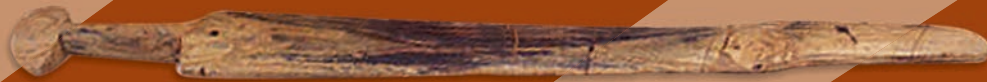
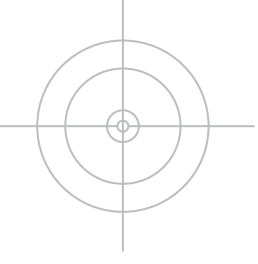


THE WAY IS IN THE TRAINING



being there...

**ZEN TECHNOLOGIES LIMITED**



## THE WAY IS IN THE TRAINING



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

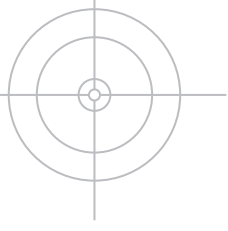
- FROM WEBSTER'S NEW WORLD DICTIONARY



## being there...

The best form of training is actual combat in the battlefield. But it is fraught with risk to human lives. Zen simulators provide the benefit of training in actual combat situations while eliminating the risk to lives. The combat scenarios are depicted so realistically by Zen solutions that the trainee gets the feeling of being there...





## OUR PRODUCTS

Zen has been at the forefront of applying new technologies and developing new products. It is also actively involved in indigenization of technologies, which are helpful for Indian Security Forces and civilian simulation market.

### LIST OF PRODUCTS

- Zen Advanced Weapons Simulator (Zen AWeSim®)
- Zen Small Arms Training Simulator-SL (Zen SATS®)
- Zen Hand Grenade Simulator (Zen HE36S®)
- Zen Driving Training Simulator (Zen DTS®)
- Zen BMP-II Driving Simulator (Zen BMP - II DS)
- Zen Artillery Forward Observer Simulator (Zen ArtyFOS)
- Zen Driving Simulator (Zen DS) & Zen Automated Driving Simulator (Zen ADS™)
- Zen Tactical Engagement Simulator (Zen TacSim®)
- Zen Anti-Tank Guided Missile Simulator (Zen ATGM®Sim)
- Zen BMP-II Integrated Missile Simulator (Zen BMP - II IMS)
- Zen Tank Gunnery / Crew Gunnery Simulators
- Zen Tank Driving Simulator
- Zen Combat Training Simulation System (Zen CTSS)
- Zen Bus Driving Simulator (Zen BusSim)
- Zen 81mm Mortar Integrated Simulator (Zen 81mm MIS)
- Zen Smart Target System (Zen STS™)
- Zen Multi-Mode Hand Grenade Simulator (Zen MMHG Sim)
- Zen Multi-Functional Target System (Zen MFTS®)
- Zen Infantry Weapons Training Simulator (Zen IWTS®)
- Zen Unmanned Aerial Vehicle Simulator (Zen UAV Sim)
- Zen Driver Aptitude Testing System (Zen DATS™)
- Zen Dumper Training Simulator
- Zen Dozer Training Simulator
- Zen Excavator Training Simulator
- Zen Medium Machine Gun Simulator (Zen MMG Sim)
- Zen Automatic Grenade Launcher Simulator (Zen AGL Sim)
- Zen Tank Zeroing System (Zen TZS)
- Zen Armour Combat Training System (Zen ACTS™)
- Zen Containerized Tubular Shooting Range (Zen CTSR)
- Shoot House for Live and Simulated Indoor Tactical Training
- Zen Anti-Aircraft Air Defence Simulator (Zen 3AD Sim)
- Zen Rotary Wing Simulator (Zen RWS)
- Zen Wargaming Simulations (Zen WGS)
- Zen Combat Training Centre (Zen CTC)

## ZEN COMBAT TRAINING CENTRE

Victory in battle is dependent on how effectively combat troops execute an operational plan. It is imperative that Infantry, Armoured and Artillery units which form the back-bone of the fighting forces must be well trained for combat. During peace time, individual skills of soldiers and collective operational deployment of sub-units/units of Fighting Arms need to be perfected. Zen Technologies Ltd has introduced the **Combat Training Centre (CTC)** concept to meet the individual and collective training needs at one location.

The CTC includes **Zen Simulators**, practically of all weapons/weapon platforms, to enhance the individual skills. As all the simulators are networked, tactical engagements can be simulated in **Geo-Specific terrains**. **Live Simulation** equipment facilitates tactical training at Team/Sub-unit/Unit level in real terrain using blank bullets or dry fire with personal and crew served weapons. The GPS and RF technology enables continuous monitoring and recording of the exercise at the **Control Station**.

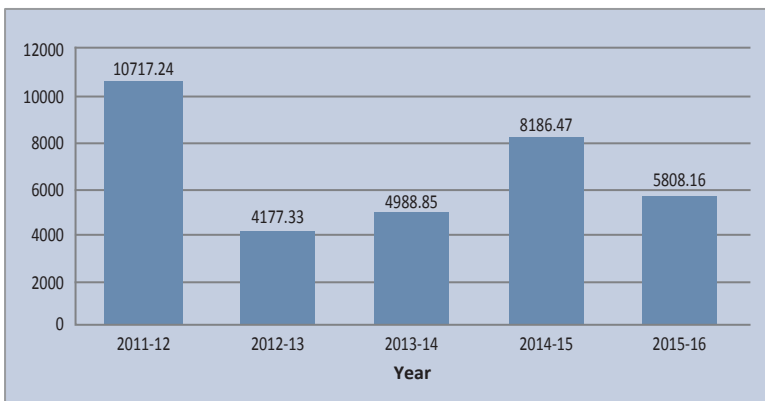
**Live-fire systems/facilities** are also part of the CTC for individual and team/sub-unit training in combat conditions. **Zen Containerized Tubular Shooting Ranges and Zen Shoot Houses**, facilitate firing with real weapons using live ammunition and **smart targets** help to conduct application fire and live sub-unit drills within the training facilities, saving time and logistics.

The **Command and Control Station (CCS)**, an integral part of this training facility, enables mission planning on geo-specific, high resolution 3D terrains of a unit's operational area. Mission scenarios can be loaded onto virtual simulators and executed to check efficacy of plans and encounters with simulated 'enemy'. The CCS can control and record live simulation exercises. It records all exercises conducted on ranges and on live-fire systems. The system performs rule based objective analysis, which grades units, sub units and individuals. Needless to say, the CTC is a significant force-multiplier in attaining the highest standards of training and operational efficiency.

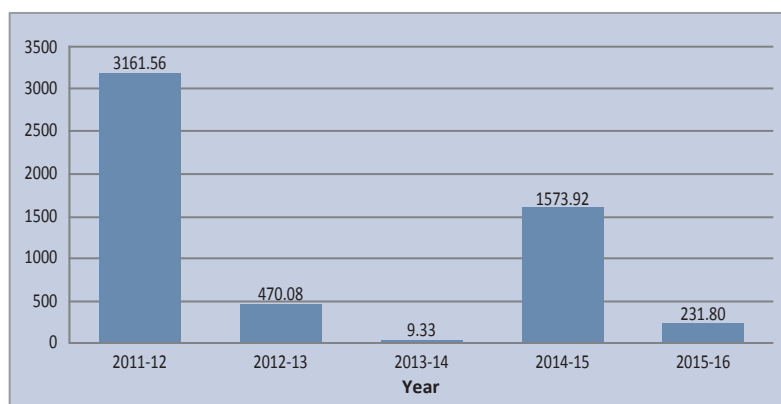


# PERFORMANCE OF THE COMPANY AT A GLANCE

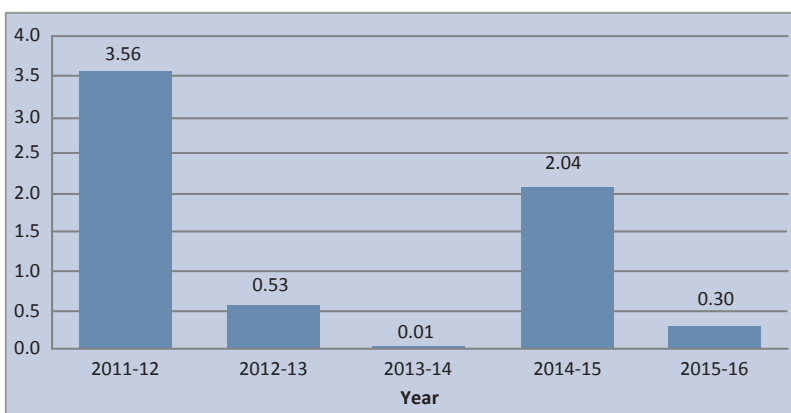
Total Income  
₹ in Lakhs



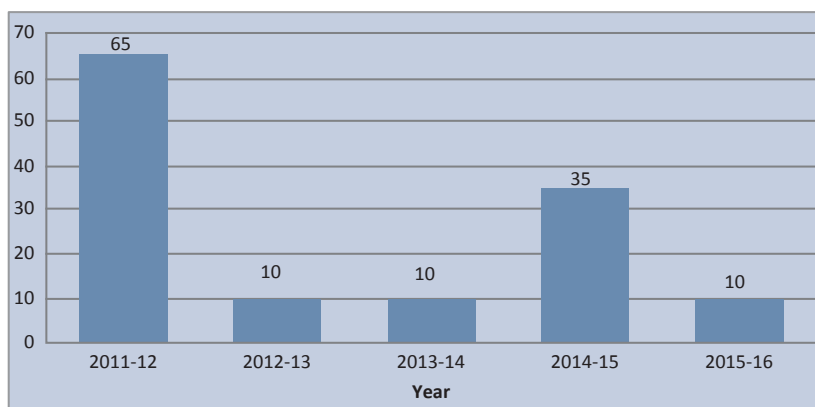
Profit after Tax  
₹ in Lakhs



EPS  
in ₹



Dividend  
in %



## CORPORATE INFORMATION

**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

<b>Board Of Directors</b>	Mr Ashok Atluri (DIN: 00056050)	- Chairman and Managing Director
	Mr Midathala Ravi Kumar (DIN: 00089921)	- Whole Time Director
	Mr Gajjala Prasad (DIN: 00026718)	- Director
	Ms Madati Sridevi (DIN: 02446610)	- Director
	Mr Venkat Samir Kumar Oruganti (DIN: 06699271)	- Director

**President** Mr Kishore Dutt Atluri

**Chief Financial Officer** Mr G Sankara Rao

**Company Secretary** Mr Chada Jagadish Reddy

**Statutory Auditors** Gokhale & Co.,  
Chartered Accountants  
3-6-322, Off.306, Mahavir House  
Basheerbagh, Hyderabad-500 029  
Phone: +91- 40 - 23221167 / 23228874  
Email: gokhaleandco@ymail.com

**Banker** Indian Bank

**R & D Division** B-42, Industrial Estate  
Sanathnagar, Hyderabad-500018, Telangana, INDIA  
Phone : +91- 40 - 23813281, 23812894  
Fax : +91- 40 - 23813694

**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  
National Stock Exchange of India Limited, Mumbai



## BOARD COMMITTEES

<b>Audit Committee</b>	Mr Gajjala Prasad	- Chairman
	Mr Ashok Atluri	- Member
	Mr Venkat Samir Kumar Oruganti	- Member
<b>Stakeholders Relationship Committee</b>	Mr Gajjala Prasad	- Chairman
	Mr Ashok Atluri	- Member
	Ms Madati Sridevi	- Member
<b>Nomination and Remuneration Committee</b>	Mr Gajjala Prasad	- Chairman
	Mr Ashok Atluri	- Member
	Ms Madati Sridevi	- Member
	Mr Venkat Samir Kumar Oruganti	- Member
<b>Corporate Social Responsibility Committee</b>	Mr Gajjala Prasad	- Chairman
	Mr Ashok Atluri	- Member
	Mr M Ravi Kumar	- Member
<b>Risk Management Committee</b>	Mr Ashok Atluri	- Chairman
	Mr M Ravi Kumar	- Member
	Mr G Sankara Rao	- Member
<b>Compensation Committee</b>	Mr Ashok Atluri	- Chairman
	Mr Gajjala Prasad	- Member
	Ms Madati Sridevi	- Member
<b>Selection Committee</b>	Mr Gajjala Prasad	- Chairman
	Mr M Ravi Kumar	- Member
	Ms Madati Sridevi	- Member



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## Chairman's Letter

Dear Fellow Shareholders,

Zen provides training simulators and solutions for various sectors with primary focus on security forces. We are a customer focused R&D driven company. Our R&D accounting practice is to write off R&D expenditure in the period of occurrence. Over the past few years we have developed some interesting products and solutions that have a very high value to the customer and tremendous sales potential. As the products are not capitalised they are not reflected in balance sheet.

In order to succeed, you must first survive – **Warren Buffett**

In a strategy that entails ruin, benefits never offset risks of ruin. – **Nassim Nicholas Taleb**

The whole problem with the world is that fools and fanatics are always so certain of themselves, and wiser people so full of doubts. - **Bertrand Russell**

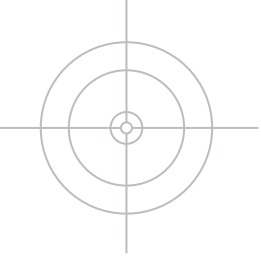
Before we invest in R&D to develop our products we apply filters that are based on the target market (defence/homeland preferably); size of the market; availability in India (import substitute or we should be the first in the world), and finally whether it is high and complex cross-disciplinary technology. We are always over-cautious in this regard as we would like to ensure that failure of the product doesn't entail the "risk of ruin" – as Nassim Taleb puts it. We want to take risks with minimal downside but huge upside. We will never bet the farm, no matter how alluring the prospect.

### World Snapshot

The situation across the world is becoming dismal by the day. The days when extremists were trained by some enemy country and sent to another country for wreaking havoc is not the only threat. Now a days, youngsters are getting self-radicalised by watching extremist videos so easily available on the net and turning extremist. Once they turn extremist they find weapons - very easy in some countries - and then they kill people, sometimes, in large numbers and in as sensational a manner as possible. All this with a very high-sense of morality and conviction that is very troublesome.

Cities and towns that seem safe now are actually soft targets and innocent citizens are sitting ducks for such attacks. Therefore, most of the experts in the field agree that the question now is not if, but when. And the solution to that is, instead of just praying, we should prepare. Prepare by anticipating such scenarios and formulate prompt responses to minimize the damage caused by such attacks. It therefore becomes important that both the local police and defence forces are organised, equipped and trained to conduct such operations.

Zen has unique capabilities to address such training needs of any country's security forces holistically. The latest offering from Zen, the Combat Training Centre(CTC) facility, is such a solution. It helps police and defence personnel in honing their Individual as well as team skills to successfully combat terrorists and insurgents in urban or rural environments. The solution can be scaled to handle anything from "lone-wolf" attacks to full-fledged wars.



The art of war teaches us to rely not on the likelihood of the enemy's not coming, but on our own readiness to receive him; not on the chance of his not attacking, but rather on the fact that we have made our position unassailable. – *Sun Tzu*

#### **#Keep Training**

The difference between successful people and really successful people is that really successful people say no to almost everything. - *Warren Buffett*

With more than 30 different types of training simulators and systems in its portfolio and the R&D wherewithal to quickly develop new training simulators/solutions, Zen can provide tailor-made solutions to serve the training needs of any country and force.

In this regard, we are in talks with security forces of various countries to enable them to handle the threats they are facing. We believe when defence forces are not fighting they should be training, at least, most of the time. Preparation itself may help in preventing wars and attacks as the adversary sees us as “unassailable”.

#### **Will Zen diversify? Into other defence segments or any other industry?**

Zen's focus, since its inception, has been on training solutions. While many companies are trying to be mile deep and inch wide, Zen has always focused on being a few metres wide and miles deep. Our competence is in training solutions and we have remained focused on it. Unless there is a compelling reason for us to move into other domains, even within defence, we will be focused only on training solutions. There is still immense scope for growth, both product-wise and geographically, for Zen within the training solutions market and we intend to exploit it.

#### **Marketing Efforts Update**

Zen is in the “final” stage of a bid finalization worth at least about ₹ 200 Crores. We expect other orders worth at least about ₹ 300 Crores to be finalized by our customers in a few month's time in which we stand a good chance. The finalization of these orders has been already delayed beyond reasonable time.

**AMC:** Annual maintenance contracts continue to give us some stable income to offset overhead costs. Our ideal target is to ensure that AMC revenues offset our annual overheads of the company.

**Exports:** In the export market, with a few countries that we are interacting with, we are witnessing a kind of urgency to train and prepare, not seen heretofore. Law enforcement agencies and forces are seized of the matter of potential “lone-wolf” and full-scale attacks and are preparing for them. Such preparation requires a combination of training tactics and simulation technologies that Zen has developed over the past two decades. We are discussing with our potential customers on how they can train themselves to handle such threats. We expect some breakthroughs in the coming months.

## Government Policies

Indian MoD has granted most of the items on the wish list of Indian companies by revising the Defence Procurement Procedure (DPP 2016).

A new category **Buy Indian (IDDM – Indigenously Designed, Developed and Manufactured)** has been introduced. All procurement cases would be looked at for categorisation with Buy Indian-IDDM being given the first preference, which will prove pivotal for self-reliance. Zen being indigenous design and development company will meet the stringent criteria and feel that this new policy will further establish Zen as the prime training partner to India.

Similarly the Make Procedure has been modified to ensure that smaller companies like Zen can participate as Developing Agency (DA). Another change to Make Procedure is to develop solutions by self-funding with assurance of order. This will free the companies from bureaucratic hassle of funds monitoring while letting them develop the solutions in a natural tinkering, haphazard manner and approach the armed forces once the solution is ready. Orders are almost assured when such self-funding happens and, in a rare case, where orders don't come in, the R&D spent is refunded by the Govt.

The vicious cycle which was prevalent earlier, caused mainly due to no preference for indigenously designed products, delayed procurements and cancelled RFPs, is changing to a turbo-charged virtuous cycle with reduced procurement cycle and preference for indigenously designed and manufactured products. If this direction continues, in 10 years, in addition to shedding dependence on imports, and the ignominy of being the world's largest defence importer, India will become a hub of defence exports.

I would like to thank our shareholders for being patient and hope that the coming few years will more than justify your stance. We hope that Zen will do extremely well in the years to come, thanks to the new policies in India and the changing world security scenario.

Warm regards

**Ashok Atluri**

Chairman and Managing Director

Twitter: @ashokatluri



## NOTICE TO SHAREHOLDERS

Notice is hereby given that the 23<sup>rd</sup> Annual General Meeting (AGM) of the Company will be held on Saturday the 24 September 2016 at 9.30 a.m. at B-42, Industrial Estate, Sanathnagar, Hyderabad - 500 018, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Annual Audited Financial Statements (Standalone and Consolidated) of the Company for the year ended 31 March 2016 including Audited Balance Sheet as at 31 March 2016, the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date along with the Reports of the Board of Director's and Auditor's thereon.
2. To declare dividend for the financial year ended 31 March 2016.
3. To appoint a director in place of Mr Ashok Atluri (DIN: 00056050), who retires by rotation and being eligible offers himself for reappointment.
4. To ratify the reappointment of Statutory Auditors for the year 2016-17 by passing the following resolution with or without modification(s) as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 139,142 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time and pursuant to the recommendation of the Audit Committee and the Board of Directors and pursuant to the approval of the Members at the 21<sup>st</sup> Annual General Meeting, the Company hereby ratifies the appointment of M/s Gokhale & Co., Chartered Accountants, Hyderabad, Firm Regn. No. 000942S as Statutory Auditors of the Company to hold office until the conclusion of the 24<sup>th</sup> Annual General Meeting of the Company to be held in the year 2017, at a remuneration to be determined by the Board of Directors of the Company in addition to out of pocket expenses as may be incurred by them during the course of the Audit."

### SPECIAL BUSINESS:

5. 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 196,197 and 198 read with Schedule V as amended from time to time and other applicable provisions, if any, of the Companies Act, 2013, (including any statutory modifications or re-enactment thereof, for the time being in force), the consent of the members of the Company be and is hereby accorded for the reappointment of Mr M Ravi Kumar as a Whole time Director of the Company for a period of 3 (Three) years with effect from 29 June 2016 on the following terms and conditions as recommended by the Nomination and Remuneration Committee of the Company:

**SALARY:** ₹ 235,715/- (Rupees Two Lakhs Thirty Five Thousand Seven Hundred and Fifteen only) per month.

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

#### CATEGORY – A

The following perquisites given in this Category will be allowed in addition to the salary and restricted to a maximum amount of ₹ 1,500,000/- (Rupees Fifteen lakhs only) per annum.

- a) **House Rent Allowance:** House Rent Allowance at the rate of forty percent of salary (40%). The expenditure incurred by the company on gas, electricity, water and furnishing shall be evaluated as per the Income Tax Act, 1961 subject to a ceiling of ten percent of the salary (10%).
- b) **Medical Insurance:** As provided by the company group mediclaim policy, insurance coverage up to a maximum of ₹ 5,00,000/- per annum.
- c) **Leave Travel Concession:** For self and family, once in a year incurred in accordance with the rules specified by the Company.
- d) **Club Fee:** Fee of clubs subject to maximum of two clubs. This will not include admission and life membership fees.
- e) **Personal Accident Insurance:** As per Company's policy

### CATEGORY – B

- f) The Company's contribution to provident fund, superannuation fund or annuity fund shall be in accordance with the rules and regulations of the Company. Such contribution will not be included in the computation of the ceiling on perquisites to the extent either singly or put together are not taxable under the Income Tax Act, 1961
- g) Gratuity as per the Gratuity Act, 1972

### CATEGORY – C

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

### OTHER TERMS:

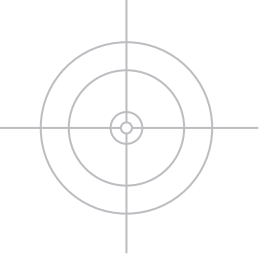
- i) He is also eligible for One month's leave with full pay and allowance for every eleven months of service. Leave accumulated but not availed in the previous financial year will be carried forward to next financial year.
- ii) Reimbursement of reasonable entertainment and other expenses actually and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

**"RESOLVED FURTHER THAT** the Board of Director's be and are hereby authorized to take such steps and do all such acts, deeds, matters and things as may be considered necessary, proper and expedient to give effect to this resolution."

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

**"RESOLVED FURTHER THAT** in the event of loss or inadequacy of profits, in any financial year during the tenure of Whole-time Director's Salary, perquisites and other allowances as specified above are payable as minimum remuneration."

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



6. 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 196, 197 and 198 read with Schedule V as amended from time to time and other applicable provisions, if any, of the Companies Act, 2013, (including any statutory modifications or re-enactment thereof, for the time being in force), if any and subject to the approval of the Central Government, if required, the consent of the Company be and is hereby given for the remuneration paid within the limit of Part - II, Schedule V of the Companies Act, 2013 amounting to ₹ 51.21 lakh to Mr Ashok Atluri (DIN: 00056050), Managing Director of the Company, for the Financial Year ended 31 March 2016 being the remuneration agreed to be paid to him, as per the terms of his appointment, as approved by the Members, to the extent of statutory limit laid down under Section II of Schedule V of the Companies Act, 2013."

**"RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to take such steps and do all such acts, deeds, matters and things as may be considered necessary, proper and expedient to give effect to this resolution."

**"RESOLVED FURTHER THAT** the aggregate remuneration inclusive of salary, allowances and perquisites actually paid to him excluding the perquisites specified under Section IV of Schedule V of the Companies Act, 2013."

Place : Hyderabad  
Dated : 08 August 2016

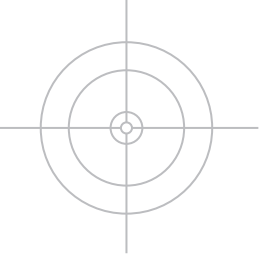
By order of the Board  
For **Zen Technologies Limited**

**Chada Jagadish Reddy**  
Company Secretary  
M.No: ACS 43388



## NOTES:

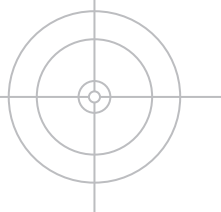
1. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to the Special Businesses to be transacted at the AGM is annexed hereto.
2. A member entitled to attend and vote at this AGM is entitled to appoint a proxy to attend and vote on a poll instead of himself / herself and such proxy need not be a member of the Company.
3. Members/proxies/authorized representatives are requested to bring their copies of Annual Report and produce duly filled in attendance slip at the entrance of the venue. Members holding shares in Demat form shall write their DP ID No. and Client ID and those holding in Physical form shall write their Folio No. in the attendance slip for attending the meeting. Copies of Annual Reports will not be provided at the meeting.
4. 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.
5. The Register of Members and Share Transfer books of the Company will remain closed from **17 September 2016 to 24 September 2016** (both days inclusive) for the purpose of payment of dividend for the financial year ended 31 March 2016 and the AGM.
6. The Company's ISIN for its equity shares is INE251B01027.
7. Members holding shares in physical form are requested to notify/send any change in their address and bank account details to the Company / Registrar and Share Transfer Agents, M/s Karvy Computershare Private Limited (Karvy). Members are encouraged to utilize Electronic Clearing System (ECS) for receiving dividends.
8. Subject to the provisions of the Companies Act, 2013, dividend as recommended by the Board of Directors for the year ended 31 March 2016, if declared at the meeting, will be paid within a period of 30 days from the date of declaration to those members whose names appear on the Register of Members of the Company as on record date after giving effect to all valid share transfers in physical form which would be received by the Company up to the end of business hours on record date. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.
9. Pursuant to the provisions of section 205A (5) and 205C of the Companies Act, 1956, (Section 124 of Companies Act, 2013, other applicable provisions and rules made there under) the Company has transferred the unpaid/unclaimed dividend for the financial year upto 2007-08 to the "Investor Education and Protection Fund" (IEPF) established by the Central Government. The Company transfers the unclaimed or un-encashed dividend to IEPF after the expiry of seven years from the date of transfer to unpaid dividend account. Members, who have a valid claim to any unclaimed dividends which are not yet transferred, may claim the same from the Company immediately.
10. 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 (date of last Annual General Meeting) on the website of the Company at [http://www.zentechnologies.com/investor\\_relations/zen-unpaid-unclaimed-dividend.pdf](http://www.zentechnologies.com/investor_relations/zen-unpaid-unclaimed-dividend.pdf)  
For the year 2014-15, the unclaimed dividend details are provided at: [http://www.zentechnologies.com/investor\\_relations/Unclaimed-dividend-2014-15-as-on-31-12-2015.pdf](http://www.zentechnologies.com/investor_relations/Unclaimed-dividend-2014-15-as-on-31-12-2015.pdf)
11. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the Members at the AGM.



12. 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.
13. The Securities and Exchange Board of India has mandated submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in physical form can submit their PAN details to Karvy.
14. 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.
15. The Notice of the AGM along with the Annual Report 2015-16 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.
16. Members may also note that the Notice of the 23<sup>rd</sup> AGM and the Annual Report 2015-16 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.
17. 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.
18. **Voting by electronic means:**
  - I. The Company pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 substituted by the Companies (Management and Administration) Rules, 2015 and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, is providing e-voting facility to its Members holding shares on 17 September 2016, being the cut-off date fixed for determining voting rights of members to exercise their votes electronically on the items of business given in the Notice through the electronic voting service facility provided by M/s Karvy Computershare Private Limited.
  - II. The procedure and instructions for remote e-voting are as follows:
    - (i) Open your web browser during the voting period and navigate to '<https://evoting.karvy.com>'
    - (ii) Enter the login credentials (i.e., user-id & password) provided to you as mentioned in a separate paper sent along with the Annual Report. Your Folio/DP and Client ID will be your User-ID.

User – ID	For Members holding shares in Demat Form:- a) For NSDL :- 8 Character DP ID followed by 8 Digits Client ID b) For CDSL :- 16 digits beneficiary ID For Members holding shares in Physical Form:- EVENT No. followed by Folio Number registered with the Company
Password	Your unique password is printed on the separate paper/ via email forwarded through the electronic notice
Captcha	Enter the Verification code i.e., please enter the alphabets and numbers in the exact way as they are displayed for security reasons.

- (iii) Please contact our Toll free No. 1-800-34-54-001 for any further clarifications.
- (iv) Members can cast their vote online from 21 September 2016 from 09.00 a.m. to 23 September 2016 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., 17 September 2016, may cast their vote electronically. The remote e-voting module will be disabled by Karvy for voting thereafter.
- (v) After entering these details appropriately, click on “LOGIN”.
- (vi) Members holding shares in Demat/Physical form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password can be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting through Karvy Computershare Private Limited e-Voting platform. System will prompt you to change your password and update any contact details like mobile number, email ID etc on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vii) You need to login again with the new credentials.
- (viii) On successful login, system will prompt to select the ‘Event’ i.e., Zen Technologies Limited.
- (ix) If you are already registered with Karvy Computershare Private Limited for e-voting, you can use your existing User-ID and Password for casting your vote.
- (x) On the voting page, you will see Resolution Description and against the same the option ‘IN FAVOUR/ AGAINST’ for voting. Enter the number of shares (which represents number of votes) under ‘IN FAVOUR/ AGAINST’ or alternatively you may partially enter any number in ‘FOR’ and partially in ‘AGAINST’, but the total number in ‘IN FAVOUR/AGAINST’ taken together should not exceed your total shareholding.
- (xi) After selecting the resolution, if you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xii) Once you ‘CONFIRM’ your vote on the resolution, you will not be allowed to modify your vote subsequently.
- (xiii) Members holding multiple folios / demat accounts shall choose the voting process separately for each of the folios / demat accounts.
- (xiv) Only those Members, whose names appear in the Register of Members / List of beneficial owners as on Saturday the 17 September 2016 (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 23<sup>rd</sup> 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.

- (xv) 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 17 September 2016 and who have not already cast their votes by remote e-voting shall be able to exercise their right to vote at the AGM.
- (xvi) 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.
- (xvii) 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.
- (xviii) 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. Saturday the 17 September 2016 may obtain the login ID and password in the manner mentioned below:
  - a) If the mobile number of the Member is registered against Folio No./DP ID – Client ID, the Member may send SMS: MYEPWD <space> e-voting Event Number + Folio No. or DP ID Client ID to 9212993399
  - b) Example for NSDL: MYEPWD <SPACE>IN12345612345678
  - c) Example for CDSL: MYEPWD <SPACE>1402345612345678
  - d) Example for Physical: MYEPWD <SPACE> e-voting Event Number+Folio No.
  - e) If e-mail address or mobile number of the Member is registered against Folio No./DP ID-Client ID, then on the home page of <https://evoting.karvy.com>. The Member may click “Forgot Password” and enter Folio No. or DP ID-Client ID and PAN to generate a password.
  - f) Member may call Karvy’s toll free number 1800-345-4001.
  - g) Member may send an e-mail request to [evoting@karvy.com](mailto:evoting@karvy.com) or contact Mr Anupam Ompolu, Manager Ph: 040-67161500 /2222, 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 from Sr. No (i) to (xiii) as mentioned above, to cast the vote.
- (xix) The Board of Directors has appointed 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.
- (xx) At the AGM, at the end of the discussion on the resolutions on which voting is to be held, the Chairman shall, with the assistance of the Scrutinizer, order voting through ballot paper for all those members who are present but have not cast their votes electronically using the remote e-voting facility.
- (xxi) The Scrutinizer shall, immediately after the conclusion of voting at the AGM, count the votes cast at the AGM and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in employment of the Company. The Scrutinizer shall submit a consolidated Scrutinizer’s Report of the total votes cast in favor of or against, if any, not later than three days after the conclusion of the AGM to the Chairman of the Company. The Chairman, or any other person authorized by the

Chairman, shall declare the result of the voting forthwith.

- (xxii) Subject to the receipt of requisite number of votes, the resolution shall be deemed to be passed at the 23<sup>rd</sup> Annual General Meeting of the Company held on Saturday the 24 September 2016. The result declared, along with the Scrutinizer's Report, will be placed on the Company's website, [www.zentechnologies.com](http://www.zentechnologies.com) and on the website of Karvy immediately after the result is declared by the Chairman or any other person authorized by the Chairman, and the same shall be communicated to the BSE Ltd and National Stock Exchange of India Ltd.
- (xxiii) All the documents referred to in the accompanying Notice and the Statement pursuant to Section 102 (1) of the Companies Act, 2013, will be available for inspection at the Registered Office of the Company during business hours on all working days (except Saturday & Sunday) up to the date of declaration of the result of the 23<sup>rd</sup> Annual General Meeting of the Company.



## EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES Act, 2013

### ITEM NO. 5

Mr M Ravi Kumar, who is 55 years old and has been on the Board of the Company since incorporation i.e. (29/06/1993), is key and instrumental in developing the technology and products of the Company. He is basically an adept in systems programming, Systems Integration, robotics and main guiding force behind the progress of Zen Technologies Limited. He worked in Bureau of Data Processing Services (BDPS)(1979-85), Nova Computers Private Limited (1986-90). He also served for the Institute of Engineers as a director. He is actively involved in the design and development of the present range of simulators for the company in his role as Head, R&D Division. He is the person behind the successful development of Zen-SATS and currently administers the development of Zen TacSim® among other projects. His vision, foresightedness and planning have always been giving a good path to the Company in its new ventures.

As the term of Mr M Ravi Kumar as a whole time director would end on 28 June 2016 the Board opined that his services should continue to be available to the Company to achieve still greater heights, by re-appointing him as whole time Director, for a period of 3 years w.e.f 29 June, 2016. The Board of Directors at their meeting held on 30 May 2016 has reappointed Mr M Ravi Kumar as a Whole Time Director of the Company based on the recommendations of Nomination and Remuneration Committee subject to the approval of shareholders. The said appointment and remuneration are within the stipulations of Section 196,197, 198 and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Schedule V and other applicable provisions, if any, of the Companies Act, 2013 as amended from time to time. In the previous year, he was paid ₹ 33.99 Lakhs as remuneration and taking into consideration the duties and responsibilities of the whole time Director, the prevailing managerial remuneration in industry and on the recommendation of the Nomination and Remuneration Committee, the Board at their meeting held on 30 May 2016, approved the remuneration, terms and conditions of the re-appointment of Mr M Ravi kumar, subject to approval of the shareholders.

Notwithstanding anything contained contrary to herein, above in case, in any financial year during the tenure of Mr M Ravi kumar, the Company has either no profits or its profits are inadequate, the remuneration as specified in the resolution will be paid as minimum remuneration to Mr M Ravi kumar.

Mr M Ravi kumar holds 792,000 equity shares individually. He has attended all the 5 (Five) Board meetings held during 2015-16. He is also Director on the Board of your Company's subsidiary, Version 2 Games Limited. He does not have Directorships in any other company.

He is the member of Corporate Social Responsibility Committee and Risk Management Committee.

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

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

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

### I. GENERAL INFORMATION:

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

Financial performance	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover (₹ in lakhs)	10,182.28	3,711.28	4,635.25	7,854.77	5,261.53
Net profit /(loss) as per profit and loss account (₹ in lakhs)	3,161.56	470.08	9.33	1,573.92	231.80
Amount of dividend paid (excluding dividend tax) (₹ in lakhs)	577.75	88.88	77.16	270.06	77.16
Rate of dividend declared	65%	10%	10%	35%	10%

- (5) *Export performance and net foreign exchange collaborations:* NIL
- (6) *Foreign investments or collaborators, if any:* NIL

### II. INFORMATION ABOUT THE APPOINTEE:

- (1) *Background details:*

Mr M Ravi Kumar, aged 55 years is a Diploma holder in Computer Applications. He worked in Bureau of Data Processing Services (BDPS), Nova Computers Private Limited and as Systems Director at the Institute of Engineers. He is an adept in Systems Programming, Systems Integration and Robotics. He is actively involved in the design and development of the present range of Simulators for the company in his role as Head, R&D Division.

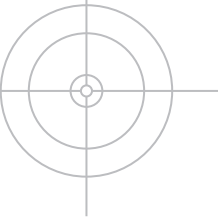
- (2) *Past remuneration:* ₹ 33.99 Lakhs per annum
- (3) *Recognition or awards:* NIL
- (4) *Job profile and suitability:*

Mr M Ravi Kumar is one of the first directors of the Company and has been Whole Time Director since incorporation and has played an important role in the growth of Zen Technologies Limited. He has over 25 years of experience in defence Industry.

- (5) *Remuneration proposed:*

As set out in the resolution for the item No.5 of the Notice, the remuneration was recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.

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



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

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

Mr M Ravi Kumar is holding 792,000 equity shares of the Company.

### III. OTHER INFORMATION:

- (1) *Reasons of loss or inadequate profits:*

Lower turnover due to delay in government procedures to finalize orders, increase in R&D expenditure.

- (2) *Steps taken or proposed to be taken for improvement:*

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

### IV. DISCLOSURES:

All elements of remuneration package of the Directors have been given in the Report on Corporate Governance under the head Remuneration paid to Directors for the Financial Year 2015-16.

#### ITEM NO. 6

Mr Ashok Atluri, who is 50 years old and has been on the Board of the Company since more than two decades, is the key and instrumental person in promoting and steering the Company to its present position. He is a PG Diploma holder in Applied Computer Science also has experience in the field of Business Management, Strategy, Finance and Administration. He has been instrumental in designing the simulators on the Windows-Intel platforms to ensure the products are simple to use and meet industry standards. He received the "Small Scale Entrepreneur of the Year" award from Hyderabad Management Association in 1998.

The Board of Directors at their meeting held on 8 August 2016 has approved the remuneration paid within the limit of Part - II, Schedule V of the Companies Act, 2013 amounting to ₹ 51.21 lacs paid to Mr Ashok Atluri (DIN: 00056050), Chairman and Managing Director of the Company, for the Financial Year ended 31 March 2016 being the remuneration agreed to be paid to him and taking into consideration the duties and responsibilities of the Managing Director, the prevailing managerial remuneration in industry and on the recommendation of the Nomination and Remuneration Committee. The meeting of Nomination and Remuneration Committee was held on 30 May 2016, approved and ratified the remuneration paid to Mr Ashok Atluri, subject to approval and ratification of the shareholders to the extent of statutory limit laid down under Section II of Schedule V of the Companies Act, 2013.

Mr Ashok Atluri holds 22,316,498 equity shares individually as on 31 March 2016. He has attended all the 5 (Five) Board meetings held during 2015-16. He is also Director on the Board of Company's subsidiary, Version 2 Games Limited. Other Company Directorships are as under:



Name of the company	Position	Remarks
Version 2 Games Limited	Director	Nominee director of Zen Technologies limited
Zentech Offsets Management Services Private Limited	Director and Member	Nil
Zen SkillProc Private Limited	Director and Member	Nil
NWS Digital India Private Limited	Director	Nil
Mosaic Media Ventures Private Limited	Director	Nil
Defence Innovators And Industry Association	Director	Nil

He is the member of Audit, Stakeholders relationship, Nomination and Remuneration, Corporate Social Responsibility Committees and Chairman of Risk Management Committee.

As required by the Companies Act, 2013, ratification of the members is being sought, for the remuneration paid in excess of the limits prescribed under the provisions of Sections 196,197,198 read together with Schedule V of the Companies Act, 2013

Except Mr Ashok Atluri, none of the other Directors, Key Managerial Personnel of the Company and their relatives are concerned or interested in the Resolution.

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

### I. GENERAL INFORMATION:

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

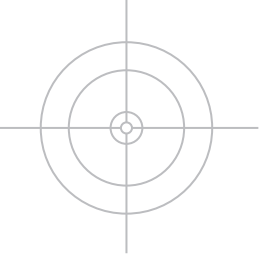
Financial performance	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover ( ₹ in lakhs)	10,182.28	3,711.28	4,635.25	7,854.77	5,261.53
Net profit /(loss) as per profit and loss account ( ₹ in lakhs)	3,161.56	470.08	9.33	1,573.92	231.80
Amount of dividend paid (excluding dividend tax) ( ₹ in lakhs)	577.75	88.88	77.16	270.06	77.16
Rate of dividend declared	65%	10%	10%	35%	10%

- (5) *Export performance and net foreign exchange collaborations:* NIL
- (6) *Foreign investments or collaborators, if any:* NIL

### II. INFORMATION ABOUT THE APPOINTEE:

- (1) *Background details:*

Mr Ashok Atluri, aged 50 years is a PG Diploma holder in Applied Computer Science also has experience in the field of Business Management, Strategy, Finance and Administration. He has been instrumental in designing the simulators on the Windows-Intel platforms to ensure the products are simple to use and meet industry standards.



- (2) *Past remuneration:* ₹ 51.21 Lakhs per annum
- (3) *Recognition or awards:* He received the "Small Scale Entrepreneur of the Year" award from Hyderabad Management Association in 1998

(4) *Job profile and suitability:*

Mr Ashok Atluri is Chairman and Managing Director since more than two decades and has played an important role in the growth of Zen Technologies Limited. The position requires deep understanding of the customer and procurement process. Understanding the customer helps in deciding how to address the needs and understanding the process helps in delivering the developed equipment to the customer. Mr Atluri has deep experience with the customer and has deep grasp of the procurement process.

(5) *Remuneration proposed:*

As set out in the resolution for the Item No.6 of the Notice, the remuneration paid in excess of limits was ratified by the Board of Directors subject to the approval of shareholders.

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

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

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

Mr Ashok Atluri is Chairman and Managing Director of the Company and holds 22,316,498 equity shares.

### **III. OTHER INFORMATION:**

- (1) *Reasons of loss or inadequate profits:*

Lower turnover due to delay in government procedures to finalize orders, increase in R&D expenditure.

- (2) *Steps taken or proposed to be taken for improvement:*

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

#### *IV. DISCLOSURES:*

All elements of remuneration package of the Directors have been given in the Report on Corporate Governance under the head Remuneration paid to Directors for the Financial Year 2015-16.

Place : Hyderabad  
Dated : 08 August 2016

By order of the Board  
For Zen Technologies Limited

**Chada Jagadish Reddy**  
**Company Secretary**  
(M.No: ACS 43388)

**Registered Office:**  
B-42, Industrial Estate,  
Sanathnagar, Hyderabad -18  
CIN: L72200TG1993PLC015939  
Email: [investors@zentechnologies.com](mailto:investors@zentechnologies.com)  
Website: [www.zentechnologies.com](http://www.zentechnologies.com)  
Tel: +91 40 23813281  
Fax: +91 40 23813694

## 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)**

<b>Name of the Director</b>	<b>Mr Ashok Atluri</b>	<b>Mr M Ravi kumar</b>
Date of Birth	31-12-1965	12-08-1961
Date of Appointment	1-10-2007	29-06-2008
Relationship with Directors	Not related to any Director	Not related to any Director
Expertise in specific functional Area	Being CMD of the Company since more than two decades, he has intimate good knowledge of all functional areas. He is one of the key persons in the management decisions, having very good experience in the field of business and functional aspects of the Company. He has been instrumental in helping to design the simulators from the users prospective.	He has 25 years of experience in the defence industry. He is basically an adept in Systems Programming and Robotics. He is actively involved in the design and development of the present range of simulators for the company in his role as Head, R&D Division.
Qualification	Bachelor of commerce and a PG Diploma holder in Applied Computer Science	Diploma holder in Computer Applications
@Board Membership of other companies as on 31 March 2016	1. Version 2 Games Limited 2. Zentech Offsets Management Services Private Limited 3. Zen SkillProc Private Limited 4. NWS Digital India Private Limited 5. Mosaic Media Ventures Private Limited	1. Version 2 Games Limited
Chairman/ Member of the Committee of the Board of Directors as on 31 March 2016	Audit, Nomination and Remuneration, Stakeholders Relationship, Corporate social Responsibility, Risk Management Committees.	Corporate social Responsibility and Risk Management Committees.
Chairman/ Member of the committee of Directors of other companies in which he is a director as on 31 March 2016	NIL	NIL
a) Audit Committee	NIL	NIL
b) Stakeholder's Relationship Committee	NIL	NIL
c) Nomination and Remuneration Committee	NIL	NIL
Number of shares held in the Company as on 31 March 2016	22,316,498	792,000

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

## BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the 23<sup>rd</sup> Annual Report of the Company along with the Audited Financial Statements for the financial year ended 31 March 2016.

### FINANCIAL RESULTS

The financial highlights of the Company are as follows:

Particulars	(₹ in Cr)	
	2015-16	2014-15
Total Income	58.08	81.86
Total Expenditure	50.98	57.66
Operating Profit (PBIDT)	7.10	24.20
Interest	2.09	2.13
Depreciation & Amortization	2.09	2.25
Profit before tax	2.92	19.82
Provision for Tax	0.60	4.08
Deferred Tax Liability	-	-
Profit after Tax	2.32	15.74
Appropriations:		
Transferred to General Reserve	0.25	1.39
Proposed Dividend	0.77	2.70
Dividend Tax	0.16	0.55
Retained profit	1.14	11.10
Earnings per Share (₹) (face value of Equity share of ₹ 1/- each) - Basic	0.30	2.04

### STATE OF THE COMPANY'S AFFAIRS

During the year under review, your Company achieved total income of ₹ 58.08 Crores as against ₹ 81.86 Crores during the previous year. The Net profit after tax stood at ₹ 2.32 Crores as against ₹ 15.74 Crores for the previous year. The Earnings per Share (EPS) of face value of ₹ 1/- each is ₹ 0.30 (previous year's EPS is ₹ 2.04).

The order book size as on 31 March 2016 is around ₹ 76.41 Crores including AMCs of worth ₹ 76.36 Crores as against ₹ 118.94 Crores including AMCs of worth ₹ 79.04 Crores for the previous year.

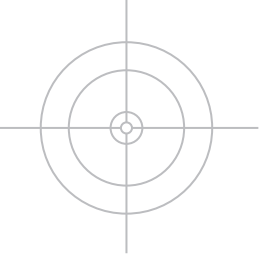
During the year, the R&D expenditure (capital and revenue) is ₹ 14.55 Crores (previous year ₹ 13.07 Crores). The R&D products developed during the year have substantial scope for revenue generation and are expected to become commercially viable in the next few years.

### DIVIDEND

Your Directors have recommended a dividend of 10% (Ten percent) i.e. ₹ 0.10 on the equity share of ₹ 1/- each for the year 2015-16 amounting to ₹ 0.93 Crores, (including dividend tax of ₹ 0.16 Crores).

### TRANSFER OF AMOUNT TO RESERVES

An amount of ₹ 0.25 Crores out of the current profits for the year has been transferred to General Reserves. An amount of ₹ 1.14 Crores is proposed to be retained in the surplus.



## CORPORATE DEVELOPMENTS

During the year under review the Company has focused its efforts on developing the export markets for its solutions, and expects that the results will bear fruit starting this year. In addition, company is expecting major orders from the defence forces during the year as some of the tenders are in advanced stage of procurement.

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

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, report on the performance and financial position of the subsidiary included in the consolidated financial statement is appended as **Annexure 1** in format of AOC -1 to this Report.

### SUBSIDIARY

#### VERSION 2 GAMES LTD

As per the provisions of Section 129(3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014, a separate statement containing the salient features of the financial statement of the subsidiary in the prescribed format AOC-1 is appended to this Annual Report.

## CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Section 129(3) of the Companies Act, 2013, consolidated financial statements of the Company and its subsidiary have been prepared in accordance with the requirements of Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) and as per the provisions of the Companies Act, 2013, which form part of the Annual Report.

Pursuant to Section 136 of the Companies Act, 2013, the audited financial statements of the Company, including the consolidated financial statements and financial statements of its subsidiary, are placed on the Company's website [http://www.zentechologies.com/investor\\_relations/financial\\_reports.html](http://www.zentechologies.com/investor_relations/financial_reports.html). A copy of separate audited financial statements of subsidiary will be provided to the shareholders at their request.

## 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 2** to this report.

## NUMBER OF MEETINGS OF THE BOARD

The Board met five times during the year 2015-16.

The dates on which the Board meetings were held are 23 May 2015, 14 August 2015, 13 November 2015, 6 February 2016 and 5 March 2016.

## DIRECTOR'S 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 DIRECTOR'S 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 DIRECTOR'S APPOINTMENT AND REMUNERATION**

The Board of Directors, on recommendation of the Nomination and Remuneration Committee, framed a Nomination and Remuneration policy on director's 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 3** to the Board's report.

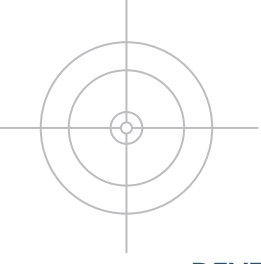
All Related Party Transactions were placed before the Audit Committee and also the Board for approval. The Board of Directors framed a policy for Related Party Transactions to ensure a process for approval and reporting of transactions between the Company and its Related Parties. The policy is posted 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 2016 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 4** 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 comprises Mr Ashok Atluri, Chairman and Managing Director, Mr M Ravi Kumar, Whole-time Director and Mr G Sankara Rao, 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 adopted by the Company are posted under the Investors section of the Company's website at: [http://www.zentechnologies.com/investor\\_relations/Zen-Risk-Management-Policy.pdf](http://www.zentechnologies.com/investor_relations/Zen-Risk-Management-Policy.pdf)

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 Mr G Prasad, Independent Director, Mr Ashok Atluri, Chairman and Managing Director and Mr M Ravi Kumar, Whole-time Director. The Committee formulated and recommended to the Board the CSR Policy. On the recommendations of the CSR Committee, the Board approved and adopted the CSR Policy of the Company. The Corporate Social Responsibility Policy is posted under the Investors section of the Company's website at:

[http://www.zentechnologies.com/investor\\_relations/CSR-Policy.pdf](http://www.zentechnologies.com/investor_relations/CSR-Policy.pdf)

"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"

The Company implemented the policy by spending money on providing education to school children orphaned by Naxal attack and helping hands to martyrs families like Scholarships, women empowerment program through Agastya and Vasantharatna foundations. 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 5** to this Report.

## ANNUAL EVALUATION OF PERFORMANCE OF BOARD, COMMITTEES AND INDIVIDUAL DIRECTOR'S

The Board of Directors evaluated the annual performance of the Board as a whole, its committee's and the director's 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 5 March 2016 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

- a. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.
- b. Adherence to the Code of Conduct in letter and in spirit by the Independent Directors.
- c. Bringing objectivity and independence of view to the Board's discussions in relation to the Company's strategy, performance, and risk management.
- d. Statutory Compliance and ensuring high standards of financial probity and Corporate Governance.
- e. Responsibility towards requirements under the Companies Act, 2013, Responsibilities of the Board and Accountability under the Director's Responsibility Statement.

## FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

All Independent Directors inducted into the Board attended an orientation programme. The details of training and familiarization 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

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 DURING THE YEAR

- Cmde Sarvotham Rao (DIN:000155300) has ceased to be a director w.e.f. 29 June 2015
- Mr P V Krishna Mohan has resigned as Chief Financial Officer w.e.f. 30 June 2015
- Ms Amala, Company Secretary has resigned w.e.f. 7 October 2015.
- Mr G Sankara Rao, appointed as a Chief Financial Officer w.e.f. 18 November 2015.
- Mr Chada Jagadish Reddy, appointed as a Company Secretary w.e.f 10 March 2016.

Names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year: NIL

## FIXED DEPOSITS

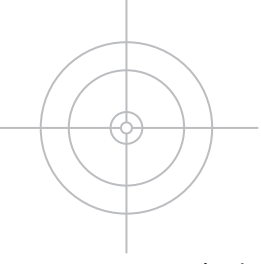
Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

## 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 Requirements) 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 2016, the Company has not received any Complaints pertaining to Sexual Harassment.

## **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>)

## **LISTING AGREEMENT**

The Securities Exchange Board of India (SEBI), on 02 September 2015, issued SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the aim to consolidate and streamline the provisions of the Listing Agreement for different segments of capital markets to ensure better enforceability. The said regulations were effective from 01 December 2015. Accordingly, all listed entities were required to enter into the Listing Agreement within Six months from the effective date. The Company entered into Listing Agreement with BSE Limited and National Stock Exchange Limited during the month of December 2015.

## **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 Requirements) 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.

As tenure of Mr M Ravi Kumar as Whole-time Director ended on 28 June 2016 the board reappointed him w.e.f. 29 June 2016 subject to the approval of shareholders 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 Requirements) Regulations, 2015 with the Stock Exchanges.

## AUDITORS

### Statutory Auditors:

At the 21<sup>st</sup> Annual General Meeting held on 27 September 2014, M/s Gokhale & Co., Chartered Accountants, were appointed as Statutory Auditors of the Company to hold office till the conclusion of the 24<sup>th</sup> Annual General Meeting to be held in the calendar year 2017. In terms of the first proviso to Section 139 of the Companies Act, 2013, the appointment of the auditors shall be placed for ratification at every Annual General Meeting. Accordingly, the appointment of M/s. Gokhale & Co., Chartered Accountants, as Statutory Auditors of the Company, is placed for ratification by the shareholders. In this regard, the Company has received a certificate from the auditors to the effect that if they are reappointed, it would be in accordance with the provisions of Section 141 of the Companies Act, 2013.

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

### SECRETARIAL AUDITORS:

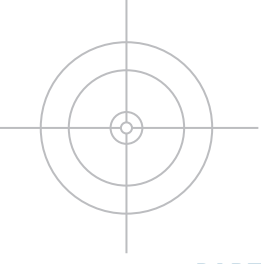
M/s P S Rao & Associates, Practicing Company Secretaries were appointed to conduct secretarial audit for the financial year 2015-16. Pursuant to Section 204 of the Companies Act, 2013 and Rules there under, the Secretarial Audit Report for the financial year ended 31 March 2016 in form MR-3, is annexed to this Annual Report as **Annexure 6**. The Board has appointed M/s P S Rao & Associates, Practicing Company Secretaries, as Secretarial Auditors of the Company for the financial year 2016-17.

### REPLY TO OBSERVATION OF SECRETARIAL AUDITORS

During the year the Company has spent an amount of ₹ 2,216,120/- for CSR activities out of which ₹ 1,698,332/- belongs to 2014-15 and the balance ₹ 517,788/- belongs to the year 2013-14. Balance ₹ 1,976,112/- to be spent by the Company against the amount actually to be spent for the year 2013-14. It was decided by the CSR Committee to spend the amount based on the progress of the envisaged project and new projects as identified.

## AUDIT COMMITTEE

For the year 2015-16, Audit Committee has been constituted as per the requirements of Section 177 of the Companies Act, 2013. 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.



## **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 7** to the Board's report.

## **CORPORATE GOVERNANCE**

The Report on Corporate Governance along with a certificate from the Statutory Auditor of the Company with regard to the compliance of Corporate Governance as per Regulation 34(3) 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 : 08 August 2016

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

## Annexure 1

### AOC - I

#### Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

#### Report on the performance and financial position of the Subsidiary (Pursuant to Rule 8 of Companies (Accounts) Rules, 2014)

1	Name of the subsidiary	Version 2 Games Limited
2	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	01 April 2015 to 31 March 2016
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	INR
4	Share capital	500,000 Equity Shares of ₹ 1/- each ₹ 500,000/-
5	Reserves & surplus	-660,198
6	Total assets	7,252
7	Total Liabilities	167,449
8	Investments	-
9	Turnover	1,596
10	Profit before taxation	-54,393
11	Provision for taxation	-
12	Profit after taxation	-54,393
13	Proposed Dividend	NIL
14	% of shareholding	100

For and on behalf of the Board

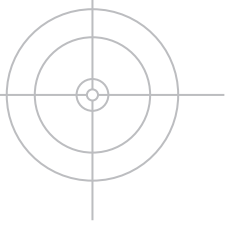
**Ashok Atluri**  
Chairman & Managing Director  
(DIN: 00056050)

**M Ravi Kumar**  
Whole Time Director  
(DIN: 00089921)

**Chada Jagadish Reddy**  
Company secretary  
(M.No: ACS 43388)

**G Sankara Rao**  
Chief Financial Officer  
(M.No: ACA 202650)

Place : Hyderabad  
Date : 08 August 2016



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

as on the financial year ended on 31 March 2016

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

**I. REGISTRATION AND OTHER DETAILS:**

i)	CIN:	L72200TG1993PLC015939
ii)	Registration Date:	29 June 1993
iii)	Name of the Company:	Zen Technologies Limited
iv)	Category / Sub-Category of the Company:	Company Limited by Shares
v)	Address of the Registered office and contact details:	B-42, Industrial Estate, Sanathnagar, Hyderabad - 500018, Telangana Ph: 040-23813281; Fax: 040-23813694 Email: investors@zentechnologies.com Website: www.zentechnologies.com
vi)	Whether listed company	Yes BSE Limited National Stock Exchange of India Limited
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy 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	Tank Simulators	8549	63.34%
2	Service Income (Maintenance Charges)	9700	19.16%

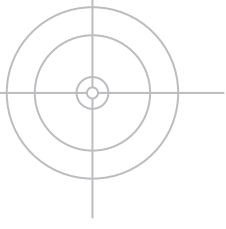
**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Version 2 Games Limited B-42, Industrial Estate, Sanathnagar, Hyderabad - 500018, Telangana	U74999TG2010PLC068661	Subsidiary Company	100%	Section 2(87)

#### 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
<b>A. Promoters</b>								
<b>(1) Indian</b>								
a) Individual/HUF	45,865,340	0	45,865,340	59.44	45,865,340	0	45,865,340	59.44
b) Central Government	0	0	0	0.00	0	0	0	0.00
c) State Government(s)	0	0	0	0.00	0	0	0	0.00
d) Bodies Corporate	0	0	0	0.00	0	0	0	0.00
e) Banks / FI	0	0	0	0.00	0	0	0	0.00
f) Any Other	0	0	0	0.00	0	0	0	0.00
<b>Sub-total (A) (1):-</b>	<b>45,865,340</b>	<b>0</b>	<b>45,865,340</b>	<b>59.44</b>	<b>45,865,340</b>	<b>0</b>	<b>45,865,340</b>	<b>59.44</b>
<b>(2) Foreign</b>								
a) NRIs - Individuals	0	0	0	0.00	0	0	0	0.00
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00
c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0.00
e) Any Other	0	0	0	0.00	0	0	0	0.00
<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>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>45,865,340</b>	<b>0</b>	<b>45,865,340</b>	<b>59.44</b>	<b>45,865,340</b>	<b>0</b>	<b>45,865,340</b>	<b>59.44</b>
<b>B. Public Shareholding</b>								
<b>1. Institutions</b>								
a) Mutual Funds	0	0	0	0.00	0	0	0	0.00
b) Banks / FI	0	0	0	0.00	34,730	0	34,730	0.05
c) Central Government	0	0	0	0.00	0	0	0	0.00
d) State Government(s)	0	0	0	0.00	0	0	0	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00



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	
f) Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
g) FIs	0	0	0	0	0	0	0	0.00	0.00
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify) Qualified Foreign Investor	90,000	0	90,000	0.12	316,956	0	316,956	0.41	0.29
<b>Sub-total (B)(1):-</b>	90,000	0	90,000	0.12	351,686	0	351,686	0.46	0.34
<b>2. Non-Institutions</b>									
a) Bodies Corporate									
i) Indian	5,003,314	0	5,003,314	6.48	3,942,105	0	3,942,105	5.11	-1.37
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh/2 lakh	12,149,693	532,320	12,682,013	16.44	14,907,666	494,320	15,401,986	19.96	3.52
ii) Individual share-holders holding nominal share capital in excess of ₹ 1 lakh/2 lakh	12,846,627	0	12,846,627	16.65	10,927,921	0	10,927,921	14.16	-2.49
c) Others (NBFC Registered with RBI)	0	0	0	0	26,542	0	26,542	0.03	0.03
Clearing Members	99,275	0	99,275	0.13	58,887	0	58,887	0.08	-0.05
Non Resident Indians	573,491	0	573,491	0.74	585,593	0	585,593	0.76	0.02
<b>Sub-total (B)(2):-</b>	30,672,400	532,320	31,204,720	40.44	30,448,714	494,320	30,943,034	40.10	-0.37
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	30,762,400	532,320	31,294,720	40.56	30,800,400	494,320	31,294,720	40.56	0.00
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0.00
<b>Grand Total (A+B+C)</b>	76,627,740	532,320	77,160,060	100.00	76,665,740	494,320	77,160,060	100.00	0.00



**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	Ms Nandita Sethi	50,000	0.06	0.00	50,000	0.06	0.00	0.00
2	Ms Beena Atluri	395,000	0.51	0.00	395,000	0.51	0.00	0.00
3	Mr Kishore Dutt	12,329,600	15.98	0.00	15,416,002	19.98	0.00	4.00
4	Mr Ravi Kumar Midathala	792,000	1.03	0.00	792,000	1.03	0.00	0.00
5	Mr Ashok Atluri	25,402,900	32.92	23.47	22,316,498	28.92	23.47	-4.00
6	Ms A Rama Devi	2,670,000	3.46	0.00	2,670,000	3.46	0.00	0.00
7	Ms Tara Dutt Atluri	2,800,000	3.63	0.00	2,800,000	3.63	0.00	0.00
8	Mr Nagarjunudu Kilaru	121,840	0.16	0.00	121,840	0.16	0.00	0.00
9	Mr Satish Atluri	1,184,000	1.53	0.000	1,184,000	1.53	0.00	0.00
10	Ms Indira Garapati	120,000	0.16	0.00	120,000	0.16	0.00	0.00
	<b>Total</b>	<b>45,865,340</b>	<b>59.44</b>	<b>23.47</b>	<b>45,865,340</b>	<b>59.44</b>	<b>23.47</b>	<b>0.00</b>

**iii) Change in Promoter's 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
	<i>At the beginning of the year</i>	45,865,340	59.44	-	-
	<i>At the end of the year</i>	45,865,340	59.44	45,865,340	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	<b>MOTURU CHANDRA SEK HAR</b>				
	At the beginning of the year	2,770,343	3.59	-	-
	Transactions (purchase / sale) from 1 April 2015 up to 31 March 2016	-913,625	-1.18	1,856,718	2.41
	At the end of the year	1,856,718	2.41	1,856,718	2.41
2	<b>RAVI KAMEPALLI</b>				
	At the beginning of the year	2,655,430	3.44	-	-
	Transactions (purchase / sale) from 1 April 2015 up to 31 March 2016	5,000	0.006	2,660,430	3.45
	At the end of the year	2,660,430	3.45	2,660,430	3.45
3	<b>ASHISH KACHOLIA</b>				
	At the beginning of the year	1,549,456	2.01	-	-
	Transactions (purchase / sale) from 1 April 2015 up to 31 March 2016	0	0.00	1,549,456	2.01
	At the end of the year	1,549,456	2.01	1,549,456	2.01
4	<b>LOGICAL SOLUTIONS LTD</b>				
	At the beginning of the year	1,334,640	1.73	-	-
	Transactions (purchase / sale) from 1 April 2015 up to 31 March 2016	0	0.00	1,334,640	1.73
	At the end of the year	1,334,640	1.73	1,334,640	1.73
5	<b>SUSHMITA ASHISH KACHOLIA</b>				
	At the beginning of the year	0	0.00	-	-
	Transactions (purchase / sale) from 1 April 2015 up to 31 March 2016	948,642	1.23	948,642	1.23
	At the end of the year	948,642	1.23	948,642	1.23
6	<b>VIMAL SAGARMAL JAIN</b>				
	At the beginning of the year	0	0.00	-	-
	Transactions (purchase / sale) from 1 April 2015 up to 31 March 2016	700,000	0.91	700,000	0.91
	At the end of the year	700,000	0.91	700,000	0.91
7	<b>MUKUL AGRAWAL</b>				
	At the beginning of the year	595,531	0.77	-	-
	Transactions (purchase / sale) from 1 April 2015 up to 31 March 2016	404,469	0.53	1,000,000	1.30
	At the end of the year	1,000,000	1.30	1,000,000	1.30
8	<b>SURESH BHATIA</b>				
	At the beginning of the year	389,970	0.51	-	-
	Transactions (purchase / sale) from 1 April 2015 up to 31 March 2016	391,499	0.50	781,469	1.01
	At the end of the year	781,469	1.01	781,469	1.01

(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
9	<b>GRESHMA FINVEST PRIVATE LIMITED</b>				
	At the beginning of the year	320,000	0.41	-	-
	Transactions (purchase / sale) from 1 April 2015 up to 31 March 2016	-17,000	-0.02	303,000	0.39
	At the end of the year	303,000	0.39	303,000	0.39
10	<b>UTPAL H SHETH</b>				
	At the beginning of the year	274,700	0.36	-	-
	Transactions (purchase / sale) from 1 April 2015 up to 31 March 2016	-	-	274,700	0.36
	At the end of the year	274,700	0.36	274,700	0.36

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	
		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	25,402,900	32.92	22,316,498	28.92
2	Mr M Ravi Kumar	792,000	1.03	792,000	1.03
3	Mr G Prasad	0	0.00	0	0.00
4	Ms M Sridevi	0	0.00	0	0.00
5	Mr Venkat Samir Oruganti	0	0.00	0	0.00
	<b>Key Managerial Personnel</b>				
1	Mr G Sankara Rao	0	0.00	2,000	0.003
2	Mr Chada Jagadish Reddy	0	0.00	0	0.00

## V. INDEBTEDNESS -Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(In ₹)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	394,883,779	-	-	394,883,779
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	2,593,836	-	-	2,593,836
<b>Total (i+ii+iii)</b>	<b>397,477,615</b>	<b>-</b>	<b>-</b>	<b>397,477,615</b>
<b>Change in Indebtedness during the financial year</b>				
* Addition	7,765,391			7,765,391
* Reduction	-	-	-	-
<b>Net Change</b>	<b>7,765,391</b>	<b>-</b>	<b>-</b>	<b>7,765,391</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	399,905,678	-	-	399,905,678
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	5,337,328	-	-	5,337,328
<b>Total (i+ii+iii)</b>	<b>405,243,006</b>	<b>-</b>	<b>-</b>	<b>405,243,006</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	5,040,000	3,360,000	8,400,000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	81,448	38,568	120,016
	(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 (A)</b>	<b>5,121,448</b>	<b>3,398,568</b>	<b>8,520,016</b>
	<b>Ceiling as per the Act</b>	<b>5,121,448</b>	<b>3,398,568</b>	<b>8,520,016</b>

<b>B. Remuneration to other directors</b> (In ₹)						
Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Cmde Sarvotham Rao	G Prasad	M Sridevi	Venkat Samir Kumar Oruganti	
1	Independent Directors					
	Fee for attending board committee meetings	40,000	215,000	120,000	175,000	550,000
	Commission	--	-	-	-	-
	Others, please specify	-	-	--	-	-
	<b>Total (1)</b>	<b>40,000</b>	<b>215,000</b>	<b>120,000</b>	<b>175,000</b>	<b>550,000</b>
2	Other Non-Executive Directors	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-	-
	Commission	-	-	-	-	-
	Others, please specify	-	-	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (B)=(1+2)</b>		<b>40,000</b>	<b>215,000</b>	<b>120,000</b>	<b>175,000</b>	<b>550,000</b>
<b>Total Managerial Remuneration</b>						<b>550,000</b>
<b>Overall Ceiling as per the Act</b>						

<b>C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD</b> (In ₹)					
Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		Company Secretary	Chief Financial Officer	Mr G Sankara Rao***	
		Ms M Amala*	Mr P V Krishna Mohan**		
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	466,262 (upto 7 Oct15)	294,600 (Upto June15 )	435,353 (w.ef 18 Nov-15 to March 2016)	1,196,215
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3)Income-taxAct, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	others, specify...	-	-	-	-
5	Others, please specify	-	-	-	-
	<b>Total</b>	<b>466,262</b>	<b>294,600</b>	<b>435,353</b>	<b>1,196,215</b>

\* Remuneration paid for a period of 6 months only

\*\* Remuneration paid for a period of 3 months only

\*\*\* Remuneration paid for a period of 4.5 months only



## VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
		Description			
<b>A. COMPANY</b>					
Penalty			NIL		
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty			NIL		
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty			NIL		
Punishment					
Compounding					

For and on behalf of the Board

Place : Hyderabad  
Date : 08 August 2016

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

### Annexure 3

## 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

### Form No. AOC-2

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

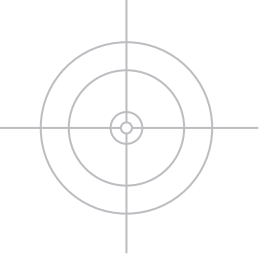
- There are no contracts or arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are not at arm's length basis.
- Contracts or arrangements entered into by the company with related parties referred to in sub-section (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	Enhanced from 01 October 2015 till further enhancement	During the year 2015-16 he has received remuneration ₹ 249,200 p.m (3,580,728 p.a including perks and incentive)	14-08-2015	NIL
2	Mr Kishore Dutt Atluri, President of the Company	Leasing of property of any kind	01 June 2015 to 31 May 2017 (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 ₹ 528,000 p.a (440,000 paid for 10 months from 1-06-2015 to 31-03-2016 for the year 15-16)	23-05-2015	Security deposit – lease rent of two months

For and on behalf of the Board

Place : Hyderabad  
Date : 08 August 2016

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



## Annexure 4

### 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.

- (a) The details of technology imported: NIL
  - (b) The year of import: NIL
  - (c) Whether the technology been fully absorbed: NIL
  - (d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof: NIL
- (iv) The expenditure incurred on Research and Development:

The Company has incurred ₹ 14.55 Crores as R&D expenditure for the financial year 2015-16 for the development of various products. Out of ₹ 14.55 Crores, ₹ 14.30 Crores was for R&D Revenue expenditure and ₹ 0.25 Crores for R&D Capital Expenditure. The Company has incurred 27.65% as R&D expenditure of Sales Turnover. The Company will continue to make big bets for long-term national interests which may impact short-term profitability of the Company.

### C. Foreign Exchange Earnings and Outgo

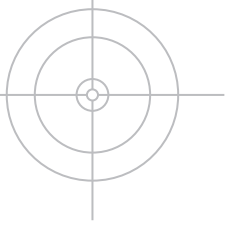
(₹ in Lakhs)

Particulars	2015-16	2014-15
Earned during the year	203.39	36.54
Used during the year	208.05	178.07

For and on behalf of the Board

Place : Hyderabad  
Date : 08 August 2016

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



## Annexure 5

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY AS PER RULE 8 OF THE COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:

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

Mr G Prasad, Chairman (Independent Director)

Mr Ashok Aturi, 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 (₹)
2012-13	55,465,825
2013-14	1,123,825
2014-15	198,160,186
<b>Total</b>	<b>254,749,836</b>
<b>Average of the PBT</b>	<b>84,916,612</b>

4. Prescribed CSR expenditure (2% of Average Net Profits) : ₹ 1,698,332/-

5. Details of CSR spent during the financial year 2015-16:

(a) Total amount to be spent for the financial year: ₹ 1,698,332/-							
(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 Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	To help the school children orphaned by naxal attack at Dantewada	Promoting education	Dantewada Chhattisgarh	1,916,120	Direct expenditure on projects or programs	1,916,120	Spent through implementing agency –Agastya International Foundation, Dantewada, Chhattisgarh

2	Helping hands to Martyr's families like scholarships and Women empowerment programs	Promoting education and Women empowerment	Bangalore	300,000	Direct expenditure on projects or programs	300,000	Spent through implementing agency –Vasantaratra Foundation
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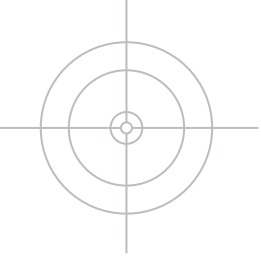
6. The CSR Committee Confirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and policy of the Company.

**For and on behalf of Corporate Social Responsibility Committee**

Place : Hyderabad  
Date : 08 August 2016

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

**G Prasad**  
Chairman of the Committee  
(DIN: 00026718)



**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

*[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 **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 **31 March 2016** 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 31 March 2016 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 Companies Act, 1956 (Applicable Sections as on date) and the Rules made under that Act;
- (iii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iv) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (v) 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);
- (vi) 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) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - (d) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996;
- (vii) 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;
- (viii) The industry specific laws that are applicable to the company are as follows:
  - a) The Indian Copy Right Act, 1957
  - b) The Patents Act, 1970
  - c) The Trade Marks Act, 1999
  - d) The Designs Act, 2000
  - e) The Factories Act, 1948
  - f) The Bonus Act, 1965
  - g) The Employees' State Insurance Act, 1948
  - h) Directives given by various Directorates like Department of Scientific and Industrial Research and The National Small Industries Corporation Limited etc.
  - i) The Information Technology Act, 2008
  - j) The e-waste (Management and Handling) Rules, 2011
  - k) The Andhra Pradesh Shops & Establishments Act, 1988
  - l) The Official Secrets Act, 1923
  - m) Security Manual, Category B, Ministry of Defence

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

- a. Secretarial Standards SS-1 and SS-2 with respect to meetings of the board of directors and general meetings respectively issued and notified by The Institute of Company Secretaries of India which came into force w.e.f. 1 July 2015 under the provisions of section 118(10) of the Act.
- b. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Effective from 01.12.2015) and The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India (since repealed).

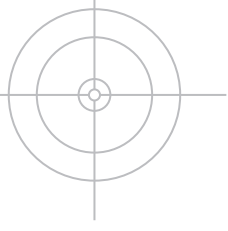
During the period under review the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following Observation that:

- (i) *the Company is yet to spend an amount of ₹ 1,976,112/- pertaining to the financial year 2014-15 under the provisions of section 135 of the Act.*
- (ii) *Remuneration paid to Managing Director in excess of limits prescribed under Section 197 read with Schedule V of the Act, for the year 2015-16 is subject to the approval of shareholders by way of special resolution.*

**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 period under review, Cmde Sarvotham Rao retired as an Independent Director from the



Board of Directors of the Company on 29.06.2015 in accordance with the retirement age policy for Directors of the Company and Mr Venkat Samir Kumar Oruganti appointed as Additional Director (Non-Executive Independent Director) to the Board w.e.f. 14.08.2015 and approved the same by the shareholders at their AGM held on 26 September 2015. He has been appointed as a member of Audit Committee and Nomination & Remuneration Committees w.e.f. 14.08.2015.

During the year under review Mr P V Krishna Mohan, Chief Financial Officer and Ms M Amala, Company Secretary & Compliance Officer have resigned from the services of the Company with effect from 30.06.2015 and 07.10.2015 respectively.

Mr.G. Sankara Rao has been appointed as a Chief Financial Officer w.e.f. 18.11.2015 and Mr Chada Jagadish Reddy has been appointed as Company Secretary and Compliance Officer w.e.f. 10.03.2016.

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** 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.

**We further report that during the period of 2014-15**

- a) Face value of equity share of ₹ 10/- was subdivided into ₹ 1/- each through postal ballot resolution dated 18.09.2014.
- b) Consent of the members was obtained under section 180(1)(c) of the Act authorizing the Board of Directors to borrow money in excess of aggregate paid-up share capital and free reserves of the Company upto ₹ 500 Crores through postal ballot resolution dated 18.09.2014.
- c) Consent of the members was obtained for Allocation of sub-limits for Portfolio Investment for Registered Foreign Institutional Investor/s (FIIs), Foreign Venture Capital Investor/s (FVCIs) and Non Resident Indian/s (NRIs) within the default portfolio investment limit of 24% of the paid-up equity share capital of the Company through postal ballot resolution dated 09.03.2015.
- d) The shares of the Company got listed on NSE with effect from 30 March 2015.

Place : Hyderabad  
Date : 08 August 2016

**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**

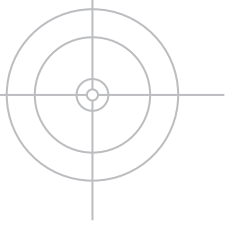
Our report of even date is to be read along with this letter.

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.

Place : Hyderabad  
Date : 08 August 2016

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

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



## Annexure 7

### 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	15.92
2	Mr M Ravi Kumar, Whole-time Director	10.57
3	Mr G Prasad, Independent Director	Nil
4	Ms M Sridevi, Independent Director	Nil
5	Mr Venkat Samir Kumar Oruganti, Independent Director	Nil

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

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

S. No	Name of the Director / KMP, Designation	Percentage increase in remuneration
1	Mr Ashok Atluri, Chairman and Managing Director	Nil*
2	Mr M Ravi Kumar, Whole-time Director	Nil**
3	Mr G Prasad, Independent Director	Nil
4	Ms M Sridevi, Independent Director	Nil
5	Mr Venkat Samir Kumar Oruganti, Director	Nil
6	Mr G Sankara Rao, Chief Financial Officer	NA***
7	Mr Chada Jagadish Reddy	NA***

\* There was no increase in the remuneration paid to Mr Ashok Atluri, Managing Director during the financial year 15-16.

\*\* There was no increase in the remuneration paid to Mr M Ravi Kumar, Whole Time Director during the financial year 15-16

\*\*\* Mr G Sankara Rao, Chief Financial Officer and Mr Chada Jagadish Reddy, Company secretary were appointed during the financial year 15-16.

- (iii) The percentage increase in the median remuneration of employees in the financial year: 7.01% increase

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

There are 191 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: 5.00%

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

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



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

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

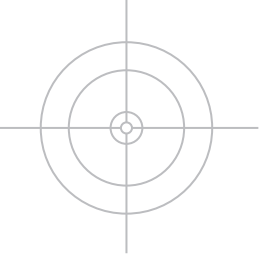
(viii) **Particulars of Employees in accordance with the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment of Remuneration of Managerial Personnel) Rules, 2014:**

During the year no employee was paid remuneration of ₹ 850,000/- or More per month OR ₹ 10,200,000/- per annum or in excess of salary drawn by the Managing Director/ Whole-time Director of the Company.

For and on behalf of the Board

Place : Hyderabad  
Date : 08 August 2016

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Developments

Simulator is defined as a machine designed to provide a realistic imitation of the controls and operation of a vehicle, aircraft, or other systems, used for training purposes. Simulation is used in many contexts, such as simulation of technology for performance optimization, safety engineering, testing, training, education, and video games. A few areas where simulators are being used extensively include weapons training, aviation, medicine, power plant, bridges, ships, entertainment, robotics, satellite navigation and maintenance.

The defence simulation and training market is a growing and increasingly significant sector in the defence industry. Simulators are the most cost and time effective methodology for training personnel. This actually creates a realistic surrounding to generate near-real responses to various situations as well as handling of complex weapons and use of operational equipment. It also enhances the safety levels when handling weapons in practical situation coupled with saving transportation costs and ammunition. Simulators that are being used for such training provide an opportunity to get trained for even the most dangerous situations. 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.

Simulation has emerged as an effective way to train personnel at all the levels of responsibility, and to both develop and assess new tactics, techniques or procedures.

Financial constraints coupled with changing security scenario will push many countries to reduce defence spending and rapidly introduce and integrate simulators into their training methodology.

### Opportunities and threats

The market for defence simulation and training is primarily dependent on the present stock and future acquisition of defence equipment. Keeping in mind the increased defence spending by countries, including India, the simulation training market demand will see strong growth in the coming years. Zen's addressable market opportunity in India and abroad for the coming few years is estimated at US\$2 Billion.

### Product-wise performance

The main customers for simulators are Police and Para-military Forces, Armed Forces, Government Departments (like Transport) and in a very limited manner the Civilian Market. Some of the products of the Company are Hand Grenade Simulator (Zen HE36S®), Advanced Weapons Simulator (Zen AWeSim™), Tactical Engagement Simulator (Zen TacSim®), 81mm Mortar Integrated Simulator (Zen 81mm MIS), Driving Training Simulator (Zen DTS®), Zen Bus Simulator, BMP II Driving Simulator (Zen BMP II DS), Anti-Tank Guided Missile Simulator (Zen ATGM® Sim), Zen Tank Driving , Basic and Crew Gunnery Simulators.

Products that we have started demonstrating include: UAV Simulators for High Altitude Long Endurance (HALE), Medium Altitude Long Endurance (MALE) UAVs, Armour Combat Training System (Zen ACTS™), and Anti-Aircraft Air Defence Simulator (3AD Sim). These simulators, including the ones above, have an addressable opportunity in India for about ₹ 7,000 crores.

### Outlook

The global market for simulators presents enormous opportunities for your Company. And we intend to focus on exports in a big way in the coming years. At Defexpo 2016 in Goa, the theme we focused on was "India – Training Partner to the World".

At home, we expect to benefit from the decisive actions of the Ministry of Defence (MoD) with respect to procurements. Operational preparedness has become important, both with the defence and police forces. For

operational preparedness adequate training with different scenarios is a must, which can be effectively imparted with simulators. We expect such focus should result in procurement of more simulators.

In addition to offering training and simulator equipment, Zen is also providing full-fledged solutions like Combat Training Centres (CTCs) to its clients both in India and abroad. These are customized solutions for clients' needs and involve integrated training simulators, equipment, software, terrains and training methodologies into a package. It offers specialised training to enhance individual skills, sub-unit/units' combat capabilities as well as tactical skills of Commanders for conventional and special operations such as Counter-Insurgency and Counter-Terrorism tasks. This training infrastructure is equipped to conduct Marksmanship training with Small Arms and Infantry-support weapons, Close Quarter Battle (CQB) engagements and tactical training in urban/rural terrain and built-up area.

Still, we expect volatility in earnings to continue. As we depend on Government for business, we expect quarterly results to be quite lumpy and corresponding quarter-on-quarter results to be uneven. To mitigate volatility in earnings, we are focusing on Exports. Exports promotion is a priority target for Zen and efforts to promote Zen simulators through exhibitions and direct sales contacts are on. We expect our efforts to start showing results from this year onwards.

## Risks and Concerns

We are seeing more players entering the field of simulation and expect competition to be stiff and margins to drop for products that have huge market demand as this represents the segment that can be commercialized.

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. The Government does not have any explicit policy or procedure to encourage indigenous technology in such a situation but the recent changes in defence procurement procedures seem to be moving in the right direction.

As part of our business, 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.

The other risks that your Company faces are dependence on Government for huge chunk of business, high R&D costs with no certainty that the product will be accepted by the customer, stricter user acceptance and marketing costs, long receivables and unpredictability of earnings.

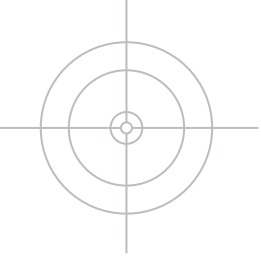
## Financial Performance as against Operational Performance

During the financial year under review, the Company registered a total income of ₹ 58.08 Cr as against ₹ 81.86 Cr in the previous year. The operations have resulted in a net profit of ₹ 2.32 Cr during the financial year under report as against ₹ 15.74 Cr in the previous financial year.

## Internal Control Systems and their adequacy

The Company has adequate internal control systems including suitable monitoring procedures commensurate with its size and the nature of the business. The internal control systems provide for all documented policies, guidelines, authorization and approval procedures. The Company has an internal audit system to get audited various systems and procedures throughout the year. The statutory auditors while conducting the statutory audit, review and evaluate the internal controls and their observations are discussed with the Audit committee of the Board.

The Company also has a monitoring and security system to safeguard its data and information from any pilferages or copying by unauthorized persons.



## Human Resource Development and Industrial Relations

The human resource plays a vital role in the growth and success of an organization. The Company has maintained cordial and harmonious relations with employees across various locations. During the year under review, various training and development workshops were conducted to improve the competency level of employees with an objective to improve the operational performance of individuals. The Company has built a competent team to handle challenging assignments.

During the year under review, relations with customers, partners, suppliers, workers, employees, and other industries were cordial.

Zen's team strength stands at 191 members (previous year 243). The management and employees in the company regularly meet to address the areas of concern.

### Subsidiary Company

#### VERSION 2 GAMES LTD

During the year under review, the Company has not done any business.

**Cautionary Statement:** *Certain statement/s in the management discussion and analysis may be forward looking within the meaning of applicable securities law and regulations and actual results may differ materially from those expressed or implied. Factors that would make differences to Company's operations include competition, price realization, currency fluctuations, regulatory issues, changes in government policies and regulations, tax regimes, economic development within India and the countries in which the Company conducts business and other incidental factors.*

## CORPORATE GOVERNANCE REPORT

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

Zen is committed to good corporate governance. Your Company aims to achieve the objective of enhancing the shareholder's value by ensuring effective relationship with stakeholders and protecting their interests. The Company 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.

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

### 2) Board of Directors

#### a. Composition and Category of Directors

The Board of Directors of the Company consists of 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 during 2015-16 is as follows:

S. No	Name of the Director	Designation	Date of Appointment	Category
1	Mr Ashok Atluri	Chairman and Managing Director	14-06-1994	Promoter & Executive Director
2	Mr M Ravi Kumar	Whole Time Director	29-06-1993	Promoter & Executive Director
3	Mr G Prasad	Director	09-11-2012	Independent Non-Executive Director
4	Ms M Sridevi	Director	05-02-2014	Independent Non-Executive Director
5	Mr Venkat Samir Kumar Oruganti *	Director	14-08-2015	Independent Non-Executive Director

\* Appointed as Director with effect from 14 August 2015

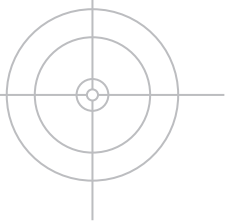
#### b. Attendance of each Director at the Board Meetings and the last AGM

The table hereunder gives the attendance record of the Directors at the five (5) Board Meetings held during the year 2015-16 and the last Annual General Meeting (AGM) held on 26 September 2015:

Name of the Director	Number of Board meetings attended	Attendance at the last AGM
Mr Ashok Atluri	5	Present
Mr M Ravi Kumar	5	Present
Mr G Prasad	5	Present
Ms M Sridevi	5	Present
Mr Venkat Samir Kumar Oruganti*	4	Present
Mr Cmde Sarvotham Rao**	1	Not Applicable

Note: \* Appointed w.e.f. 14 August, 2015

\*\* Resigned as a Director w.e.f 29 June 2015



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

S. No	Name of the Director	Number of other Directorships*	Board Committees*	
			Membership	Chairmanship
1	Mr Ashok Atluri	5	Nil	Nil
2	Mr M Ravi Kumar	1	Nil	Nil
4	Mr G Prasad	2	2	2
5	Ms M Sridevi	Nil	Nil	Nil
6	Mr Venkat Samir Kumar Oruganti	2	Nil	Nil

\* Only membership of Audit and Shareholders Relationship 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**

During the Financial Year 2015-16, the Board of Directors met 5 times on the following dates:

23 May 2015, 14 August 2015, 13 November 2015, 6 February 2016 and 5 March 2016.

The maximum gap between any of two consecutive meetings did not exceed 120 days.

**e. Meeting of Independent Directors**

A separate meeting of Independent Directors was held on 5 March 2016 interalia 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. Mr Ashok Atluri, Managing Director is the brother of Mr Kishore Dutt Atluri who has been appointed as President of the Company as per the provisions of Section 188 of the Companies Act. None of the Directors are related to each other.**

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

S. No.	Name of the Director	Number of Equity Shares (face value of ₹ 1/- each held in the Company)
1	Mr G Prasad	Nil
2	Ms M Sridevi	Nil
3	Mr Venkat Samir Kumar Oruganti	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.zentechnologies.com/about\\_us/zen-code-of-conduct.pdf](http://www.zentechnologies.com/about_us/zen-code-of-conduct.pdf). 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 2016 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 three (3) Directors comprising of two (2) Independent Directors forming a majority. The Chairman is a fellow member of the Institute of Chartered Accountants of India and 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** entered with Stock Exchanges.

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

S. No	Name of the Director	Designation	No. of meetings held	No. of meetings attended
1	Mr G Prasad	Chairperson	4	4
2	Mr Ashok Atluri	Member	4	4
3	Mr Venkat Samir Kumar Oruganti*	Member	3	3
4	Mr Cmde Sarvotham rao**	Member	1	1

\* Appointed as Director (Independent) with effect from 14 August 2015

\*\* Resigned as a Director w.e.f 29 June 2015

During the Financial Year 2015-16, the Audit Committee met 4 times on the following dates:

23 May 2015, 14 August 2015, 13 November 2015 and 6 February 2016.

The Statutory Auditor, Internal Auditor, Chief Financial Officer and Assistant General 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 Chairperson of the Audit Committee is always present at the AGM to give clarifications, if any, required by the members thereof.

#### 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 and one Executive Director.

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

S. No	Name of the Director	Designation	No. of meetings held	No. of meetings attended
1	Mr G Prasad	Chairperson w.e.f 14-08-2015	3	3
2	Mr Ashok Atluri	Member	3	3
3	Ms M Sridevi	Member	3	3
4	Mr Venkat Samir Kumar Oruganti	Member	3	3

##### iii. Nomination and Remuneration policy

The Nomination and Remuneration Policy is available on 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)

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



## V. Details of remuneration to all the 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 year are as follows:

Name of the Director	Amount (₹)
Mr G Prasad	215,000
Ms M Sridevi	120,000
Mr Venkat Samir Kumar Oruganti	175,000
Mr Cmde Sarvotham Rao	40,000

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	5,040,000	81,448	-	-	-	Appointed for a period of 5 years w.e.f 1 November 2014	As per the Company Rules
Mr M Ravi Kumar, Whole Time Director	3,360,000	38,568	-	-	-	Appointed for a period of 3 years w.e.f 29 June 2013	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 5 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.

## 5) Stakeholders Relationship Committee

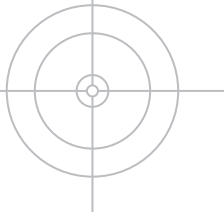
### i. Composition

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

S. No	Name of the Director	Designation
1	Mr G Prasad	Chairperson
2	Mr Ashok Atluri	Member
3	Ms M Sridevi	Member

The Committee has been delegated with following powers:

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



M/s Karvy 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 Chada Jagadish Reddy , Company Secretary is appointed to act as Compliance Officer 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@zentechnologies.com

**iii. Number of shareholder’s complaints received so far**

During the year ended 31 March 2016, the Company has received and resolved 3 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

**6) 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
2012-13	28-09-2013	10.30 a.m.	B - 42, Industrial Estate, Sanathnagar, Hyderabad - 500018
2013-14	27-09-2014	10.30 a.m.	B - 42, Industrial Estate, Sanathnagar, Hyderabad - 500018
2014-15	26-09-2015	09.30 a.m.	B - 42, Industrial Estate, Sanathnagar, Hyderabad - 500018

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

- **20<sup>th</sup> AGM:** Reappointment and revision in terms of appointment of Mr M. Ravi Kumar, Whole Time Director
- **21<sup>st</sup> AGM:** No Special Resolution was passed
- **22<sup>nd</sup> AGM:** No Special Resolution was passed

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

There was no Special Resolution passed during the year 2015-16 through Postal ballot

**7) 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, in widely circulated newspapers.

Quarterly financial results are forthwith announced to the Stock Exchanges in the proforma prescribed by the listing Regulations.

**2. Newspapers wherein results normally published:**

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

**3. Any website, where displayed:**

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

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

All Press Releases are displayed on the Company's website at [http://www.zentechnologies.com/investor\\_relations/press\\_releases/](http://www.zentechnologies.com/investor_relations/press_releases/)

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

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

**8) General Shareholder Information**

**a. 23<sup>rd</sup> Annual General Meeting**

Day : Saturday  
 Date : 24 September 2016  
 Time : 9.30 a.m.  
 Venue : Regd. Off: B-42, Industrial Estate,  
 Sanathnagar, Hyderabad-5000198.

**b. Financial Year : 1 April to 31 March**

**Date of Book Closure**

17 September 2016 to 24 September 2016 (both days inclusive)

**c. Dividend Payment Date**

Within 30 days from the date of declaration of dividend in AGM i.e., on or before 24 October 2016

**d. 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 both the Stock Exchanges for the year 2016-17.

**e. Stock Code**

(a) Security ID / Symbol : ZENTEC  
 (b) Demat ISIN number in NSDL & CDSL : INE251B01027  
 (c) Scrip Code : 533339

**Electronic Connectivity**

National Securities Depository Limited, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai- 400 013	Central Depository Services (India) Limited Phiroze Jeejeebhoy Towers, 28th Floor Dalal Street, Mumbai-400 023
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f. Market Price Data: High, Low during each month in last financial year

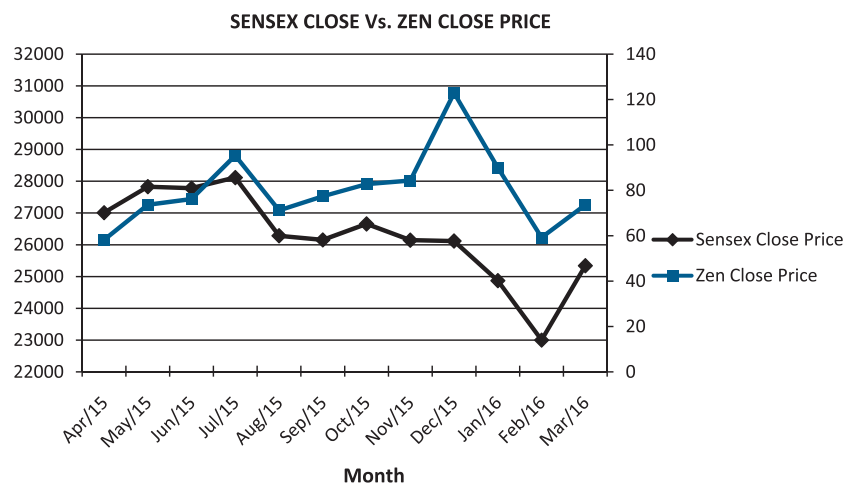
**BSE Limited**

Month	High (₹)	Low (₹)	No. of Shares traded
April 2015	82.55	52.20	5,342,825
May 2015	73.65	54.00	1,536,005
June 2015	82.80	68.05	2,768,100
July 2015	101.25	75.30	2,297,328
August 2015	103.60	65.35	1,563,260
September 2015	77.35	64.25	560,297
October 2015	93.35	71.50	962,576
November 2015	91.00	77.35	446,447
December 2015	132.25	85.45	2,875,993
January 2016	134.90	84.80	1,293,095
February 2016	93.00	58.45	1,123,149
March 2016	81.35	59.75	1,190,372

**NSE Limited**

Month	High (₹)	Low (₹)	No. of Shares traded
April 2015	82.80	50.45	4,908,825
May 2015	73.55	54.10	2,045,972
June 2015	83.00	68.05	3,135,823
July 2015	101.25	73.00	3,943,888
August 2015	103.00	65.35	3,450,675
September 2015	77.85	64.15	13,222,402
October 2015	94.90	71.85	2,439,858
November 2015	91.70	72.50	1,193,655
December 2015	131.90	85.20	7,681,497
January 2016	134.45	85.00	4,315,016
February 2016	91.60	58.35	3,162,820
March 2016	81.80	59.70	2,951,043

g. Performance in comparison to NSE NIFTY, BSE SENSEX



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

i. **Registrars 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

j. **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.

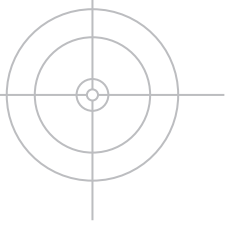
k. **Distribution of Shareholding**

Distribution of Shareholding as on 31 March 2016 is as follows:

Shareholding of nominal value of ₹ Number		Shareholders		Share Amount	
		% to Total	In ₹	% to Total	
1	5,000	7,692	92.67	5,469,754	7.08
5,001	10,000	267	3.22	2,117,155	2.74
10,001	20,000	141	1.70	2,106,431	2.72
20,001	30,000	62	0.75	1,589,754	2.06
30,001	40,000	29	0.35	1,024,454	1.33
40,001	50,000	25	0.30	1,160,398	1.51
50,001	1,00,000	41	0.50	2,936,157	3.81
1,00,001 and Above		43	0.51	60,755,957	78.75
<b>TOTAL</b>		<b>8,300</b>	<b>100.00</b>	<b>77,160,060</b>	<b>100.00</b>

Shareholding Pattern as on 31 March 2016:

Sl. No	Category	No. of Shares Held	% of Shareholding
1	Promoters and Promoters Group	45,865,340	59.44
2	Bodies Corporate	3,942,105	5.11
3	Resident Individuals	24,485,455	31.74
4	NRI	585,593	0.75
5	Qualified Foreign Investor	265,303	0.35
6	Others	2,016,264	2.61
<b>Total</b>		<b>77,160,060</b>	<b>100.00</b>



**I. Dematerialization of shares and liquidity**

As on 31 March 2016, **76,665,740** equity shares were dematerialized which constitute 99.35 % of the total paid up capital.

The particulars of dematerialization are as follows:

Sl. No.	Category	No. of Cases	Total No. of Shares	% of Equity
1	PHYSICAL	148	494,320	0.64
2	NSDL	4,948	50,929,378	66.00
3	CDSL	3,204	25,736,362	33.36
	<b>Total</b>	<b>8,300</b>	<b>77,160,060</b>	<b>100.00</b>

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

**n. 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.

**o. Plant Locations:**

1. Ward No 6. Ram Shehar Road, Nalagarh, Solan (Dist) -174101  
Himachal Pradesh, India, Phone: +91-1795-220671
2. Plot No.35, 36 & 37, Kancha Imarath, Near Ravirala Village  
Hardware Park, Ranga Reddy District - 501 510, Telangana, India

**p. 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

**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 2015-16, 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 by the company, 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**

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 2016.

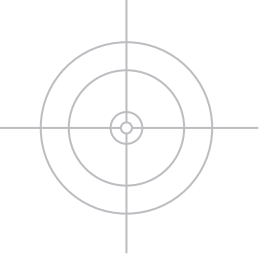
**iv. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements**

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 Subsidiary of the Company functions independently, with an adequately empowered Board of Directors. For more effective governance, the Minutes of Board Meetings of Subsidiary of the Company are placed before the Board of Directors of the Company for their review.



vi. **Disclosure of Accounting Treatment in preparation of Financial Statements**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) and comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014.

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

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time (the "old Regulations") the Company has framed a Code of Conduct for prevention of Insider Trading.

The Securities and Exchange Board of India (SEBI) on 15 January 2015 notified the SEBI Prohibition of Insider Trading) Regulations, 2015 (the "new Regulations") which have come into force from 14 May 2015, thereby revamping the two-decade old Regulations. In accordance with the provisions of the new Regulations, the Company has formulated Code of Fair Disclosure and Code of Conduct to Regulate, Monitor and Report Trading by Insiders.

The Code of Conduct to Regulate, Monitor and Report Trading by Insiders 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 new Regulations and is designed to maintain the highest ethical standards of trading in Securities of the Company by persons to whom it is applicable.

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

viii. **Management Discussion and Analysis Report**

The Report on Management Discussion and Analysis is annexed to the Director's 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.

x. **Discretionary Requirements**

The Company is in process of complying with discretionary requirements as specified under Part-E of Schedule II of Regulation 27 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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## **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 2016.

Place : Hyderabad  
Date : 08 August 2016

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



## AUDITOR'S 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 2016, 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 Gokhale & Co**  
Chartered Accountants  
Firm Regn. No 000942S

**Chandra Shekhar Gokhale**  
Partner  
Membership No 023839

Place: Hyderabad  
Date: 08 August 2016



## CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

We, Ashok Atluri, Chairman and Managing Director and G Sankara Rao, 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 2016 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 : 30 May 2016

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

**G Sankara Rao**  
Chief Financial Officer  
(M. No. ACA 202650)

## INDEPENDENT AUDITOR'S REPORT

To  
The Members  
**ZEN TECHNOLOGIES LIMITED**  
Hyderabad.

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **Zen Technologies Limited**, which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Standalone 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 and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 standalone 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 in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone 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 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 financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Director's as well as evaluating the overall presentation of the 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 standalone financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31 March 2016, and its profit and its cash flows for the year ended on that date.



## Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order 2016 ('the order'), issued by the Central Government of India in terms of Subsection 11 of Section 143 of the Companies Act, 2013, we give in the Annexure-A, a statement on the matters specified in paragraphs 3 and 4 of the order to the extent applicable.

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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed impact of pending litigation in Notes on Financial Statements under 'Commitments and contingent liabilities not provided for in respect of disputed matters'
  - 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 **Gokhale & Co**  
Chartered Accountants  
FRN:000942S

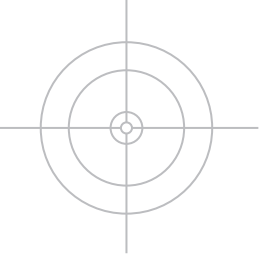
**Chandrashekhar Gokhale**  
Partner  
Membership No. 023839

Place : Hyderabad  
Date : 30 May 2016

## Annexure-A

As required by the Companies ( Auditor's Report ) Order, 2015 issued by the Central Government of India in terms of Sub-section (11) of section 143 of the Companies Act, 2013 (18 of 2013 ) and on the basis of such checks, as we considered appropriate, we further report that:

- (i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management according to a phased programme designed to cover all assets on rotation basis. In respect of assets verified according to this programme, which is reasonable, no material discrepancies were noticed.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the company, the title deeds of the immovable property are held in the name of the company.
- (ii) Physical verification of inventory has been conducted at reasonable intervals by the management and no material discrepancies were noticed on such physical verification
- (iii) The company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- (iv) The company has not given any loans, guarantees or security to which provisions of section 185 and 186 of the Companies Act, 2013 are applicable. With respect to investment in its subsidiary, provisions of section 185 and 186 of the Companies Act, 2013 have been complied with.
- (v) The company has not accepted deposits from the public covered by the provisions of sections 73 to 76 of the Companies Act.
- (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 Companies Act, 2013
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of records of the company, amounts deducted or accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues have been regularly deposited during the year by the company with the appropriate authorities and there are no such amounts outstanding due for a period of more than six months as at the Balance Sheet date.
- (b) No disputed dues of income tax or sales tax or service tax or duty of customs or value added tax were pending payment. Excise duty details of disputed amounts are given in Notes on Financial Statements under 'Commitments and Contingent liabilities not provided for in respect of disputed matters'.
- (viii) The company has not defaulted in repayment of loans or borrowing from Technology Development Board and Banks. There were no loans taken from Government and the company has not issued any debentures.
- (ix) During the year no money was raised by way of initial public offer or further public offer (including debt instruments) by the company. Term loans were applied for the purposes for which those were raised.
- (x) On the basis of information and explanations give to us no material fraud by the company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records of the company, the company has paid or 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.



- (xii) In our opinion and according to the information and explanations given to us, the company is not a Nidhi company. Accordingly paragraph 3 (xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of records of the company transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details of such transactions have been disclosed in the Financial Statements as required by the applicable accounting standards.
- (xiv) The company has not made any preferential allotment / private placement of shares/fully or partly convertible debentures during the year under review.
- (xv) According to the information and explanations given to us and based on our examination of records the company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly paragraph 3 (xv) of the Order is not applicable.
- (xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **Gokhale & Co**  
Chartered Accountants  
Firm Regn. No 000942S

**Chandrashekhar Gokhale**  
Partner  
Membership No 023839

## Annexure - B

### Report on the Internal Financial Controls over Financial Reporting in terms of 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 March 31 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

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

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

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

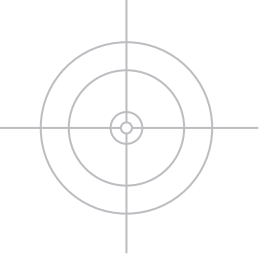
Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on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

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

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

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (i) *pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;*
- (ii) *provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and*



- (iii) *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 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of Internal Financial 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 Gokhale & Co**  
Chartered Accountants  
Firm Regn. No 0009425

**Chandrashekhar Gokhale**  
Partner  
Membership No 023839



## BALANCE SHEET AS AT 31 MARCH 2016

(in ₹)

Particulars	Notes No.	As at 31 March	
		2016	2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	3.01	77,160,060	77,160,060
(b) Reserves and surplus	3.02	1,047,230,341	1,033,337,567
		<b>1,124,390,401</b>	<b>1,110,497,627</b>
<b>Non current liabilities</b>			
(a) Long-term borrowings	3.03	77,646,279	36,761,339
(b) Long-term provisions	3.04	9,057,094	8,875,075
		<b>86,703,373</b>	<b>45,636,414</b>
<b>Current liabilities</b>			
(a) Short-term borrowings	3.03	295,027,070	348,242,456
(b) Trade payables	3.05	20,890,900	31,249,937
(c) Other current liabilities	3.06	125,786,254	166,162,809
(d) Short-term provisions	3.04	15,290,650	73,272,877
		<b>456,994,874</b>	<b>618,928,079</b>
<b>TOTAL</b>		<b>1,668,088,648</b>	<b>1,775,062,120</b>
<b>ASSETS</b>			
<b>Non current assets</b>			
(a) Fixed assets			
- Tangible assets	3.07	431,154,254	440,571,714
- Intangible assets		12,393,170	32,815,942
- Capital work-in-progress		147,174,315	3,114,900
(b) Non current investments	3.08	500,000	500,000
(c) Long-term loans and advances	3.09	35,692,772	46,820,356
		<b>626,914,511</b>	<b>523,822,912</b>
<b>Current assets</b>			
(a) Inventories	3.11	97,861,044	150,172,849
(b) Trade receivables	3.12	80,601,563	594,858,926
(c) Cash and bank balances	3.13	679,678,026	376,381,625
(d) Short-term loans and advances	3.14	145,592,259	97,165,109
(e) Other current assets	3.10	37,441,245	32,660,699
		<b>1,041,174,137</b>	<b>1,251,239,208</b>
<b>TOTAL</b>		<b>1,668,088,648</b>	<b>1,775,062,120</b>
Summary of significant accounting policies		1&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

**Gokhale & Co.,**  
Chartered Accountants  
Firm Regn. No.: 000942S

**Chandrashekhhar Gokhale**  
Partner  
M.No: 23839

Place: Hyderabad  
Date: 30 May 2016

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

**Chada Jagadish Reddy**  
Company Secretary  
(M.No. ACS 43388)

**M Ravi Kumar**  
Whole Time Director  
(DIN: 00089921)

**G Sankara Rao**  
Chief Financial Officer  
(M.No. ACA 202650)

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2016

(In ₹)

Particulars	Note No.	For the Year ended 31 March	
		2016	2015
<b>REVENUE</b>			
Revenue from operations	3.15	526,153,471	785,477,437
Other income	3.16	54,662,133	33,170,030
<b>Total (A)</b>		<b>580,815,604</b>	<b>818,647,467</b>
<b>EXPENSES</b>			
Cost of Materials and Components consumed	3.17	80,684,914	325,553,162
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	3.18	66,793,067	(82,152,500)
Manufacturing Expenses	3.19	15,749,628	17,892,127
Employee Benefits Expense	3.20	62,120,913	72,034,111
Other Expenses	3.22	284,453,544	243,320,130
<b>Total (B)</b>		<b>509,802,066</b>	<b>576,647,030</b>
<b>Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)</b>	<b>(A-B)</b>	<b>71,013,538</b>	<b>242,000,437</b>
Finance Costs	3.21	20,938,238	21,335,179
Depreciation and Amortization Expense	3.23	20,891,876	22,505,073
<b>Profit/(Loss) before tax</b>		<b>29,183,424</b>	<b>198,160,185</b>
<b>Tax Expense</b>	3.24		
Current tax		6,003,665	40,768,430
<b>Total Tax Expenses</b>		<b>6,003,665</b>	<b>40,768,430</b>
<b>Profit/(Loss) for the year</b>		<b>23,179,759</b>	<b>157,391,755</b>
Earnings per equity share of face value of ₹ 1/- each	3.25		
Basic -		0.30	2.04
Diluted -		0.30	2.04
Summary of significant accounting policies	1 & 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

**Gokhale & Co.,**  
Chartered Accountants  
Firm Regn. No.: 000942S

**Chandrashekhar Gokhale**  
Partner  
M.No: 23839

Place: Hyderabad  
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(DIN: 00089921)

**G Sankara Rao**  
Chief Financial Officer  
(M.No. ACA 202650)

## STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

(₹ in Lakhs)

Particulars	For the Year ended 31 March	
	2016	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	291.83	1981.60
<b>Non-cash adjustments:</b>		
Depreciation and amortisation expenses	431.71	427.20
Interest expense/Finance cost	209.38	213.35
Interest income	537.44	328.82
Net gain/(loss) on foreign currency exchange fluctuation	(1.06)	-
Profit on sale of asset	-	(0.19)
Operating profit before working capital changes	1,469.31	2950.78
<b>Changes in working capital:</b>		
Increase/(decrease) in trade payables	(103.59)	103.16
Increase/(decrease) in other current liabilities	(403.77)	693.80
Increase/(decrease) in short-term provisions	(672.69)	(92.17)
Increase/(decrease) in long-term provisions	1.82	36.37
Decrease/(increase) in trade receivables	5,143.63	(5,094.68)
Decrease/(increase) in inventories	523.12	(516.97)
Decrease/(increase) in short-term loans & advances	(401.77)	(42.52)
Decrease/(increase) in other current assets	(47.81)	(2.51)
<b>Cash generated from /(used in) operations</b>	<b>5,508.26</b>	<b>(1,964.74)</b>
Direct tax payments (net of refunds)	(142.54)	(43.51)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>5,365.72</b>	<b>(2,008.25)</b>

## STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

(₹ in Lakhs)

Particulars	For the Year ended 31 March	
	2016	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase)/decrease in tangible and intangible fixed assets	(133.31)	(281.21)
(Increase)/decrease in captial work-in-progress	(1,440.59)	72.42
interest received	(537.44)	(328.82)
(Increase)/decrease in long-term loans & advances	111.28	123.16
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>(2,000.07)</b>	<b>(414.45)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase/(decrease) in long-term borrowings	408.85	(37.21)
Increase/(decrease) in short-term borrowings	(532.15)	2,234.77
Interest paid	(209.38)	(213.35)
<b>Net cash flow from/(used in) in financing activities (C)</b>	<b>(332.69)</b>	<b>1,984.21</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents (A+B+C)</b>	<b>3,032.96</b>	<b>(438.48)</b>
Cash & cash equivalents at the beginning of the year	3,763.82	4,202.30
Cash & cash equivalents at the end of the year	6,796.78	3,763.82
<b>Note:</b> 1. Figures in brackets indicate cash outgo.		
2. Previous year figures have been regrouped wherever necessary to conform to the current year's classification.		

As per our Report of even date

**Gokhale & Co.,**  
Chartered Accountants  
Firm Regn. No.: 000942S

**Chandrashekhar Gokhale**  
Partner  
M.No: 23839

Place: Hyderabad  
Date: 30 May 2016

For and on behalf of the Board

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

**Chada Jagadish Reddy**  
Company Secretary  
(M.No. ACS 43388)

**M Ravi Kumar**  
Whole Time Director  
(DIN: 00089921)

**G Sankara Rao**  
Chief Financial Officer  
(M.No. ACA 202650)

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### 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.

The Company owned a 100% subsidiary, Version 2 Games Limited, India.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) under the historical cost conversion on accrual basis. GAAP comprise mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) and guidelines issued by the Securities Exchange Board of India (SEBI)

#### 2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

#### 2.3 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.

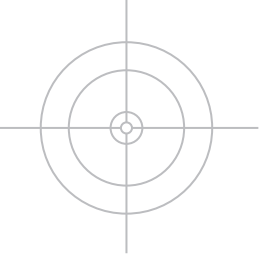
Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity.

#### 2.4 Cash and cash equivalents

Cash and cash equivalent for the purposes of cash flow statement comprise cash at bank, cash in hand, demand deposits and other bank balances.

#### 2.5 Cash flow statement

Cash Flows are reported using the indirect method, whereby profit/ (loss) before tax is adjusted for the effects of transactions of non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows, The cash flows from operating, investing and financing activities of the Company are segregated based on the available information



## 2.6 Depreciation

Effective from 01.04.2014, the Company has charged Depreciation based on the revised remaining useful life of the assets as per the requirement of Schedule II of the Companies Act, 2013. Depreciation on all assets is provided on the Straight Line Method over the useful lives of the assets estimated by the Management. Depreciation for assets purchased/sold during the period is proportionately charged. 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 (Other than factory buildings)	60 years
Factory Buildings	30 years
Lease Buildings	6 years
Plant and Machinery	15 years
Office Equipment	5 years
Computers	3 years
Vehicles	8 years
Furniture & Fixtures	10 years
Testing Equipment	10 years
Software	33.33%

Amounts spent for capital work-in-progress including advance given for capital goods are grouped under capital work-in-progress.

Impairment of Assets: The management assesses at regular intervals using external and internal sources whether there is any indication that an asset may be impaired

## 2.7 Tangible fixed assets

Fixed assets are carried at cost less accumulated depreciation. The cost of fixed assets includes interest on borrowings attributable to acquisition of fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Subsequent expenditure relating to fixed assets is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

### Capital work-in-progress:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses.

## 2.8 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following recognition criteria is applied before revenue is recognized:

### 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 sales tax and Value Added Tax (VAT) on behalf of the government and therefore, these are not economic benefits flowing to the Company, hence they are excluded from the revenue. Excise duty deducted from revenue (gross) is the amount that was included in the revenue (gross).

### Excise duty

Excise duty has been accounted as and when goods are dispatched and no provision is made for the goods lying at the year end. This accounting treatment has been followed consistently and has no impact on the profitability of the company.

### Sale of Services

Revenue from Annual Maintenance Contracts (AMC) is recognized on pro-rata basis over the period in which such services are rendered. The Company collects service tax on behalf of the government and therefore, it is not an economic benefit flowing to the company. Hence, it is excluded from the revenue.

### 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.

## 2.9 Foreign currency transactions

Expenses and income are recorded at the exchange rate prevailing on the date of transaction. Assets and Liabilities on the date of the Balance Sheet are restated at the exchange rate prevailing on the Balance Sheet date. Exchange rate differences arising on settlement of the transaction and on account of restatement of Assets and Liabilities are dealt with in the Statement of Profit and Loss.

## 2.10 Investments

Long-term investment held in equity share capital of wholly owned subsidiary company is carried at cost.

## 2.11 Employee Retirement and other benefits

The Company operates defined benefit plan of Group Gratuity for its employees. The Company has taken a Group Gratuity Scheme with Life Insurance Corporation of India. The premium payable under the scheme is provided in the books on accrual basis. The present value of the defined benefit obligation and the related current service cost were measured using actuarial valuation carried out by an independent actuary consultant at each year end. Actuarial valuation is carried out using the projected unit credit method. Gratuity is calculated as per the Payment of Gratuity Act, 1972 on actual liability basis.

The Company does not have any scheme for leave encashment in place.

In respect of retirement benefits in the form of provident fund, the contribution payable by the company for the year is charged to the Statement of Profit and Loss. The Company has no obligation other than the contribution payable to the provident fund.

## 2.12 Earnings per share

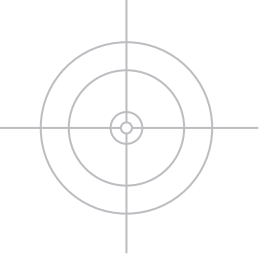
Basic earnings per share are computed by dividing the net profit / (loss) after tax attributable to equity share holders by the weighted average number of equity shares outstanding during the year.

## 2.13 Taxes on income

Minimum alternate tax (MAT) payable in a year is charged to the Statement of Profit and Loss as current tax.

## 2.14 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.



### 2.15 Contingent liabilities

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.

### 2.16 Research and development costs

Revenue costs are expensed in the year in which they are incurred and the capital expenditure is added to fixed assets and are depreciated in accordance with depreciation policy of the Company.

### 2.17 Dividends

Provision made in the accounts for the dividends payable by the Company as recommended by the Board of Directors, pending approval of the shareholders at the Annual General Meeting. Income tax on dividends payable is provided for in the year to which such dividends relate.

**2.18** Overdraft facilities from banks are secured by way of pledge of Fixed Deposits and the working capital facilities (₹ 15 Crore) from Indian bank are secured by equitable mortgage of immovable properties and other fixed assets pari-pasu charge with Technology Development Board (TDB).

**2.19** The Company operates in one segment i.e., Training and simulation.

**2.20** The Common expenses incurred at Head Office were allocated between Head Office and Himachal Pradesh unit based on Net turnover.

**2.21** All Fixed deposits were kept with Scheduled banks only.

**2.22** The unclaimed dividend amount for all the earlier financial year as on 31 March 2016 is ₹ 828,706.25/- details of which are given below:

Sl.No	Name of the Bank	Year of declaration of dividend	Unclaimed Amount (₹)
1	HDFC	2008-09	153,211.50
2	HDFC	2009-10	155,281.50
3	HDFC	2010-11	60,976.50
4	HDFC	2011-12	225,036.50
5	HDFC	2012-13	49,654.00
6	HDFC	2013-14	51,954.00
7	HDFC	2014-15	132,592.25
	<b>TOTAL</b>		<b>828,706.25</b>

**2.23** Receivables do not include any amount due and recoverable from directors or other officers of the Company, or Companies under the same management.

**2.24** The balances of Sundry Debtors, Creditors and advances in various personal accounts are subject to reconciliation and conformation with the concerned parties.

**2.25** 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.



**2.26** During the year the Company has spent an amount of ₹ 2,216,120/- for CSR activities out of which ₹ 1,698,332/- belongs to 2014-15 and the balance ₹ 517,788/- belongs to the year 2013-14. Balance ₹ 1,976,112 to be spent by the Company against the amount actually to be spent for the year 2013-14. As it was decided by the CSR Committee to spend the amount based on the progress of the envisaged project and new projects as identified.

**2.27** None of the pending litigations have any impact on Company's financial position.

**2.28** As per Cost Audit applicability, cost compliance is not applicable for FY 2015-16 as ZEN is small scale industry under MSME.

**Managing Directors remuneration and commission has been worked out as per provision Under Section 198 of Companies Act, 2013.**

### 2.29 Director's Remuneration

(in ₹)

S. No	Particulars	2015-16	2014-15
<b>1</b>	<b>Director's Remuneration</b>		
	<b>Chairman &amp; Managing Director</b>		
	Salary, perquisites & Allowances	5,121,448	4,138,921
	Commission	-	4,119,033
	<b>Total</b>	<b>5,121,448</b>	<b>8,257,954</b>
<b>2</b>	<b>Other Director</b>		
	Salary, perquisites & Allowances	3,398,568	3,371,110
	<b>Total</b>	<b>3,398,568</b>	<b>3,371,110</b>

### 2.30 Foreign Currency Expenses

(in ₹)

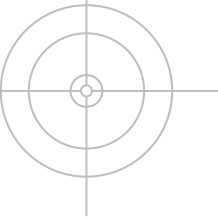
Particulars	2015-16	2014-15
Capital Goods	525,313	187,094
Raw Materials and Components	4,614,551	-
Stores and Spares	80,901	2,254,484
Foreign Travel (Exclusive of tickets purchased)	3,718,928	1,992,364
Software	146,760	-
Membership	748,602	1,869,968
Professional charges	1,090,442	1,321,128
Exhibition Expenses	7,998,364	4,234,212
Training Charges	482,288	-
Others	1,399,256	5,948,032-

**2.31** 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.

**2.32** Value of Imported and indigenous raw materials and components consumed.

(₹ in lakhs)

Particulars	2015-16		2014-15	
	Value	%	Value	%
Indigenous raw material and stores	888.98	94.81	2950.97	100
Imported stores and components	46.15	5.19	-	-



**2.33** In the opinion of Board of Directors, the current assets, loans and advances are expected to realize approximately the value stated in the ordinary course of business.

As per our Report of even date

For and on behalf of the Board

**Gokhale & Co.,**  
Chartered Accountants  
Firm Regn. No.: 0009425

**Chandrashekhar Gokhale**  
Partner  
M.No: 23839

Place: Hyderabad  
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**G Sankara Rao**  
Chief Financial Officer  
(M.No. ACA 202650)

## NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2016		As at 31 March 2015	
3.01	<b>SHARE CAPITAL</b>				
	<b>Authorised</b>				
	200,000,000 (31 March 2015:200,000,000) Equity shares of ₹ 1/- each	200,000,000		200,000,000	
		<b>200,000,000</b>		<b>200,000,000</b>	
	<b>Issued, subscribed and paid-up</b>				
	77,160,060 (31 March 2015: 77,160,060) Equity shares of ₹ 1/- each fully paid-up	77,160,060		77,160,060	
	<b>a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period (31 March 2015: Face Value of ₹ 1/- each)</b>				
		31 March 2016		31 March 2015	
	<b>Particulars</b>	<b>Nos of Shares</b>	<b>₹</b>	<b>Nos of Shares</b>	<b>₹</b>
	At the beginning of the period	77,160,060	77,160,060	77,160,060	77,160,060
	<b>Outstanding at the end of the period</b>	<b>77,160,060</b>	<b>77,160,060</b>	<b>77,160,060</b>	<b>77,160,060</b>
	<b>b. Terms/rights attached to equity shares</b>				
	<p>The Company has only one class of equity shares having a par value of ₹ 1/- each. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Director's is subject to the approval of the shareholders in the ensuing Annual General Meeting.</p> <p>During the year ended 31 March 2016, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 0.10/- (previous year ₹ 0.35)</p>				
	<b>c. Details of shareholders holding more than 5% shares in the Company of ₹ 1/- each fully paid (31 March 2015: Face Value of ₹ 1/- each)</b>				
		As at 31 March 2016		As at 31 March 2015	
	<b>Name of the share holder</b>	<b>No of Shares</b>	<b>%</b>	<b>No of Shares</b>	<b>%</b>
	Ashok Atluri	22,316,498	28.92	25,402,900	32.92
	Kishore Dutt Atluri	15,416,002	19.98	12,329,600	15.98
	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.				
	<b>d. Aggregate number of shares bought back during the period of five years immediately preceding the reporting date:</b>				
	<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>
	No. of Equity Shares bought back by the company during the year	-	-	1,172,426	-
	Aggregate Number of Equity Shares bought back by the company	<b>1,187,994</b>	1,187,994	1,187,994	15,568
				15,568	15,568

## NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.02</b>	<b>RESERVES AND SURPLUS</b>		
	<b>Securities premium reserve (Share premium)</b>		
	Balance as per the last Balance Sheet	89,185,359	89,185,359
	Closing Balance	89,185,359	89,185,359
	<b>General Reserve</b>		
	Balance as per the last Balance Sheet	350,000,000	336,097,550
	Add: Transfer from P&L Accumulated account	2,500,000	13,902,450
	Closing Balance	352,500,000	350,000,000
	<b>Capital Redemption Reserve</b>		
	Balance as per the last Balance Sheet	11,724,260	11,724,260
	Closing Balance	11,724,260	11,724,260
	<b>Surplus/(deficit) in the Statement of Profit and Loss</b>		
	Balance as per last Balance Sheet	582,427,948	471,443,089
	Add: Net Profit/(loss) for the current period	23,179,759	157,391,756
	Balance available for appropriation	605,607,707	628,834,845
	Less: Appropriation		
	Proposed Equity dividend (amount per share ₹ 0.10 ) (31 March 2015: ₹ 0.35)	7,716,006	27,006,021
	Tax on proposed equity dividend	1,570,979	5,498,426
	Transfer to General Reserve	2,500,000	13,902,450
	Total appropriations	11,786,985	46,406,897
	<b>Net surplus in the Statement of Profit and Loss</b>	<b>593,820,722</b>	<b>582,427,948</b>
	<b>Total Reserves and Surplus</b>	<b>1,047,230,341</b>	<b>1,033,337,567</b>

Note No.	Particulars	Non-current portion		Current maturities	
		As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
<b>3.03</b>	<b>LONG-TERM BORROWINGS</b>				
	<b>Secured</b>				
	- Term Loan from TDB (Ref Note)	77,340,000	35,000,000	25,780,000	8,556,000
	- Vehicle loan	306,279	1,761,339	1,452,329	1,323,984
	- Interest accrued on TDB loan	-	-	5,337,328	2,593,836
		<b>77,646,279</b>	<b>36,761,339</b>	<b>32,569,657</b>	<b>12,473,820</b>
	<b>Note:</b> The Loan taken from Technology Development Board (TDB), Ministry of Science and Technology, Govt. of India, for ₹ 1,160 lakhs was utilized for part financing the project "Development and Commercialization of Unmanned Aerial Vehicle Mission Simulator". The loan carries interest @ 5% (simple interest) per annum and is repayable in 9 half yearly installments commencing from 01 October 2015. The loan is secured by equitable mortgage of immovable properties and other fixed assets pari-passu with Indian Bank. The loan is also guaranteed by the Company's own guarantee and pledging of 15,000,000 equity shares of ₹ 1/- each owned by the Managing Director of the Company.				

## NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.03</b>	<b>SHORT-TERM BORROWINGS</b>		
	<b>Secured</b>		
	Loan repayable on demand (Ref Note)		
	8.50% (PY 9.75%) OD I against Fixed Deposits from Indian Bank	42,971,123	116,476,491
	9.50% (PY 9.75%) OD II against Fixed Deposits from Indian Bank	2,051,335	90,820,070
	9.25% (PY NIL) OD III against Fixed Deposits from Indian Bank	184,342,258	-
	12.70% (PY 13.30%) against Indian Bank OCC account	2,944,839	63,613,311
	9.25% (PY 9.75%) OD against Fixed Deposits from Corporation Bank NSIC Limited	62,717,515 -	63,056,682 14,275,902
		<b>295,027,070</b>	<b>348,242,456</b>
	<b>Note :</b> The above mentioned overdraft facilities are secured by way of pledge of fixed deposits. Working Capital facilities (₹ 15 Crore) from 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.		

Note No.	Particulars	Long-term		Short-term	
		As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
<b>3.04</b>	<b>PROVISIONS</b>				
	Provision for employee benefit				
	- Provision for gratuity (Ref Note)	8,557,094	8,375,075	-	-
	Other Provisions				
	- Proposed dividend	-	-	7,716,006	27,006,021
	- Tax on dividend	-	-	1,570,979	5,498,426
	- Provision for MAT	-	-	6,003,665	40,768,430
	- Provision for decline, other than temporary, in the value of long term investments	500,000	500,000	-	-
		<b>9,057,094</b>	<b>8,875,075</b>	<b>15,290,650</b>	<b>73,272,877</b>
	<b>Note:</b> 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 (AS) 15 (Revised 2005) as prescribed under The Companies (Accounting Standard) Rules, 2006.				

Note No.	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.05</b>	<b>TRADE PAYABLES</b>		
	Trade payables		
	- Dues to Micro and Small Enterprises	-	-
	- Others	20,890,900	31,249,937
		<b>20,890,900</b>	<b>31,249,937</b>

## NOTES ON FINANCIAL STATEMENTS

(in ₹)

S.No	Particulars	Gratuity 2015-16
<b>I</b>	<b>Change in Present value of obligation</b>	
	PVO at beginning of the year	19,645,377
	Interest cost	1,493,452
	Current service cost	3,559,345
	Benefits paid	(849,273)
	Actuarial gain/(loss) on obligation	(1,686,388)
	PVO at the end of the period	22,162,513
<b>II</b>	<b>Change in fair value of plan Assets</b>	
	Fair value of plan Assets at beginning of period	11,270,302
	Expected return on plan Assets	1,009,584
	Contributions	2,260,837
	Benefits paid	(849,273)
	Actuarial gain/(loss) on obligation	(86,031)
	Fair value of plan Assets at the end of period	13,605,419
<b>III</b>	<b>Net status of Plan</b>	8,557,094
<b>IV</b>	<b>Net amount recognized</b>	8,557,094

Note No.	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.06</b>	<b>OTHER CURRENT LIABILITIES</b>		
	Current maturities of long-term debts (Note 3.03)	32,569,657	12,473,820
	Unclaimed dividends	828,706	822,017
	Service Income billed but not due	4,906,623	-
	Employee salaries and benefits:		
	- Salaries and benefits	13,779,114	14,727,606
	- Bonus and incentives	8,009,519	8,182,282
	<b>Other payables:</b>		
	Provision for expenses	737,473	434,750
	Taxes payable:		
	- Service tax payable	505,546	1,068,129
	- Sales tax payable	314,313	31,083,693
	- TDS payable	3,345,694	2,492,367
	- Wealth Tax payable	-	85,000
	Advance from customers	60,789,610	94,793,145
		<b>125,786,254</b>	<b>166,162,809</b>



## NOTES ON FINANCIAL STATEMENTS

### 3.07 FIXED ASSETS

(in ₹)

Description	Life of Asset	Gross block			Accumulated depreciation			Net block		
		Opening Balance	Additions during the year	Sales / Adjustments during the year	As at 01 April 2015	Charge for the year	Sales / Adjustments during the year	Total 31 March 2016	As at 31 March 2016	As at 31 March 2015
<b>Hyderabad Unit (T.S)</b>										
<b>Production Division</b>										
<b>TANGIBLE</b>										
Land		39,830,091	-	-	-	-	-	-	39,830,091	39,830,091
Building Chandralok	60 yrs	487,791	-	-	109,124	8,179	-	117,303	370,488	378,667
Building-Cherlapally	60 yrs	4,651,498	-	-	532,838	77,715	-	610,553	4,040,945	4,118,660
Building-New Delhi	60 yrs	137,804,361	-	-	4,131,223	2,297,330	-	6,428,553	131,375,808	133,673,138
Lease Building-Bangalore	6 yrs	-	2,946,700	-	-	368,661	-	368,661	2,578,039	-
Buildings Maheswaram	30 yrs	207,238,325	707,093	-	29,868,444	6,899,589	-	36,768,033	171,177,385	177,369,881
Computers	3 yrs	17,020,536	976,373	-	14,527,669	1,794,753	-	16,322,421	1,674,487	2,492,868
Plant and machinery	15 yrs	14,111,659	49,950	-	1,720,693	965,963	-	2,686,655	11,474,954	12,390,966
Office Equipment	5 yrs	22,365,835	2,310,148	15,000	14,078,668	2,571,460	8,698	16,641,430	8,019,553	8,287,168
Furniture, fixtures	10 yrs	9,866,326	326,529	-	3,518,283	1,042,239	-	4,560,522	5,632,333	6,348,044
Testing Equipment	10 yrs	907,781	486,217	-	101,005	96,530	-	197,535	1,196,463	790,000
Vehicles	10 yrs	21,621,677	3,000,000	-	10,327,479	2,056,502	-	12,383,980	12,237,697	11,294,199
		475,905,880	10,803,010	15,000	78,915,424	18,178,920	8,698	97,085,646	389,608,245	396,973,682
<b>INTANGIBLE</b>										
Software	100.00%	4,294,764	-	-	4,294,764	-	-	4,294,764	-	-
Software	33.33%	6,107,670	-	-	2,523,604	2,036,735	-	4,560,339	1,547,331	3,584,066
		486,308,314	10,803,010	15,000	85,733,792	20,215,655	8,698	105,940,750	391,155,576	400,557,747
<b>Hyderabad Unit (T.S)</b>										
<b>R&amp;D Division</b>										
<b>TANGIBLE</b>										
Land		5,150,020	-	-	-	-	-	-	5,150,020	5,150,020
Building - Sanathnagar	60 yrs	28,186,689	-	-	4,206,843	475,918	-	4,682,762	23,503,928	23,979,846
Shed -B42	60 yrs	514,008	-	-	4,142	8,567	-	12,709	501,299	509,866
Computers	3 yrs	8,572,560	1,196,257	-	7,537,515	847,375	-	8,384,889	1,383,928	1,035,046
Plant and machinery	15 yrs	14,093,331	-	-	8,800,263	457,973	-	9,258,236	4,835,095	5,293,068
Office Equipment	5 yrs	5,953,030	304,236	-	5,779,704	75,019	-	5,854,722	402,543	173,326

## NOTES ON FINANCIAL STATEMENTS

### 3.07 FIXED ASSETS

(in ₹)

Description	Life of Asset	Gross block			Accumulated depreciation			Net block			
		Opening Balance	Additions during the year	Sales / Adjustments during the year	As at 31 March 2016	As at 01 April 2015	Charge for the year	Sales / Adjustments during the year	Total 31 March 2016	As at 31 March 2016	As at 31 March 2015
Furniture, fixtures	10 yrs	4,026,701	43,226	-	4,069,927	3,352,409	549,407	-	3,901,817	168,110	674,292
Testing Equipment	10 yrs	5,388,550	50,423	-	5,438,973	2,256,483	485,452	-	2,741,935	2,697,038	2,789,194
Vehicles	10 yrs	818,169	-	-	818,169	635,753	91,458	-	727,212	90,957	182,416
<b>INTANGIBLE</b>		72,703,057	1,594,142	-	74,297,200	32,573,113	2,991,168	-	35,564,281	38,732,919	39,787,074
Software	100.00%	30,600,930	-	-	30,600,930	30,600,930	-	-	30,600,930	-	-
Software (RKT)	33.33%	57,485,438	902,000	-	58,387,438	28,253,562	19,288,037	-	47,541,598	10,845,840	29,231,876
		<b>160,789,425</b>	<b>2,496,142</b>	-	<b>163,285,568</b>	<b>91,427,604</b>	<b>22,279,205</b>	-	<b>113,706,809</b>	<b>49,578,759</b>	<b>69,018,950</b>
<b>Nalagarh Unit (Himachal Pradesh)</b>											
<b>Production Division</b>											
<b>TANGIBLE</b>											
Computers	3yrs	1,751,938	-	-	1,751,938	1,751,938	-	-	1,751,938	-	-
Plant and machinery	15 yrs	3,320,704	-	-	3,320,704	1,202,834	251,282	-	1,454,116	1,866,588	2,117,870
Office Equipment	5 yrs	542,124	38,000	-	580,124	412,930	36,579	-	449,508	130,616	129,194
Furniture, fixtures	10 yrs	1,356,437	-	-	1,356,437	709,912	210,401	-	920,313	436,124	646,525
Testing Equipment	10 yrs	952,312	-	-	952,312	425,350	168,116	-	593,466	358,846	886,610
Vehicles	10 yrs	89,400	-	-	89,400	58,639	9,844	-	68,483	20,917	30,761
		8,012,915	38,000	-	8,050,915	4,561,603	676,221	-	5,237,825	2,813,090	3,810,960
<b>INTANGIBLE</b>											
Software	100%	594,501	-	-	594,501	594,501	-	-	594,501	-	-
		<b>8,607,416</b>	<b>38,000</b>	-	<b>8,645,416</b>	<b>5,156,104</b>	<b>676,221</b>	-	<b>5,832,326</b>	<b>2,813,090</b>	<b>3,810,960</b>
<b>Total of Tangible Assets A</b>		<b>556,621,852</b>	<b>12,435,152</b>	<b>15,000</b>	<b>569,042,006</b>	<b>116,050,137</b>	<b>21,846,309</b>	<b>8,698</b>	<b>137,887,752</b>	<b>431,154,254</b>	<b>440,571,715</b>
<b>Total of Intangible Assets B</b>		<b>99,083,303</b>	<b>902,000</b>	-	<b>99,985,303</b>	<b>66,267,361</b>	<b>21,324,772</b>	-	<b>87,592,133</b>	<b>12,393,170</b>	<b>32,815,942</b>
<b>Total of (A+B)</b>		<b>655,705,155</b>	<b>13,337,152</b>	<b>15,000</b>	<b>669,027,309</b>	<b>182,317,498</b>	<b>43,171,081</b>	<b>8,698</b>	<b>225,479,884</b>	<b>443,547,425</b>	<b>473,387,657</b>
Previous year		628,151,418	28,681,093	1,127,355	655,705,156	140,181,582	42,720,112	584,194	147,421,807	473,387,656	487,969,836

### Capital Work in Progress

WIP - Interiors	-	62,602,925
WIP - Buildings	-	84,571,390
WIP - Lease Building	-	2,894,046
WIP - Screen	-	220,854
		<b>147,174,315</b>



## NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.08</b>	<b>NON-CURRENT INVESTMENTS</b>		
	Long term at cost, unless otherwise specified		
	Other (Unquoted) - Non trade		
	Investments in equity instrument (fully paid-up) of Subsidiary		
	500,000 (previous year: 500,000) Equity shares of Version 2 Games Limited, Wholly owned Subsidiary, face value of ₹ 1/- each	500,000	500,000
	<b>Total Investments</b>	<b>500,000</b>	<b>500,000</b>
<b>3.09</b>	<b>LONG-TERM LOANS AND ADVANCES</b>		
	Unsecured, considered good		
	Capital advances	9,200,000	18,620,000
	Security deposits	10,012,169	8,887,687
	Loans and advances to related parties		
	- Version 2 Games Limited	60,863	-
	Other loans and advances		
	- Prepaid expenses	6,455,979	8,410,177
	- Deposits with government, public bodies and others	9,963,761	10,902,492
		<b>35,692,772</b>	<b>46,820,356</b>
<b>3.10</b>	<b>OTHER NON-CURRENT ASSETS</b>	Nil	Nil
	<b>OTHER CURRENT ASSETS</b>		
	Interest accrued on fixed deposits with banks	10,665,416	3,402,092
	Accrued AMC Income	26,775,829	29,258,607
		<b>37,441,245</b>	<b>32,660,699</b>
<b>3.11</b>	<b>INVENTORIES</b>		
	Raw material (Ref Note 3.17)	34,889,409	26,676,200
	Work in progress (Ref Note 3.18)	32,657,833	117,802,500
	Stock-in-trade (Ref Note 3.18)	3,502,149	3,502,149
	Inventory-Demo Systems	18,351,600	-
	Inventory Others	8,460,053	2,192,000
		<b>97,861,044</b>	<b>150,172,849</b>

## NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Non-Current		Current	
		As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
<b>3.12</b>	<b>TRADE RECEIVABLES</b>				
	Outstanding for a period exceeding 6 months from the date they are due for payment				
	- Unsecured, considered good	33,035,734	19,487,669	-	-
	- Doubtful	6,570,812	7,110,797	-	-
		39,606,546	26,598,466	-	-
	Provision for doubtful receivables	(6,570,812)	(7,110,797)	-	-
	(A)	33,035,734	19,487,669	-	-
	Other receivables				
	- Unsecured, considered good	-	-	47,565,829	575,371,257
	(B)	-	-	47,565,829	575,371,257
	<b>Total (A+B)</b>	<b>33,035,734</b>	<b>19,487,669</b>	<b>47,565,829</b>	<b>575,371,257</b>

<b>3.13</b>	<b>CASH AND BANK BALANCES</b>		
	<b>Cash and cash equivalents</b>		
	Balances with banks:		
	- On current accounts	18,980,862	3,613,634
	<b>Cash on hand</b>	<b>3,189</b>	<b>808,332</b>
	<b>Other bank balances:</b>		
	- Deposits with original maturity for > 3 months but < 12 months		
	<b>Indian Bank</b>	<b>109,765,597</b>	<b>4,306,474</b>
	- Balances with banks to the extent held as margin money for guarantees - <b>Indian Bank</b>	<b>17,420,540</b>	<b>45,209,063</b>
	- Balances with banks to the extent held as security against OD borrowings- <b>Indian Bank</b>	<b>448,050,309</b>	<b>238,047,701</b>
	- Balances with banks to the extent held as security against OD borrowings- <b>HDFC Bank</b>	<b>10,000,000</b>	<b>10,000,000</b>
	- Balances with banks to the extent held as security against OD borrowings - <b>Corporation Bank</b>	<b>74,628,824</b>	<b>73,574,405</b>
	Balances with banks for unpaid dividend	828,706	822,017
		<b>679,678,026</b>	<b>376,381,625</b>

Note No.	Particulars	As at 31 March 2016	As at 31 March 2015
3.14	<b>SHORT-TERM LOANS AND ADVANCES</b>		
	<b>Unsecured, considered good</b>		
	Advance to material suppliers	109,741,730	49,236,862
	Income tax refundable	6,736,194	29,429,564
	Advance income tax	14,323,377	4,408,581
	Other loans and advances		
	- Prepaid expenses	2,870,001	3,110,680
	- Balance with VAT, Central excise and Service tax	10,015,321	6,940,166
	- Loans and advances to employees	1,905,636	1,482,977
	- Others	-	2,556,280
		<b>145,592,259</b>	<b>97,165,109</b>

## NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2016	Year ended 31 March 2015
<b>3.15</b>	<b>REVENUE FROM OPERATIONS</b>		
	a) Sale of Products	426,835,426	719,209,756
	Less : Excise duty	1,500,000	3,943,320
		425,335,426	715,266,436
	b) Sale of Services	100,818,045	70,211,001
		526,153,471	785,477,437
<b>3.16</b>	<b>OTHER INCOME</b>		
	Interest income	53,744,063	32,881,686
	Miscellaneous income	1,023,923	269,310
	Net gain/(loss) on foreign currency exchange fluctuation	(105,853)	-
	Profit/(Loss) on Sale of Vehicle	-	19,034
		54,662,133	33,170,030
<b>3.17</b>	<b>COST OF MATERIALS AND COMPONENTS CONSUMED</b>		
	Opening stock of raw materials	26,676,200	57,131,861
	Add : Purchases	88,898,123	295,097,501
		115,574,323	352,229,362
	Less : Closing stock	34,889,409	26,676,200
		80,684,914	325,553,162
	<b>Note:</b> As the items of raw material purchased and consumed are dissimilar in nature, type and numerous in quantity, it is not possible to give details under different heads as required under para 5(ii) and para 5(iii) of the general instructions for preparation of the Statement of Profit and Loss as per Schedule III of the Companies Act, 2013.		
<b>3.18</b>	<b>CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>		
	Opening work in progress	117,802,500	35,650,000
	Opening traded goods	3,502,149	3,502,149
		121,304,649	39,152,149
	Closing work in progress	32,657,833	117,802,500
	Inventory-Demo Systems	18,351,600	-
	Closing traded goods	3,502,149	3,502,149
		54,511,582	121,304,649
	<b>Net (increase) / decrease in stock</b>	<b>66,793,067</b>	<b>(82,152,500)</b>
	<b>Note:</b> As the items of finished goods produced or under production are heterogeneous in nature, model, type and specification, it is not possible to give details under different heads as required under para 5(ii) and para 5(iii) of the general instructions for preparation of the Statement of Profit and Loss as per Schedule III of the Companies Act, 2013.		

## NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2016	Year ended 31 March 2015
<b>3.19</b>	<b>MANUFACTURING EXPENSES</b>		
	Power and fuel	2,718,085	2,907,325
	Spares and Stores	652,107	1,124,335
	Freight	2,302,570	4,575,742
	Travel expenses - Production	716,596	433,567
	System Installation & Maintenance	1,681,831	925,790
	Salaries -Production	7,678,439	7,925,368
		<b>15,749,628</b>	<b>17,892,127</b>
<b>3.20</b>	<b>EMPLOYEE BENEFITS EXPENSE</b>		
	Salaries, wages and bonus	52,928,034	60,433,758
	Contribution to provident and other funds	2,928,279	2,535,098
	Gratuity expense	1,220,486	2,241,836
	Staff welfare expenses	5,044,114	6,823,419
		<b>62,120,913</b>	<b>72,034,111</b>
<b>3.21</b>	<b>FINANCE COSTS</b>		
	Bank Charges	1,358,000	502,061
	BG Commission	1,867,872	2,336,388
	Interest on borrowings		
	- interest on bank OD loans	13,132,039	16,972,643
	- interest on TDB loan	321,729	748,943
	- interest on Vehicle loan	243,216	241,617
	- interest Others	4,015,382	533,527
		<b>20,938,238</b>	<b>21,335,179</b>
<b>3.22</b>	<b>OTHER EXPENSES</b>	<b>284,453,544</b>	<b>243,320,130</b>
	<b>Selling &amp; Distribution expenses</b>	<b>41,617,276</b>	<b>30,450,227</b>
	Business Promotion	4,778,387	3,830,276
	Club expenses	373,759	444,692
	Electricity Charges	16,640	26,510
	Exhibition expenses	31,794,199	15,807,962
	Freight	2,014,470	2,352,402
	Guest House Rent & Maintenance	2,215,563	1,626,688
	Hotel Boarding & Lodging	424,258	1,161,697
	Royalty	-	5,200,000
	<b>Travelling expenses</b>	<b>29,098,867</b>	<b>27,312,386</b>
	Domestic Travel	19,267,240	21,527,406
	Travel expenses - Delivery	573,024	980,492
	Travel expenses - Demo	802,046	1,300,464

## NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2016	Year ended 31 March 2015
	Travel expenses - Installation	2,412,217	1,894,092
	Travel expenses - Servicing	8,003,092	9,636,781
	Travel expenses - Directors	1,062,993	1,233,770
	Travel expenses - Marketing	4,514,780	5,133,481
	Travel expenses - General	1,899,088	1,348,326
	Foreign Travel	9,831,627	5,784,980
	Travel expenses - Directors	4,346,702	3,743,312
	Travel expenses - Others	5,484,925	2,041,668
	<b>R &amp; D Revenue expenses (Refer Note No. 3.26)</b>	<b>142,964,766</b>	<b>129,201,240</b>
	<b>Administrative &amp; General expenses</b>	<b>70,772,635</b>	<b>56,356,277</b>
	Advertisement	1,019,362	1,211,300
	AGM Expenses	26,748	53,469
	Annual Day Expenses	583,721	2,154,037
	Bad Debts	-	33,136
	Bad Debts Writtenback	-	(149,000)
	Books & periodicals	335,185	28,049
	Conveyance	2,900,278	4,076,375
	Director's sitting fees	550,000	480,000
	CSR Expenditure	2,216,120	511,600
	Donation	32,222	17,935
	Electricity Charges	358,476	289,226
	Listing Fee	290,000	340,000
	Insurance	1,617,163	1,241,363
	Membership & Subscription	3,372,282	2,485,925
	Office Maintenance	5,974,086	7,727,920
	Postage & Telephone	3,445,498	3,358,728
	Printing & Stationary	2,057,011	1,761,446
	Professional Charges	22,458,733	13,214,566
	Provision for doubtful Debts/Advances	(539,984)	(3,654,316)
	Rates & Taxes	2,994,425	3,056,933
	Rent	11,221,474	8,596,351
	Security expenses	3,132,587	2,446,960
	Software Licence fee	842,595	2,904,231
	Vehicle Maintenance	3,233,552	2,941,833
	Computer Maintenance	1,907,951	639,016
	Prior Year Expenses	243,090	-

## NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2016	Year ended 31 March 2015
	<b>Payment to Auditors</b>		
	<b>As Auditors</b>		
	For Statutory & Tax audit fee	300,000	240,000
	For Internal audit	180,000	180,000
	<b>In other capacity</b>		
	For Certification and Advisory in respect of Income tax, Company law etc.,	-	148,017
	Out of pocket expenses	20,060	21,177
<b>3.23</b>	<b>DEPRECIATION &amp; AMORTISATION EXPENSE</b>		
	Depreciation on total Tangible assets (Ref Note 3.07)	21,846,310	26,314,602
	Depreciation on total Intangible assets (Ref Note 3.07)	21,324,772	16,405,510
		<b>43,171,082</b>	<b>42,720,112</b>
	Less: Shown under R&D revenue expense		
	- Depreciation on Tangible assets used in R&D activities (Ref Note 3.26)	2,991,168	5,601,294
	- Depreciation on Intangible assets used in R&D activities (Ref Note 3.26)	19,228,037	14,613,746
		<b>22,279,205</b>	<b>20,215,040</b>
		<b>20,891,876</b>	<b>22,505,073</b>
<b>3.24</b>	<b>TAX EXPENSES</b>		
	Current tax (MAT)	6,003,665	40,768,430
		<b>6,003,665</b>	<b>40,768,430</b>
	<b>Note:</b> Tax expense comprises current tax. The current tax represents the Minimum Alternate Tax (MAT) payable by the company on the book profits for the year. Current tax expense is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 and the tax rates and tax laws used to compute the tax amount are prevailing at the reporting date.		
<b>3.25</b>	<b>EARNINGS PER SHARE (EPS)</b>		
	<b>Total operations for the year</b>		
	Profit after tax (PAT)	23,179,759	157,391,755
	Weighted average number of equity shares	77,160,060	77,160,060
	Earnings per Share (Both Basic & Diluted)	<b>0.30</b>	<b>2.04</b>

## NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.26</b>	<b>EXPENDITURE INCURRED ON RESEARCH AND DEVELOPMENT</b>		
	Salaries	65,431,742	61,071,476
	Commission	484,941	-
	Bonus & Gratuity	4,941,413	7,010,793
	Electricity Charges	2,690,101	3,343,432
	Travelling expenses	4,082,943	2,701,235
	Spares & Stores	36,241,451	28,995,133
	Consultancy Fee	4,043,844	2,327,823
	Depreciation	22,279,205	20,215,040
	Interest on TDB Loan (UAV Sim)	2,743,492	1,750,000
	Exhibition Expns - UAV Sim	-	630,756
	Training charges	11,434	43,305
	Freight	-	70,000
	Rates & Taxes	-	848,400
	Repairs & Maintenance	14,200	193,847
		<b>142,964,766</b>	<b>129,201,240</b>

Note No	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.27</b>	<b>COMMITMENTS AND CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF</b>		
	<b>I. DISPUTED MATTERS</b>		
	(a) Appeal filed by the Central 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.	5,171,356	5,171,356
	(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.	74,942,371	74,942,371
		<b>80,113,727</b>	<b>80,113,727</b>

**Note:** The dispute in the matter (a) above was relating to inclusion of customized software in the valuation of simulators supplied by the company during the period from F.Y. 2005-06 to 2010-11 (upto 31.07.2011). The matter was first adjudicated by the Commissioner of Customs and Central Excise Hyderabad - II Commissionerate and decided in favour of the company. However, the Excise Department has filed an appeal before the Appellate Tribunal Challenging the order passed by Commissioner of Customs and Central Excise. For the subsequent periods i.e., 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 it is pending for final 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.



## NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No	Particulars	As at 31 March 2016	As at 31 March 2015
<b>II</b>	<b>GUARANTEES/LETTER OF CREDITS</b>		
	(a) Bank Guarantees	165,898,029	452,090,630
		165,898,029	452,090,630

### 3.28 RELATED PARTY DISCLOSURE

	Name of the Party	Relationship	Nature of Transaction	2015-16	2014-15
	Related party disclosures as required by AS-18 are given below:				
	<b>a. Transactions during the year</b>				
	<b>Mr Ashok Atluri</b> Chairman and Managing Director	Key Management Personnel	Remuneration	5,121,448	4,138,921
	<b>Mr Ashok Atluri</b> Chairman and Managing Director	Key Management Personnel	Commission	-	4,119,033
	<b>Mr Kishore Dutt Atluri</b> President	Key Management Personnel (Brother of Mr Ashok Atluri)	Remuneration	3,580,728	2,637,946
	<b>Mr M Ravi Kumar</b> Whole-Time Director	Key Management Personnel	Remuneration	3,398,568	3,371,110
	<b>b. Receivables</b>				
	Version 2 Games Limited	Wholly owned subsidiary	Debtors	Nil	95,136
	Version 2 Games Limited	Wholly owned subsidiary	Investment	Nil	500,000

As per our Report of even date

For and on behalf of the Board

**Gokhale & Co.,**  
Chartered Accountants  
Firm Regn. No.: 000942S

**Chandrashekhar Gokhale**  
Partner  
M.No: 23839

Place: Hyderabad  
Date: 30 May 2016

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

**Chada Jagadish Reddy**  
Company Secretary  
(M.No. ACS 43388)

**M Ravi Kumar**  
Whole Time Director  
(DIN: 00089921)

**G Sankara Rao**  
Chief Financial Officer  
(M.No. ACA 202650)



## INDEPENDENT AUDITOR'S REPORT

The Members  
**Zen Technologies Limited**  
Hyderabad

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Zen Technologies Limited** (hereinafter referred to as "the Holding Company") and its subsidiary Version 2 Games Limited (the Holding Company and its subsidiary together referred to as "the Group") comprising of the Consolidated Balance Sheet as at 31st March, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

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

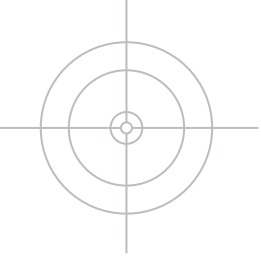
The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

### Auditor's Responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place



and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

### **Other Matters**

- (a) *We did not audit the financial statements of the company's only subsidiary Version 2 Games Limited, whose financial statements reflect total assets of ₹ 7,252 as at 31 March 2016, total revenues of ₹ 1,596 and net cash flows amounting to ₹ 4,552 for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary is based solely on the reports of the other auditors.*

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below is not modified in respect of the work done and the reports of the other auditors.

### **Report on Other Legal and Regulatory Requirements**

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2016 taken on record by the Board of Directors of the Holding Company, none of the directors of the Group companies, incorporated in India is disqualified as on 31st March, 2016 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 Group and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Group has disclosed impact of pending litigation in Notes on Financial Statements under 'Commitments and contingent liabilities not provided for in respect of disputed matters'.
  - ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Group.

**For Gokhale & Co**  
Chartered Accountants  
Firm Regn. No 000942S

**Chandrashekhar Gokhale**  
Partner  
Membership No 23839

Place: Hyderabad  
Date: 30 May 2016



## Annexure - A

### Report on the Internal Financial Controls over Financial Reporting in terms of 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 Holding Company') as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date. We have obtained and relied on a report on the Internal Financial Controls over Financial Reporting issued by the Statutory Auditors of the Company's only subsidiary Version 2 Games Limited (the subsidiary company). The Holding Company and the Subsidiary company hereafter together referred to as 'the group'.

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

The Group's Management is responsible for establishing and maintaining Internal Financial Controls based on "the internal control over financial reporting criteria established by the Group 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". 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 Group's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditors' Responsibility

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

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

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

A Group's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Group's internal financial control over financial reporting includes those policies and procedures that

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the group;

- (ii) 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 group are being made only in accordance with authorisations of management and directors of the group; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the group'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 Group 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 2016, based on the internal control over financial reporting criteria established by the Group considering the essential components of Internal Financial 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 **Gokhale & Co**  
Chartered Accountants  
Firm Regn. No 000942S

Place: Hyderabad  
Date: 30 May 2016

**Chandrashekhar Gokhale**  
Partner  
Membership No 023839

## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2016

(in ₹)

Particulars	Note No.	As at 31 March	
		2016	2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	3.01	77,160,060	77,160,060
(b) Reserves and surplus	3.02	1,046,570,144	1,032,731,762
		<b>1,123,730,204</b>	<b>1,109,891,822</b>
<b>Non current liabilities</b>			
(a) Long-term borrowings	3.03	77,646,279	36,761,339
(b) Long-term provisions	3.04	9,057,094	8,875,075
		<b>86,703,373</b>	<b>45,636,414</b>
<b>Current liabilities</b>			
(a) Short-term borrowings	3.03	295,027,070	348,242,456
(b) Trade payables	3.05	20,986,036	31,249,937
(c) Other current liabilities	3.06	125,797,705	166,185,281
(d) Short term provisions	3.04	15,290,650	73,272,877
		<b>457,101,461</b>	<b>618,950,551</b>
<b>TOTAL</b>		<b>1,667,535,038</b>	<b>1,774,478,788</b>
<b>ASSETS</b>			
<b>Non current assets</b>			
(a) Fixed assets			
- Tangible assets	3.07	431,154,254	440,571,714
- Intangible assets		12,393,170	32,815,942
- Capital work-in-progress		147,174,315	3,114,900
(c) Long term loans and advances	3.08	35,631,909	46,820,356
		<b>626,353,648</b>	<b>523,322,912</b>
<b>Current assets</b>			
(a) Inventories	3.10	97,861,044	150,172,849
(b) Trade receivables	3.11	80,601,563	594,763,789
(c) Cash and bank balances	3.12	679,685,279	376,393,430
(d) Short-term loans and advances	3.13	145,592,259	97,165,109
(e) Other current assets	3.09	37,441,245	32,660,699
		<b>1,041,181,390</b>	<b>1,251,155,876</b>
<b>TOTAL</b>		<b>1,667,535,038</b>	<b>1,774,478,788</b>
Summary of Significant accounting policies		1&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

**Gokhale & Co.,**  
Chartered Accountants  
Firm Regn. No.: 000942S

**Chandrashekhar Gokhale**  
Partner  
M.No: 23839

Place: Hyderabad  
Date: 30 May 2016

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

**Chada Jagadish Reddy**  
Company Secretary  
(M.No. ACS 43388)

**M Ravi Kumar**  
Whole Time Director  
(DIN: 00089921)

**G Sankara Rao**  
Chief Financial Officer  
(M.No. ACA 202650)



## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2016

( in ₹ )

Particulars	Note No.	For the Year ended 31 March	
		2016	2015
<b>INCOME</b>			
Revenue from operations	3.14	526,155,067	785,479,665
Other income	3.15	54,662,133	33,203,166
<b>Total (A)</b>		<b>580,817,200</b>	<b>818,682,831</b>
<b>EXPENSES</b>			
Cost of Materials and Components consumed	3.16	80,684,914	325,553,162
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	3.17	66,793,067	(82,152,500)
Manufacturing Expenses	3.18	15,749,628	17,892,127
Employee Benefits Expense	3.19	62,120,913	72,034,111
Other Expenses	3.21	284,503,385	243,364,501
<b>Total (B)</b>		<b>509,851,907</b>	<b>576,691,401</b>
<b>Earning Before Interest, Tax, Depreciation and Amortization (EBITDA) (A-B)</b>		<b>70,965,293</b>	<b>241,991,430</b>
Finance Costs	3.20	20,938,238	21,337,322
Depreciation and Amortization Expense	3.22	20,891,876	22,505,073
<b>Profit/(Loss) before tax</b>		<b>29,135,179</b>	<b>198,149,035</b>
<b>Tax Expense</b>	3.23		
Current tax		6,003,665	40,768,430
<b>Total Tax Expenses</b>		<b>6,003,665</b>	<b>40,768,430</b>
<b>Profit/(Loss) for the year</b>		<b>23,131,514</b>	<b>157,380,605</b>
Earnings per equity share of face value of ₹ 1/- each	3.24		
Basic -		<b>0.30</b>	2.04
Diluted -		<b>0.30</b>	2.04
Summary of Significant accounting policies	1 & 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

**Gokhale & Co.,**  
Chartered Accountants  
Firm Regn. No.: 0009425

**Chandrashekhhar Gokhale**  
Partner  
M.No: 23839

Place: Hyderabad  
Date: 30 May 2016

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

**Chada Jagadish Reddy**  
Company Secretary  
(M.No. ACS 43388)

**M Ravi Kumar**  
Whole Time Director  
(DIN: 00089921)

**G Sankara Rao**  
Chief Financial Officer  
(M.No. ACA 202650)

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

(₹ in Lakhs)

Particulars	For the Year ended 31 March	
	2016	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	291.35	1981.49
<b>Non-cash adjustments:</b>		
Depreciation and amortisation expenses	431.71	427.20
Interest expense/Finance cost	209.38	213.37
Interest income	537.44	328.82
Net gain/(loss) on foreign currency exchange fluctuation	(1.06)	-
Profit on sale of asset	-	(0.19)
Operating profit before working capital changes	1,468.83	2950.69
<b>Changes in working capital:</b>		
Increase/(decrease) in trade payables	(102.64)	103.05
Increase/(decrease) in other current liabilities	(403.88)	694.02
Increase/(decrease) in short term provisions	(579.82)	(92.17)
Increase/(decrease) in long term provisions	1.82	36.37
Decrease/(increase) in trade receivables	5,141.62	(5,094.68)
Decrease/(increase) in inventories	523.12	(516.97)
Decrease/(increase) in short term loans & advances	(493.63)	(42.52)
Decrease/(increase) in other current assets	(47.81)	(2.51)
<b>Cash generated from /(used in) operations</b>	<b>5,507.61</b>	<b>(1,964.72)</b>
Direct tax payments (net of refunds)	(142.54)	(43.51)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>5,365.07</b>	<b>(2,008.23)</b>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

(₹ in Lakhs)

Particulars	For the Year ended 31 March	
	2016	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase)/decrease in tangible and intangible fixed assets	(133.31)	(281.21)
(Increase)/decrease in capitial work in progress	(1,440.59)	72.42
interest received	(537.44)	(328.82)
(Increase)/decrease in long term loans & advances	111.88	123.16
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>(1,999.46)</b>	<b>(414.45)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase/(decrease) in long term borrowings	408.85	(37.21)
Increase/(decrease) in short term borrowings	(532.15)	2,234.77
Interest paid	(209.38)	(213.37)
<b>Net cash flow from/(used in) in financing activities (C)</b>	<b>(332.69)</b>	<b>1,984.19</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents (A+B+C)</b>	<b>3,032.92</b>	<b>(438.48)</b>
Cash & cash equivalents at the beginning of the year	3,763.93	4,202.42
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>6,796.85</b>	<b>3,763.93</b>
<b>Note:</b> 1. Figures in brackets indicate cash outgo.		
2. Previous year figures have been regrouped wherever necessary to confirm to the current year's classification.		

As per our Report of even date	For and on behalf of the Board	
<b>Gokhale &amp; Co.,</b> Chartered Accountants Firm Regn. No.: 0009425	<b>Ashok Atluri</b> Chairman & Managing Director (DIN: 00056050)	<b>M Ravi Kumar</b> Whole Time Director (DIN: 00089921)
<b>Chandrashekhar Gokhale</b> Partner M.No: 23839	<b>Chada Jagadish Reddy</b> Company Secretary (M.No. ACS 43388)	<b>G Sankara Rao</b> Chief Financial Officer (M.No. ACA 202650)
Place: Hyderabad Date: 30 May 2016		



# NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## 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.

The Company owned a 100% subsidiary, Version 2 Games Limited, India.

### 1 PRINCIPAL OF CONSOLIDATION

The consolidated financial statements present the accounts of the Company and wholly owned subsidiary Version 2 Games Limited India. The consolidation is based on the audited financial statements of Zen Technologies Limited and its subsidiary for the year ended 31 March 2016.

The consolidated financial statements are prepared in Indian rupees. The Indian rupee is the functional currency of Zen Technologies Limited and Version 2 Games Limited.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of accounting and preparation of financial statements

The Financial Statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) under the historical cost conversion on accrual basis. GAAP comprise mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('the Act) read with rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) and guidelines issued by the Securities Exchange Board of India (SEBI)

#### 2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

#### 2.3 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.

## 2.4 Cash and cash equivalents

Cash and cash equivalent for the purposes of cash flow statement comprise cash at bank, cash in hand, demand deposits and other bank balances.

## 2.5 Cash flow statement

Cash Flows are reported using the indirect method, whereby profit/ (loss) before tax is adjusted for the effects of transactions of non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows, The cash flows from operating, investing and financing activities of the Company are segregated based on the available information

## 2.6 Depreciation

Effective from 01.04.2014, the Company has charged Depreciation based the revised remaining useful life of the assets as per the requirement of Schedule II of the Companies Act, 2013. Depreciation on all assets is provided on the Straight Line Method over the useful lives of the assets estimated by the Management. Depreciation for assets purchased/sold during the period is proportionately charged. 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 (Other than factory buildings)	60 years
Factory Buildings	30 years
Lease Buildings	6 years
Plant and Machinery	15 years
Office Equipment	5 years
Computers	3 years
Vehicles	8 years
Furniture & Fixtures	10 years
Testing Equipment	10 years
Software	33.33%

Amounts spent for capital work-in-progress including advance given for capital goods are grouped under capital work-in-progress.

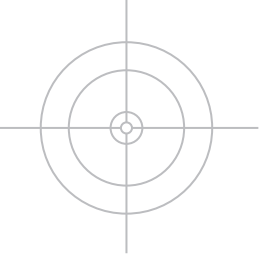
Impairment of Assets: The management assesses at regular intervals using external and internal sources whether there is any indication that an asset may be impaired

## 2.7 Tangible fixed assets

Fixed assets are carried at cost less accumulated depreciation. The cost of fixed assets includes interest on borrowings attributable to acquisition of fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Subsequent expenditure relating to fixed assets is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

### Capital work-in-progress:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses.



## 2.8 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following recognition criteria is applied before revenue is recognized:

### 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 sales tax and Value Added Tax (VAT) on behalf of the government and therefore, these are not economic benefits flowing to the Company, hence they are excluded from the revenue. Excise duty deducted from revenue (gross) is the amount that was included in the revenue (gross).

### Excise duty

Excise duty has been accounted as and when goods are dispatched and no provision is made for the goods lying at the year end. This accounting treatment has been followed consistently and has no impact on the profitability of the company.

### Sale of Services

Revenue from Annual Maintenance Contracts (AMC) is recognized on pro-rata basis over the period in which such services are rendered. The Company collects service tax on behalf of the government and therefore, it is not an economic benefit flowing to the company. Hence, it is excluded from the revenue.

### 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.

## 2.9 Foreign currency transactions

Expenses and income are recorded at the exchange rate prevailing on the date of transaction. Assets and Liabilities on the date of the Balance Sheet are restated at the exchange rate prevailing on the Balance Sheet date. Exchange rate differences arising on settlement of the transaction and on account of restatement of Assets and Liabilities are dealt with in the Statement of Profit and Loss.

## 2.10 Investments

Long-term investment held in equity share capital of wholly owned subsidiary company is carried at cost.

## 2.11 Employee Retirement and other benefits

The Company operates defined benefit plan of Group Gratuity for its employees. The Company has taken a Group Gratuity Scheme with Life Insurance Corporation of India. The premium payable under the scheme is provided in the books on accrual basis. The present value of the defined benefit obligation and the related current service cost were measured using actuarial valuation carried out by an independent actuary consultant at each year end. Actuarial valuation is carried out using the projected unit credit method. Gratuity is calculated as per the Payment of Gratuity Act, 1972 on actual liability basis.

The Company does not have any scheme for leave encashment in place.

In respect of retirement benefits in the form of provident fund, the contribution payable by the company for the year is charged to the Statement of Profit and Loss. The Company has no obligation other than the contribution payable to the provident fund.

### 2.12 Earnings per share

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

### 2.13 Taxes on income

Minimum alternate tax (MAT) payable in a year is charged to the Statement of Profit and Loss as current tax.

### 2.14 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.

### 2.15 Contingent liabilities

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.

### 2.16 Research and development costs

Revenue costs are expensed in the year in which they are incurred and the capital expenditure is added to fixed assets and are depreciated in accordance with depreciation policy of the Company.

### 2.17 Dividends

Provision made in the accounts for the dividends payable by the Company as recommended by the Board of Directors, pending approval of the shareholders at the Annual General Meeting. Income tax on dividends payable is provided for in the year to which such dividends relate.

**2.18** Overdraft facilities from banks are secured by way of pledge of Fixed Deposits and the working capital facilities (₹ 15 Crore) from Indian bank are secured by equitable mortgage of immovable properties and other fixed assets pari-pasu charge with Technology Development Board (TDB).

**2.19** The Company operates in one segment i.e., Training and Simulation.

**2.20** The Common expenses incurred at Head Office were allocated between Head Office and Himachal Pradesh unit based on Net turnover.

**2.21** All Fixed deposits were kept with Scheduled banks only.

2.22 The unclaimed dividend amount for all the earlier financial year as on 31 March 2016 is ₹ 828,706.25/- details of which are given below:

Sl. No	Name of the Bank	Year of declaration of dividend	Unclaimed Amount (₹)
1	HDFC	2008-09	153,211.50
2	HDFC	2009-10	155,281.50
3	HDFC	2010-11	60,976.50
4	HDFC	2011-12	225,036.50
5	HDFC	2012-13	49,654.00
6	HDFC	2013-14	51,954.00
7	HDFC	2014-15	132,592.25
	<b>TOTAL</b>		<b>828,706.25</b>

2.23 Receivables do not include any amount due and recoverable from directors or other officers of the Company, or Companies under the same management.

2.24 The balances of Sundry Debtors, Creditors and advances in various personal accounts are subject to reconciliation and conformation with the concerned parties.

2.25 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.

2.26 During the year the Company has spent an amount of ₹ 2,216,120/-for CSR activities out of which ₹1,698,332/- belongs to 2014-15 and the balance ₹ 517,788/- belongs to the year 2013-14. Balance ₹1,976,112 to be spent by the Company against the amount actually to be spent for the year 2013-14. As it was decided by the CSR Committee to spend the amount based on the progress of the envisaged project and new projects as identified

2.27 None of the pending litigations have any impact on Company's financial position.

2.28 As per Cost Audit applicability, cost compliance is not applicable for FY 2015-16 as ZEN is small scale industry under MSME.

**Managing Directors remuneration and commission has been worked out as per provision Under Section 198 of Companies Act, 2013.**

#### 2.29 Director's Remuneration

(in ₹)

S. No	Particulars	2015-16	2014-15
1	<b>Director's Remuneration</b>		
	<b>Chairman &amp; Managing Director</b>		
	Salary, perquisites & Allowances	5,121,448	4,138,921
	Commission	0	4,119,033
	<b>Total</b>	<b>5,121,448</b>	<b>8,257,954</b>
2	<b>Other Director</b>		
	Salary, perquisites & Allowances	3,398,568	3,371,110
	<b>Total</b>	<b>3,398,568</b>	<b>3,371,110</b>



### 2.30 Foreign Currency Expenses

(in ₹)

Particulars	2015-16	2014-15
Capital Goods	525,313	187,094
Raw Materials and Components	4,614,551	-
Stores and Spares	80,901	2,254,484
Foreign Travel (Exclusive of tickets purchased)	3,718,928	1,992,364
Software	146,760	-
Membership	748,602	1,869,968
Professional charges	1,090,442	1,321,128
Exhibition Expenses	7,998,364	4,234,212
Training Charges	482,288	-
Other	139,925	5,948,032

**2.31** 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.

**2.32** Value of Imported and indigenous raw materials and components consumed

(₹ in lakhs)

Particulars	2015-16		2014-15	
	Value	%	Value	%
Indigenous raw material and stores	888.98	94.81	2,950.97	100
Imported stores and components	46.15	5.19	-	-

**2.33** In the opinion of Board of Director's the current assets, loans and advances are expected to realize approximately the value stated in the ordinary course of business.

As per our Report of even date	For and on behalf of the Board	
<b>Gokhale &amp; Co.,</b> Chartered Accountants Firm Regn. No.: 0009425	<b>Ashok Atluri</b> Chairman & Managing Director (DIN: 00056050)	<b>M Ravi Kumar</b> Whole Time Director (DIN: 00089921)
<b>Chandrashekhar Gokhale</b> Partner M.No: 23839	<b>Chada Jagadish Reddy</b> Company Secretary (M.No. ACS 43388)	<b>G Sankara Rao</b> Chief Financial Officer (M.No. ACA 202650)
Place: Hyderabad Date: 30 May 2016		

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2016		As at 31 March 2015		
<b>3.01</b>	<b>SHARE CAPITAL</b>					
	Authorised					
	200,000,000 (31 March 2015:200,000,000) Equity shares of ₹ 1/- each	200,000,000		200,000,000		
		200,000,000		200,000,000		
	Issued, subscribed and paid-up					
	77,160,060 (31 March 2015: 77,160,060) Equity shares of ₹ 1/- each fully paid-up	77,160,060		77,160,060		
	<b>a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period (31 March 2015: Face Value of ₹ 1/- each)</b>					
		31 March 2016		31 March 2015		
	Particulars	Nos of Shares	₹	Nos of Shares	₹	
	At the beginning of the period	77,160,060	77,160,060	77,160,060	77,160,060	
	Outstanding at the end of the period	77,160,060	77,160,060	77,160,060	77,160,060	
	<b>b. Terms/rights attached to equity shares</b>					
	The Company has only one class of equity shares having a par value of ₹ 1/- each. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.					
	During the year ended 31 March 2016, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 0.10 (previous year ₹ 0.35)					
	<b>c. Details of shareholders holding more than 5% shares in the Company of ₹1/- each fully paid (31 March 2015: Face Value of ₹ 1/- each)</b>					
		As at 31 March 2016		As at 31 March 2015		
	Name of the share holder	No of Shares	%	No of Shares	%	
	Ashok Atluri	22,316,498	28.92	25,402,900	32.92	
	Kishore Dutt Atluri	15,416,002	19.98	12,329,600	15.98	
	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.					
	<b>d. Aggregate number of shares bought back during the period of five years immediately preceding the reporting date:</b>					
	Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	No. of Equity Shares bought back by the company during the year	-	-	1,172,426	-	-
	Aggregate Number of Equity Shares bought back by the company	1,187,994	1,187,994	1,187,994	15,568	15,568

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.02</b>	<b>RESERVES AND SURPLUS</b>		
	<b>Securities premium reserve (Share premium)</b>		
	Balance as per the last Balance Sheet	89,185,359	89,185,359
	<b>Closing Balance</b>	<b>89,185,359</b>	<b>89,185,359</b>
	<b>General Reserve</b>		
	Balance as per the last Balance Sheet	350,000,000	336,097,550
	Add: Transfer from P&L Accumulated account	2,500,000	13,902,450
	<b>Closing Balance</b>	<b>352,500,000</b>	<b>350,000,000</b>
	<b>Capital Redemption Reserve</b>		
	Balance as per the last Balance Sheet	11,724,260	11,724,260
	<b>Closing Balance</b>	<b>11,724,260</b>	<b>11,724,260</b>
	<b>Surplus/(deficit) in the Statement of Profit and Loss</b>		
	Balance as per last Balance Sheet	581,822,143	470,848,435
	Add: Net Profit/(loss) for the current period	23,125,367	157,380,605
	Balance available for appropriation	604,947,510	628,229,040
	Less: Appropriation		
	Proposed Equity dividend (amount per share ₹ 0.10 ) (31 March 2015: ₹ 0.35)	7,716,006	27,006,021
	Tax on proposed equity dividend	1,570,979	5,498,426
	Transfer to General Reserve	2,500,000	13,902,450
	Total appropriations	11,786,985	46,406,897
	<b>Net surplus in the Statement of Profit and Loss</b>	<b>593,160,525</b>	<b>581,822,143</b>
	<b>Total Reserves and Surplus</b>	<b>1,046,570,144</b>	<b>1,032,731,762</b>

Note No.	Particulars	Non-current portion		Current maturities	
		As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
<b>3.03</b>	<b>LONG-TERM BORROWINGS</b>				
	<b>Secured</b>				
	- Term Loan from TDB (Ref Note)	77,340,000	35,000,000	25,780,000	8,556,000
	- Vehicle loan	306,279	1,761,339	1,452,329	1,323,984
	- Interest accrued on TDB loan	-	-	5,337,328	2,593,836
		<b>77,646,279</b>	<b>36,761,339</b>	<b>32,569,657</b>	<b>12,473,820</b>
	<b>Note:</b> The Loan taken from Technology Development Board (TDB), Ministry of Science and Technology, Govt. of India, for ₹ 1,160 lakhs was utilized for part financing the project "Development and Commercialization of Unmanned Aerial Vehicle Mission Simulator". The loan carries interest @ 5% (simple interest) per annum and is repayable in 9 half yearly installments commencing from 01 October 2015 . The loan is secured by equitable mortgage of immovable properties and other fixed assets pari-passu with Indian Bank. The loan is also guaranteed by the Company's own guarantee and pledging of 15,000,000 equity shares of ₹ 1/- each owned by the Managing Director of the Company.				

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.03</b>	<b>SHORT-TERM BORROWINGS</b>		
	<b>Secured</b>		
	Loan repayable on demand (Ref Note)		
	8.50% (PY 9.75%) OD I against Fixed Deposits from Indian Bank	42,971,123	116,476,491
	9.50% (PY 9.75%) OD II against Fixed Deposits from Indian Bank	2,051,335	90,820,070
	9.25% (PY NIL) OD III against Fixed Deposits from Indian Bank	184,342,258	-
	12.70% (PY 13.30%) against Indian Bank OCC account	2,944,839	63,613,311
	9.25% (PY 9.75%) OD against Fixed Deposits from Corporation Bank	62,717,515	63,056,682
	NSIC Limited	-	14,275,902
		<b>295,027,070</b>	<b>348,242,456</b>
	<b>Note :</b> The above mentioned overdraft facilities are secured by way of pledge of fixed deposits. Working Capital facilities (₹ 15 Crore) from 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.		

Note No.	Particulars	Long-term		Short-term	
		As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
<b>3.04</b>	<b>PROVISIONS</b>				
	Provision for employee benefit				
	- Provision for gratuity (Ref Note)	8,557,094	8,375,075	-	-
	Other Provisions				
	- Proposed dividend	-	-	7,716,006	27,006,021
	- Tax on dividend	-	-	1,570,979	5,498,426
	- Provision for MAT	-	-	6,003,665	40,768,430
	- Provision for decline, other than temporary, in the value of long-term investments	500,000	500,000	-	-
		<b>9,057,094</b>	<b>8,875,075</b>	<b>15,290,650</b>	<b>73,272,877</b>
	<b>Note:</b> 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 (AS) 15 (Revised 2005) as prescribed under The Companies (Accounting Standard) Rules, 2006.				

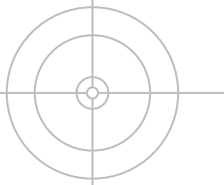
Note No.	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.05</b>	<b>TRADE PAYABLES</b>		
	Trade payables		
	- Dues to Micro and Small Enterprises	-	-
	- Others	20,986,036	31,249,937
		<b>20,986,036</b>	<b>31,249,937</b>

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

S.No	Particulars	Gratuity 2015-16
<b>I</b>	<b>Change in Present value of obligation</b>	
	PVO at beginning of the year	19,645,377
	Interest cost	1,493,452
	Current service cost	3,559,345
	Benefits paid	(849,273)
	Actuarial gain/(loss) on obligation	(1,686,388)
	PVO at the end of the period	22,162,513
<b>II</b>	<b>Change in fair value of plan Assets</b>	
	Fair value of plan Assets at beginning of period	11,270,302
	Expected return on plan Assets	1,009,584
	Contributions	2,260,837
	Benefits paid	(849,273)
	Actuarial gain/(loss) on obligation	(86,031)
	Fair value of plan Assets at the end of period	13,605,419
<b>III</b>	<b>Net status of Plan</b>	8,557,094
<b>IV</b>	<b>Net amount recognized</b>	8,557,094

Note	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.06</b>	<b>OTHER CURRENT LIABILITIES</b>		
	Current maturities of long-term debts (Note 3.03)	32,569,657	12,473,820
	Unclaimed dividends	828,706	822,017
	<b>Employee salaries and benefits:</b>		
	- Salaries and benefits	13,779,114	14,727,606
	- Bonus and incentives	8,009,519	8,182,282
	<b>Other payables:</b>		
	Provision for expenses	5,655,546	457,222
	Taxes payable:		
	- Service tax payable	505,546	1,068,129
	- Sales tax payable	314,313	31,083,693
	- TDS payable	3,345,694	2,492,367
	- Wealth Tax payable	-	85,000
	Advance from customers	60,789,610	94,793,145
		<b>125,797,705</b>	<b>166,185,281</b>



(in ₹)

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

### 3.07 FIXED ASSETS

Description	Life of Asset	Gross block			Accumulated depreciation			Net block		
		Opening Balance	Additions during the year	Sales / Adjustments during the year	As at 01st April 2015	Charge for the year	Sales / Adjustments during the year	Total 31 March 2016	As at 31 March 2016	As at 31 March 2015
<b>Hyderabad Unit (T.S)</b>										
<b>Production Division</b>										
<b>TANGIBLE</b>										
Land		39,830,091	-	-	-	-	-	-	39,830,091	39,830,091
Building Chandralok	60 yrs	487,791	-	-	109,124	8,179	-	117,303	370,488	378,667
Building-Cherlapally	60 yrs	4,651,498	-	-	532,838	77,715	-	610,553	4,040,945	4,118,660
Building-New Delhi	60 yrs	137,804,361	-	-	4,131,223	2,297,330	-	6,428,553	131,375,808	133,673,138
Lease Building-Bangalore	6 yrs	-	2,946,700	-	-	368,661	-	368,661	2,578,039	-
Buildings Maheswaram	30 yrs	207,238,325	707,093	-	29,868,444	6,899,589	-	36,768,033	171,177,385	177,369,881
Computers	3 yrs	17,020,536	976,373	-	14,527,669	1,794,753	-	16,322,421	1,674,487	2,492,868
Plant and machinery	15 yrs	14,111,659	49,950	-	1,720,693	965,963	-	2,686,655	11,474,954	12,390,966
Office Equipment	5 yrs	22,365,835	2,310,148	15,000	14,078,668	2,571,460	8,698	16,641,430	8,019,553	8,287,168
Furniture, fixtures	10 yrs	9,866,326	326,529	-	3,518,283	1,042,239	-	4,560,522	5,632,333	6,348,044
Testing Equipment	10 yrs	907,781	486,217	-	101,005	96,530	-	197,535	1,196,463	790,000
Vehicles	10 yrs	21,621,677	3,000,000	-	10,327,479	2,056,502	-	12,383,980	12,237,697	11,294,199
		475,905,880	10,803,010	15,000	78,915,424	18,178,920	8,698	97,085,646	389,608,245	396,973,681
<b>INTANGIBLE</b>										
Software	100.00%	4,294,764	-	-	4,294,764	-	-	4,294,764	-	-
Software	33.33%	6,107,670	-	-	2,523,604	2,036,735	-	4,560,339	1,547,331	3,584,066
		486,308,314	10,803,010	15,000	85,733,792	20,215,655	8,698	105,940,750	391,155,576	400,557,747
<b>Hyderabad Unit (T.S)</b>										
<b>R&amp;D Division</b>										
<b>TANGIBLE</b>										
Land		5,150,020	-	-	-	-	-	-	5,150,020	5,150,020
Building - Sanathnagar	60 yrs	28,186,689	-	-	4,206,843	475,918	-	4,682,762	23,503,928	23,979,846
Shed -B42	60 yrs	514,008	-	-	4,142	8,567	-	12,709	501,299	509,866
Computers	3 yrs	8,572,560	1,196,257	-	7,537,515	847,375	-	8,384,889	1,383,928	1,035,046
Plant and machinery	15 yrs	14,093,331	-	-	8,800,263	457,973	-	9,258,236	4,835,095	5,293,068
Office Equipment	5 yrs	5,953,030	304,236	-	5,779,704	75,019	-	5,854,722	402,543	173,326
Furniture, fixtures	10 yrs	4,026,701	43,226	-	3,352,409	549,407	-	3,901,817	168,110	674,292
Testing Equipment	10 yrs	5,388,550	50,423	-	2,256,483	485,452	-	2,741,935	2,697,038	2,789,194
Vehicles	10 yrs	818,169	-	-	635,753	91,458	-	727,212	90,957	182,416
		72,703,057	1,594,142	-	32,573,113	2,991,168	-	35,564,281	38,732,919	39,787,074

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

### 3.07 FIXED ASSETS

(in ₹)

Description	Life of Asset	Gross block			Accumulated depreciation			Net block		
		Opening Balance	Additions during the year	Sales / Adjustments during the year	As at 31 March 2016	Charge for the year	Sales / Adjustments during the year	Total 31 March 2016	As at 31 March 2016	As at 31 March 2015
<b>INTANGIBLE</b>										
Software	100.00%	30,600,930	-	-	30,600,930	-	-	30,600,930	-	-
Software (RKT)	33.33%	57,485,438	902,000	-	58,387,438	19,288,037	-	47,541,598	10,845,840	29,231,876
		160,789,425	2,496,142	-	163,285,568	22,279,205	-	113,706,809	49,578,759	69,018,950
<b>Nalagarh Unit (Himachal Pradesh)</b>										
<b>Production Division</b>										
<b>TANGIBLE</b>										
Computers	3 yrs	1,751,938	-	-	1,751,938	-	-	1,751,938	-	-
Plant and machinery	15 yrs	3,320,704	-	-	3,320,704	251,282	-	1,454,116	1,866,588	2,117,870
Office Equipment	5 yrs	542,124	38,000	-	580,124	36,579	-	449,508	130,616	129,194
Furniture, fixtures	10 yrs	1,356,437	-	-	1,356,437	210,401	-	920,313	436,124	646,525
Testing Equipment	10 yrs	952,312	-	-	952,312	168,116	-	593,466	358,846	886,610
Vehicles	10 yrs	89,400	-	-	89,400	9,844	-	68,483	20,917	30,761
		8,012,915	38,000	-	8,050,915	676,221	-	5,237,825	2,813,090	3,810,960
<b>INTANGIBLE</b>										
Software	100%	594,501	-	-	594,501	-	-	594,501	-	-
		8,607,416	38,000	-	8,645,416	676,221	-	5,832,326	2,813,090	3,810,960
<b>Total of Tangible Assets A</b>		556,621,852	12,435,152	15,000	569,042,006	21,846,309	8,698	137,887,752	431,154,254	440,571,715
<b>Total of Intangible Assets B</b>		99,083,303	902,000	-	99,985,303	21,324,772	-	87,592,133	12,393,170	32,815,942
<b>Total of (A+B)</b>		655,705,155	13,337,152	15,000	669,027,309	43,171,081	8,698	225,479,884	443,547,425	473,387,657
Previous year		628,151,418	28,681,093	1,127,355	655,705,156	42,720,112	584,194	147,421,807	473,387,656	487,969,836
<b>Capital Work In Progress</b>										
WIP - Interiors									62,602,925	-
WIP - Buildings									84,571,390	-
WIP - Lease Building									-	2,894,046
WIP - Screen									-	220,854
									147,174,315	3,114,900

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.08</b>	<b>LONG-TERM LOANS AND ADVANCES</b>		
	<b>Unsecured, considered good</b>		
	Capital advances	9,200,000	18,620,000
	Security deposits	10,012,169	8,887,687
	Other loans and advances		
	- Prepaid expenses	6,455,979	8,410,177
	- Deposits with government, public bodies and others	9,963,761	10,902,492
		<b>35,631,909</b>	<b>46,820,356</b>
<b>3.09</b>	<b>OTHER NON-CURRENT ASSETS</b>	<b>Nil</b>	<b>Nil</b>
	<b>OTHER CURRENT ASSETS</b>		
	Interest accrued on fixed deposits with banks	10,665,416	3,402,092
	Accrued AMC Income	26,775,829	29,258,607
		<b>37,441,245</b>	<b>32,660,699</b>
<b>3.10</b>	<b>INVENTORIES</b>		
	Raw material (Ref Note 3.16)	34,889,409	26,676,200
	Work in progress (Ref Note 3.17)	32,657,833	117,802,500
	Stock-in-trade (Ref Note 3.17)	3,502,149	3,502,149
	Inventory-Demo Systems	18,351,600	-
	Inventory Others	8,460,053	2,192,000
		<b>97,861,044</b>	<b>150,172,849</b>



## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.		Non-Current		Current	
		As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
<b>3.11</b>	<b>TRADE RECEIVABLES</b>				
	Outstanding for a period exceeding 6 months from the date they are due for payment				
	- Unsecured, considered good	33,035,734	19,392,532	-	-
	- Doubtful	6,570,812	7,110,797	-	-
		39,606,546	26,503,329	-	-
	Provision for doubtful receivables	(6,570,812)	(7,110,797)	-	-
	(A)	33,035,734	19,392,532	-	-
	Other receivables				
	- Unsecured, considered good	-	-	47,565,829	575,371,257
	(B)	-	-	47,565,829	575,371,257
	<b>Total (A+B)</b>	<b>33,035,734</b>	<b>19,392,532</b>	<b>47,565,829</b>	<b>575,371,257</b>

<b>3.12</b>	<b>CASH AND BANK BALANCES</b>		
	<b>Cash and cash equivalents</b>		
	Balances with banks:		
	- On current accounts	18,987,566	3,624,890
	Cash on hand	3,737	808,880
	Other bank balances:		
	- Deposits with original maturity for > 3 months but < 12 months - <b>Indian Bank</b>	109,765,597	4,306,474
	- Balances with banks to the extent held as margin money for guarantees - <b>Indian Bank</b>	17,420,540	45,209,063
	- Balances with banks to the extent held as security against OD borrowings - <b>Indian Bank</b>	448,050,309	238,047,701
	- Balances with banks to the extent held as security against OD borrowings - <b>HDFC Bank</b>	10,000,000	10,000,000
	- Balances with banks to the extent held as security against OD borrowings - <b>Corporation Bank</b>	74,628,824	73,574,405
	Balances with banks for unpaid dividend	828,706	822,017
		<b>679,685,279</b>	<b>376,393,430</b>

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2016	As at 31 March 2015
<b>3.13</b>	<b>SHORT-TERM LOANS AND ADVANCES</b>		
	Secured, considered good	-	-
	Unsecured, considered good		
	Advance to material suppliers	109,741,730	49,236,862
	Income tax refundable	6,736,194	29,429,564
	Advance income tax	14,323,377	4,408,581
	Other loans and advances		
	- Prepaid expenses	2,870,001	3,110,680
	- Balance with VAT, Central excise and Service tax	10,015,321	6,940,166
	- Loans and advances to employees	1,905,636	1,482,977
	- Others	-	2,556,280
		<b>145,592,259</b>	<b>97,165,109</b>

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2016	Year ended 31 March 2015
<b>3.14</b>	<b>REVENUE FROM OPERATIONS</b>		
	a) Sale of Products	426,837,022	719,211,984
	Less : Excise duty	1,500,000	3,943,320
		<b>425,337,022</b>	<b>715,268,664</b>
	b) Sale of Services	100,818,045	70,211,001
		<b>526,155,067</b>	<b>785,479,665</b>
<b>3.15</b>	<b>OTHER INCOME</b>		
	Interest income	53,744,063	32,881,686
	Miscellaneous income	1,023,923	302,446
	Net gain/(loss) on foreign currency exchange fluctuation	(105,853)	-
	Profit/(Loss) on Sale of Vehicle	-	19,034
		<b>54,662,133</b>	<b>33,203,166</b>
<b>3.16</b>	<b>COST OF MATERIALS AND COMPONENTS CONSUMED</b>		
	Opening stock of raw materials	26,676,200	57,131,861
	Add : Purchases	88,898,123	295,097,501
		<b>115,574,323</b>	<b>352,229,362</b>
	Less : Closing stock	34,889,409	26,676,200
		<b>80,684,914</b>	<b>325,553,162</b>
	<b>Note:</b> As the items of raw material purchased and consumed are dissimilar in nature, type and numerous in quantity, it is not possible to give details under different heads as required under para 5(ii) and para 5(iii) of the general instructions for preparation of the Statement of Profit and Loss as per Schedule III of the Companies Act, 2013.		
<b>3.17</b>	<b>CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>		
	Opening work in progress	117,802,500	35,650,000
	Opening traded goods	3,502,149	3,502,149
		<b>121,304,649</b>	<b>39,152,149</b>
	Closing work in progress	32,657,833	117,802,500
	Inventory-Demo Systems	18,351,600	-
	Closing traded goods	3,502,149	3,502,149
		<b>54,511,582</b>	<b>121,304,649</b>
	<b>Net (increase) / decrease in stock</b>	<b>66,793,067</b>	<b>(82,152,500)</b>
	<b>Note:</b> As the items of finished goods produced or under production are heterogeneous in nature, model, type and specification, it is not possible to give details under different heads as required under para 5(ii) and para 5(iii) of the general instructions for preparation of the Statement of Profit and Loss as per Schedule III of the Companies Act, 2013.		

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2016	Year ended 31 March 2015
<b>3.18</b>	<b>MANUFACTURING EXPENSES</b>		
	Power and fuel	2,718,085	2,907,325
	Spares and Stores	652,107	1,124,335
	Freight	2,302,570	4,575,742
	Travel expenses - Production	716,596	433,567
	System Installation & Maintenance	1,681,831	925,790
	Salaries -Production	7,678,439	7,925,368
		<b>15,749,628</b>	<b>17,892,127</b>
<b>3.19</b>	<b>EMPLOYEE BENEFITS EXPENSE</b>		
	Salaries, wages and bonus	52,928,034	60,433,758
	Contribution to provident and other funds	2,928,279	2,535,098
	Gratuity expense	1,220,486	2,241,836
	Staff welfare expenses	5,044,114	6,823,419
		<b>62,120,913</b>	<b>72,034,111</b>
<b>3.20</b>	<b>FINANCE COSTS</b>		
	Bank Charges	1,358,000	504,204
	BG Commission	1,867,872	2,336,388
	Interest on borrowings		
	- interest on bank OD loans	13,132,039	16,972,643
	- interest on TDB loan	321,729	748,943
	- interest on Vehicle loan	243,216	241,617
	- interest Others	4,015,382	533,527
		<b>20,938,238</b>	<b>21,337,322</b>
<b>3.21</b>	<b>OTHER EXPENSES</b>	<b>284,503,385</b>	<b>243,364,502</b>
	<b>Selling &amp; Distribution expenses</b>	<b>41,617,276</b>	<b>30,450,227</b>
	Business Promotion	4,778,387	3,830,276
	Club expenses	373,759	444,692
	Electricity Charges	16,640	26,510
	Exhibition expenses	31,794,199	15,807,962
	Freight	2,014,470	2,352,402
	Guest House Rent & Maintenance	2,215,563	1,626,688
	Hotel Boarding & Lodging	424,258	1,161,697
	Royalty	-	5,200,000
	<b>Travelling expenses</b>	<b>29,098,867</b>	<b>27,312,386</b>
	Domestic Travel	19,267,240	21,527,406
	Travel expenses - Delivery	573,024	980,492
	Travel expenses - Demo	802,046	1,300,464
	Travel expenses - Installation	2,412,217	1,894,092

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2016	Year ended 31 March 2015
	Travel expenses - Servicing	8,003,092	9,636,781
	Travel expenses - Directors	1,062,993	1,233,770
	Travel expenses - Marketing	4,514,780	5,133,481
	Travel expenses - General	1,899,088	1,348,326
	Foreign Travel	9,831,627	5,784,980
	Travel expenses - Directors	4,346,702	3,743,312
	Travel expenses - Others	5,484,925	2,041,668
	<b>R &amp; D Revenue expenses (Refer Note No. 3.25)</b>	<b>142,964,766</b>	<b>129,201,240</b>
	<b>Administrative &amp; General expenses</b>	<b>70,822,476</b>	<b>56,400,649</b>
	Advertisement	1,019,362	1,211,300
	AGM Expenses	26,748	53,469
	Annual Day Expenses	583,721	2,154,037
	Bad Debts	-	33,136
	Bad Debts Writtenback	-	(149,000)
	Books & periodicals	335,185	28,049
	Conveyance	2,900,278	4,076,375
	Director's sitting fees	550,000	480,000
	CSR Expenditure	2,216,120	511,600
	Donation	32,222	17,935
	Electricity Charges	358,476	289,226
	Listing Fee	290,000	340,000
	Insurance	1,617,163	1,241,363
	Membership & Subscription	3,372,282	2,485,925
	Office Maintenance	5,974,086	7,728,220
	Postage & Telephone	3,449,098	3,358,728
	Printing & Stationary	2,057,011	1,761,446
	Professional Charges	22,487,233	13,243,802
	Provision for doubtful Debts/Advances	(539,984)	(3,654,316)
	Rates & Taxes	2,994,425	3,060,533
	Rent	11,221,474	8,596,351
	Security expenses	3,132,587	2,446,960
	Software Licence fee	842,595	2,904,231
	Vehicle Maintenance	3,233,552	2,941,833
	Computer Maintenance	1,914,242	639,016
	Prior Year Expenses	243,090	-
	<b>Payment to Auditors</b>		
	<b>As Auditors</b>		
	For Statutory & Tax audit fee	311,450	251,236
	For Internal audit	180,000	180,000
	<b>In other capacity</b>		
	For Certification and Advisory in respect of Income tax, Company law etc.,	-	148,017
	Out of pocket expenses	20,060	21,177

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No	Particulars	Year ended 31 March 2016	Year ended 31 March 2015
<b>3.22</b>	<b>DEPRECIATION &amp; AMORTISATION EXPENSE</b>		
	Depreciation on total Tangible assets (Ref Note 3.07)	21,846,310	26,314,602
	Depreciation on total Intangible assets (Ref Note 3.07)	21,324,772	16,405,510
		43,171,082	42,720,112
	Less: Shown under R&D revenue expense		
	- Depreciation on Tangible assets used in R&D activities (Ref Note 3.25)	2,991,168	5,601,294
	- Depreciation on Intangible assets used in R&D activities (Ref Note 3.25)	19,288,037	14,613,746
		22,279,205	20,215,040
		20,891,876	22,505,073
<b>3.23</b>	<b>TAX EXPENSES</b>		
	Current tax (MAT)	6,003,665	40,768,430
		6,003,665	40,768,430
	<b>Note:</b> Tax expense comprises current tax. The current tax represents the Minimum Alternate Tax (MAT) payable by the company on the book profits for the year. Current tax expense is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 and the tax rates and tax laws used to compute the tax amount are prevailing at the reporting date.		
<b>3.24</b>	<b>EARNINGS PER SHARE (EPS)</b>		
	<b>Total operations for the year</b>		
	Profit after tax (PAT)	23,131,514	157,380,605
	Weighted average number of equity shares	77,160,060	77,160,060
	Earnings per Share (Both Basic & Diluted)	0.30	2.04
<b>3.25</b>	<b>EXPENDITURE INCURRED ON RESEARCH AND DEVELOPMENT</b>		
	Salaries	65,431,742	61,071,476
	Commission	484,941	-
	Bonus & Gratuity	4,941,413	7,010,793
	Electricity Charges	2,690,101	3,343,432
	Travelling expenses	4,082,943	2,701,235
	Spares & Stores	36,241,451	28,995,133
	Consultancy Fee	4,043,844	2,327,823
	Depreciation	22,279,205	20,215,040
	Interest on TDB Loan (UAV Sim)	2,743,492	1,750,000
	Exhibition Expns - UAV Sim	-	630,756
	Training charges	11,434	43,305
	Freight	-	70,000
	Rates & Taxes	-	848,400
	Repairs & Maintenance	14,200	193,847
		142,964,766	129,201,240

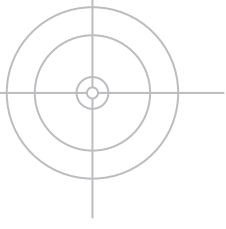


Note No	Particulars	Year ended 31 March 2016	Year ended 31 March 2015
<b>3.26</b>	<b>COMMITMENTS AND CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF</b>		
	<b>I. DISPUTED MATTERS</b>		
	(a) Appeal filed by the Central Excise Department before the Customs, Excise and Service Tax Appellate Tribunal (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.	5,171,356	5,171,356
	(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.	74,942,371	74,942,371
		<b>80,113,727</b>	<b>80,113,727</b>
	<b>Note:</b> The dispute in the matter (a) above was relating to inclusion of customized software in the valuation of simulators supplied by the company during the period from F.Y. 2005-06 to 2010-11 (upto 31.07.2011). The matter was first adjudicated by the Commissioner of Customs and Central Excise Hyderabad - II Commissionerate and decided in favour of the company. However, the Excise Department has filed an appeal before the Appellate Tribunal Challenging the order passed by Commissioner of Customs and Central Excise. For the subsequent periods i.e., 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 it is pending for final 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	165,898,029	452,090,630
		<b>165,898,029</b>	<b>452,090,630</b>

### 3.27 RELATED PARTY DISCLOSURE

Name of the Party	Relationship	Nature of Transaction	2015-16	2014-15
Related party disclosures as required by AS-18 are given below:				
<b>a. Transactions during the year</b>				
<b>Mr Ashok Atluri</b> Chairman and Managing Director	Key Management Personel	Remuneration	5,121,448	4,138,921
<b>Mr Ashok Atluri</b> Chairman and Managing Director	Key Management Personel	Commission	-	4,119,033
<b>Mr Kishore Dutt Atluri</b> President	Key Management Personel (Brother of Mr Ashok Atluri)	Remuneration	3,580,728	2,637,946
<b>Mr M Ravi Kumar</b> Whole-Time Director	Key Management	Remuneration	3,398,568	3,371,110





<b>b. Receivables</b>				
Version 2 Games Limited	Wholly owned subsidiary	Debtors	Nil	95,136
Version 2 Games Limited	Wholly owned subsidiary	Investment	Nil	500,000

As per our Report of even date

For and on behalf of the Board

**Gokhale & Co.,**  
Chartered Accountants  
Firm Regn. No.: 000942S

**Chandrashekhhar Gokhale**  
Partner  
M.No: 23839

Place: Hyderabad  
Date: 30 May 2016

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

**Chada Jagadish Reddy**  
Company Secretary  
(M.No. ACS 43388)

**M Ravi Kumar**  
Whole Time Director  
(DIN: 00089921)

**G Sankara Rao**  
Chief Financial Officer  
(M.No. ACA 202650)



# ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM

To  
**ZEN TECHNOLOGIES LIMITED**  
 B-42, Industrial Estate,  
 Sanathnagar,  
 Hyderabad - 500 018.

**For Shares held in physical mode**  
 Please complete this form and send it to  
 Karvy Computershare Private Limited  
**Unit : Zen Technologies Limited**  
**Karvy Selenium Tower B, Plot No 31& 32**  
**Gachibowli, Financial District, Nanakramguda**  
**Serilingampally Mandal, Hyderabad- 500032**  
**Phone: +91 -40- 67161605**  
**Fax: +91 -40 23001153**  
**Email id: einward.ris@karvy.com**

**For Shares held in Demat mode**  
 Please inform your DP's directly.

**For Shares held in physical mode form**

Master Folio No. 

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	<b>FOR OFFICE USE ONLY</b>
ECS Ref. No.	

Name of First holder											
Bank Name											
Branch Name & Address											
Branch Code	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td> </tr> </table> <p style="font-size: small; margin-top: 5px;">(9 Digits Code Number appearing on the MICR Band of the cheque supplied by the Bank)              (In lieu of the bank certificate to be obtained as under, please attach a blank cancelled cheque or photocopy of a cheque or front page of your savings bank passbook issued by your bank for verification of the above particulars)</p>										

<b>Account type</b> (Please tick)	→	Savings <span style="border: 1px solid black; display: inline-block; width: 15px; height: 15px; vertical-align: middle;"></span> 10	Current <span style="border: 1px solid black; display: inline-block; width: 15px; height: 15px; vertical-align: middle;"></span> 11	Cash Credit <span style="border: 1px solid black; display: inline-block; width: 15px; height: 15px; vertical-align: middle;"></span> 13
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<b>A/c.No. (as appearing on the cheque book)</b>	→	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td> </tr> </table>								

<b>Active date of this Mandate</b>	→	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td> </tr> </table>								

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.

Dated: \_\_\_\_\_ (Signature of First holder)

*Note: On Dematerialisation of existing physical shares, for which you have availed ECS facility, the above form needs to be re-submitted.*

Certified that the particulars furnished above are correct as per our records

Bank's Stamp

Date: \_\_\_\_\_ (Signature of the Official of the Bank)

### **Payment of Dividend through Electronic Clearing Service (ECS)**

The Securities Exchange Board of India (SEBI) has advised the Companies to mandatorily use ECS facility wherever available for distributing dividends or other cash benefits, etc., to the investors. This facility provides instant credit of dividend amount to your Bank Account electronically at no extra cost. ECS also eliminates the delay in postal transit and fraudulent encashment of warrants. Only individual transactions upto ₹ 500,000/- would be covered under the Scheme.

Under this facility the amount of dividend payable to you would be directly credited to your bank account. Your bank's branch will credit your account and indicate the credit entry as 'ECS' in your pass book/statement account. We would be issuing an advice to you directly after the transaction is effected.

In case you wish to have your dividends paid through ECS and are holding the Company's shares in electronic form you may kindly fill in the enclosed ECS mandate Form and submit it to your Depository Participant. However, in case you are holding the company shares in physical form and wish to have your future dividends paid through ECS you may kindly return the said ECS mandate form duly completed and signed by you at our Registered Office address mentioned elsewhere in this report.

If you do not wish to opt for ECS facility, we strongly recommend that you provide the details of your Bank's Name, Bank's Branch, type of Account and Account Number to your depository participant, in cases where shares are held in electronic form and to us in cases where shares are held in physical form for printing the same on the dividend warrants which will be dispatched to you. In the event of any change or correction in the details that might have been provided by you earlier, kindly send revised particulars to your depository participants or to us as the case may be at an early date.

We request you to kindly submit the ECS / Bank details latest by Friday the 16 September 2016 to enable us to include the same for the payment of the current year's dividend.



# ZEN TECHNOLOGIES LIMITED

CIN: L72200TG1993PLC015939

Name of the Company: Zen Technologies Limited

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

## 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) having ..... shares of the above named Company, hereby appoint:-

1.	Name:	E-mail id:
	Address:	
	Signature:	
or failing him/her		
2.	Name:	E-mail id:
	Address:	
	Signature:	
or failing him/her		
3.	Name:	E-mail id:
	Address:	
	Signature:	

as my / our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 23rd Annual General Meeting of the Company, to be held on Saturday the 24 September 2016 at 9.30 a.m. at its Registered Office and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolution	Vote*	
		For	Against
<b>Ordinary Business</b>			
1	To receive, consider and adopt the Financial Statements (Standalone and Consolidated) of the Company for the year ended 31 March 2016 including Audited Balance Sheet as at 31 March 2016, the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date along with the Reports of the Board of Director's and Auditor's thereon.		
2	To declare Dividend for the financial year ended 31 March 2016.		
3	To appoint a director in place of Mr Ashok Atluri (DIN: 00056050), who retires by rotation and being eligible offers himself for reappointment.		
4	To ratify appointment of M/s Gokhale & Co., Chartered Accountants, Hyderabad (ICAI Firm Registration Number: 0009425) as Statutory Auditors of the Company.		
<b>Special Business</b>			
5	To Re-appoint Mr M Ravi Kumar (DIN: 00089921) as a Whole Time Director and fixing remuneration.		
6	To ratify the remuneration paid to Mr Ashok Atluri, Managing Director for the financial year 2015-16.		

Signed this ..... day of ..... 2016.



Signature of Member ..... Signature of Proxy holder(s) .....

**Notes:**

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

Name of the Company: Zen Technologies Limited

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

### ATTENDANCE SLIP

#### 23<sup>rd</sup> Annual General Meeting

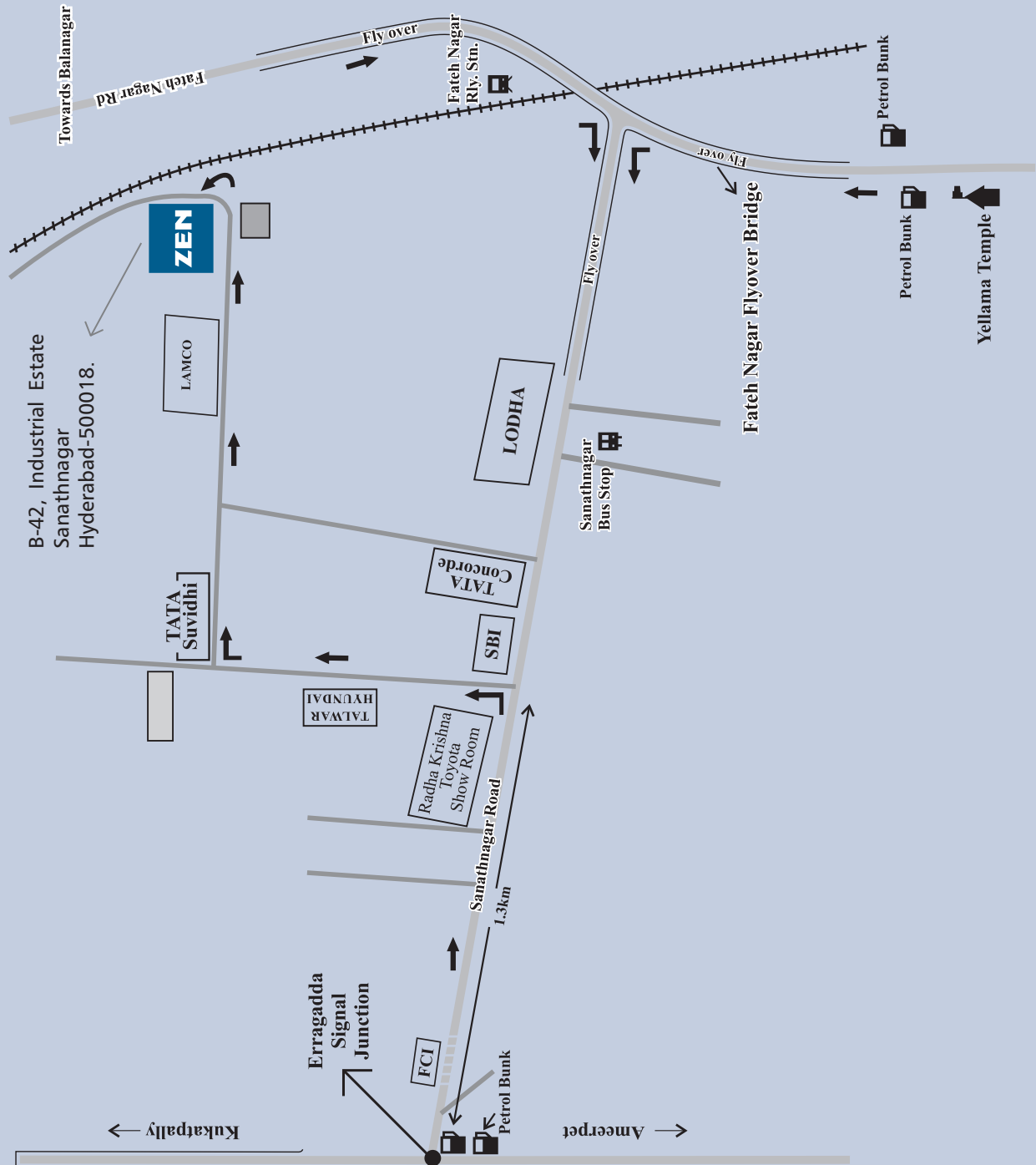
to be held on Saturday the 24 September 2016 at 9.30 a.m.

I hereby record my presence at the 23<sup>rd</sup> Annual General Meeting of the Company being held on Saturday the 24 September 2016 at 9.30 a.m. at its Registered Office.

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





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

*If undelivered, Please return to:*



**ZEN TECHNOLOGIES LIMITED**

Registered Office: B-42, Industrial Estate Sanathnagar  
Hyderabad-500018, Telangana, INDIA  
CIN : L72200TG1993PLC015939