEHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee was reconstituted with effect from 24 August 2017. The details of the composition of the Committee is given in the Corporate Governance Report furnished as part of the Annual Report.

### PARTICULARS OF EMPLOYEES

The table containing the names and other 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 and Remuneration of Managerial Personnel) Rules, 2014, is appended as **Annexure 6** to the Board's report.

### CORPORATE GOVERNANCE

The Report on Corporate Governance along with a certificate from the Statutory Auditors of the Company with regard to the compliance of Corporate Governance as per Regulation 27 of SEBI (Listing Obligations

and Disclosure Requirement) Regulations, 2015 forms part of this Annual Report.

### ACKNOWLEDGMENTS

The Board of Directors thank the Company's customers, suppliers, dealers, banks, financial institutions, Government and Regulatory authorities and consultants for their continued support. The Directors express their sincere gratitude to the shareholders and also wish to place on record their appreciation for the committed services rendered by all the employees of the Company.

For and on behalf of the Board

Place: Hyderabad

Date: 14 August 2018

**Ashok Atluri**

Chairman and Managing Director

DIN: 00056050



## ANNEXURE - 1

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**

as on the financial year ended on 31 March 2018

[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
i)	Whether listed company	Yes BSE Limited National Stock Exchange of India Limited
ii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	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	47.30%
2	Sale of Product Services	8549	52.70%

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES: Nil



#### 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	458,67,340	0	4,58,67,340	59.44	4,58,67,340	0	4,58,67,340	59.44	0
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>4,58,67,340</b>	<b>0</b>	<b>4,58,67,340</b>	<b>59.44</b>	<b>0</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>4,58,67,340</b>	<b>0</b>	<b>4,58,67,340</b>	<b>59.44</b>	<b>0</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	0	0	0	0.00	0	0	0	0.00	0.00
b) Banks / FI	66,294	0	66,294	0.09	1,39,345	0	1,39,345	0.18	0.09
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	81,748	0	81,748	0.11	94,637	0	94,637	0.12	0.01
b) Foreign Nationals	320	0	320	0.00	0	0	0	0.00	0
<b>Sub-total (B)(1):-</b>	<b>1,48,362</b>	<b>0</b>	<b>1,48,362</b>	<b>0.20</b>	<b>2,33,982</b>	<b>0</b>	<b>2,33,982</b>	<b>0.30</b>	<b>0.10</b>
<b>2. Non-Institutions</b>									
a) Bodies Corporate									
i) Indian	49,44,176	0	49,44,176	6.41	56,22,384	0	56,22,384	7.29	0.88
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹2 lakh	1,63,74,588	4,29,320	1,68,03,908	21.78	1,74,05,935	3,55,300	1,77,61,235	23.02	1.24
ii) Individual shareholders holding nominal share capital in excess of ₹2 lakh	85,63,790	0	85,63,790	11.10	62,54,590	5000	62,59,590	8.11	-2.99

#### 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	
c) Others (NBFC Registered with RBI)	13,500	0	13,500	0.02	24,200	0	24,200	0.03	0.01
Clearing Members	2,01,796	0	2,01,796	0.26	1,47,029	0	1,47,029	0.19	-0.07
Non Resident Indians	3,88,122	0	3,88,122	0.50	8,83,852	0	8,83,852	1.15	0.65
NRI-non repatriable	2,29,066	0	2,29,066	0.30	2,95,898	0	2,95,898	0.38	0.08
IEPF	0	0	0	0	64,550	0	64,550	0.08	0.08
<b>Sub-total (B)(2):-</b>	<b>3,07,15,038</b>	<b>4,29,320</b>	<b>3,11,44,358</b>	<b>40.36</b>	<b>3,06,98,438</b>	<b>3,60,300</b>	<b>3,10,58,738</b>	<b>40.25</b>	<b>-0.11</b>
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	<b>3,08,63,400</b>	<b>4,29,320</b>	<b>3,12,92,720</b>	<b>40.56</b>	<b>3,09,32,420</b>	<b>3,60,300</b>	<b>3,12,92,720</b>	<b>40.56</b>	<b>0</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>7,67,30,740</b>	<b>4,29,320</b>	<b>7,71,60,060</b>	<b>100</b>	<b>0.00</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	2,01,76,250	26.15	19.44	0
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>4,58,67,340</b>	<b>59.44</b>	<b>19.44</b>	<b>4,58,67,340</b>	<b>59.44</b>	<b>19.44</b>	<b>0</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	Nil	Nil	Nil	Nil
3	At the end of the year	4,58,67,340	59.44	4,58,67,340	59.44

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	Ravi Kamepalli				
	At the beginning of the year	26,64,855	3.45	26,64,855	3.45
	Bought during the year	-	-	-	-
	Sold during the year	(5,19,904)	(0.67)	21,44,951	2.78
	At the end of the year			21,44,951	2.78
2	Moturu Chandra Sekhar				
	At the beginning of the year	19,06,718	2.47	19,06,718	2.47
	Bought during the year	-	-	-	-
	Sold during the year	(14,56,718)	(1.89)	4,50,000	0.58
	At the end of the year			4,50,000	0.58
3	Logical Solutions Ltd				
	At the beginning of the year	13,34,640	1.73	13,34,640	1.73
	Bought during the year	-	-	-	-
	Sold during the year	(2,00,000)	-0.26	11,34,640	1.47
	At the end of the year			11,34,640	1.47
4	Mukul Agrawal				
	At the beginning of the year	10,00,000	1.30	10,00,000	1.30
	Bought during the year	3,00,000	0.39	13,00,000	1.68
	Sold during the year	(8,73,601)	(1.13)	4,26,399	0.55
	At the end of the year			4,26,399	0.55
5	Ajay Upadhyaya				
	At the beginning of the year	-	-	-	-
	Bought during the year	8,50,000	1.10	8,50,000	1.10
	Sold during the year	-	-	-	-
	At the end of the year			8,50,000	1.10
6	Vimal Sagarmal Jain				
	At the beginning of the year	7,00,000	0.91	7,00,000	0.91
	Bought during the year	-	-	-	-
	Sold during the year	(2,52,000)	-0.33	-	-
	At the end of the year			4,48,000	0.58
7	Sanjay Jagdish Poddar				
	At the beginning of the year	-	-	-	-
	Bought during the year	3,40,000	0.44	3,40,000	0.44
	Sold during the year	-	-	-	-
	At the end of the year			3,40,000	0.44

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	Centrum Financial Services Limited				
	At the beginning of the year	10,000	0.01	10,000	0.01
	Bought during the year	5,00,867	0.65	5,10,867	0.66
	Sold during the year	(2,00,000)	(0.26)	3,10,867	0.40
	At the end of the year			3,10,867	0.40
9	Navin Sood				
	At the beginning of the year	1,05,100	0.14	1,05,100	0.14
	Bought during the year	2,18,800	0.28	3,23,900	0.42
	Sold during the year	(22,000)	(0.03)	3,01,900	0.39
	At the end of the year			3,01,900	0.39
10	Nilu Poddar				
	At the beginning of the year	-	-	-	-
	Bought during the year	4,18,000	0.54	4,43,000	0.57
	Sold during the year	(1,20,000)	(0.16)	2,98,000	0.39
	At the end of the year			2,98,000	0.39

#### 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		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	20,176,250	26.15	20,176,250	26.15	2,01,76,250	26.15
2	Mr M Ravi Kumar	794,000	1.03	794,000	1.03	7,94,000	1.03
3	Ms Sridevi Madati (Appointed w.e.f. 29 May 2017)	0	0.00	0	0.00	0	0.00
4	Mr Venkat Samir Oruganti	0	0.00	0	0.00	0	0.00
5	Mr Amreek Singh Sandhu (Appointed w.e.f. 03 February 2018)	0	0.00	0	0.00	0	0.00
	<b>Key Managerial Personnel</b>						
1	Mr G Sankara Rao (Ceased w.e.f. 06 October 2017)	2,000	0.002	2,000	0.002	-	-
2	Mr Chada Jagadish Reddy (Ceased w.e.f. 01 August 2017)	0	0.00	0	0.00	-	-
3	Mr M Satish Choudhury (Ceased w.e.f. 24 August 2017)	0	0.00	0	0.00	0	0.00
4	Mr N Ramesh Kumar (Appointed w.e.f. 03 February 2018)	0	0.00	0	0.00	0	0.00



**V. INDEBTEDNESS** -Indebtedness of the Company including interest outstanding/accrued but not due for payment. (In ₹ Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	1,093.67	-	-	1,093.67
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	39.47	-	-	39.47
<b>Total (i+ii+iii)</b>	<b>1,133.14</b>	<b>-</b>	<b>-</b>	<b>1,133.14</b>
<b>Change in Indebtedness during the financial year</b>				
* Addition	377.28			377.28
* Reduction	500.02	-	-	500.02
<b>Net Change</b>	<b>-122.74</b>	<b>-</b>	<b>-</b>	<b>-122.74</b>
<b>Indebtedness at the end 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>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:** (In ₹)

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	50,40,000	39,60,000	90,00,000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	1,55,995	63,669	2,19,664
	(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	-	-	-
	-(net profits calculated as per Section 198 of the Companies Act, 2013)			
	- Others, specify...	-	-	-
5	Others, please specify	-	-	-
	Total (A)	51,95,995	40,23,669	92,19,664
	<b>Ceiling as per the Act</b>	Within the Ceiling Limits as prescribed under the Act		



## B. Remuneration to other directors

(In ₹)

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Venkat Samir Kumar Oruganti	Sridevi Madati <sup>1</sup>	Rajesh Katragadda <sup>2</sup>	Amreek Singh Sandhu <sup>3</sup>	
1	Independent Directors					
	Fee for attending board committee meetings	2,25,000	2,25,000	50,000	75,000	5,75,000
	Commission	-	-	-	-	-
	Others, please specify	-	-	-	-	-
	Total (1)	2,25,000	2,25,000	50,000	75,000	5,75,000
2	Other Non-Executive Directors	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-	-
	Commission	-	-	-	-	-
	Others, please specify	-	-	-	-	-
	Total (2)	-	-	-	-	-
	<b>Total (B)=(1+2)</b>	<b>2,25,000</b>	<b>2,25,000</b>	<b>50,000</b>	<b>75,000</b>	<b>5,75,000</b>

1. Appointed w.e.f. 29 May 2017.

2. Appointed w.e.f. 24 August 2017 and Ceased w.e.f. 18 November 2017.

3. Appointed w.e.f. 03 February 2018

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

(In ₹)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel				Total Amount
		Company Secretary		Chief Financial Officer		
		Ch Jagadesh Reddy <sup>1</sup>	M Satish Choudhury <sup>2</sup>	G Sankara Rao <sup>3</sup>	N Ramesh Kumar <sup>4</sup>	
1	Gross salary					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,00,800	7,07,226	5,04,000	4,03,064	17,15,090
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	9,600	1,19,555	104,200	71,838	3,26,193
	(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>1,10,400</b>	<b>8,26,781</b>	<b>6,08,200</b>	<b>4,74,902</b>	<b>20,20,283</b>

1. Ceased with effect from 1 August 2017.

2. Appointed w.e.f. 24 August 2017.

3. Ceased w.e.f. 06 October 2017.

4. Appointed w.e.f. 03 February 2018.

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

There were no penalties/punishments/compounding of offences under the Companies Act 2013 for the year ended 31 March, 2018.

For and on behalf of the Board

Place: Hyderabad  
Date: 14 August 2018

Ashok Atluri  
Chairman and Managing Director  
DIN: 00056050

ANNEXURE - 2

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 2017-18, he received remuneration ₹30,97,425/-p.a. ( including perks) and Commission of ₹18,42,904/-.	14-08-2016	Nil
2	Mrs A Rama Devi	Leasing of property of any kind	01 June 2017 to 31 May 2019 (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 ₹5,25,000/- p.a. for the FY 2017-18.	24-08-2017	Security deposit – lease rent of two months
3	Mr Arjun Atluri	Appointed to office or place of profit in the Company	Ongoing	During the year 2017-18, he received remuneration ₹4,73,394/-p.a. ( including perks).	16-08-2016 & 18-11-2017	Nil

For and on behalf of the Board

Place: Hyderabad  
Date: 14 August 2018

Ashok Atluri  
Chairman and Managing Director  
DIN: 00056050



## ANNEXURE - 3

### 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.

- (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 ₹16.10 Crores as R&D expenditure (capital and revenue) for the financial year 2017-18 for the development of various products. Out of ₹16.10 Crores, ₹12.83 Crores was for R&D Revenue expenditure and ₹3.27Crores for R&D Capital Expenditure. The Company has incurred 41.32 % 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.

(In ₹ Lakhs)

Particulars	FY 2017-2018	FY 2016-17
Earned during the year	97.67	2,239.04
Used during the year	524.49	487.45

For and on behalf of the Board

Place: Hyderabad  
Date: 14 August 2018

Ashok Atluri  
Chairman and Managing Director  
DIN: 00056050



ANNEXURE - 4

**Annual Report on report on CSR Activities FY 2017-18**  
(As per Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014)

**1. A brief outline of the Company's CSR policy:**

On the recommendations of the Corporate Social Responsibility Committee, the Board approved and adopted the Corporate Social Responsibility Policy of the Company. The Company proposes to adopt projects or programmes under one or more of the activities as prescribed under Schedule VII of the Companies Act, 2013, as amended from time to time and as stated in the Corporate Social Responsibility Policy.

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)

**2. Composition of the CSR Committee:**

Ms Sridevi Madati, Chairperson (Independent Director) (Appointed w.e.f. 24 August 2017)

Mr Ashok Atluri, Member (Chairman and Managing Director)

Mr M Ravi Kumar, Member (Whole-Time Director)

**3. Average net profit of the Company for the last three financial years**

Financial Year	Profit before tax (₹)
2014-15	19,81,60,186
2015-16	2,91,83,424
2016-17	9,00,15,858
Total	31,73,59,468
Average of 3 years PBT	10,57,86,489

**4. Prescribed CSR expenditure (2% of Average Net Profits):**  
₹21,16,000/-

**5. Details of CSR spent during the financial year 2017-18:**

- (a) Total amount to be spent for the financial year: ₹21,15,730/-  
(b) Amount unspent, if any: Nil

(c) Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Subheads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	Providing Financial Assistance towards furnishing (i.e. for procuring furniture, kitchen equipment, computer, electronics equipment & security system, etc.) the War Memorial Boys and Girls Hostel Society at Dehradun, Care of Commandant, Garhwal Rifles Regimental Centre, Lansdowne (Uttarakhand)	1. Measures for the benefit of armed forces veterans, war widows and their dependent; 2. Promoting education	Dehradun, Uttarakhand	₹56 Lakhs* (Rupees Fifty Six Lakhs Only)	Direct expenditure on projects or programs	₹56 Lakhs* (Rupees Fifty Six Lakhs Only)	Spent through the CSR Trust of the Company Veer Sammaan Foundation

Notes:

\* The financial assistance of ₹56,00,000/- include ₹34.84 lakhs accumulated amount available with Veer Sammaan Foundation and ₹21.16 lakhs CSR amount transferred by the Company to the Trust for the FY2017-18.

**6. Responsibility Statement:** The CSR Committee confirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and policy of the Company

For and on behalf of Corporate Social Responsibility Committee

Place: Hyderabad  
Date: 14 August 2018

Ashok Atluri  
Chairman and Managing Director  
DIN: 00056050

Sridevi Madati  
Chairperson of the Committee  
DIN: 02446610



**SECRETARIAL AUDIT REPORT**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.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 M/s Zen Technologies Limited, (hereinafter called the company). 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 secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2018 has 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 on 31st March, 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) (Applicable Sections as on date) and the Rules made under that Act;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment and Overseas Direct Investment (If applicable);
- (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 (Share Based Employee Benefits) Regulations, 2014;
- (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 under the financial year under report:-
  - (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (b) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (c) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (d) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (vii) The industry specific laws that are applicable to the company are as follows:
  - a) The Factories Act, 1948
  - b) The Bonus Act, 1965
  - c) The Employees' State Insurance Act, 1948
  - d) The Information Technology Act, 2008
  - e) The e-waste (Management and Handling) Rules, 2011
  - f) The Official Secrets Act, 1923
  - g) 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 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.

### We further report that

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

- a) Ms. Madati Sridevi has been reappointed as an Independent Director for another term of 3 years w.e.f.29 May, 2017.
- b) Mr.Ashok Atluri has been reappointed as Managing Director for a period of 3 years w.e.f. 1 October, 2017.
- c) Mr.Rajesh Katragadda has been co-opted as an Independent Director w.e.f.24 August, 2017 however, he ceased to be a director due to his disqualification u/s164(2) of the Act.
- d) Mr.Amreek Singh Sandhu has been co-opted as an Additional Director w.e.f. 3 February, 2018 to act as an Independent Director.

Adequate notice has been given to all 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 are taken on unanimous consent.

**We further report that** during the year as per the provisions of section 124(6) of the Act 64,550 equity shares of ₹1/- each held by 38 shareholders, were transferred to Investor Education and Protection Fund.

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

Place: Hyderabad  
Date: 14 August 2018

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

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

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 record 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. Where ever required, we have obtained the 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, standards is the responsibility of 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  
ACS No: 26859  
C P No: 10573

Place: Hyderabad  
Date: 14 August 2018



## ANNEXURE - 6

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	15.96*
2	Mr M Ravi Kumar, Whole-time Director	12.36
3	Ms Sridevi Madati, Independent Director	Nil
4	Mr Venkat Samir Kumar Oruganti, Independent Director	Nil
5	Mr Amreek Singh Sandhu	Nil

Note: \* Commission, if any is not included in the remuneration paid to the Chairman and Managing Director.

- 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	Nil
6	Mr N Ramesh Kumar, Chief Financial Officer	NA**
7	Mr M Satish Choudhury, Company Secretary	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 2017-18.

\*\* Appointed during the financial year 2017-18, hence not applicable.

Note: \* Commission, if any is not included in the remuneration paid to the Chairman and Managing Director.

- Independent Directors were paid sitting fees for attending the Meetings.

(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 employee.

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

There are 246 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: 5.90%

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 Managerial Personnel) Rules, 2014:

SL. 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	B.COM, P G Diploma	52 yrs	Over 27 years	29-06-1993	5,195,995	-	2,01,76,250	Promoter & Managing Director
2	Kishore Dutt Atluri	President	Master of Computer Application	57 Years	33 years	29-06-1993	4,940,329	-	17,55,62,50	Promoter and Brother of Mr Ashok Atluri, Chairman and Managing Director
3	M Ravi Kumar	Whole-time Director	PG Diploma in computer science	56 yrs	Around 30 years	29-06-1993	4,023,669	-	7,94,000	Promoter & Whole-time Director
4	H J Kamath	Sr Vice President (Business Development)	PGDM-IIM, Calcuitta, Brech- Electronics & Communications, IIT Madras	60 yrs	37 yrs	8-Nov-14	3,600,000	Mahindra Defence Systems Ltd, VP & CEO	12,934	-
5	Brig Anjum Shahab	Vice President (Projects & Coordination)	Msc In Physics (Electronics), Msc in Defence studies, PG Diploma in Software Technology and System Administration	65 yrs	43 yrs	7-Feb-13	3,153,560	Indian Army, retired as Brigadier.	-	-
6	Ravi Manchu	SR ARCHITECT-SIMULATION (SOFTWARE)	M Tech (Computational Techniques), M.Sc (Physics)	42 yrs	16 yrs	22-Dec-06	2,693,854	Matrix View Technologies India Pvt Ltd, Team Head R&D security.	-	-
7	Brig (Retd) Amul Asthana	VP-PROJECTS	Msc Defence Studies	58 yrs	37 yrs	16-Aug-16	2,400,000	Indian Army, retired as Brigadier.	-	-
8	Rahul Vasant Thombre	Program Manager	BE-Electronics	42 yrs	20 yrs	16-Oct-08	2,398,059	Zeon Solutions Ltd, Project Manager	-	-
9	M Vijaya Rama Rao	SR MANAGER (R&D-ELECTRONICS)	BE-Electronics	41 yrs	16 yrs	3-Apr-02	2,276,187	-	4,000	-
10	Surya Prakash Koti	Project Lead (Software)	M.Sc-Electronics	36 yrs	12 yrs	26-Dec-05	2,252,070	-	1,300	-

For and on behalf of the Board

Place: Hyderabad  
Date: 14 August 2018

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



# Management Discussion and Analysis

## Global economic overview and outlook

In 2017, a decade after the global economic meltdown, major economies expanded the world over. The result was an estimated 3.7% global economic growth in 2017, 60 bps higher than the previous year. Global growth forecasts for 2018 and 2019 were revised upwards by 20 bps to 3.9%. (Source: WEO, IMF)

Global economic growth

Year	2014	2015	2016	2017 (e)	2018 (f)	2019 (f)
Real GDP Growth (%)	3.5	3.2	3.1	3.7	3.9	3.9

[Source: World Economic Outlook, January 2018] e: estimated f: forecasted

## Indian economic overview and outlook

The Indian economy reported slower growth of 6.7% in 2017-18. The year under review was marked by structural reforms by the Government: GST introduction, bank non-performing asset resolution, FDI liberalization and bank recapitalization. Export growth rebounded in 2016-17 and strengthened in 2017-18; foreign exchange reserves rose to US\$ 414 billion as on January 2018. (Source: CSO, economic survey 2017-18)

World Bank projected India's economic growth to accelerate to 7.3% in 2018-19 and 7.5% in 2019-20. (Source: IMF, World Bank)

## India's defense industry

The Indian government announced an increase of 8.7% for defense spending in 2018-19 compared to 2017-18. The budget sanctioned for FY18 was USD 62.8 bn, accounting for 12.1% of the total expenditure by the central government for 2018-19. The Indian defense sector currently is amongst the most exciting in the world. Government is undertaking various initiatives to make India self-reliant with a Long Term Integrated Perspective Plan to completely modernise the Indian armed forces by 2027. Government is also emphasizing on development of indigenous technology and reduced imports and several policy decisions like Make in India, MAKE II procedure and IDDM guidelines have been taken to achieve that aim. Government's Infantry Vision 2020 includes Future Infantry Soldier as a System (F-INSAS) program which aims to dramatically improve soldier's optical, electro and situational capabilities. Simulators based training solutions would be instrumental in achieving this vision.

In the coming decade, Indian aerospace and defense market opportunity is estimated at approximately USD 70 billion (Source: Invest India, Nasscom and IESA).

Government has taken several policy initiatives to promote domestic defence manufacturing including:

- Licensing was removed for nearly 80% of the items; companies not making tanks, guns or fighter planes on their own will not need licenses.
- Streamlined procedures for the grant of industrial licenses; increased the validity period of industrial licenses; removed stipulation of annual capacity in the Industrial License; allowed sale of defence items to government entities without approval of Ministry of Defence
- The government raised the ceiling for approving automatic foreign direct investment (FDI) for defence firms to 49% from 26%. FDI can be increased to 74% through the approval route if the technology being brought in is needed by India
- Exchange rate variation protection while bidding for contracts, which was allowed only to the public sector, was now extended to the private sector as well
- Procurement categorization was prioritized with top priority for indigenously designed, developed and manufactured items while buying from international market was the least preferred category

(Source: Mint)

## 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.

Asia and Europe lead the use of simulators with a market share of approximately 17% and 14% respectively. Increasing defense modernisation is expected to drive their adoption in Russia, China and India. In India alone, the size of the simulators market is estimated at USD 2 billion. What makes this space compelling is that the Indian government has embarked on a number of steps to moderate country's import dependence for defense equipments. In addition to

being able to provide adequate products for domestic use, there is a growing opportunity for India to emerge as an exporter of defense equipment. To facilitate the development of this technology-driven sector, the government permitted global defense players to partner Indian manufacturers. The concept of MAKE II procedure in the DPP 2016 has also proved to be catalytic for the sector. Products developed under MAKE II can now be exported adding to the opportunity size.

The Indian Armed Forces' modernization programs are projected to scale up in the coming decade, providing a sustainable business opportunity for specialized Indian vendors.

### Opportunities and threats

Simulators and scenario based training are becoming increasingly critical in national armed 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. Moreover, they 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 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 be adequately maintained and periodically upgraded to incorporate technology advancements. Given an average simulator life-span of about 15 years, Annual Maintenance Contracts (AMC) 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 enhanced agility, development of proprietary solutions and a superior leverage of technological enhancements.

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

- Focussing 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 utilising cutting-edge technology for 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.

Over the years, products that attracted the highest traction comprised the proprietary 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™), Tactical Engagement Simulator (Zen TacSim®) and Zen Tank Simulators, among others.

Zen's latest development which has significant potential is the 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 trainings 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 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 won its largest ever order worth Rs. 224 crore in December 2017 and has an order book of Rs. 349 crores as on 31.03.2018. Annual maintenance contracts (AMCs) are increasingly emerging as an important contributor to overall revenues and have grown at a CAGR of 38.5% over the last 5 years. 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 defense training present an attractive and growing opportunity for the company and we are well placed to fully capitalize on these opportunities. During FY 18 we won the biggest domestic and export orders in our history. 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. Continuing on the momentum of a large export order worth Rs. 64 crore in FY18, company would 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, including Indian EXIM Bank, if the customer needs it. We have participated in some of the biggest Defense Expositions and Conferences in FY18 and have seen extremely encouraging response. The follow up conversations convince us about the bright future in the segment.

The Company also recently approved an investment of upto USD 2 million 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. Additionally, Zen is also considering exploring and evaluating potential acquisitions to augment the activities of the Company as part of its future plans.

### 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 simulation 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 IDDM policy 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 FY18, the Company's total income stood at Rs. 43.36 Cr as against Rs. 66.13 Cr in FY17. Net profit stood at Rs. 0.20 Cr compared to Rs. 7.17 Cr in FY17. Zen enjoyed a robust order book of Rs. 349 Cr as on 31st March 2018 compared with Rs 73.99 Cr as on 31st March 2017. Internal control systems and their adequacy

### Internal control systems and their adequacy

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 unauthorised access.

### 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 246 people compared to 242 people in FY17. The average employee age stood at 34, indicating a prudent balance of the young and the experienced. Attrition of 12% 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

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

Zen Technologies Limited (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

As on 31 March 2018, the Board of Directors of the Company consists of five (5) Directors. To ensure transparent and professional conduct of board procedures in all aspects and related thereto, more than fifty percent i.e., 3 out of 5 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 constitution of the Board is as follows:

Sl. 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	29-05-2017	Independent Non-Executive Director
4	Mr Venkat Samir Kumar Oruganti	Director	14-08-2015	Independent Non-Executive Director
5	Mr Amreek Singh Sandhu	Director	03-02-2018	Independent Non-Executive Director

Note: 1. Mr Rajesh Katragadda was appointed as Independent Director w.e.f 24 August 2017 and ceased as director w.e.f 18 November 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 five (4) Board Meetings held during the year 2016-17 and the last Annual General Meeting (AGM) held on 24 September 2016:

Name of the Director	Number of Board meetings attended		Attendance at AGM held on 28 September 2017
	Held / Eligible to attend	Attended	
Mr Ashok Atluri	5	5	Yes
Mr M Ravi Kumar	5	5	Yes
Ms Sridevi Madati@	5	5	Yes
Mr Venkat Samir Kumar Oruganti	5	5	Yes
Mr Amreek Singh Sandhu#	2	2	Not Applicable
Mr Rajesh Katragadda*	2	1	No

Note: @ Appointed w.e.f 29 May 2017.

# Appointed w.e.f 03 February 2018.

\* Appointed w.e.f 24 August 2017 and ceased as director w.e.f 18 November 2017.



c. Number of other Boards or Board Committees in which he/she is a member or Chairperson

Sl. 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	-	-	-

\* 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.

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

Five Board Meetings were held during the financial year ended 31 March 2018. The maximum gap between any two consecutive meetings did not exceed 120 days.

The dates on which the Board meetings were held are 29 May 2017, 24 August 2017, 18 November 2017, 03 February 2018 and 06 March 2018.

The Board Meeting held on 06 March 2018 was adjourned to 17 March 2018 and was accordingly conducted.

**e. Meeting of Independent Directors**

A separate meeting of Independent Directors was held on 03 February 2018 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.

**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**

Sl. 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

**h. The details 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.zentechologies.com/investor\\_relations/Familiarisation-program.pdf](http://www.zentechologies.com/investor_relations/Familiarisation-program.pdf)

**i. 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.zentechologies.com/about\\_us/zen-code-of-conduct.php](http://www.zentechologies.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.

**j. 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 2018 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 four (4) Directors comprising of three (3) 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:

Sl. No	Name of the Director	Designation	No. of meetings held	No. of meetings attended
1	Mr Venkat Samir Kumar Oruganti <sup>1</sup>	Chairman	4	4
2	Mr Ashok Atluri	Member	4	4
3	Ms Sridevi Madati <sup>2</sup>	Member	4	4
4	Mr Amreek Singh Sandhu <sup>3</sup>	Member/Chairman*	1	1

Notes:

1. Mr Venkat Samir Kumar Oruganti was designated as Chairman of the Committee w.e.f. 24 August 2017 upto 26 May 2018.
2. Ms Sridevi Madati was appointed as member of the Committee w.e.f. 29 May 2017.
3. \*Mr Amreek Singh Sandhu was appointed as member of the Committee w.e.f. 03 February 2018 and designated as Chairman of the Committee w.e.f. 26 May 2018.
4. Mr Rajesh Katragadda was appointed as member of the Committee w.e.f. 24 August 2017 and ceased as member w.e.f. 18 November 2017.

During the Financial Year 2017-18, the Audit Committee met 4 times on the following dates:

29 May 2017, 24 August 2017, 18 November 2017 and 03 February 2018.

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 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 2017-18 Nomination and Remuneration committee met twice on 24 August 2017 and 03 February 2018.



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

Sl. No	Name of the Director	Designation	No. of meetings held	No. of meetings attended
1	Mr Venkat Samir Kumar Oruganti <sup>1</sup>	Chairperson	2	2
2	Ms Sridevi Madati <sup>2</sup>	Member	2	2
3	Mr Amreek Singh Sandhu <sup>3</sup>		1	1
4	Mr Ashok Atluri <sup>4</sup>	Member	1	1
5	Mr Rajesh Katragadda <sup>5</sup>	Chairperson	1	1

Notes:

- Mr Venkat Samir Kumar Oruganti was designated as Chairman of the Committee w.e.f. 03 February 2018.
- Ms Sridevi Madati was appointed as member of the Committee w.e.f 29 May 2017.
- Mr Amreek Singh Sandhu was appointed as member of the Committee w.e.f. 03 February 2018.
- Mr Ashok Atluri ceased to be member of the Committee w.e.f. 24 August 2017.
- Mr Rajesh Katragadda was appointed as member of the Committee w.e.f 24 August 2017 and ceased as member w.e.f. 18 November 2017.

### 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 2017-18 are as follows:

Name of the Director	Amount (₹)
Mr Venkat Samir Kumar Oruganti	2,25,000
Ms Sridevi Madati (Appointed w.e.f. 29 May 2017)	2,25,000
Mr Amreek Singh Sandhu (Appointed w.e.f. 03 February 2018)	75,000
Mr Rajesh Katragadda (Appointed w.e.f. 24 August 2017 and ceased on 18 November 2017)	50,000

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

Amount (₹)

Name of the Director and Designation	Salary	Benefits	Bonus	Pension	Commission	Service Contracts	Notice Period
Mr Ashok Atluri, Chairman and Managing Director	50,40,000	1,55,995	-	-	-	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	63,669	-	-	-	Appointed for a period of 3 years w.e.f 29 June 2016	As per the Company Rules

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 of the Board is constituted with the following Directors:

S. No	Name of the Director	Designation
1	Mr Venkat Samir Kumar Oruganti@	Chairman (w.e.f. 24 August 2017)
2	Mr Ashok Atluri	Member
3	Ms Sridevi Madati	Member (W.e.f. 24 August 2017)

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 Computershare Private Limited, the Registrar and Share Transfer Agents has been delegated the power to process the transfer and transmission of shares. The share transfers are processed within the time prescribed under the statute from the date of request in case of shares held in physical form.

### ii. Name and designation of Compliance Officer

Mr M Satish Choudhury, Company Secretary is appointed to act as Compliance Officer w.e.f. 24 August 2018 as per Regulation 6 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 entered with the Stock Exchanges.

Email id for investor grievances: investors@zenttechnologies.com

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

During the year ended 31 March 2018, the Company has received and resolved 25 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
2014-15	26-09-2015	9.30a.m	B - 42, Industrial Estate, Sanathnagar, Hyderabad - 500018
2015-16	24-09-2016	9.30a.m	B - 42, Industrial Estate, Sanathnagar, Hyderabad - 500018
2016-17	28-09-2017	9.30 a.m.	B - 42, Industrial Estate, Sanathnagar, Hyderabad - 500018

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

- 22<sup>nd</sup> AGM: No Special Resolution was passed
- 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.
- iii. Special Resolution passed last year through postal ballot – details of voting pattern
- There was no Special Resolution passed during the year 2017-18 through Postal ballot

## 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 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.zentechologies.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.zentechologies.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.zentechologies.com. Investors Presentations are hosted on the website under Investors Section.

## 9) General Shareholder Information

### a. Annual General Meeting: 25<sup>th</sup> Annual General Meeting

Day, Date & Time: 29 September 2018 at 9.00 a.m.

Venue : 11<sup>th</sup> Floor, Signature Towers, Opp. Botanical Garden, Kondapur, Hyderabad - 500 084, Telangana, India

Last Date of Proxy forms submission: 27 September 2018 at 9.00 a.m.

Period Date for exercising e-voting: from 25 September 2018 from 10.00 a.m. to 28 September 2018 up to 5.00 p.m.

### b. Financial Year: 1 April 2018 to 31 March 2019.

### c. Date of Book Closure: 22 September 2018 to 29 September 2018 (both days inclusive)

### d. Dividend Payment Date:

Within 30 days from the date of declaration of dividend in AGM i.e., on or before 29th October 2018.

### 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 2018-19.

### 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

### h. Market Price Data: High, Low during each month in financial year 2017-2018

#### NSE Limited

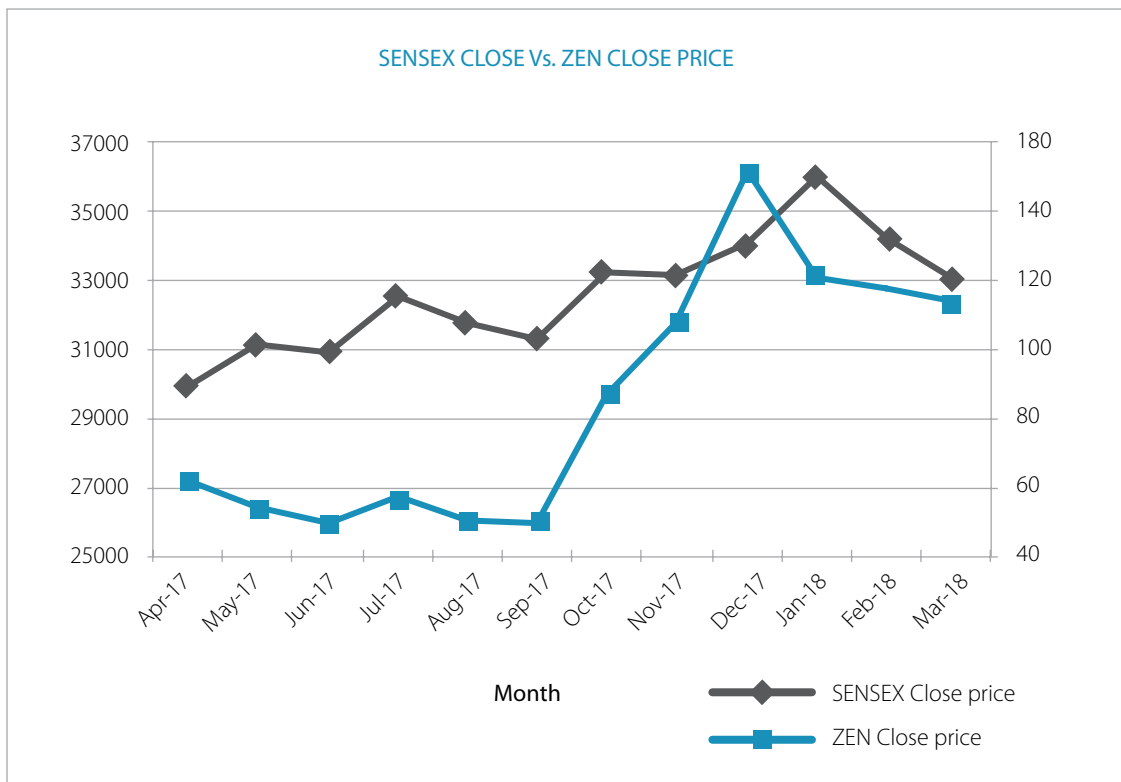
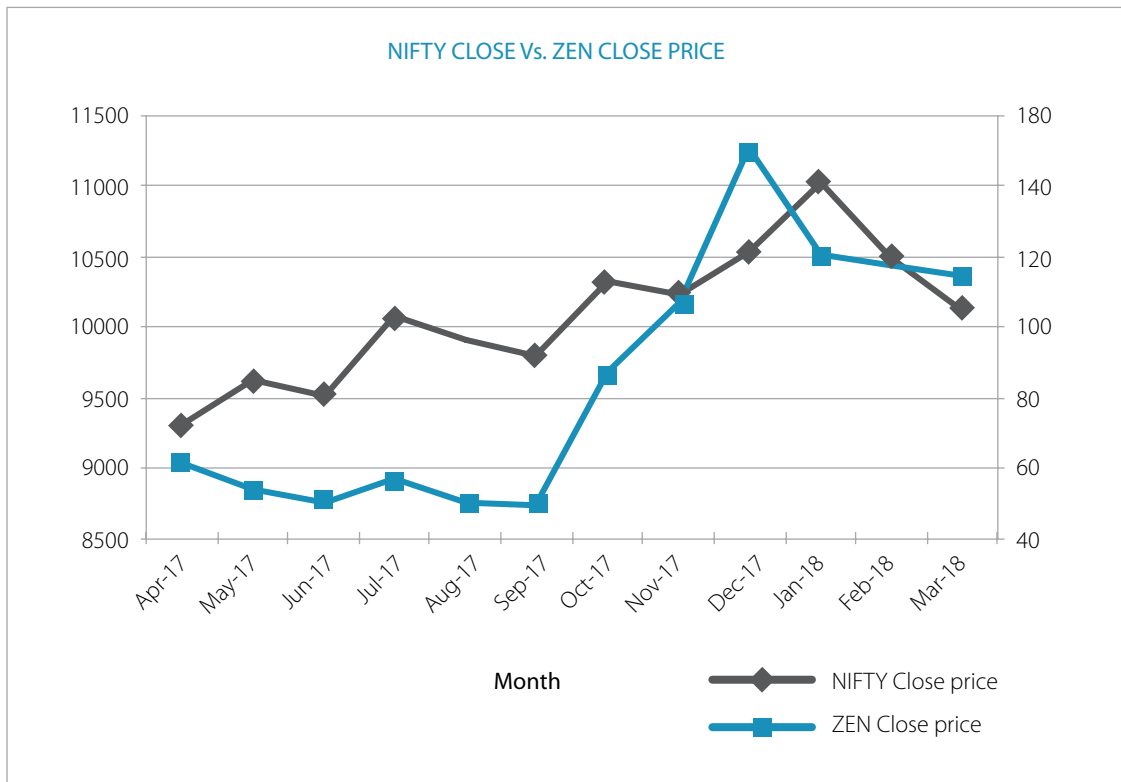
Month	High (₹)	Low (₹)	No. of Shares traded
April 2017	71.80	61.70	39,91,365
May 2017	66.15	53.05	34,94,410
June 2017	59.35	48.00	22,72,514
July 2017	62.90	49.10	42,61,840
August 2017	60.80	47.05	16,44,950
September 2017	56.15	46.45	24,69,929
October 2017	92.75	47.05	1,30,60,403
November 2017	115.80	78.40	1,76,43,850
December 2017	153.20	98.00	1,88,59,677
January 2018	158.75	117.40	73,65,849
February 2018	126.90	98.15	41,39,693
March 2018	140.90	110.20	89,58,394

#### BSE Limited

Month	High (₹)	Low (₹)	No. of Shares traded
April 2017	71.40	60.00	9,99,723
May 2017	66.00	50.70	8,41,467
June 2017	59.50	48.00	5,73,550
July 2017	62.70	49.50	11,44,460
August 2017	60.80	47.20	4,60,044
September 2017	56.00	46.45	5,57,507
October 2017	92.95	47.00	26,13,021
November 2017	115.90	77.00	35,64,226
December 2017	153.15	98.55	39,73,132
January 2018	158.10	117.10	16,44,366
February 2018	127.05	99.90	5,96,107
March 2018	140.50	111.00	15,74,819



i. Performance in comparison to broad based indices NSE NIFTY and BSE SENSEX:





j. There was no suspension of trading in Securities of the Company during the year under review.

**k. Registrars and Share Transfer Agents:**

(for shares held in both Physical and Demat mode)

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 - 67161605

Fax: + 91- 40 - 23001153

Email id: einward.ris@karvy.com

**l. Share Transfer system**

The Company has appointed 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.

**m. Distribution of Shareholding**

Distribution of Shareholding as on 31 March 2018 is as follows:

Shareholding of nominal value of ₹		Shareholders		Share Amount	
		Number	% to Total	In ₹	% to Total
1	5,000	10,789	93.87	61,09,035	7.92
5,001	10,000	306	2.66	23,48,578	3.04
10,001	20,000	158	1.37	22,79,002	2.95
20,001	30,000	79	0.69	20,11,757	2.61
30,001	40,000	31	0.27	10,82,631	1.40
40,001	50,000	27	0.23	12,40,880	1.61
50,001	1,00,000	45	0.39	31,61,582	4.10
	1,00,001 and Above	59	0.51	5,89,26,595	76.37
	<b>TOTAL</b>	<b>11,494</b>	<b>100.00</b>	<b>7,71,60,060</b>	<b>100.00</b>

**Shareholding Pattern as on 31 March 2018:**

S No	Description	Shares	% Equity
1	Promoter Individuals	4,58,67,340	59.44
2	Resident Individuals	2,29,35,180	29.72
3	Bodies Corporates	56,22,384	7.29
4	H U F	10,85,645	1.41
5	Non Resident Indians	8,83,852	1.15
6	NRI Non-Repatriation	2,95,898	0.38
7	Clearing Members	1,47,029	0.19
8	Indian Financial Institutions	1,28,564	0.17
9	Foreign Portfolio Investors	94,637	0.12
10	I E P F	64,550	0.08
11	NBFC	24,200	0.03
12	Banks	10,781	0.01
	<b>Total:</b>	<b>7,71,60,060</b>	<b>100.00</b>

**Shareholding Pattern as on 31 March 2018:**

**n. 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 2018, a total of 76,799,760 equity shares were dematerialized which constitute 99.53% of the total paid up capital. The ISIN No/Code for the Company's Equity Shares is INE251B01027.

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

**p. 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.

**q. Plant Locations:**

Maheswaram Manufacturing Unit:	Nalagarh Unit:
Plot No.35, 36 & 37, Kancha Imarath, Near Ravirala Village, Hardware Park, Ranga Reddy District - 501 510, Telangana, India	Ward No 6. Ram Shehar Road, Nalagarh, Solan (Dist) -174101, Himachal Pradesh, India

**r. Address for correspondence**

**Company:**

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

**Registrar and Share Transfer Agents:**

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 - 67161605  
Fax: + 91- 40 - 23001158  
Email id: einward.ris@karvy.com

**s. Corporate Identity Number: L72200TG1993PLC015939**

**9) Disclosures**

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

During the year 2017-18, 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 has 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://www.zentechnologies.com/investor\\_relations/Whistle-Blower-Policy-2014.pdf](http://www.zentechnologies.com/investor_relations/Whistle-Blower-Policy-2014.pdf)

The Whistle Officer has not received any complaint for the financial year ended 31 March 2018.

**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 Requirements)



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 20% 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.zentechologies.com/investor\\_relations/Policy-on-material-subsi-dary.pdf](http://www.zentechologies.com/investor_relations/Policy-on-material-subsi-dary.pdf)

**vi. 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.

**vii. 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.zentechologies.com/investor\\_relations/Code-of-Conduct-to-Regulate-Monitor-and-Report-Trading-by-Insiders.pdf](http://www.zentechologies.com/investor_relations/Code-of-Conduct-to-Regulate-Monitor-and-Report-Trading-by-Insiders.pdf)

**viii. 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.

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

During the year, there were no proceeds from public issues, rights issues, preferential issues etc.

**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 2018.

**For and on behalf of the Board**

Place: Hyderabad  
Date: 14 August 2018

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

# Auditors' Certificate on Compliance with the Conditions of Corporate Governance Under Chapter IV of The Securities And Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

To  
The Members  
**Zen Technologies Limited**  
Hyderabad

We have examined the compliance of the requirements of Corporate Governance by Zen Technologies Limited for the year ended on 31 March 2018, as stipulated in Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 of the said Company with Stock Exchange.

The compliance of the requirements is the responsibility of the Management. Our examination has been limited to the procedures and implementation thereof, adopted by the Company, for ensuring such compliance. This examination is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the requirements of Corporate Governance as stipulated in the above mentioned Regulations.

The above compliance however is not 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 **Sekhar & Co**  
Chartered Accountants  
Firm Regn. No

Place: Hyderabad  
Date: 14 August 2018

**CA G Ganesh**  
Partner  
Membership No





## Certification by Chief Executive Officer and Chief Financial Officer

We, Ashok Atluri, Chairman and Managing Director and N Ramesh Kumar, 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 2018 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: 26 May 2018

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

**N Ramesh Kumar**  
**Chief Financial Officer**

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# Financial Statements

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## Independent Auditor's Report

To The Members of  
**Zen Technologies Limited**

### Report on the Financial Statements

We have audited the accompanying Ind AS financial statements of Zen Technologies Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including Other Comprehensive income, cash flows and Changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

This responsibility also includes the maintenance of adequate accounting records in accordance with the provision 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 the design, implementation and maintenance of 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind As, of the state of affairs (financial position) of the Company as at 31 March, 2018, and its Profit (financial performance including Other Comprehensive income), its cash flows and the changes in equity for the year ended on that date.

### Other Matters

The comparative financial information of the company for the year ended 31st March 2017 and the transition date opening balance sheet as at 01st April 2016 included in these Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose report for the year ended 31st March 2017 and 31st March 2016 dated 29th May 2017 and 30th May 2016 respectively expressed an unmodified opinion on financial statements, as adjusted for the differences in the accounting principles, adopted by the Company on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of these matters.

### Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-

section (11) of section 143 of the Act, we enclose in "Annexure – 1" a statement on matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.

2. As required by section 143(3) of the Act, we report that:

- a. We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. The Balance Sheet, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;
- e. On the basis of written representations received from the directors as on 31st March 2018, taken on record by the Board of Directors, none of the directors are disqualified as on 31 March 2018, from being appointed as a director in terms of Section 164(2) of the Act;
- f. With respect to the adequacy of the Internal Financial Controls over financial reporting of the Company and the

operating effectiveness of such controls, refer to our separate Report in "Annexure 2"; and

- g. With respect to the other matters to be included in the Auditor's Report and in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind As financial statements – Refer Note 31 to the financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - iii. There 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  
FRN: 003695-S

**G. Ganesh**  
Partner  
M.No.: 211704

Place: Secunderabad  
Date: 26-May-2018

## ANNEXURE- 1 referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' of our report of 26th May 2018 to members of Zen Technologies Limited.

- i. a) The Company has maintained proper records showing full particular including quantitative details and situation of fixed assets.
- b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period. In accordance with this programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies have been noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the company and the nature of its assets.
- c) According to the information and explanations given by the management the title deeds of immovable properties other than self-constructed buildings, including the property, plant and equipment are held in the name of the company.
- ii. The management has conducted physical verification of Inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- iii. In our opinion and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to the companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraph 3(iii) of the Order is not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, the company not granted any loans or provided any security to the parties covered under Section 185 and Section 186 of the Act. With respect to investments the provisions of section 185 & 186 have been complied with.
- v. In our opinion, and according to the information and explanation given to us, the Company has not accepted any deposits as per the directives issued by the Reserve Bank of India under the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- vi. We have been informed that maintenance of cost records has not been specified by the Central Government under sub-section (1) of section 148 of 'the Act'
- vii. a) According to information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of accounts in respect of undisputed statutory dues including Provident fund, employees' state insurance, Income tax, value added tax, Sales tax, Service tax, duty of Customs, duty of Excise, Goods and Service Tax, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, employees' state insurance, Income tax, value added tax, Sales tax, Service tax, duty of Customs, duty of Excise, Cess and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.
- c) Details of dues of Duty of Excise, Duty of Customs and Income Tax which have not been deposited as on 31st March 2018 on account of disputes are given below:

Amount in Lacs

Sl.No	Name of Statute	Nature of Dues	Amount involved in dispute & (not paid)	Period to which it relates	Forum where dispute is pending
1	Central Excise Act, 1944	Excise Duty	₹ 749.43 (₹693.22)/ (56.21 paid at the time of appeal)	1.4.2006 to 31.07.2011	Appeal is pending at CESTAT

- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to a financial institution, banks or government or due to debenture holders.
- ix. In our opinion and according to the information and explanations given by the management, the term loans were applied for the purpose for which the loans were obtained.
- x. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given to us, we report that no material fraud by the company or on the company by its officers or employees of the company has been noticed or reported during the course of our audit.
- xi. According to the information and explanations given by the



management and based on our examination of the records of the Company, the company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

- 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 and hence not commented upon.
- xiii. According to the information and explanations given by the management, transactions with the related parties are in compliance with the Section 177 and 188 of the Act, where applicable and the details have been in the notes to the financial statements, as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under

clause 3(xiv) are not applicable to the Company and hence, not commented upon.

- xv. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with them as referred to in section 192 of Companies Act, 2013.
- xvi. According to the information and explanation given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the company.

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

**G. Ganesh**  
Partner  
M.No.: 211704

Place: Secunderabad  
Date: 26-May-2018



## Annexure – 2 referred to in paragraph 2(f) under the heading ‘Report on Other Legal and Regulatory Requirements’ of our report of 26th May 2018 to members of Zen Technologies Limited

### Report on the Internal Financial Controls under the 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 Zen Technologies Limited ("the Company") as of 31 March 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

#### Management's responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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("the Act").

#### 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 were 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

the internal financial controls over the financial reporting included obtaining an understanding of the 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 assessed risk. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements 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 systems 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 the financial reporting and the preparation of financial statements for external purposes in accordance it 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 the 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 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance

Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

**G. Ganesh**  
Partner  
M.No.: 211704

Place: Secunderabad  
Date: 26-May-2018



## Balance Sheet as at March 31, 2018

(₹ in lacs)

Particulars	Note No	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>I ASSETS</b>				
<b>Non-current assets</b>				
(a) Property plant and Equipment	3	6,464.13	4,463.64	4,311.54
(b) Intangible assets	3	22.93	19.52	123.93
(c) Capital Work Inprogress	3	-	1,669.02	1,471.74
(d) Financial assets				
(i) Investments	4	163.77	39.12	5.00
(ii) Other financial assets	5	233.31	270.16	219.42
(e) Income Tax -Assets(Net)		82.71	21.73	150.56
(f) Deferred Tax Assets(Net)	6	229.89	-	-
(g) Other non current assets	7	172.69	240.51	138.71
<b>Total Non Current Assets</b>		<b>7,369.43</b>	<b>6,723.70</b>	<b>6,420.90</b>
<b>II Current assets</b>				
(a) Inventories	8	1,155.47	791.79	978.61
(b) Financial assets				
(i) Trade receivables	9	2,261.13	2,031.05	806.01
(ii) Cash and cash equivalent	10	1,179.67	900.82	991.84
(iii) Bank Balances Other Than Cash and Cash Equivalent	11	3,121.66	2,520.29	5,806.94
(iv) Other financial assets	12	784.55	505.84	374.41
(c) Other current assets	13	605.30	966.77	1,244.30
<b>Total Current Assets</b>		<b>9,107.78</b>	<b>7,716.56</b>	<b>10,202.11</b>
<b>Total Assets (I + II)</b>		<b>16,477.21</b>	<b>14,440.26</b>	<b>16,623.01</b>
<b>I EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
(a) Equity Share Capital	14	771.60	771.60	771.60
(b) Other Equity	15	11,070.42	11,188.92	10,565.17
<b>Total Equity</b>		<b>11,842.02</b>	<b>11,960.52</b>	<b>11,336.77</b>
<b>II Liabilities</b>				
<b>Non-current liabilities</b>				
(a) Financial Liabilities				
Borrowings	16	327.86	595.06	1,048.79
(b) Provisions	17	129.94	136.89	90.57
<b>Total Non Current Liabilities</b>		<b>457.80</b>	<b>731.95</b>	<b>1,139.36</b>
<b>Current liabilities</b>				
(a) Financial Liabilities				
(i) Trade payables	18	346.75	298.13	209.07
(ii) Other Financial liabilities	19	885.32	733.24	3,231.82
(b) Other current liabilities	20	2,945.32	716.42	705.99
<b>Total Current Liabilities</b>		<b>4,177.39</b>	<b>1,747.79</b>	<b>4,146.88</b>
<b>Total Equity and Liabilities (I + II)</b>		<b>16,477.21</b>	<b>14,440.26</b>	<b>16,623.01</b>

Significant Accounting Policies

2

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

**G. Ganesh**

Partner

M.No: 211704

**M Satish Choudhury**

Company Secretary

M.No. A30204

**N. Ramesh Kumar**

Chief Financial Officer

Place: Hyderabad

Date: 26 May, 2018

## Statement of Profit and Loss for the year ended March 31, 2018

(₹ in lacs)

Particulars	Note No	Year ended March 31, 2018	Year ended March 31, 2017
<b>1 Income</b>			
Revenue From Operations	21	3,896.33	6,199.22
Other Income	22	440.10	414.30
<b>Total Income</b>		<b>4,336.43</b>	<b>6,613.52</b>
<b>2 Expenses</b>			
Cost of Materials and Components consumed	23	482.97	1,198.00
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	(125.59)	23.32
Manufacturing Expenses	25	307.60	222.11
Employee Benefits Expense	26	1,549.08	1,452.21
Finance Costs	27	240.76	285.61
Depreciation and Amortization Expense	3	282.39	363.80
Other Expenses	28	1,868.00	2,141.42
<b>Total Expenses</b>		<b>4,605.23</b>	<b>5,686.47</b>
<b>3 Profit/(Loss) before exceptional and extraordinary items (1 - 2)</b>		<b>(268.80)</b>	<b>927.05</b>
4 Exceptional Items		-	-
<b>5 Profit / (Loss) before extra-ordinary items and tax (3-4)</b>		<b>(268.80)</b>	<b>927.05</b>
6 Extraordinary items		-	-
<b>7 Profit / (Loss) before Tax (5-6)</b>		<b>(268.80)</b>	<b>927.05</b>
8 Tax expense			
(i) Current tax		-	183.54
(ii) Deferred tax	6	(229.89)	-
<b>Total Tax</b>		<b>(229.89)</b>	<b>183.54</b>
<b>9 Net Profit/(Loss) from continuing operations (7- 8)</b>		<b>(38.90)</b>	<b>743.50</b>
10 Profit / (Loss) from discontinuing operations		-	-
11 Tax expense of discontinuing operations		-	-
<b>12 Net Profit / (Loss) from discontinuing operations (10 - 11)</b>		<b>-</b>	<b>-</b>
<b>13 Net Profit / (Loss) for the period (9+ 12)</b>		<b>(38.90)</b>	<b>743.50</b>
<b>14 Other Comprehensive Income</b>			
Items that will not be reclassified subsequently to statement of profit or loss			
Remeasurement of the defined benefit (liability) / asset		59.71	(26.88)
Income tax relating to items that will not be reclassified to profit / loss		-	-
<b>Total Other Comprehensive Income</b>		<b>59.71</b>	<b>(26.88)</b>
<b>15 Total Comprehensive Income for the year (13+14) (Comprising Profit (Loss) and Other Comprehensive Income for the period)</b>		<b>20.80</b>	<b>716.62</b>
Earning per Equity Share of Face Value Of ₹1/- Each	29		
Basic Value -		0.03	0.93
Diluted -		0.03	0.93

Significant Accounting Policies

2

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

**G. Ganesh**

Partner

M.No: 211704

**M Satish Choudhury**

Company Secretary

M.No. A30204

**N. Ramesh Kumar**

Chief Financial Officer

Place: Hyderabad

Date: 26 May, 2018





## Statement of Cash Flow for the year ended March 31, 2018

(₹ in lacs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before Tax	(268.80)	927.05
Add: Adjustment for:		
Depreciation and amortisation	282.39	363.80
Remeasurement gain / (loss) on defined benefit plans	59.71	(26.88)
Bad debts/ Advances written off	5.27	1.05
	<b>78.56</b>	<b>1,265.01</b>
Less: Income/ credits considered separately		
Interest income	171.53	317.39
Unrealised foreign exchange gain (net)	177.95	40.50
Profit on sale of fixed assets	(0.72)	1.47
	<b>348.76</b>	<b>359.37</b>
Add: Expenses/ debits considered separately		
Finance costs	240.76	285.61
<b>Operating profits before changes in working capital</b>	<b>(29.43)</b>	<b>1,191.25</b>
Adjustments for:		
(Increase) / decrease in trade receivables	(57.40)	(1,185.59)
(Increase) / decrease in inventories	(363.68)	186.82
(Increase) / decrease in loans and advances	361.47	277.53
(Increase) / decrease in other financial assets	(241.86)	(182.17)
(Increase) / decrease in other assets	67.82	(101.80)
Increase / (decrease ) in trade payables	48.62	89.06
Increase / (decrease ) in other financial liabilities	(37.86)	237.87
Increase / (decrease ) in Provisions	(6.95)	46.32
Increase / (decrease ) in other liabilities	2,228.90	10.43
Cash generated/(used) in operations	<b>1,969.64</b>	<b>569.73</b>
Direct taxes (paid)/refund	(62.55)	(54.71)
<b>Net cash generated/(used) in Operating Activities (A)</b>	<b>1,907.09</b>	<b>515.01</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property plant and equipment and intangible assets (including capital-work-in-progress)	(624.54)	(633.23)
Sale proceeds of fixed assets	8.00	25.95
Current and non current investments made	(124.65)	(34.12)
Increase / (decrease ) in other Bank Balances	(601.36)	3,286.65
Proceeds from sale of Current and non current investments made	0.10	
Interest received	171.53	317.39
<b>Net cash from/(used in) investing activities (B)</b>	<b>(1,170.93)</b>	<b>2,962.64</b>

## Statement of Cash Flow for the year ended March 31, 2018

(₹ in lacs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Secured loans availed	377.29	-
Secured loans repaid	(467.19)	(453.73)
Dividend paid	(115.74)	(77.16)
Dividend distribution tax	(23.56)	(15.71)
Finance cost paid	(240.76)	(285.61)
<b>Net cash from/(used in) financing activities ( C )</b>	<b>(469.97)</b>	<b>(832.21)</b>
<b>TOTAL INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR (A+B+C)</b>	<b>266.19</b>	<b>2,645.43</b>
Cash and cash equivalents opening balance	685.01	(1,960.43)
<b>Cash and cash equivalents closing balance</b>	<b>951.20</b>	<b>685.01</b>
<b>Reconciliation of Cash and cash equivalents with Balance sheet</b>		
<b>Cash and cash equivalents at the end of the year as above comprises:</b>		
Cash on hand	9.04	1.32
Balances with banks		
- in current accounts	428.53	899.50
- in Over Drafts	(228.47)	(215.82)
- in fixed deposits	742.10	-
	<b>951.20</b>	<b>685.01</b>

**Note:**

- The above cash flow statement has been prepared under "indirect method" as set out in Indian Accounting Standard (Ind AS7) - Statement of Cash Flows
- Previous year figures have been regrouped wherever necessary to confirm to the current year's classification.
- 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. Under previous GAAP, Bank overdrafts were considered as part of borrowings and movements in bank overdrafts were shown as part of financing activities. Consequently, cash and cash equivalents have reduced by ₹215.82 lacs as at March 31, 2017.

Summary of 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

**G. Ganesh**

Partner

M.No: 211704

Place: Hyderabad

Date: 26 May, 2018

**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

**N. Ramesh Kumar**

Chief Financial Officer

## Statement of Changes in Equity for the year ended March 31, 2018

(₹ in lacs)

Particulars	Equity Share Capital (Ref. Note no. 14)	Other Equity (Ref. Note No: 15)					Other Comprehensive Income	Total Equity
		Securities Premium Reserve	Debenture Redemption Reserve	General Reserve	Capital Redemption Reserve	Retained Earnings		
<b>As at 1 April 2016</b>	771.60	891.85	-	3,525.00	117.24	6,031.07	-	11,336.77
<b>Restatements</b>								
Profit for the Year	-	-	-	-	-	743.50	-	743.50
Other Comprehensive income	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(77.16)	-	(77.16)
Dividend Distribution Tax	-	-	-	-	-	(15.71)	-	(15.71)
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit	-	-	-	-	-	-	(26.88)	(26.88)
<b>As at 31 March 2017</b>	771.60	891.85	-	3,525.00	117.24	6,681.70	(26.88)	11,960.52
<b>Restatements</b>								
Profit for the Year	-	-	-	-	-	(38.90)	-	(38.90)
Other Comprehensive income	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(115.74)	-	(115.74)
Dividend Distribution Tax	-	-	-	-	-	(23.56)	-	(23.56)
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit	-	-	-	-	-	-	59.71	59.71
<b>As at 31 March 2018</b>	771.60	891.85	-	3,525.00	117.24	6,503.50	32.82	11,842.02

As per our report of even date

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

**G. Ganesh**  
Partner  
M.No: 211704

Place: Hyderabad  
Date: 26 May, 2018

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

**N. Ramesh Kumar**  
Chief Financial Officer

## Notes on Financial Statements for the year ended 31 March 2018

### 1 Corporate Information

Zen Technologies Limited is a Public Company incorporated under the provisions of the Companies Act, 1956 having corporate office at B-42, Industrial Estate, Sanathnagar, Hyderabad-500018, 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 divided into 3 major 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 two manufacturing units- 1) Hardware Park, Maheswaram Mandal, Telangana, India and 2) Nalagarh, Dist Solan, Himachal Pradesh, India.

### 2 Basis of preparation

#### 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 notified under Section 133 of the Companies Act, 2013 ("The Act") and other relevant provisions of the Act under the historical cost convention on an accrual basis except for the following assets and liabilities which have been measured at fair value or revalued amount wherever applicable.

- Certain Financial Instruments - Fair Value
- Net defined benefit (asset)/liabilities - Fair Value of Plan asset less Fair value of defined benefit Obligation

These are the Companies first financial Statements prepared in accordance with Ind AS, and hence, Ind AS 101, First-time Adoption of Ind AS has been applied.

For all periods up to and including the year ended 31 March 2017, the Company has prepared its Financial statements in accordance with accounting Standards notified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 ('Previous GAPP'). An explanation on how the transition from previous GAAP to Ind AS has affected the reported balance sheet, statement of profit and loss and cash flows of the Company is provided in note - 33

The Financials statements were authorized for issue in accordance with a resolution of the board of directors on May 26, 2018.

Details of the Company's accounting policies are included in Note: 2.2

#### Ind AS optional exemptions

##### Deemed Cost

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment's covered by Ind AS 16 Property, plant and equipment's as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and Investment property covered by Ind AS 40 Investment property. The Company has elected to measure all of its property, plant and equipment, intangible assets and investment property on the transition date at their previous GAAP carrying value.

#### Ind AS Mandatory exemptions

##### Estimates

As entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Ind AS estimates as at April 1, 2016 are consistent with the estimates as at the same date made in conformity with previous GAAP.

#### De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initial accounting for those transactions. The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.



## Notes on Financial Statements for the year ended 31 March 2018

### 2.1.1 Functional and Presentation Currency

The financial statements are presented in Indian Rupees ('INR' or 'Rupees' or '₹' or 'Rs') which is the functional currency for Company. All financial information presented in Indian rupees have been rounded-off to two decimal places to the nearest lacs.

### 2.1.2 Current versus non-current classification

The assets and liabilities in the balance sheet are presented based on current/non-current classification.

### 2.1.3 An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle, or
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

### 2.1.4 A liability is current when it is:

- Expected to be settled in normal operating cycle, or
- Due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are treated as non-current.

### 2.1.5 Use of Estimates and Judgements:

The preparation of the financial statements in conformity with Ind AS requires the management to make judgements, estimates and assumptions that effect the reported amounts of assets and liabilities (including contingent liabilities), income and expenses and accompanying disclosures. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the difference between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

#### Significant accounting judgements, estimates and assumptions used by the management are as below:

- a. Useful lives of Investment property, Property Plant and Equipment and Intangible Assets.
- b. Fair Value measurements.

#### Assumptions and estimation uncertainties:

Information about assumptions and estimation uncertainties that have significant risk resulting in a material adjustment within the next financial year are included in following notes:

Note No : 17 measurement of defined benefit obligations; key actuarial assumptions;

## 2.2 Significant Accounting Policies

The Accounting policies set out have below have been applied consistently to all periods presented in these financial statements and in preparing the opening Ind AS balance sheet at 01 April 2016 for the purpose of the transition to the Ind AS, unless otherwise indicated.

### 2.2.1 Revenue Recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured regardless of when the payment is being made.

The Company derives revenue primarily from Sale of training simulators and Associated & dependent Services. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of government.

Based on the educational material on Ind AS 18 issued by ICAI, the company has assumed that recovery of excise duty flows to the company on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the company on its own account, revenue includes excise duty,



## Notes on Financial Statements for the year ended 31 March 2018

for the period ended 31st March 2017 and up to 30th June 2017 in the current period under review.

However, Goods and Service Tax (GST) not received by the company on its own account, rather, it is collected on value added to the commodity by the seller on behalf of the government at the time of execution of sale. Accordingly, it is excluded from revenue.

### Sale of goods:

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on dispatch of goods. The Company collects Goods and Service Tax (GST) on behalf of the government and therefore, these are not economic benefits flowing to the Company, hence they are excluded from the revenue.

### Associated and Dependent services:

Revenues from operation and dependent services are recognised on pro-rata over the period of the contract and when services are rendered. In such contracts, revenue is recognized with respect to the actual output achieved till date as a percentage of total contractual output. Any residual service unutilized by the customer is recognized as revenue on completion of the term.

### Interest on bank deposits:

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "Other Income" in the statement of profit and loss.

### 2.2.2 Grant Accounting:

Grants and subsidies from the Governments are recognized when there is reasonable assurance that

- (i) The Company will comply with the conditions attached to them, and
- (ii) The grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognized as income on a systematic basis in profit or 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 favorable 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 initial carrying value of the loan and the proceeds received. It is recognized as deferred income and released to income 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.

### 2.2.3 Taxes:

**Current income tax:** Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in India where the Company operates and generates taxable income.

**Deferred tax:** Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss



## Notes on Financial Statements for the year ended 31 March 2018

• In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be Utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

In case of tax payable as Minimum Alternative Tax ("MAT") under the provisions of the Income Tax Act, 1961, the credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

### 2.2.4 Property, Plant and Equipment:

An item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. This recognition principle is applied to the costs incurred initially to acquire an item of property, plant and equipment and also to costs incurred subsequently to add to, replace part of, or service it. All other repair and maintenance costs, including regular servicing, are recognised in the statement of profit and loss as incurred. When a replacement occurs, the carrying value of the replaced part is derecognised.

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment. Cost includes all direct costs and expenditures incurred to bring the asset to its working condition and location for its intended use. Borrowing costs incurred during the period of construction is capitalized as part of cost of the qualifying asset. The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the statement of profit and loss.

#### Depreciation and amortisation of property, plant and equipment and intangible assets:

Depreciation or amortisation is provided so as to write off, on a straight-line basis, the cost of property, plant and equipment. These charges are commenced from the dates the assets are available for their intended use and are spread over their estimated useful economic lives. The estimated useful lives of assets are reviewed regularly and, when necessary, revised. No further charge is provided in respect of assets that are fully written down but are still in use.

Depreciation on assets under construction commences only when the assets are ready for their intended use.

Individual low cost assets (acquired for ₹5,000/- or less) are depreciated fully in the year of acquisition / purchase.

The following rates have been used for providing the depreciation on the tangible & intangible fixed assets

Asset Description	Useful life of Asset
Buildings	60 years
Factory Buildings	30 years
Lease Buildings	6 years
Plant and Machinery	15 years
Office Equipment	5 years
Computers	3 years
Vehicles	10 years
Furniture & Fixtures	10 years
Testing Equipment	10 years
Software	3 years

## Notes on Financial Statements for the year ended 31 March 2018

### 2.2.5 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.

### 2.2.6 Capital work-in-progress:

Projects under which tangible assets are not yet ready for their intended use are carried at cost comprising direct cost, related incidental expenses and attributable borrowing costs.

### 2.2.7 Research and Development Costs (Product development)

Expenditure on research 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. (Ref. Note -30)

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

### 2.2.8 Borrowing Costs:

Borrowing Costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset up to the date of capitalisation of such asset, is added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

### 2.2.9 Inventories:

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above the cost. Cost of raw materials, components and stores and spares is determined on a weighted average basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity.

### 2.2.10 Segment Information:

The Board of Directors of the Company, which has been identified as being the chief operating decision maker (CODM), evaluates the Company's performance; allocate resources based on the analysis of the various performance indicator of the Company as a single unit. Therefore there is no reportable segment for the Company

Revenues from One of the customers of the Company's Sale of Training solutions were approximately ₹1,400.00 Lacs representing approximately 36% of the Company's total revenues, for the year ended 31 March 2018.

### 2.2.11 Provisions:

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an out flow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates

### 2.2.12 Employee Benefits:

Employee benefits include provident fund, employee state Insurance scheme, Gratuity and compensated absences.

- a. **Short-term obligations:** The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related services.
- b. **Long-term employee benefit obligations:** Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefit are discounted using the market yields at the end of the reporting period that have terms approximating to



## Notes on Financial Statements for the year ended 31 March 2018

the terms of the related obligation. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in Statement of Profit and Loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer the settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

**c. Post-employment obligations:** The company operates the following post-employment schemes:-

**i. Defined Contribution Plan:** The Company's contribution to provident fund is considered as defined contribution plan and is charged as an expense based on the amount of contribution required to be made. The Company has no further payment obligations once the contributions have been paid.

**ii. Defined Benefit Plan:**

- The liability or assets recognised in the Balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated by actuaries using the projected unit credit method.
- The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.
- The net interest cost is calculated 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 the employee benefit expenses in the Statement of Profit and Loss.
- Re-measurement gains and loss arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in Other Comprehensive Income. They are included in retained earnings in the Statement of Changes in Equity and in the Balance Sheet.
- Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in Statement of Profit and Loss as past service cost.

**d. Other Defined Contribution Plan:**

The company's contribution to employee state insurance scheme is charged as an expense based on the amount of contribution required to be made. The company has no further payment obligation once the contribution has been paid.

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

Subsequent measurement - For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit and loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

## Notes on Financial Statements for the year ended 31 March 2018

### Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading 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.

### b. Financial liabilities

Initial recognition and measurement:

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through statement of profit and loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans, 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.

### Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised 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 amortisation is included as finance costs in the statement of profit and loss.

#### 2.2.14 Fair Value Measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

#### 2.2.15 Cash Flows and Cash & Cash equivalents:

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

#### 2.2.16 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.



## Notes on Financial Statements for the year ended 31 March 2018

### 2.2.17 Foreign Currency Transactions:

All transactions in foreign currency are recorded on the basis of the exchange rate prevailing as on the date of transaction. The difference, if any, on actual payment/realisation is recorded to the Statement of Profit and Loss. Monetary assets and liabilities denominated in foreign currency are restated at rates prevailing at the year-end. The net loss or gain arising out of such conversion is dealt with in the Statement of Profit and Loss.

### 2.2.18 Earnings per share

Basic earnings per share are computed by dividing the net profit / (loss) after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the company after adjusting impact of dilution shares by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

### 2.2.19 Contingent liabilities and Assets:

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an out flow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is not recognised unless it becomes virtually certain that an inflow of economic benefits will arise. When an inflow of economic benefits is probable, contingent assets are disclosed in the financial statements. Contingent liabilities and contingent assets are reviewed at each balance sheet date.

### 2.2.20 Subsequent Events:

There are no significant events that occurred after the balance sheet date.



3. Property, Plant & Equipment

(₹ in lacs)

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
<b>Gross Block</b>												
Balance As at April 01, 2016	449.80	3,825.37	295.19	315.76	314.99	77.85	-	156.19	255.29	5,690.44	999.85	999.85
Additions	-	17.74	30.29	12.28	26.24	1.56	192.23	1.55	136.32	418.21	17.76	17.76
Deductions/Retirement During the Year	-	29.21	-	-	-	-	-	3.10	8.18	40.49	-	-
<b>Balance As at March 31, 2017</b>	<b>449.80</b>	<b>3,813.90</b>	<b>325.48</b>	<b>328.04</b>	<b>341.23</b>	<b>79.41</b>	<b>192.23</b>	<b>154.64</b>	<b>383.43</b>	<b>6,068.16</b>	<b>1,017.61</b>	<b>1,017.61</b>
Additions	199.15	1,495.72	36.01	-	165.89	3.06	-	377.55	-	2,277.38	16.18	16.18
Deductions/Retirement During the Year	-	0.28	0.05	2.24	1.76	-	-	13.61	19.03	36.97	-	-
<b>Balance As at March 31, 2018</b>	<b>648.95</b>	<b>5,309.34</b>	<b>361.44</b>	<b>325.80</b>	<b>505.36</b>	<b>82.47</b>	<b>192.23</b>	<b>518.58</b>	<b>364.40</b>	<b>8,308.57</b>	<b>1,033.79</b>	<b>1,033.78</b>
<b>Accumulated Depreciation/Amortization</b>												
Balance As at April 01, 2016	-	489.89	264.23	133.99	229.46	35.33	-	93.83	132.16	1,378.88	875.92	875.92
For the year	-	101.61	20.03	17.31	28.61	8.10	28.86	12.25	24.85	241.62	122.17	122.17
Deductions/Adjustments During the Year	-	7.32	-	-	-	-	-	0.54	8.14	16.00	-	-
<b>Balance As at March 31, 2017</b>	<b>-</b>	<b>584.18</b>	<b>284.26</b>	<b>151.30</b>	<b>258.07</b>	<b>43.43</b>	<b>28.86</b>	<b>105.54</b>	<b>148.87</b>	<b>1,604.50</b>	<b>998.09</b>	<b>998.09</b>
For the year	-	98.77	25.72	17.45	36.79	8.18	38.45	11.70	32.56	269.62	12.77	12.77
Deductions/Adjustments During the Year	-	0.28	0.05	1.29	1.42	-	-	12.10	14.56	29.70	-	-
<b>Balance As at March 31, 2018</b>	<b>-</b>	<b>682.67</b>	<b>309.93</b>	<b>167.46</b>	<b>293.44</b>	<b>51.61</b>	<b>67.31</b>	<b>105.14</b>	<b>166.87</b>	<b>1,844.42</b>	<b>1,010.86</b>	<b>1,010.86</b>
<b>Net Carrying Amount</b>												
Balance As at April 01, 2016	449.80	3,335.48	30.96	181.77	85.53	42.52	-	62.36	123.13	4,311.54	123.93	123.93
Balance As at March 31, 2017	449.80	3,229.72	41.22	176.74	83.16	35.98	163.37	49.10	234.56	4,463.64	19.52	19.52
Balance As at March 31, 2018	648.95	4,626.67	51.51	158.34	211.92	30.86	124.92	413.44	197.53	6,464.13	22.93	22.93



## Notes on Financial Statements for the year ended 31 March 2018

### 3 - Capital work-in-progress

(₹ in lacs)

Description	Buildings	Interiors	Civil works	Total
<b>Deemed Cost</b>				
Balance as at April 1, 2016	845.71	626.03	-	1,471.74
Additions	130.54	-	66.74	197.28
Deletions / Transfer				-
<b>Balance as at March 31, 2017</b>	<b>976.25</b>	<b>626.03</b>	<b>66.74</b>	<b>1,669.02</b>
Additions				
Deletions / Transfer	976.25	626.03	66.74	1,669.02
<b>Balance as at March 31, 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Accumulated Depreciation</b>				
Balance as at April 1, 2016	-	-	-	-
Depreciation charge during the year	-	-	-	-
Deletions / Transfer				
<b>Balance as at March 31, 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation charge during the year	-	-	-	-
Deletions / Transfer				
<b>Balance as at March 31, 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>				
Balance as at April 1, 2016	845.71	626.03	-	1,471.74
Balance as at March 31, 2017	976.25	626.03	66.74	1,669.02
Balance as at March 31, 2018	-	-	-	-

### Net Book Value

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016
Property, Plant & Equipment	6,487.07	4,483.17	4,435.47
Capital Work in Progress	-	1,669.02	1,471.74

- The Amount of Borrowing costs capitalised during the year ended March 31, 2018 was ₹8.22 Lacs ( March 31, 2017: ₹ Nil). The rate determine the amount of borrowing costs eligible for capitalisation was 11 % (March 31, 2017: Nil) which is the effective interest rate of specific borrowings.

- Land ₹199.15 lacs represent undivided share in property located at Signature Towers, OPP: Botanical Gardens, Kondapur Village Serilingampally Mandal, Kondapur, Ranga Reddy, Telangana, 500084. which was acquired along with said property. this was a composite transaction of land and building and not separately saleable.

- Details of charge against assets - Ref Note -19

- The gross block 31.03.2018 includes ₹1,978.50 Lacs ( Pre Yr ₹1650.90 Lacs) and Net Block ₹685.63 Lacs ( Pre Yr ₹391.79 Lacs) representing assets used in R & D

## Notes on Financial Statements for the year ended 31 March 2018

### 4. Investments (Non Current)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>Unquoted investments</b>			
<b>Investment in Subsidiaries</b>			
Version 2 Games Limited (Wholly owned)	-	5.00	5.00
5,00,000 Equity shares of face value ₹ 1 each			
<b>Investment in Others</b>			
Paladin Paradigm Knowledge Solutions INC., 15,022 Equity shares (Mach 31,2017 : 3,414 Shares)	163.77	34.12	-
<b>Aggregated Value of Unquoted investments</b>	<b>163.77</b>	<b>39.12</b>	<b>5.00</b>

**Note:** During the quarter -III, ended 31-12-2017 Version 2 Games Ltd ceases to be subsidiary of the Company.

Investment in Paladin Paradigm Knowledge Solutions INC., is valued at cost as in accordance to information available it is the fair value/ amortised cost.

### Note 5. Other financial assets

(Unsecured, considered good)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Security deposits	112.46	92.08	100.12
Deposits with government, public bodies and others	109.86	128.23	99.64
Loans and Advances to Employees	10.99	49.85	19.06
Loans and advances to subsidiaries	-	-	0.60
	<b>233.31</b>	<b>270.16</b>	<b>219.42</b>

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

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Deferred Tax Asset			
Tax on Losses Carry Forward	557.32	-	-
Deferred Tax Liability			
Accelerated depreciation for tax purposes	(327.43)	-	-
Net Deferred tax Asset	<b>229.89</b>	<b>-</b>	<b>-</b>

In accordance the accounting policy of the company & on review of the future realisability of Deferred tax asset and reversability of liability, the same are recognised in the financial statement of the current year. This recognition is in accordance with the applicable Indian Accounting Standard - Income Taxes (Ind AS-12). The company has also a unrecognised MAT credit of ₹1,900.01 lacs which has been reviewed and the recognition of the same is not considered prudent with the available information as on date of Balance Sheet.

### Note 7. Other Non Current Assets

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Prepaid expenses	80.69	46.26	46.71
Capital Advances	92.00	194.25	92.00
	<b>172.69</b>	<b>240.51</b>	<b>138.71</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.

## Notes on Financial Statements for the year ended 31 March 2018

### 8. Inventories

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Raw material	615.72	377.63	348.90
Work in progress	463.87	303.26	320.75
Stock-in-trade	-	35.02	35.02
Inventory Demo Systems	-	-	198.06
Inventory Others	75.88	75.88	75.88
	<b>1,155.47</b>	<b>791.79</b>	<b>978.61</b>

Inventories are valued at cost or net realisable value whichever is lower.

### 9. Trade receivables (Unsecured)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Carried at Amortised cost			
Unsecured, considered good			
Trade Receivables	2,261.13	2,096.76	871.72
Less :Doubtful debts	-	(65.71)	(65.71)
	<b>2,261.13</b>	<b>2,031.05</b>	<b>806.01</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

### 10. Cash and Cash Equivalents

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Cash on hand	9.04	1.32	0.03
Balances with banks:			
- In current accounts	428.53	899.50	191.81
- In Fixed Deposits with original maturity Less than 3 months	742.10	-	800.00
	<b>1,179.67</b>	<b>900.82</b>	<b>991.84</b>

### 11. Other bank balances:

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Balances with banks for unclaimed dividend	5.57	7.25	8.29
- Fixed Deposits with original maturity More than 3 months & Less than 12 months	652.95	12.11	2,100.00
- Deposits against BG's	953.04	514.20	471.86
- Deposits against OD's	1,510.10	1,986.73	3,226.79
	<b>3,121.66</b>	<b>2,520.29</b>	<b>5,806.94</b>

Note : All Fixed deposits were kept with Scheduled banks only

## Notes on Financial Statements for the year ended 31 March 2018

### 12. Other Financial assets (Current)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
To Others - Unsecured, Considered good			
Carried at Amortised cost			
Interest accrued but not due on deposits	69.90	27.48	106.65
Accrued Income	714.65	478.36	267.76
	<b>784.55</b>	<b>505.84</b>	<b>374.41</b>

### 13. Other Current Assets

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
To Others- Unsecured, considered good			
Prepaid Expenses	149.94	45.69	46.57
Balance with Statutory Authorities	88.72	97.28	100.15
Advance to material suppliers(Creditors)	366.64	823.80	1,097.58
	<b>605.30</b>	<b>966.77</b>	<b>1,244.30</b>

### 14. Share Capital

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Authorised Capital			
20,00,00,000 (March 31, 2017- 20,00,00,000, April 01, 2016 - 20,00,00,000)	2,000	2,000	2,000
Equity shares of ₹1/- each	2,000	2,000	2,000
Issued, subscribed and fully paid-up capital			
7,71,60,060 (March 31, 2017- 7,71,60,060, April 01, 2016 - 7,71,60,060) Equity shares of ₹1/- each fully paid-up	<b>771.60</b>	<b>771.60</b>	<b>771.60</b>
	<b>771.60</b>	<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 lacs)

Particulars	As at March 31, 2018		As at March 31, 2017		As at April 01, 2016	
	No of Shares	(₹ In lacs)	No of Shares	(₹ In lacs)	No of Shares	(₹ In lacs)
At the beginning of the Year	7,71,60,060	771.60	7,71,60,060	771.60	7,71,60,060	771.60
Outstanding at the end of the year	7,71,60,060	771.60	7,71,60,060	771.60	7,71,60,060	771.60

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 2018

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

Name of the share holder	As at March 31, 2018		As at March 31, 2017		As at April 01, 2016	
	No of Shares	%	No of Shares	%	No of Shares	%
Ashok Atluri	2,01,76,250	26.15	2,01,76,250	26.15	2,23,16,498	28.92
Kishore Dutt Atluri	1,75,56,250	22.75	1,75,56,250	22.75	1,54,16,002	19.98

As per records of the Company, including its register of shareholders/members and the declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

d. Aggregate number of shares bought back during the period of five years immediately preceding the reporting date.

Particulars	2017-18	2016-17	2015-16	2014-15	2013-14
No. of Equity Shares bought back by the company during the year	-	-	-	-	11,72,426
Aggregate Number of Equity Shares bought back by the company	11,72,426	11,72,426	11,72,426	11,72,426	11,72,426

### 15. Other Equity

(₹ in lacs)

Particulars	Note no	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Securities premium reserve	15.1	891.85	891.85	891.85
Capital redemption reserve	15.2	117.24	117.24	117.24
General reserve	15.3	3,525.01	3,525.01	3,525.01
Retained earnings	15.4	6,536.32	6,654.82	6,031.07
		<b>11,070.42</b>	<b>11,188.92</b>	<b>10,565.17</b>

#### 15.1 Securities premium reserve

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Opening balance	891.85	891.85	891.85
Add: Additions during the year	-	-	-
less: Utilised for issue expenses	-	-	-
	<b>891.85</b>	<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 lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Opening balance	117.24	117.24	117.24
Add: Additions during the year	-	-	-
	<b>117.24</b>	<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.



## Notes on Financial Statements for the year ended 31 March 2018

### 15.3 General reserve

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Opening balance	3,525.01	3,525.01	3,525.01
Add: Additions during the year	-	-	-
	<b>3,525.01</b>	<b>3,525.01</b>	<b>3,525.01</b>

### 15.4 Retained earnings

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Opening balance	6,654.82	6,031.07	6,031.07
Add: Net profit for the year	(38.90)	743.50	-
Add: Other comprehensive income arising from remeasurements of the defined benefit liabilities/ (assets) (net assets)	59.71	(26.88)	-
(A)	<b>6,675.62</b>	<b>6,747.69</b>	<b>6,031.07</b>
<b>Less: Allocations/ Appropriations</b>			
Transfer to General reserve			-
Dividend distributed to equity shareholders	115.74	77.16	-
Dividend distribution tax on dividend	23.56	15.71	-
(B)	<b>139.30</b>	<b>92.87</b>	<b>-</b>
(A-B)	<b>6,536.32</b>	<b>6,654.82</b>	<b>6,031.07</b>

### 16. Borrowings (Non Current)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Secured			
- Term Loan from TDB (Ref Note)	271.81	459.45	907.82
- Vehicle loan	21.24	64.79	17.59
- Deferred Revenue TDB (Govt. grant)	34.81	70.82	123.38
	<b>327.86</b>	<b>595.06</b>	<b>1,048.79</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 instalments commencing from 01st 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 Rs:1/- each owned by the Chairman & Managing Director of the Company.

## Notes on Financial Statements for the year ended 31 March 2018

### 17. Long Term Provisions

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
- Provision for gratuity (Ref Note)	129.94	131.89	85.57
- Provision for decline, other than temporary, in the value of long term investments	-	5.00	5.00
	<b>129.94</b>	<b>136.89</b>	<b>90.57</b>

#### Defined Benefit plan – Gratuity

The Company operates Group Gratuity Scheme for its employees. Under the scheme of gratuity, every employee who has completed minimum 5 years of service gets gratuity on departure @15 days last month's drawn salary for each completed year of service. The gratuity scheme is funded with Life Insurance Corporation of India in the form of Group Gratuity Scheme (GGS). The provision is estimated by an independent consulting actuary as per requirements of IND AS 19.

(₹ in lacs)

S. No.	Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>I</b>	<b>Changes in present value of obligations</b>			
	PVO at beginning of the period	262.52	221.63	196.45
	Interest cost	16.58	15.20	14.93
	Current Service Cost	36.56	33.53	35.59
	Past service Cost - (Vested Benefits)	30.04	-	-
	Benefits Paid	(29.27)	(35.75)	(8.49)
	Actuarial (Gain)/ Loss on Obligation	(57.96)	27.92	(16.86)
	PVO at end of the period	258.47	262.52	221.63
<b>II</b>	<b>Changes in Fair Value of plan Assets</b>			
	Fair value of plan assets beginning of the period	130.63	136.05	112.70
	Adjustment to Opening Fair value plan of asset	(0.31)	(0.11)	-
	Return on Plan assets excluding Interest Income	1.75	1.03	(0.07)
	Interest Income	8.32	9.55	9.31
	Contribution by Employer	17.41	19.85	22.61
	Contribution by Employee	-	-	-
	Benefits Paid	(29.27)	(35.75)	(8.49)
	Fair Value of plan Assets at end of the period	128.53	130.63	136.05
<b>III</b>	<b>Net Status of Plan</b>	<b>129.94</b>	<b>131.89</b>	<b>85.57</b>
<b>IV</b>	<b>Net Amount Recognised</b>	<b>129.94</b>	<b>131.89</b>	<b>85.57</b>
<b>V</b>	<b>Actual return on plan assets</b>	10.07	10.58	9.24
	Less Interest income included above	8.32	9.55	9.31
	Return on plan assets excluding interest income	1.75	1.03	(0.07)
<b>VI</b>	<b>Expenses recognised in the Statement of Profit and Loss Account</b>			
	Current service cost	36.56	33.53	
	Interest cost	9.70	5.65	
	Past Service Cost -(vested benefits)	30.04	-	
	<b>Expense recognized in the statement of Profit and loss Account</b>	<b>76.30</b>	<b>39.18</b>	
<b>VII</b>	<b>Other Comprehensive Income (OCI)</b>			
	Actuarial (Gain)/Loss recognized for the period	(57.96)	27.92	
	Return on Plan Assets excluding net interest	(1.75)	(1.03)	
	Total Actuarial (Gain)/Loss recognized in (OCI)	(59.71)	26.88	

## Notes on Financial Statements for the year ended 31 March 2018

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 lacs).

**Discount Rate:** The discount rate has increased from 6.69% to 7.54% and hence there is a decrease in liability leading to actuarial gain 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 March 31, 2018	As at March 31, 2017	As at April 01, 2016
Mortality	IALM (2006-08)Ult	IALM (2006-08)Ult	IALM (2006-08)Ult
Increase / discount Rate	7.54%	6.69%	7.46%
Rate of Increase in Compensation	6.00%	9.00%	9.00%
Expected Average remaining Service	6.51	6.43	6.51
Employee Attrition Rate (Past Service (PS) )	PS: 0 to 42: 12%	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%	PVO ER+1%	PVO ER-1%
PVO	246.00	272.40	269.49	248.22

### Expected Pay out:

(₹ in lacs)

Year	Expected outgo first year	Expected outgo second year	Expected outgo third year	Expected outgo fourth year	Expected outgo fifth year	Expected outgo six to ten year
Pay outs	60.04	47.28	43.99	78.58	38.26	190.22

### Asset & Liability Comparisons

(₹ in lacs)

Year	31.03.2014	31.03.2015	31.03.2016	31.03.2017	31.03.2018
PVO at end of period	142.27	196.45	221.62	262.52	258.47
Plan Assets	94.89	112.70	136.05	130.62	128.53
Surplus / (Deficit)	(47.38)	(83.75)	(85.57)	(131.89)	(129.94)
Experience adjustments on Plan Assets	(0.29)	(0.00)	(0.07)	1.03	1.75



## Notes on Financial Statements for the year ended 31 March 2018

### 18. Trade Payables

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Trade payables			
- Dues to Micro and Small Enterprises	-	-	-
- Trade Payables Others	346.75	298.13	209.07
	<b>346.75</b>	<b>298.13</b>	<b>209.07</b>

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

(i) The amount remaining unpaid as at 31 March 2018 in respect of enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" (MSMED) is ₹ Nil (31 March 2017: ₹ 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 2017 : ₹ Nil).

### 19. Other Financial Liabilities (Current)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Bank Over Draft part of Cash & Cash Equivalents (Ref Note :34)	228.47	215.82	2,952.27
Current maturities of long-term debts (Ref. note 19(a))	454.07	322.26	53.37
- Salaries and benefits	113.37	104.77	138.24
- Bonus and incentives	83.83	83.12	79.65
Unclaimed dividends	5.58	7.26	8.29
	<b>885.32</b>	<b>733.24</b>	<b>3,231.82</b>

Note: 19 (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.

### 20. Other Current Liabilities

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Service Income billed but not due	103.90	65.77	49.07
Provision for expenses	49.47	55.66	7.37
Taxes payable	92.30	61.75	41.65
Advance from customers	2,699.65	533.24	607.90
	<b>2,945.32</b>	<b>716.42</b>	<b>705.99</b>

## Notes on Financial Statements for the year ended 31 March 2018

### 21. Revenue from operations

(₹ in lacs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
a) Sale of Products	1,842.90	4,900.80
b) Sale of Product Services	2,053.43	1,298.42
	<b>3,896.33</b>	<b>6,199.22</b>

Note: Sale of goods includes excise duty collected from customers of ₹ Nil ( March 31, 2017 ₹33.50 Lacs)

### 22. Other Income

(₹ in lacs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Interest income	171.53	317.39
Net gain/(loss) on foreign currency exchange fluctuation	177.95	40.50
Profit/(Loss) on Sale of Vehicle	(0.72)	1.47
Deferred Income (Grant)-Benefit	36.01	52.56
Miscellaneous income	55.33	2.38
	<b>440.10</b>	<b>414.30</b>

Note: The Company recognised grant of ₹ 36.01 Lacs ( March 31, 2017 ₹ 52.56 Lacs) relating to concessional rate of Interest rate benefit received from Technology Development Board (TDB)

### 23. Cost of materials and components consumed

(₹ in lacs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Opening stock of raw materials	377.63	348.89
Add : Purchases	721.06	1,226.73
	<b>1,098.69</b>	<b>1,575.62</b>
Less : Closing stock	615.72	377.62
	<b>482.97</b>	<b>1,198.00</b>

### 24. Changes in inventories of finished goods, work-in-progress and stock-in-trade

(₹ in lacs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Opening work in progress	303.26	326.58
Opening traded goods	35.02	35.02
	<b>338.28</b>	<b>361.60</b>
Closing work in progress	463.87	303.26
Closing traded goods	-	35.02
	<b>463.87</b>	<b>338.28</b>
<b>Net (increase) / decrease in stock</b>	<b>(125.59)</b>	<b>23.32</b>



## Notes on Financial Statements for the year ended 31 March 2018

### 25. Manufacturing expenses

(₹ in lacs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Power and fuel	24.84	23.28
Spares and Stores	11.31	14.22
Freight inward	16.31	23.85
Travel expenses - Production	4.49	3.34
System Installation & Maintenance	119.12	25.42
Factory Maintenance	52.67	24.16
Training Charges	-	15.94
Salaries -Production	78.87	91.90
	<b>307.60</b>	<b>222.11</b>

### 26. Employee benefits expense

(₹ in lacs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Salaries, wages and bonus	1,364.24	1,344.93
Contribution to provident and other funds	55.19	31.70
Gratuity expense	76.31	19.44
Staff welfare expenses	53.34	56.14
	<b>1,549.08</b>	<b>1,452.21</b>

### 27. Finance costs

(₹ in lacs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Bank Charges	41.11	19.10
BG Commission	32.45	14.60
Interest on borrowings		
- interest on bank OD loans	85.14	152.52
- interest on TDB loan	71.27	94.46
- interest on Vehicle loan	9.10	3.25
- interest Others	1.70	1.68
	<b>240.76</b>	<b>285.61</b>

### 28. Other expenses

(₹ in lacs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
<b>Selling &amp; Distribution expenses</b>		
Business Promotion	137.99	159.19
Exhibition expenses	190.63	193.69
Freight	34.82	68.22
Service Charges	3.27	164.14
	<b>366.71</b>	<b>585.25</b>
<b>Travelling expenses</b>		
Domestic Travel	273.56	241.26
Foreign Travel	128.59	97.97
<b>Total Travel expenses</b>	<b>402.15</b>	<b>339.23</b>



## Notes on Financial Statements for the year ended 31 March 2018

### 28. Other expenses (Contd.)

(₹ in lacs)

#### Administrative & General expenses

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Advertisement	52.77	7.97
Bad Debts	5.27	1.05
Conveyance	25.65	31.73
Donation CSR	21.16	35.03
Electricity Charges-General	32.03	27.89
Insurance	18.86	20.84
Office Maintenance	115.85	78.38
Postage & Telephone	40.76	37.76
Printing & Stationary	13.04	15.53
Professional Charges	202.42	407.71
Rates & Taxes	74.21	49.83
Rent	75.52	107.68
Security expenses	34.41	35.88
Vehicle Maintenance	26.54	27.07
Computer Maintenance	16.57	16.22
Spares & Stores-R&D	281.98	226.53
Excise duty Expenses	-	33.50
Other Expenses	58.72	53.03
Payment to auditors		
For Statutory Audit fee (Net of GST)	3.00	3.00
For Other Services	0.40	-
Out of pocket expenses	-	0.31
<b>Total of Administrative &amp; General expenses</b>	<b>1,099.15</b>	<b>1,216.94</b>
<b>Total of Other Expenses</b>	<b>1,868.00</b>	<b>2,141.42</b>

### 29. Earnings per share (EPS)

(₹ in lacs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Profit for the year attributable to owners of the company and used in calculation of EPS (₹ in lacs)	20.80	716.62
Weighted average number of equity shares		
Basic (in Numbers)	7,71,60,060	7,71,60,060
Diluted (in Numbers)	7,71,60,060	7,71,60,060
Nominal value of shares (in ₹)	1	1
Earnings per share (in ₹)		
Basic	0.03	0.93
Diluted	0.03	0.93



## Notes on Financial Statements for the year ended 31 March 2018

### 30. Research & Development Expenses

(₹ in lacs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
<b>EXPENDITURE INCURRED ON RESEARCH AND DEVELOPMENT</b>		
Salaries	713.75	741.05
Bonus & Gratuity	97.15	62.39
Electricity Charges	27.54	25.32
Travelling expenses	41.02	35.24
Spares & Stores	281.98	202.94
Consultancy Fee	13.05	9.42
Depreciation	33.83	130.19
Interest on TDB Loan (UAV Sim)	71.27	94.46
Training charges	-	0.35
Rates & Taxes	-	23.58
Repairs & Maintenance	4.08	-
<b>Total R&amp;D Expenses</b>	<b>1,283.67</b>	<b>1,324.94</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.

### 31. Commitment and Contingent Liabilities

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>COMMITMENTS AND CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF</b>			
<b>I. DISPUTED MATTERS</b>			
(a) Appeal filed by the Excise Department before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) Hyderabad against the order passed by the Commissioner of Customs and Central Excise Hyderabad - II Commissionerate, in favour of the company vide Order-in-Original No:02/2006-C.Ex dated 05.07.2005.	-	51.71	51.71
(b) Demands raised for subsequent periods by the Central Excise Department on the same issue for the period from 01.04.2006 to 31.07.2011 and the Commissioner confirmed the demands vide Order-in-Original No. Hyd-Excus-002-Com-030-15-16 dated 27.11.2015. The Company filed an appeal before CESTAT, Hyderabad and is pending for final hearing.	749.43	749.43	749.43
	<b>749.43</b>	<b>801.14</b>	<b>801.14</b>

#### Note:

(a) During the financial year 2017-18, CESTAT passed order in favour of company for the amount of ₹ 51.71 Lacs Ref. I (a)

(b) The dispute in the matter stated above Ref. I (b) 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 Lacs and awaiting for hearing.

The Company, based on discussions with its solicitors and tax advisors, believes that there is a fair chance of winning the case in its favour in the appellate process and hence, no provision has been considered necessary against the same.

<b>II GUARANTEES/LETTER OF CREDITS</b>			
(a) Bank Guarantees/Letter of Credits	5,945.36	1,555.61	1,658.98
	<b>5,945.36</b>	<b>1,555.61</b>	<b>1,658.98</b>

## Notes on Financial Statements for the year ended 31 March 2018

### 32. Related party disclosure

(₹ in lacs)

	Relationship	Nature of Transaction	2017-18	2016-17
<b>a. Transactions during the year</b>				
<b>Mr. Ashok Atluri</b>	Key Management	Remuneration	51.96	51.80
Chairman and Managing Director	Personnel			
<b>Mr. Ashok Atluri</b>	Key Management	Commission	-	9.57
Chairman and Managing Director	Personnel			
<b>Mr. Kishore Dutt Atluri</b>	Key Management	Remuneration	30.97	30.87
President	Personnel (Brother of Mr Ashok Atluri)			
<b>Mr. Kishore Dutt Atluri</b>	Key Management	Commission	18.43	48.50
President	Personnel (Brother of Mr Ashok Atluri)			
<b>Mr. M Ravi Kumar</b>	Key Management Personnel	Remuneration	40.24	37.00
Whole-Time Director				
<b>Mr. Arjun Dutt Atluri</b>	Key Management Personnel (Son of Mr. Kishore Dutt Atluri)	Remuneration	4.73	1.69
Management Engineer				
<b>Mr. Ramesh Kumar N</b>	Key Management Personnel	Remuneration	4.75	-
Chief Financial Officer				
<b>Mr. Satish Choudhury M</b>	Key Management Personnel	Remuneration	8.27	-
Company Secretary				
<b>Mr. G. Sankara Rao - CFO @</b>	Key Management Personnel	Remuneration	6.08	12.15
Chief Financial Officer				
<b>Mr. Chada Jagadish Reddy *</b>	Key Management Personnel	Remuneration	1.10	3.45
Company Secretary				
<b>Mrs. Rama Devi Atluri</b>	Spouse of Mr. Kishore Dutt Atluri	Rent	5.25	5.00
Veer Sammaan Foundation	Founder Trustee - CSR Activity	Donation	21.16	34.99

#### Note:

- The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefit as they are determined on an actuarial basis for the Company as a whole.

- Managerial remuneration is computed as per the provisions of section 197 & 198 of the Companies Act, 2013.

@ Ceased with effective from 6th Oct 2017.

\* Ceased with effective from 1st Aug 2017.



## Notes on Financial Statements for the year ended 31 March 2018

### 33. Reconciliation of Profit or Loss for the year ended March 31, 2017

(₹ in lacs)

Particulars	Regrouped Indian GAPP	Ind AS Adjustments	Ind AS
<b>Income</b>			
Revenue From Operations	6,165.71	(33.51)	6,199.22
Other Income	361.75	(52.55)	414.30
<b>Total Revenue</b>	<b>6,527.46</b>	<b>(86.06)</b>	<b>6,613.52</b>
<b>Expenses</b>			
Cost of Materials and Components consumed	1,198.00	(0.00)	1,198.00
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	23.32	(0.00)	23.32
Manufacturing Expenses	222.11	-	222.11
Employee Benefits Expense	1,479.09	26.88	1,452.21
Finance Costs	233.06	(52.56)	285.61
Depreciation and Amortization Expense	363.80	(0.00)	363.80
Other Expenses	2,107.92	(33.50)	2,141.42
<b>Total Expenses</b>	<b>5,627.30</b>	<b>(59.17)</b>	<b>5,686.47</b>
<b>Profit/(Loss) before exceptional and extraordinary items</b>	<b>900.16</b>	<b>(26.89)</b>	<b>927.05</b>
Exceptional Items	-	-	-
<b>Profit / (Loss) before extra-ordinary items and tax</b>	<b>900.16</b>	<b>(26.89)</b>	<b>927.05</b>
Extraordinary items	-	-	-
<b>Profit / (Loss) before Tax</b>	<b>900.16</b>	<b>(26.89)</b>	<b>927.05</b>
<b>Prior Year Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tax expense</b>			
Current tax	183.54	-	183.54
<b>Total Tax</b>	<b>183.54</b>	<b>-</b>	<b>183.54</b>
<b>Net Profit/(Loss) from continuing operations</b>	<b>716.62</b>	<b>(26.89)</b>	<b>743.50</b>
Profit / (Loss) from discontinuing operations	-	-	-
Tax expense of discontinuing operations	-	-	-
<b>Net Profit / (Loss) from discontinuing operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Profit / (Loss) for the period</b>	<b>716.62</b>	<b>(26.89)</b>	<b>743.50</b>
<b>Other Comprehensive Income</b>			
<b>A] (i) Items that will not be reclassified to profit or loss</b>	<b>-</b>	<b>26.88</b>	<b>(26.88)</b>
(ii) Income tax relating to items that will not be reclassified to profit or loss	-	-	-
<b>B] (i) Items that will be reclassified to profit or (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-
<b>Total Comprehensive Income for the period (Comprising Profit (Loss) and Other Comprehensive Income for the period)</b>	<b>716.62</b>	<b>(0.00)</b>	<b>716.62</b>

## Notes on Financial Statements for the year ended 31 March 2018

### 33.1 Reconciliation of Equity for the year ended March 31, 2017

(₹ in lacs)

Particulars	Regrouped Indian GAPP	Ind AS Adjustments	Ind AS
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property plant and Equipment	4,463.64	0.00	4,463.64
Capital Work Inprogress	1,669.02	-	1,669.02
Intangible assets	19.52	0.00	19.52
<b>Financial assets</b>			
Investments	39.12	-	39.12
Other financial assets	460.83	190.67	270.16
<b>Income Tax -Assets(Net)</b>		(21.73)	21.73
Other non current assets	-	(240.51)	240.51
<b>Total Non-current assets</b>	<b>6,652.13</b>	<b>(71.57)</b>	<b>6,723.70</b>
<b>Current assets</b>			
Inventories	791.79	-	791.79
<b>Financial assets</b>			
Trade Receivables	2,031.05	-	2,031.05
Cash and cash equivalent	900.82	-	900.82
Short Term Loans and Advances			-
Other Bank Balances	2,520.29	-	2,520.29
Other financial assets	651.95	146.12	505.84
<b>Other current assets</b>	<b>1,085.79</b>	<b>119.02</b>	<b>966.77</b>
<b>Total Current assets</b>	<b>7,981.70</b>	<b>265.14</b>	<b>7,716.56</b>
<b>Total Assets</b>	<b>14,633.83</b>	<b>193.57</b>	<b>14,440.26</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity Share Capital	771.60	-	771.60
Other Equity	11,188.92	(0.00)	11,188.92
<b>Total Equity</b>	<b>11,960.52</b>	<b>(0.00)</b>	<b>11,960.52</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial Liabilities			
Borrowings	580.39	(14.67)	595.06
Other Financial Liabilities	-	-	-
Provisions	136.89	-	136.89
<b>Total Non-current liabilities</b>	<b>717.28</b>	<b>(14.67)</b>	<b>731.95</b>
<b>Current liabilities</b>			
Financial Liabilities			
Borrowings	215.82	215.82	-
Trade payables	307.09	8.96	298.13
Other Financial liabilities	-	(733.24)	733.24
Provisions	183.54	183.54	-
Other current liabilities	1,249.58	533.16	716.42
<b>Total Current liabilities</b>	<b>1,956.03</b>	<b>208.24</b>	<b>1,747.79</b>
<b>Total Equity and Liabilities</b>	<b>14,633.83</b>	<b>193.57</b>	<b>14,440.26</b>

## Notes on Financial Statements for the year ended 31 March 2018

### 33.2 Reconciliation of Equity as at April 1, 2016 (date of transition to Ind AS)

(₹ in lacs)

Particulars	Regrouped Indian GAPP	Ind AS Adjustments	Ind AS
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property plant and Equipment	4,311.54	0.00	4,311.54
Capital Work Inprogress	1,471.74	(0.00)	1,471.74
Intangible assets	123.93	(0.00)	123.93
<b>Financial assets</b>			
Investments	5.00	-	5.00
Other financial assets	356.93	137.51	219.42
<b>Income Tax -Assets (Net)</b>	-	(150.56)	150.56
Other non current assets	-	(138.71)	138.71
<b>Total Non-current assets</b>	<b>6,269.14</b>	<b>(151.76)</b>	<b>6,420.90</b>
<b>Current assets</b>			
Inventories	978.61	-	978.61
<b>Financial assets</b>			
Trade receivables	806.02	0.00	806.01
Cash and cash equivalent	991.84	-	991.84
Other Bank Balances	5,806.94	-	5,806.94
Other financial assets	391.48	17.07	374.41
Other current assets	1,436.87	192.57	1,244.30
<b>Total Current assets</b>	<b>10,411.74</b>	<b>209.64</b>	<b>10,202.11</b>
<b>Total Assets</b>	<b>16,680.88</b>	<b>57.88</b>	<b>16,623.01</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity Share Capital	771.60	-	771.60
Other Equity	10,472.30	(92.87)	10,565.17
<b>Total Equity</b>	<b>11,243.90</b>	<b>(92.87)</b>	<b>11,336.77</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial Liabilities			
Borrowings	776.46	(272.32)	1,048.79
Provisions	90.57	-	90.57
<b>Total Non-current liabilities</b>	<b>867.03</b>	<b>(272.32)</b>	<b>1,139.36</b>
<b>Current liabilities</b>			
Financial Liabilities			
Borrowings	2,950.27	2,950.27	-
Trade payables	208.91	(0.16)	209.07
Other Financial liabilities	-	(3,231.82)	3,231.82
Provisions	152.91	152.91	-
Other current liabilities	1,257.86	551.87	705.99
<b>Total Current liabilities</b>	<b>4,569.95</b>	<b>423.07</b>	<b>4,146.88</b>
<b>Total Equity and Liabilities</b>	<b>16,680.88</b>	<b>57.88</b>	<b>16,623.01</b>



## Notes on Financial Statements for the year ended 31 March 2018

Footnotes to the reconciliation of equity as at April 1, 2016 and March 31, 2017 and profit or loss for the period ended March 31, 2017.

### 1. Proposed Dividend

Under Indian GAAP, Proposed dividend including DDT are recognised as a liability in the period to which they relate, irrespective of when they are declared. Under Ind AS, a proposed dividend is recognised as a liability in the period in which it is declared by the Company (usually when approved by Share Holders in a General Meeting) are paid.

In the case of the Company, declaration of dividend occurs after period end. Therefore, the liability ₹92.87 lacs for the year ended on March 31, 2016 recorded for dividend has been derecognized against retained earnings on the transition date."

### 2. Defined benefit liabilities

Both under Indian GAAP and Ind AS, the Company recognized costs related to its post-employment defined benefit plan on an accrual basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to profit or loss. Under Ind AS, remeasurements (comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets excluding amounts included in net interest on the net defined benefit liability) are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI.

Thus, the employee benefit cost is increased by ₹26.88 lacs and remeasurement losses on defined benefit plans have been recognized in the OCI net of tax.

### 3. Excise Duty

Excise duty of ₹33.50 lacs on account of sale of goods has been included in revenue as it is on own account because it is a liability of the manufacturer which forms the part of the production, irrespective of whether goods are sold or not.

### 4. Other Comprehensive Income

Under Indian GAAP, the company has not presented Other Comprehensive Income (OCI) separately. Hence, it has reconciled Indian GAAP profit or loss to profit or loss as per Ind AS. Further, Indian GAAP profit or loss is reconciled to Total Comprehensive Income as per Ind AS.

### 5. Government Grant

Under Ind AS, Concessional Interest free borrowing being a financial liability is required to be recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The difference between such fair value and the carrying value is recognised as deferred income disclosed under Other liabilities.

Hence as on the transition date, deferred revenue of ₹123.38 lacs related to benefit received from Technology Development Board (TDB).

### 6. Statement of cash flows

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows. Both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

### 7. Income Tax

The Company Net off the tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities related to income taxes levied by the same tax authority.

### 8. Other Adjustments:

The difference in the other elements arraised an accounts of regrouped accounts heads as per Ind AS 101



## Notes on Financial Statements for the year ended 31 March 2018

### 34. FD'S against Overdrafts

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
6.75% (PY 8.50%) OD I against Fixed Deposits from Indian Bank	-	-	431.71
7.90% (PY 9.50%) OD II against Fixed Deposits from Indian Bank	25.80	115.79	20.51
Nil (PY 9.25%) OD III against Fixed Deposits from Indian Bank	-	-	1,843.42
7.90% (PY Nil) OD IV against Fixed Deposits from Indian Bank	0.01	-	-
12.45% (PY 12.70%) against Indian Bank OCC account	2.57	100.03	29.45
8.00% (PY 9.25%) against Fixed Deposits from Corp Bank OD account	-	-	627.18
SBI OD I a/c	200.09	-	-
<b>Total Over Draft against FD's</b>	<b>228.47</b>	<b>215.82</b>	<b>2,952.27</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 (₹20 Crore) 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.

### 35. Financial risk management objectives and policies:

The principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the operations. The principal financial assets include trade and other receivables, investments, and cash and cash equivalents that derive directly from its operations.

The financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the policies and risk objectives. The Board of Directors through its Risk management committee reviews and agrees policies for managing each of these risks, which are summarised below.

#### 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 that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

#### 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 same letter of credit and advance payment.

## Notes on Financial Statements for the year ended 31 March 2018

(₹ in lacs)

Particulars	As at March 31, 2018			As at March 31, 2017			As at March 31, 2016		
	Less than 180 days	More than 180 but less than 360 days	More than 360 days	Less than 180 days	More than 180 but less than 360 days	More than 360 days	Less than 180 days	More than 180 but less than 360 days	More than 360 days
Expected loss rate	0%	0%	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount	939.74	89.28	1232.11	1849.54	87.97	93.54	475.66	149.53	180.83
Loss allowance provision	-	-	-	-	-	-	-	-	-

Export customers are against Letter of Credit, bank guarantees, payment against documents and open credit.

### f. Other financial assets and cash deposits

Credit risk from balances with banks and financial institutions is managed by the treasury department in accordance with the Company policy. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

### g. Liquidity risk

The company prepares cash flow on a weekly basis to monitor liquidity. Any shortfall is funded out of short term loans. Any surplus is invested in fixed deposits. The company also monitors the liquidity on a longer term wherein it is ensured that the long term assets are funded by long term liabilities. The company ensures that the duration of its Current assets is in line with the current liabilities to ensure adequate liquidity in the 3-6 months period.

The table below summarises the maturity profile of the Group's financial Assets & liabilities based on contractual undiscounted payments.

#### Liquidity exposure as at March 31, 2018

(₹ in lacs)

Particulars	< 1 year	1 -5 years	> 5 years	Total
<b>Financial assets</b>				
Non-current investments		163.77	-	163.77
<b>Current investments</b>				
Trade Receivables	2,261.13		-	2,261.13
Cash and cash equivalents	1,179.67			1,179.67
Bank balances other than cash and cash equivalents	3,121.66			3,121.66
Other financial assets	784.55			784.55
<b>Total Financial Assets</b>	<b>7,347.01</b>	<b>163.77</b>	<b>-</b>	<b>7,510.78</b>
<b>Long term borrowings</b>		327.86		327.86
Short term borrowings	228.47			228.47
Other Financial liabilities	656.84			656.84
Trade and other Payables	488.52			488.52
<b>Total Financial liabilities</b>	<b>1,373.83</b>	<b>327.86</b>	<b>-</b>	<b>1,701.69</b>

#### Liquidity exposure as at March 31, 2017

(₹ in lacs)

Particulars	< 1 year	1 -5 years	> 5 years	Total
<b>Financial assets</b>				
Non-current investments		34.12		34.12
<b>Current investments</b>				
Trade Receivables	2,031.05			2,031.05
Cash and cash equivalents	900.82			900.82
Bank balances other than cash and cash equivalents	2,520.29			2,520.29
Other financial assets	505.84			505.84
<b>Total Financial Assets</b>	<b>5,958.00</b>	<b>34.12</b>	<b>-</b>	<b>5,992.12</b>
<b>Long term borrowings</b>		595.06		595.06
Short term borrowings	215.82			215.82
Other Financial liabilities	517.41			517.41
Trade and other Payables	415.55			415.55
<b>Total Financial liabilities</b>	<b>1,148.78</b>	<b>595.06</b>	<b>-</b>	<b>1,743.84</b>



## Notes on Financial Statements for the year ended 31 March 2018

### 36. Capital management

The Company aims to maintain a strong capital base so as to maintain the confidence of investors, creditors and market and to sustain future development of the business.

The Company monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, including interest-bearing loans and borrowings, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the effective portion of cash flow hedges and cost of hedging, if any.

The Company's adjusted net debt to equity ratio at the reporting dates were as follows:

Particulars	(₹ in lacs)		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>Total Liabilities</b>	4,635.19	2,479.73	5,286.24
Less: Cash and cash equivalents	1,179.67	900.82	991.84
<b>Adjusted Net Debt (A)</b>	<b>3,455.52</b>	<b>1,578.91</b>	<b>4,294.40</b>
<b>Total Equity</b>	11,842.02	11,960.52	11,336.77
<b>Adjusted Equity (B)</b>	<b>11,842.02</b>	<b>11,960.52</b>	<b>11,336.77</b>
Adjusted Net Debt to Adjusted Equity (A/B)	<b>0.29</b>	<b>0.13</b>	<b>0.38</b>

**Note 37:** There are no disclosures required to be made under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 as there are no outstanding amounts remaining unpaid at the end of the year.

**Note 38:** As per companies Act, 2013 Section 148 Cost Audit Applicability, cost compliance is not applicable for FY 2017-18 as ZEN is Small Scale Industry Under MSME.

**Note 39:** The Company has transferred ₹21.16 Lacs to M/s. Veer Sammaan Foundation under Corporate Social Responsibility (CSR) activity for the financial year 2017-18.

### Calculation of CSR Expenses

Average net profit of the Company for the last three financial years

Financial Year	(₹ in lacs)				
	2014-15	2015-16	2016-17	Total	Average of 3 Years
Profit before tax	1981.60	291.83	900.15	3,173.58	1,057.86

Prescribed CSR expenditure (2% of Average Net Profits): ₹21.16 Lacs

### 40. Foreign Currency Expenses

Particulars	(₹ in lacs)	
	2017-18	2016-17
Capital Goods	3.28	0.16
Raw Materials and Components	80.37	128.85
Stores and Spares	49.42	3.89
Foreign Travel (Exclusive of tickets purchased)	99.36	75.47
Membership	5.77	5.98
Professional charges	9.56	188.47
Exhibition Expenses	75.89	77.43
Training charges	-	6.01
Others	200.84	1.19
<b>Total</b>	<b>524.49</b>	<b>487.45</b>

## Notes on Financial Statements for the year ended 31 March 2018

### 41. Value of Imported and indigenous raw materials and components consumed

(₹ in lacs)

Particulars	2017-18		2016-17	
	Value	%	Value	%
Indigenous raw material and stores	402.60	83.36	1069.14	89.24
Imported stores and components	80.37	16.64	128.85	10.76

42. The company measures EBITDA on the basis of profit/(loss) from continuing operations and the company does not include depreciation and amortization expense, finance costs and tax expense in the measurement of EBITDA.

### 43. Events after the reporting period

The board has recommended dividend of 10% i.e. ₹0.10 per equity share of face value of ₹1 each (March 31, 2017 ₹0.15) for financial year 2017-18.

### 44. Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company:

Ind AS 115, Revenue from Contracts with Customers In March 2018, the Ministry of Corporate Affairs ("MCA") has notified Ind AS 115, Revenue from Contracts with Customers, which is effective for accounting periods beginning on or after 1 April 2018. This comprehensive new standard will supersede existing revenue recognition guidance, and requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

Ind AS 115 is effective for annual reporting periods beginning on or after 1 April 2018.

The Company intends to adopt Ind AS 115 effective 1 April 2018, using the modified retrospective method. The adoption of Ind AS 115 is not expected to have a significant impact on the Company's recognition of revenues from product sales, service income and license fee.

#### Other Amendments:

On 28 March 2018, the MCA, issued certain amendments to Ind AS. The amendments relate to the following standards:

- Ind AS 21, The Effects of Changes in Foreign Exchange Rates
- Ind AS 12, Income Taxes
- Ind AS 28, Investments in Associates and Joint Ventures
- Ind AS 112, Disclosure of Interests in Other Entities

The amendments are effective 1 April 2018. The Company believes that the aforementioned amendments will not materially impact the financial position, performance or the cash flows of the Company

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

**G. Ganesh**  
Partner  
M.No: 211704

Place: Hyderabad  
Date: 26 May, 2018

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

**N. Ramesh Kumar**  
Chief Financial Officer

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STATUTORY  
FORMS

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**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 Computershare 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. <table border="1" data-bbox="162 783 587 829" style="width: 100%; height: 20px;"> <tr> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> </tr> </table>											<b>FOR OFFICIAL USE ONLY</b> ECS Ref. No. <table border="1" data-bbox="889 761 1318 808" style="width: 100%; height: 20px;"> <tr> <td style="width: 100%;"> </td> </tr> </table>	
Name of First Holder												
Bank Name												
Branch Name & Address												
	<table border="1" data-bbox="769 970 1487 1017" style="width: 100%; height: 20px;"> <tr> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> <td style="width: 25px;"> </td> </tr> </table> (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
--------------	---------	---------	-------------

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 Computershare 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 Rs 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 Friday the 21 September 2018 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 25<sup>th</sup> Annual General Meeting of the Company, to be held on Saturday the 29 September 2018 at 9.00 a.m. at 11<sup>th</sup> 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
<b>Ordinary Business</b>	
1	Adoption of Audited Standalone Financial Statements
2	Declaration of Dividend on the equity shares
3	Appointment of Mr Ashok Atluri as Director, liable to retire by rotation
<b>Special Business</b>	
4	Appointment of Mr Amreek Singh Sandhu as Independent Director of the Company
5	Appointment of Mr Venkat Samir Kumar Oruganti as Independent Director of the Company
6	Approval of limits for the Loans, Guarantees, Security and Investment by the Company as per Section 186 of the Companies Act, 2013
7	Consent of Members for Allocation of sub-limits for Portfolio Investment for Registered Foreign Portfolio Investor/s (RFPs) (including Qualified Foreign Investor/s (QFIs) and Foreign Institutional Investor/s (FIIs)), Foreign Venture Capital Investor/s (FVCIs) and Non Resident Indian/s (NRIs)

Signed this ..... day of ..... 2018

\_\_\_\_\_  
Signature of Proxy holder(s)

\_\_\_\_\_  
Signature of Shareholder

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

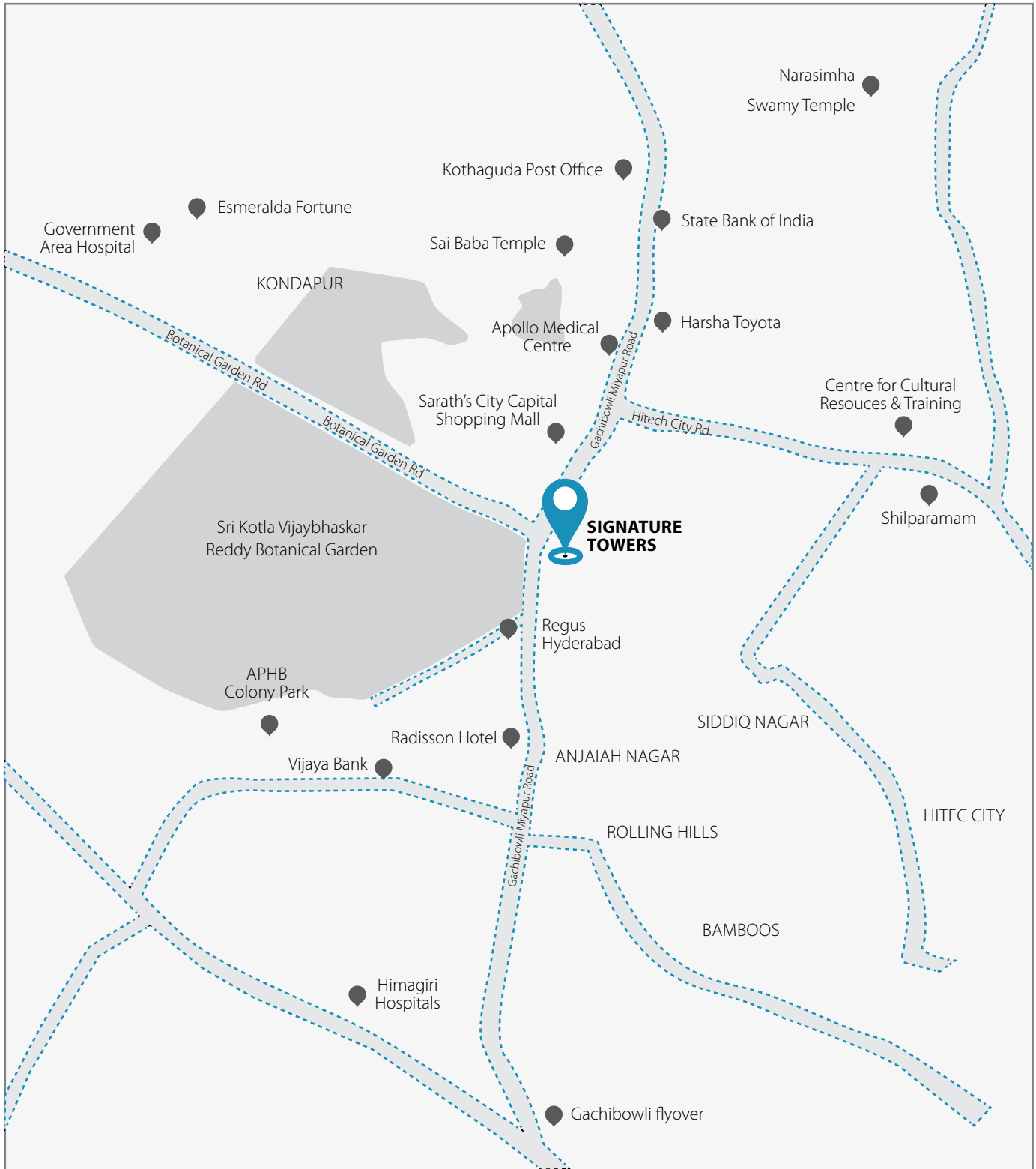
25<sup>th</sup> Annual General Meeting to be held on Saturday the 29 September 2018 at 9.00 a.m.

I hereby record my presence at the 25<sup>th</sup> Annual General Meeting of the Company being held on Saturday the 29 September 2018 at 9.00 a.m. at 11<sup>th</sup> 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





*If undelivered, please return to:*



being there...

**ZEN TECHNOLOGIES LIMITED**

Registered Office: B-42, Industrial Estate Sanathnagar

Hyderabad-500018, Telangana, India

CIN: L72200TG1993PLC015939

[www.zentechnologies.com](http://www.zentechnologies.com)